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**Processes of Institutional Learning:  
A Comparative Evaluation of Learning within  
Economic Development Organisations in Teesside  
and Cracow**

Tanya C. Gray

PhD thesis

University of Durham  
Department of Geography

2001

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26 MAR 2002

**Tanya C. Gray**

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PhD thesis, 2001**

**Abstract**

In an era of significant regional economic disparities, attention is turning away from traditional accounts of regional disadvantage towards the insights offered by institutional and evolutionary economics. Such accounts have highlighted the institutional, social and cultural capabilities that drive regional economic success. One aspect of this literature relates to the theme of institutional learning. In particular, a distinction has been made between incremental and radical institutional learning capabilities. Whilst incremental learning facilitates institutional adaptation to changing economic circumstances through the application of established interpretations and solutions, radical learning requires the development of an 'adaptability' capacity that reflects upon the applicability of past actions and promotes institutional innovations that break with existing understandings.

Yet despite the importance attached to radical institutional learning capabilities, the internal organisational factors influencing actual learning processes - especially within the context of public sector bodies - have received little attention. This thesis explores these features through a comparative investigation of the institutional learning processes occurring within public sector based economic development organisations in Teesside, England and Cracow, Poland. The research presents the key arguments made regarding the centrality of learning to the regional rediscovery debate and examines the significance attached to the themes of institutional learning and cognition. Through reference to empirical evidence the research discusses the place specific and historically dependent nature of institutional learning processes and considers the extent to which institutional cognition, organisational memories, management systems and techniques act as barriers or stimuli to radical learning.

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## Chapter One: Introduction

### 1.1 The Rediscovery of the Region

Globalisation and rapid technological advancement, coupled with growing economic and political integration, have produced significant changes in the contemporary European economic environment, not least of which has been the intensification of regional economic disparities (Begg and Mayes, 1993; Dunford, 1994; Dunford and Perrons, 1994; Hadjimichalis, 1994; Sadler and Hadjimichalis, 1995). Whilst some regions have proved adept at exploiting the opportunities presented by the ever-changing environment, other localities have been blighted by the economic evils of mass unemployment, sluggish growth and widespread social inequalities.

The presence and persistence of regional disparities has given rise to a considerable body of literature seeking to pinpoint those ingredients that make 'economically successful regions successful' (Hudson, 1998). Drawing upon ideas presented by institutional and evolutionary economics, contemporary debate has expanded upon the arguments presented by well-established accounts of regional disadvantage, suggesting in particular that regional economic vitality is as much dependent upon a locality's endogenous institutional, cultural and social capital as it is upon purely economic variables. Giving a particular emphasis to the role of learning, knowledge and innovation, this new approach has presented exciting insights into the sources of regional economic competitiveness and has provided renewed hope for those less-favoured regions seeking to alter the course of their economic development trajectories (Nelson and Winter, 1982; Cooke, 1983; Hodgson, 1988; Putnam, 1993; Massey, 1995; Amin and Thrift, 1995; Storper, 1995; Amin and Hausner, 1997; Morgan, 1997; Hudson, 1998; Maskell and Malmberg, 1999; Amin, 2000).

This chapter introduces the conceptual and empirical framework of this thesis. The chapter begins with a brief review of the core claims made in the regional rediscovery literature regarding learning and highlights some of the key issues arising from this debate. The chapter then summarises the thesis strategy and focus, outlining the case studies chosen for comparative analysis, the research techniques adopted and the chapter structure of the thesis.



## 1.2 Explaining Regional Economic Performance: A New Approach

One theme of central importance in this 'regional rediscovery' literature concerns learning. In relation to the performance of individual firms, debate has indicated that for a long-term competitive edge to be both secured and maintained, ongoing innovation is a prerequisite for economic success and commercial survival (Porter, 1990; Gregersen and Johnson, 1997). Within this context, knowledge is championed as the most fundamental resource and learning the most important process (Lundvall, 1992). This acknowledgement has stimulated extensive investigations into the conditions that best secure and sustain learning within and between individual firms. Such studies have indicated that learning practices that support the ongoing creation and dissemination of tacit, as opposed to codified, knowledge present qualitative advantages (Amin and Wilkinson, 1999; Hassink, 1999). Codified knowledge refers to information that can be easily communicated and reproduced between economic actors, including for example shared symbols or product patents (Child, 1997; Keane and Allison, 1999). By contrast, tacit knowledge reflects an array of unique, context specific variables, including workplace cultures, routines, common values and networks of trust that cannot be easily replicated or exchanged outside of the originating environment. Although capable of being codified over time, the initial degree of 'non-transferability' carried by tacit knowledge makes it a key asset from which competitive advantage can be derived. Moreover, the continuous flow and production of tacit knowledge is thought to be best facilitated via face to face contact and extended opportunities for collective dialogue and participation (Lundvall, 1992; Gregersen and Johnson, 1997; Mytelka and Farinelli, 2000).

Recognition of the role of tacit knowledge and the associated premium placed upon learning by interacting activities has indicated that learning is a socially embedded phenomenon. It is shaped not only by the structures, routines, relations and habits present in the workplace (Nonaka and Takeuchi, 1995; Freeman and Soete, 1997) but also by the distinct social and cultural heritage of the regional environment (Granovetter, 1985; Amin and Cohendet, 1999). In particular, firm based learning is increasingly understood as being affected by regional institutional arrangements. These arrangements refer first, to the available technical infrastructure – e.g. universities, technology transfer centres or research and development facilities –

through which learning is delivered and promoted (Chatterji, 1998; Keane and Allison, 1999; Diez, 2000). These agencies influence learning via, for example, supplying training courses designed to communicate new knowledge or techniques, publishing 'cutting edge' research journals or developing product patents and designs. Second, a region's institutional arrangements also relate to the role played by public sector agencies (Hendersen, 1998; Glasmeier, 1999). These bodies shape the learning activities and opportunities available to individual firms through for example the adoption of public policies designed to promote learning or the enactment of specific legislation dictating which functions firms may, or may not, engage in. In this way, public sector bodies influence the timing, degree and form of firm based learning as well as regional learning priorities and anticipated outcomes. Public sector agencies through their direct operational and policy responsibilities also define broader regional economic development priorities. This occurs in a number of ways ranging from the fixing of land use priorities and physical infrastructure (e.g. telecommunications, roads) through to softer measures focused upon the delivery of financial aid for business start-ups or foreign direct investment. As well as regulating the daily functioning of the economy, public sector agencies are increasingly involved with long-term strategic regional economic planning activities that seek to identify economic opportunities and highlight any potential competitive threat or structural barrier.

The potentially decisive role played by public sector bodies in regional economic affairs has led to growing interest in the learning activities occurring within such agencies. Within the context of these studies, an emphasis has been given first, to the impact of public sector policy and programmes upon firm based learning and second, to the learning occurring *between* public sector agencies and other regional partners, including academic institutions or network associations (Gregersen, 1992; Glasmeier, 1999). Although limited acknowledgement has been given to the institutional learning processes taking place *within* individual public sector agencies, this early focus nevertheless represents a much needed shift away from the dominant preoccupation with firm based learning investigations. In addition, consideration of public sector learning has served also to enhance wider academic discussions regarding locally based governance responsibilities and structures. Most notably, studies have provided complimentary evidence relating to the role of local and

regional government as regional 'animateur' or 'pacer' participating in new forms of associative and partnership based governance models (Gregersen, 1992; Storper, 1995; Amin, 1996; Morgan, 1997; Hjern, 1998; Healey, 1998).

Regional institutional arrangements are thereby recognised as powerful influences upon the form and availability of learning opportunities and the conditions that best support innovation, knowledge acquisition and creation. However, the significance attributed to a region's institutional structures does not derive simply from the mere presence or absence of formal agencies - such as those represented by state, market and intermediate actors. Of equal importance to the physical institutional arrangements are the modes of conduct and rationalities underpinning learning both within individual bodies and at inter-institutional levels (Amin and Thrift, 1995; Hodgson, 1997; Maskell and Malmberg, 1999).

More specifically, the terms 'learning region' and 'learning economy' have been coined (Lundvall and Johnson, 1994; Morgan, 1997) to suggest that the most economically advanced regions are those demonstrating extensive institutional learning behaviours. These are advanced and sustained by an array of place specific variables including the prevailing social customs, habits and relations. This literature maintains that competitive regional economic success derives explicitly from the *adaptability* that engagement by all economic actors in learning can promote (Grabher, 1993; Amin and Hausner, 1997; Kraatz, 1998; Amin and Cohendet, 1999; Hendersen, 2000). This adaptability reflects a capacity to respond to economic shifts, anticipate wider environmental change and stay ahead of economic competitors. Similarly, an institutional inability to learn - and the ensuing failure to secure adaptability - is thought to be a contributory factor in explaining poor regional economic performance. This has become particularly evident in those localities once identified as learning regions but which have subsequently demonstrated slow rates of economic growth, unemployment and limited flexibility in the face of economic change. Within this context, it is suggested that the institutional learning relations, contacts and procedures which initially sparked dynamic economic growth have become too deeply embedded, leaving little scope for the adoption of alternative and more appropriate actions (Grabher, 1993; Cooke and Morgan 1994; Genschel, 1997; Amin, 1999).

An inability to learn is also thought to derive from a range of internal institutional rigidities. These include the adopted management techniques and leadership styles, the internal structures of command and control, and importantly, the prevailing institutional cognitions (Kraatz, 1998; Amin and Wilkinson, 1999). Where such factors combine to generate path-dependent learning that is inappropriate to the emerging environmental conditions, a number of remedies are suggested. First, institutions can embark upon processes of *unlearning* or *forgetting* past forms of conduct and behaviour (Hedberg, 1981; Johnson, 1992). Second, institutions are advised to develop a capacity to *learn how to learn* so as to guarantee adaptability and ensure economic success (Lundvall, 1992; Amin and Hausner, 1997). Finally, capacity building exercises are recommended to improve internal learning abilities (Healey, 1998). Consequently, learning is no longer interpreted as being a series of 'one off' or stand alone activities but rather is viewed as an essential ethos or mentality that pervades all aspects of both institutional and regional conduct (Asheim, 1996).

### 1.3 Institutional Learning: New Approaches and New Questions

Although the learning literature stresses the importance of non-economic variables it nevertheless displays important shortcomings. The first prominent void relates to the fact that to date, much of the terminology has been of a vague and imprecise nature, and moreover, has not been subject to extensive empirical verification (Hayes and Allison, 1998; Hendersen, 2000). The resulting lack of clarity leaves potentially crucial questions unanswered. What, for example, do the terms '*unlearning*' and '*forgetting*' actually mean? What forms of organisational management systems and leadership techniques facilitate learning of a *path breaking* as opposed to a *path following* nature? And crucially, what impact do institutional cognitions exert upon learning?

Second, an almost exclusive emphasis has been placed upon appraising the *outcomes* of engaging - or failing to engage - in learning, chiefly in terms of the alleged effects upon the performance of individual firms and regional economies (Boucheron, 1992; Dupuy and Gilly, 1996; Hendersen, 1998; Glasmeier, 1999). Within this framework, actual learning *processes* have been assumed to be familiar, implicit procedures and

consequently they have not been subject to any substantial definition or examination. This is particularly apparent in the academic arguments made in respect of institutional learning and cognition. Most notably, whilst highlighting the significance of cognition to learning, debate has neglected to expand upon how specific institutional cognitions develop within distinct institutional environments in such a way as to produce variations in institutional learning processes. Similarly, debate has ignored how institutional cognition becomes mirrored and sustained in organisational management systems and techniques in such a way as to present barriers to, or opportunities for radical learning. As well as filling this conceptual gap, the empirical investigation undertaken in this thesis regarding institutional cognition seeks to explain why engagement in institutional learning sometimes gives rise to path breaking and dynamic institutional innovations and sometimes simply reproduces existing arrangements and induces path following behaviour (Hayes and Allison, 1998; Amin and Cohendet, 1999).

The third major void concerns the focus previously given to firm based learning. By contrast, the institutional learning processes of public sector agencies have been largely neglected in the context of the learning debate. This absence is surprising given the impact of such bodies via their policy decisions, responsibilities and actions upon regional strategic planning, economic, sectoral and political trends and upon the operating conditions and learning opportunities presented to both individual firms and regional economies. Given this critical role, it is important to grasp how public sector agencies come to learn new knowledge, information and skills so as to improve internal capabilities and contribute to the adaptability of the wider regional economy. For example, how, and from which sources, do economic development organisations learn new knowledge about future regional economic demands and priorities? What processes and routines underpin learning within public sector agencies? How and why do such agencies select new pieces of information deemed to be of relevance to their short and long-term development strategies? And how do internal public sector specific characteristics - such as remits, internal structures and management styles - promote or discourage learning?

Examination of the public sector has the potential to extend current awareness of the various influences upon the character of learning and adaptation (Amin, 1999). More

specifically, such exploration has the potential to reveal possibly dissenting evidence regarding the diverse range of forces shaping institutional learning. Firms are driven by the need to maximise profits, remain competitive and anticipate changing market conditions. Public sector bodies, by contrast, are traditionally geared towards the provision of basic services, the representation of community interests and the maintenance of political and financial accountability. These fundamental differences between public and private sector entities – mirrored in contrasting remits, internal structures, management styles and lines of authority – may reveal new aspects of relevance to the learning debate.

These issues, although not fully addressed within the context of the regional rediscovery debate, are themes to have come under scrutiny elsewhere in the social sciences. In particular, within the context of organisational management studies, public administration and psychology, insights are available regarding the institutional cognitions, organisational management systems and management techniques that best promote and sustain radical institutional learning. This interdisciplinary endeavour has revealed two concepts of potential interest: single and double loop learning<sup>1</sup> (Bateson, 1973; Argyris and Schon, 1978; Child, 1997; Hayes and Allison, 1998). As well as resonating with the theoretical distinction made between learning that secures adaptability as opposed to adaptation, the concepts of single and double loop learning also examine a range of internal organisational features that act as either learning barriers or stimuli.

Single loop learning denotes an ability to detect and correct errors in relation to a given set of operating norms. As such, single loop learning encourages routine improvements to be made within the boundaries of existing knowledge and is viewed as a *technical* learning scenario that enables for example the acquisition of new skills or techniques (Child, 1997). By contrast, double loop learning refers to an ability to

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<sup>1</sup> Reference is also made to deuterio loop learning types (Argyris and Schon, 1978; Child, 1997). According to Child, deuterio loop learning involves learning how to learn and implies changing organisational mindsets. As both features also underpin the 're-framing' practices inherent in double loop learning, I have chosen to deal with deuterio loop learning under the heading of double loop learning. This choice reflects a limited acknowledgement of the constituent features of deuterio loop learning types within the academic literature. In addition, there is also some confusion regarding the distinguishing features of double and deuterio loop learning. Bateson (1973) for example suggests that an ability to learn how to learn is associated with double loop learning processes whilst Child (1997) indicates that learning how to learn is in fact inherent in deuterio loop learning processes.

take a 'double look' at a given situation by deliberate reflecting upon the relevance of the system's guiding operating norms and standards. Double loop learning thereby facilitates *systemic* level change by encouraging a shift in the established institutional cognition and allowing new information to be both accessed and accepted as relevant. Both concepts have already received attention from observers seeking to explain regional economic variations. Most notably, Grabher (1993) and Amin and Cohendet (1999) have suggested that areas experiencing economic decline or stagnation tend to adopt single loop learning that encourages reactive adaptation to economic change. By contrast, economically successful areas demonstrate a double loop learning capacity. This is based upon an ability to learn how to learn, and reflect upon the appropriateness of adaptation (Bateson, 1973). Examination of single and double loop learning within the regional rediscovery debate has nevertheless centred upon assessing the possible outcomes of engaging in one learning type over another. In doing so discussions have neglected to expand upon the distinguishing constituent components of single and double loop learning processes or the conditions that best support their adoption and maintenance.

#### **1.4 Investigating Institutional Learning Processes: Thesis Strategy and Focus**

This thesis therefore examines institutional learning processes occurring within public sector economic development organisations. The thesis identifies the form that learning takes and examines why public sector bodies choose to engage in certain learning activities over others. This analysis includes an examination of the preferred sources of information and the various formats through which learning occurs. The analysis also considers the factors influencing engagement in learning and pinpoints the procedures through which 'learned' information is communicated and incorporated into practices and perspectives. In this way, the thesis seeks to ascertain the learning priorities of economic development agencies and reveals the values associated with learning as a tool to promote institutional adaptability. A second objective is to explain the types of learning processes at work. Applying the single and double loop learning concepts as central analytical tools, the thesis does not seek to categorise learning processes according to one or the other learning loop type. Rather the concepts are employed in order to investigate the range of influences impacting on institutional learning capabilities. Through these concepts the thesis

also considers the internal barriers inhibiting institutional learning processes referring most notably to those obstacles connected with institutional cognition and memory.

The thesis does not evaluate the overall effects of public sector institutional learning processes upon regional economic performance. This decision is based upon a dual rationale. First, as already discussed, debate has been dominated by investigations into institutional learning outcomes. An analysis of learning process redresses this academic imbalance. Second, the timescale of this research and its resources did not allow for an in-depth investigation into the full range of factors influencing regional economic performance. Practically, such an examination would entail the adoption of a research methodology capable of extending over a much longer time period and encompassing a far broader range of research techniques than those possible in this thesis.

The thesis adopts a comparative case study approach, focusing on institutional learning processes occurring within economic development agencies on Teesside, England and in Cracow, Poland.<sup>2</sup> Through this approach, the thesis explores the extent to which diverse institutional, economic and social conditions combine to promote distinct learning processes, reflecting the specificities of each area. This choice follows my wish to examine first, the nature of institutional learning processes occurring in both areas and second, to identify learning catalysts and obstacles.

In Teesside, economic transition since the 1970s has resulted in a decimation of the area's once dominant heavy manufacturing bases. The ensuing levels of high unemployment, slow growth and a widening of social disparities have combined to situate Teesside high on the list of the most deprived localities in the United Kingdom (DETR, 2000). This position is starkly contrasted by Teesside's early success in driving the economic expansion of the industrial revolution both at home and abroad. Moreover, the institutional shifts deemed appropriate for managing economic transition on Teesside have in the main been of a gradual and incremental

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<sup>2</sup> Refer to Figures 1 and 2 for location maps showing the two areas investigated.

**Figure 1**  
**Teesside in the regional and United Kingdom context**

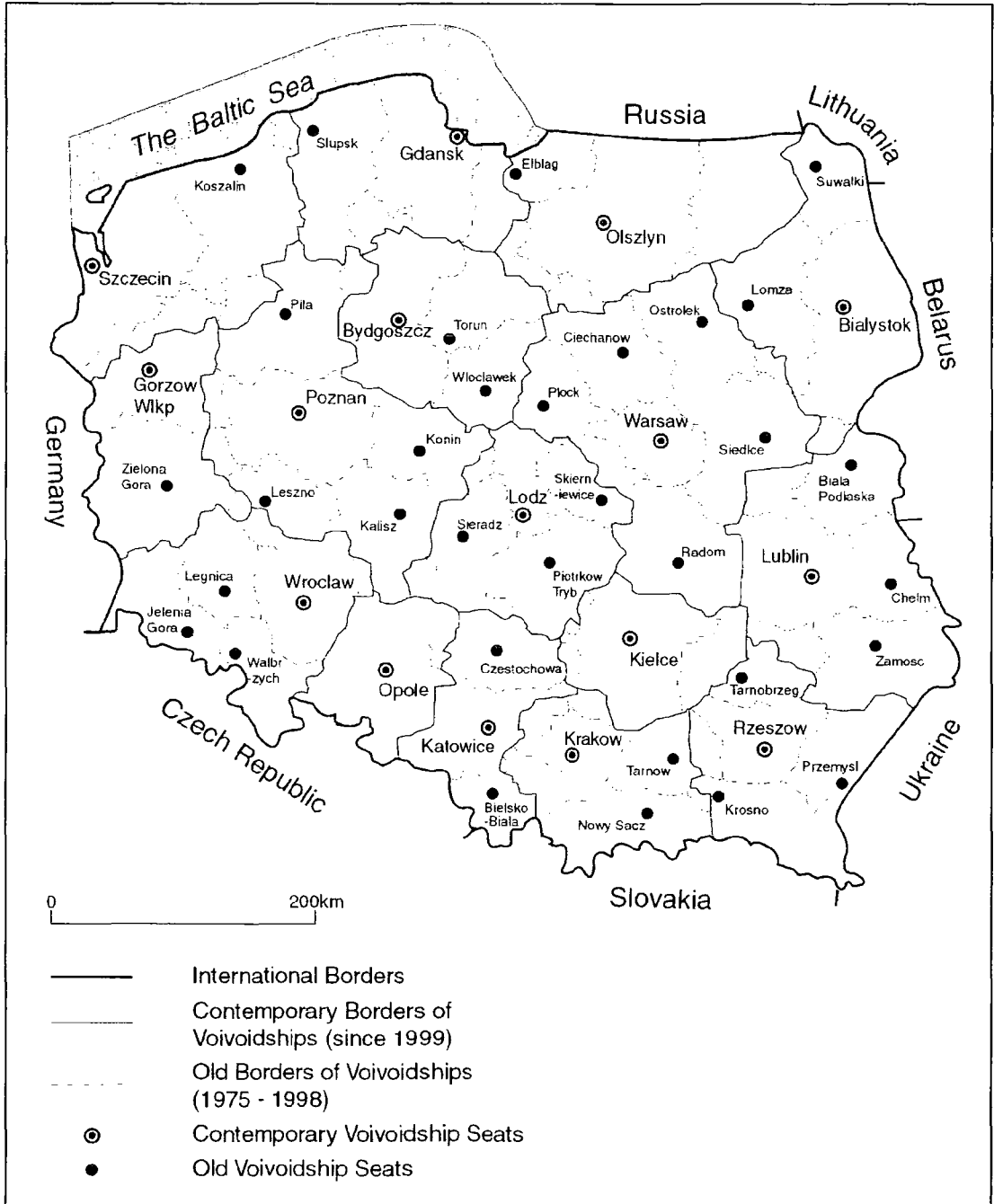


nature. Whilst new agencies have come and gone, these have followed established patterns, reinforced existing relations and have thereby failed to inspire radical change either in the institutional set-up itself or in the wider local economy. This has led some observers to suggest that despite the existence of a seemingly well-evolved and conducive institutional framework, processes of institutional lock-in have restricted successful economic development on Teesside by stifling the exploration of alternative futures (Hudson, 1994).

Whilst Teesside has confronted the problem of economic transition from a relatively narrow industrial base for several decades and without radical institutional change, the economic transition of Cracow can be traced to a more dramatic catalyst, the collapse of state socialism. Such transformation has at national, regional and local scales entailed intense deliberations over many aspects of economic and political life - discussions themselves intensified by increasing exposure to global competitive pressures and growing regional inequalities. Within this framework, policy discourse since the early 1990s has centred upon developing 'interactive' institutional approaches capable of facilitating the mobilisation of a broad range of local institutions as the basis for economic renewal. Within the sphere of economic development this has entailed first, the creation of entirely new bodies such as regional development agencies and city marketing boards and second, a complete overhaul of the structures and perspectives of those agencies previously in existence during the era of state socialism. This reconfiguration of Cracow's institutional structure as well as promoting alternative forms of interaction between local, national and regional actors from both the state and market sectors, has also presented significant challenges. These relate to the management of newly acquired economic development powers and responsibilities according to principles of transparency, accountability and legitimacy in an era increasingly strained by pre-1989 legacies of institutional mistrust and the short term demands of a disenchanted public (Schopflin, 1994; Hausner et. al., 1997).

As one of Poland's most economically advanced localities, Cracow has proved highly adept over the last decade at exploiting the opportunities presented by new economic and institutional conditions. The area has successfully attracted

**Figure 2**  
**Cracow in the regional and Polish context**



considerable foreign direct investment and has maximised to the full its cultural assets, tourism potential and educational heritage. Although economic difficulties are never far away, manifesting themselves most notably in the enormity of the restructuring task facing Cracow's major steel complex, the extensive array of organisations and the comparative enthusiasm with which new skills are being acquired, may be of crucial significance in determining how future problems and opportunities are managed.

By contrasting an old industrial region that has for a long time been at the margins of Western European growth processes with a similar industrial region that has recently entered the mainstream European economy, the comparative approach allows serious exploration of the learning capabilities of each region. Whilst both areas have in recent years experienced far-reaching economic, social and political transition, such shifts have been driven by a variety of distinct forces. These have had diverse consequences, especially in terms of cultural wealth, habits, customs and institutional conditions. In turn these spatial variations have led to sharp differences in institutional learning processes. Such variations are expected to manifest themselves in the form of learning processes adopted, the values attributed to engagement in learning and the perceived institutional learning impediments and catalysts. These are precisely the concerns that inform the conceptual aspirations of this thesis.

In order to investigate institutional learning processes in Teesside and Cracow two research techniques were adopted. First, secondary data was gathered via archival searches conducted in respect of academic literature, professional journals, newspaper reports, organisational literatures and official publications. Archival searches helped to identify the role, responsibilities and structures associated with individual institutions, provided information on the short and long term objectives underpinning the latest trends in institutional and economic development priorities and highlighted any associated policy, legislative and administrative procedures.

Second, semi-structured interviews were conducted with fifty-five economic development agencies and experts responsible for either the strategic formulation or practical implementation of regional economic development policies and priorities.

Table 1 lists the main categories of economic development organisations and practitioners interviewed.<sup>3</sup>

**Table 1**  
**Economic Development Institutions and Individuals Interviewed**

Institutions Interviewed	Teesside	Cracow
Local Government Institutions (e.g. District and County Councils)	5	2
Agents of Local Government (e.g. Development Agencies, Inward Investment Units, Strategic Bodies)	4	2
Regional Government Bodies	4	3
National Government Bodies and Departments	0	2
National government initiative bodies (e.g. Business Link, Polish Foundation for the Promotion of Small & Medium Size Enterprises)	3	2
Elected Representatives	3	0
Large Private Sector institutions (e.g. Imperial Chemical Industries (ICI), British Steel, Huta Tadeusz Sendimierz (HTS))	2	1
Private Sector Affiliations (e.g. Chambers of Commerce)	1	1
Trade Unions Representatives	0	1
Voluntary and Community Sector Groups	4	1
Local Authority Associations and Foundations	0	2
Universities and Research Units	1	2
Regional Commentators	4	5
<b>Total</b>	<b>31</b>	<b>24</b>

An interview schedule was designed to investigate the various influences impacting upon institutional learning processes. The first set of questions expanded upon the learning occurring within public sector agencies, focusing in particular upon identifying how, why and when learning takes place. Through such questions, issues regarding learning stimuli, obstacles and values were addressed. The second set of research questions identified the extent to which individual agencies engaged in learning activities of either a single or double loop nature. Enquiry focused upon the degree to which agencies engaged in reflexive and dissenting practices and probed

<sup>3</sup> Columns two and three highlight the number of institutions and individuals contacted in both areas. A full list of interviewees is attached in Appendix 1. The categories of agencies listed in Table 1 do not reflect any universally accepted definition or classification but are adopted simply to illustrate the range of institutions interviewed. For the purpose of this study 'economic development' is defined in line with recent policy discourse in the European Union that has stressed the adoption of a more holistic approach to regional economic development issues. Accordingly, economic development responsibilities today extend beyond the traditional provision of financial aid, industrial estates and business incubator units and now incorporate a broader range of educational, institutional and environmental variables.

into the effects of organisational memory and management systems upon institutional learning processes. The final set of research questions examined the impact of historical, economic and institutional trajectories upon learning.<sup>4</sup>

During the planning and delivery of the fieldwork three practical constraints were encountered. The first problem concerned the translation of conceptual understandings to broader everyday understandings or usages. For example, in a small number of instances 'learning' was understood as pertaining solely to general educational standards or opportunities for professional study. Similarly, the term 'memory' was on occasion understood only as relating to personal recall rather than as a concept mirrored in institutional cognitions, mentalities, structures or documents. Furthermore, in some instances the terms 'dissent' and 'disagreement' were seen as weaknesses in line with their widespread everyday usage. With the benefit of hindsight these terms should have been piloted. However, it is worth noting that the terms were misunderstood only in a small number of cases, often clarified within the context of other interview questions. Furthermore, these difficulties were instructive in highlighting perceptions about what it takes to be an effective learning entity.

The second problem related to the distinction between 'espoused theory' and 'theory in use' or the differences between what people say and what people actually do. Argyris (1970) points out that, particularly amongst senior managers, there is a desire to project a positive image and convey the impression that the agency in question knows what it is doing. This is done not only to impress the external observer but also to convince themselves and others that all is well. It is possible that within the context of the current research, certain senior officials gave over-enthusiastic answers to convey the impression that learning is central to all organisational activities.

I have sought to overcome this difficulty by employing questions dealing with the specificities of double loop learning processes. These questions focused on the reflexive and dissenting capacities of the agencies interviewed. Accordingly, whilst

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<sup>4</sup> An example interview schedule is shown in Appendix 2.

some interviewees may have stated that their respective agencies were effective learning entities, they may through subsequent questions have revealed the true extent and form of their learning potential. In this way, the difficulties associated with espoused theory and theory in use, whilst not totally avoided, have been nevertheless significantly minimised.

The third and final difficulty related to the engagement of appropriate translation and interpretation support during the Cracow fieldwork. In particular, there was a need to ensure that any interpretation or translation undertaken was capable of being literally correct and able to capture any distinctive meanings or nuances associated with the research topic. In practice, the difficulties initially envisaged did not present themselves as major obstacles. First, many of the senior economic development practitioners in Cracow were fluent in English having had extensive experience with international companies, agencies and academic bodies. Second, much of the documentary data relating to the work of individual agencies and the wider regional economy was available in English language versions, increasingly adopted to inform foreign investors and European Union agencies. In many instances, no translation or interpretation support was required. Finally, in those instances where interviewees expressed a wish to conduct interviews in Polish, two interpreters were employed who had a fluent command of English and were based at the Cracow University of Economics investigating related research issues. Both interpreters were therefore aware of the associated research terminology and subtleties. Moreover, where any uncertainties were expressed these were discussed at great length both prior and subsequent to individual interviews.<sup>5</sup>

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<sup>5</sup> A further potential research constraint was encountered as a result of past work experience. Before commencing my research I was employed within a local authority economic development unit on Teesside and within a regional government department. Such experience has facilitated access to a wide range of economic development agencies and has presented me with first hand insights into the associated operational obligations and forms of institutional interaction and competition. Conversely, this experience may have affected my perceptions regarding the roles and responsibilities of certain economic development agencies. In order to minimise these distortions, significant efforts were made both at the start of and throughout the research to register and check my existing preconceptions in order to minimise any potential distortion in the interpretation of the research results.

## 1.5 Thesis Structure

Chapter two reviews the regional rediscovery literature, focusing in particular upon the learning debate. The chapter opens by summarising the key themes present in the flexible specialisation, innovative milieu and industrial cluster models before turning to highlight the related insights of institutional and evolutionary economics. This analysis stresses the salience of institutional performance, knowledge creation and learning in facilitating and sustaining an adaptable and dynamic regional economy. Finally, chapter two concludes by reviewing some of the weaknesses of the regional rediscovery literature, emphasising in particular those criticisms directly related to learning.

Chapter three deepens the theorisation of learning by exploring some of the key influences upon institutional learning processes. The chapter begins by defining the terms 'learning', 'institutional learning' and 'learning process' before turning to summarise the links made between cognition and learning. Drawing upon the insights offered by the literature on cognitive psychology, organisational management and public administration, the chapter examines how distinct institutional cognitions can act to promote differing learning processes. Employing the twin concepts of single and double loop learning, the chapter concludes by exploring how differing organisational management systems and management techniques further influence whether institutional learning processes are of a radical or incremental nature.

Chapter four introduces the empirical aspects of the research with a review of the economic and institutional histories of both areas. The chapter begins with an exploration of the main historical events to have shaped economic development pathways in Teesside and Cracow before continuing with a more detailed analysis of the current formal institutional arrangements in each area. This discussion includes an examination of some of the major institutional transformations to have affected each area in recent years and considers the impact of such changes upon the nature and form of economic development roles and responsibilities today. In addition, the chapter considers how the distinct economic and institutional histories of each area have given rise to specific institutional cognitions that have shaped - and at the same

time been influenced by - institutional and economic change. Finally, the chapter concludes by discussing the potential impact of such experiences upon institutional learning processes.

Chapter five explores the learning activities occurring within public sector based economic development organisations in both areas and examines how institutional cognition affects institutional learning processes. The chapter begins by outlining the learning practices, habits, sources and relations pursued by economic development agencies and reviews organisational perceptions regarding the value and purpose of engagement in learning practices. This chapter then examines the kinds of memories in place within organisations and considers how such memories come to be represented in institutional cognitive repertoires. Finally, the chapter discusses how organisational memories and cognitions are reflected and sustained in organisational management systems before examining the effects of management system, cognitions and memory upon institutional learning processes.

Whilst chapter five highlights the diverse institutional learning opportunities, cognitions and memories observed in Teesside and Cracow, chapter six focuses upon the mechanisms by which organisations may dramatically improve their institutional learning potential. Applying the single and double loop learning distinction, chapter six begins by considering whether or not economic development organisations in both areas actively engage in reflexive and dissenting practices. The chapter then turns to explore the underlying motivations for such engagement and discusses the extent to which the adoption and ongoing delivery of such practices is constrained or promoted by the prevailing institutional cognitions and chosen organisational management systems. Finally, by way of conclusion the chapter reviews two organisational experiments undertaken by Business Link (Teesside) and the Nowy Sacz Public Service City Zone. These experiments have deliberately attempted to restructure organisational management systems, techniques and institutional cognitions in order to encourage radical institutional learning processes.

Finally, chapter seven concludes by drawing together the main theoretical and policy conclusions emerging from this empirical analysis and highlights those avenues that are open for further academic investigation.

## Chapter Two: Learning Regions

### 2.1 Introduction

A considerable body of literature has emerged in recent years suggesting that a region's institutional arrangements, social assets and cognitive capabilities are of crucial significance in determining regional economic performance (Storper, 1997; Maskell and Malmberg, 1998). Drawing upon ideas emanating from evolutionary and institutional economics, this literature has rejected the predominantly economics based accounts of uneven regional development, proposing instead that individual regions can be construed as sources of economic, social and political vitality (Hudson, 1998; Amin, 1999). Such a shift has been instrumental in shedding new light upon why and how regional economic variations come to arise and persist, and in suggesting that individual localities can directly influence their own economic development destinies (Hudson, 1998).

This chapter summarises the theoretical pillars upon which the 'rediscovery of the region' literature rests, thereby situating institutional learning within its broad academic context. Discussion begins with a summary of the main themes inherent in the flexible specialisation, innovative milieu and industrial cluster models. These models have provided the basic building blocks for enquiries into the impact of non-economic variables and learning upon spatial agglomeration. The chapter then examines key evolutionary economic ideas. Beginning with a review of the importance of knowledge and innovation in creating an adaptable regional economy, the chapter proceeds by outlining the importance attributed to tacit knowledge, 'untraded dependencies' and 'relational assets'. This includes discussion of the path dependent and socially embedded nature of regional economic activity. Then, the chapter describes the contributions made by institutional economics, focusing principally upon the emerging concepts of institutional thickness and institutional lock-in. The chapter highlights the main arguments regarding institutional behaviour, stressing the significance of informal institutional capabilities and modes of conduct in promoting knowledge creation, learning and institutional adaptability. The chapter then outlines the learning region concept, before concluding with a summary of the

relative strengths and weaknesses of the regional rediscovery literature and its associated emphasis upon learning as a source of regional economic vitality.

## **2. 2 Regions as Competitive Spaces**

In the mid-1980s a new movement exploring regions as competitive spaces emerged, challenging in its wake many of the central tenets associated with Marxist, neo classical and traditional understandings of uneven regional development. For some observers a second industrial divide had taken place, leaving behind an era of Fordist methods of mass assembly in favour of 'flexibly-specialised' production capable of responding rapidly to shifts in market conditions (Piore and Sable, 1984). One feature of economic life after mass production (Storper, 1995) has been the claimed emergence of new industrial spaces, accommodating groups of small to medium sized enterprises (SMEs) supplying individual, customised commodities. Whilst such a tendency for related industries to agglomerate was acknowledged as early as Marshall's accounts of cotton production in nineteenth century England (Marshall, 1919), the rapid growth rates experienced by the newly emerging industrial spaces has prompted renewed interest in the roots and characteristics of highly localised economic expansion. In turn this has provided the cue for an intellectual shift towards the region as a unit of analysis and as a possible source of sustainable development.

Three models - flexible specialisation, innovative milieu and industrial cluster - have been influential in legitimising the renewed focus given to the endogenous conditions underpinning regional productive organisation (Hallin and Malmberg, 1996). The flexible specialisation model concerns the industrial districts of the Third Italy. Offering an alternative to large company domination and mass-produced goods, this model has fixed attention firmly onto SMEs as the drivers of regional economic activity. Arguing that the very nature of production has changed, this model has suggested that production cycles are no longer processes occurring entirely within individual firms and subject to hierarchical and centralised control. Rather production cycles are vertically disintegrated, characterised by dense, horizontal and locally based inter-firm subcontracting and supply chain structures. These arrangements, facilitating strategic interdependence and exchange, have been identified as key

determinants of the economic flexibility and innovation observed (Brusco, 1982; Trigilia, 1990; Capecchi, 1990; Beccatini, 1991).

In stressing that the performance of individual firms is a product of the external structures of enterprise relations and networks (Bianchi and Gualtieri, 1990), the flexible specialisation model has directed attention towards the social, cultural and institutional conditions of the SME environment. These conditions include a decentralised institutional framework that is well represented by a range of intermediate institutions between business and government, a highly distinctive system of rules and regulations - particularly those associated with the family and political traditions - and an atmosphere of trust and collaboration underpinning the pursuit of mutually beneficial ends. As Capecchi (1990:33) explains:

The international attention paid to an industrial system based on flexible specialisation was due not only to the economic success of such a system but also, and above all, to the blending of a model of economic development with a model of social development. This blending was possible because of the democratic disposition of information and decision making processes: a person who worked in a firm and wanted to go into business on his own could not only count on a democratic public administration but also on an unofficial network of contacts and connections with the heads of local governments.

Although the Third Italy literature is specifically concerned with craft and artisan based industrial districts, many of the ideas raised have been explored by parallel academic enquiries into the agglomeration tendencies displayed by other industries. In particular, studies have pointed to the development of high technology districts - notably those located in Silicon Valley and Route 128 in Boston - housing small, specialised firms producing high value added goods (Scott, 1988; Scott and Storper, 1992; Saxenian, 1994). Investigations into the associated inter-firm relations and production systems have raised two pivotal themes. First, it is suggested that technological progress and economic success require the continual and rapid generation of new consumer products. The clustering of high technology companies facilitates this, generating economic benefits for firms - such as reduced transaction costs - and providing highly skilled and mobile labour pools, extensive opportunities for the exchange of business know-how and the development of an institutional infrastructure tuned to industrial needs.

Second, the agglomeration tendencies observed have been applied to explain territorial patterns of industrialisation. Different industrial districts present varying opportunities for technological innovation by producing specific sets of conventions, routines, standards and institutional conditions, which once in place shape economic activities to the specificities of the setting. From this, observers have indicated that economic actors do not simply have to adapt to fixed locational advantages - such as the availability of natural resources - but are instead able to transform territory according to the needs of the industries located there (Saxenian, 1994).

The significance of the locally based conditions underpinning knowledge creation and technological innovation has been further reinforced by the findings of the 'innovative milieu' model (Aydalot, 1986; Aydalot and Keeble, 1988). Drawing attention to the regional institutions, rules and practices supporting knowledge creation and exchange practices, an innovative milieu is defined as being the set or complex network of informal social relations within a limited geographical area. These relations give rise to a specific image, inward investment capability and sense of belonging. In turn these features enhance innovative capabilities by providing opportunities for collective learning (Maillat et al., 1996).

In stressing that economic success is as much a product of the vitality of the economic environment as it is the independent actions of individual firms, the innovative milieu model has emphasised four key variables. The model points first, to the presence of relatively autonomous economic actors each with a shared perception of unsatisfied economic needs; second, to a specific set of material infrastructures (e.g. firms), immaterial infrastructures (e.g. knowledge and know how) and institutional variables (e.g. authorities, legal framework); and third, to intense processes of co-operation and collaboration between local actors and the outside world. Finally, the innovative milieu model focuses upon the operation of a self-regulating learning dynamic. Referring to the complex web of firm based learning networks the innovative milieu literature suggests that learning is a function controlled and reproduced by individual firms and is also a product of wider environmental conditions. In proposing that learning is a process bound into networks and relations of interdependence and delivered via the accepted operating standards of the milieu, this literature provides an initial indication as to the importance of the

cognitive, organisational and territorial dimensions of learning as Maillat (1996:15) suggests:

The learning dynamic reflects the players' ability to modify their behaviour as a function of the changes in their technological and market environment so as to devise new projects, implement new solutions and create new resources. It is thanks to this learning dynamic that new know how and technologies are created and developed, the balance between cooperation and competition alters, the changes that have occurred in the environment are captured and assimilated and the relations between the various partners are renewed.

The themes raised by the innovative milieu literature have received further attention via the industrial cluster model, developed by Porter (1990). Porter has argued that economic competitiveness derives from the ability of firms to innovate and upgrade their knowledge base via the intense exchange of business information. For Porter, industrial clusters offer the most favourable conditions for such activity as they encourage the emergence of external economies of scale - economies of scale arising at the level of the industry - and the development of skill advantages associated with cluster specialisation. Porter's argument rests upon the four assumptions outlined in his diamond model of economic growth. First, economic competitiveness requires the provision of specialist - rather than traditional - factors of production including for example, the availability of skilled labour and infrastructure support systems adjusted to the needs of industry. In being specific to the environment in which they arise, such features are difficult to replicate outside of the originating environment and therefore carry with them significant competitive advantages. Second, although market size remains important, it is the quality rather than quantity of local demand as well as the ability of firms to anticipate in advance the changing needs of the market that are of prime significance. Within this Porter indicates that the production of differentiated, unique goods command the premium prices necessary for competitive success. Third, Porter points to the inter-firm relations of the industrial cluster and in particular, to the opportunities presented for technological or knowledge spillover - a process involving the transfer of material and immaterial expertise amongst companies. The mutually supportive relations established through such spillover, and reinforced by the operation of certain cultural conditions - including shared affinities, trust and routines - ensure the rapid dissemination of new information and techniques. These promote the ongoing innovation necessary for the

continued expansion of the cluster. Finally, as well as pointing to the collaborative and cooperative relations between firms in the cluster, the importance of inter-firm rivalry in generating innovation is also emphasised. Accordingly, firms operating in close proximity with one another are forced to keep up with the latest advances made by their competitors and must improve performance so as to stay one step ahead of their economic rivals.

Although Porter's arguments regarding the factors governing competitive advantage have been applied principally to discussions regarding national economic competitiveness, his ideas nevertheless have had clear implications for debate surrounding regional performance. In particular in arguing that the benefits of agglomeration are of a more subtle, socio-cultural and institutional origin, Porter (1990:19) suggests that distinct spatial conditions offer differing advantages:

Comparative advantage is created and sustained through a highly localised process. Differences in national economic structures, values, cultures, institutions and histories contribute profoundly to competitive success.

Whilst Porter's observations have sparked interest in the spatial conditions underpinning economic competitiveness, Krugman (1991) has expanded upon the temporal aspects of agglomeration. Suggesting that the initial location of economic activity in a given setting arises largely as a consequence of historical accident - including for example the availability of natural resources - Krugman (1991:80) has indicated that any subsequent industrial expansion is also historically contingent:

If there is one single area of economics in which path dependence is unmistakable it is in economic geography - the location of production in space. The long shadow cast by history over location is apparent at all scales, from the smallest to the largest.

Krugman's views resonate quite clearly with Myrdal's <sup>6</sup> ideas regarding the factors

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<sup>6</sup> Myrdal (1957) identified three interrelated forces governing uneven regional development. Cumulative causation occurs when the exploitation of an initial economic advantage attracts additional factors of production, thereby launching the regional economy onto an upward spiralling trajectory facilitating further economic advancement. However, the process of cumulative causation can also work in reverse leading to the ongoing decline of less developed regions. The ensuing 'vicious spiral of decline' is known as the 'backwash effect'. Despite the operation of 'spread effects' - expansionary momentum derived from the centre and spreading outwards to the more backward areas - these are outweighed in both scope and impact by the backwash effects and regional inequalities are thereby perpetuated.

underpinning uneven regional development. Accordingly new industries are attracted to localities on the basis of existing industries and services, thereby adding to the collective mass and attracting further investment. In this sense, economic activity is self-reinforcing with each new layer of economic activity building upon and reflecting past economic functions.

The ideas presented in the flexible specialisation, innovative milieu and industrial cluster models regarding the sources of regional economic vitality have proved highly influential.<sup>7</sup> From a practical policy perspective, the models have underpinned the establishment of a plethora of science and industrial parks, incubator units, export processing zones and technopoles, each attempting to replicate the dynamic growth and economic success experienced in the ascending localities (Amin and Robins, 1990). As importantly, the models have been instrumental in providing a theorisation as to why regions matter. This theorisation has been based around three interrelated observations. First, the very nature of economic production has changed, with learning, technological advancement and continual innovation cited as the key strategic activities for regional economic success. Second, regions are no longer construed as victims of external economic forces. Rather, by developing endogenous innovative and learning capabilities, regions can determine their own individual economic development trajectories. Finally, with regional economic performance seen as inseparable from wider cultural, social and institutional accomplishments, the significance of both geography and history has been highlighted with differing spatial conditions and historical circumstances identified as being crucial in determining opportunities for local learning and innovation (Maskell and Malmberg, 1995).

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<sup>7</sup> Despite the significant advances made in shifting debate towards consideration of the specificities of place and in raising the profile of knowledge and innovation as key determinants of regional economic success, the models have been criticised. Most notably, the Third Italy literature has been criticised for its over-emphasis upon small firms and its parallel disregard for the continued presence of mass production systems (Amin and Robins, 1990). In addition, the literature does not acknowledge the impact of global competitive forces, national regulatory frameworks and their subsequent interplay with local variables (Yeung, 1994; Maillat, 1996). Similarly, both the innovative milieu and industrial cluster models have been criticised for their neglect of the mechanisms and processes associated with the functioning of the individual industrial setting. In particular, both approaches have failed to expand upon how and why certain territorial dynamics in some instances give rise to innovation yet in others fail to do so (Martin and Sunley, 1995; Storper, 1995; Malmberg, 1996; Amin, 1999).

The ideas presented by the flexible specialisation, innovative milieu and industrial cluster models have in turn generated renewed interest in evolutionary and institutional economics. This shift in academic focus reflects growing awareness that despite the best intentioned policy interventions, not all industrial systems are capable of developing into innovation systems and neither are they able to sustain such activities and conditions over time (Herrigel, 1993; Grabher, 1993; Amin, 1999; Mytleka and Farinelli, 2000). However, through reference to evolutionary and institutional ideas, clearer evidence has emerged regarding the dynamics of learning and innovation and the reasons why certain institutional arrangements and modes of conduct serve either to restrict or encourage regional economic success.

First, drawing upon evolutionary economics, the regional rediscovery literature has explored the definitions and understandings associated with knowledge and innovative practices, clarifying in the process how distinct historical, social and cultural conditions combine to produce distinct patterns of regional economic success and failure. Second, using strands of institutional economic thought, the regional rediscovery literature has outlined the institutional context for knowledge creation, innovation and learning. Enquiries have considered the impact of the formal, institutional infrastructure in supporting such activities and have reflected upon the influence of different modes of institutional behaviour and conduct. This approach has stimulated enquiry into the preferred forms of regional economic governance, the socially and spatially embedded nature of institutional activity and the impact of informal institutional characteristics - such as rules, customs, habits and procedures - upon knowledge creation and learning. Both aspects of this literature are reviewed below.

### **2.3 Regions as Learning Environments: Insights from Evolutionary Economics**

Evolutionary economics places the interrelated themes of innovation, knowledge creation and learning as central to its arguments regarding economic competitiveness and growth. The discipline revolves around two fundamental assumptions. First, technological change is thought to be, as the name suggests, an evolutionary process, with any new knowledge representing a re-configuration of previously held information. Knowledge, and the processes governing its reproduction,

communication and generation, is identified as being of a cumulative and path dependent nature, with future advances defined and understood within the context of historical precedents and past choices. Such a view stands in direct contrast to standard economic based explanations of innovation that tend to view innovative change as an exogenous and often equilibrating shock to the economic system. Second, evolutionary economics acknowledges that knowledge creation and learning are socially embedded processes shaped by - and at the same time shaping - a raft of intangible features including social relations, customs, understandings and norms. These variables combine to produce distinct technological trajectories within organisations (Nelson and Winter, 1982; Dosi et al., 1988; Lundvall, 1992; Freeman and Soete, 1997).

The applicability of evolutionary economic ideas to the regional rediscovery debate is centred upon the knowledge creation and learning activities of individual firms. Discussion has indicated that technical innovation is the main source of economic dynamism with long-term competitiveness equated with an ability to upgrade knowledge. Within this context a successful firm is distinguished from its less successful counterpart by its capability to generate technological innovations and apply them in the form of new products, processes or improvements to existing methods. The emphasis given to knowledge creation and learning in allowing firms to stay one step ahead of their competitors has in turn sparked extensive investigations into the array of firm based learning scenarios. As an example of these investigations, Freeman and Soete (1997) and Nonaka and Takeuchi (1995) have pointed to the principle of 'kaizen' believed to be responsible for the economic strength of Japanese firms. In these companies the factory floor constitutes a laboratory with workers empowered to make continual changes via learning by doing, searching, imitation and exploration. Moreover, through the firm's horizontal internal organisational arrangements and extensive opportunities for learning via workforce interaction, new knowledge can be broadly diffused and accepted throughout the company.

Studies concerning firm-based learning have highlighted an important distinction between tacit and codified forms of knowledge (Maskell and Malmberg, 1996). Codified knowledge refers to information that can be readily represented or codified

and includes for example shared symbols, product patents or bits along fibre-optic computer cables (Child, 1997; Hudson, 1996; Keane and Allison, 1999). Although the production and distribution of codified knowledge is an essential component of economic activity in today's technologically advanced economy, codified knowledge displays one striking limitation as David (1992:7) explains:

Codification of knowledge is a step in the process of reduction and conversion which renders the transmission, verification, storage and reproduction of information especially easy. Codified information has been typically organised and expressed in a format that is compact and standardised to facilitate.

As a result of the ease with which codified knowledge can be replicated and exchanged, once such knowledge is made ubiquitously available the new information quickly loses its competitive edge and value (Maskell and Malmberg, 1999). By contrast tacit knowledge - consisting of features such as workplace skills, conventions and habits - is identified as being an all-important competitive asset. This is due to the fact that tacit knowledge is specific to the particular setting in which it occurs and is therefore difficult to reproduce outside of the originating environment:

It is a logical and interesting - though usually overlooked - consequence of the present development towards a knowledge based economy that the easier codified (tradable) knowledge is accessed by everyone, the more crucial does tacit knowledge become in sustaining or enhancing the competitive position of the firm (Maskell and Malmberg, 1998:42).

Although capable of 'being codified' over time, the non-ubiquitous nature of tacit knowledge transforms it into a scarce commodity capable of attracting a higher value.

Tacit knowledge has come to be viewed as a key competitive asset (Lundvall, 1992), allowing firms to acquire a leading economic advantage and at the same time remain 'moving targets' in the face of economic challenge and competition (Hallin and Malmberg, 1996:11). Such acknowledgement has in turn shifted attention towards those conditions and processes best supporting tacit knowledge creation, application and dissemination. One result of such enquiry has been the emphasis placed upon learning and the observation that certain forms of learning offer distinct advantages for the reproduction of tacit knowledge over other forms of learning conduct.

More specifically, it has been suggested that firm-based learning and innovation opportunities can be greatly enhanced by conditions of 'proximity' (Keeble and Wilkinson, 1999). This term does not refer solely to 'geographic closeness' - whereby economic actors share a given economic space such as an industrial cluster or an innovative milieu. Rather the term proximity also indicates that when economic actors come together, shared cultural and social affinities develop, reflecting common habits, values, routines, languages and standards. The dynamics of proximity thereby reside in the ease with which tacit knowledge is communicated and consolidated. For example Dupuy and Gilly (1996) have argued that intense, strategic interaction is enhanced the shorter the physical distance between economic actors and is further consolidated by relations based upon mutual trust, understanding and the operation of collective reference points.

However, despite the opportunities presented for learning that encourages tacit knowledge reproduction, conditions of proximity need not necessarily result in dynamic technological innovations. This acknowledgement resides in the evolutionary economic notion that knowledge creation is a strongly path dependent process with each successive round of knowledge creation influenced by the successes and failures of former rounds. According to this perspective, path dependency can also lead to 'lock-in' whereby reliance on a previously valuable development trajectory restricts the willingness of firms to shift onto more successful pathways. This lock-in is identified as having a number of sources, including for example the conventional habits governing economic activity and the established relations between economic actors (Dosi et al., 1988; Hudson, 1994).

Although evolutionary economic arguments regarding technological innovation, tacit knowledge and learning carry no immediate spatial implications, the notion that such variables are culturally, historically and socially bound has led to growing awareness that a significant territorial dimension can be implied (Lundvall, 1992; Maskell and Malmberg, 1995; Hudson, 1998). More specifically, with differing environments acknowledged as presenting distinct advantages for tacit knowledge reproduction, the regional rediscovery literature has applied evolutionary economic arguments as tools through which variations in regional economic performance and innovative capacity

can be explored<sup>8</sup> (Morgan, 1997). One leading commentator in this literature is Michael Storper (1995, 1997).

In qualifying the intangible qualities of a particular locality that allow for the reproduction of tacit knowledge, Storper (1995:191-221) makes a distinction between traded and untraded interdependencies. Traded interdependencies represent those linkages governing buyer-supplier, research and development, producer or firm labour market relations. As well as being structured in ways that are specific to particular geographic contexts, such input-output links also gave rise over time to more specific unwritten rules of the game - including for example conventions, habits and common languages. These Storper (1995:15) terms untraded interdependencies. Through this distinction, Storper (1997:40) argues that regional economic success does not derive from the physical, pecuniary and material flows of economic inputs and outputs but rather resides in the underpinning relations governing knowledge creation, innovation and learning, embodied in the notion of relational assets. Storper suggests that under conditions of path dependency, such material and non-material assets are regionally specific and as such represent scarce commodities that are difficult to create and imitate outside of the originating 'lucky regions':

The focus on the mechanics of economic development must now be complemented by another focus where the guiding metaphor is the economy as relations, the economic process as conversation and co-ordination, the subjects of the process not as factors but as reflexive human actors, both individual and collective and the nature of economic accumulation as not only material assets but as relational assets. Regional economies in particular and integrated territorial economic in general will be redefined here as stock of relational assets.

Through the concepts of untraded interdependencies and relational assets, Storper has directed academic attention firmly back to the continued significance of the local, at a time when debate was becoming overwhelmingly weighted towards assessing the impact of global forces upon economic activity (Morgan, 1997). Most notably, Storper (1995:210) has challenged the view that globalisation automatically results in

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<sup>8</sup> Morgan (1997) suggests that the application of evolutionary economic ideas to debates on regional economic performance has not simply been a one-way process. Rather evolutionary economics - once impervious to the spatial aspects of technological change - has since begun to incorporate the place specific aspects of learning and innovation.

a decimation of place by suggesting that this argument in itself rests upon assumptions concerning only the flow of traded inputs and outputs:

When these input - output relations and untraded dependencies are localised - and this is quite frequent in cases of technological or organisational dynamism - then we can say that the region is a key necessary element in the supply architecture for learning and innovation. It can now be seen that theoretical predictions that globalisation means the end to economies of proximity have been exaggerated by many analysts.

In summary, as well as highlighting the continued importance of the local, the ideas presented by both Storper and wider evolutionary economic accounts have qualitatively enhanced many of the themes raised by the early regional rediscovery literature. In particular, clearer evidence has emerged regarding why a region's tacit knowledge base, innovative capacity and learning capabilities are of fundamental significance in driving regional economic success. Through such variables, evolutionary economic accounts have also been instrumental in highlighting the pivotal role played by institutions in first, determining opportunities for learning and tacit knowledge creation and second, in understanding the path dependent and path specific nature of regional economic activity. Such interest although frequently ignored by mainstream economics, has coincided with ideas presented by institutional economic thought (Polanyi, 1957; Hodgson, 1988; Amin, 2000). The following section reviews some of the key strands of the institutional economic debate focusing in particular upon how variations in formal institutional arrangements and forms of institutional conduct either promote or restrict regional learning and innovation.

#### **2.4 Regions as Learning Environments: Insights from Institutional Economics**

Within the context of institutional economics, the term 'institution' is commonly understood as referring to physical or formal agencies from the state, private and voluntary sectors. Importantly also the term 'institution' indicates that 'beyond market and state institutions lies a series of intermediate organisations and soft institutions e.g. collective beliefs and customs' that are also of fundamental significance in explaining economic behaviour (Hodgson, 1988). Gregersen and Johnson (1997:479) summarise this definition:

Institutions in the sense of common habits, routines, established practices, rules or laws that regulate the relations and interactions between individuals and groups. They affect the creation, storage distribution, use and destruction of knowledge since they shape the cognition, the visions and the patterns of communication and interaction of economic agents.

These informal institutional features refer to the vast array of socially and culturally embedded norms, rules, practices, customs, routine, habits, conventions, religious perspectives, moral beliefs, and values underpinning economic activity. These can reflect contemporary trends - through for example, the adoption of specific industrial standards or regulations (Maskell and Malmberg, 1995) - but more often than not are rooted in past understandings that have since become established and collectively accepted as routines, habits and customs (North, 1990; Powell and Dimaggio, 1991).

Within the context of the regional rediscovery literature this distinction between formal and informal institutions has led to a suggestion that differing spatial environments present distinct institutional conditions. As explained by Maskell and Malmberg (1998:54) such differences are apparent first, in the prevailing formal institutional structures. New institutions are created, in some instances as a result of national policy directives, in others as a direct response to changes in the surrounding environment. Second, differing informal institutional conditions arise, persist or disappear according to the historical and economic legacies of individual localities and the associated social and cultural experiences:

The institutional endowment of a region embraces all the rules, practices, routines, habits, traditions, customs and conventions. It contains the governmental and political traditions and decision-making practices as well as the attitudes and basic values characterising the areas: the religion, the moral beliefs and the culture. All institutional endowments are not equally compatible with the needs of the contemporary market economy. The institutional endowment is thus increasingly seen as contributing to the existence of difference between regions.

This recognition that formal and informal institutional conditions vary in both time and space has led some observers to suggest that certain formal institutional structures and informal institutional conditions are more advantageous than others for regional economic success. As an example of this Maskell and Malmberg

(1996:6) have argued that both formal and informal institutional arrangements represent constituent features of an area's localised capabilities.<sup>9</sup>

It is the region's distinct institutional endowment, embedding knowledge and allowing for knowledge creation, which through interactions with the available physical and human resources constitutes its capabilities and enhances or abates the competitiveness of firms in the region. The path-dependent and complex nature of such regional capabilities makes them difficult to imitate, thereby establishing the basis of sustainable advantage. The regional institutional capabilities are the foundation for maintaining the competitiveness not only of individual firms in the region but also of the whole industrial system characterising the region.

In evaluating the most advantageous institutional conditions for regional economic success, four concepts have proved highly influential - 'institutional thickness', 'institutional lock-in', 'institutional adaptability' and the term 'learning region' or 'learning economy'.

Through the concept of institutional thickness Amin and Thrift (1995) have argued that certain institutional conditions can result in a tradition of collective rather than sectional or individual representation. These conditions include first, the structure of the formal institutional framework. Amin and Thrift suggest that the most successful regions are host to a cluster of firms or related industries and also display a range of supporting supply side structures and services. These include local chambers of commerce, business service organisations, training agencies, trade associations, innovation centres and trade unions. In addition, the crucial role played by public sector and government agencies is highlighted, particularly in relation to the provision of a region's supply side infrastructure.

Second, Amin and Thrift (1995:3) have argued that the mere absence or presence of formal institutions is not the sole factor determining regional economic success or failure. Through the concept of institutional thickness they also refer to the impact of informal institutional factors including for example synergies of interaction, forms of collective dialogue and prevailing notions of common purpose between institutional

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<sup>9</sup> Localised capabilities are defined as being the array of locational factors exerting an influence upon the distribution and competitiveness of the industries with a given spatial environment. Maskell and Malmberg (1998) identify four such localised capabilities: a region's institutional endowment, the built structures, the natural resources and the knowledge base and skill standards.

actors. Through such institutional engagement and interaction, 'institutional thickness' can - in facilitating the accumulation of common knowledge and a shared spirit of involvement - underpin regional economic flexibility and innovation as Amin and Thrift (1995:3) explain:

Local institutional thickness can have a decisive effect on economic development since it nourishes relations of trust, stimulates entrepreneurship and consolidates the local embeddedness of industry.

However, as identified by authors including Hudson (1994), Grabher (1993) and later by Amin (1999), even in once seemingly 'institutionally thick' localities, regional economic success is not automatically guaranteed. Malmberg (1996:398) outlines why this should be the case:

When we emphasise the cumulative and self-reinforcing character of local and regional economic development we must not forget that a once successful agglomeration of related activity might for various reasons lose its dynamism. In such cases the very same factors (institutions, norms, values and skills) that formed the basis for the former success may come to function as a lock-in that blocks the attempts to enter a new development track.

In relation to the North East of England Hudson (1994:197) has suggested that the formal institutional structures, inter-institutional relations and underpinning habits, routines and customs which once sparked regional economic success later forced the region to follow rigid patterns of economic specialisation. By locking economic actors into long-standing ties and relations, Hudson has argued that the North East region failed to explore new and potentially more appropriate options, preferring instead to apply yesterday's solutions to emerging opportunities. As a consequence the area has proved capable of only gradual adaptation to the needs of the economic mainstream rather than being able to engage in the strategic anticipation of new economic and organisational challenges:

The localised thick institutional structures which evolved in the past have often become a mechanism to stifle dissent or hinder opposition to what was regarded as the conventional wisdom of orthodox solutions. As a result the legacy of the past stifles the exploration of alternative futures.

Hudson's arguments resonate with institutional economic understandings of 'institutional inertia'. As institutions develop competences within a particular system, these become fixed and tend to remain constant over time. When

environmental change occurs, disparities emerge between the fit of institutional capabilities to the existing system and their subsequent fit to the altered conditions. Such disparities can act as a block upon further development (Genschel, 1997). The concept of institutional inertia applies equally to informal institutional conditions with certain habits, routines and customs also persisting over time, despite the creation of new, formal institutional structures (Hudson, 1997). For observers including Genschel (1997:45) such institutional inertia can only be overcome by a period of institutional crisis:

Only in rare moments of historical crisis and drama when institutional mal-adaptation reaches critical levels, does the logic of the game temporarily switch. Old institutional traditions are abandoned, new traditions are created and the institutional set up is changed radically and rapidly.

The observation that certain institutional conditions can encourage institutional lock-in has refined insights regarding those institutional conditions most conducive to the attainment and maintenance of regional economic success. For example, it has subsequently been noted that institutional thinness may be a more favourable condition than institutional thickness as it facilitates institutional flexibility, learning and openness by allowing contradictory challenges to be made and alternate views put forward. In addition, inter-institutional links may be more conducive if ties - rather than being strong - are in fact weak, allowing institutions to transfer in and out of networks and access additional interpretations.<sup>10</sup> Furthermore dissonance in place of co-operation may aid a region's willingness to reject accepted practices in favour of accessing possibly contradictory ideas (Granovetter, 1985; Grabher, 1993; Grabher and Stark, 1997).

Two additional concepts to emerge from discussions regarding institutional thickness and institutional lock-in are institutional adaptation and institutional adaptability (Amin and Hausner, 1997; Amin and Cohendet, 1999). Grabher (1993:265) expands upon the distinction between the two terms:

Adaptation leads to an increasing specialisation of resources and a pronounced preference for innovations that reproduce existing structures. The system thereby loses its ability to reorganise its internal structure in

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<sup>10</sup> Amin (1999) has contested this view suggesting that weak ties may increase the potential for dissent, misinterpretation and dissonance given the absence of shared trust, common habits and accepted understandings.

order to cope with unpredictable change in the environment. Adaptability depends therefore on there being uncommitted resources that can be put to a variety of enforceable uses. It is this kind of self-questioning ability that underpins the activities of systems capable to learn and self organise.

This distinction has been applied to explain first, variations in regional economic performance. In particular, it is suggested that poorly performing regional economies are those capable only of adaptation. Within this context, regional contacts and procedures have become so deeply embedded that little scope has been left for the adoption of alternative activities and behaviours that fell outside of the established relation and procedures (Grabher, 1993). In turn this has led regions to follow established paths, incurring low levels of responsiveness and flexibility in the face of economic change (Cooke and Morgan, 1994; Genschel, 1997; Amin, 1999). This situation has been especially evident in those once economically successful localities that subsequently demonstrated slow rates of economic growth. By contrast those regions capable of securing adaptability are identified as being those able to challenge existing arrangements and foresee future economic challenges and opportunities. For Amin (1999) such regional adaptability is dependent upon factors including the density of intelligent institutions within the region, the volume and quality of training provision and the diversity of the research and development base. These advantages allow regions to break away from accepted development pathways in order to forge more economically advantageous trajectories.

The adaptability/adaptation distinction has also been applied to arguments concerning institutional performance. Here the term institutional adaptability reflects a capacity to respond to economic shifts and actively anticipate and influence change within the wider economic environment. Closer scrutiny of such arguments suggests that those institutions that simply react to change are only ever able to gain fit with environmental shifts. Such institutional behaviour has been termed institutional adaptation. By contrast those institutions capable of gaining misfit with the economic surroundings through reflexive and dissenting behaviour are able to secure institutional adaptability.

With the concepts of institutional thickness, lock-in and adaptability indicating quite clearly that institutional conduct has an important influence upon regional economic

performance, debate has been directed towards the cognitive aspects of institutional behaviour. Cognition refers to the manner by which all mental activities come to be organised, interpreted and applied (Glass and Holyoak, 1982) and is therefore central in determining how institutions acquire, interpret and disseminate new information. Embodied for example in institutional memories, organisational procedures and management techniques - cognition is identified as being an important influence upon how institutions perceive and respond to environmental change as explained by Hodgson (1997:673):

Our knowledge of the world does not spring alive from the sensory data as they reach the brain. To derive information it is necessary that a prior conceptual framework be imposed on the jumble of neurological stimuli involving implicit or explicit assumptions, categories or theories which cannot themselves be derived from the sense data alone. There has to be a process of cognition to provide a form that is meaningful and has informational content for the agent. The attribution of meaning requires the use of acquired concepts, symbols, rules and signs. Through processes of development and education we acquire cognitive habits and perceptual frameworks. These are essential for us to gain knowledge of, and act within, our environment.

Variations in institutional histories and experiences can thereby give rise to differing habits, cultures and relations that in turn shape diverse patterns of institutional behaviour. For observers including Amin and Cohendet (1999) the study of institutional cognition offers an important insight into why some institutions are adept at radical learning that secures adaptability and avoids lock in, whilst others are only capable of pursuing incremental learning and adaptation. They highlight three 'cognitive rationalities'. Two of these - substantive and procedural rationalities - encourage reactive responses to external environmental change. However, a reflexive rationality - involving for example strategic goal monitoring and experimental games - allows institutions to actively shape and influence the environment.

The concepts of institutional thickness, lock-in and adaptability have adapted institutional and evolutionary economic ideas in order to explain how and why spatial variations arise and persist. As a consequence regional economic performance is now understood as being a path dependent and cumulative process, dependent upon both institutional accomplishments and innovative capacities. These ideas have

been encapsulated in the learning region or learning economy literature (Lundvall and Johnson, 1994; Morgan, 1997). This literature highlights the important role of innovation and learning in 'driving contemporary capitalism' and explores both the intangible and tangible factors governing a region's innovative capacity (Morgan, 1997). Most notably, the literature emphasises the pivotal role played by regional institutional structures. First, it suggests that a region's formal institutional structures have a significant role to play in promoting innovation, learning and tacit knowledge creation and reproduction. In particular, it is suggested that a mass of institutional actors is necessary for the continual promotion, generation and interpretation of new knowledge, ideas and innovative advances. Such an institutional web incorporates those bodies directly involved with the application, assimilation and generation of new knowledge such as universities, technology centres and research and development bodies and also includes those agencies which, through their direct policy actions, shape regional learning and innovation opportunities. These bodies - national as well as regional or local in nature - include government, local authorities, enterprise support systems and regional development agencies (Dalum et al., 1992; Gregersen, 1992; Lundvall, 1992; Yeung, 1994; Morgan, 1997; Gregersen and Johnson, 1997; Hendersen, 1998; Chatterji, 1998; Hjern, 1998; Keane and Allison, 1999).

Second, in pointing to the importance of formal institutional arrangements the learning region literature also draws upon ideas relating to the governance of regional economies. Rooted in Nielsen and Pedersen's (1991) review of the Danish 'negotiated economy' and Amin and Thomas's (1996) arguments regarding the 'third way', the learning region literature suggests that a region's institutional framework must also include a plethora of civic associations and networks of institutional representations. Such institutional pluralism allows for the development of an active and empowered civic centre, encourages social dialogue and exchange and facilitates social solidarity amongst institutional actors (Putnam, 1993). Moreover it suggests that state institutions should act as major guides and arbitrators of strategic regional economic development, facilitating in particular processes of inter-institutional mediation and dialogue (Hausner et al., 1997). The literature further indicates that the state should develop in itself and in others an enhanced learning capacity so as to remain acutely sensitive to regional path specificities and an open outlook upon

regional economic change. Such actions would allow a regional institutional framework to learn in such a way as to sustain development along an already successful trajectory or alternatively, when institutional lock-in threatens, to permit shifts onto more appropriate development paths.

Finally, the learning region literature suggests that informal institutional features have a significant impact upon regional learning and the ongoing reproduction and generation of tacit knowledge. Such attention points quite clearly to the significance of a variety of institutional cognitive features affecting the searching, acquisition, interpretation and dissemination of new information. These include for example institutional learning routines, conventions and habits. In particular, the learning region literature suggests that when such informal institutional characteristics are restrictive in nature - inducing organisations to act in a manner no longer appropriate to the ever-evolving economic environment - institutions may need to learn how to learn and ensure that learning becomes an essential ethos pervading all aspects of institutional conduct (Asheim, 1996; Amin and Hausner, 1997).

In summary, the learning region literature has expanded upon many of the early regional rediscovery literature's ideas concerning the form of institutional arrangements and conduct most conducive to the attainment of successful regional performance. As well as considering the collective formal and informal institutional arrangements and governance strategies advancing learning at the level of the regional economy, attention has also examined the impact of internal institutional conduct and cognition in facilitating effective learning. Through this analysis there is now powerful evidence as to why some regions, through their learning activities are locked onto path following development trajectories whilst others are capable of actively promoting and sustaining path breaking regional economic success.

## **2.5 Concluding Comments**

This new literature has opened up the debate on the forces that matter for regional economic development in quite radical ways. In a shift away from traditional accounts of uneven regional development, variations in regional economic fortunes have come to be explored by reference to an array of non-economic variables. Most

notably as Scott and Storper (1992:435) explain, these refer to regional learning capabilities, institutional forms and the distinct cognitions, doctrines and rules governing the operation of highly localised production worlds:

This is the field of enquiry into the behavioural sources of technologically dynamic or learning rich production systems and the differences between those systems and others. It involves a structured conceptualisation of a broad set of features of regional political-economic culture, its institutions and the behavioural routines of its individual and collective agents.

Despite the advances made, the literature is also deficient in many regards. Two observations are especially relevant. First, whilst the claim that economic activity is embedded in social and institutional conditions has responded to the under-socialised nature of traditional accounts, the new literature risks presenting an over-socialised portrayal of the forces governing regional economic performance (Granovetter, 1985). For some observers, in swinging the balance too far in favour of the social, cultural and institutional factors, the literature has neglected to integrate analysis with continued reference to the impact of economic variables (Loveridge, 1993; MacLeod, 1999). The future task may therefore be one of striking a balance between the valuable insights offered by the new literature alongside a wider recognition of the continued importance of economic criteria (Thrift and Old, 1996).

Second, the new literature has tended to overstress the role of local assets as major determinants of regional economic success. In doing so, only limited acknowledgement has been given to the influence of national and international factors upon regional economic development. Most notably the significance of the nation state and the interplay between the state and the local level has been neglected (MacLeod, 2000). National governments in particular continue to influence local and regional conditions through for example policy measures designed to encourage innovation or support key industries (Lundvall, 1992; Cumbers, 2000). Similarly, individual localities do not remain untouched by events in the wider global environment. Worldwide economic domination by large transnational corporations and networks combined with modern technological practices have meant that economic activity is neither confined to regional boundaries nor influenced solely by internal regional factors (Freshwater et al., 1998). As Amin et al., (2000:2) explain in outlining the various forces impacting upon city based competitiveness, there is now

a pressing need to consider the variety of linkages and connections binding together all economic actors, whatever the level:

Economic life as we know it has travelled far along the road of industrial organisation and power. Markets are no longer proximate nor locally regulated; production is globally organised and globally sourced; economic resources from capital and labour to information and know how have become extraordinarily mobile, immediate and close contact is now possible at a distance through mediatised communication networks, economic regulation has become formalised around rules and standards set by national and international institutions; and economic power is accrued not only through the market competitiveness of firms but also through the oligopolistic powers of large corporations, cartels and dominant interest groups.

In addition to the general concerns expressed about the regional rediscovery literature as a whole, there are also criticisms to be leveled against its approach to learning. Five observations are particularly salient. First, the new literature has potentially been weighted too heavily in favour of the 'putative stories of success' which themselves are based around a relatively small set of Western European examples (Hudson, 1999; Smith et al., 2000). This strikes at the very heart of perceptions regarding those forms of economic activity that are judged to be successful. As noted by Amin (2000) in emphasising those regional economic activities that are the most 'extensively traded', the regional rediscovery literature fails to acknowledge that regional economic success is dependent upon the effectiveness of all firms and sectors present in the regional economy, not just those concerned with technological innovation. The literature has also largely ignored the fact that even in the most 'successful' regional economies, economic success may not necessary be shared by all as MacLeod (2000:11) points out:

We should need no reminding that even the most illustrious regions have a downside where flexibility is often dependent on dual labour markets and hyper-exploitation on the basis of class, ethnicity, gender and social division.

The second difficulty relates to the manner by which learning has been conceptualised. Arising as a result of the emphasis given to tacit knowledge, codified knowledge has ceased to be the subject of extensive examination, as have the linkages and interplay between the two knowledge forms. Too stark a division is also posed between learning and non-learning regions. With no distinction made between learning practices that support radical regional economic change as opposed to

destructive learning activities that can severely curtail regional economic progression, a thorough understanding of the various faces of learning remains to be gained (Hendersen, 2000).

Third, the literature has indicated that learning holds the illustrious key to economic prosperity. However, in suggesting that success can be achieved simply by creating the appropriate learning infrastructures and adopting the required forms of learning behaviour and cognition the literature has ignored the significance of some very real pressures. These include most notably the decisions and interests of corporate entities that continue to be geared towards profit maximisation, product rationalisation and resource efficiency. As Hudson (1999:70) argues, with learning being neither the sole determinant nor sustainable solution to long term regional economic success, a full investigation into the 'limits of learning' is required if the true value of learning to regional economic considerations is to be appreciated:

Learning is by no means a guarantee of economic success. Still less is it a universal panacea to the problems of socio-spatial inequality and in some respects is used as a cloak behind which some of the harsher realities of capitalism can be hidden.

Fourth, the new literature - with its emphasis upon how institutional structures and relations come to affect firm based learning - has begun to lose sight of the internal organisational conditions that motivate learning (Smith et al., 2000). As suggested by Glasmeier (1999:77) the current regional rediscovery literature:

Sheds light on the way learning might occur and the favourable conditions for learning but does not extend the analysis to consider which sources of information firms learn from and why.

In particular, the literature is criticised for not investigating the motivations underpinning a firm's decision to engage in learning behaviour and the forms of organisational leadership and communication structures that best promote learning. This criticism relates to the vague and imprecise nature by which learning has been defined - in part a consequence of the exclusive focus given to the effects of learning upon regional economic outcomes rather than actual learning processes (Hendersen, 2000).

Finally, as indicated in chapter one, despite the importance attributed to public sector bodies in determining the condition and priorities for firm based learning as well as the wider strategic development of the regional economy, extremely little attention has been paid to actual public sector learning processes. Although the literature has indicated that public sector bodies must learn in order to remain open, sensitive and flexible, questions remain as to how such agencies actually learn in order to achieve institutional adaptability and avoid institutional sclerosis.

In the remainder of this thesis I focus upon these last two criticisms by examining the institutional learning processes occurring within public sector based economic development organisations.

## Chapter Three: Institutional Learning

### 3.1 Introduction

Forming a core component of the regional rediscovery literature, learning has come to be championed as a key determinant of regional economic prosperity and as a core activity of institutions involved in initiating and sustaining regional economic competitiveness. Within this debate, it is apparent that not all forms of institutional learning are equal, with some singled out as presenting distinct qualitative advantages for institutions wishing to develop their ability to manage and predict regional economic change. One particular distinction has proved highly influential and concerns learning capable of promoting institutional adaptability (Grabher, 1993; Amin and Cohendet, 1999). Differing from institutional adaptation - a term used to describe institutional learning activities designed to 'gain fit' with wider environmental shifts - institutional adaptability denotes a capacity to create a situation of 'misfit' with the immediate surroundings (Dawson, 1994). As discussed in Chapter two, the critical dimension of institutional adaptability is that it involves institutional learning capable of engendering an innovative and flexible approach that allows institutions to remain open and sensitive to change both within their own internal boundaries and the wider regional economic environment.

The regional rediscovery literature does not however address why some institutions have proved capable of adopting learning that secures adaptability whilst others have systematically failed to do so. Similarly, there is little evidence to indicate why those institutions initially successful in attaining adaptability, have been unable to sustain this position over time. As such, core questions remained unanswered. How, for example, do institutions learn in such a way as to attain adaptability? What are the internal organisational forces impacting upon institutional learning? And what exactly are the barriers and stimuli acting to either restrict or promote institutional learning and adaptability? These questions arise as a result of the focus given by the regional rediscovery literature to the exogenous, rather than endogenous, organisational conditions supporting institutional learning and to learning outcomes rather than processes. This emphasis has at best generalised learning leaving many

aspects vague and imprecise, and has at worst, ignored the varieties of learning, particularly in institutions other than the firm (Kanter, 1989; Dodgson, 1993; Smith et al., 2000; Hendersen, 2000).

This chapter aims to redress this imbalance, exploring the concept of institutional learning through an analysis of the endogenous organisational influences impacting upon institutional learning processes. The chapter begins by defining the terms 'learning', 'institutional learning' and 'learning process' in more depth and then turns to examine the link between cognition and learning. The chapter continues with an identification of the main organisational learning barriers and stimuli. Employing the notion of single and double loop learning, the chapter considers how an array of internal organisational features - including organisational memories, management systems and management techniques - drive learning along specific pathways (Child, 1997; Kraatz, 1998; Amin and Wilkinson, 1999). These features shape institutional learning and raise questions relating to how, and indeed whether, institutions can radically alter their institutional learning capabilities. Finally, the chapter reflects upon the implications of these new lines of enquiry for the regional rediscovery debate before concluding with a review of those issues put forward for empirical analysis within this thesis.

### **3.2 Defining Learning and Institutional Learning Processes**

Within the confines of this chapter it is impossible to do justice to the full range of definitions associated with the term 'learning'. Kolb (1993) for example suggests that learning involves the creation of new knowledge whilst Cook and Yanow (1993) argue that when an individual demonstrates a new ability, learning has taken place. Despite these variations, most commentators share the view that learning results in the acquisition and application of new knowledge and skills, leading to an upgrade or improvement in the existing knowledge base. In addition, there is widespread agreement that learning is not socially and culturally neutral but is shaped by the surrounding environment from which common routines, habits, norms and standards are derived (Levitt and March, 1988). Such an understanding is significant not least as it suggests that as well as occurring at the level of the individual, learning can also manifest itself at collective scales, visible at the level of individual industries and

critically, at the level of individual institutions (Levinthal and March, 1993). The term institutional (or organisational) learning has been coined to reflect this understanding with the associated literature exploring how theories of individual learning can be extended to organisational learning and how organisations learn as a result of their own organisational capacities and features (Cook and Yanow, 1993).

As with definitions of learning, variations also exist regarding how the term institutional (or organisational) learning is defined. For example, Huber (1991) indicates that institutional learning refers to the processing of information that leads to a change in organisational behaviour. By contrast, Argyris and Schon (1978) maintain that institutional learning is the process of detecting and correcting error whilst Fiol and Lyles (1985) suggest that institutional learning concerns the improvement of organisational actions through knowledge and understanding. However, despite these differences all share the view that as organisations reflect historically contingent routines and mirror well established customs, beliefs and conventions, institutional learning processes can be dramatically shaped by the setting in which they occur. Levitt and March (1988:517) summarise this position:

Organisations are seen as learning by encoding inferences from history into routines that guide behaviour. The generic term 'routines' includes the forms, rules and procedures, conventions, strategies and technologies around which organisations are constructed and through which they operate. It also includes the structures of beliefs, frameworks, paradigms, codes, cultures and knowledge that buttress, elaborate and contradict the formal routines. Routines are independent of the individual actors who execute them and are capable of surviving considerable turnover in individual actors.

Based upon this understanding, research has considered the manner by which learning actually occurs within organisations. These studies have indicated that learning is not a stand-alone or one-off activity but is in fact a process consisting of at least three basic, interrelated stages. First, new knowledge must be acquired or obtained. Second, it must be disseminated and shared to all interested parties. Third, the new knowledge must be accepted, creatively incorporated into existing or modified structures and used so as to result in either an implicit or explicit change in behaviour or practice.

Nooteboom (1999) is one observer to have expanded upon how these three stages of knowledge acquisition, sharing and utilisation combine so as to produce learning cycles underpinning all learning processes.<sup>11</sup> Within this learning cycle five different principles are significant. First, is the principle of *generalisation*. This refers to the transfer of an already successful practice to a novel, but nevertheless adjacent, context. Although a certain degree of success will be experienced, limitations will also occur. As these limitations arise, the practice must be adapted to the local context in order to be solved. This is the principle of *differentiation*. Information is subsequently exchanged about the successes emerging from parallel or adjacent practices - *reciprocation* - and where the new information obtained does not fit well within the existing structure, the original practice is restructured so as to incorporate the novel elements exchanged with other practices. This Nooteboom terms the principle of *novel combinations*. Once this resulting, revised practice has been adopted, it becomes standardised - or *consolidated* - inviting the next stage of *generalisation* to occur.

Whilst Nooteboom admits that these five principles do not necessarily give rise to optimal learning outcomes,<sup>12</sup> his analysis is useful as it highlights that the process of learning incorporates additional, parallel procedures over and above the simple accumulation, exchange and application of new knowledge. Accordingly the learning process entails the operation of a 'broad range of mental events in the mind' (Howe, 1984:1). These include the 'forgetting' of previous practices and behaviours, the 'unlearning' of accepted forms of techniques and conduct and the storage and remembering of past actions and events (Hedberg, 1981; Nystrom and Starbuck, 1984; Huber, 1991; Johnson, 1992; Dalum et al., 1992; Maskell and Malmberg, 1995; Gregersen and Johnson, 1997). With this recognition comes an understanding that processes of institutional learning - and the related processes of institutional unlearning, forgetting and remembering - do not necessarily promote radical change

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<sup>11</sup> Other interpretations of the stages constituting a 'learning cycle' are available (Revans, 1982; Kolb, 1993; Child, 1997). Morgan (1986) for example makes reference to four stages: concrete experience, reflective observation, abstract conceptualisation and active experimentation. These stages can be seen to correspond with the principles of generalisation, differentiation, reciprocation and novel combinations.

<sup>12</sup> It is possible that depending on the institutional frame of reference, the principles of reciprocation and novel combination may result in the maintenance of existing understandings and practices, thereby encouraging institutional adaptation and not adaptability.

- rooted as they are in the long-established rules and understandings particular to the given environment. Rather institutional learning processes can also be 'mal-adaptive' (Howe, 1984). By restricting the adoption of new information and knowledge that potentially contravenes the boundaries of prevailing organisational understandings and practices, institutions may come to learn within the confines of an existing paradigm. Such learning may promote path dependent adaptation to a new set of environmental circumstances and may ultimately restrict the overall degree of institutional adaptability.

### **3.3 Cognition and Institutional Learning Processes**

In order to understand why some institutional settings give rise to institutional learning processes capable of securing adaptability, attention has been directed towards the theme of cognition. Although long applied to arguments concerning how individuals learn, it is only recently that cognitive considerations have been explicitly applied to the institutional learning debate (Amin and Cohendet, 1999; Cohendet et al., 1999). But what is meant by the term cognition and what are the links made between cognition and learning process? Glass and Holyoak (1986) suggest that mental activities are organised into a complex system, the overall function of which is termed cognition. Cognition refers to how individuals come to be aware of the environment within which they operate and how they acquire, retain and recall information through a range of mental processes including for example perception, attention, memory and concept formation. In addition, cognition also refers to the manner by which individuals come to apply, use and evaluate information. As such, cognition represents a key influence upon how people use these mental abilities to scan the environment around them for new knowledge, how they organise and interpret the acquired information and how they integrate new interpretations with existing understandings and perceptions.

However, the human mind neither actively seeks out all information equally nor does it assess each piece of newly acquired knowledge independently (Huczynski and Buchanan, 1991). Rather new information is compared and evaluated against existing understandings and perceptions and in those instances when the newly

acquired information does not automatically fit, it can be rejected entirely or modified so as to fit with the prevailing interpretations:

People actively interpret information and infer different meanings depending upon which situational contexts, relations and processes they believe are implied. Perceptions are never objective. This is because meaning is actively attributed based on critical processes that match patterns in incoming information with stored patterns that people have memorised from earlier experiences. People compare incoming cues with possible contextual keys that they have been taught as important for defining situations and appropriate behaviours. The information available may be precise or inexact but the judgements made are invariably simple and unequivocal. People identify not only a context and a set of contextually compatible behaviours but also implicitly a set of excluded behaviours which are contextually incompatible (Dunbar, 1981: 230).

Furthermore, an individual's cognition is shaped to a great extent by social interaction with other individuals located within a similar circumstance or environment. Like learning, cognition can also manifest itself at collective as well as individual levels, including for example at institutional levels. Reflecting a shared set of cultural, historical, political and social perspectives, common institutional cognitions can develop from the shared routines, habits and customs specific to the particular setting in which they occur. These in turn determine individual organisational interaction with the surrounding environmental conditions and dictate how new information is selected, processed and interpreted. This has led some observers to conclude that as people have evolved separately and in different institutional environments, cognition can be of an idiosyncratic and path dependent nature, specific to the setting in which it occurs (Nooteboom, 1999).

But how do different institutional cognitions come to impact upon institutional learning processes? In order to answer this question it is necessary to review the distinction between cognition and learning. For Hayes and Allison (1998:3) whilst cognition relates to the manner by which information comes to be acquired, applied and evaluated, learning refers to the processing and organising of knowledge in such a way as to lead to a change in knowledge and skills. Accordingly, learning processes are understood as being an outcome - or reflection - of the prevailing institutional cognitions. From this it is suggested that whilst learning processes can act to establish or renew existing cognitive frameworks, it does not follow that *all*

learning activities automatically result in the establishment of new or revised institutional cognitions.

Rather learning activities, in being directed by prevailing institutional cognitions can in fact reinforce and perpetuate existing institutional understandings. In order to explore why this should be the case, Nooteboom (2000:3) has stripped the term cognition down to its constituent parts. First, Nooteboom makes reference to the idea of a 'cognitive domain' representing the full range of observed phenomena accessible to an organisation. Second, from this cognitive domain a 'cognitive range of categorisations' exist which allow information to be 'mapped' on the basis of categories or mental forms. Nooteboom equates this process of mapping - which includes perception, interpretation and evaluation activities - with the practice of 'thinking.' Third, the ensuing 'forms of thought' constitute an institution's cognitive repertoire. Through this examination, Nooteboom (2000:3) suggests that although learning may take place, it does not necessarily instigate shifts in cognition but occurs within the boundaries of the existing repertoire and complies with the existing range of cognitive categorisations and maps. He suggests that although a change of forms of thought is likely to engender a change of domain and range, the reverse need not necessarily be the case. This view resonates with Hedberg's (1981:3) view of the differences between institutional adaptability and adaptation:

It is misleading to equate learning with adaptation. Organisational learning includes the processes by which organisations adjust defensively to reality and the processes by which new knowledge is used offensively.

In summary, institutional learning processes are shaped by and reflect some of the basic characteristics of institutional cognitions. In addition, institutional cognitions are thought to mirror the specificities of the individual institutional setting in which they occur, reflecting certain well-established customs, routines and habits. These observations have led to the suggestion that variations in institutional cognitions can dramatically affect institutional learning processes and levels of institutional adaptability. Amin and Cohendet (1999) for example point to three distinct cognitive rationalities:

At least three types of rationality have been distinguished. Rule driven or substantive rationality is said to encourage reactive responses to the external environment and is therefore well equipped for learning and adaptation. Procedural rationality on the other hand may be suitable for a

more volatile environment. It is based on active cognitive action and behavioural adjustment to the external environment by economic agents. It favours incremental adjustment and adaptation to what is perceived to be an environment that cannot be transformed. In contrast, a reflexive rationality involves strategic and goal monitoring cognition and behaviour on the part of economic agents. It assumes that the environment can be actively shaped or influenced through cognitive and behavioural devices that help to eliminate the gap between agent and environment. Devices such as goal monitoring, experimental games, building and responding to scenarios, privileging long-term and strategic goals, and so on are said to be devices which are designed to encourage reflexive deliberation.

This observation concurs with Nooteboom's suggestion that for radical learning to be achieved, it is not enough to change the range of domains or maps but rather the existing cognitive repertoire must be continually challenged.

In understanding why certain cognitive rationalities support path-breaking over path-following learning processes, the terms 'institutional selection environment', 'cognitive proximity' and 'cognitive distance' have been employed (Hayes and Allison, 1998; Nooteboom, 2000). At the level of individual institutions, the 'selection environment' is understood as consisting of the social, cultural and management frames of reference prevailing within a given institution. These mirror those past institutional experiences, legacies and solutions that have worked their way into collective practices and memories. However, the operation of an institution's selection environment has a double-edged implication. On the one hand it provides a meaningful or interpretative context against which new information is acquired, selected, interpreted and applied. On the other hand, although the selection environment avoids information being interpreted in 'conceptual isolation', it nevertheless places an important restriction upon learning - that of 'bounded rationality' (Simon, 1991). This term suggests that institutions limit their search for new information to that which fits with the existing and accepted understandings represented by the selection environment. As pointed by Argyris and Schon (1978,viii) institutions may prefer to adopt learning activities that do not challenge the existing paradigm:

We thought the trouble people have in learning new theories may stem not so much from the inherent difficulty of the new theories as from the existing theories people have that already determine practices. We

wondered whether the difficulty in learning new theories of action is related to a disposition to protect the old theory in use.

Inevitably referring to what they know, institutions may feel uncomfortable with any action that breaks with the prevailing institutional guidelines (Hodgson, 1988; Huber, 1991; Johnson, 1992). In other words, institutions may find it difficult to think outside of the established selection environment. As Hayes and Allison (1998:18) explain - in seeing things not as they are but as how they are conditioned to see them - institutions limit their radical learning potential:

All too often organisations fail to exploit the full potential for learning because they are unaware of the extent to which their mental models filter out important information.

Cognitive proximity and cognitive distance determine the boundaries imposed by the selection environment.<sup>13</sup> Cognitive proximity refers to the existence of shared frames of understanding between economic agents. When applied via accepted codes and norms (Cohendet et al., 1999) these give rise to common perceptions regarding any new pieces of information. Although cognitive proximity can encourage the emergence of detailed, mutual interpretations which aid the absorption of new knowledge, they can also result in accepted practices and perspectives becoming entrenched, leaving little scope for new action. By contrast cognitive distance, based as it is upon the existence of differing cognitive repertoires, allows for various interpretations to be applied to a given piece of information. As such cognitive distance may encourage challenges to be made to the established cognitive repertoire, opening up entrenched structures to novel influences and encouraging institutional learning processes that break with existing understandings and promote radical rather than incremental change.<sup>14</sup>

From the above discussion it is evident that the study of cognition offers two important insights to the institutional learning debate. First, distinct cognitive rationalities may promote different institutional learning processes. Second, although institutional learning processes may involve challenges to the prevailing institutional

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<sup>13</sup> 'Cognitive proximity' and 'cognitive distance' resonate with the notions of weak and strong ties (Granovetter, 1982; Kraatz, 1998).

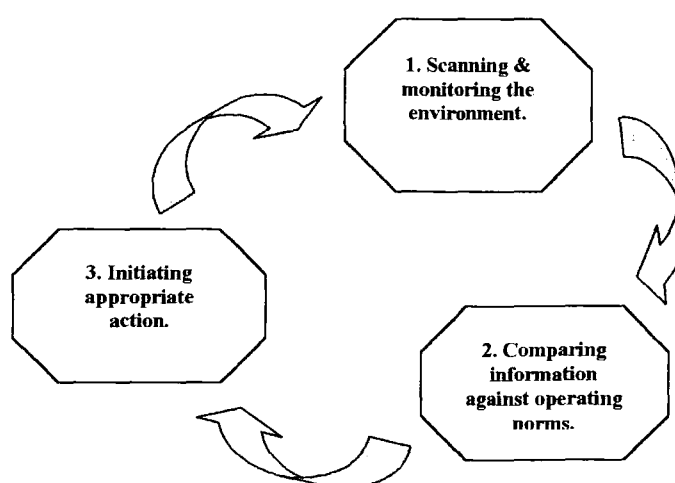
<sup>14</sup> By contrast cognitive distance may restrict learning, by yielding misunderstanding and break down when economic actors do not share similar information, opinions, social background or cultural ties (Kraatz, 1998).

cognition, other institutional learning processes may act to sustain the existing cognitive repertoire. However, these statements raise even further questions. For example, if a reflexive rationality offers the best opportunities for institutions to secure radical change and adaptability, why don't all organisations develop it? In addition, it is not clear which organisational legacies, routines and habits constitute an organisation's selection environment and cognitive repertoire nor is it evident how such features come together in such a way as to block or support learning. Can for example, organisations actively promote cognitive distance? If so, what are the stimuli or barriers that serve either to advance or inhibit the changes that need to be made? In dealing with these questions it is necessary to return to the processes associated with institutional learning.

### 3.4 Single and Double Loop Learning Processes

The concepts of single and double loop learning originate in the literature on organisational performance. A single loop learning process (Figure 3) is identified as consisting of three interrelated stages (Bateson, 1973; Argyris and Schon, 1978) and denotes an ability to detect and correct errors in relation to a given set of operating norms and standards. Through these stages, single loop learning encourages routine improvements to be made to existing organisational knowledge.

**Figure 3: Single Loop Learning Process**



As such, it is viewed as a technical learning scenario that enables for example the acquisition of new skills or techniques (Child, 1997).<sup>15</sup> However, whilst single loop learning processes allow organisations to keep up with the latest advancements they do not actively promote radical innovation (Child, 1997). This is due to the fact that the learning processes taking place occur within the boundaries of established organisational understandings and techniques, as Grabher (1993:266) summarises:

Learning abilities are limited in that the system can maintain only the course of action determined by the operating norms and standards guiding it. This is fine as long as the action defined by those standards is appropriate for dealing with the changes encountered. But when this is not the case the process of negative feedback eventually promotes an inappropriate pattern of behaviour.

Single loop learning processes can perpetuate existing arrangements, perceptions and practices that although once relevant to a previous situation, are not necessarily applicable to new or emerging circumstances. Established patterns are followed rather than dramatically modified, not because they are assessed as being appropriate to new operating conditions but simply because they have always been adopted. Similarly, in focusing upon the manipulation of existing knowledge, single loop learning processes can ignore other factors pertinent to the development of alternative approaches. In this sense, Morgan (1986) likens single loop learning to the operation of a thermometer, which although capable of responding to variations in room temperature is incapable of highlighting the forces that may have caused the temperature to rise or fall. This understanding of single loop learning coincides with the identification of procedural cognitive rationalities geared towards the promotion of incremental change. Similarly parallels can be drawn with Nooteboom's idea of cognitive domains, ranges and repertoires. According to this definition, single loop learning processes may promote changes to the range of domains and maps in existence, but they do not inevitably entail a shift or extension of the prevailing cognitive repertoire.

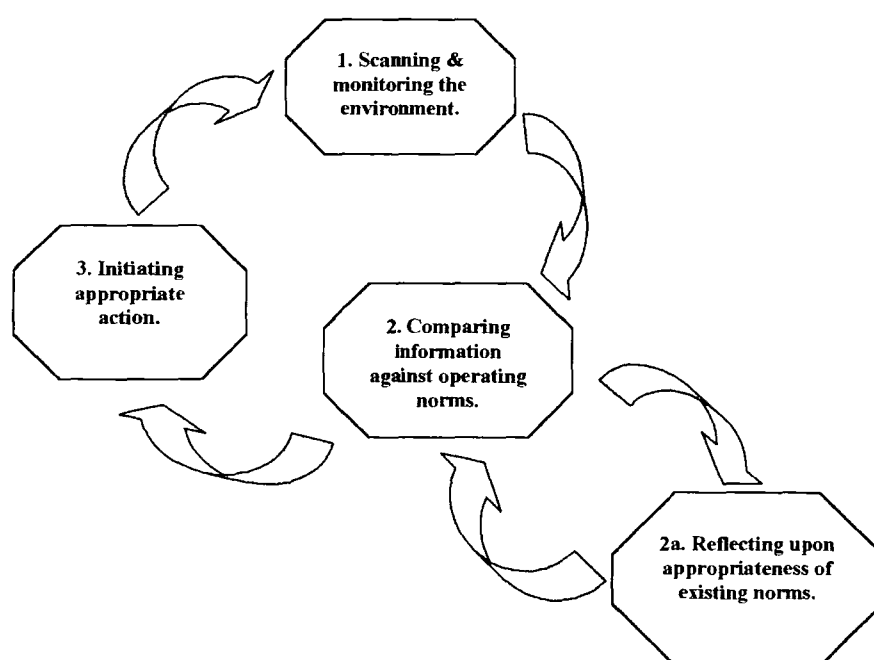
By contrast, double loop learning (Figure 4) refers to an ability to take a 'double look' at a given situation through the deliberate reflection upon the relevance of the

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<sup>15</sup> Both concepts mirror a series of learning distinctions, including for example first vs. second order and inner loop vs. outer loop learning (Bateson, 1973; Argyris and Schon, 1978; Nystrom and Starbuck, 1984; Fiol and Lyles, 1985; Bass, 1991; Butler, 1991; Hayes and Allison, 1998).

system's guiding operating norms and standards. A double loop learning process is thought to encourage systemic level change as it involves introducing new organisational systems and procedures (Child, 1997). Through processes of reflexivity - particularly but not exclusively concerned with perceived institutional failure (Burnes, 1992) - a double loop learning process can encourage shifts to take place in the established cognitive repertoires, allowing new information to be both accessed and accepted as relevant. In doing so, double loop learning entails a restructuring of existing relations and practices, so as to ensure that any response to change is appropriate to the prevailing conditions.

**Figure 4: Double Loop Learning Process**



Through processes of double loop learning it is suggested that organisations can in fact 'stay one step ahead of the game', be swift at responding to shifts in their wider operational environments and adept at promoting change to which others are obliged to follow. As such double loop learning is equated with a reflexive cognitive rationality that challenges existing perceptions through the introduction of innovative ideas and influences, thereby facilitating institutional adaptability and possibilities for radical change. Once again using the ideas presented by Nooteboom, as double loop learning requires the established institutional assumptions and principles to be challenged, changes may be encouraged in the prevailing cognitive repertoire. Such an extension of the cognitive repertoire automatically results in a shift in the range of

cognitive domains and maps applied, thereby allowing alternative information sources and novel interpretations to be accessed and accepted (Hayes and Allison, 1998).

Single loop may be interpreted as an extension of domain or range for given forms of thought, and double loop learning as a change of forms of thought (Nooteboom, 2000:4).

In summary, single loop learning involves scanning, monitoring and interpreting new information within the confines of existing knowledge boundaries and accepted interpretations. By contrast double loop learning entails the introduction of new ideas and influences that challenge the established understandings and perceptions and expose institutions to the influence of alternate, possibly contradictory information and interpretations (Child, 1997).<sup>16</sup>

This distinction assumes that double loop learning is superior but this conjecture is in itself problematic. First, debate to date has neglected to explore whether in certain circumstances single loop learning processes are simply more appropriate. As the example below illustrates, debate has failed to go beyond simply aligning single loop learning with the need to make minor improvements to routine tasks:

One type of organisational learning involves the production of matches, or the detection and correction of mismatches without change in the underlying governing policies or values. This is called single loop learning. A second type double loop learning, does require re-examination and change of the governing values. Single loop learning is usually related to the routine, immediate task. Double loop learning is related to the non-routine, the long-range outcomes (Argyris, 1970:116).

In certain situations the radical changes promoted by double loop learning may be inappropriate. This could include organisations set up to deliver singular or specific responsibilities or undertake routinised and standardised work. These organisations

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<sup>16</sup> Single and double loop learning are not new concepts for economic geography. Observers including Grabher (1993) and Amin and Cohendet (1999) have suggested that areas experiencing economic decline or stagnation are adopting single loop learning, deemed to promote only gradual, standardised and potentially inappropriate institutional adaptation. On the other hand, more economically successful areas demonstrate a double loop learning capacity. As double loop learning encourages the development of an 'adaptability' capacity it allows a system to not only adapt to change but also to reflect upon the appropriateness of adaptation. This in turn reflects an ability to learn how to learn and self-organise (Bateson, 1973). However, such recognition has centred upon assessing the possible outcomes of engaging in either of the learning types, saying little about the distinguishing constituent components of each or the organisational conditions that best support their adoption.

could include, for example, post offices, custodial prisons or fire brigades (Mintzberg, 1993; Hayes and Allison, 1998).

Second, it is still not entirely clear how institutions can effectively move from single to double loop learning, although some tentative suggestions are available. First, double loop learning can be triggered by institutional crisis (Kanter, 1989; Bass, 1991). This crisis can be in the external environment, outside the control of the institution itself, for instance as a consequence of a collapse in an area's economic structure or political system. Similarly, crisis can also take place within an institution's internal boundaries by, for example a failure to attain the desired performance levels. Second, other observers have indicated that institutions can actively encourage a controlled shift from single to double loop learning processes.<sup>17</sup> Morgan (1997:91-3) for example offers three suggestions. First, he indicates that openness and reflexivity are applied to all areas of an organisation's daily and strategic operations, via for example committing legitimate errors so as to promote experimentation and innovation. Second, he proposes that distinct viewpoints come together so as to facilitate the re-framing of existing objectives via processes of constructive criticism and organisational dissent. Third, Morgan indicates that a participative approach to planning and development be developed. Such an approach needs to be 'bottom up' in nature and be fully inclusive of the views of all staff members.

However, Morgan also acknowledges that whilst such recommendations may succeed on paper in improving double loop learning capabilities, in reality their complete adoption may not necessarily be as straight forward. Practical difficulties may be encountered in altering the prevailing organisational structure or management system. Such complications arise principally as a result of financial or legal constraints preventing organisational restructuring, but they also occur as a result of the physical disturbances caused during restructuring through for example redefining employee posts or tasks, and through the ensuing attacks upon existing

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<sup>17</sup> Argyris and Schon (1978) also offer advice as to how organisations can shift from single to double loop learning patterns. They suggest that in order to maximise learning an organisation must guide collaborative reflection and restructuring - activities which in themselves may result in a degree of internal disagreement and dissent.

power relations and decision making processes. Then, there is concern that as organisations become adept at single loop learning, this lock-in can become a barrier to double loop learning. Single loop learning can in its own right become entrenched in the prevailing routines and structures, making the challenges inherent in double loop learning difficult to accept as relevant. Finally, the prevailing institutional ideologies, organisational customs and workforce convictions can restrict perceptions as to why the central activities inherent in double loop learning - including engagement in reflexive practices and intra-organisational dissent - are indeed necessary.

The next section considers these concerns. First, the section considers how the choice of organisational management systems can dramatically affect the opportunities presented for engagement in single or double loop learning processes. Second, the section examines how organisational memories impact upon institutional learning processes, Finally, the section reflects upon the extent to which certain management practices - including those designed to develop institutional reflexivity and internal dissent - can aid the implementation and development of double loop learning processes. Although these three themes are explored separately in the discussion that follows, they are in fact inextricably linked. For example, organisational management systems may not practically promote opportunities for reflexive behaviour depending upon the various divisions and task specialisations that exist. However, it is anticipated that by separate reference to these three themes, some of the key claims highlighted in the above discussion can be examined. These include the impact of distinct institutional cognitions upon institutional learning processes and the organisational barriers and stimuli affecting either the adoption of single or double loop learning related activities.

### **3.5 Organisational Management Systems: Effects upon Institutional Learning Processes**

Organisational management systems are thought to have a distinct bearing on the ability of firms to innovate (Bass, 1991; Buchana and Boddy, 1992; Burns and Stalker, 1984). As a consequence organisations are constantly being urged first, to 'flatten out' their hierarchical structures of command and control in favour of

decentralised, network-based arrangements that facilitate increased task specialisation and the wider communication of ideas and suggestions amongst employees. Second, and from the perspective of management, past 'production line models' which have centred upon a clear separation between management and staff are being rejected in favour of intentional multi-hierarchical systems where management adopts both a hands on and integrated role (Ciarkowski, 1990). Both arrangements are identified as enhancing innovation and knowledge creation, by presenting increased opportunities for new ideas and practices to be communicated to all members (Robbins, 1990).

At the heart of this debate regarding the benefits of some organisational management systems over others is a fundamental tension between two operating principles - those of differentiation and integration. As Elcock (1983) explains, differentiation refers to the separation of an organisational function into largely autonomous sub-units whilst maintaining at most weak coordinating mechanisms at its centre. By contrast, integration refers to the development of mechanisms such as horizontal management structures and cross-departmental groupings that allow for increased co-ordination and the reduction of service duplication. At a practical level this distinction between differentiation and integration has manifested itself in two organisational management systems commonly understood as being at polar ends of the organisational management spectrum.<sup>18</sup> These are known in the literature as 'mechanistic' and 'organic' organisational management systems.<sup>19</sup> As summarised by Burns and Stalker (1994) mechanistic hierarchical management systems are characterised by the following features:

- The specialised differentiation of functional tasks into which problems and responsibilities facing the whole can be broken down;
- The precise definition of rights, obligations and technical methods attached to each functional role;
- Hierarchic structures of control, authority and communication;<sup>20</sup>

<sup>18</sup> Although there are distinctions between different management systems, observers including Ciarkowski (1990) have argued that in practice such distinctions are rarely clear-cut. Instead of classifying organisations as single structures, he suggests that organisations can display a multiple of structural forms depending on particular activities.

<sup>19</sup> Buchanan and Boddy (1992) and Bass (1991) refer to crisp and fuzzy organisations instead of mechanistic and organic systems. Fuzzy systems are capable of coping with high levels of uncertainty whilst crisp systems are more suited to conditions where uncertainty is low.

<sup>20</sup> Although organic management systems are not hierarchical, stratification of tasks does occur with employee posts differentiated according to seniority and expertise (Burns and Stalker, 1994:333).

- A reinforcement of the hierarchic structure by the location of knowledge exclusively at the top of the organisation, where the final reconciliation of distinct tasks and assessment of relevance is made;
- A tendency for interaction between members of the concern to be vertical i.e. between superiors and subordinates.

By contrast organic or decentralised management systems are characterised by the following features:

- The contributive nature of special knowledge and experience to the common task of the organisational concern;
- The adjustment and continual redefinition of tasks through interaction with others;
- The spread of commitment to the concern beyond any technical definition;
- A network structure of control, authority and communication;
- A lateral rather than vertical direction of communication and consultation through the organisation between people of different rank.

Hierarchical systems correspond with the principle of differentiation whilst decentralised organisational management systems are aligned with the principle of integration. But what specific influences does the system have upon institutional learning processes? This section discusses the impact of each system upon institutional learning processes and assesses the extent to which organisations can effectively shift from one management system to another.

Hierarchical management systems are frequently aligned with bureaucratic organisational designs such as those adopted within central and local government agencies. For some observers, the traditional local authority presents a 'classic' example of differentiation as it adheres to a clear, hierarchical system of command and control, presenting little opportunity for communication between departments (Elcock, 1983). This lack of contact derives from the highly specialised nature of the many professions working within local government structures. Such professions, including for example town planners, engineers and accountants, each work in specific organisational sections designed to mirror professional qualifications and abilities. As hierarchical organisational management systems divide professions in this way, each section tends to be unaware of the activities and values associated with the operation of other organisational departments:

The traditional local authority was usually an honest, relatively efficient but not creative organisation. Staff members were narrowly confined by formal rules and department specialisms; their creativity was stifled by

bureaucratic rules and hierarchical control - mostly in the name of accountability to councillors (Elcock 1983:136).

Furthermore, the hierarchical structures in operation are thought to give rise to the existence of a functional or instrumental rationality deriving from fixed understandings about the ways in which people and jobs fit together. This links back to the idea that an organisation's selection environment is bounded in its rationality. In hierarchical organisational management systems - through the physical structures and chains of command adopted - individual departmental cognitions can develop reflecting shared sets of common beliefs, routines and activities:

A person's prior cognitive map (or belief structure or mental representation or frame of reference) will shape his or her interpretation of information. These cognitive maps also vary across organisational units having different responsibilities (Huber, 1991:144).

Although such cognitions act as frameworks, providing a context for all organisational activities, they may also act as barriers, discouraging general change from taking place and rejecting alterations to the prevailing organisational management systems.

Morgan (1986:37) builds upon this understanding by suggesting that hierarchical management systems restrict opportunities for engagement in double loop learning, promoting instead the practical conditions and cognitions more conducive to single loop learning processes. In particular, the division and compartmentalisation of posts and remits in evidence between professions limits scope for contact between organisational members. This lack of contact has a series of knock on effects impacting for example upon engagement in effective reflexive behaviour - an essential component of double loop learning processes. As already discussed reflexivity demands that existing perceptions and practices are consistently challenged by the influx of new ideas and insights that act to break with, or radically expand, the range of organisational competences. However, within an environment marked by sharp divisions between both structure and staff, the lack of contact between departments and employees limits opportunities for such exposure. This is visible at 'horizontal' scales between departments and at 'vertical' levels between management and other employees. Accordingly within such structures, lower level staff members may not necessarily be empowered to make suggestions for

improvements or offer up new insights to existing problems as these may contravene existing management decisions or chains of authority and command.

This restricted ability of hierarchical organisational management systems to generate new interpretations and ideas as a result of section based divisions is further accentuated by the development of individual departmental standards, routines and norms that come to represent specific intra-organisational cognitions. These may influence the receptiveness of each section to double loop learning based activities. For example, in relation to reflexivity, individual departments and staff members may be unwilling to seek the opinions of other sections, reluctant to open up their internal operations to external scrutiny and disinclined to adopt new practices that challenge the accepted standards, routines and norms. This unwillingness may be further compounded by a defensive stance adopted when individual departments find themselves in direct competition for resources. Reinforced by parochial self-interest, lack of inter-departmental trust and low levels of tolerance this defensive stance leads to the development of 'organisational pathologies' (Robbins, 1990). These include empire building, turf protection, status seeking, and budget padding:

Mechanistic organisations discourage initiative, encouraging people to obey orders and keep their place rather than to take an interest in or challenge and question what they are doing. People in a bureaucracy who question the wisdom of conventional practices are viewed more often than not as trouble makers. The development of sub-goals and sets of interests undermines an organisation's ability to meet its primary objectives. The functional specialisation on which elements of the organisation's overall mission are broken down and made the responsibility of separate departments creates a structure that is supposed to be a system of cooperation but often turns out as a system of competition (Morgan, 1986:37).

Despite these limitations, hierarchical organisational management systems are identified as being the preferred structure for stable economic conditions, characterised as they are by precision and predictability, especially in terms of which section does what and how. However, with stability in the economic environment rarely guaranteed, decentralised systems are championed for their ability to allow organisations to develop a capacity for adaptability by providing internal conditions most conducive to the adoption of double loop learning processes (Argyris and Schon, 1978; Morgan, 1986; Burns and Stalker, 1994). These systems are thought to

open up organisational structures, thereby promoting opportunities for dissent and reflexivity amongst various organisational levels and staff members. By encouraging cross-departmental contact, decentralised management systems can assist in the generation of new insights and interpretations. Such potential manifests itself notably in the degree of 'intrapreneurship' within an organisation. This term refers to an ability to create and sustain internally the spirit and rewards of entrepreneurship (Robbins, 1990:343). Intrapreneurship may encourage the testing of potential solutions, the reflection upon established procedures and arrangements that facilitate the engagement of all staff members. As well as promoting the ongoing redefinition of organisational tasks, such activities can also aid the development of a sense of common purpose. As Burns and Stalker (1994:332) suggest this is important not least as it may be instrumental in restricting the development of departmentally specific cognitions:

The less definition can be given to status and roles and modes of communication, more do the activities of each member of the organisation become determined by the real tasks of the organisation as he sees them by instruction or routine.

In summary, the open, flat and decentralised organisational management system is thought to be more conducive for double loop learning. This interpretation has led some observers to suggest ways in which organisations can shift from hierarchical to more decentralised management systems. These suggestions include the creation - or indeed removal - of entire departments, the establishment of cross departmental working teams, the liquidation of certain functions and the redefinition of employee posts and responsibilities (Cohen, 1988; Cook and Yanow, 1993; Child, 1997; Hayes and Allison, 1998). However, it is equally well documented that the implementation of such change is not straightforward. For example, significant practical barriers may be encountered. These obstacles include an array of financial and legal constraints preventing organisational restructuring. Organisations may be obliged by law to perform certain functions, such as housing or education, whilst financial instability may convince organisations to focus only upon essential tasks and responsibilities. Similarly, as the restructuring process by its nature involves a hiatus in service provision, those organisations pressured to deliver much-needed public services may be discouraged from upsetting the status quo. In addition to practical resource based

barriers, change can also be resisted by the prevailing institutional cognitions, as is discussed in the following section with reference to organisational memories.

### **3.6 Organisational Memories**

Whilst the choice of organisational management systems can account for the maintenance and intensification of certain institutional cognitions it is not the sole factor influencing their development. Of equal importance are the prevailing organisational memories, which although reflecting past events and priorities embedded in an organisation's history can also become sustained so as to shape present day institutional learning processes (Levitt and March, 1988; Huber, 1991; Simon, 1991). The following section considers the concept of organisational memory and details how such memories become incorporated into institutional cognitions, and thereby affect opportunities for engagement in either single or double loop learning processes.

Levitt and March (1988:254) suggest that the term 'organisational memory' denotes the various ways in which history is maintained within an organisational environment. For example memory can be represented in an organisation's codified knowledge base, embodied principally through formal documents such as organisational mission statements, files, business plans, computer systems and e-mails. Such documents provide a written record of those past events to have occurred either internally or within the external environment. In addition, memory can also be reflected in an organisation's tacit knowledge base, reflected most notably in the particular routines, norms or standards of good practice adhered to either within the individual organisational setting or the collective institutional environment:

The lessons of experience are maintained and accumulated within routines, despite the turnover of personnel and the passage of time. Rules, procedures, technologies, beliefs and cultures are conserved through systems of socialisation and control. They are retrieved through mechanisms of attention within a memory structure. Such organisational instruments not only record history but also shape its future path and the details of that path depend significantly on the processes by which memory is maintained and consulted.

Levitt and March (1988:254) explain that when a specific form of action or practice is repeated over time, operating standards and accepted routines arise. These then

maintain themselves long after the individuals or circumstances responsible for their creation have moved on. In their example, an organisational accounting system once implemented is used on a regular basis for the keeping of invoices, bills and statements and through such use develops associated common practices, including the monthly collection of data or the production of an annual financial statement. Levitt and March indicate that over time the operation of the accounting system serves as a useful record of past transactions and becomes the basic unit defining which future financial information is sought out, interpreted and subsequently collated. Furthermore, the routines, perspectives and habits that surround the operation of the accounting systems also embed themselves within the minds of individual organisational employees. This can give rise to the existence of specific sets of individual, departmental and organisational perspectives and philosophies. These manifest themselves for example through stories regarding past accountancy system failures or successes or through institutional expectations regarding the type of support and services to be delivered by the accounts systems. But how exactly do such organisational memories impact upon institutional learning and the related processes of unlearning, forgetting and remembering?

In defining memory, the organisational management literature has drawn upon other social science disciplines, especially psychology and linguistics. It points to three insights of interest to the institutional learning debate. First, it is argued that memory exhibits inconsistencies and ambiguities (Simon, 1991). It is not clear as to which information becomes retained as memory, or which pieces of knowledge are lost (Cohen and Sproull, 1988). Similarly, not all pieces of information contained within memory are stored, remembered and recalled with 'consistency' having equal meaning each time they are invoked (Huber, 1991). For Simon (1991:181), even in instances when memory becomes established in organisational routines, neither is every past event recorded nor is every memory consistently evoked, recalled and applied. Indeed, some memories become so entrenched that any subsequent action occurs intuitively without any awareness of the original memory itself whilst others are referred to only loosely and on an occasional basis.

Second, it is suggested that organisational memories determine how organisations come to acquire and interpret new information. As Child (1997:20) indicates,

experience can be a double-edged sword. Although the past experiences embodied in organisational memories can provide a context within which new information can be understood, they can also represent significant blocks upon engagement in future, alternate forms of activity as Boisot (1983:160) explains:

Experiences work their way into the collective memory and expectations of a culture and remain embedded in institutional arrangements long after they have ceased to serve. They may then obstruct rather than assist the process of social adaptation much as early childhood traumas become the source of phobias and pathologies in later life.

Although debate has tended to focus upon the restrictive impact of organisational memories - ignoring in the processes those circumstances where organisational memories act as stimulus for change - this discussion demonstrates links with the debate on institutional learning and cognition. In particular, it is suggested that organisational memories - and the routines, cultures and habits they encourage and sustain - come to form a constituent feature of an institution's cognitive repertoire. As already discussed, the cognitive repertoire represents the organisational framework within which new information comes to be acquired, interpreted and implemented (Hedberg, 1981).

Depending upon the strength and frequency with which organisational memories are applied and recalled and the degree to which they are reflected in organisational cognitive repertoires, some observers have pointed to the limitations posed by memories upon institutional learning processes. Brown (1988:4) explains that as these organisational memories derive from 'a world that is no more' the established routines, values and outlooks although appropriate to yesterday's conditions, limit opportunities for today's organisational innovations, and constructive change. By promoting the application of past formulas for success to new contexts, the functioning of organisational memories can thereby serve to remove the 'positive irritant of the grit in the oyster' that promotes the adoption of alternate approaches:

Many commercial organisations suffer from the failure of success. This simply means that due to past success they carry on doing things in much the same old way. Public and professional bodies may suffer from the failure of monopoly and become sacrosanct, unchallengeable institutions.

In this sense, when new information is first acquired it is interpreted according to dominant organisational memories. Incremental learning - such as that represented

by the concept of single loop learning - occurs when organisational memories are subjected to a gradual or incremental extension that permits the inclusion of the newly acquired information (Cook and Yanow, 1993:452). By contrast radical learning occurs when the newly acquired information dramatically challenges and shatters the prevailing organisational memories, leading to the establishment of new criteria with which to judge and assess the relevance of new information.

Third, in acknowledging both the ambiguities and restrictions inherent in the functioning of organisational memory, other observers have drawn attention to the additional processes involved in the functioning of organisational memories. These processes concern unlearning, forgetting and remembering. According to some observers, the importance of these processes derives from their ability to overcome the restrictive impact that organisational memories can exert upon institutional learning (Johnson, 1992; Child, 1997; Amin and Wilkinson, 1999). Hedberg (1981:147) defines unlearning as being a process through which learners discard past knowledge and practices that have led to complacent or failed behaviours. Maintaining that learning is as much about acquiring the new as it is about disregarding the old, Hedberg argues that slow unlearning can be a crucial weakness of many organisations, leading to the inappropriate maintenance of yesterday's ideas and understandings. In a similar fashion, Johnson (1992) defines creative forgetting as being the rejection of past practices and behaviour, distinguished from 'just forgetting' by a deliberate and explicit intent to disregard past knowledge. As Johnson explains the role of forgetting is nothing new but it is only recently that the concept has been considered for its impact upon institutional learning processes:

The role of forgetting in the development of new knowledge has been duly recognised in economic theory. The enormous power of routines and thought in the economy constitute a permanent risk of blocking potentially fertile learning processes. Sometimes the creative destruction of knowledge is necessary before new knowledge can gain a foothold.

The terms unlearning and creative forgetting resonate with the concept of unfreezing. According to this view, organisations are at any given time in a state of equilibrium, operating in line with established memories and accepted practices. When this position of equilibrium proves restrictive, organisations must unfreeze by querying the standards and practices supporting equilibrium, overcoming in the process any

individual resistance or group conformity. Once unfreezing has occurred and appropriate changes have been implemented, 're-freezing' can take place in order to incorporate the revised behaviours and stabilise the new situation (Robbins, 1990:394).

From a practical perspective, a number of suggestions have been made regarding how unlearning and forgetting can actually be promoted within organisations so as to reduce the negative impact of organisational memories upon institutional learning. These include the shutting down of particular departments and sections, the dismissal of certain key members of personnel or the abandonment of a specific product or service (Simon, 1991; Johnson, 1992). Such actions facilitate the introduction of new ideas and practices by facilitating the removal of potentially unsuitable interpretations or actions, which, although relevant to a past era, are inappropriate for later circumstances. However, in order for these measures to be successful organisations must become aware of the memories themselves as well as their associated impact upon learning.

This has led some observers to suggest that organisations must implement mechanisms that allow organisations to become aware of the value systems guiding their behaviour (Revans, 1982; Huber, 1991). This can be achieved by adopting activities geared towards the generation of multiple views regarding future activities and by promoting practices that facilitate engagement in regular, reflexive self-appraisals, even if such practices entail the revelation of failure and the promotion of intra-organisational dissent. However, as Johnson (1992:29) points out in relation to the closing down of outdated organisational activities, the delivery of such devices geared towards unlearning and forgetting may not necessarily be straightforward:

It may be difficult to shut down activities and forget knowledge into which time, effort and prestige have been invested. As a rule this will psychologically, socially or economically affect at least some groups negatively. This leads to dissent that often retards the process.

In part, the ability to undertake unlearning and forgetting in accordance with the methods outlined above is dependent upon a further process - remembering. Perception alone could lead no further and could not produce learning unless it was combined with some kind of retention of perceived information. However, the long-

term storage of information is subject to decay with different people remembering things for different reasons and in diverse fashions. Even though memories can ultimately manifest themselves in fixed routines, recollections regarding the initial reasons governing their establishment may not be entirely clear-cut. Memories can erode or become transformed over time and can even be remembered incorrectly or invoked for the 'wrong' reasons as Howe (1984:63) describes:

People are, and have to be good - very good - at making use of what they already know in order to comprehend and learn from new events. But most people are not so good at remembering when, where and how they gained the knowledge that they have come to possess. It may be quite impossible to distinguish between a memory of the original event and the memory of a previous recollection of the event.

Clearly the process of remembering is influenced to a great extent by the format in which the organisational memory itself is stored. In those instances where organisational memories are of a hard, codified nature, the process of remembering may be made easier as such memories normally take the form of a written record detailing the specific set of circumstances and decisions that gave rise to the initial memory.<sup>21</sup> However, organisational memories of a soft nature - such as those reflected in the organisation's tacit knowledge base - may be less easy to assess. Due to the lack of a comprehensive codified record, limited or incomplete information may be available regarding the circumstances giving rise to the organisational memory or indeed the factors influencing the distortion of the memory over time (Huber, 1991:151).

In summary this section has suggested that organisational memories can impact negatively upon institutional learning processes. These memories confine the search for - and application of - new knowledge to accepted organisational parameters which reflect the prevailing institutional cognition. This section has also indicated that through consideration of organisational memories, attention has been drawn to some of the related practices associated with institutional learning. Two activities in particular have been examined - reflexivity and intra-organisational dissent.

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<sup>21</sup> Nevertheless it can be difficult to access hard organisational memories. Although a written record may be held, it is still not entirely clear as to the type of circumstances in which such memories are invoked and for what purpose. Similarly it is not clear whether the hard organisational memory records all data relating to a past event or whether subsequent recollection is of either partial or total nature.

Reflexivity involves an analysis of past forms of organisational behaviour and the introduction of new insights or practices which challenge the dominant organisational memories. Similarly intra-organisational dissent can bring various organisational memories and cognitive repertoires into contact with one another, allowing challenges to be made both to their continued relevance and applicability. Both these activities are considered in more detail in the section that follows.

### 3.7 Reflexivity and Intra-Organisational Dissent

One of the key activities distinguishing single from double loop learning is reflexivity (Morgan, 1986; Grabher, 1993; Child, 1997; Hayes and Allison, 1998). Reflexivity can occur at both individual and collective institutional levels and involves not only a review of past behaviour and solutions, but also a questioning of the appropriateness of the chosen form of action. Critically, reflexivity involves an ability to challenge or contradict prevailing organisational assumptions, review the range of differing options available and provide alternative insights into a given problem or issue. From this definition, it would be wrong to suggest that single loop learning does not involve any reflexivity at all. It does, but as pointed out by Grabher (1993) this occurs principally within the framework of existing understandings and perceptions and tends to focus only upon the first stage of reflection - that of detecting past errors. Furthermore, any subsequent modifications adopted to correct the perceived error follow already accepted and tested organisational solutions. Conversely, the reflection undertaken during a double loop learning process denotes an ability to question the appropriateness of institutional behaviour by *stepping outside of* the existing organisational framework and the recognised understandings maintained therein. As Nooteboom (1999) indicates this can ultimately lead to a theoretical re-framing of organisational systems and perspectives - or a shift in the prevailing cognitive repertoire.

In order for reflexivity to generate double rather than single loop learning processes, three tentative suggestions have been made regarding the exact conditions and activities inherent in such practices. First, it is suggested that organisations must become aware of the prevailing organisational opinions, mindset, values and cognitive perspectives (Revans, 1982):

The more aware we are of our basic paradigms, maps or assumptions and the extent to which we have been influenced by our experience the more we can take responsibility for those paradigms, examine them, test them against reality, listen to others and be open to their perceptions, thereby getting a larger picture and a far more objective view.

Second, it is argued that reflexivity should be focused principally, although not exclusively, upon the analysis of failure. Such an analysis may, however, be strewn with difficulties. As argued by Sitkin (1999:542), many organisations are reluctant to engage in failure reviews and have developed neither the appropriate structures nor mentalities for this to be achieved:

In our society failure is anathema. We rarely hear about it, we never dwell on it and most of us do our best never to admit to it. Especially in organisations, failure is simply not tolerated and people avoid being associated with failure of any kind.

This negative view of failure is identified as being particularly prevalent within public sector organisations where reflection upon perceived institutional deficiencies can take the form of 'post mortem' enquiries designed to apportion blame rather than search for improved solutions (Elcock, 1983). In such an environment mistakes may simply not be tolerated, especially as they can impact adversely upon political priorities and individual organisational standings within the wider institutional community. As Brown (1988:12) indicates, staff may develop a degree of 'rigid finger' that perpetuates itself over time and may ultimately adversely affect positive perceptions of the benefits associated with engagement in learning behaviour:

Rigid fingers are always pointing the finger of blame at someone else, blaming that person or department or policy for why things cannot be done. And sure enough the people doing the pointing will have the level below pointing up at them. Rigid finger means that people feel disempowered. They see themselves as pawns in somebody else's chess game. Seeing themselves as powerless they don't act and so confirm their sense of helplessness. The organisational problem is to do with the structure and levels of authority and decision-making.

This negative perception of the value of failure has led some observers to call for organisational management systems capable of delivering strategic or 'intelligent failure' that acts to fuel experimentation and creativity (Peters and Waterman, 1982). This entails the development of appropriate organisational structures that allow for experimentation and mistakes. Such intelligent failure - the benefits of which may

not be immediately visible - does however carry with it a number of conditions. It must for example, result from planned actions, be expected to have uncertain outcomes, be modest in size, take place in a familiar domain and be carefully monitored and quickly acted upon (Sitkin, 1999).

In order to move reflexivity beyond the simple analysis of past events, both practices must also entail a degree of experimentation and creativity. This exposes organisations to potentially new insights and patterns of behaviour and allows for established organisational reference frames to be extended. However, securing creativity and experimentation is not necessarily a straightforward process. Entrenched institutional cognitive repertoires may dictate which issues are identified as constituting past problems or errors and they may also determine from which sources new insights and imaginative solutions are sought. Similarly, organisations may simply not have the time or available structures through which new solutions can be tested before they are applied.

The third suggestion relates to the inclusion of all staff members in the reflection process. Revans (1982) for example has called for reflexivity to be bottom up in nature, encouraging all work colleagues to make regular, collective proposals for the study and re-organisation of their own systems of work. However, it is clear that in opening up the decisions and actions of an organisation to the scrutiny and influence of all staff members, that a degree of disagreement and dissent may emerge between the various interests represented. Although the terms in their daily usage are generally viewed in a pejorative fashion, for some observers dissent nevertheless has distinct advantages for the enhancement of learning since it involves becoming aware of problems in the organisation and allows for extensive discussion of the potential solutions that may be on offer.

Dissent within a given organisational setting can manifest itself in a number of ways. It can arise out of uncertainty and tensions between departments, competition over scarce resources, ambiguity over roles and responsibilities, or simply as a result of the different ways in which individual sections resolve problems and difficulties. It can result in in-fighting, unresolved dilemmas, running battles and stand-offs. It can also undermine existing practices, intensify prevailing divisions, attribute blame and

suppress real concerns. But given the appropriate channeling, dissent also offers opportunities for internal debate and the development of alternate solutions that in turn facilitate radical change (Robbins, 1996).

The sharp division in opinion regarding the benefits of intra-institutional dissent reflects three established schools of thought (Robbins, 1996). First, the traditional perspective suggests that as dissent has negative and destructive consequences it should be discouraged at all costs (Drucker, 1968). Second, the behaviouralist view sees dissent as inevitable. Rather than encourage its total elimination, this perspective suggests that dissent should be accepted although not necessarily promoted, as it can act as a safety valve, keeping organisations on an evolutionary rather than a revolutionary course (Coser, 1956). Third, the interactionist view sees dissent as a management tool focused upon promoting change and developing a set of collective organisational values that act to improve organisational cohesiveness. This view is grounded in the opinion that employees and departments can become apathetic and unresponsive to changing needs. In order to overcome this apathy, group leaders are advised to maintain an ongoing minimum level of dissent as this allows groups to be kept viable, self-critical and creative (Argyris, 1970).

Intra-organisational dissent is also seen as an important component of double loop learning (Argyris and Schon, 1978), as it reveals diverse opinions, encourages debate around alternative solutions and facilitates effective reflection about past organisational activities. This can be achieved in a number of ways. For example, management can introduce outside agencies or individuals to play devil's advocate over a particular theme or alter established rules so as to upset deliberately the status quo (Robbins, 1996). In this way intra-organisational dissent brings about changes that are potentially more appropriate to ever evolving social and economic circumstances. Such changes involve for example, the modification of existing power structures, entrenched departmental attitudes or established behavioural patterns.

However, of fundamental importance in ensuring that dissent is beneficial and does not exacerbate existing divisions are the prevailing organisational management systems and cognitive repertoires. For example, employees need to be willing to

adopt potentially new skills, such as the ability to express contradictory views that challenge the existing cognitive repertoire. Similarly, staff must be confident that the organisational management system is capable of recognising, accommodating and containing discord and can effectively communicate dissent throughout the organisational structure. Hierarchical organisational management systems, along with the institutional cognitions that are maintained therein, may not necessarily be conducive with the development of the required capacities for managing and delivering dissent:

Individuals become socialised into their group with its own norms, values and practices. In consequence, their perception of other organisational members may alter. These others may be viewed as less competent or of less value. They will tend to overvalue their own group, unit or department. Increasing differentiation in a company encourages the development of a 'them and us' attitude which contributes to the development of dissent situations (Elcock, 1989:55).

Within such hierarchical organisational management systems the channels of communication, a well-established chain of decision making and responsibility and the sharp division of tasks and responsibilities into separate departments can restrict opportunities for contact between the various organisational tiers and sections, thereby limiting the likelihood of dissent occurring. In addition, individuals and the specific departments in which they work can become inward looking and defensive about their perceived role, responsibilities and positions. As intra-organisational dissent may present significant challenges to these existing roles and established ideas, dissent may be viewed with skepticism and mistrust. By contrast, decentralised organisational management systems in regularly facilitating contact and communication between various departments may consistently encourage differences in work practice, behaviour or perspectives to be brought to the fore in order to be effectively resolved.

### **3.8 Concluding Comments**

This chapter has focused on some of the key internal dynamics shaping institutional learning. First, discussion has pointed to the relevance of cognition. The chapter has indicated that institutional cognitions develop and are maintained over time in a variety of in-house rules, routines, habits and perspectives that can restrict rather

than promote learning capable of securing institutional adaptability. Second, benefiting from the ideas emanating from public administration and organisational management literature, the chapter has examined how three inter-related organisational features shape institutional learning. Applying the concepts of single and double loop learning as tools with which to explore the diverse factors influencing learning, practical suggestions have emerged indicating that institutions can in fact dramatically improve their learning capabilities. In particular, through measures such as the deliberate alteration of organisational management systems and the introduction of reflexive and dissenting behaviour, institutions can in fact promote learning capable of securing adaptability and in doing so remove those restrictions imposed by the prevailing institutional cognitive repertoires.

At first glance the insights offered by investigations into institutional cognition appear to fill a number of conceptual gaps evident in the regional rediscovery literature. At a general level, enquiry has extended well beyond simply evaluating the outcomes of institutional learning upon firm based and regional economic competitiveness, and has simultaneously shifted attention firmly towards learning as a process governed by a raft of internal management and system variables. More specifically through such investigations, the value of cognitive considerations to the learning debate has received greater acknowledgement. Such attention has further shed light upon the forces governing why in some instances institutional conditions give rise to radical learning patterns whilst in others learning continues to be of an incremental nature. In turn these insights have reinforced many of the arguments established within the context of the regional rediscovery literature, particularly those concerning the place specific and path dependent nature of regional economic activity.

Notwithstanding the advances made, it is apparent that ideas presented in this chapter must now be complemented by thorough empirical validation. First, in respect of cognition, discussions to date have been focused principally upon establishing the common links between institutional cognition and learning. Although this emphasis has been invaluable in channeling interest towards learning processes as opposed to outcomes, the theoretical claims must now be complemented by substantial empirical research into the various types of institutional cognition in

operation within organisations and the organisational memories supporting their existence and maintenance. For example, there is a clear need to develop a typology of the kinds of organisational memories impacting upon learning processes as well as the frequency with which these legacies come to be applied, under what circumstances and for what purpose. This typology would facilitate greater understanding as why certain organisational memories become either sustained or dismissed and the associated impact that such legacies exert upon institutional learning processes. Similarly, it is important to consider in more detail the specific circumstances in which institutional cognitions - and the organisational memories they reflect and sustain - act as learning barriers or indeed learning stimuli. Within this analysis it is imperative to consider those factors influencing whether institutions develop and sustain either rule based or reflexive cognitive rationalities and to identify the practical consequences of each upon learning. In addition, it is useful to determine the extent to which institutions engage in processes of remembering, forgetting and unlearning as a means of overcoming the barriers to learning presented by the prevailing institutional cognitions. Many of these issues have at best received only limited attention. However, if addressed, these themes have the potential to enhance existing understandings regarding the centrality of cognitive considerations to the learning debate and in doing so expand upon the main determinants of institutional learning.

The second area for investigation concerns the endogenous organisational features shaping institutional learning processes. Whilst it has become apparent - through the concepts of single and double loop learning - that factors including organisational management systems and management techniques can dramatically alter institutional learning, certain aspects of this debate remain under-developed. Most notably, studies regarding the endogenous organisational features impacting upon learning have occurred overwhelmingly within the context of the firm. By contrast, and as explained in the introductory chapter of this thesis, little attention has been paid to the organisational management systems and management techniques adopted within public sector organisations. This is despite awareness of the role of the public sector in directing regional economic development trajectories and of the identified differences between public and private sector agencies, particularly in terms of their organisational structures, remits and responsibilities.

Three areas in particular are ripe for further analysis. First, with respect to organisational management systems it is necessary to identify the type of systems in operation within public sector organisations and highlight the impact of such systems in either promoting or restricting institutional learning. Second, although a number of management techniques have been suggested as tools by which organisations can promote radical learning it is not entirely clear as to how, and indeed whether, such management techniques come to be applied within public sector organisations. For example, it is necessary to examine the extent to which public sector organisations engage in reflexive and dissenting activities and identify the internal organisational barriers and stimuli encouraging the adoption of these techniques. Finally, following claims that organisations can dramatically improve learning capabilities through specific alterations to organisational management systems and techniques, it is necessary to consider whether public sector organisations can enhance learning potential through such 'cosmetic' alterations.

The remainder of this thesis addresses these concerns by presenting the empirical evidence gathered during research into the institutional learning processes occurring within public sector based economic development organisations. Chapter five reviews the learning activities occurring within such organisations with the aim of exploring how institutional cognition affects institutional learning processes. The chapter begins by outlining the preferred forms of learning activities, habits, sources and relations before turning to summarise organisational views regarding the value and purpose of engagement in learning activities and behaviour. This is followed by consideration of the prevailing institutional cognitions that are both reflected and sustained in the institutional learning processes observed. Through examination of the institutional memories in place, the chapter considers which organisational memories represent the basis of differing institutional cognitive repertoires and explores how such memories come to be forgotten, unlearnt and remembered in such ways as to exert either restrictive or promotional pressures upon institutional learning. Finally, the chapter considers how such organisational memories and their associated impact on learning have become mirrored and reinforced by the chosen organisational management system.

Chapter six continues this analysis by considering the extent to which organisations are able to engage in activities specifically designed to encourage shifts in institutional cognitive frameworks so as to promote radical rather than incremental institutional learning processes. Applying the single and double loop learning distinction, chapter six examines the extent to which organisations undertake reflexive and dissenting practices and explores the underlying motivations for such engagement. This is followed by consideration of the extent to which the adoption of such practices - and their associated effects upon institutional learning - are constrained by the prevailing institutional cognitive repertoires and chosen organisational management systems.

However, before both sets of analysis can take place it is necessary to review some of the key historical, social and institutional features of the two areas investigated during the course of the empirical research. Such analysis is essential on two counts. First, this research - following claims in the regional rediscovery literature regarding the path dependent and instituted nature of economic activity - concurs with the view that present day learning activities are shaped by the specificities of individual environments reflecting differences in historical experiences, institutional structures and established modes of institutional conduct. Second, this research reflects more recent insights regarding the significance of distinct institutional cognitive repertoires upon learning. In particular, with institutional cognitions arising out of previous historical events and adopted perspectives as well as the accepted routines and habits, such repertoires also reflect a raft of historical, cultural, social and institutional experiences. Such features are of vital significance in understanding why certain forms of learning activities, perspectives and values are adopted over others and in explaining why in some circumstances and not others, the institutional conditions support radical rather than incremental learning processes.

In order to frame discussion in chapters five and six, chapter four therefore presents a brief historical overview of the key events to have shaped economic histories and institutional structures in Teesside and Cracow. It examines the associated habits, routines and cultural perspectives that may influence the institutional learning processes occurring therein. This is followed by an outline of the formal institutional arrangements currently in place within Teesside and Cracow. The chapter then turns

to consider some of the main changes to have affected institutional structures over the last decade before exploring how the institutional discontinuities and continuities observed may have affected institutional learning processes.

Empirical evidence in the following chapters is presented in one of two formats. First, data is presented on an individual case study basis. For example in chapter four, evidence relating to the institutional and historical background of each area is presented separately first, for Teesside and then, for Cracow. This approach has also been adopted in chapter five and six in those instances where either a summary of the institutional learning capacities of each area is necessary or alternatively, when background information is required before a more detailed analysis of the empirical evidence can take place. Second, data is presented according to the particular theme being explored. For example in relation to the theme of unlearning, the interpretations applied in both Teesside and Cracow are presented together. Such an approach - adopted principally in chapters five and six - reveals insights regarding the institutional learning processes in each area and allows for the validity of each theme within the context of the institutional learning debate to be considered.

## Chapter Four: Economic Histories and Institutional Legacies

### 4.1 Introduction

In 1975 the newly created Cleveland County Council proclaimed that the economic future of Teesside<sup>22</sup> was bright:

The Teesside region is one of the great centres of industry in Great Britain. There is little doubt that Teesside is about to witness an exciting period of growth and change. Changes in industry and commerce are being matched by improvements to infrastructure and these in turn are complemented by a change in the organisation of local government. The coming decades should see new changes and developments which will do much to enhance its industrial greatness (North 1975:141).

However, the optimism displayed by Cleveland County Council - although grounded in Teesside's early glory as a leading national and international industrial producer of iron, steel and chemicals has proved to be short-lived and ill founded. Although the coming decades were indeed to see new developments these did not result in the economic growth anticipated. Rather the area witnessed a decimation of its manufacturing and industrial structure, fell victim to high levels of unemployment, job insecurity and social deprivation and experienced ongoing institutional rearrangements - changes to which Cleveland County Council itself would ultimately fall casualty. Whilst other industrial locations across Europe were seizing the opportunity for economic, social and institutional re-invention, Teesside proved to be introspective in its search for sustainable and alternative futures.

In stark contrast to Teesside's encounters with industrial glory and decline, Cracow's experiences of industrial decline have not detracted from the area's economic success. Historically, the city was a national centre for science, art and culture and acted as the focal point for political, economic and diplomatic relations. Following the establishment in 1364 of one of the earliest universities in Europe, the city became renowned as an important centre of education and learning. Cracow today is

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<sup>22</sup> Although the name 'Teesside' has been adopted here, the area has also been known as Cleveland, North Yorkshire, North Riding and more recently, the Tees Valley. These name changes have occurred as a result of geographic alterations to Teesside's boundaries. Although these changes have on occasion involved a transfer of territory to the surrounding counties of Durham and North Yorkshire, the Teesside area is commonly understood as referring to the five districts of Stockton, Darlington, Hartlepool, Redcar and Cleveland and Middlesbrough, located alongside the River Tees. Refer to Figure 1 for details of the current boundaries.

registered on the UNESCO list of world heritage sites, serves over one eighth of Poland's student community and was designated European City of Culture for the year 2000 (Koska, 1996).<sup>23</sup>

However, with the collapse of the Communist system in 1989, exposure to global competitive pressures has presented significant difficulties.<sup>24</sup> In particular, there are growing concerns that within the context of European Union integration, the difficulties associated with outdated industrial structures, rising unemployment and social inequalities may situate Cracow firmly on the boundary of European urban hierarchies (Hardy and Rainnie, 1996; Piasecka and Rainnie, 1997). However, Cracow does appear to be well placed to tackle the economic challenges presented. Since 1989 the area has attracted significant foreign direct investment<sup>25</sup> and is exploiting its historical and cultural heritage through investment in tourism and leisure. Economically the area is one of Poland's most dynamic growth regions and following a series of administrative reforms has developed an institutional structure through which economic change can be managed.

This chapter's first aim is to describe the key historical events and institutional features that have defined both Teesside's and Cracow's distinct economic development and institutional trajectories. A second aim of the chapter is to determine the possible effects of such economic and historical legacies upon institutional learning. Such aims follow claims made by the regional rediscovery debate and the literature on cognition and learning. These claims suggest first, that institutional cognition evolves from experience and interaction with the surrounding social and cultural selection environment and second, is subsequently maintained via a series of place specific routines, habits, memories and institutional conditions. As such it is necessary to review the key historical, institutional and social variables that

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<sup>23</sup> The term Cracow adopted in the research refers to the City of Cracow municipality, one of nine municipalities making up the Malopolska region, one of Poland's sixteen macro regions. Prior to administrative reform Cracow was one of Poland's forty-nine regional units. Refer to Figure 2 for Cracow's past and current regional or 'voivodship' boundaries.

<sup>24</sup> Despite reform, at the national scale there has been increasing unemployment, widespread social deprivation and growing regional inequalities (Hausner and Marody, 1999).

<sup>25</sup> For example, foreign direct investments have been made by Coca-Cola, Philip Morris and Motorola (PAIZ, 1997; Domanski, 1998).

may have shaped the distinct institutional cognitions and institutional learning processes observed.

Beginning with Teesside, the chapter charts the area's early industrial rise and subsequent economic decline before turning to examine institutional structures. This analysis outlines Teesside's current institutional set-up and details the main changes to have affected economic development institutions over the last ten years.<sup>26</sup> Throughout this section, discussion explores the prevailing institutional cognitions and their potential impact upon learning. Section three summarises Cracow's economic experiences during its annexation to the Austro-Hungarian Empire, the period of German occupation and the era of Communist rule and collapse. The section then turns to consider Cracow's current institutional arrangements focusing upon the effects of institutional and administrative reform upon current structures and responsibilities. As in the Teesside case, threaded throughout this analysis is an examination of Cracow's informal institutional characteristics and an assessment as to how such features may have come to impact upon institutional learning.

#### **4.2 Historical Overview: Teesside**

Teesside is one of the four coastal counties<sup>27</sup> making up the North East of England, the smallest English region. It borders the counties of Durham situated to the north and North Yorkshire to the south. Administratively the area is divided into the five local authority districts<sup>28</sup> of Stockton, Middlesbrough, Redcar and Cleveland,

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<sup>26</sup> The decision to focus upon this period is based upon the extensive shifts within Cracow's institutional landscape since 1989. Such shifts have been particularly dramatic, especially when compared with Cracow's pre-1989 institutional structures. Similarly, although Teesside's institutional landscape has been subject to continual change since the 1950s, change during the 1990s has been especially intensive. In addition, during the last ten years economic development interpretations, functions and resources have expanded considerably, involving a far greater array of institutional actors.

<sup>27</sup> The other North East counties are County Durham, Tyne and Wear and Northumberland.

<sup>28</sup> The latest revision to Teesside's local authority structures and boundaries occurred in 1996. This revision - sparked by the central government priorities of the Conservative administration - abolished the county status originally granted to Cleveland in 1973. Instead authority was granted to the four existing unitary authority districts of Hartlepool, Stockton, Redcar and Cleveland and Middlesbrough as well as to the additional district of Darlington - previously located within County Durham (Hudson, 1996).

Hartlepool and Darlington. The total population of the Teesside area is 651,800<sup>29</sup> and average population density stands at 8.2 persons per hectare (TVJSU, 2000; One NorthEast, 1999). The population is unevenly distributed across the locality, with Stockton representing the largest district with a population of 178,300 and Hartlepool the smallest with a population of 90,700 (TVJSU, 2000). In terms of area, Teesside covers approximately 79,420 hectares, a figure representing only 9% of the North East regional total (One NorthEast, 2000). Although there are swathes of rural land found to the south and west, the Teesside area is largely industrial in nature, with economic activity concentrated primarily along the River Tees.

The economic history of the Teesside area, as well as that of the North East of England as a whole, is inseparable from the existence of, and links between, the region's physical attributes and natural resources. For Teesside, it was the discovery and subsequent exploitation of large deposits of Jurassic iron ore in the Cleveland Hills in 1850 that triggered the area's dramatic transformation from a collection of hamlets along the River Tees into the world's leading producer of iron (Carson, 1977; North, 1975; Le Guillou, 1978; Bell, 1985; Robinson, 1992; Briggs, 1996). Reinforced by the area's deep-water coastal location and connections with the extensive coal and limestone seams of neighbouring Wearside, expansion in the iron industry later facilitated the development of Teesside's steel, shipbuilding and heavy engineering industries during the second half of the nineteenth century (Department of Planning, 1989).<sup>30</sup> The rapid economic growth associated with these industries was nothing short of remarkable, contributing to local, national and international affluence and producing some of the world's major railways and bridges<sup>31</sup> (Beynon et al., 1994).

Whilst developments were taking place in the iron, steel and shipbuilding sectors, Teesside was also expanding an already existing industry based upon another of its natural resources - salt. Whilst salt had been used in the area since the twelfth

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<sup>29</sup> The total population figure for the North East region stands at approximately 2.6 million (based upon 1999 figures).

<sup>30</sup> The first steel was produced on Teesside in 1875 by the company Bolckow and Vaughan.

<sup>31</sup> For example, Teesside products were used during the construction of the Sydney Harbour Bridge, Australia, the Golden Gate Bridge, San Francisco and in the development of the Indian railway network.

century, the mid 1860s witnessed major advances in those markets concerned with the manufacture of salt by-products, namely soda ash, soda crystal and bleaching powder. Although such advances were important in their own right, for the future development of Teesside they indicated a significant opening for the chemical and pharmaceutical industries. This was confirmed in 1918 by the location of a chemical production facility on the north banks of the River Tees by Brunner Mond. This company was later to merge with Nobel, United Alkali and British Dyestuffs to form the world famous company, Imperial Chemicals Limited (ICI) in 1926 (Kennedy, 1993).

Through the locational and operational decisions of these industries Teesside was in effect built from scratch (Beynon et al., 1991). As the area developed into an unparalleled economic power the social implications of such dramatic growth were immediately visible. Population rose from just hundreds to over one hundred thousand within fifty years due to the influx of migrant workers from elsewhere in the North and Ireland, and housing stock and services were expanded to accommodate the newly arriving industrial work force (Hudson, 1989; Beynon et al., 1989; Moorsom, 1996). Industrial advancement also had implications for the area's institutional arrangements and relations. First, the area became highly specialised around the three major industries of iron and steel, shipbuilding and chemicals which themselves were owned by only a handful of producers.<sup>32</sup> Second, industrial specialisation dictated that the concerns and interests of Teesside's few industrial producers became dominant impacting not only upon issues relating to the area's physical development questions - such as the management of the River Tees - but also determining many aspects of social and community life. Most notably, the interests of capital were particularly evident within the area's governing structures where the leading commercial entrepreneurs also occupied positions within local government structures.<sup>33</sup>

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<sup>32</sup> For example, the steel industry was dominated by three companies - Bolckow Vaughan and Co., Dorman Long and South Durham Iron and Steel (North, 1975).

<sup>33</sup> One example is that of Henry Bolckow who as well as owning a major iron and steel works became the first Mayor of Middlesbrough following the signing of the Charter of Incorporation in 1853 and the area's Member of Parliament (Briggs, 1996; Carson, 1977).

The global depression of the inter-war years sparked a dramatic reversal in economic fortunes. Hit by economic crisis, national policy decisions focused upon the removal of those factors of production surplus to requirements, resulting in capacity reductions, work force lay-offs and wage cuts (Hudson, 1989:9-13). As a consequence, unemployment rose to exceptionally high levels during the 1930s with approximately 45%<sup>34</sup> of the male workforce registered as unemployed in Middlesbrough alone (North, 1975:74). As well as leaving entire communities shattered, sustained economic crisis also sowed the seeds for changes in the political make up of the area. Traditionally associated with Liberal and Conservative influences, Teesside's political loyalties shifted in favour of alternative political solutions, including involvement with the Labour party and trade unions.

The general economic and social decline experienced in the inter-war years was however paradoxically reversed by the onset of the Second World War which boosted the demand for products emanating from Teesside's heavy industries both during wartime and in the post war period of national reconstruction. Economic growth was to continue well into the mid 1970s with Teesside identified as having the strongest and most dynamic economy in the North East region (Foord et al., 1986). However, economic success did not derive simply from the growth strategies adopted by Teesside's major companies. Rather in the post-war period the area's economic development concerns cemented themselves as major issues on the national political agenda leading to interventionist policy measures designed to improve the area's economic and social infrastructure.

In general, intervention by the state from 1945 until the 1970s took two forms. First, the iron, steel and shipbuilding industries were nationalised.<sup>35</sup> This allowed for high levels of investment to be secured in industries predominantly concerned with low cost and efficient production and facilitated state control over manufacturing capital and thereby, national and local economic competitiveness. Second, Teesside became the recipient of direct and indirect regional policy assistance. This assistance included the identification of special development areas and the diversion of jobs and

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<sup>34</sup> Compared to the average UK male unemployment rate of approximately 14%.

<sup>35</sup> The process of nationalisation occurred in three waves affecting coal mining in 1947, iron and steel in 1967 and shipbuilding in 1977.

investment through direct grants, business subsidies, infrastructure provision and public sector expansion (Martin, 1985; Hudson and Sadler, 1985). Such an approach is perhaps best exemplified by the 1963 Hailsham Programme for the North East (Board of Trade, 1963) which culminated in the publication of Teesplan (Board of Trade, 1969) - a planning document outlining provisions for land use, transportation, employment creation and sustained economic growth. On the one hand such state investment did have clear benefits for Teesside. Financially the area received substantial capital injections, the economic and social infrastructure was improved and unemployment curtailed. On the other hand, the measures were subsequently criticised for impeding Teesside's future development by perpetuating the area's already high industrial dependency at the expense of economic diversification and the exploration of alternate sources of indigenous growth (Martin, 1985).

The weaknesses inherent in the very policies designed to stimulate long term economic growth were to become all too apparent during the global economic crisis of the 1970s during which time Teesside's core industries were subjected to the full forces of international competition and corporate rationalisation. However, in explaining Teesside's fortunes during this period, consideration of the impact of the Thatcher administration is unavoidable (Savage and Robins, 1990). A drive to ensure the supremacy of the market and avoid what were portrayed as being the excesses of state intervention led in practice to restrictions on local government expenditure and trade union destruction.

The consequences of these actions for Teesside were catastrophic. In particular, the area witnessed an almost total erosion of its heavy industrial base that lasted well into the 1990s. By 1987 rapid deindustrialisation meant that Teesside had the highest official unemployment rate in Britain with half the registered unemployed classified as long term. Over 68,000 jobs were lost between 1975 and 1995. By 1984, ICI had located production facilities overseas and had replaced capital for labour, shedding in the process almost 17,000 jobs (Foord et al., 1986:33; Beynon et al., 1989:277) whilst steel production slashed its work force from 29,000 in 1971 to just 7,000 by 1986 (Beynon et al., 1989:275).

Teesside today, although starting to recover from this period of stagnation and decline nevertheless faces huge economic challenges. Economic growth is still considerably lower than the UK average and unemployment currently rests at 7.6% - a figure twice the UK average of 3.7% (Tees Valley TEC, 2000). Teesside's remaining heavy industries - notably those connected with the chemical, offshore and heavy engineering sectors - are particularly vulnerable to global economic trends. Moreover, the legacies of past industrial production continue to present difficulties. Over 1000 hectares of derelict industrial land are in need of reclamation and the area has a limited number of small and medium sized enterprises which are themselves largely reliant upon servicing the existing manufacturing industries. In addition, standards of educational attainment on Teesside are low and housing conditions continue to be poor (One NorthEast, 2000). The area's poor economic and social position in the UK is clearly visible in the Index of Multiple Deprivation - a national information source used for comparing concentrations of deprivation. According to average ward rankings<sup>36</sup> Hartlepool occupies the 10<sup>th</sup> worst position in the country<sup>37</sup> with Middlesbrough falling close behind in 44<sup>th</sup> place. Redcar and Cleveland stands in 50<sup>th</sup> place, followed by Darlington in 103<sup>rd</sup> and Stockton in 111<sup>th</sup> position (DETR, 2000).

Despite these difficulties there is scope for optimism. There is growing evidence, for example, that a shift is starting to occur in the nature of Teesside's economic structure demonstrated by the area's recent commitment to promoting service sector activity. This is expressed most notably through the influx of 'call centre' companies and through the exploitation of the untapped tourist potential of the area - itself viewed as one of the fastest growing growth businesses in the Tees Valley (TVDC, 1998). Whilst the call centres in particular have provoked criticism for their replication of a branch plant culture, for the unemployed work force on Teesside they have nevertheless provided much needed, although potentially short term, job opportunities and money. At the same time ICI has divested many of its core business to competitors including Dupont and BASF. Although within this process there is scope for further job losses, the major advantage of these actions may lie in

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<sup>36</sup> Average ward rankings are based upon a combination of indices including health, income, employment, education and skills, training and disability.

<sup>37</sup> Out of a total of 374 localities, 1 representing the most deprived, 374 the least.

an enhanced capacity to spread risk and reduce the dependency of the area on a single chemical company. Furthermore, and in part tied up with the 1997 change in central government, Teesside continues to be on the receiving end of significant funding packages including European, Single Regeneration Budget and New Deal initiatives. These programmes aim to encourage economic diversification, deliver worthwhile vocational training, undertake meaningful community regeneration and promote bottom up approaches to Teesside's future economic opportunities.

In summary, Teesside has been an area of long standing economic interest within the wider national context. Initially this importance evolved from the area's command over national and international markets in iron, steel and shipbuilding. More recently, the importance of the area has derived from altogether more negative circumstances with the Teesside of today faced with a series of intractable economic problems the origins of which can be traced back to the over-specialised and dependent nature of the area's economy. Both sets of experience have had a dramatic influence upon Teesside's cultural and social perspectives. These perspectives have become embedded and reflected via a series of habits, customs and social standards which govern the ways in which Teesside perceives its economic purpose, function and future developmental opportunities. Although following well-documented accounts, three features are useful to review at this stage as they underpin later discussion regarding the key forces defining institutional learning processes in the area.

First, narrow economic specialisation has engendered a 'culture of dependency' upon Teesside (Le Guillou, 1978). According to Hudson (1994:197) this dependency has manifested itself through a dependence on waged labour controlled by the major capitalist enterprises and through worker reliance upon these enterprises to supply adequate housing provision and services. In later years this dependency was to be further reinforced by externally driven economic development policies which obliged Teesside to rely on others to set and control the area's economic agenda.

Second, observers including Beynon et al (1989:185) have suggested that the culture of dependency has led to a pervasive system of paternalistic class relations:

From an early stage class relations were strongly paternalistic ones which extended beyond the workplace and gave form to an emergent local society. Over time a sense of economic and social cohesion developed as capitalist enterprises became committed to producing profits in and through Teesside. In the process they provided waged employment for members of a working class that had no choice but to sell their labour power somewhere. Over time too these people emerged as part of a working class with its own institutions which in turn developed its own commitment to Teesside. In these ways it became a place to live rather than just a space in which to work for a wage.

Paternalism was further facilitated by constructive employee - employer relations. Recognition by the work force and associated trade unions of the centrality of industry to every day life in both geographic and social terms plus acknowledgement by industry of the need for a stable work force soon gave rise to a persuasive rather than confrontational approach to labour relations. As Hudson (1989:9) explains:

What was emerging was a moderate working class politics, one that by and large accepted and was grounded in the class position of labour in relation to capital and which acknowledged the mutual shared interests of masters and men and the legitimacy of the market as an economic steering mechanism.

However, through the interplay of these features Teesside developed a fixed way of understanding the world and the possibilities for changing it (Hudson, 1994:197). With heavy industry accepted as the area's principal economic motor, any other form of economic activity that has challenged this status by encouraging change has come to be rejected. Brian Cauldwell, the ex-Director of personnel at ICI, indicated during interview that through such dependency and paternalism, Teesside has dismissed opportunities for learning new forms of economic activity preferring instead to maintain conventional understandings and practices:

There were really three basic industries iron and steel, ships and chemicals. You have to remember that these industries had provided employment for a lot of years. Families relied upon them; their sons and daughters were taken into these industries with very little else around. The service sector was never dreamed of as being an alternative. The area was extremely reliant and also they had got it into their heads that they were going to be there forever. And that wasn't surprising because grandfathers, fathers and sons were employed in succession through apprenticeship schemes.

Finally, as a result of the cultures of dependency and paternalism Teesside has come to demonstrate low levels of entrepreneurship. Not only are there a limited number

of small to medium sized companies but also big company headquarters are notable only by their absence. Teesside has therefore had little opportunity to develop its own innovative and autonomous abilities which themselves require learning, experimentation and risk-taking. Furthermore, in an area traditionally geared towards the provision of a guaranteed job for life, low levels of aspiration and expectations amongst the area's work force are visible. Tony Dell - the Director of Inward Investment at the Government Office for the North East – suggested during interview that Teesside has become constrained by fixed perceptions regarding its own identity and what, in economic terms it is reasonable to achieve.<sup>38</sup>

I think it would be wrong to say that there isn't a creative energy but there is something restricting this energy and I think it comes back to the big industry. It gets locked in peoples' minds - a view about what the state ought to provide. The state does what the old landlord did - 'it ought to provide this' and the jobs are about going to work, coming back with an income and drinking it up. It's not about investing in you.

These three factors combined offer some useful - though at this stage tentative - pointers regarding the form and purpose of institutional learning on Teesside. Big industry domination and state reliance appears first, to have entrenched perspectives regarding the accepted forms and outcomes of economic behaviour. Second, cultures of dependency and paternalism have reduced opportunities for experimentation, risk taking and innovation. With respect to institutional learning it is possible that Teesside's economic past has given rise to a fixed set of experiences and expectations against which new information and knowledge comes to be evaluated. Challenges that contradict existing understandings and perceptions – occurring for example via the double loop learning stages of reflexivity - may be rejected, as they do not reflect accepted practices and through fear of the radical, as opposed to incremental change that engagement in institutional learning may promote.

### **4.3 Teesside's Current Institutional Arrangements**

In order to appreciate how such features impact upon institutional learning it is necessary to consider the formal institutional conditions through which such

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<sup>38</sup> There is also a gender aspect to the 'job for life' idea. Sadler and Thompson (1999) for example argue that as industrial employment was characterised by hard manual labour and physically arduous working conditions 'jobs for life' were invariably seen as being the preserve of male employees. Later employment opportunities such as those presented by service sector activity may not be viewed as 'real jobs' as they fail to replicate male dominated industrial working conditions.

historical legacies and perspectives become reflected and sustained. In general, Teesside's industrial experiences have had two specific consequences for the area's formal institutional arrangements. First, the interests of a small number of employers have dominated economic development for well over a century. In light of recent events - including ICI's effective withdrawal from the area and the recent decision by steel company Corus to shed still more jobs,<sup>39</sup> - there is little doubt that the big industry theme will continue to dominate debate for the foreseeable future. Second, Teesside's institutional structure has been subject to a number of far reaching alterations. These have occurred as a result of the area's shift in economic fortunes and as a result of changing central government priorities.

The following section outlines the main institutional changes to have occurred on Teesside in order to explore how such shifts have come to affect institutional learning. This analysis begins with a review of Teesside's current institutional structure focusing upon how institutional change has shaped perceptions regarding institutional roles, responsibilities and functions. The section continues by exploring two particular institutional changes on Teesside, namely the creation of Teesside Development Corporation (TDC) and abolition of Cleveland County Council (CCC) as a means of examining how formal institutional structures have affected learning on Teesside.<sup>40</sup>

Table 2 points to the six categories of organisations involved with economic development in the Teesside area and details the major shifts to have affected the institutional set up in recent years. Within the local government sector, Teesside currently has five local authority bodies representing each Teesside district. In addition, Teesside is represented by two local authority led organisations - the Tees Valley Joint Strategy Unit and Tees Valley Development Company<sup>41</sup> - which although created as separate entities are under joint local authority control. These agencies are involved in regional strategic economic planning, local community regeneration, inward investment and training. Furthermore, additional organisations

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<sup>39</sup> Corus was created through a merger between British Steel (Industry) and a Dutch company in 1999. During 2000, a series of lay-offs and closures resulted in the company losing over 2000 jobs from its Teesside operation.

<sup>40</sup> The choice of case studies follows the emphasis given to these two institutional changes by interviewees during the course of the research fieldwork.

have been created over the last twenty years by each individual local authority so as to meet the specific economic development needs and priorities of each district area. Two such organisations are represented - Cleveland Open Learning Unit and Middlesbrough's Training, Advice and Development Centre.<sup>42</sup>

Second, Table 2 lists a number of agencies which although located outside of Teesside nevertheless have an important impact upon economic development issues. The principal agency is One North East - the Regional Development Agency<sup>43</sup> - created in April 1999 and designed to coordinate the work of the Rural Development Commission, English Partnerships, the Northern Development Company and the Government Office for the North East (GONE).<sup>44</sup> In addition, the North East Regional Assembly (NERA) came into being in April 1999, replacing the North of England Assembly. This body acts to represent the political views of local authority elected members and selected regional partners,<sup>45</sup> provides an input into strategic regional economic development planning and oversees the work of the Regional Development Agency.<sup>46</sup>

Third, Teesside has two organisations that can be classified as semi-public bodies, created as a result of central government initiatives. These agencies are currently represented by Teesside Training and Enterprise Council (TEC)<sup>47</sup> and Business Link (Teesside) but have in the past included bodies such as the Teesside Development

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<sup>41</sup> Both these agencies were created as a direct result of Cleveland County Council's abolition in 1996.

<sup>42</sup> There are, and have been, many such organisations established by individual local authorities, often in conjunction with other economic development partners across the Tees Valley. Within the confines of this research it is impossible to do justice to the full range of agencies created and abolished so only a representative sample was approached.

<sup>43</sup> At the time of interview, the Regional Development Agency had not yet come into existence. Interviews were therefore conducted with the Northern Development Company. The Rural Development Commission and English Partnerships declined to be interviewed.

<sup>44</sup> The Government Office for the North East (GONE) was established in 1994. Acting as an integrated office, this agency represents the main central government administrative departments. At the time of interview, GONE represented the Department of Trade and Industry (DTI), the Department for the Environment, Transport and the Regions (DETR) and the Department for Education and Employment (DFEE). In themselves each of these departments have also been subject to changes in both name and remit. As an example of this the DETR came into existence following the amalgamation of the Department for the Environment and the Department of Transport.

<sup>45</sup> Partners include trade unions, MEPs, higher and further education and voluntary groups.

<sup>46</sup> NERA declined to be interviewed referring me instead to the Tees Valley Joint Strategy Unit - a body representing the views of only the Tees Valley's elected local authority officials.

<sup>47</sup> As from April 1<sup>st</sup> 2000 the Tees Valley Training and Enterprise Council became the Tees Valley Learning and Skills Council.

Corporation (TDC). Created by national government legislation, these bodies are/were principally focused upon enterprise support and training development.

Fourth, Table 2 points to a sample of private sector bodies involved in economic development activities and discussions. Although not fully inclusive of all such agencies, Table 2 refers to British Steel (Industry) aiding the regeneration of Teesside's steel communities and finally, Teesside Tomorrow, a private sector consultancy body established with the support of Teesside's local authorities.

Fifth, the education sector is represented in the chart by the University of Teesside (previously Teesside Polytechnic). This agency is increasingly playing a role in economic development activities through for example its contribution to research and development promotion and training provision.<sup>48</sup> Finally, in acknowledgement of the considerable contributions made by Teesside local voluntary and community sector organisations Table 2 points to four voluntary and community sector groups involved in economic development issues. These include the Five Lamps Organisation, South Bank Regeneration Partnership, the Workers Educational Association and One Voice Tees Valley<sup>49</sup> (previously Teesside Council for Voluntary Service). Frequently operating with the financial and managerial support of local authority organisations Teesside's voluntary and community sector bodies contribute towards the area's economic development through activities such as training provision, community regeneration and childcare initiatives.

Although Table 2 gives equal emphasis to a broad range of organisations, a clear hierarchy exists between the agencies shown. This hierarchy is determined principally by the financial status of the organisation concerned and the associated independence and influence that extensive resource allocation brings. For example in terms of finance, it is evident at the current time that the recently created One

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<sup>48</sup> Similarly, although not represented in Table 2 the area's further education colleges are also involved in economic development, particularly through training provision. However, college involvement in such provision tends to be increasingly delivered in conjunction with the other economic development organisations referred to in this thesis. As such these organisations have been excluded from consideration in this research.

<sup>49</sup> Operating since the early 1900s as the Middlesbrough Guild of Health.

**Table 2**  
**Teesside's Current Institutional Arrangements**

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>1. Local Authorities</b>																	
Cleveland County Council	1973	◀															
Middlesbrough	1853	◀															
Stockton	1869	◀															
Hartlepool	1887	◀															
Redcar & Cleveland*	1973	◀															
Darlington	1867	◀															
<b>2. Arms of Local Authority</b>																	
Tees Valley Joint Strategy Unit																	
Tees Valley Development Company																	
Cleveland Open Learning Unit																	
Training and Advice Centre																	
<b>3. Regional Institutions</b>																	
North East Assembly/ ANEC																	
Integrated Government Office																	
Northern Development Company																	
Regional Development Agency																	
<b>4. Central Government Initiatives</b>																	
Training and Enterprise Council																	
Learning and Skills Council																	
Business Link (Teesside)																	
Teesside Development Corporation																	
<b>5. Private Sector Representatives</b>																	
Teesside Tomorrow																	
British Steel (Industry)	1975	◀															
<b>6. Academic Institutions</b>																	
University/Polytechnic of Teesside	1970	◀															
University College Stockton																	
<b>7. Voluntary and Community Sector</b>																	
One Voice Tees Valley	1900	◀															
Workers Educational Association	1903	◀															
South Bank Partnership																	
The Five Lamps Organisation	1984	◀															

\*Prior to 1973 Redcar and Cleveland (then known as Langbaugh) was part of North Yorkshire.

NorthEast has at its disposal a budget of approximately £150 million to be spent upon the priorities outlined in the Regional Economic Strategy.

This strategy has been legitimised through a series of concordats established between One NorthEast and other partners including the region's local authorities and universities. Similarly the Government Office for the North East in having administrative and decision making functions over a wide range of funding programmes is able to exert powerful control upon the types of economic development projects and organisations supported. Finally, although the financial resources available to local authorities have been reduced considerably in recent years, such bodies continue to play an important role both in defining economic development priorities in local communities and supporting projects, particularly within the voluntary and community sector. The position of economic development organisations within this hierarchy is nevertheless subject to shifts over time. For example, the creation of the TDC significantly reduced the finance and powers of local authorities. When the TDC was abolished its associated resource did not return in its entirety to local authorities but was instead directed to other organisations, notably Business Link (Teesside) and the TEC.

From Table 2 it is apparent that despite the various changes in institutional arrangements, local authorities have maintained a continual presence in the area since the late 1800s. Whilst economic development as an explicit discipline in its own right and as a specific local government responsibility is relatively new, local authorities have during their long existence played a considerable part in defining physical developmental priorities and planning Teesside's land use, transportation and infrastructure provision. Such involvement, although subject to national control and weighted heavily in favour of private sector interests, has allowed local authorities access to a range of innovative planning strategies designed to stimulate economic growth<sup>50</sup> (Robinson, 1992).

However, planning for periods of economic growth has proved to be a considerably

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<sup>50</sup> These have included Max Lock's Middlesbrough Survey and Plan (1945) detailing a thirty-year development scheme for area, the Hailsham Programme (1963) - and the subsequent Teesside Survey and Plan - implemented to transform Teesside into a regional centre for economic growth.

easier task for Teesside's local authorities than planning for episodes of structural decline - such as that experienced during the 1970s and 1980s. Although global competitive forces were in part responsible for the pressures exerted, the direct policy measures of the Thatcher administration presented the greatest threat to local authority action in the field of economic development. These policy measures represented a political retreat away from public planning towards private sector led development strategies and encouraged the creation of 'entrepreneurial' institutional structures designed to attack the powers and responsibilities of local government (Savage and Robins, 1990). In the case of Teesside the area witnessed the establishment of the Teesside Training and Enterprise Council as well as Business Link (Teesside) and at a regional level the Northern Development Company (Burge, 1994). As Sadler (1990:330) argues, for Teesside's local authorities such institutional creations presented direct challenges to the role of local government:

Local government had a much smaller role to play. It was relegated to the sidelines not incidentally but as a deliberate component of the UDC<sup>51</sup> concept and as a direct extension of the enterprise agency philosophy. What were left were bit parts where minor challenges were all that was on offer.

Teesside Development Corporation (TDC) was one such agency, established in 1987 with the specific objective of securing Teesside's regeneration. Despite a number of successes<sup>52</sup> the organisation came to be severely criticised not least for its non-elected status, lack of democratic accountability and for its assertion of market goals over social and community objectives. At a local level the TDC was blamed for actually hindering the equitable development of the area,<sup>53</sup> by adopting market led opportunistic strategies that curtailed the financial and regulatory powers of local

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<sup>51</sup> A key component of regional development planning in the 1980s involved the creation of new institutional structures known as Urban Development Corporations (UDCs). Teesside Development Corporation was the UDC body established for Teesside.

<sup>52</sup> During its ten years, the TDC undertook a variety of redevelopment schemes including that of the Teesdale site in Stockton which is now home to office workspace facilities, a University college and an international canoeing facility. In addition, the TDC undertook extensive works to the Hartlepool dock lands resulting in the creation of the Hartlepool Marina tourism development.

<sup>53</sup> TDC activities favoured the development of Stockton and Hartlepool over Middlesbrough and Redcar and Cleveland. For example, the extent of physical regeneration required to upgrade severely polluted land in Redcar and Cleveland was neither attractive nor capable of meeting short-term outputs, to warrant any major investment by the TDC.

authorities, causing confusion between existing local economic development actors<sup>54</sup> and undertaking only flagship projects and place promotion activities which were largely window dressing and not the solution to deep-seated economic problems (Stoker, 1989; Imrie and Thomas, 1993; Robinson et al., 1998).

A year prior to the winding down of the TDC in March 1997, another local government institution - Cleveland County Council - was to fall victim to the priorities of central government. Cleveland County Council was created in 1974 following the winding down of the County Borough of Teesside.<sup>55</sup> In 1996, the Conservative government passed the Local Government Reorganisation Act abolishing Cleveland County Council and transferring its powers and resources to the four newly created Unitary Authorities. In addition, the borough of Darlington became included as part of the new Tees Valley institutional structure. At this time there was a somewhat paradoxical recognition by the five unitary authorities of a continued need to act strategically in some economic development areas including for example research and intelligence, European Union affairs and transnational initiatives. It was this awareness that led to the creation of the Tees Valley Joint Strategy Unit served by elected members from the five unitary authorities, and the Tees Valley Development Company designed to co-ordinate inward investment activities.

Within some local authorities the move towards increased power and control over resources was warmly welcomed. With services delivered at local levels it was anticipated that democratic principles of accountability and transparency would be reinforced. For other agencies, the abolition of Cleveland County Council was met with a great deal of regret. This was expressed most notably in relation to the lack of

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<sup>54</sup> In the case of Middlesbrough the TDC went directly against the town's objectives concerning retail development by choosing to create an 'out of town' shopping facility in Stockton. In doing so they undermined Middlesbrough's ambitions of developing as the major sub-regional centre in the area.

<sup>55</sup> The establishment of the County Borough of Teesside was a direct outcome of recommendations made in the Hailsham and Teesplan reports and aimed to represent a more integrated approach to land use, socio economic planning and transportation issues. However, its establishment coincided with wider reforms to local government initiated in 1969 by the Royal Commission on Local Government Reform. These reforms suggested an expansion of the Teesside Borough to incorporate parts of Hartlepool, West and East Cleveland in order to form a new County of Cleveland. Cleveland County Council became the overarching strategic body working in conjunction with the four local authorities and was charged with a variety of responsibilities including those relating to planning, land use, transportation, economic development and education.

a single agency charged with the powers and resources necessary for the overall strategic management of the Teesside economy and the loss of valuable time and resources during the re-organisation process.

The creation of the TDC and Teesside's other enterprise agencies alongside the abolition of Cleveland County Council reflect the considerable challenges to, and contradictions in Teesside's established institutional arrangements. They also represent potentially important variables impacting upon institutional learning processes. First, from a practical perspective the introduction of Teesside's enterprise agencies has led to considerable confusion regarding which agency performs which economic development function and with whose resources. John Gillis the ex-Director of Cleveland County Council noted during interview that in turn institutional confusion has led to the duplication<sup>56</sup> and overlap of economic development functions and has encouraged heightened inter-institutional competition for resources and responsibilities:

Initially I was quite keen on the TECs. However, the problem came with the TECs in that they moved too quickly from their original training and enterprise foundation to getting involved with industrial promotion and economic development activities. Instead of working with the existing agencies and adding their bit to it they started duplicating.

His view is shared by Laura Wood, European Policy Manager at the University of Teesside. She argued during interview that with the abolition of Cleveland County Council, individual local authority bodies have developed a highly introspective attitude to economic development matters. This situation is hardly surprising given that during each consecutive round of institutional change, individual organisations have been obliged to embark upon processes of internal restructuring. Laura Woods felt that as such local authority organisations have been overly concerned with pursuing their own organisational restructuring needs and development objectives they have neglected to develop a strategic and coordinated approach that takes into account the prevailing institutional and economic conditions:

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<sup>56</sup> The duplication of activity between agencies is a factor increasingly recognised by the funding regimes financing economic development schemes in Teesside. European funding, Single Regeneration Budget and Lottery finance for example all require that partnerships exist between agencies. This helps to ensure project complementarity.

Local government re-organisation has exacerbated the problem. Tees Valley Joint Strategy Unit just hasn't got the presence, clout or resources and the four local authorities just want to go their own way. Take for example Middlesbrough Borough Council. Middlesbrough Borough Council has an economic regeneration strategy. Well should it have its own strategy? Shouldn't it be working together with other institutions looking at how their strategy fits in with other organisations? The institutional culture of the area has led to fragmentation with each organisation wanting to do their thing. The organisations have lost sight of the wider picture.

Second, changes to Teesside's institutional structures have entailed the adoption of new intra and inter-institutional processes. In some cases these have replaced existing practices and habits. In others they have constituted entirely novel internal organisational procedures. Magne Haugseng, Team Leader at the Tees Valley Joint Strategy Unit highlighted during interview that the introduction of such new ideas and practices has not necessarily been warmly embraced:

Power has slipped away from local government. You find that decision-making processes are more boardroom based now than they used to be. Whether you're talking about the TECs, Business Link or English Partnerships it's their boards that will take the decisions alongside the local authorities. In the years before that power would have remained in local government. There can be advantages in this because you may be able to get a more snappy decision on things but I would have thought that in a modern local authority you could develop a similar system. What concerns me about the boardroom approach is that you lose the accountability and the transparency which to me are the two big key words in local democracy.

Despite such institutional changes, economic development organisations have become introspective in outlook, demonstrating a reluctance to adopt new operational ideas and techniques. The reason for this lies in part in the inter-institutional relations and intra-organisational attitudes present on Teesside. As already indicated there is heightened competition between economic development actors on Teesside. Whilst it can be argued that there has always been considerable rivalry of this sort, particularly amongst local government institutions this competition has previously been minimised by the existence of strategic bodies such as Cleveland County Council and by a shared interest in meeting the needs of big industry. However, the institutional shifts of the 1990s led to increased inter-institutional competition and intensified organisational rivalry, giving rise in the process to institutional infighting, mistrust and suspicion both within and amongst

individual organisations. Tim White - Director of Economic Development at Hartlepool Borough Council - pointed during interview to the suspicion and fear encouraged within local government institutions by the establishment of two of Teesside's enterprise agencies:

Organisations have not fully absorbed the creation of Business Link and the TECs. There has been deep suspicion. First, from a local authority perspective it is 'who are these young upstarts coming and telling us how to do our jobs - we've been doing this for years.' Second, people feared for their jobs. Business Link see themselves as a business, cutting out competition and for all the rhetoric about partnership they actually wanted to wipe out the opposition and have a clear field.

At the same time - and as argued during interview by John Kielty the European Officer at the Workers Educational Association<sup>57</sup> - mistrust and infighting have in turn given rise to an atmosphere of secrecy affecting both individual organisational actions and inter-organisational relations:

A backward step in our industrial history was the decision to abolish Cleveland County Council. What we have now is four or five local authorities competing for limited resources and although there are signs that things are starting to come together from 1994 we've had three years of arguing and implementing the consequences of Local Government Reorganisation. We have had - until not so very long ago - a culture of blame which was very much tied in to the Tories.

This culture of blame is evident at two levels. First, organisations appear to be unwilling to be seen to make mistakes, as such errors can impact negatively upon institutional status, finance and responsibilities - especially in an atmosphere marked by inter-institutional rivalry and frequent institutional change. Second, organisations appear to be keen to highlight perceived organisational failures in others - not as a means of improving future actions and avoiding similar errors but as a way of highlighting the shortcomings visible in other organisations.

In summary, it is apparent that over the last ten years Teesside has been subject to a number of institutional changes each of which has presented new challenges to the existing overall institutional set up and the specific economic development responsibilities of individual organisational actors. But what are the implications of these experiences for learning? This following section briefly reflects upon this

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<sup>57</sup> Also previously employed at Middlesbrough Borough Council and Cleveland County Council.

question by examining the extent to which the area demonstrates the required mass of institutions and appropriate institutional cognitions to be classified as a learning region. Such discussion serves as an introduction to the more dedicated study of institutional learning in the chapters that follow.

#### **4.4 Teesside's Institutional Legacies and Institutional Learning Processes**

In order to frame discussion it is useful to return to those claims made within the context of the regional rediscovery debate, and in the literature reviewed in Chapter three regarding learning and cognition. Three observations in particular are worthy of comment at this stage. First, despite an overall proliferation of organisations dealing with economic development issues Teesside lacks some of the core organisations making up the complex institutional webs found in the classic learning regions.<sup>58</sup> In particular, there are a limited number of research and development facilities, technology centres, company headquarters and small to medium sized companies. The absence of such institutions is directly related to the dependency of the Teesside economy upon a few, large industrial employers. These employers, with the approval of local and national state actors, directed the area's economic development trajectory, the structures associated with industrial organisation and opportunities for technological advancement and innovation.

Second, with the success of learning regions identified as residing in the nature of inter-institutional relations and opportunities for the emergence of shared values, trust and strategic discourse, Teesside appears still to have a long way to go. In particular it is evident that current inter-institutional relations on Teesside continue to be characterised by an atmosphere of mistrust, secrecy and blame. Such a position - identified as arising from Teesside's experience under the Thatcher administration - stands in stark contrast to the corporatist approach adopted during periods of economic success when institutional actors worked together towards common goals.

In addition, the introspective and defensive outlook adopted by institutions has further entrenched institutional perspectives regarding which institutional actors are

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<sup>58</sup> Refer to page 33.



to be trusted and which agencies share the same visions for the area's future economic development. Building upon Hudson's identification of institutional lock in,<sup>59</sup> it is apparent that whilst certain institutional relations have emerged as being preferential in times of institutional challenge, such networks have been closed in nature and they have limited institutional exposure to any new, alternate ideas regarding Teesside's economic future. This situation has been further compounded by each round of institutional change on Teesside which has served to strengthen existing perceptions about the roles of existing organisations and their relative standings within the wider institutional community. And although recent national policies<sup>60</sup> have sought to redress such difficulties by endeavouring to create partnership structures capable of overcoming institutional barriers, it is clear that whilst such structures can be thrown together with relative ease, the creation of a partnership spirit can be far more elusive.

Finally, through its role as a global industrial power and its more recent experiences of institutional change it could be argued that Teesside's economic development institutions have been presented with a fair share of institutional learning opportunities. However, it is equally apparent that simple exposure to new ideas and influences is no guarantee that institutional learning will take place. Such an observation is of central importance as it points to the influence exerted by institutional cognitions upon learning. As explained in chapter three such institutional cognitions reflect an array of memories, habits, routines and practices which have over time become accepted as relevant and act to guide all aspects of institutional activity, including for example the search for and application of new knowledge. Although not necessarily accurate records of past events, for Teesside it would appear that the strongest institutional cognitions are related to the area's experiences of industrial glory, paternalism and dependency, rapid structural decline and ongoing institutional challenges, change and uncertainty. These experiences impact upon institutional understandings regarding the preferred economic function of the area, the type of economic development activities pursued and the perceived role to be played by institutional actors.

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<sup>59</sup> Refer to page 34 - 5.

<sup>60</sup> Such policies include Single Regeneration Budget and European Union Objective 2 and 3 financing.

These features combined suggest that Teesside's economic and institutional experiences may have given rise to a culture geared more towards single than double loop learning. Two factors underpin this tentative suggestion. First, given the continual periods of institutional change and the identified atmosphere of institutional secrecy and mistrust, only certain institutional actors may be invited to take part in institutional learning processes. With those actors selected likely to share common understandings and intentions, this may limit the opportunity for institutional learning to generate novel insights or alternate insights into a given problem. In following established understandings the prevailing institutional cognition may only support incremental rather than radical learning. Second, given the protectionist and defensive stance adopted by some of Teesside's economic development organisations, it is possible that only those actions that are perceived as going wrong or as being incorrect are subject to reflexive and dissenting practices. However these practices may occur only with the explicit purpose of identifying fault and attributing blame rather than as a means of breaking with existing interpretations. Similarly institutional learning may be restricted as a result of practical pressures such as limited time and resources and a perceived organisational reluctance to make visible and deliberate mistakes.

#### **4.5 Historical Overview: Cracow**

Cracow is one of nine provinces making up the Malopolska region, situated in the southeast corner of Poland. Representing one of Poland's sixteen new macro regions, the Malopolska region and associated provinces are relatively new creations established during national reforms to have affected Polish systems of local government and public administration.<sup>61</sup> At the heart of the Cracow province lays the City of Cracow,<sup>62</sup> the third largest Polish city. The population is approximately 741,000, with an average population density of 2,266 persons per square kilometre.<sup>63</sup> In terms of area Cracow covers 326.8 square kilometres, a figure representing

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<sup>61</sup> The other eight provinces are Tarnów, Rzeszów, Przemyśl, Nowy Sącz, Bielsko Biała, Tarnobrzeg, Kielce and Krosno.

<sup>62</sup> The City of Cracow represents the case study area.

<sup>63</sup> Compared to the regional population total of approximately 3, 216 million and regional population density of 212 persons per square kilometre.

approximately 15% of total regional area (Task Force for Structural Policy in Poland, 1996).

Cracow's economic history is inseparable from wider national and international events. Experiences of war and occupation, liberation and independence have resulted in continual shifts in geographical boundaries and ideological priorities. These have influenced the development of Cracow's institutional structure and social and cultural attributes. One event of notable importance in determining Cracow's economic development trajectory was the 1794 Austrian occupation and the area's subsequent annexation to the Galician part of the Austro-Hungarian Empire from 1846 to the end of the First World War. This period was to have two important implications for the area's economic development.

First, during this era industrialisation was severely curtailed (Kortus and Ziolo, 1969; Davies, 1982; Turnock, 1989). Through medieval times until the 19th Century Cracow had been an important commercial centre with economic activity focused upon a vibrant small business sector undertaking craft based activities including printing and metal work. Whilst elsewhere within Europe craft based industries were replaced by early manufacturing forms, war and insurrection acted to postpone industrialisation until the mid 20<sup>th</sup> Century, allowing in the meantime craft industries to retain their dominance (Kortus and Ziolo, 1994). Second, Cracow was awarded Free City status. This allowed the area to prosper as the guardian of Polish culture and traditions and as the centre for political, diplomatic and educational relations. During this time, Cracow maintained contacts with other major cities within the Austro-Hungarian Empire including Lvov, Prague, Budapest and Vienna and as a consequence it became exposed to broader international influences (Jaworski and Kot, 1995).

Both the slow rate of industrialisation and the cultural freedom experienced during Austro-Hungarian rule reinforced perceptions regarding the role of Cracow as a centre of international science, learning and knowledge. These perceptions were firmly embedded during the period of independence in the inter-war years, German occupation during the Second World War, and under Communist rule in the post war era. First, following the conclusion of the First World War the area witnessed one of

its few periods of independence. Although the political emphasis shifted to Warsaw, Cracow remained an important academic and administrative centre of self-government, active politics and education (Ostrowski, 1992). Second, during the Second World War the area's decision to surrender peacefully to the German army ensured that many historical, cultural and architectural assets were saved.<sup>64</sup> However, Cracow's Jewish community residing in the Kasimierz<sup>65</sup> district, along with many of the area's intelligentsia perished in the death camps of Auschwitz-Birkenau and Sachsenhausen. In addition, despite revisions to the area's administrative functions and German attempts to stamp out aspects of Cracow's social and historical legacies, the area continued to pursue its political, social and academic interests. Secret educational classes, underground political organisations and hidden systems of social welfare were established and even clandestine theatre performances continued to take place without the knowledge of the German authorities (Ostrowski, 1992).

Finally, following the end of the Second World War Cracow's fortunes fell under Communist rule. For the area's economic and institutional structure this period was to have two important consequences. First, Cracow experienced the full forces of rapid industrialisation (Bednarczyk and Zielinski, 1991). This process manifested itself in the development of various industrial sites in Cracow's surrounding environment including the Skawina aluminium smelter and the Wieliczka salt mine. However, of crucial significance to Cracow was the construction of Huta Lenina - the gigantic Lenin Steel works (LSW) - known after 1990 as Huta Tadeusza Sendzimira (HTS).

The building of the LSW in 1949 and the associated housing complex of Nowa Huta, formed important elements of the Communist government's centrally administered programme of socialist industrialisation. This programme emphasised the role of big industry in securing economic growth and military might, and as a means by which the values of society could be defined, understood and advanced (Schopflin, 1994;

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<sup>64</sup> By contrast, Warsaw was entirely destroyed during German occupation.

<sup>65</sup> The Kasimierz district was the traditional home to the Jewish community. During the Second World War population fell from over fifty-five thousand to just over one thousand and much of the district was destroyed. In recent years the district has been the subject of an extensive revitalisation programme focused principally upon physical renewal and the development of Jewish cultural heritage (Lesniak and Wasik, 1999).

Gorzalak, 1996). For some observers, as no natural resources were available to justify the location of the steel plant, the building of the LSW was seen as a direct attempt to boost the influence of the proletariat in Cracow's intellectual and cultural circles (Turnock, 1989). It was anticipated that this would in turn repress the cosmopolitan character of the area and firmly allocate Cracow provincial status.<sup>66</sup>

The operation of the steel works from the early 1950s until the present day has had an immense impact on economic development issues in Cracow. As indicated by Soja and Gorka (1988:65) at the height of its operations in 1978, the LSW produced almost 7 million tons of steel – a figure representing 38% of the national steel production total. The site occupied almost 35% of Cracow's space (Soja and Gorka, 1988:88) - some 18 square miles - and polarised the spatial development of Cracow between the Nowa Huta site and the old City Centre (Soja, 1989). The population of Nowa Huta expanded from 19,000 residents to 223,000 - mostly migrants from rural areas - with the steel works employing at its peak over 40,000 people. In addition, the LSW provided many social facilities for its workforce including collective dining halls, company retail stores, housing, hospitals and even a football team (Hardy et al., 1996). Through these activities some estimates indicate that almost a quarter of a million people were either indirectly or directly dependent upon the LSW (Hardy et al., 1996). Furthermore, as the LSW became the principal focus for major investment decisions and financial rewards, all wider urban and economic developmental questions became sub-ordinate to the demands of the LSW (Gorzalak, 1996). Such an approach is believed to have encouraged the adoption of short-term developmental strategies rather than long-term visions regarding the sustainability of either the steel plant or Cracow:

There was never a stable programme for the future development of the LSW. The municipal authorities had to accommodate the urban plans on the balance of manpower, water, energy, gas, and transport to the LSW development needs. The LSW was, and still is, the barrier to growth in Cracow and not the factor of its proper development as was stated in the 1950s (Soja and Gorka, 1988:88).

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<sup>66</sup> This strategy later backfired with Nowa Huta uniting with Cracow in a joint rejection of Communism.

Second, the decisions made by local government were subject to the development priorities established by the highly centralised Communist bureaucracy. Although the history of Cracow's system of local government can be traced back to the Middle Ages throughout Austro-Hungarian rule up until the start of the Second World War (Jaworski and Kot, 1995) the period of Communist rule was to represent a significant break with this heritage. Economic development principles were planned centrally by regional and central government departments leaving little scope for independent local government decision and fiscal autonomy. This approach deformed economic choices - favouring macro economic efficiency over local competitiveness (Szlachta, 1995) - and restricted the emergence of strong local government and administrative structures, capable of controlling economic development issues.<sup>67</sup> As well as restricting the development of many aspects of economic and administrative life, many features of importance to Cracow's economic structure, particularly in the fields of culture, education and the arts, were also curtailed and subject to the ongoing scrutiny and control of the Communist authorities (Stenning, 2000).

At the end of the 1980s Cracow's economic system - reliant upon a single industry and lacking structural diversification - resembled that of many Western European declining industrial localities (Hardy and Rainnie, 1996). Its educational, cultural and historical heritage, though still in existence had been repressed first, during German occupation and second, by Communist rule.<sup>68</sup> Although the demise of the Communist regime in 1989 signalled a new beginning for Cracow the 'shock therapy' approach to economic transformation nevertheless revealed weaknesses in Cracow's economic and institutional structure.<sup>69</sup> The reforms aimed to provide the

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<sup>67</sup> Although some attempts were made to introduce local governance structures – such as the re establishment of the powiat level during the 1950s – such moves proved to be short-lived and temporary.

<sup>68</sup> Poland was nevertheless one of the most liberal and open economies within Central and Eastern Europe. For example, a degree of foreign contact and investment was permitted and political activity such as that pursued by trade unions was tolerated. However, such freedoms could be immediately curtailed - perhaps the best example of which followed the trade union strikes at the Gdansk shipyards in 1981.

<sup>69</sup> Observers including Hausner (1998) and Swain and Hardy (1998) have rejected the term transition as it suggests a polar shift from one state of affairs to another. Rather they suggest that the term transformation conveys a more evolutionary perspective. It acknowledges that the collapse of state socialism in 1989 did not occur, as a result of radical revolution but was rather the final stage of an ongoing process of decline. In addition, although the term transition does imply a shift away from a given state of affairs it leaves the end point open and free from the confines of any existing expectations regarding where the process should lead.

required market inspired conditions for economic growth and focused upon measures such as privatisation, macro economic stabilisation and the development of new legal, regulatory and financial mechanisms (Van Zon, 1995; Kattuman, 1997). Such measures rendered Cracow's industrial structures largely obsolete in terms of economic competitiveness. Similarly, it soon became apparent at both local and national scales that appropriate institutional structures were necessary in order to implement the market reforms and manage economic transformation.

Cracow appears to have responded well to the trials of the transformation period. The area is currently experiencing rapid economic growth rates, largely due to inflow of foreign capital in the food, tobacco, retail and pharmaceutical industries.<sup>70</sup> In addition, rapid expansion of service sector activity and Cracow's strong traditions of private entrepreneurship have produced low rates of unemployment<sup>71</sup> and the available labour force is well educated given the area's high concentration of Polish scientific and academic agencies (Targalski, 1998). Furthermore the cultural status of the city and its role as an international tourist destination is giving rise to an image of the city as a place offering excellent working conditions and a pleasant quality of life. The economic success experienced by Cracow since 1989 has led to the area - along with Warsaw and Gdansk - being hailed as locomotives of Polish development (Szlachta, 1995; Task Force for Regional Development, 1996; Hausner and Marody, 1999). As Gorzelak (1996:121) summarises:

Unemployment is low, job opportunities much more numerous than elsewhere. The labour force is well educated; the infrastructure is relatively well developed. These cities concentrate a vast share of Polish scientific and academic potential. Privatisation processes are the fastest, inflow of foreign capital the greatest, growth of the service sector the most rapid. These regions will concentrate the main bulk of Polish recovery and will become the nodes of technological progress, economic efficiency and cultural advancement.

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<sup>70</sup> Foreign Direct Investment has been further attracted by the existence of Special Economic Zones (SEZ). These were established by the Polish Government in 1994 in order to offer incentives - notably tax reduction - for investment by business, research centre and institutions involved in the advancement of modern technology, environmental protection, information systems and telecommunication networks. Cracow's SEZ encompasses three sites: Cracow East (home to HTS steel works), the Jagiellonian University Campus and the Cracow University for Technology (Domanski, 1998).

<sup>71</sup> Unemployment stands at 6.1% compared to a national average of 7.6%. Based on 1999 figures.

Despite this economically advantageous position, Cracow nevertheless faces significant economic development challenges. In particular, the threat of large-scale unemployment is never far away, especially in light of the far reaching changes being undertaken at the former LSW. Although there is the potential for some of the unemployed workforce to be absorbed by the large trans-national companies currently locating in the area, there are still concerns that the new employment opportunities created will be temporary and insecure in nature. Mounting fears of unemployment have been further exacerbated by the removal of the social security and welfare nets traditionally provided via the state and companies such as the LSW. Firm restructuring plans and a series of national fiscal reforms have reduced the delivery of services such as child care, unemployment and sickness benefits leaving the burden of such provision to fall upon existing community networks such as those associated with the family and the Catholic church.

In addition, despite significant investment in Cracow's transport, environmental, institutional and communications infrastructure,<sup>72</sup> such provision remains poor, particularly when compared with other European Union countries. Although European Union monies have been applied to address such difficulties this finance has only gone some way in meeting the identified need (Szlachta, 1995). For some observers if such economic challenges are not met Cracow may well become viewed as peripheral within the context of an enlarged European Union. As Piasecka and Rainnie (1997:22) explain:

Cracow itself may be relatively privileged in terms of the regional development dogfight. However, Polish regions are increasingly drawn into competition with regions across Europe. In that context Cracow remains on the periphery of European urban hierarchies within which there has been a growing divergence between core and periphery since the mid 1980s. There is little governments can do to control transnational corporations. They can take part in the dog eat dog competition but control is a myth. Equally promotion of SMEs in these circumstances will not result in the utopian delusions of the industrial district but rather the reality of the sweatshop economy.

Such a concern is mirrored by doubts regarding the type of economic development policies adopted within Cracow. In particular, Hardy and Rainnie (1996) have

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<sup>72</sup> Two of the sources of financial support facilitating investment in Cracow have been the European Union and the US government, notably through the USAID package (PAIZ, 1997).

indicated that Cracow is simply following standard Western European prescriptions for economic success - such as improving SME performance, encouraging inward investment and undertaking place promotion - may leave little scope for local actions, tailored to local needs.

In summary, both Cracow's economic and institutional history have been marked by periods of occupation and repression. In particular, German and Communist domination has limited the area's traditional function as a seat of learning and cultural heritage and has had a dramatic - though not necessarily advantageous - impact upon Cracow's industrial structures. Whilst the Cracow of today appears at first hand to have recovered both economically and institutionally from such experiences, the legacies of this economic history remain visible in Cracow's cultural and social perspectives. As in Teesside, such perspectives influence the ways in which Cracow perceives its economic purpose, function and future developmental opportunities. Two features are useful to highlight at this stage as they underpin later discussion regarding the main influences upon institutional learning.

First, although many aspects of Cracow's educational, cultural and social life have been subject to repression particularly during the Second World War and during periods of forced industrialisation, these experiences have acted to reinforce rather than obliterate perceptions regarding the area's main economic function and purpose. Such perceptions, regarding Cracow's status as Poland's educational, cultural and social core can be traced back to the area's links with the Austro Hungarian empire. Although such experiences have generated a general thirst and curiosity for the acquisition of knowledge and ideas (Dobroczyński and Golebiowski, 1997) they may equally have served to restrict the adoption of any alternative ideas that contradict or limit these accepted understandings of Cracow's prime economic function. This view is acknowledged by Sławomir Podgórski, President of Cracow's Municipal Development Agency who suggested during interview that:

First of all, the city of Cracow is a specific city in Poland because it is a cultural and academic centre rather than a business or industrial centre. The citizens of Cracow keep in their minds that Cracow is something exceptional, specific, and different to the rest of Poland. They are very

proud of this. In the same way, and unfortunately, this way of thinking limits different views about the functioning of the city.

Such ideas regarding Cracow's preferred economic functions have been further legitimised by the area's negative experiences under Communism. These experiences may have generated a need for radical change in order to disassociate Cracow's new administrative, political and economic life from past communist influences.

Second, despite attempts to break with the past it is equally clear that the Communist era has left enduring legacies that are proving difficult to break. The case of the LSW is instructive. First, it is apparent that the negative perceptions associated with the operation of the LSW continue to exist, reflected for example in widespread reluctance on the part of public sector actors to deal with the associated problems of unemployment, privatization and restructuring. As highlighted by Mr. Kucharski from Solidarnosc 80<sup>73</sup> during interview, as the difficulties faced by the LSW are not deemed to be directly related to Cracow's principal economic functions, attempts to engage local authority actors in the steel work's future have proved fruitless:

We saw the problems within the factory as early as the 1980s. Later we tried to find partners to work out some solutions. But there was no interest from government or local authorities to defend the factory or the labour market from the big bomb of unemployment resulting from the radical solutions to be adopted in the steel works. Nobody listened to us. There was a lack of money and willingness to change anything and help solve the problems of Nowa Huta. Nowa Huta is a district of workers whilst Cracow is a centre of intellectual potential. People want Cracow to be a conference and tourism centre. We do not have any strong lobby here. No support for Nowa Huta or its existence.

Workplace experiences at the LSW have also embedded expectations regarding the responsibilities of private and public agencies. Although market reforms were tolerated during the early 1990s, rising unemployment, reduced welfare provision and increasing social inequalities have generated considerable dissatisfaction with the reform undertaken and fears regarding the economic difficulties that further change may bring. As explained by Hardy et al., (1996:241) in relation to the

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<sup>73</sup> Solidarnosc 80 is one of the trade unions representing the LSW's workforce.

internal organisational restructuring at the LSW, such perceptions remain difficult to alter:

The process of restructuring had involved attempting to change management style and practice. In the same way that HTS (LSW) was being advised to divest itself of its social and welfare functions so managers were encouraged to become more cost conscious and divest themselves of any lingering notion that HTS was to be driven by anything else but profit. This has been only a partially successful experiment insofar as management have become more cost conscious but the emerging mission statement still carries echoes of HTS's commitment to the region not only in terms of job provision but also welfare.

In this sense the Communist era in encouraging such 'dependent development' may have also promoted an atrophy of initiative, entrepreneurial spirit and the emergence of a survival oriented mentality and passivity (Szlachta, 1995).

The extent to which these experiences have impacted upon institutional learning cannot however be fully explored without reference to the area's institutional experiences and structures. The following section examines Cracow's formal institutional arrangements highlighting in particular how reforms have affected the area's institutional landscape. The section reviews the theoretical perspectives underpinning institutional reform and points to some of the very real difficulties now affecting the area's economic development institutions. In addition, the section examines how institutional change has been influenced by (and at the same time has shaped) some of the informal institutional characteristics visible in the area and explores the potential impact of such features upon institutional learning processes. However, prior to this analysis it is necessary to describe the area's current institutional structures as these arrangements are a direct product of institutional reform.

#### **4.6 Cracow's Current Institutional Arrangements**

Table 3 points to seven categories of institutions encompassing Cracow's main economic development organisations and demonstrates the impact of institutional reforms upon the area's institutional framework. First, as shown in Table 3 the main local authority body in the area is the City Municipality, the executive organ of

which is called the City Executive Board.<sup>74</sup> This body has since 1990 acquired significant responsibilities and functions with respect to economic development affairs. These include the supervision of the area's public property and utilities (including transport infrastructure) and the management of the area's trade and investment.<sup>75</sup>

Second, the economic development department of the City Municipality works in close conjunction with Cracow's Municipal Development Agency. This body is charged with undertaking regional promotion, supporting local government development and providing advice, research and consultancy support to the City Municipality. Cracow's local authority bodies also have a leading role to play in the operation of two of Cracow's other main economic development agencies.<sup>76</sup> The Cracow Regional Development Agency is charged with regional economic restructuring and planning, business consultancy and regional promotion. It is managed by a range of stockholders, including the Voivod office, the City Municipality and private business (Gorzela et al., 1998). Similarly, the East Cracow Development Agency financed by HTS and the Voivod office serves to oversee the management of the Special Economic Zone established at the steel work site, encourage small firm formation amongst the HTS workforce and regenerate the area's land and infrastructure provision.

Third, Table 3 points to two public agencies at the regional or voivodship level that are involved in economic development issues. The Voivod office represents central government interests in the region and has at its head the regional governor appointed by the Polish Prime Minister. As well as being involved with the regional development agencies, this office deals for example with the management of state owned enterprises and infrastructure. In addition, moves towards self-regional government have entailed a reformulation of the previous powers held by the Voivod

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<sup>74</sup> At the time of writing, legislation regarding the establishment of the powiat – or second tier of local government equivalent to County Council status – had not been fully implemented. During the research it was therefore impossible to contact this body.

<sup>75</sup> Administratively the city is also further sub-divided into eighteen ancillary districts. Each of these has an executive board appointed by the City Municipality and is designed to allow local people to participate in the economic decisions affecting their immediate area. However, overall budgetary control over any decision made by these units remains with the City Municipality.

<sup>76</sup> There is a third agency in this category, the Foundation for the Economic Promotion of Cracow. This agency declined to be interviewed.

office and have resulted in the emergence of the Marshall's Office at the head of which is the Marshall. This organisation is focused principally upon regional development, promotion and sustainable development.

Fourth, a number of agencies at the national level are involved in the development of the Cracow area. Such agencies are represented here by the Polish Foundation for SME Promotion and Support, the Ministry of Privatisation and the Department of Monitoring the Reform – a central government body overseeing the reform process.<sup>77</sup> As an example of the work undertaken by these agencies, the Polish Foundation for SME Promotion and Support has been involved in the restructuring plans for the HTS site. The agency is also preparing to be the principal agency for the administration of European Union funding. Also at the national scale are two local authority interest groups, MISTiA and the Federation of Union and Associations of Municipalities and Counties of the Republic of Poland. Both organisations offer a forum for dialogue between the various tiers of local and regional government and also assist in raising the performance and standards of local authorities.

Fifth, the education bodies and research foundations are playing an ever-expanding role in the development of local government. For Cracow these organisations are represented by the Local Government Partnership Programme (LGPP) financed by United States Agency for International Development (USAID), the Matrix project funded by the British Council and the Malopolska School of Public Administration located within the Cracow University of Economics. As an example of the type of work undertaken by these organisations, the Malopolska School for Public Administration has been involved in shaping Poland's public sector administration elite. This task has involved the practical training of public sector officials and at a more strategic level, has encouraged debate regarding the form and nature of local government reform.

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<sup>77</sup> PAIZ, Poland's principal inward investment agency declined to be interviewed.

**Table 3**  
**Cracow's Current Institutional Arrangements**

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	
<b>1. Local Authorities</b>																		
City Municipality																		
<b>2. Arms of Local Authority</b>																		
Municipal Development Agency																		
Cracow Regional Development Agency																		
Foundation for Economic Support and Promotion																		
East Cracow Development Agency																		
<b>3. Regional Institutions</b>																		
Marshal's Office																		
Voivod Office																		
<b>4. Central Government Initiatives</b>																		
Foundation for SME Promotion and Development																		
Ministry of Privatisation																		
Federation of Municipalities																		
Mistia																		
PAIZ																		
Department for Monitoring Reform																		
<b>5. Private Sector Representation</b>																		
Chamber of Commerce**																		
Association of Merchants**																		
Industrial Society**																		
<b>6. Academic Institutions</b>																		
Malopolska School of Public Administration																		
Local Government Partnership Programme																		
MATRIX																		
<b>7. Trade Unions</b>																		
Solidarnosc 80**																		

\*\*These organisations were formally reestablished in 1989. In many cases these organisations have a long history dating back prior to 1989. For example, the Chamber of Commerce has a history dating back to the 1850s but was 'liquidated' in 1950 by the Communist authorities.

Sixth, there are a number of associations representing the interests of the private sector - one of which is the Cracow Chamber of Commerce.<sup>78</sup> This organisation promotes the interests of its member companies so as to create an environment conducive to the pursuit of private sector and market interests. Finally, trade unions - represented by Solidarnosc 80 - are playing an increasing role in economic development decisions. Solidarnosc 80 is the third largest trade union operating at the HTS site and is currently involved in discussions with HTS and the East Cracow Development Agency regarding the future of HTS and its employees.

As with Teesside, not all organisations occupy an equal position in the institutional hierarchy with visible differences arising in terms of organisational powers, responsibilities, financial status and institutional life spans. Indeed those organisations having the greatest economic development powers and financial security are those agencies that first, represent entirely new institutional creations, second, follow institutional models emanating from European Union members and third, represent a mix of public and private sector interests. Such agencies include Cracow's Regional Development Agency and Municipal Development Agency.

The influence of these agencies derives from a number of sources. First, the organisational boards of these agencies consist of members from the private sector including in the case of Cracow's Regional Development Agency major banks and telecommunications companies. However, it is not so much a question of which particular organisations are represented on these boards but rather the market inspired values and principles that are introduced during economic development discussions. Deemed to be best placed to meet the needs of the market and unaffected by Communist legacies of 'planning', such agencies have been allocated a series of regulatory and financial powers which in some instances have been transferred away from other public sector bodies.

By contrast public sector organisations such as the City Municipality find themselves with limited economic development functions.

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<sup>78</sup> Other such organisations - including the Cracow Association of Merchants and the Cracow Industrial Society - declined to be interviewed.

There are a number of reasons underpinning this situation. First, the inherited aversion to the system of total planning has transformed into an equally total negation of the benefits of public planning (Van Zon, 1995). Second, as is discussed in the following section the process of administrative and public reform as well as restructuring the responsibilities of existing public organisations has also created a new set of bodies such as Cracow's Marshall Office. At this stage both sets of agencies remain uncertain as to their economic development powers and functions. Finally, economic development powers in both cases have been restricted as a consequence of national fiscal pressures upon public sector expenditure. Exceptions to this are the Voivod office and the Ministry of Privatisation. Although undergoing substantial internal restructuring, the responsibilities of these agencies are clearer than within local and regional self-government bodies but are nevertheless constrained by the same fiscal pressures upon public policy.

Despite the apparent differences in organisational powers and responsibilities it is evident from the above discussion that since 1989 the institutional framework in Cracow has expanded considerably. New institutional actors have come into being whilst existing bodies have experienced a dramatic shift in the nature of their economic development functions and responsibilities. This institutional growth is in part a product of the institutional reforms taking place at the national scale. Before outlining the exact nature of these institutional reforms and the associated difficulties it is first useful to provide a brief overview of the main theoretical considerations to have underpinned Poland's reform process.

#### **4.7 Institutional and Administrative Reform**

The academic and policy debate underpinning institutional and administrative reform consists of two core arguments. On the one hand neo liberal designers - concurring with the view that the collapse of state socialism represented revolutionary change - have pointed to the notion of an institutional void or vacuum. This vacuum was temporarily created by the need to eradicate the institutions of the past - as these could pose a potential threat to reform - and replace them with an entirely new institutional structure encompassing more appropriate, market led institutions (Grabher and Stark, 1997). On the other hand, evolutionary observers in challenging

this perspective have argued that the shift from state socialism to the post-socialist environment constituted the final stage of a long-term process of disintegration. As a consequence, although the system lost its immediate logic and connections in 1989 it nevertheless continued to be dependent upon (although not controlled by) the institutional legacies of the previous economic and political order (Grabher and Stark, 1997; Swain and Hardy, 1998; Hausner, 1998).

Both arguments have impacted upon Poland's institutional possibilities (Hardy and Rainnie, 1996). From a neo-liberal perspective the simple replacement of one set of institutions by another, the introduction of new forms of economic organisation and the total withdrawal of the state from the interests of the market represented the means by which the restrictive institutional pathologies of the past could be eliminated. Such an approach has however been heavily criticised. For example, observers including Grabher and Stark (1997:1) have argued that whilst many of the neo-liberal inspired measures have involved the simple adoption of institutional models from Western Europe, these may not have been appropriate to the conditions of the post socialist environment:

From an evolutionary perspective although such homogenisation might foster adaptation in the short run, the consequent loss of institutional diversity will impede adaptability in the long run. Limiting the search for effective institutions and organisational forms to the familiar Western quadrant of tried and proven arrangements locks in the post socialist economies to exploiting known territory at the cost of forgetting (or never learning) the skills of exploring for new solutions.

In contrast to this view, evolutionary observers have indicated that the distinct 'institutional residues' specific to each post socialist environment might prove to be vital resources in shaping future institutional developments. From this perspective continued significance is attached to the role of the state in economic and industrial development matters. Falling between the dualism of complete state withdrawal and total state control, this perspective has called for the implementation of a negotiated institutional strategy. Whilst supporting the creation of new market led institutions, this strategy allows the state to adopt overall control and act as the principal economic facilitator (Hausner et al., 1995).

In summary, new market led institutions have been created from scratch and existing state bodies, rather than witnessing the total erosion of economic powers have been restructured in order to ensure a stable configuration of political and economic agents. Within the domain of local government and public administration, four reforms have been particularly significant. The first phase of reform began with the formation of the lowest tier of self-government - the 'gmina' or commune (Kosek-Wojnar, 1995). Over the last ten years this unit of administration has acquired a series of economic development responsibilities, including those concerned with ensuring spatial coherence, land management and delivery of economic programmes. More recently, administrative reforms have centred upon the re-introduction of a second tier of local self-government, the powiat or county council and the creation of regional self-government structures. In terms of economic development the powiat has a limited role to play focusing in the main upon place promotion and employment creation activities.<sup>79</sup> In terms of regional self-government the Marshall's Office has been established and has powers in relation to regional economic planning, programming and promotion. Tied to all the above reforms a redrawing of Poland's regional map has occurred, leading to the creation of sixteen macro regions to replace the previous structure of forty-nine regions.

In addition, as part of the reforms affecting Poland's public administration arrangements, a dramatic restructuring of the central planning powers previously held by the central state machinery has also been undertaken (Van Zon, 1995). In some instances, state power has been reduced via the decentralisation of key administration functions to other regionally located institutions whilst in other situations, newly created state bodies have had to deal with entirely new tasks and responsibilities such as those associated with industrial privatisation or the environment.<sup>80</sup>

Changes to administrative structures have not been without difficulties. Two criticisms in particular are of note. First, as argued by Grochowski (1997), reform

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<sup>79</sup> Powiat responsibilities centre principally upon education, health, social welfare and the delivery of public services.

<sup>80</sup> Similarly public administration reforms have not occurred in isolation from other changes taking place within Polish society. Rather they have been influenced by national reforms to health care, education and social welfare provision (Heusinger, 1998).

has been inspired by an ideological need to break with Poland's recent past. With this being the driving focus, early reforms failed to expand upon certain operational practicalities, including for example the precise definition of organisational responsibilities, local government finance and future development needs (Kosek-Wojnar, 1995; Wojcik, 1997). For some observers the ensuing fragility of the nascent democratic institutions has had a dramatic impact upon economic policy decisions and perspectives, leading them to be ad hoc, introspective, fragmented and defensive and representing little more than a catalogue of organisational wishes (Przeworski, 1993; Hardy and Rainnie, 1996).

The second criticism of administrative reform has been the resulting increase in agencies operating within the field of economic and regional development, many of which have copied Western European organisational styles. As argued by Piasecka and Rainnie (1997) although such growth has been impressive in numbers it has not been accompanied by a corresponding increase in quality. Agencies are controlled by different masters from elsewhere within the public and private sector leading to a lack of co-ordination and a duplication of economic development activities and tasks. Piotr Dudek an administrative officer working at Cracow's Regional Development Agency indicated during interview that differing boardroom interests lead to sometimes competing views regarding the agency's direction:

Sometimes it is not clear if we should operate more as a commercial company because we are a shareholding company or we should contribute to regional development. So sometimes this is not clear and in some cases we work on the commercial bit and in others, on the non-profit part.

Furthermore, the creation of new units of local government has led to a transfer of responsibilities between the various levels of government. As well as causing a degree of confusion regarding which actor performs which task, economic development activities in particular are divided amongst a variety of government institutions and despite the best intentions of the reformers are not necessarily delivered at the most appropriate level. As Gorzelak (1996) notes as a result of such confusion, decisions that may seriously affect the local area continue to be made

externally, leaving local government units capable of exerting only indirect pressure upon the decisions made.<sup>81</sup>

Despite such criticisms, reform has been greeted with great enthusiasm and is identified as being a key contributory factor in the area's economic growth. In particular, observers including Hausner et al., (1997) studying the factors behind the economic buoyancy of South East Poland's regional economy have suggested that such economic success derives from Cracow's relative wealth of public and market institutions. These range from local government sector agencies and semi-public economic development bodies through to banks and other financial institutions.<sup>82</sup> However, there remain significant institutional challenges to be faced. One of these challenges relating to the issue of staffing is discussed below as a way of tentatively exploring how Cracow's institutional legacies and experiences of institutional reform may have impacted upon institutional learning.

#### **4.8 Institutional Legacies and Institutional Learning Processes**

Despite attempts across post socialist countries to revise institutions - including for example the creation of apolitical central administration systems – organisations continue to be represented by the very same people previously employed by the state machinery (Hausner and Marody, 1999). For Adams (1994:614) in neglecting the impact of the mentalities of these people, the reforms have failed to deal with one the greatest dangers to the entire transformation process in Poland:

When the reform was designed little attention was devoted to the question of the value system inherited from the old socialist system. True, a large majority of the Polish population hated the old socialist system and wished its demise. Despite this, it became used to accepting as natural certain social programmes of the old system and the values connected to them. The stabilisation provisions and their consequences clashed to a great extent with the values of workers and managers. In addition, their calculation was based on the unrealistic assumption that Polish bureaucrats, managers, workers and consumers would behave as in a market economy. It was an illusion to expect such a reaction in an

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<sup>81</sup> In the HTS example the Treasury Ministry is directly responsible for the company's strategic development and privatisation plan.

<sup>82</sup> Hausner et al., (1997) do however suggest a need for increased involvement from organisations representing trade union and third sector interests.

environment which lacks market institutions and a market culture and is to a great extent still in the grip of an old value system.

Such mentalities can pose significant difficulties, especially regarding the value of adopting new practices or ideas. In particular, as pointed out during interview by Pawel Jastrzebski Deputy Director of Economic Development at the City Municipality, existing perceptions regarding for example the role of management or the operation of organisational hierarchies, limit the extent to which new techniques come to be both understood and implemented:

It was difficult at the start of the project because some people didn't know about the Financial Investment Plan. They had many bad habits. If something is new then it must be bad. The main problem was to teach the workers that the project will be successful and it is a good way to make investments. You still have the problem of the old structure, procedures, habits and we have to change them. But it will be the most difficult because people are involved.

This reluctance to instigate new ideas and procedure has been associated with rising levels of unemployment and social inequality. This is evident for example in societal views regarding the function of the state. Early support for state restructuring has given way to widespread disenchantment in light of the state's failure to provide some of its traditional welfare and social support functions. As a result the initial thirst for learning in some of Cracow's economic development organisations has been replaced by the questioning of change. Marchin Zawicki is consultant working with the Malopolska School of Public Administration. He indicated during interview that his attempts to introduce new internal practices and standards to Cracow's local government bodies have been of limited use. This is because the new ideas involved are viewed as being neither necessary nor solutions to prevailing institutional concerns, regarding for example the immediate and future stability of the organisation:

At first we gave them very simple and very basic information about public finance, then about incomes, expenditures, legal constraints, how to prepare budgets and budget procedures. Also we had part of our training connected with monitoring. I remember some people didn't understand what I was talking about. For most of them it was incredible. In that period of time people needed some very basic simple and the most important information because in three weeks they had to start work on that information. Most of them think temporarily because the Act which regulates their finance are temporary so they do not have the possibility in fact to take long term credit or prepare bonds. One year is temporary.

Now they only think about how to close budgets here without great deficits.

Some organisations in Cracow have chosen to deal with this problem by the direct dismissal of staff, as explained by Dr. Kasimierz Trafas, an ex-Director of the Strategic Planning and Development Unit of the City's Municipality:

When we started with new activities we gave the free hand to members of the department. Many of my colleagues got rid of their old staff because of the communist mentality: 'Out people go because they were members of the communist party'. It was a communist establishment. 'We must destroy this'.

However, this strategy of staff dismissal has not been pursued equally by all economic development organisations in Cracow. This is particularly true for those organisations created since 1990. These have tended to employ younger people emerging from Cracow's higher educational institutions who are less unlikely to have had employment experience in the pre-1989 working environment. As explained during interview by Marek Szczepanski a project manager at the Polish Foundation for SME Development, by employing young people there have been far greater opportunities for setting new organisational operating standards and routines:

This organisation was born in 1994. It is hard to say because I wasn't here when the organisation was born. Maybe the person who was in charge from the beginning maybe he set the new rules. For example we are proud of the friendly atmosphere in this institution. We try - no we don't try - we do call each other by our first names which is not something very common in Poland.

In addition, the value of staff dismissal has been challenged by a number of observers within Cracow including Andrej Komanski, a Deputy Director at the recently created Marshall's Office. Although his organisation is a new institutional creation it nevertheless employs people that worked previously in various parts of the state machinery. These staff members have simply applied old house rules and procedures to the new environment:

I am a relatively young employee in this institution because I joined the Marshall's office in May 1999 and I never worked as an administrative officer before. I worked in a business in a large commercial bank for almost six years. I am still not accustomed to the rules of how administrative officers work and I still think there is too much bureaucracy. You know everything must be in paper and have at least two or three stamps.

In summary, the above discussion has pointed to the emergence of two particular sets of institutional perspectives. On the one hand, there is general keenness to break with the legacies of the Communist past whilst on the other, concerns regarding the necessity and benefits of change have been accompanied by a return to the familiar structure and beliefs associated with the pre 1989 era. Such findings confirm earlier observations regarding those legacies arising out of Cracow's economic and historical experiences. But what are the implications of these two somewhat contradictory positions upon institutional learning processes?

First, in those instances where the collapse of state socialism has acted as a stimulus for change, opportunities for engagement in double loop learning may be significantly enhanced. Nooteboom's (2000) identification of cognitive repertoires is useful. As explained in Chapter three, distinct cognitive repertoires exist within organisations. These are both shaped by and reflect a raft of organisational memories and routines. Prevailing institutional cognitive repertoires can restrict radical learning through the operation of bounded rationalities that limit the search and interpretation of new information to existing and accepted understandings. In Cracow it is possible that amongst those newly created organisations staffed by younger employees, fixed institutional cognitive repertoires have not yet had a chance to form in such a way as to restrict the acquisition and application of new knowledge. Indeed the only cognitive force governing learning may be a desire to reject previous principles and practices for being inappropriate and as a means of legitimising the pursuit of new institutional innovations, experimental ideas and radically distinct economic development alternatives.

There are however a number of limitations to this as yet tentative assumption regarding the double loop learning potential of some of Cracow's economic development organisations. In particular as suggested in earlier discussion, Cracow's formal institutional structure and associated economic development functions are following well-established Western European formulas. Although the adoption of such prescriptive and well-tested measures may present immediate double loop learning opportunities in the sense that they may be novel to Cracow's institutional actors, the adoption of such ideas may block radical institutional learning by restricting the operation of the reflexive capacities necessary for double loop

learning. New idea and practices may automatically be accepted without a full assessment being made of their potential applicability or alternatives.

Second, those organisations in existence prior to 1989 may be more inclined towards the adoption of single loop learning. Fixed institutional cognitive repertoires have had a chance to form, encouraging adherence to the values and routines associated with the pre-1989 era. Such repertoires continue to exist despite staff movement or organisational restructuring, and may even be further exaggerated by the negative pressures exerted by the process of change itself. These repertoires may act to restrict the adoption of those practices associated with double loop learning. For example, institutions in following those information channels and relations adopted during eras of secrecy and mistrust may only be exposed to ideas that conform with existing understandings and practices thereby reducing opportunities for exposure to the reflexive and dissenting behaviour needed for double loop learning to take place. Indeed such activities may be viewed as a waste of time, given other organisational pressures such as limited time, resources and a perceived organisational reluctance to make visible and deliberate mistakes. In this sense the value of such double loop learning activities may only occur as a means of evaluating the necessity of change rather than as a process by which change itself can be encouraged.

#### **4.9 Concluding Comments**

Discussion in this chapter has indicated that Teesside's institutional and economic histories are geared towards the adoption of incremental, or single loop institutional learning processes. This observation is based upon the area's experiences of industrial glory, structural decline and institutional instability. Such experiences have given rise to an institutional structure that is reliant upon the actions of either big industry or national government and lacks the full range of organisations that are typical of the identified learning regions. Teesside's institutional and economic experiences have also given rise to the development of highly dependent and insular institutional cultures that shun risk taking and experimentation for fear of compromising institutional reputation and financial standing. These features combined have limited the ability of Teesside's institutions to seek out new, alternate ideas and interpretations and have restricted the development of the reflexive and

creative capacities necessary for more radical institutional learning processes to take place.

Cracow's economic and social experiences paint a somewhat contradictory picture of the area's institutional learning potential. On the one hand Cracow may be geared towards the adoption of radical learning processes. The area is accustomed to the pursuit of scientific and intellectual advancement, built upon a willingness to challenge existing understandings and remain open to new ideas and influences. Similarly the Communist experience seems to have provided a clear momentum for learning as a means by which to secure a radical break from the past. On the other hand, incremental institutional learning processes may also be promoted. In particular, pressures to dismiss pre-1989 legacies may result in any new information or knowledge being judged as appropriate simply because it contradicts pre-1989 interpretations. Such reliance upon the events of 1989 and upon fixed perceptions of Cracow's preferred economic functions may limit the exploration of alternative ideas that fall outside the boundaries of the newly emerging understandings and thereby act to restrict institutional reflexive and dissenting capabilities. Similarly, learning may also be constrained by values associated with the Communist era. These relate for example to ideas regarding the role of public and private institutions and the purpose of engagement in learning activities especially where the changes arising have negative rather than positive outcomes.

However, both suggestions require further empirical validation if the full impact of Teesside and Cracow's institutional and economic histories upon institutional learning processes is to be fully understood. In particular, it is necessary to identify the preferred set of learning activities undertaken by institutions and consider who exactly agencies learn from and why. In doing so a more detailed examination is required of the institutional cognitions and memories operating in both areas and their associated effects upon the reflexive, creative and dissenting practices necessary for radical learning to occur. These issues are addressed in more detail in Chapters five and six.

## **Chapter Five:**

### **Institutional Learning Processes in Teesside and Cracow**

#### **5.1 Introduction**

This thesis has identified two aspects of institutional learning that warrant closer investigation. The first of these relates to the impact of institutional cognition upon institutional learning processes. Such cognition is rooted in past organisational experiences and maintained over time in a variety of in-house rules, routines and perspectives that govern how organisations seek out, interpret and apply new knowledge. As such institutional cognition is identified as being an important influence upon which learning activities organisations engage in, through which particular learning channels relations and for what anticipated purpose. The second area of interest concerns the effects of internal organisational features upon institutional learning processes. These features include the chosen form of organisational management system and the specific management techniques designed to promote organisational reflexivity and intra-organisational dissent. These factors are identified as being of fundamental significance in distinguishing radical from incremental learning processes. Furthermore, through the adoption of such practices and systems, organisations are presented with realistic opportunities for dramatically improving their institutional learning potential by breaking away from established learning pathways that have proved inappropriate for dealing with the changing economic environment.

However as discussed in chapter three, the theoretical claims made regarding the relevance of institutional cognition, organisational management systems and management techniques require empirical validation. In relation to institutional cognition the literature has neglected to identify the various forms of institutional cognition that may be in operation within organisations as well as the range of organisational memories supporting their existence and maintenance. Similarly little attention has been paid to the specific circumstances in which institutional cognition - and the memories it reflects and sustains - acts as either a learning barrier or stimulus.

Likewise whilst the processes of remembering, forgetting and unlearning have been deemed to be central in overcoming the restrictions imposed by cognition upon learning, little is known about when and why these occur and to what effect. Similarly many of the ideas presented regarding the impact of internal organisational features upon institutional learning processes remain under-developed. Most notably, studies have failed to examine how organisational management systems affect institutional learning processes and the extent to which institutional cognition is mirrored and sustained by the chosen system.

This chapter aims to explore these issues by focusing upon the impact of institutional cognition upon public sector learning. The chapter begins with a brief summary of the key claims made regarding the links between institutional cognition and learning. This summary emphasises Nooteboom's understanding of the five stages involved in any learning process and the associated significance of cognitive maps, domains and repertoires. These concepts are helpful in understanding why institutional cognition can produce either radical (double loop) or incremental (single loop) learning. This is followed by an analysis of the preferred learning activities, sources and relations pursued by public sector economic development organisations in Teesside and Cracow as these factors are a reflection of prevailing institutional cognition. This discussion explores a range of learning environments, and in doing so extends the arguments presented in chapter four regarding the institutional and historical legacies of the two areas studied. Then, the chapter considers the impact of institutional legacies upon institutional learning. Through the concept of 'organisational memory' the chapter examines how institutional learning potential is either restricted or promoted by past institutional habits, customs and relations that have since become embodied in institutional cognition. The chapter then considers the extent to which organisations in both locations engage in unlearning, forgetting and remembering so as to overcome the learning barriers presented by cognition and memory, and examines the effects of hierarchical and decentralised management systems upon these processes. As explained in chapter four the discussion undertaken in this chapter is complemented in chapter six by consideration of the explicit methods by which organisations can improve their

radical institutional learning capacities and in doing so, overcome those learning barriers presented by institutional cognition, memory and organisational management systems. Such methods include the delivery of reflexive and dissenting practices. These practices allow organisations to objectively consider the applicability of past solutions and devise new, potentially more appropriate creative solutions.

## **5.2 Institutional Learning Preferences**

As discussed in chapter three, learning consists of at least three interrelated activities. First, new knowledge has to be obtained, second, it must be disseminated and shared and finally, the new knowledge must be accepted, creatively incorporated and used to so as to promote a change in institutional behaviour (Argyris and Schon, 1978; Hayes and Allison, 1999). Nooteboom (1999, 2000) has broken this understanding down one step further suggesting that learning processes consist of five key stages. First, an already successful practice must be transferred to a novel or adjacent set of circumstances. This Nooteboom terms generalisation. Second, once the practice is adopted, differences are likely to arise which necessitate the adaptation of the practice to the requirements of the new context. This is called differentiation. Third, through reciprocation, information is exchanged about the successes emerging from parallel situations. Fourth, when this information does not fit well when first acquired, the original structures are rearranged so as to incorporate the novel elements observed. This Nooteboom terms novel combinations. Finally, once these revisions have been taken on board, the revised practices become standardised – through consolidation – and await the next stage of generalisation to occur. In highlighting these five stages, emphasis is also given to the set of additional activities that are required over and above the simple accumulation, exchange and application of new knowledge. These include the forgetting of past information, the unlearning of accepted techniques and the remembering of past actions and their significance.

Nooteboom has also broken down the term cognition into three separate parts. As a reminder of the discussion undertaken in chapter three, cognition consists of first, a

cognitive domain. This refers to the full range of information available to organisations. Second, this information is interpreted or 'mapped' by organisations according to an established set of categories. Finally, this set of accepted categories and ways of thinking represent organisational cognitive repertoires. Through this understanding Nooteboom offers an important insight into why learning can be either radical or incremental in nature. Whilst some learning may result in changes to cognitive maps and domains it does not always break with the framework of the existing cognitive repertoire. In these instances, learning is of an incremental nature, conforming with the accepted understandings. By contrast, when cognitive repertoires are broken radical learning has taken place.

The identification of cognitive maps, domains and repertoires has in turn highlighted the importance of institutional 'selection environments' in determining radical or incremental learning potential. This selection environment consists of the cultural, social and historical frames of reference that are reflected in institutional cognition (Turati, 1997; Hayes and Allison, 1998). Such frames include for example the collective organisational memories or the preferred relations of trust in operation within and between organisations. Although selection environments assist in attributing meaning to any new information received they experience 'bounded rationality' (Simon, 1991) with any new information received required to conform with the established understandings of the selection environment.

But what does this theoretical interpretation of learning processes and institutional cognitive domains, maps and repertoires mean in Teesside and Cracow? Table 4 is useful for this analysis, outlining which sources organisations learn from and why, the values associated with engagement in learning activities and the perceived learning obstacles and stimuli. These features, in being a direct manifestation of the prevailing institutional cognitions represent a useful starting point for later debate regarding either the radical or incremental nature of the institutional learning processes observed. In particular, the distinction made in Table 4 between intra-organisational, intra-regional and inter-regional learning helps establish the extent to which learning occurs either

within - or outside of - the immediate selection environment and whether it actively promotes or discourages challenges to the prevailing cognitive repertoires.

**Table 4**  
**Institutional Learning Activities and Sources**

	Cracow	Teesside
<b><i>Intra –Organisational Learning:</i></b>		
Team Meetings	6	1
Internet	2	1
Internal Documents (Business Plans etc.)	0	5
Specialist Publications (Journals)	5	6
Internal Organisational Staff Members	1	7
Personal Development Plans/Staff Training	6	5
Organisational Board or Executive Members	0	2
In-House Market Research	1	0
Organisational Databases	0	1
Project Evaluations/Surveys	0	1
Personal Contacts/Word of Mouth	0	3
Organisational Clients	0	1
<b><i>Total</i></b>	<b>21</b>	<b>33</b>
<b><i>Intra-Regional Learning:</i></b>		
Sectoral Networks (e.g. Regional Associations)	2	9
Cross Sectoral Networks	0	6
Private Sector Companies	0	10
Research / Academic Institutions	6	3
Specialists (e.g. consultants)	7	1
Government Publications	0	1
<b><i>Total</i></b>	<b>15</b>	<b>23</b>
<b><i>Inter-Regional Learning:</i></b>		
Sectoral Networks (e.g. National Associations)	8	8
Cross-Sectoral Networks	1	0
National Government Institutions	1	2
International Institutions	2	0
EU Institutions	4	2
International Study Tours	11	1
National Study Tours	2	0
Private Sector	2	2
Professional Qualifications	7	0
Conferences	8	10
Participation in EU Programmes	12	0
<b><i>Total</i></b> <sup>83</sup>	<b>58</b>	<b>25</b>

Column one identifies *all* types of learning referred to by economic development organisations during interview. A distinction is made between learning taking place at

<sup>83</sup> The total figures shown do not reflect the total number of interviews conducted during the research. Refer to page 14.

intra-organisational, intra-regional and inter-regional levels.<sup>84</sup> This division aids later discussion regarding the potential of such activities to promote either radical or incremental learning. Columns two and three indicate the degree to which economic development organisations in both areas participate in the identified learning activities.<sup>85</sup> For example seven economic development practitioners in Cracow felt that they made use of specialist consultants and experts whilst only one practitioner on Teesside felt that this was the case

### 5.3 Learning Stimuli and Obstacles: Cracow

As can be seen from Table 4 economic development organisations in Cracow engage principally in inter-regional learning activities occurring either at national and international levels with partners from elsewhere within Europe and beyond. More specifically, the most popular types of learning activities mentioned by economic development organisations during interview were international study tours, conference attendance, participation in national sectoral networks and collaboration with European and international agencies. The Cracow Regional Development Agency is just one of many organisations in the area to participate regularly in inter-regional learning activities. Dr. Klemens Budzowski, an ex-Director appointed at the Agency described during interview just some of the activities pursued by his organisation:

A lot of employees took part in courses held abroad, in London, Finland and Belgium. Also we are members of the European Organisation of Regional Development Agencies and this is also a field of exchange of ideas. We are also serving as an advisor to the region in so far as international business

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<sup>84</sup> The classifications applied demonstrate a degree of overlap and duplication. For example, sectoral contacts are represented in intra-regional and inter-regional sections. In some cases, sectoral networks such as local authority associations may adopt a two-tier arrangement with distinct but nevertheless linked interests, operating at both local and national levels. Similarly, although some learning instruments such as the internet or information databases contain data that is often international in origin, they have been placed within the intra-organisational section as it is at this level that the information is accessed and shared.

<sup>85</sup> Few prompts were given during interview regarding the type of learning activities and sources shown. As the information represents the spontaneous responses of the interviewees there may be some omissions with respect to other learning activities and sources not mentioned but which are nevertheless undertaken. Although this omission is to a certain degree inevitable given the research methodology chosen I do not think that it has affected adversely the research results. Indeed the fact that only certain learning activities were referred to may implicitly reveal insights regarding interviewee perceptions of the value and purpose of some learning activities over others.

contacts are concerned. So whenever a group of investors came to the region they were redirected to the agency and we gave the information to them. They were from all over, Korea, Japan and Brazil. The European delegations came weekly. There were more than ten people involved in international co-operation within the agency.

Such inter-regional learning activity is adopted by many of Cracow's newly created economic development organisations and also by a significant proportion of those agencies involved in economic development affairs prior to 1989. Kasimierz Trafas ex-Director of Strategic Planning and Development at Cracow's City Municipality explained during interview that especially during the early 1990s, involvement in international learning activities was particularly intensive as it exposed his organisation to alternate models of economic development:

Twice I was in the United States of America on a special course for management at the American University in Washington. Second, I have done study tours where you observe and discuss certain problems. Also in Great Britain through the Know How Fund, organised in Edinburgh, Birmingham, London and Manchester. It is mostly abroad because we learn from the experiences of them.

Even in those instances where learning occurs at regional or national levels the stimulus for such activity can be seen to emanate from international sources. Andrej Komanski a Deputy Director at Cracow's newly created Marshall's Office felt during interview that the main stimulus behind his organisation's involvement in learning stemmed from an ability to access international funding programmes:

Me personally I am involved in a special project that is partly supported by European Union money. The Cracow Regional Development Agency won a tender in co-operation as a sub contractor in Rzeszow. It was support to build a regional strategy. That is quite a large project and due to that we have a chance to meet at least once a month together to discuss progress in strategy construction and we exchange experiences. I may say that each of these three regions has chosen a different way of reaching a final strategy. There are of course some similar aspects but there are different approaches. We also discuss some mutual advantages and disadvantages or just strengths and threats on our relationships, if we are complementary to each other or just competitors. And we discuss these issues at these meetings. For example, at the last seminar which was addressed mainly to the Deputies of the Regional Policy especially from the Commission of Regional Development. There were I think about twenty people there. There were

some basic lectures on regional policy, strategic construction and there was also a guest speaker, Professor Szlachta.

Two factors are identified as being instrumental in encouraging the uptake of inter-regional learning activities. First as already suggested, the majority of Cracow's economic development organisations are in a position to access an array of funding programmes and/or sponsorship facilities. These include USAID, the British Council's Know-How Fund and a series of European Union initiatives including PHARE and TEMPUS. In addition, many organisations in Cracow are also co-operating directly with some of the European Union's main agencies. Pawel Jastrezebeski, the current Deputy Director of Economic Development at Cracow's City Municipality summarised during interview how his organisation had benefited from such European Union contact during the course of a project designed to overhaul Cracow's transport and communication system:

The Fast Tram project is the first project that will use a Project Management Formula (PMF). We want to use this PMF for all investment. We try to use European Union learning programmes for the PMF and any structural finance that is available. Many of our workers take part in conferences, learning programmes and we want to co-operate with organisations like the European Bank of Reconstruction and Development and they give us some know how for example, with the feasibility study for the Fast Tram project.

Second, extensive involvement in inter-regional learning activities is promoted by Cracow's academic and research organisations.<sup>86</sup> These agencies include the Malopolska School of Public Administration linked to Cracow's University of Economics and MISTiA linked with the Jagellonian University and forming part of the nationally based Foundation in Support of Local Democracy. Both organisations participate in initiatives aimed at improving the technical capacity of local government organisations and benefit from extensive ties with other research institutions across Europe such as, for example the Copenhagen Business School.

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<sup>86</sup> These links are shown in Table 4 as being of an intra-regional nature with Cracow's economic development organisations linked to Cracow based research and academic institutions. However, as the agencies in question are in fact part of wider academic and research networks although the initial links and relations may be intra-regional the learning often derives from national, European or international experts.

In addition, there are a number of organisations which although not directly financed by the academic community, nevertheless work in close partnership during project delivery. These organisations include the Local Government Partnership Programme, financed by USAID and the Association of Local Gminas and Powiats - a national partnership representing the views and demands of the newly established tiers of local government.

As can be seen in Table 4 economic development practitioners make extensive use of such academic contacts through for example attendance at strategic conferences and training participation. Slawomir Podgorski, President of the Municipal Development Agency indicated during interview that the links between his organisation and the academic community have been essential in exposing his organisation to new ideas that were particularly crucial during his organisation's early life:

Learning is the basis of all our activities in fact. All this co-operation is just learning for the agency. We are sure that we need to learn. So we try. We send people to conferences. We ask people to take some courses. We give some courses also because we have academic lecturers. We invite people from for example the Academy of Economics to give some courses. Because we know we are a very young structure and we would like to develop our structures and learning is the best way of developing them.

Co-operation between academic institutions and economic development organisations is thought to have been beneficial for two reasons. First, it has facilitated the acquisition of new skills and techniques pertinent to the daily operations of these agencies. Second, in a small number of instances, it has encouraged organisations to become involved in strategic discussions regarding the long-term delivery of economic development services and the structural arrangements underpinning such activities. One such example is that of the Nowy Sacz Public Service City Zone.<sup>87</sup> The Zone was established in conjunction with the Malapolska School of Public Administration and local government actors within Nowy Sacz so as to create a new partnership association aimed at improving the delivery of public services. The Zone not only stimulated widespread discussion regarding the issue of local government reform but also introduced novel

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<sup>87</sup> Refer to section 6.7.

administrative procedures and ideas to the participating economic development organisations.

Such involvement by the academic community and the wider thirst for engagement in inter-regional learning practices reflects Cracow's historical and institutional experiences. First, as explained in chapter four, Cracow has traditionally served as an academic centre of education and ideas and consequently, has long standing ties with other international centres of learning such as Lvov, Vienna and Budapest. This history results in Cracow having a solid academic and research infrastructure capable of providing ongoing learning assistance to Cracow's economic development organisations via for example the delivery of strategic conferences and training programmes. Furthermore, Cracow's intellectual heritage has acted as a cornerstone for the attraction of new forms of economic activity including for example cultural tourism and leisure.

Second, the preference demonstrated for international and European based learning activities derives from a perceived need to reject the past procedures and practices associated with the Communist era and acquire appropriate skills relevant to the new economic circumstances. Radoslaw Kazmierczak is an economic development officer from the East Cracow Development Agency. He acknowledged during interview that for his organisation inter-regional learning has served as a means of 'filling in the gaps' in the existing organisational knowledge base and as a mechanism for getting to grips with new organisational roles and responsibilities:

We learn by doing and whenever we don't know how to do something we employ experts. We look for the advice of experts and we learn again. The agency very seldom does anything on its own. Whenever there is a task they co-operate with someone. For example there is a company that will demolish the old steel production building. It's such a complicated procedure. We had to go for their advice. We couldn't do it on our own. So this company acts mainly as the expert. They will not bring their machines. They will advise us how to do it. So we will learn and perhaps the next building we will be able to demolish without the help of German experts.

In summary, the high premium placed upon inter-regional learning has roots in Cracow's historical, social and institutional specificities. Cracow's historical function as

a seat of learning has given rise to an accessible learning infrastructure and an acceptance of the role of learning in promoting and encouraging organisational development. Yet, despite this generally positive approach, there are nevertheless obstacles to Cracow's current and future learning potential. First, the widespread use of funding programmes - whilst on the one hand facilitating inter-regional learning by providing extensive financial assistance - may also present important limitations. One such barrier concerns the fixed time-span of the funding programmes themselves. Stanislaw Alwasiak a consultant from the Local Government Partnership Programme expressed concerns during interview that once a particular scheme aimed at training local authority officials comes to an end, learning may be overtaken by everyday organisational pressures:

Time constraints, in two years the programme will be all over. We hope the experience will survive without the institutional setting. Of the gminas they don't want to learn. In general, local government is not concentrated on achieving certain goals but performing certain activities. Their view is we are not here to serve the citizen but to protect the law.

Similarly as the funding initiatives invariably lay out specific and pre-defined targets very little scope is presented for experimental actions that fall outside of the programme frameworks. Organisations are encouraged to conform with existing standards rather than break away and test alternative actions and solutions. In other words organisations - in being told when and how to learn - may not necessarily develop a capacity to question the appropriateness of such actions or have opportunities to define their own learning requirements. Such a situation may be further exacerbated by national budgetary pressures and public sector financing restrictions which may ultimately oblige organisations to participate in funding programmes as a means of financial survival.

Second, it is apparent that learning is also constrained by expectations regarding the perceived roles and responsibilities of individual organisations. Zdzislaw Niechcial a civil servant from the Ministry of Privatisation explained during interview that given the high costs associated with learning, his organisation felt it unnecessary to engage in any learning that was not directly related to the delivery of the stated organisational aims:

If there are some institutional obstacles it's the money problems. Some of the courses are very expensive, about two thousand to three thousand zloty. And the organisation is not willing to pay that much money. With their expertise and knowledge what staff really need are courses on peripheral areas like business finance management. These however, are not directly related to privatisation. And the Treasury Ministry will not finance a course that doesn't have privatisation in its name.

This narrow view applies not only to current roles but also to future, envisaged responsibilities. Marek Szczepanski a project manager from the Polish Foundation for SME Promotion and Development explained during interview that current learning priorities are geared towards enhancing the organisation's possible role in European Structural Funds administration following Poland's anticipated accession to the European Union:

This agency is to be the main, or the only, implementing agency for the Ministry of the Economy which is important because let's hope in a few years that the structural funds will be here. So we are the institution who will be responsible for this big part of the structural funds. This will change our role, our whole position in the structure of implementing programmes. So last week we went out as an organisation, everybody to our annual meeting which took two days out of Warsaw. We looked at what was the previous year, what were the plans, how we should change and our attitude to different things.

Despite these barriers, learning is viewed in an extremely positive light by many of the area's economic development organisations. In particular there is a wide uptake of inter-regional learning driven principally by the availability of adequate finance and a keenness to learn from others so as to break with past legacies and enhance new organisational roles and capabilities. But before considering how Cracow's learning scenario links back to claims made by the literature on institutional learning and cognition, it is first useful to contrast Cracow's situation with that of Teesside.

#### **5.4 Learning Stimuli and Obstacles: Teesside**

From the information contained in Table 4 there is an apparent preference on Teesside for learning at either intra-organisational or intra-regional levels. In particular, economic

development organisations mentioned during interview that learning takes place through internal organisational publications, staff training programmes, links with other organisational employees and with other sectoral and non-sectoral partners from within the locality. There are two identified reasons for these preferences, the first of which relates to the requirements of the funding programmes directed towards the area. Through a variety of European and national programmes, intra-regional partnerships have become championed as appropriate mechanisms for defining local and regional economic needs and solutions. Partnerships are obliged to pull together representatives from all sectors that have an express interest in economic development issues. In line with the more holistic approach to economic development such partnerships are expected to reflect not only local authority and business support service interests, but also the views of educational as well as voluntary and community sector actors. Laura Woods the European Policy Manager from the University of Teesside participates in many of the area's partnership structures. She suggested during interview that although there is still some way to go before such partnerships translate into something more than a mechanism for drawing down funding, they have nevertheless provided an opportunity for inter-institutional dialogue and understanding within the locality:

The partnerships are not 100% genuine but they have allowed people to work together to see other opportunities and at the beginning to look over other people's arrangements. It tends to be from people within the region, which make it so insular.

Second, there is a clear preference for intra-regional learning in conjunction with the private sector. This learning emphasis reflects the area's traditional involvement with industry and wish to support private sector interests. Stan Stevenson the Deputy Director at the Cleveland Open Learning Unit stated during interview that learning from the private sector was essential not only for those organisations directly established for meeting the needs of industry but also those organisations involved with setting and delivering wider economic development priorities:

A lot of things that we do are industry based and because of our connections in industry if there is something of particular interest to us we can ring up and say 'look can we get a place on this?' We try and keep abreast of what's going on in the commercial sector and put it back into local government. Things like a mission statement for organisations. They're old hat now,

everyone has got one but we try and keep abreast of what's going on in the commercial sector and try to put it back into local government.

This approach to learning mirrors Teesside's historical, social and cultural characteristics. First, Teesside's function as a manufacturing giant, whilst encouraging a reliance upon heavy industry as the source of economic success, simultaneously neglected the development of an advanced learning infrastructure. Moreover with industrial performance long understood as being central to the area's economic success the main academic body in the area - the University Of Teesside - has been traditionally geared towards the provision of qualifications in subjects such as engineering and chemistry. Dr. Ashok Kumar, the current Member of Parliament for South Middlesbrough and Cleveland and a former economic development councillor in the area suggested during interview that the absence of a learning infrastructure had had a negative impact upon both learning and Teesside's wider development:

Remember Cleveland had no university. The next one was Durham or Newcastle. There was no scientific advancement in Cleveland. The Polytechnic was not considered very successful in various higher education assessments. I would link up the success of scientific and research advancement and apply that in local industry. I see them going hand in hand. Scientific advancements have been made elsewhere and brought here, transferred to here.

Learning opportunities have been further affected by the limited engagement of academic institutions in economic development affairs with only one agency - Business Link (Teesside) - stating that it benefited from some form of academic input. However, as George Rafferty, the Director of this agency pointed out during interview, even this contact has been tied to the needs of the private sector:

I have a lot of learning to do. I work very closely with the university. I go to organisations such as the Welding Institute, the technology centre and the plastics centre to get this broad knowledge.

Second, the dominance of industrial employment has given rise to negative expectations regarding the role, value and benefits associated with education in general. Not only did the major employers in the area traditionally guarantee employment to young people on school leaving age, such posts were invariably seen as providing a 'job for life'. As a

consequence little emphasis has come to be placed upon the important of skill upgrading and acquisition. Richard Bell, ex-Director of the Department of Trade and Industry who is now employed within Teesside Tomorrow, a public - private consultancy partnership, argued during interview that learning as well as education in its most general sense has come to be viewed as a short-term and finite requirement:

I suppose you start from the point of view that our education statistics are some of the worst in the country but you can never give up on that. We have to try and see if we can lift educational facilities and attainment. Above all that learning is seen as a good thing. This area has a long way to go with that.

With Teesside's educational achievement traditionally attuned to the limited manual requirements of industry the development of a highly educated workforce has been curtailed, with the area demonstrating some of the lowest rates of educational attainment and graduate retention in the country. It has also hampered the emergence of an entrepreneurial spirit - in itself a feature blamed for factors such as the absence of diversification in the economic structure and reduced levels of small business start-ups.

It is within these features that the major obstacles to learning upon Teesside reside. The first barrier relates to a lack of appropriate time and financial resources. Peter Ellis, the Director of Economic Development at Redcar and Cleveland Council felt during interview that although his organisation does demonstrate a willingness to learn staff are invariably restricted by insufficient time and money:

We do have a strategy that says that we should be learning. The implementation of that strategy is constrained by the fact that we've hardly got any money for training purposes. We know what we want to do and should be doing but we're not doing it to the extent that we should be simply because of the resources that we've got. We haven't got enough people to do the job anyway.

The adoption in recent years of national policies focused on curbing levels of public expenditure have led to some very real financial difficulties. Teesside organisations have seen their incomes slashed and in line with wide European trends, have been forced to compete for the limited resources available. Financial instability has given rise to a general perception amongst some economic development agencies that they are to a

degree swamped by the economic problems to be tackled. Within this context organisations are forced to prioritise work and on many occasions learning is viewed as a special, additional activity undertaken only when time and other work pressures allow. Similarly with increasing pressure for organisations to take part in funding programmes many organisations feel obliged to adopt only that learning which is necessary to access the available funding streams. Richard Bell a consultant with Tees Valley Tomorrow indicated during interview that despite efforts to extend the scope of his organisation's learning, the sudden availability of new pots of money could entail a complete re-focusing of these learning plans:

About every couple of years we have a brainstorm on the learning priorities and strategies. Do we think those are still the right priorities? Do we think we should subtract some or add some? Those can be kind of opportunistic for example, with the arrival of the National Lottery. Suddenly you've got a bag of money where there was no bag of money. An organisation must respond to that.

The second obstacle relates to the instability inherent in the formal institutional structure and the seemingly 'constant rearrangement of deck-chairs on the Titanic'. As explained in chapter four, new organisations have come into existence whilst existing organisations have disappeared only to reemerge with different names and functions. With each new institutional creation or abolition challenging existing responsibilities and remits, many of Teesside's organisations feel that they face uncertain futures. Such institutional instability has led to learning being emphasised only in those instances when organisational status is threatened and/or requires justification. One consequence of this is that strategic planning about the type of learning necessary for the achievement of long term organisational needs is extremely difficult to undertake when uncertainty prevails about how long an organisation is likely to be in existence. John Kielty, an ex-European Officer with Cleveland County Council felt during interview that learning within his organisation occurred within the framework of the specific objectives contained within the organisation's annual economic development plan. This plan - only valid for a year - could not reflect any longer term perspective, particularly in light of his organisation's uncertain future:

Learning strategy? We had some form of economic development strategy. What did that mean? It meant something that would be written to satisfy government regulations. It would be put on the shelf to gather dust and then it would be brought back down, re-read and evaluated to satisfy government requirements. It was a 'going through the hoops' process. So in terms of a learning strategy no, although at the time the County Council were trying to keep one step ahead but maybe this was due to the shock of local government re-organisation.

Tied to this, a particularly narrow understanding of the term learning prevails amongst a considerable number of Teesside's economic development practitioners. In particular, learning is frequently associated with the delivery of general training and human resource development via for example, personal development plans or participation in staff training days, as explained during interview by Tim White, Director of Economic Development at Hartlepool Borough Council:

We've got a training strategy. To dignify it with the title learning strategy would be misleading. This strategy includes personnel development issues and technical development. It is generally speaking a series of requests from individuals who feel that they need to know more about so and so. It's not approached in a systematic way.

The third learning obstacle is linked to an increasingly common observation that learning may simply be the next trend in a long line of economic development fads. Although economic development activities are a relatively new addition to the responsibilities of Teesside's public organisations they have nevertheless undergone over time a series of changes and alterations. Such shifts have witnessed a move away from the development of industrial estates as the key to economic success through to such factors as the encouragement of foreign direct investment and the introduction of call centre facilities. Within this context learning is perceived not as the means through which such changes have in fact occurred but as the next fashionable economic development accessory. John Gillis an ex-Director of Economic Development at Cleveland County Council reflected during interview upon this point:

There was a fairly strong current of trying to ensure that we were constantly up to date on what was happening. But you have to remember that it is only in recent years that there has been any sort of structuredness of intelligence and education about economic development. For a long time it was very

much simply keeping in contact with other people who you had identified as being at the forefront of these activities and simply getting together.

In summary, within the Teesside context learning is of a predominantly intra-regional and intra-organisational nature. Invariably undertaken so as to meet the requirements of externally driven funding programmes, regional partnerships and the needs of the private sector, economic development organisations have little scope to choose when, how and what to learn. Moreover, the learning observed reflects many of the area's cultural and social characteristics - including low levels of entrepreneurship, educational aspiration and independent action as well as a need to justify defensively all aspects of organisational activity in the face of constant formal institutional shifts.

On the basis of the above evidence it is useful to reflect upon the conceptual claims made earlier in this chapter. First, Cracow through its emphasis upon inter-regional learning activities appears to be better placed to engage in double loop learning processes. In particular, through extensive participation in a wide range of funding programmes Cracow's organisations are exposed during the stages of generalisation, reciprocation and novel combinations to a considerable range of new ideas and knowledge that challenge existing institutional cognitive repertoires. Although such insights may be commonplace and standardised elsewhere, the new knowledge may nevertheless be innovative to the Cracow context, emerging as it does from cognitively distant circumstances. This broad exposure is further enhanced by the enthusiasm and openness of the agencies involved to embrace new information, as a means of generating shifts away from established practices and procedures. In this sense the limitations that are presented through differentiation are more likely to represent genuine difficulties arising as a result of the misfit between the new information and the existing cognitive repertoires. Moreover, as many institutional cognitive repertoires and selection environments<sup>88</sup> are in the process of being re-set or established from scratch, the new information received through learning is likely to inspire a radical shift in cognitive repertoires rather than result in a more incremental shift in cognitive maps or

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<sup>88</sup> Refer to page 51.

domain. Provided that institutional legacies allow, this shift in cognitive repertoires occurs during reciprocation at which time original structures are required to re-position in order to incorporate, rather than reject the incoming information.

In contrast, through its emphasis upon intra-organisation and intra-regional learning Teesside appears to be geared more towards single loop learning. In adopting intra-organisational and intra-regional learning, the search for new information is confined to existing learning channels, relations and perceived priorities. As such the extent to which novelty can be secured during the stages of generalisation and novel combinations is limited, with new innovations sought out from the 'usual suspects' and applied in such a way as to be acceptable to the established cognitive repertoires. In other words - applying the concept of the selection environment - economic development organisations find it difficult to think outside the established selection environment and restrict their search for new information to that which fits the accepted interpretations (Hayes and Allison, 1998). In this instance repertoires appear to be fixed around notions of industrial glory, economic decline as well as institutional and financial instability. At worst this approach simply reproduces existing structures and ideas by failing to launch any significant challenge to the established cognitive repertoires and at best encourages only incremental shifts in cognitive domains and maps.

### **5.5 Organisational Memory**

Within organisations, the past continues to exist through a variety of institutional routines, habits and perspectives that come to represent institutional cognitive repertoires. Whilst in some instances the past can provide a meaningful context for the interpretation of new information, history can also restrict, leading new information to be interpreted in accordance with established solutions and prior knowledge. However, the restrictive impact of the past upon present day learning activities can be overcome through the adoption of reflexive practices (Morgan, 1986; Grabher, 1993).<sup>89</sup> But if

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<sup>89</sup> The extent to which organisations engage in reflexive practices is addressed in chapter six.

reflexivity is to be undertaken in such a manner as to generate radical learning, organisations must become aware of the various ways in which the past is reflected and sustained within organisational environments. One concept through which this issue has been explored concerns organisational memory (Levitt and March, 1988; Huber, 1991).

As a reminder of the discussion undertaken in chapter three, the relevance of organisational memory to the institutional learning debate resides in three observations. First, organisational memories exhibit inconsistencies and ambiguities with only a selection of past events retained and applied. Second, through organisational memory the concepts of unlearning, forgetting and remembering can be explored. Finally, whilst organisational memories may provide a context for the interpretation of new information, they can also prove restrictive as Boisot (1983:160) explains:

Experiences work their way into the collective memory and expectations of a culture and remain embedded in institutional arrangements long after they have ceased to serve. They may then obstruct rather than assist the process of social adaptation much as early childhood traumas become the source of phobias and pathologies in later life.

This section discusses these points using evidence collected in Teesside and Cracow. The impact of memory upon learning will be considered at the end of this section but first it is necessary to outline briefly the interpretation applied to the concept of organisational memory by economic development organisations. These definitions in themselves shed light upon the dominant frames and usage of memory. The section then comparatively examines how memory is mobilised, focusing in particular upon the extent to which organisations engage in unlearning, forgetting and remembering. Finally, the section concludes by evaluating the extent to which organisational memories represent a block upon institutional learning or alternatively act as a stimulus for radical, rather than incremental institutional learning processes.

Teesside's economic development organisations have a very particular understanding of memory that may ultimately impact negatively upon radical institutional learning opportunities. This memory is widely understood first, as being rooted in a fond remembrance of the area's economic hey-day when big industry dominated the

economic and social landscape and second, as relating to the devastation caused by extensive periods of structural economic decline. Broken down, these include for example perceptions regarding a job for life, the place of industry in the economy, the nature of employer/employee relations and the role of public sector bodies and the state. But how do such memories become embodied within organisations?

First, memories relating to the past have come to be extensively reflected in organisational remits. Simon Hamilton is a project officer working for an agency traditionally funded by British Steel (Industry) and Teesside's local authorities. The organisation seeks to facilitate the economic and social resettlement of ex-steel workers and aid in the regeneration of ex-steel communities. He indicated during interview the extent to which both these organisational memories impact upon daily organisational operations:

The organisation is always harping back to the past, all the time. This is because of the remit attributed to the organisation. Memory is our *raison d'être*, our roots, the reason why we were set up. If this were lost then the organisation would lose its sense of urgency. The organisation could not be seen to be looking at other areas of responsibility. It is important to remember why you are doing things now because of what you did in the past.

Second, memory has come to be reflected in internal organisational structures and mindsets. Particularly amongst local authority agents, the existence of specific departments and employee posts mirror past experiences. Examples of this include the appointment of specific workers charged with the development of particular local communities or the creation of small sums of financial assistance designed to encourage self-employment initiatives and entrepreneurship, traditionally weak economic sectors in the area. Such 'problem areas' have in many cases, emerged as a consequence of Teesside's past economic and social experiences. The operation of such structures and responsibilities can at the same time both reflect and sustain inherited attitudes and perspectives. For some observers it is primarily through these individual recollections of staff members, directors and elected local authority members that memory has come to be embedded in organisational environments. Such memories are deemed to manifest

themselves in a number of ways including for example through the existence of and adherence to specific workplace customs, or the prevailing expectations about the value and purpose of employment. More specifically, as indicated by Magne Haugseng the Team Leader from the Tees Valley Joint Strategy Unit, memory is best reflected in the preferred relationships and networks of inter-personal contact and control:

The organisation memory in terms of documents is not that good because you will only write documents in relation to certain policy issues or bigger things yet your learning may well go on beyond that. You rely more on the collection of information that you have accumulated from other people.

Evidence collected in Cracow provides some interesting contrasts to Teesside. Most obviously, amongst the new economic development agencies created in the 1990s there is a felt absence of a comprehensive set of organisational memories. First, it is suggested by many economic development organisations that only one organisational memory is of any relevance. This memory refers to Cracow's negative experiences under Communism and the subsequent, and much applauded, shift to a free market economy. Jozef Wegrzyn the Deputy Director of Cracow's Chamber of Commerce argued during interview that it is this singular reference point that, for the time being, has replaced the emergence of individual organisational memories. However, and contrasted by the evidence collected in Teesside this single memory appears to function as a stimulus for, rather than a barrier to learning.

Memory is more of a general thing because the majority of people can remember very well the time of the Communist Party and these bad memories are attributed to the majority of society.

Second, many economic development organisations are in fact completely new bodies and as such have had relatively little experience from which organisational memories can be derived. Related to this is the drive by many of these organisations to recruit young, university educated people as these potential employees may be less constrained by the baggage of personal memories and experiences. Slawomir Podgorski, the President of Cracow's Municipal Development Agency explained during interview that the employment of young people is a major factor behind the absence of organisational memories:

We have no memory. We hire fresh people so I am 30 years old, my deputy is 32 and we are the oldest people in the agency. So it's a time of chance. There are a lot of young people hired at high level positions. Also in the city the deputy is a young guy and the leader is also very young.

In addition, when organisational memories are deemed to exist within the newly created economic development organisations, these are associated with events that occurred perhaps over the last few years of the organisation's existence rather than over past decades or past centuries as in the Teesside case. Piotr Dudek a project officer with Cracow's Regional Development Agency reflected during interview upon the short life-span of the memories at play within his organisation:

Sometimes we take actions which after two or three years we realise that it was no use to follow it or it was not given a good shot. We look back at our records and our strategies and see why they were not appropriate.

Third, suggestions regarding the absence of organisational memories are dismissed by those economic development organisations that were previously under the control of the state. In these organisations, whilst internal structures and formal responsibilities have been altered with little resistance, it is the organisational memories of the workforce that are proving to be the most resilient to change. As Slawomir Podgorski suggested during interview, although the organisation at which he is President, has no memory, other agencies with which he is obliged to work, do. In this way the memories - in this case, found within the City Municipality - affect the work undertaken by his own organisation, Cracow's Municipal Development Agency:

Also a problem for us but also for the City Municipality is the mentality. There are many people especially in specific areas such as engineering or rather technical fields who are used to working in different conditions not the free market economy. Many of these people used to work for state owned companies under the Communist system. It was a very different style of working. It's very difficult to change the minds, the points of view and to encourage working in a different way. There are some people, frozen people, nothing changes for them, the conditions are still the same, their behaviour is still the same and nothing can influence them just to change their point of view or their minds. You know I think organisational memory just becomes stronger and stronger.

So far this section has highlighted some of the broad interpretations given to organisational memory by economic development organisations in Teesside and Cracow. Before considering more specifically how memory impacts upon learning it is useful to examine how exactly memory comes to be mobilised. Within Teesside the favoured form of memory mobilisation is through the use of documents including business plans, mission statements and formal evaluation reports. The preparation of such documents encourages an assessment to be made of past activities. Tim White - Director of Economic Development at Hartlepool Borough Council - felt during interview that as the production of such documents is invariably an explicit organisational and sometimes legal duty, the process of memory mobilisation is a formal responsibility undertaken with a specific purpose and outcome in mind:

As part of our annual process for reviewing our own strategy we do ask questions about the past and that does produce some change.

This approach is perhaps best reflected in the production of evaluation reports designed to outline the past performance of individual projects. Frequently the production of such reports is dictated by project delivery and funding regulations and as such the process is geared towards recalling memory within the confines of pre-established targets and outcomes. As already indicated in earlier discussion, the reliance of many of Teesside's economic development agencies on these streams of organisational finance may dictate that during the production of such evaluation reports the only memories that are mobilised are those referring to the successful activities of the past.

A slight difference in the use of written records of memory can be observed within the Cracow context. Here memory is mobilised as a means of understanding how things were done in the past so as to either form or reform future actions. As indicated during interview by Radoslaw Kaszmierciak, an economic development officer from the East Cracow Development Agency, this referral to past records is used not to justify past actions but to look for better ways of doing things:

Everything new that we do we look back and see if we had similar cases. If so we look at what was good and what went wrong. We look at the result, at the procedures we applied and we use past examples. In this sense there is a memory in the organisation. We always look for better solutions.

This approach may stem from the fact that the agency in question is one of the newly created economic development bodies operating in the Cracow area. In part, referral to past written records may therefore serve as a means of 'double-checking' that the techniques and practices to be used in a new initiative have in fact been successful in the past. Such a feature is perhaps more indicative of individual staff uncertainty about how to use some of the newly acquired economic development techniques than it is a simple need to come up with a 'better solution' to a given economic problem. Zdzislaw Niechical - a civil servant from the Ministry of Privatisation in Cracow - offers an alternative view as to why written records are an important tool in the mobilisation of organisational memory. He felt during interview that the usefulness of such records in itself derives from the fact that in a codified format, written records can encapsulate *all* information that was once relevant to the realisation of a particular decision or action occurring in the past. In other words, written records are capable of storing some of the peripheral information that may not be recalled during memory mobilisation activities which involve people alone. Such information would include for example any arguments or objections raised during the decision-making process or any wider events - such as a shift in national government priorities that may have impacted upon the decision taken:

There are two basic ways that memory is mobilised. Everybody has their own personal archive. They are to keep their own archive all the time and if there were a new employee we would show this person the most interesting case. Another way is that we publish - on a ministerial level - documents. Every year we publish two huge volumes of information on the privatisation process and this is an internal document. There is a descriptive part to this and an annex of information. It's quite frequent that we look at the old file of privatised companies to learn how to deal with the new ones. Only if to look at how we were establishing the value of the company, how we were defining the so-called social package. If only for this detail we look at the old files a lot. Especially on this non-methodological aspect because methodology has already been established, developed and written down in the law.

Another common and often used means of memory mobilisation in both areas is the organisation of away days or specific meetings designed to reflect upon past decisions and practices. Marek Szczepanski a project manager from the Polish Foundation for

SME Promotion and Development suggested during interview that during his last team away day, memories were invoked to show how far his organisation had progressed over the last year:

Last week we went as an organisation - everybody - to our annual meeting which took two days outside of Warsaw. We looked at what was the previous year, what were the plans, how we should change our attitudes to things. A kind of motivating journey.

Similarly George Rafferty, the Director at Business Link (Teesside) felt during interview that such an approach to memory mobilisation could be more productive when conducted on an informal basis away from work-place constraints. In this way he suggested that staff members feel more confident about raising issues of concern without fear of being blamed or called to account for expressing any view that may deviate from that of the organisation:

What I did was each lunchtime over a week period I took six members of staff out to lunch and I said to them 'It's your agenda what issues do you want to raise? There were no notebooks, nothing. I said raise whatever you want. And then I will formulate these issues in my mind, the issues that the staff have brought together and I'll make a presentation to the staff on these issues. There are times when you need to take a step back, say what's our position, what has everybody been saying, is there something underlying about what is being said.

However as already indicated, the success associated with any form of memory mobilisation is determined by two factors. First, it is subject to how particular groupings and individuals remember past events and second, it is dependent upon why certain events - and the memories that go alongside them - are either remembered or forgotten? Not only do such processes of unlearning, remembering and forgetting lie at the very heart of discussions regarding memory but they also present interesting insights as to why certain double loop learning activities are either rejected or promoted.

From the evidence collected it appears that the significance of organisational memory derives from the types of recollections maintained and the circumstances in which they come to be remembered. John Gillis the ex-Director of Cleveland County Council summarises this position. He suggested during interview that organisational memories

do not necessarily represent accurate accounts of past organisational positions and perspectives. Rather only certain aspects of the past are remembered. This occurs even when organisational memories are embodied in a hard format. Although providing certain facts about a past event or perspective, written documents do not always recall all pertinent factors influencing why a particular action, decision or view was adopted. Such factors might include for example the process of conflictual debate before a decision was taken, the political leanings of the time or later events that subsume the original memory.

One is always influenced by past events and the way things happen. What you have to be careful of and what I was constantly warning against is 'rationalisation.' You must try and be certain that you remember precisely why something happened. We have an enormous capacity and desire to rationalise our actions, to think afterwards of very good reasons why we did something and they probably weren't the reasons why we did it at all. I think memory is important but the difficult thing about memory is truthful memory, really remembering why, how, when and what we did.

John Gillis's view resonates with theoretical claims regarding the inconsistent and ambiguous nature of memory in general (Simon, 1991). Although information may be retained so that it can be recalled on a subsequent occasion it may also be forgotten. It may be integrated with other information or it may be stored as a relatively discrete unit. Known within the field of cognitive psychology as 'selective recollection' this process determines which pieces of information are in fact stored and subsequently remembered (Turati, 1997). Moreover the selective recollection of previously held information is believed to occur as a result of a variety of social influences (Simon, 1991). These include the need to justify or account for past, present day and future decisions, a desire to avoid a past action being evaluated in a negative light and a wish to comply with existing norms, standards or prevailing expectations. The example of a teenager recalling the events of last weekend's party to parents, teachers and school friends is a good illustration of how the process of selective recollection can occur! But to what extent does this process of selective recollection occur in Teesside and Cracow?

In Teesside many economic development organisations acknowledge that the past is often viewed through 'rose coloured' spectacles. With memories of early industrial

success continuing to shape economic activity in the area, any subsequent action is judged against the backdrop of industrial glory. Furthermore, any associated negative aspects of past economic success - including for example severe environmental pollution and cramped housing provision - fade away when compared with those memories of Teesside as a world industrial leader capable of offering full employment for life. Furthermore against this memory of success, only the subsequent 'bad times' come to be remembered with any frequency. Bryan Hanson, a long-standing councillor with Hartlepool Borough Council suggested during interview that the negative memories of the Thatcher era have been invoked on many occasions within his organisation. Using the example of the Teesside Development Corporation - an organisation that arguably contributed to the area's economic success in relation to tourism - Councillor Hanson indicated that the dominant memory of this organisation is that associated with the area's political discontent with Conservative Party policies:

Sometimes people remember for the wrong reasons and sometimes they remember bad news or what they thought was bad news which was in reality just a perception at the time and which may have been caused by political or other kinds of hang up.

Similar processes of selective recollection are visible in Cracow with the best example being that of the area's steel works. Amongst steel work trade unions the Communist era is associated with full employment opportunities, extensive social welfare provision and a strong sense of community spirit (Domanski, 2000). Elsewhere, especially amongst Cracow's local authority agencies, the dominant organisational memory is one of considerable environmental damage and an era of Communist propaganda. In the case of the trade unions, organisational memories are being invoked in order to fight planned redundancies and social welfare cuts whilst for the local authorities, organisational memories are applied in order to secure the closure of the steel work site.

The process of remembering certain pieces of information through selective recollection, also implies the forgetting or unlearning of other pieces of information which are deemed to be less important or irrelevant. The significance of forgetting to the development of successful learning strategies is summarised by Johnson (1992:29):

Forgetting is neither rare nor unimportant. Knowledge that is not institutionally supported and does not fit into a cultural context tends to be forgotten. It is quite possible that the role of forgetting in the development of new knowledge has been underestimated. The enormous power of habits of thought in the economy constitutes a permanent risk for blocking potentially fertile learning processes. It may be argued that some kind of creative destruction of knowledge is necessary before radical innovations can diffuse throughout the whole economy. Forgetting is thus an essential and integrated part of learning even if it is not always easy to separate ex-ante between creative forgetting and just forgetting.

Johnson goes on to identify two ways by which the forgetting of past behaviours happens. First, forgetting can occur in those circumstances where information fails to impact upon, and be accepted into, a given institutional or cultural structure. This may occur when information falls outside of the cognitive repertoires and does not fit with the dominant organisational memories. Second, is the so-called process of 'creative forgetting' whereby past inappropriate practices are explicitly disregarded as a means of improving future performance. This act of creative forgetting has also been referred to by some observers as the process of unlearning past forms of action and behaviour. Malmberg and Maskell (1998:33) have explained why there is a need for some form of unlearning activity during learning:

Sometimes the process of knowledge creation produces results that are surprisingly successful even for those directly involved in the process. Such results tend to beget routines of extraordinary durability. They become retained and sometimes even aggressively defended long after changes in the external conditions of the firm have made them redundant. It is difficult to unlearn successful habits of the past even in cases where it is obvious to everyone concerned that they hinder success. Lack of unlearning often goes hand in hand with an increasing resistance towards new ideas, a growing bureaucratic inertia and general organisational degeneration.

Unlearning and creative forgetting are therefore defined as being explicit attempts, of either a gradual or radical nature, to disregard past actions that in differing spatial and temporal conditions were once judged as being either failures or successes. Both concepts find support within organisational management literature and are widely believed to contribute to the 'unfreezing' of previously adopted organisational structures and management approaches so as to improve an organisation's capacity to respond to

and initiate change (Robbins, 1996). But to what extent are the concepts of forgetting and unlearning embraced within Teesside and Cracow?

Evidence would suggest that in both areas no clear understanding exists regarding the value of creative forgetting and unlearning. Amongst the majority of economic development organisations on Teesside forgetting is neither an explicit process nor is it something that should necessarily be encouraged. Sir George Russell, Chairman of the Northern Development Company indicated during interview that by forgetting past information organisations would have to consistently 'reinvent the wheel':

You've got to remember. If you forget people will reinvent the same wheel.  
I think in any organisation, you don't forget.

Although some forgetting does take place in Teesside it is not of the creative variety but rather fits more closely with Johnson's definition of 'just forgetting.' This occurs when information is dismissed through its inability to infiltrate the prevailing institutional cognitive repertoires. A local authority employee who requested anonymity during interview gave a practical illustration as to how this had occurred on Teesside. She suggested that despite a particularly intensive period of learning over the issues of transport, later resource and institutional pressures forced organisations to forget the new information gained and instead concentrate upon the challenges faced during local government re-organisation. In this sense forgetting is 'accidental' and not a deliberate attempt to improve institutional learning:

There is a very interesting comment from someone who used to be up here in the 1970s. We'd been working with him in relation to the transport strategy and he said, 'by goodness they've forgotten a lot'. And he was very conscious that some of the ideas had been lost. What had been lost was the way of thinking strategically. What had been kept was the individual agenda for projects. It's very interesting what gets sustained and what gets lost.

Similar views are held in Cracow. Marek Szczepanski a project manager at the Polish Foundation for SME Promotion and Development indicated during interview that forgetting is highly unlikely, particularly as the past Communist era has proved the rationale and justification for change:

If I understood correctly it is a concept that there is a moment in time in

institutional life when there is a decision where you say 'let us forget what was.' No I don't think so. We are learning from our successes and our mistakes. We are learning from both. You can't just forget what happened.

The concept of unlearning was also explicitly dismissed by economic development organisations in both areas. Similar reasons were observed in each. First, it is suggested that unlearning as an explicit concept in its own right is unnecessary. For many it can be assumed that if learning has taken place some form of unlearning has already occurred. Les Southerton the ex-Director of Economic Development at Middlesbrough Borough Council's reflected upon this point during interview:

No I don't think we do unlearn. I don't think so. Why should you unlearn? It would be an interesting debate to have but I think that even from mistakes you learn so it isn't so much about unlearning or abandoning something. You say, right I've learnt that, I know that didn't work and I'll go on and do something else. I think it's too negative a thing to say you are deliberately unlearning something. If you say that policy changes are unlearning then I would agree but I don't think they are. I think they are development. I'm not sure you can unlearn other than in the forgetful sense but I think that it's almost learning that you don't consciously do something. You're discounting it for a positive reason rather than discarding it because you have forgotten it.

Cracow's economic development organisations share the view that unlearning is simply an evolutionary step in the learning process with the emergence of any new ideas automatically and by necessity involving the dismissal of previous solutions. Stanislaw Alwasiak a consultant from the Local Government Partnership Programme outlined during interview that unlearning is something that occurs quite naturally within his organisation, particularly when mistakes are made. His view to a certain extent contradicts claims in the literature that indicate that unlearning and forgetting should also occur after successes as well as errors:

We learn by doing so next time we will try and do something better. So we do not have a system where we define our mistakes and then prepare the system so as to avoid mistakes once again.

It is interesting that despite the explicit rejection of organisational unlearning and forgetting by all economic development organisations in Teesside and Cracow, that the very same organisations - albeit unintentionally - employ methods which the academic

literature claims generate unlearning or forgetting. Such methods include for example, altering the language or routines of an organisation, revolving turns at leadership or the direct hiring and firing of individual staff (Simon, 1991; Johnson, 1992). However, it is interesting that in both areas such measures are undertaken not as tools for improving future institutional learning but rather as mechanisms for exerting control and authority. One particular local authority in Teesside at the time of research had recently appointed a new Chief Executive. This appointment resulted in a total restructuring of the organisation's departments and personnel. One anonymous employee indicated during interview that such measures had had an especially detrimental effect upon organisational performance and staff morale. In particular, the measures had caused a great deal of organisational confusion notably in relation to the new organisational purpose, direction and responsibilities:

It is much easier to work in organisations in which you actually share its values and where there is a clear understanding of what the objectives are. I think you probably draw your direct experience from real models that you are close to, that you relate to and the way in which they have operated. If you are born to that you go back to that. And one of the cultural shocks that we are going through in this organisation at the moment is that our baseline has changed quite significantly. If you had asked me that question three years ago I would have said that all we do and all we think has been shaped by the learning process that has gone before it. Why we're struggling so much now is that all of our institutional memory has been wiped out and our base co-ordinates have shifted.

Similarly for Cracow, although such measures have not yet been employed within the newly created organisations, they have been pursued in those organisations that are perceived to have traditionally failed in their economic development functions. However, as pointed out during interview by Kazimierz Trafas the ex-Director of Strategic Planning and Development at Cracow's City Municipality, these methods are once again adopted as a means of breaking with the past and not as a direct attempt to improve institutional learning. Reflecting upon the changing political direction of the City Board he suggested that:

It was decided that the past experiences were no good and that we must change. Change the organisation totally. For example, total reconstruction of the City Hall, existing once of thirty departments, now it is about nine. They changed just for change sake.

In summary, this section has indicated that first, differing organisational memories arise with not all past events remembered equally, completely or correctly by all economic actors within a given locality. Second, not all organisations believe that their present day activity is defined by organisational memories. Rather current organisational functions are driven by memories affecting the wider institutional environment. Finally, the concepts of unlearning and creative forgetting are not *explicitly* recognised by economic development organisations in either area. Although certain measures are pursued which could lead to unlearning or forgetting these are not adopted so as to promote institutional learning but rather are applied as a means of exerting authority and control. So how do these approaches to organisational memory impact upon institutional learning?

On Teesside, memory is about a glorious past. As such it is used to preserve an institutional cognition that is not necessarily appropriate in today's environment. Any new idea or practice that challenges this trajectory seems to be deviant and is therefore ignored or dismissed. As John Kielty, an ex-local authority European Officer, claimed during interview:

Memory within an organisation is very similar. When I was a boilermaker I only mixed with boilermakers. This is where my basic values come from. The memories help me to keep my feet on the ground and keep certain realism. Now I'm mixing with people from different backgrounds and my views change. However, in local government there is very little intermingling. People are very slow to change especially when they are forced to go where they don't want to. Those people who inject change are viewed with suspicion and are seen as destroying a lot of good things. There is a tendency to let things fossilise. At times this can make things feel like walking through mud.

Such an interpretation might suggest that single loop learning is prevalent on Teesside. Rather than stimulating new, radical learning memory has become a force by which past actions are followed unquestioningly, with new techniques or trends failing to impact upon the established order. The Director of an economic development unit within a local authority - who wishes to remain anonymous - speculated during interview as to the restrictions imposed by memory upon the adoption of new approaches and techniques gained during learning:

We continue to do things because we've always done them and we continue to do them because we're comfortable with them. Organisations find it inherently difficult to embrace new ideas because it involves risk. It involves unknown amounts of hard work. You stick to the tried and tested. There is a constant reinforcement of organisational memory. This isn't to say that things aren't capable of being changed.

Such path dependent learning is reinforced by Teesside's preference for intra-regional learning. As described in chapter four the dominant mode is shared memory. Intra-regional learning may further intensify such a mode by failing to put forward challenges to the existing cognitive repertoires. These challenges are further restricted by the collective rejection of unlearning and creative forgetting as tools with which to improve institutional learning in the area.

Cracow's position is slightly more ambivalent. On the one hand the absence of organisational memories amongst the newly created organisations may be more conducive to double loop learning. The lack of ideas regarding how things should be may lead organisations to engage with a far greater range of institutional learning partners, a tendency reinforced by extensive exposure to the new ideas arising as a consequence of engagement in inter-regional learning. Nevertheless the dominant memory of Communism in providing the rationale for change may automatically lead to a rejection of potentially appropriate past knowledge and previously accepted sources and relations. By contrast, and demonstrating similarities with Teesside, organisational memories in older economic development organisations appear to promote single loop learning. Deriving from a world that is no more (Kanter, 1989), the memories embodied in institutional cognitive repertoires are less flexible, encouraging continued reliance upon past, inappropriate practices and perspectives. Moreover, with the concepts of unlearning and creative forgetting rejected, these memories may be reinforced over time, particularly in light of growing economic and social inequalities.

## 5.6 Organisational Management Systems

Governance modes are widely acknowledged to influence whether learning processes are of a radical or incremental nature (Elcock, 1983; Golembiewski, 1983; Ciarkowski, 1990; Robbins, 1990; Burns and Stalker, 1994). Discussion has focused upon two opposed organisational management systems. Reflecting the principle of differentiation,<sup>90</sup> mechanistic or hierarchical organisational management systems are frequently aligned with more bureaucratic arrangements and as such are characterised by vertical structures of control and authority, the specialised differentiation of functional tasks, and precisely defined organisational obligations and roles. By contrast and mirroring the principle of integration, organic or decentralised management systems are characterised by distributed control and lateral rather than vertical channels of communication and consultation. These decentralised systems are thought to encourage the continual adjustment and redefinition of tasks and a sense of organisational commitment that extends beyond any specific technical or departmental interest (Argyris and Schon, 1978; Morgan, 1986; Burns and Stalker, 1994).

The importance of the distinction made between decentralised and hierarchical management systems for institutional learning resides in two interrelated arguments. First, as is suggested in chapter three, both systems present various opportunities and constraints upon institutional learning. In particular, organic systems are championed for their capacity to promote double loop learning by providing opportunities for dissent, reflexivity and the generation of new insights and interpretations. By contrast, hierarchic systems in discouraging contact between organisational staff promote the emergence of defensive intra-organisational cognitions which prevent staff from questioning the appropriateness of past actions and devising new, more creative ways forward. Second, in those instances where the choice of management system sustains only single loop learning, the system can be altered so as to facilitate double loop learning (Morgan, 1986). Such alterations include for example, cross-departmental working and the continual redefinition of job descriptions and posts. But to what extent are these claims

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<sup>90</sup> Refer to page 59-60.

supported by the case study evidence? Which types of organisational management system are preferred in Teesside and Cracow and how do they support either single or double loop learning?

Evidence collected in this thesis suggests that hierarchical management systems are dominant with the related organisational cultures failing to inspire radical learning. Most notably, within many public sector organisations there is widespread 'compartmentalisation' of activities into different sections and departments. Indeed economic development is usually confined to a separate section, distinct for example from health, education and youth services. Similarly, although there are opportunities for contact between individual departments, such communication tends to occur only amongst senior members of staff. This reflects the dominance of hierarchical rather than flat systems of control, decision-making and authority. These two arrangements can be seen within the Teesside context to exert negative pressures upon institutional learning.

First, hierarchical systems of command entail that engagement in institutional learning is driven by the priorities of senior staff members. Tony Dell the Director of Inward Investment at the Government Office for the North East indicated during interview that within his organisation new knowledge tends to be received at higher organisational levels. This leaves senior management to determine how this information is communicated within the organisation, for what purpose, when and to whom. Similarly, when new knowledge arises at lower levels of the organisation, there is an automatic tendency for this information to be communicated upwards to senior management, rather than sideways amongst all organisational staff:

If it is something that is a brilliant flash of inspiration, new technique, piece of knowledge then I will cascade that upwards and downwards. I would want to make sure that my regional director knows about it and my head of team did and the way that we do that is either orally via management meetings, or make a note and send round by email or cascade it in writing.

One consequence of such hierarchical learning channels is that non-managerial staff may feel they have little control over their own learning activities and are obliged to

wait and be told what and when to learn by their superiors. John Gillis, an ex-Director of Economic Development at Cleveland County Council felt during interview that this approach was certainly the norm within his organisation:

New information was communicated initially through the individual departments for discussion via team meetings and special teams to follow through and report back. It would vary. The initial thing that would happen is that a group would be formed to talk through an idea. If they came to the conclusion that 'yeah it's interesting but it's not for us' then we would store it away. If there was a strong belief that something could be adapted or employed in our situation then we would move rapidly. It would depend on the initial working group examination of it.

Second, vertical channels of communication and the compartmentalised division of tasks have generated the development of distinct cultures in individual departments. Especially in those institutions marked by internal competition for resources, sections can quickly become inward looking, concerned only with delivering departmental priorities. With respect to institutional learning individual departments may develop a reluctance to acknowledge the input of other sections, be sceptical about any new information that does not relate directly to their departmental practices, and be resentful of any perceived criticisms or suggestions for improvement from outside. John Foster, the ex-Director of Economic Development at Middlesbrough Borough Council applied the example of the fire department. At the time of John's employment this department was subject to the authority of Cleveland County Council. Within this department a narrow view prevailed regarding the function of the section and the role of other departments in putting forward new ideas for overall organisational improvement:

Take the example of the fire service. They had a very simple attitude of 'if there is a fire you put water on it. Don't try and tell us new techniques'.

Although the division of both tasks and experts into separate departments may enhance opportunities for specialisation and innovation, when such departments adopt an inward looking, closed attitude and in addition, become reluctant to distribute newly acquired information or skills throughout the organisation, double loop learning can be severely hindered. For example, often the search for new ideas during generalisation and reciprocation is limited to intra-departmental sources. Similarly, opportunities to alter

existing practices during the stage of novel combinations is likely to be met with resentment, and given the hierarchical nature of decision making occur at the request of management rather than individual departments. An ex-Director of an Economic Development Unit within one of Teesside's local authorities who wishes to remain anonymous argued during interview that with staff only feeling empowered at departmental, rather than organisational levels, defensive attitudes and stances were more likely to occur when departmental interests were challenged:

When a major shift in emphasis comes along people would be more receptive to it and again sometimes because people are in constrained boxes with quite narrowly defined remits with not much knowledge of what goes on outside of their particular area of competence they react defensively to it. 'Here's a change could it threaten? I don't understand it therefore I see it as a threat'. An illustration of that is when the engineers put up barriers to cyclists on footpath cycleways. It is absolutely uncontested that they have no effect whatsoever. But it belies an institutional barrier in that the narrow box that is professional engineer suggests that his learning experiences are limited to that box. What they will do is because an action might challenge their box on the map they'll try and come up with some spurious justification for it and then it doesn't change. People don't usually react well to having advice and suggestions from areas that aren't theirs. You tend to safeguard a continuing safe solution because it's your area and you don't want anybody else to challenge it. A learning organisation would say, 'let's have a different slant to the organisation, let's think about the best way of repairing street lights'. If I asked that question it would be 'well that's not actually your area and we've been doing it for years. You've got other things you need to be doing'. I suppose it is anecdotally a kid saying 'well why do you do that?' But you need to build an organisation with the maturity to accept that that is a valid process.

This approach is a reflection of the informal culture of Teesside. First, the habits of big industry have guaranteed the development of a culture of dependency and paternalism with staff accustomed to being led by management. Second, given financial insecurities and concerns about organisational stability, staff may be reluctant to step outside their daily remits for fear of attracting controversy or blame. These feelings may stem from a sense of disempowerment at organisational levels and empowerment at departmental levels. For example, amongst public sector decision-makers, many of whom began their early careers in Teesside's thriving major industries, there is a feeling that certain areas of their organisation's new activities fall outside of their existing knowledge base and

perceived capabilities. As such they are not prepared to take a risk and comment on issues that they feel uncertain about. As explained by Tim White, the Director of Economic Development at Hartlepool Borough Council:

If it doesn't have much clout it doesn't get big hitting members on it and there tends not to be a great deal of debate. There's a bit of debate but it's not the great melting pot of economic strategy. We very recently took a whole series of reports about the divisions of the department, the operational objectives, performance measures, consultation processes etc. You know pretty important documents that really will show how we rethink about our services and reorientate them over the next two years and it went through without a murmur. And then the next item was the location of bus shelters and there was half hour of debate on bus shelters.

Inertia of this type also manifests itself within individual sections or departments, acting to restrict a collective sense of organisational purpose and direction. Facilitating the emergence of such a collective ethos is not easy, adversely affected as it is by factors such as low levels of departmental esteem, the absence of appropriate managerial techniques or a simple lack of confidence amongst individual employees. An anonymous ex-Director of economic development from a local authority summarises how his organisation failed to develop a sense of collective value and purpose and highlights a number of features which in his opinion could act to reverse this situation:

There is a need to set a right kind of culture and that can be established by fairly minor things. The culture here at the minute is almost a culture of fear and lack of general knowledge, a kind of divide and rule and not give anybody information because information is power and they might have a view on that and that view is not valid. And it goes back to what you need are clear structures that come up with a decision. But you also need to put in place processes which disseminate what that decision is and why it being made. Not everyone is going to sign up to it and believe in it because that is not the nature of the beast but everybody understands in what sort of environment that decision has been made and why and how it is going to have an effect. What you don't need is misinformation, lack of information and a culture of fear. If you train people to actually understand what the collective values are what other parts of the organisation can do and what you could do if you had a properly structured framework process. When a major shift in emphasis comes along people would probably be more receptive to it. Sometimes because people are constrained in boxes with quite narrowly defined remits with not much knowledge of what goes on outside of their particular area of competence they act defensively to it.

But are organisations free to implement changes to the prevailing management systems? The evidence in Teesside is not encouraging. First, many organisations are charged with delivering specific functions and often have limited resources. Second, changes to management systems are aligned with wider processes of institutional change. Stan Stevenson the Deputy Director at Cleveland's Open Learning Unit suggested during interview that the process of institutional change within Teesside had only recently subsided, with his organisation having only just got to grips with the new operating systems. In his view further changes to organisational management systems would be inappropriate causing further confusion and delay:

Everyone that has downsized has hit a point now where they've downsized so much that they've not got enough people to do the job. If anyone stops all hell breaks loose. There has to be a level where you may carry some slack in the system.

Although hierarchical systems dominate, some organisations on Teesside display signs of distributed management. One example of this is the Tees Valley Development Company, a local authority-controlled unit focused solely upon encouraging inward investment to Teesside. In the organisation a lateral system of information communication prevails with management working alongside all employees in the delivery of daily activities. There are also opportunities for regular contact between all staff members, mostly of an informal nature and facilitated by the small size of the organisation and the shared office facilities. As the Director of the organisation Neil Etherington points out internal organisational structures of this type can offer distinct advantages for institutional learning:

Co-location and proximity is the way that you can get organisations, functions and people working more effectively together. Conversations over coffee and down the corridor are the way things are sparked off. The processes that are currently in place within the organisation are also quite democratic. They involve all staff members primarily due to the open plan office arrangements and listening in on other people's conversation. This informality works because I am happy with the people working with me, but this once again is probably due to the small size of the team.

But this organisation is an exception to the rule. The majority of economic development organisations on Teesside continue to be hierarchically organised. This restricts learning

to pre-defined needs and dictates the timing and form of any learning activities undertaken. But what if the institutional set-up is still in the process of construction? In an area such as Cracow where individual organisations are being built from scratch or are undergoing radical alteration of their remits, can decentralised arrangements be more freely adopted? As discussed in chapter four, since 1989 Poland's formal institutional framework has been subject to many far-reaching changes. There has been a complete overhaul of existing local authority structures and responsibilities as well as the creation of entirely new organisations. There has also been a substantial increase in the number of agencies operating within the fields of economic and regional development. Such changes appear to offer exciting opportunities, against the legacy of hierarchy, to introduce new organisational management systems capable of supporting radical learning. However, within Cracow many economic development organisations continue to fall into the old ways so characteristic of the past.

First, as in Teesside, there is a clear compartmentalisation of tasks between differing organisational sections. As Jozef Wegrzyn the Assistant Director from the Cracow Chamber of Commerce pointed out during interview, competences have to be separated in order to facilitate the specialisation and coherency required for success in the new market economy:

In this organisation our competences are clearly separated. There are not two or three people working on the same thing. I avoid strongly that two or three people work on the same task as there will always arise some problems.

Second, there also survives a fixed hierarchy of control within organisations. Andrej Komanski a Deputy Director at Cracow's Marshall's Office indicated during interview that his organisation is particularly keen to be seen as a real authority in regional development discussions. However, as he explained senior board members have the real vision as to how this aim should be achieved:

I think that at the Board level and at the level of departmental directors everybody know what we should be doing and everybody puts a stress upon that aspect of our work. Every time our board tries to show that we want to be a real force and not just another administrative body.

But why, when Communist hierarchies demonstrated considerable inefficiencies are economic development organisations today keen to adopt similar structures? Two reasons emerged during interview.

First, economic development organisations are relatively new and are still trying to come to terms with their new responsibilities and respective institutional positions. As a consequence, little attention is being paid to the functioning of internal management systems. Slawomir Podgorski, President of the Municipal Development Agency felt during interview that analysis of his organisation's management system could not be undertaken until his organisation became certain of its overall responsibilities and status:

The problem is that we have had seven months of the new administrative system here in Poland. The problem is one of responsibilities. The system is based on three levels of self-government. It takes time for people to take responsibility for their duties and their public role.

This is also true for Cracow's more mature economic development organisations. Poland's administrative reforms directed principally towards local and regional self-government, have left agencies unsure of their main roles and powers. Pawel Jastrebeski is the Deputy Director of Economic Development at the City Municipality. He outlined that this uncertainty was a short-term phenomenon necessary in order to ensure that the political foundations of his organisation were sound. Once this had been achieved attention could turn to the organisational management system in place:

It is a permanent process of change. We are trying to change the structure of the organisation as its place changes to the new political and economic conditions. But we are dependent upon political decision and upon the decision of the City Board. My private opinion is that the objectives of the political parties are the most important.

Second, due to such uncertainty, it seems that hierarchical structures of command are necessary to give a clear lead to organisational staff. Although it is acknowledged that for some managers, the experience of the past provides the very rationale for change, for many others, legacy acts as an important restraint upon further change. As highlighted during interview by Pawel Jastrebeski the Deputy Director of Economic Development at the City Municipality:

We are adaptable but bad habits restrict new ideas and fast change. We have to restructure these habits, that it our first structural step.

Economic development organisations in Cracow suggest that firm and authoritative leadership is necessary to overcome such barriers. Such leadership gives staff members a clear indication of organisational priorities and as importantly, portrays to other institutional actors a sense of organisational viability and purpose. Dr. Klemens Budzowski, the ex-Director of Cracow's Regional Development Agency indicated during interview how such resistance to change was overcome by the operation of internal organisational hierarchies:

Human barriers are the main obstacles to learning - in not being very keen on changing. So there are no conflicts in this organisation because this is a public limited company. This means that whatever the boss says and whatever his ideas are, they ought to be followed. Of course they are discussed before but once the decision is taken they have to be obeyed.

So far this section has discussed some of the potential influences determining why hierarchical designs have become adopted in Cracow. But how are such designs affecting learning? A number of issues already highlighted in respect of Teesside are also pertinent to Cracow.

First, there are limited opportunities presented by such systems for the cross fertilisation and communication of ideas between different departments. This relates in particular, to the circulation of new information around the organisation. Stanislaw Alwasiak a consultant at the Local Government Partnership Programme believed that although he does try and circulate information about his work to other members of the organisation, this requires deliberate effort and is not something that occurs naturally as a result of the organisational management system in place. This is further reinforced by a perceived organisational obligation to deliver only the specific tasks allocated to his post, pressures that may entail neglecting work undertaken elsewhere within his organisation. This in turn may restrict the emergence of a sense of organisational common purpose and values:

The flow of information is one of the problems. We have different activities in different gminas. The flow of information is handled by two people who

are sent information about our trips and what I learn and what I suggest, my recommendation and I send it for display in our Warsaw office. So everyone has access to my activities, my reports, my office memos and my activities with the councils. But we should work more on linking experiences. In the day I'm in contact with about twenty people in the programme. It means that I check their activities and I provide them with information about mine. But in fact I don't really care and I don't have time for the activities of the councils I am not responsible for. So I try and match the activities, which I am doing with the activities I am required to do. And that's really tough. I don't have time to look around and think what else should I learn and from whom.

Second, the prevailing intra-organisational relations adversely affect opportunities for the cross fertilisation of ideas and information exchange. As a consequence of the considerable degree of secrecy under Communism and the continued mistrust that is a cultural phenomenon of many post-communist countries (Hausner, 1999) informal contacts are identified as being the preferred method of communication. Zdzislaw Niechcial a civil servant from the Ministry of Privatisation in Cracow indicated during interview that these channels of communication may be further reinforced by the existence of hierarchical management systems that can act to encourage the working together of people with similar perspectives, skills and importantly, political persuasion:

The formal way is that after each course we bring some materials and we have them available for everybody and we give notice that such and such materials are available. On the informal basis they come and say over coffee 'I like this guy very much, if you go to something don't go to that' and 'if you are going to be there please remember to ask him this question'. The informal ways are probably more popular and frequently used in my personal experience.

Finally, hierarchical management systems restrict the full involvement of staff members in discussions regarding organisational aims and practices. This can restrict the degree of organisational 'intrapreneurship'. However as Radoslaw Kazmierczak an economic development officer from the East Cracow Development Agency indicated during interview, staff members working down the organisational hierarchy have little opportunity to influence many areas of organisational activities. As already suggested, these are defined by management and also by external actors, in this particular case the

HTS steel works. Learning opportunities thereby become activities predefined by management priorities:

Particular people are assigned jobs very clearly. As far as administering buildings is concerned we all know who is responsible for that. As far as the more strategic activities are concerned this is always the job of the boss. Within the set of persons who take decisions there is a constant flow of information about new knowledge but it is only within the group.

Although hierarchical management systems dominate, as in Teesside there are organisations that have endeavoured to implement flatter, more decentralised arrangements. Such forms have however emerged indirectly, as a result of other organisational factors - such as limited working office space, the nature of the organisational remit and the employment of only a small number of individuals. Slawomir Podgorski, President of the Municipal Development Agency, believed during interview that his organisation's arrangements have contributed directly to improving institutional learning. In particular he felt that the focused organisational remit and regular contact between networks of specialists and consultants has helped the organisation develop an approach that constantly challenges existing techniques and information regarding economic development:

We are a small company. We are nine persons plus a team of seven engineers. They are not a part of the agency but they work for the agency. So sixteen is the permanent staff number. Of course we have the team leaders and these leaders are responsible for the implementation of new ideas and information given to us. So we have regular meetings with the team leaders. Also within the consultancy teams we have the leaders of specific teams such as the leader of the economic or the legal team. These people have direct contact with us. Maybe it is not the best system but it works. And of course we are a new institution and we need time.

The limited number of decentralised organisational forms has not emerged as a result of any deliberate measures to develop learning through decentralisation. In fact, only one agency felt that his organisation had deliberately flattened its management system in order to improve both decision-making and learning processes. Marek Szczepanski is a project manager at this agency - the Polish Foundation for SME Development and Promotion. He argued during interview that despite the changes to his organisation's

structure there is still concern regarding the effectiveness and appropriateness of the new arrangements:

We know each other. We like each other. We are proud of the friendly atmosphere in the institution. During the last five years we had a Matrix structure, before that a line structure and now it's kind of a mixture. Sometimes I have problems with some of my subordinates, the others that I have to share with. This creates problems. But I understand other opinions that in such changing circumstances we have to be this way. I know the theory behind a Matrix organisational structure but I don't like it.

In summary, for Cracow hierarchical organisational management systems continue to be the dominant form. The continued importance of these systems derives from a need to control organisational direction, reduce uncertainty over organisational roles and responsibilities and prove to all staff working within Cracow's more mature economic development organisations that new organisational functions and responsibilities are indeed valid. As in Teesside, hierarchical management systems have presented barriers to institutional learning of a double loop nature. This has occurred principally because of the limited opportunities such structures present for the cross-fertilisation of new ideas and practices capable of challenging the prevailing institutional cognitive repertoires.<sup>91</sup>

## 5.7 Concluding Comments

This chapter has debated three key issues regarding institutional learning. First, the chapter has considered the preferred learning sources and activities occurring in Teesside and Cracow. This has revealed a preference for inter-regional learning within Cracow and a disposition towards intra-regional learning upon Teesside. Second, the chapter has investigated the concept of organisational memory.

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<sup>91</sup> One final comment relating to organisational management systems is now necessary. This chapter has indicated that hierarchical systems are dominant in both Cracow and Teesside. However, as is discussed in the following chapter Cracow appears more adept at double loop learning. This may suggest that the choice of organisational management system has no demonstrable impact upon single or double loop learning potential. I have suggested in this chapter that the choice of organisational management system does indeed matter and should be regarded as an important factor influencing organisational engagement in the reflexive, creative and dissenting practices inherent in radical learning processes. However, my assessment of the double loop learning capabilities of Cracow's economic development organisations derives from my investigations into a series of variables not just observations regarding the choice of management system.

On Teesside such memories are connected with the legacy of big industry domination and the Thatcher era. These memories are not recalled consistently but are applied so as to limit the potentially disruptive effects that new knowledge can bring and, simultaneously ensure the continuation of past ideas and established perspectives. The same is also true within some of Cracow's older economic development organisations. In these instances, memory is invoked so as to justify a return to past practices. However, within many of Cracow's newly created organisations there is a perceived absence of individual organisational memories. Instead the only memory that appears to matter is that of the Communist past which drives organisational calls for change. Furthermore this chapter has indicated that the concepts of unlearning and creative forgetting - although explicitly dismissed as irrelevant – are nevertheless applied in both case study areas. However, their application is driven by a need to exert control and authority and not as a means of improving institutional learning. Finally, the chapter has suggested that hierarchical organisational management systems are dominant in both areas. Whilst these allow for clear and authoritative control to be exerted, they may nevertheless limit institutional learning by encouraging the emergence of intra-organisational cognitive repertoires that limit the search for and application of new knowledge and ideas.

Furthermore, discussion has indicated tentatively that Teesside's economic development organisations as well as many of Cracow's older agencies may be more inclined towards single loop learning. By contrast, many of Cracow's newly created organisations appear to be more geared towards double loop learning. However, before these claims can be made with any certainty it is necessary to explore the extent to which organisations engage in those activities that are specific to double loop learning processes. These practices include organisational reflexivity and intra-organisational dissent and are considered in the chapter that follows.

## Chapter Six: Reflexivity and Dissent

### 6.1 Introduction

A key activity distinguishing single from double loop learning processes is that of organisational reflexivity (Bateson, 1973; Argyris and Schon, 1978; Grabher, 1993; Hayes and Allison, 1998).<sup>92</sup> As explained in earlier chapters, through the development of a reflexive capacity, organisations can actively challenge the validity and applicability of past solutions and established patterns, thereby opening themselves up to the influence of novel insights and alternative interpretations. Most notably, through reflexivity the restrictions imposed upon radical learning by organisational memory and management system can be acknowledged and overcome thereby encouraging shifts in the prevailing cognitive repertoire. Practically this requires changes in the mind-sets of senior managers and employees, particularly in respect of the accepted criteria for organisational success and the factors underpinning its achievement (Morgan, 1986; Child, 1997; Nooteboom, 1999).

One method by which reflexivity can be facilitated is via intra-organisational dissent. Designed deliberately to upset the status quo, internal disagreement can reveal a range of diverse opinions, permit the frank and purposeful communication of alternative ideas and assist in the development of commonly accepted - though not necessarily agreed - solutions and ways forward. Provided that such dissent does not exacerbate existing divisions and intensify organisational pathologies<sup>93</sup> that could otherwise hinder learning, disagreement can help organisations to be viable, self-critical and proactive (Argyris, 1972; Robbins, 1996).

Although the concepts of reflexivity and dissent have been tentatively explored by the

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<sup>92</sup> Single loop learning also involves a degree of reflexivity. This occurs principally through the analysis of past behaviour as a means by which previous errors can be detected and modified. The ensuing forms of technical or routine based learning are geared towards incremental improvement as any new techniques must fit with the existing norms, procedures and established interpretations embodied in institutional cognition.

<sup>93</sup> Refer to page 62.

regional rediscovery debate (Grabher, 1993), little empirical evidence is available to enhance understandings of the internal organisational conditions underpinning the effective implementation of such practices. Do, for example, organisations know how to reflect and engage in constructive rather than destructive intra-organisational dissent? Indeed, do organisations possess the available human, financial, and management resources to undertake such activities? In addition, how specifically do organisational management systems affect reflexive and dissenting behaviour? And does institutional cognition act as a barrier to, rather than stimulus for, the delivery of these activities?

This chapter begins to explore these questions, considering whether organisations actively engage in reflexive and dissenting behaviour, and for what perceived purpose. Beginning with reflexivity the chapter identifies the meanings attributed to the term in Teesside and Cracow and explores whether organisations are capable of providing the necessary conditions for reflexivity to take place. The chapter then looks at the extent to which intra-organisational dissent occurs within organisations and is actively promoted by management. Finally, the chapter reviews two institutional experiments set up to develop reflexive and dissenting capacities. These cases are Business Link (Teesside) and the Nowy Sacz Public Service City Zone.<sup>94</sup>

## **6.2 Reflexivity: Organisational Meaning and Relevance**

So what exactly does the term reflexivity mean to economic development organisations in Teesside and Cracow? From the evidence collected, the majority of organisations in both areas associated reflexivity with monitoring and evaluation. These activities were deemed to be valuable for two reasons. First, as argued during interview by Peter Ellis the Director of Economic Development at Redcar and Cleveland Council, monitoring and evaluation tasks help track organisational progress towards established aims and targets:

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<sup>94</sup> At the time of the experiment the Nowy Sacz Public Service City Zone was located in the Nowy Sacz region. Following administrative reform Nowy Sacz became part of the larger Malopolska region. Although the focus of this study is upon the city of Cracow (not the region of Cracow) the Zone experiment has nevertheless informed the process of institutional development in the area.

We have to produce service delivery plans. We review these on a six monthly basis. They are in fact the work programmes for the department. They set targets and they're useful for tracking and assessing.

Second, in providing useful statistics on performance, monitoring and evaluation can lead to the direct improvement of organisational activities.<sup>95</sup> Stanislaw Alwasiak - a consultant working with Cracow's Local Government Partnership Programme - suggested during interview that:

Every quarter we are evaluating our activities - both in quantitative and qualitative terms. We look at the services provided, how they were provided and what the effects of the services are. And we compare it to the organisation's high level indicators and we present it to our sponsors. And then we can see easily where we have failed. Unfortunately failure does happen. But then you can look at the work-plan, look at what has been done and question whether the aim has been achieved and if not why not. Then we change.

The literature on both single and double loop learning suggests that there is indeed a role for monitoring and evaluation. In particular, clear information is needed about past events and established procedures so as to determine alternative ways forward or justify the continuation of previous actions. However, whilst monitoring and evaluation activities of a single loop nature help encourage change within the framework of the prevailing cognitive repertoire, in the case of double loop learning, monitoring and evaluation practices can help organisations become aware of the basic paradigms and assumptions guiding behaviour (Revens, 1982). Once these paradigms have been recognised, the associated interpretations can be examined and tested for their continued relevance.<sup>96</sup> But are monitoring and evaluation activities really undertaken in this way within economic development organisations on Teesside and Cracow?

The findings here suggest not. First, in both areas monitoring and evaluation activities occur as a result of external pressures, rather than any express desire to challenge and

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<sup>95</sup> Such improvements need not necessarily represent radical learning but rather may occur within the boundaries of established practices and interpretations.

<sup>96</sup> Refer to page 71.

break with past understandings. In Teesside, they are undertaken to comply with government policy and to meet the formal obligations of the major funding regimes. George Rafferty, the Director of Business Link (Teesside) explained during interview that:

We are driven to a certain extent by Government policy and by funding regimes. What we have tried to do is limit the amount of prescription that comes down to us. We have tried not to be driven by the need to spend money. That has caused problems because if you look at some of the organisations within the Business Link Partnership, some of these organisations try to get as much funding into the area as possible and then try and spend that funding. That is the main driver.

In addition, Simon Hamilton, a project officer from British Steel (Industry) felt during interview that monitoring and evaluation activities help to justify past actions and check organisational progress against the agreed aims:

Take our venture capital scheme. The company invested in high-risk projects and a percentage of them belong to us so that we can maintain an income that allows our organisation to keep functioning. Recently however, certain bosses have complained about this procedure so a review has had to be undertaken. We also have an action plan that states where the organisation is trying to get to, where it is now and how it must get there. But any reflection is aimed at practically meeting the needs of our organisational remit.

This approach to monitoring and evaluation may reflect key events in Teesside's institutional and economic experience. In particular, the attacks made upon the public sector by the Thatcher administration have given rise to financial insecurities and institutional vulnerabilities. These insecurities contrast the protectionism evident during the era of big industry dependency and paternalism. Organisations have become driven by the need to secure finance and in many instances are obliged to tailor their activities, including monitoring and evaluation tasks, according to the requirements of the funding streams available. Similarly, cultures of institutional blame, mistrust and secrecy may have led monitoring and evaluation activities to be seen as tools for proving organisational worth and justifying past actions rather than being essential first steps for radical change.

Within Cracow, monitoring and evaluation activities are increasingly associated with assessing the progress of economic reform, and like Teesside, for demonstrating compliance with externally prescribed funding criteria (laid down for example in Western European and American financed development programmes). However, in contrast to Teesside, the terms monitoring and evaluation are not widely understood as pointed out during interview by Marchin Zawicki, a consultant charged with improving the internal capabilities of local government bodies:

At first we had to give them some very simple and basic information in general about public finances, then about incomes, expenditure, legal constraints, how to prepare budgets and budget procedures. And we also had part of the training that was connected with monitoring. It was the last part of our training usually around forty-five minutes or no more. I remember in fact, people didn't know what I was talking about. I tried to tell them about ideas about what is monitoring what is evaluation but they have to not only run such activities but also observe results so as to avoid such mistakes in the future. They didn't understand. I suppose that it was a very difficult period of time to encourage them to learn new ideas and solutions. In that period of time people needed some very simple ideas and the most important information because in three weeks they were about to go operational.

This lack of understanding regarding the purpose of monitoring and evaluation is not surprising. For Cracow, the experience of Communist rule may have suffocated a monitoring and evaluating culture. With economic decisions made only by central state authorities, a tradition of monitoring and evaluating was not developed, nor was it allowed to develop as an essential tool in improving organisational performance. The current lack of appreciation as to why monitoring and evaluation are necessary may be rooted also in more recent events associated with the wider economic transformation process in Poland. Most economic development agencies are under growing pressure to be seen to 'get things done'. This pressure to act rather than think has meant that little monitoring or evaluating activity has taken place and appropriate structures have not been developed. Further, given that the agencies themselves are relatively young, with limited experience of the new economic environment, no reference points exist against which past behaviour can be judged. Stanislaw Alwasiak a consultant from the Local Government Partnership Programme suggested during interview that the lack of a reference point other than the events of 1989 hindered the adoption of reflexivity:

You can judge or measure when you have a point of reference. So if you have a significant improvement of your performance you learn something. If you don't you are still in muddy waters. And I am afraid we are still in muddy waters. Take, for example local government reform. Poland makes a lot of reform based on feeling not on hard data. Last year I was in Scotland at a conference of regionalists. There was a discussion about regionalisation in Britain. It has been an ongoing discussion for about twenty years. Anyway there was a strong political debate and it called for certain changes. But in Poland it is vice versa. In Poland there are changes and then there is a discussion. Maybe we don't have other choices.

In summary, reflexivity is understood narrowly in terms of monitoring and evaluation. The stimulus derives from a perceived need to comply with external standards, targets and policy directives in order to secure finance, reputation and continuity. This understanding contrasts Revan's (1982) view of the importance of such tasks in raising awareness of the basic paradigms and assumptions governing organisational behaviour, so that these can be subjected to challenge. The implications of this for the type of learning taking place are clear. Learning activities are directed only towards the attainment of those targets established by the funding regimes or policy measures. Although scope for improvement may be identified during monitoring and evaluation, any new actions are directed towards complying with the established criteria, leaving little scope for testing new practices or procedures that fall outside of the existing and accepted framework. Once these targets have been achieved learning may no longer be seen as necessary. Using Nooteboom's schema of cognitive maps, domains and repertoires<sup>97</sup> it is clear that learning in this way may shift cognitive maps or domains, but is unlikely to challenge existing cognitive repertoires.

### **6.3 Analysing Failure**

Despite the overwhelming emphasis given to monitoring and evaluation by economic development practitioners in Teesside and Cracow, it is apparent that other tools are required in order for reflexivity to take place. One such task concerns the analysis of failure.

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<sup>97</sup> Refer to page 50.

As explained by Sitkin (1999) the term failure does not refer to destructive failure that leads to defensive and reactive positioning (Brown, 1988). Rather the analysis of failure is of a more 'intelligent' nature allowing organisations to learn, rather than shy away from mistakes and to engage in experimental and creative behaviour. But are organisations in Teesside and Cracow really in a position to adopt such a positive approach towards failure?

First, economic development organisations in both areas were far from keen to talk about examples of institutional failure. This reluctance is tied to external pressures including a need to operate under some very real financial, time and personnel constraints and comply with the rules established by the major funding regimes. Through such pressures, reflection is geared only towards the revelation of success and offers little opportunities for organisations not only to make mistakes but also openly acknowledge any resulting shortcomings. In other instances where successes are not expected, reflection becomes invariably superceded by other, 'more important' activities as defined by the particular moment. John Gillis an ex-Director of a local authority economic development unit on Teesside reflected during interview upon this point:

We tried to set up a proper monitoring system so we could see what results were being achieved and whether the results were what we expected or wanted to be achieved. We then tried constantly to amend the programme. The major constraint on this was time and simply the resources to keep checks on everything whilst at the same time trying to do things. It could have become a very large organisation not doing much except keeping tabs on what someone else had started doing. There was a constant need of bringing in new things and at times there would be a conflict between producing the information on something that you were already doing to keep monitoring and checking and getting something else started which had also been recognised as a desirable activity.

In this sense, reflexive activities that reveal success are perceived as being 'easy' and are undertaken as they place few demands upon existing resources. By contrast, revealing failure may involve a long drawn out process involving the accurate collation of past data, the bringing together of affected partners, the formulation of a resolution for action and the delivery of new, possible alternate actions. As pointed out by Neil

Etherington the Director from the Tees Valley Development Company revealing success requires no further action or analysis:

We are perhaps rightly concerned with delivering successes rather than analysing failures. At the end of the day sometimes the difference between first and second you have to take manfully on the chin. Sometimes it isn't worth analysing failure. We don't bother analysing success. We just bask in it.

Second, in those instances where failure is explicitly acknowledged, it is with the express purpose of attributing blame. Andrej Komanski a Deputy Director at Cracow's Marshall's office suggested during interview that although his organisation does engage in reflexive practices, this is to convince others that a past action was correct and justified:

Theoretically we are invited to discuss and to put forward our point of view but frankly speaking I can observe it is quite difficult and you have to have 100% convincing material so that you can just prove that you are right and no one else is. And I think this is not the best direction for the organisation to evolve.

George Rafferty, the Director at Business Link (Teesside) holds a similar view. He argued during interview that the reluctance to reveal failure is underpinned by a retrospective attitude in the area that focuses upon undermining the activities of other Teesside based agencies. As such failure is not seen as a proactive means of encouraging change:

I think there is a lot of apathy about and there is a lot of fear. To get over that really means there has to be a change in culture and a change in mindset. Up until now what has tended to happen is that we have project liaison meetings whereby all the providers will get round the table and say well what have we done in the last twelve months? Well to me that is the wrong way to look at it. That is retrospective and at times people will come to the table and say 'well we've done this project' and the local authority for example will say 'why didn't you get us involved in that'. It is very much retrospective and has brought conflict into the system.

Such an approach to failure might suggest that the analysis of failure is seen as being necessary only when mistakes have been made or when a problem has been identified. Radoslaw Kazmierczak an economic development officer at the East Cracow Regional

Development Agency felt during interview that this approach led to failure analysis being viewed as an ad hoc activity rather than a valuable component of learning:

We don't do it on a regular basis but whenever there is a need to look back in the old files or cases we do, as all of our activity is documented. We keep written records and reports. If for example our application is rejected for some reason we look at this application and how we formed it and we look at the reasoning of the institution that rejected this application and to see what can be approved. On an ad hoc basis we will do this.

The negative assessment of failure in both areas may be linked to the prevailing institutional legacies. For Teesside, three points are salient. First, with the onset of long term economic decline and the impotence of big industry and also the state to protect the workforce, failure in its broader sense has come to have negative connotations, associated in particular with massive job losses and widespread social deprivation. Second, and as discussed earlier in this chapter, the fear of failure may also be tied to Thatcherite policies which pushed public sector agencies to adopt an insular and defensive position within the wider institutional community. Finally for Sir George Russell, Chairman of the Northern Development Company Teesside's past industrial structures - in suffocating the emergence of a culture of entrepreneurship and risk taking - have contributed towards such a negative view of failure. These features combined have led to a very narrow view of the actual benefits that failure can bring and its significance to reflexive behaviour:

A successful organisation doesn't live by post mortems but if you are in difficulties one of the few things you can do is post mortems and blaming somebody else. This organisation here,<sup>98</sup> we know we are going to have about one hundred failures a year. I couldn't tell you who took the decisions on them nor am I interested. We're more interested in a region that is having no failure because they are not taking the risk.

For Cracow the reasons seem different. First, a fear of failure appears to have arisen amongst the area's newly created organisations that are seeking to gain a foothold within the institutional community. Second, a fear of failure in longer established organisations has arisen out of a need to prove that current actions are dramatically

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<sup>98</sup> In this quotation Sir George Russell is referring to an agency with which he is also employed that is not Teesside based. He applies the example of this agency to draw parallels with agencies on Teesside who are not interested in the analysis of failure for the reasons outlined in this chapter.

distinct from those of the past. This said, there appears to be far greater scope for organisations to acknowledge the role of failure during learning. Especially amongst a few of the newly created organisations there is a sense that failure and mistakes are not only inevitable but are also essential to later development. Piotr Dudek a project officer from Cracow's Regional Development Agency suggested during interview that mistakes force his organisation to take on board and test a variety of alternative ideas and interpretations that may not otherwise have been considered, were his agency always to succeed:

If it is going wrong we try to evaluate and test why it was wrong and we try to learn our lessons. If something happened that was not good then we try to improve it of course. But I think making mistakes is useful. If you don't make mistakes then you don't do anything. If you have success too easy it can cause problems afterwards. Always when we prepare something, when we organise something, at a later stage we meet with everybody and we try to think about the black scenario. What is the worst thing that can happen? Of course we will make some mistakes, as I told you we are not a perfect organisation.

In summary, it is evident that, although Cracow presents greater scope for the delivery of failure, the value of failure for reflexivity is generally misunderstood and undervalued. For the majority of organisations, failure is to be avoided for its potentially negative impact upon financial and institutional standing, and in those instances where it is undertaken, is done so with the direct intention of apportioning blame. As such failure is not widely acknowledged as a component of the learning process within public sector based economic development organisations.

#### **6.4 Organisational Creativity**

A further aspect of reflexivity relates to creativity. Within the literature it is suggested that in order to propel reflexivity beyond incremental adjustment, new ideas and solutions must be sought out and applied (Morgan, 1986). But has creativity been achieved in both areas given that reflexivity in general appears to be primarily geared towards post mortem analysis and the avoidance of failure? And as discussion in chapter

five has already indicated, do the prevailing institutional cognitions really allow for new insights and illumination to be sought out, let alone applied?

From the evidence collected it can be seen that first, many economic development organisations are involved in the delivery of fixed government programmes and/or are charged with very specific legislative functions. Structures and responsibilities are thereby fixed by outside agencies leaving little scope for flexibility in the type of practices to be undertaken or the mechanisms underpinning their delivery. Zdzislaw Niechcial a civil servant at the Ministry of Privatisation in Cracow explained during interview that such structures limit the need for engagement in creative practices as creativity invariably derives from more senior levels within the organisation:

As far as the ways and methods of privatisation are concerned everything is set in law. We know it very well and there is no need to go deeper. What we receive here is the privatisation application with suggested solutions already that the company wants to do. What we can do is say well yes and put some conditions on or we can say no and take another recommended solution. The only person who can impose another solution is the Minister.

Rick O'Farrell, a civil servant at the Government Office for the North East, shares this view. He suggested during interview that:

If creativity means doing something differently then this would be difficult to implement because we are involved in delivering central government schemes which are laid down with fixed objectives and fixed ways of achieving them.

Furthermore, creativity is also constrained by the perceived everyday pressures faced by economic development bodies. With responsibilities fixed either by law or by political command, engagement in potentially creative practices - via for example topic-specific away days or staff consultation exercises - may be seen to be a waste of valuable resources. Tim White, the Director of Economic Development at Hartlepool Borough Council argued this point during interview:

I think it is totally difficult to be innovative and imaginative in an area that is so well trawled as economic development but I also don't think that innovation is to be prized for its own sake. I think there is a value to be attached to imagination but it needs to be tempered by a certain amount of caution and scepticism. Otherwise you run the risk of wasting resources.

In addition, resource pressures and fixed agendas impact upon the ability of organisations to test potential solutions. Jozef Wegrzyn the Deputy Director of Cracow's Chamber of Commerce explained during interview that where set responsibilities are involved, it is assumed that testing periods are unnecessary as trials have already taken place elsewhere and by other bodies:

We do not have enough capacity or power to test potential solutions. It is not easy. It takes time and it means employing more people. We are based on opinions given to us by people from industry and from specialists so in a way the testing has already taken place.

In addition, in both areas creativity was seen to require the input of external assistance rather than as something that organisations could actively generate and sustain for themselves. Kate McNaught, the manager at the Middlesbrough Training Advice and Development Centre felt during interview that the use of outside consultants or experts reflected a need to gain fresh insights into a prevailing difficulty:

I get most of my thought juice from the people working with the big organisations. For example, there are a couple of trainers/consultant managers that are frequently in here and it is wonderful to talk to these people because they have such a different perception on life. They are from outside the area and they have been around the block and back with some of the big corporations. They have wider experience than some of the people that I work with on a daily basis. We need an injection of that kind of enthusiasm and drive that I don't see here upon Teesside at the moment.

However, whilst Teesside appears to rely on consultants from elsewhere within the United Kingdom, for Cracow many of the experts employed are from abroad as explained by Jerzy Wojnar, the Director of Finance at the Cracow Steel works:

There is a consultancy firm that developed a strategic development programme until 2007. And this involved cooperation of steelwork management, academics here in Cracow and an English steelwork company. The opinion of the consultancy firms shows the direction of development for the steelworks, how to gain new markets and how to regain the old ones.

However, although the use of outside agents can increase organisational exposure to new ideas and suggestions this does not mean that these are automatically approved and accepted. First, in Teesside, creativity is understood in a reactive rather than proactive sense. Specialists are brought in as and when problems occur rather than as a part of an

ongoing strategy to develop new ways of working. Peter Ellis the Director of Economic Development at Redcar and Cleveland Council explained during interview that due to everyday pressures, his organisation is not equipped with the appropriate financial and human resources to permit any continuing search for new ideas and solutions from outside sources:

I suspect that we are quite good at describing the local economy in terms of how many people are employed in different sectors but understanding how the economy works, who supplies who, who gets business from outside the area. We know very little about these things, even after all these years. This organisation is under resourced in management terms. It is bad enough at trying to implement projects but it does not have scope for specialists. And it is specialists who take things forward.

Furthermore in their search for creativity, organisations are forced to identify first, what cannot be achieved - due to financial or other resource pressures - rather than consider the innovations and opportunities potentially on offer. Bernard Storey the General Manager at One Voice Tees Valley argued during interview that creativity has thereby come to be viewed in an almost negative rather than positive sense:

I think one of the things is the way that resources are allocated. We've got infinite needs, unlimited ideas, limited resources and therefore competition for funds. And when you want to select amongst new ideas and innovation you are looking for excuses to say no as you're trying to make the pile smaller. So you don't say 'which are the best ones and what are the good things coming out?' You say well if we can narrow it down and get rid of all the others then the ones that are left will go through. So it is kind of a negative process.

This approach to creativity could reflect Teesside's absence of a risk taking and entrepreneurial culture as well as the area's limited number of research and educational facilities. These may explain why economic development organisations fail to see the relevance of creativity, preferring instead to maintain the status quo by following accepted measures and criteria for economic success.

In contrast, Cracow's economic development organisations appear to be far more willing to accept and incorporate new ideas. This positive attitude may in part derive from Cracow's historical role as a centre of education and learning, and by a perceived need to distinguish current and future economic development activities from those of the

past. However, an important driver behind this positive approach is the considerable financial resource available through an array of funding mechanisms. Slawomir Podgorski the President at Cracow's Municipal Development Agency highlighted during interview that these funding streams derive in the main from the European Union:

Creativity derives from a very wide range of experts. We are co-operating and implementing programmes with foreign experts. They are experts who come especially to help us upgrade our knowledge. They come from Poland, from the European Union, from America. The expert I mentioned earlier came via a funding project. She was co-financed by the European Union and USAID. But we are 99% experts from European Union countries.

In summary, creativity is generally understood in both areas as deriving from external rather than internal sources. However, whilst the use of outside experts can help organisations break away from past practices in favour of new and alternate practices there is a danger that only standardised prescriptions for success are promoted. In addition, creativity often occurs only after problems have emerged and is further restricted by tightly defined remits, overriding resource pressures and by limited acknowledgement of the value of creativity. Whilst such a negative interpretation of creativity is particularly evident in Teesside, over time a similar understanding may emerge in Cracow with creativity ultimately constrained by the relations, contacts and procedures that are currently being established.

### **6.5 Employee Participation**

The literature indicates that organisations can improve reflexivity by mobilising all staff members in creative practices and in failure analysis (Revans, 1982; Morgan, 1986). This allows for alternate, possibly dissenting views to come together that challenge the experiences and perceptions of other staff. The following section considers this suggestion in more detail exploring the extent to which economic development organisations facilitate staff participation in reflexive practices and encourage intra-organisational dissent.

In both areas the distribution of reflexive activities within organisations is far from widespread. In many instances, work priorities are set by outside agencies or at more senior levels within the organisational hierarchy. However, even in those instances where a degree of flexibility exists for organisations to define their actions, it is clear that full staff involvement is difficult to achieve. In itself the lack of staff involvement is a product of the hierarchical management systems that are in place which at best facilitate only vertical rather than horizontal staff contact. This is a longstanding feature of public sector agencies but seems more widespread amongst those that have had a history of bureaucracy. These include in both areas organisations representing the arms of central government and, in Cracow those organisations that have not broken away from Communist legacies. Zdzislaw Niechcial, a civil servant at Cracow's Ministry of Privatisation suggested during interview that even though his organisation is relatively young, it continues to adopt bureaucratic and vertical channels of communication and decision making:

I would make the structure less vertical. There are six layers between the person who takes the decision and the Minister. This is the maximum but you can imagine the process that goes on between all six levels.

For some observers, within Cracow the adherence to top-heavy management structures is necessary in the early days of an organisation's existence. Andrej Komanski the Deputy Director from the Marshall's Office in Cracow felt during interview that as his organisation is new, guidance from senior managers is essential in order to clarify for staff overall organisational purpose and direction:

The Marshall is the main person responsible for the organisational structure. I think that our Marshall prefers direct control, he tries to control almost everything and I think that maybe at the beginning that is a good thing but in the future something should change because there should be a kind of reliance on medium level people like department directors who should have larger competences and responsibilities. But until now almost everything goes to the Board just to explain what we want to do and why. The decision making process should be shortened and of course more responsibilities should be pushed on lower and medium levels. Sometimes it is frustrating for the medium level management. Very often they are accused of some delay but they have no power to force things and it is frustrating for people.

Second, in instances where structures are in place to engage staff, management use these arrangements as information channels rather than for seeking opinions or encouraging participation in decision making. Marek Szczepanski, a project manager at the Polish Foundation for SME Development felt that although management met regularly with staff, participation was of a passive rather than active nature:

Perhaps there is not a lot of discussion at all. It is rather about informing people. We have a meeting of all employees in the Foundation in which the management board is informing about what is going on and what will happen in the future.

A similar situation prevails in Teesside. This too is attributable to the hierarchical management systems that are widely in operation. However, even when attempts are made to bypass the hierarchies in place, rule following attitudes continue to exist, offering little scope for the views of lower level staff members to be incorporated. An anonymous civil servant explained during interview that within his organisation, staff surveys were regularly distributed for employees to express private opinions on the organisation's prime functions and responsibilities. However, despite the use of such surveys there was little confidence that any concerns raised were actually being heard:

We undertake staff surveys and one of the things that we always find is that the lines of communication are not as good as we would like them to be. Sometimes it comes out that people are reluctant to put their ideas forward because they think that senior management will dismiss them or sometimes middle management is seen as the barrier, in not communicating ideas upwards within the organisation.

This last point reveals the need for effective staff empowerment. According to Brown (1988) staff empowerment derives not just from staff being confident that their views are being heard, but also accepting that some of the opinions raised, may not automatically be taken on board by management. However, in both areas, staff empowerment is of secondary importance when compared to the primacy of central decision-making. In Teesside, the culture of top down leadership has left managers with a view that staff consultation is not necessary. An Assistant Director of a Teesside local authority argued during interview that although staff empowerment has potential advantages it is not necessary for effective management:

It is clear that somebody must bite the bullet and obviously you can have banter and debate but what I think has been shown in the last two years is that you can't have effective management by consensus and never could have. You just hope that if you have to have a dictatorship it is relatively benevolent. You invest so much time in the discussion and going through the discussion that you never actually move forward. The perfect management is when this is an open and inclusive process and these are nice words and then there is an effective decision making process which everybody signs up to. If you can have both, then okay, it is heaven. If you can have only one of these then effective decision making is the best end of the spectrum.

In summary, the lack of staff involvement in reflexive practices appears to confine organisations in both areas to single loop learning by limiting opportunities for knowledge exchange between staff at separate levels of the organisational hierarchy. This leaves existing cognitive repertoires unchallenged, with new information invariably interpreted by individuals who share common values and opinions. It is also evident that in both Teesside and Cracow staff empowerment has been prevented by rigidities in the prevailing management systems and as a result of a historical reliance on senior management to set work priorities and be responsible for overall organisational direction.

### **6.6 Intra-Organisational Dissent**

In encouraging staff involvement in reflexive practices, intra-organisational dissent may occur. This term requires definition. The traditional or unitary perspectives view the term dissent as being synonymous with sabotage and strikes (Drucker, 1968). By contrast, the interactionist school sees dissent as a means of encouraging new lines of thought (Coser, 1956). According to this view an organisation that is peaceful, harmonious and cooperative can become apathetic and unresponsive to change (Robbins, 1996). By contrast a degree of intra-organisational dissent, in reflecting the existence of difference and encouraging the revelation of diverse opinions encourages self-criticism and creativity (Argyris, 1972; Robbins, 1996). This section explores

whether this interactionist view of intra-organisational dissent prevails amongst economic development organisations in Teesside and Cracow.<sup>99</sup>

Whilst the existence of intra-organisational dissent is widely acknowledged amongst economic development practitioners in both areas, the extent to which it is viewed as a positive component of institutional learning is more contentious. Opinions can be broadly divided into two camps that correspond broadly to those views presented by the literature. On the one hand some organisations see dissent as negative, destructive and something to be discouraged, whilst on the other hand some agencies see it as a positive tool in increasing internal debate, empowering staff members and ensuring the emergence of a set of collective values.

The view that intra-organisational dissent can have a negative impact upon organisational performance has a number of roots shared by economic development organisations in both Teesside and Cracow. The first of these is grounded in the view that dissent undermines existing practices and direction. Dr. Klemens Budzowski, the ex-Director of Cracow's Regional Development Agency stated during interview that dissent occurs as a result of differing perceptions regarding the organisation's role. Some organisational shareholders, such as the members of Cracow's major financial institutions, have at heart the interests of the private sector whilst other shareholders - including representatives from the public sector - are concerned with the agency's abilities to meet the area's needs and expectations. These dual interests lead to uncertainty about the role and activities of the agency:

The President of the agency is the sole person responsible for the decisions of the agency. Whenever there is dissent it results from the fact that the agency on the one hand is a public limited company that should make profit. There is therefore an economic stake. On the other hand, the agency's aim was to help the region and it was not always possible to put these two aims together. So this could result in tensions and differences.

Such intra-organisational dissent may affect internal performance leading to uncertainty and tension between individuals and departments and may also influence external

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<sup>99</sup> Refer to page 73.

opinions regarding the cohesiveness and effectiveness of a given organisation. As already indicated for both Teesside and Cracow, if organisations are seen to be affected by internal disagreements, the organisation's perceived value and worth within the wider institutional community may be threatened.

Second, and related to the last point, dissent is only viewed as acceptable when it occurs *between* rather than *within* organisations and is associated for example with an ever-increasing need to compete for financial resource and defensively maintain existing activities and functions. It is also suggested that dissent should only occur around those issues that can actually be influenced and changed. This is particularly true for organisations that have had their organisational remit set elsewhere. Tim White the Director of Economic Development at Hartlepool Borough Council suggested that when a given issue has been fully debated and subsequently agreed elsewhere, further disagreement is pointless and a waste of precious resources:

Dissent actually doesn't happen very often because I guess there is a reasonable degree of consensus because the issues have been thrashed around so much. There is rightly or wrongly a reasonable degree of consensus about what we should be doing. Where there are conflicts though it is often because somebody wants us to do something that we're not resourced to do or we haven't got the powers to do. That tends to be resolved simply by referring to a view of what we can do and what is possible.

Finally, dissent is viewed as being appropriate only when it can be confined amongst senior managers. This view is particularly interesting as it implies that dissent amongst lower staff members does not help an organisation to move forward. By contrast a degree of intra-organisational dissent contained and resolved amongst senior decision-makers is not seen as a threat to organisational cohesiveness. Jerzy Wojnar the Director of Finance from HTS, Cracow's largest steel producer felt during interview that any discussion regarding the value of dissent should not focus upon the degree of disagreement that occurs but rather upon the organisational level at which dissent takes place:

There are no disagreements really on the divisions of tasks but sometimes the tasks overlap and there are two units working on the same programme. But the units co-operate. And if you mean disagreements between people

they happen. If there is any conflict as to the organisational role and structure, then it takes place at Board level. What we see here is the outcome of the Board's work which is the decision signed by all members of the Board so it is difficult to say whether it is compromise or whether it is dissent. But then once it is signed, it is seen through to the end.

In summary, dissent in both areas is viewed in a negative light and is aligned with discord, disruption and disunity. It is therefore an organisational practice to be avoided or limited to certain circumstances. However, there are a number of organisations that see dissent as a potentially positive experience leading to enlightened discussion and creativity. It could be argued of course that interpreting intra-organisational dissent in this way further reinforces ideas that 'dissent' by its very definition is something to be discouraged in its own right.<sup>100</sup> However, for many observers in the two areas the term is attributed with a much broader definition and is understood as allowing agencies to move forward and adopt new skills and techniques. One key feature here is that intra-organisational dissent and consensus are not seen as representing two extremes on the organisational spectrum. For Slawomir Podgorski, President of the Municipal Development Agency in Cracow the two processes go hand in hand with each other. He argued during interview that:

Maybe not dissent. There was a lot of discussion between the City and us. Of course it's not conflict, it's discussed. I think we have seven people on the City Board. These different people have a different view on some specific points. We discuss together. It's a compromise. I think that compromise results in the best solution because I don't think that we are the best or that our point of view is the best. I think that discussion is necessary and sometimes we come to a common understanding of the issues. I don't think that compromise is something bad. I think that some solutions are even more efficient after the long difficult discussion, than when we decide to do something very quickly, very briefly without a deep understanding of the problem.

Intra-organisational dissent therefore can allow for different ideas and perspectives to be confronted. Whilst initially there may be a clash of opinions, through the intensified debate that disagreement can entail, opinions may indeed be altered. In this way dissent refers to the 'clash' between different interpretations whilst consensus represents a

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<sup>100</sup> Refer to page 15.

willingness to move to a new, all encompassing understanding which incorporates the individual concerns highlighted through the process of disagreement. Magne Haugseng Team Leader at the Tees Valley Joint Strategy Unit expanded upon this point during interview:

We've had some interesting discussions from time to time but it is never perceived in terms of disagreement. It's a question of trying to generate a joint view on things because none of us have the whole truth. What we can do is bring with us to the table different bits of political baggage, knowledge or awareness.

In this way it may only be through disagreement that consensus can truly be achieved, as consensus is based upon a deep understanding of the surrounding conflicts (Healy, 1998). For Kasimierz Trafas, ex-Director of Strategic Planning at Cracow's City Municipality this was the major benefit to be associated with engagement in intra-organisational dissent:

I think that the advantage of having all this discussion is that people see more aspects and factors that are involved. So I do believe that this type of conflicting information and views in the long term may be more beneficial.

There is also recognition that intra-organisational dissent can act as a source of creativity. Dr. Klemens Budzowski, the ex-Director of the Cracow Regional Development Agency feels that as dissent entails bringing together diverse views, practices and backgrounds these can act - through their combination - to provide new insights into a given issue:

Disagreement is both an institutional and human problem. So the conflicts are very natural in this respect but they are also the source of creativity. Very often the outcome is very positive. The word dissent translated into Polish has a more pejorative meaning so we would prefer to call it a difference in opinion or in tensions. And yes they resulted in better solutions. In solving these conflicts was discussion and coming to a common solution. So it was more of a persuasion than a quarrel.

For those agencies that view dissent in a positive manner, many of the benefits identified link to ideas on the constituent parts of double loop learning. Intra-organisational dissent may promote the emergence of new insights into a given problem and encourage existing ideas and frames of reference to be challenged via reflection.

Ultimately this may encourage agencies to adapt their organisational behaviour and structures so as to accommodate or promote change in the wider economic environment. This is not to say that whilst dissent can be seen to be beneficial in encouraging double loop learning, some constraints are not in operation. Two in particular are worthy of note. The first of these relates once again to the pressures faced as a result of human and financial restrictions. This can limit opportunities for discussion especially when there is no immediate and recognisable impact. Sir George Russell, Chairman of the Northern Development Company stated during interview that although intra-organisational dissent may be of benefit, as a result of such pressures it is not always an activity that can be incorporated on a regular basis:

It is like having a think tank. If you have ten different people with ten different views, out of it should come something better. But it's quite a luxury to be able to do it.

Second, constraints arise from how dissent is controlled. For many organisations there needs to be a recognition that although disagreements may take place these will not automatically result in the inclusion of all the differing opinions raised. In controlling and progressing beyond a situation of dissent, a degree of 'dictatorship' may be necessary to enforce one particular outcome over and above another and draw the matter to a conclusion, as explained during interview by Tony Dell a Director from the Government Office for the North East:

I don't think dissent is ever very productive unless it means that you can thoroughly air particular issues and then decide on them once and for all. So disagreement can sometimes be useful in bringing about the resolution of an issue as long as people agree to accept the outcome. Where it can be disruptive is where there is a long running turf war between different departments that never gets decisively settled. If there is conflict we normally resolve it by calling a meeting and thrashing it out and ultimately by dictatorship. You have to. You could have a situation where three people whose opinions you respect have a different angle and a meeting doesn't resolve it and eventually you say 'well I'm sorry I've listened to you and I've listened to you but this is what we are going to do'.

So far this section has suggested that opinions in both areas are polarised between those agencies that see dissent as negative and those that see it in a more positive light. Such views are spread across the full range of economic development organisations. It is

therefore difficult to pinpoint how such views link to one particular organisational type over another. What is clear is that perceptions of dissent are tied to the choice of management systems. In particular, the adoption of hierarchical design may severely limit the scope for intra-organisational dissent. This occurs in two ways. First, the vertical channels of communication, a well-established hierarchy of decision making, responsibility and the sharp division of tasks and responsibilities into separate departments, can restrict opportunities for contact between the various tiers and sections, thereby limiting the likelihood of disagreement occurring. By contrast, more horizontal management systems as well as facilitating contact between various departments and individuals also bring to the fore differences in work practice, behaviour or perspectives, thereby leading to intra-organisational dissent.

There are a number of general conclusions to be drawn from the above discussion. First, monitoring and evaluation appear to be the standard interpretation of what reflexivity means and occurs as a means of attributing blame or demonstrating institutional success. Second, failure is viewed by many organisations in a negative sense, with relatively few organisations having the appropriate resources or organisational mind set to engage in failure analysis. Third, organisational creativity is seen to be a skill that derives from external sources and is particularly unnecessary for those organisations that have their remits and responsibilities fixed by outside agencies. Finally, there is limited staff involvement in reflexive practices, partly as a result of rigidities in organisational management systems and partly as a consequence of low levels of staff aspiration and a fixed reliance upon management as the main decision maker. However, there are a small number of examples within both areas where deliberate efforts have been made to overcome such perceptions and improve opportunities for organisational reflexivity and dissent. The following section considers two such examples - Business Link (Teesside) and the Nowy Sacz Public Service City Zone.

## 6.7 Examples of Institutional Innovations

In 1995 the Department of Trade and Industry introduced the Business Link initiative. Eighty-five Business Link Partnerships were established across England, each providing a 'one-stop shop' service capable of meeting the strategic and practical requirements of locally based small to medium sized enterprises. Although obliged by law to perform certain functions, for Anne Heaton the management facilitator at Business Link (Teesside) the organisation has distinguished itself from other Business Link offices by its acknowledgement of reflexivity and dissent as sources of learning:

There is not another Business Link in the country that operates the same type of groups and practices. Many of the groups that meet have been devised in an organic fashion. The only statutory requirement imposed by Government is that of ensuring there are personal business advisors and information service provision.

Through a series of changes to the prevailing management system Business Link (Teesside) has improved organisational opportunities for reflection. The first of these changes has been the creation of Focus Groups introduced to examine four core issues related to Personnel Development, Quality Systems, Strategy and Systems Operations.<sup>101</sup> Each Focus Group consists of four to five volunteers each of whom agree to serve for one year only before membership of the group is rotated amongst other staff members. Each Focus Group has an open remit to discuss any area of Business Link (Teesside) activity that falls under the specific heading of the Group and in addition, has access to the services of a Management Facilitator to aid the input of new ideas. In order to communicate the content and outcomes of discussion to all staff members and senior management, discussion papers are produced and circulated for comment and feedback. In this respect the Focus Groups become an important mechanism not only through which past behaviour can be analysed, but also as a route for discussing a variety of novel ideas and alternatives. George Rafferty the Director of the organisation explained how this worked during interview:

We are always looking for opportunities to change. Internally we have groupings within Business Link looking at things like strategy, personnel,

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<sup>101</sup> Systems Operations dealt with the operation of all in house infrastructure such as the telephone network and computer provision.

systems and quality. And we say to the staff - 'ok these are the broad outlines and the principles behind the organisation. But at the same time nothing is set in stone. If you can come up with a better way of doing things then let me hear it'. There are a number of examples where staff members have come up with ideas and suggestions that have been implemented.

Underpinning such an arrangement is a degree of trust between the Focus Group and the organisation's senior decision-makers. This occurs at two levels. First, there is acceptance by the Focus Groups that their role is not to dictate policy but rather provide an input to it. This in turn requires recognition that there are some elements of Business Link (Teesside) activities which are defined as being 'out of bounds' and an acceptance that there may be some issues that only senior managers are aware of or are indeed charged to undertake. Second, senior managers are aware that the work of the Focus Groups represents genuine staff concerns. For management this is important as it allows for the sounding of early warning signals identifying potential internal and external problem areas before they manifest themselves as major difficulties.

The second structure through which reflexive practices in particular are encouraged is the Business Survey procedure. This process allows for a number of outside businesses to have benefited from Business Link (Teesside) assistance over the preceding month to examine all organisational activities. For the Director, George Rafferty, this procedure actively encourages existing practices to be challenged and aids the search for new ideas, information and know-how. He argued during interview that:

We constantly review how things are progressing within Business Links. We take the view that the Business Plan is a living document so we are always looking at things we do. Every Wednesday an outside agency comes in here and sits in an office and surveys on average 35% of our customers. We have no influence on that at all and that's something we've set up. It's not been imposed upon us.

Both these structures appear at first hand to have improved the organisation's double loop learning potential.<sup>102</sup> First the changes have encouraged the active involvement of all staff members in informed debate thereby allowing for the coming together of a

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<sup>102</sup> This assessment is based upon the four themes considered in this chapter relating to reflexivity, failure analysis, intra-organisational dissent and staff involvement.

wider range of views and opinions that challenge the established understandings. In this way the barriers between the various hierarchies are weakened without the lines of authority becoming blurred. Second, there is scope for all staff members to tackle failure head on in an atmosphere whereby perceived failures can be used positively as a tool to enhance performance. In this sense reflexivity and dissent are 'free' processes constrained neither by a need to comply with external pressures such as funding regime targets nor by any pre-conceived expectations about what the organisation should ultimately achieve. This enables a far broader range of ideas to be discussed. Third, through consultation with external business the organisation is exposed to constructive criticism that can subsequently lead to direct improvements and/or encourage changes to organisational practices and perspectives. In the main, Business Link (Teesside) seeks input from the business community and also benefits from the employment of experienced management facilitators who encourage the discussion of alternative scenarios and new, potentially more creative solutions.

As well as setting out to improve learning by making changes to organisational structures, managers from within Business Link (Teesside) have acknowledged that in order for radical learning to occur there is a need to establish an appropriate learning ethos. The Director, George Rafferty, speculates as to how this has been achieved:

Every new staff member has a fifteen to twenty minute session with myself and the one thing I always say to them is 'Do not look to me for the answers. Don't look to the management team.' We ask in interview 'how forward are you in coming forward and putting your ideas across?' The last thing I want are staff members not wanting to contribute and waiting to be spoon fed and steered by myself and the rest of the senior management team. In addition, to the staff looking at what they want, we occasionally throw things to the staff and say 'do you think this needs to be looked at? Do you think there is a better way of doing this?' That's ongoing within Business Links. I always say to people 'raise issues but raise them in a constructive manner. Don't carp and whinge - just for the sake of it'. I'm not afraid to raise problems and I'm not afraid to upset people provided it is done with the best of intentions but only even to get people to think that maybe there is an alternative way to do things.

Despite the best intentions of management it is apparent from evidence gained during interviews with other staff members that deliberate attempts to establish a learning ethos

have not necessarily been as successful as senior management would have liked. On the one hand some staff members support the changes made. A member of the Quality Systems focus group argued that within his particular group members do try not to focus solely upon shortcomings but rather do try to devise novel, and jointly agreed, solutions. Moreover the process is undertaken in a constructive fashion aimed ultimately at being a learning experience for the individual rather than a process by which blame is attributed:

Some people are happy as they can show that they are doing a good job. Some are resentful as they find the process too uncomfortable. But you work with them. It is a separate attempt to identify problems and search for them. You don't want to apportion blame for as soon as you point the finger you have three pointing back. The only blame involved is 'it is your responsibility to put it right'.

Other employees see the changes as being simply management gimmicks. Staff participate in such groups and practices simply because they feel obliged to, not through a wider recognition of the worth of such activities to organisational learning. As a result the activities are perceived as being yet another administrative task to undertake in an increasingly busy time schedule. As one member of staff who wished to remain anonymous indicated during interview:

The internal audit system is a good idea and to a certain extent it does keep you on your toes. However it sometimes does come down to Thursday afternoon doing the paperwork and catching up for Friday's focus group. Perhaps they would be better undertaken on a more ad hoc basis.

Despite these views the example of Business Link (Teesside) provides some useful pointers as to how reflexivity and dissent can be encouraged. First, is the use of outside agencies capable of feeding in novel ideas and interpretations. Second, all staff members are encouraged to be involved in the analysis of core activities. This not only allows for a wider range of ideas to be fed into the decision-making process but also presents opportunities for ongoing disagreement and discussion around existing as well as new, alternative practices and solutions. In turn this may act to encourage a sense of responsibility, ownership and commitment amongst staff members towards the organisational aims. By far the most important factor in encouraging reflection and dissent within Business Link (Teesside) is the progressive mind-set of the organisational leadership. This leadership whilst allowing and encouraging the adoption of new ideas

and techniques does so in a manner which does not compromise overall organisational goals. Rather the approach acts to enhance existing activities and promotes the flexibility of the organisation to respond and anticipate changing priorities and circumstances.

The example of Business Link (Teesside) indicates the ways in which organisations can actively encourage reflexivity and intra-organisational dissent. In this example however these activities are continually undertaken and are built into and upgraded as part of the organisation's daily functioning. By contrast, the case of the Nowy Sacz Public Service City Zone is an example of a one off experiment, involving a collective set of institutions. This experiment was undertaken so as to deliberately test, question and reflect upon a new set of institutional conditions prior to their actual implementation.

The Nowy Sacz Public Service City Zone (PSCZ) came into life on the 1<sup>st</sup> January 1997. It was the first of a series of initiatives adopted across Poland aiming to implement new organisational and legislative structures designed to empower local and regional communities. An association of local councils based around one of the largest towns within the Malopolska region was granted legal status to undertake a number of tasks previously administered by either central government agencies or by the individual councils themselves. It was anticipated that the new organisational and political experience gained through the operation of the Zone could influence much wider discussions taking place at the national level regarding the issue of local government reform within Poland:

The Nowy Sacz Public Service City Zone is the first area in Poland where we can observe local authorities/local government institutions performing a number of new tasks in an entirely new formal, legal, spatial, political and social context. The Zone's very existence expresses the desire for change in the existing relationship between the central authorities, the regional administration and local government. Its creation is both an important political event and an interesting experiment which we believe will have positive and far reaching implications for future systemic changes in Poland (Grochowski, 1997:28).

Despite some initial financial and legal difficulties, the creation of the Zone was widely judged to be a success as the project actively encouraged the extensive involvement of the local population and avoided political infighting. Moreover, as illustrated by Alwasiak and Hausner (1997:118) the success of the Zone was largely attributable to the fact that the course of the venture was largely unplanned and that spontaneity and chance were as important as ambition and necessity. As such the functioning of the Zone provided some useful test results and evidential data regarding the potential shortcomings and advantages associated with an institutional structure of this type. These results have been presented in a number of formats, including formal reports and newspaper articles that have subsequently been accessed by various bodies and individuals throughout Poland. This has not only led to extensive and informed discussion about the functioning of the Zone itself, but has encouraged the input of many new ideas and opinions concerning much wider issues such as the re-establishment of a second tier of local government:

The Zone is undoubtedly a pilot scheme so its work must be properly and systematically monitored from different perspectives. The Ministry of Internal Affairs and Administration will probably soon appoint a team to consider the experiences and information gathered in Nowy Sacz. On the one hand this would make it easier to react swiftly to any potential problems or ambiguities. On the other hand there should be possibilities to apply the Nowy Sacz model to future zones which many councils around the country are presently considering establishing (Hausner and Mazur, 1997: 123).

The success of the Zone is identified as deriving from four sources. First, the establishment of the Zone as a pilot project has entailed reflection upon a singular event and has been directed towards a dramatic and immediate overhaul of the existing organisational boundaries. Second, for Nowy Sacz, the area's short lived 'experiment' in 1956 with a similar structure informed ideas regarding the importance of autonomous, locally based action and authority. This past experience acted as a guide for the local government reform process as a whole and as a principle by which the current Zone experiment and the reflection process was generally, although not exclusively aimed. Third, the Zone drew upon insights from a much wider base of opinions including, for example, the church, American development agencies and other local government organisations from across the country. Marchin Zawicki a consultant coordinating the

development of the Zone felt during interview that the involvement of such a wide range of agencies offered considerable opportunities for creativity:

Because it was rather a very famous programme in Poland nearly every week some local or regional media wrote about it and some articles appeared in the national media. Three groups were established that were responsible for monitoring and evaluating. The first group worked in Nowy Sacz in the Zone and their role was to collect some data. This group was known as the co-operation group. The second group was an institution from Warsaw. This body specialised in public sector monitoring processes. They were responsible for analysing data and preparing opinion for reports. And the third group known as the policy group was a process of observation in the Zone from a governmental point of view. The vice deputy prime minister in the Polish Ministry of Internal Affairs was involved in this group as was a person from the Ministry of Finance.

Finally, the reflexive processes observed incorporated the analysis of failure as well as success. The experiment revealed a number of legal, financial and structural difficulties that were later taken into consideration in the creation of future institutional structures.

## **6.8 Concluding Comments**

The examples of Business Link (Teesside) and the Nowy Sacz Public Service City Zone are however exceptions to the overall patterns of reflection and dissent observed within Teesside and Cracow. For Teesside, it is evident that the current institutional approach to reflexivity is geared more towards single than double loop learning. First, reflexivity is seen as a means of justifying organisational viability and defending already entrenched positions. Second, failure and dissent are perceived in negative terms as a means of attributing blame and maintaining the status quo. Third, creativity is viewed as a luxury activity and not as a necessary prerequisite for learning success. Finally, in most cases lower level staff members are excluded from participating in reflexive practices. These features combined entail that radical challenges cannot be made to the existing cognitive repertoires, leading to the perpetuation and reinforcement of past practices over time.

The position in Cracow is considerably less clear. On the one hand there would appear to be considerably more scope for reflection to generate double loop learning processes. First, Cracow's economic development organisations are - through a variety of funding packages - exposed to new ideas from elsewhere within the country and abroad. Second, many of the area's organisations are staffed with young people who are open to the introduction of fresh ideas and carry with them no baggage from the past institutional environment other than a need to change. Third, organisations are still in the process of establishing their own boundaries, remits and their place within the wider formal institutional environment. These features combined may suggest that, particularly amongst the newly created organisations, institutional cognitive repertoires have not as yet had time to form in such a way as to restrict the search for, application and analysis of new knowledge. However over time, the impact of everyday pressures to act, limited finance and complete reliance upon external and highly standardised funding programmes may ultimately present insurmountable barriers to the effective delivery of reflexive practices. On the other hand, there are clear indications that for some economic development agencies reflexivity and dissent may be of a single loop nature. Particularly amongst Cracow's more experienced organisations, despite changes to names and structures past cognitive repertoires continue to define current activities. Within these bodies there is an apparent misunderstanding of the value of intelligent failure and intra-organisational dissent and with hierarchical organisational management systems continuing to be widely adopted, staff involvement and creativity are stifled.

## Chapter Seven: Conclusion

### 7.1 Introduction

Academic interest in the rise and persistence of spatial inequalities has come to focus upon the endogenous determinants of regional economic vitality and failure. From this analysis, regional opportunities are increasingly understood as being influenced by a range of social, cultural and historical variables, including in particular, the conduct and capacities of regional institutional arrangements. One aspect of this enquiry has highlighted the centrality of institutional learning as a theme with which to explore regional economic variations and as a practical policy lifeline for those institutional players seeking to either reverse or sustain their regional economic fortunes.

Yet despite the importance attributed to institutional learning, this thesis opened by outlining a number of concerns to have inspired my theoretical and empirical investigations. These included an overwhelming preoccupation with institutional learning outcomes rather than processes as well as a wider neglect of the internal organisational conditions underpinning learning within public sector organisations. In the closing chapter of this thesis I wish to review the research findings with the aim of addressing these original concerns. This chapter begins by reviewing the empirical evidence gained regarding the character of, and influences upon institutional learning processes in Teesside and Cracow. The chapter then considers the theoretical and policy implications of my research.

### 7.2 Institutional Learning Processes in Teesside and Cracow

In exploring the various influences upon institutional learning processes in Teesside and Cracow this thesis has considered three interrelated features. These include first, institutional cognition and the associated impact of organisational memory; second, the role of organisational management systems; and finally organisational engagement in reflexive and dissenting practices. These features have been identified as important

influences upon whether institutional learning processes are either radical or incremental in nature (Grabher, 1993; Burns and Stalker, 1994; Robbins, 1996; Morgan, 1997; Nooteboom, 1999; Amin and Cohendet, 1999).

My analysis has painted two distinct pictures of the institutional learning processes occurring in each area. In Teesside, incremental or single loop learning appears to prevail. First, two key reference points constitute the dominant organisational memories. These are the period of early industrial glory and the experience of the Thatcher years. The legacies of these eras continue to be visible in today's institutional settings first, in terms of the learning relations and priorities pursued which reflect long standing arrangements and established contact networks. Second such legacies have given rise to considerable institutional insecurities both in terms of financial viability and institutional reputation. These insecurities have contributed towards an institutional atmosphere characterised by mistrust, secrecy and blame. This atmosphere inhibits any learning that does not have either an immediate and tangible outcome. Finally, the absence of a risk taking and entrepreneurial culture ensures widespread staff reliance upon management to dictate learning opportunities and practices – a feature further compounded by hierarchical systems of communication and control. As a consequence of these three features, organisational memories on Teesside have given rise to institutional cognitions that reflect and preserve without question the accepted habits and interpretations of the past. Any new idea that challenges these memories, at best, only encourages incremental change and at worst is viewed as deviant and is either ignored or dismissed.

Second, the capacity of Teesside's economic development organisations for reflexivity appears limited. Reflexivity is overwhelmingly associated with monitoring and evaluation activities. These are undertaken principally to justify past institutional conduct and/or meet the requirements of external funding regimes. Furthermore the organisational capacities required for moving reflexivity away from retrospective analysis towards experimentation with new, potentially more creative ideas is restricted. First, economic development organisations demonstrate a preference for engagement with others that share similar institutional and economic experiences. This perpetuates

an institutional culture that is keen to follow ideas and solutions that are already institutionally proven and accepted. Then, many of Teesside's economic development organisations operate according to tightly defined organisational remits. These are often set by external bodies including for example central government departments and, as such, are highly standardised and prescriptive. The fixed and inflexible nature of such remits and responsibilities often prohibits the experimentation and testing necessary to move reflexivity beyond the simple analysis of past events, invariably forcing learning to have immediate short term effects so as to prove institutional worth. Finally, the potential value of 'intelligent failure' and intra-organisational dissent is rejected in Teesside for fear that these practices will reveal weaknesses which in turn might damage financial standing and organisational reputation. Although dissent does emerge within Teesside's economic development organisations, the hierarchical management systems in place ensure that any disagreement is met by insular and defensive stances that are far removed from the open and constructive learning opportunities that dissent can generate.

Teesside's disposition towards incremental learning is contrasted by Cracow's greater propensity for radical or double loop learning. This observation is based the same variables applied in Teesside. First, it is apparent that organisational memory acts as a stimulus for, rather than a barrier to radical learning. This occurs for two reasons. First, many economic development organisations are in fact new bodies and as such have had relatively little experience from which to derive organisational memories. In addition, many organisations are staffed with young people who are open to fresh ideas and carry no baggage from the past institutional environment. Then, the concept of organisational memory is associated with general economic histories relating especially to the area's traditional role as a cultural and academic centre and its experiences of war and occupation - rather than with the actual experiences of individual organisations during these periods. Applying this interpretation of memory it is suggested that only one memory - relating to the downfall of Communism - has really been influential in inspiring economic organisations to seek out and embrace radical and innovative solutions that are dramatically different from those applied in the past.

For many of Cracow's economic development organisations cognitive repertoires are still under construction and as a result do not restrict the search for, application and analysis of new knowledge. With the help of relations with other agencies operating outside of the region, organisations are continually exposed to fresh ideas and are willing to readily reject past interpretations if these clash with the new ideas presented. In contrast to Teesside, where new knowledge rarely challenges the existing cognitive repertoire, in Cracow it acts as a stimulus for learning. This said, in a small number of cases organisational memory acts as an obstacle to radical learning. Particularly amongst those agencies staffed by older people, the legacy of extensive social welfare provision and perceived economic stability under Communism is invoked for a return to past organisational activities. New knowledge is rejected as this is associated with increasing socio-inequalities and a subsequent reinforcement of existing and accepted interpretations.

Second, as regards reflexivity, Cracow's economic development organisations focus less upon the post mortem analysis that is so characteristic of Teesside's organisations. This approach is related to the absence of a monitoring and evaluation culture under Communism. Then, the need for such a culture is not yet apparent, as a consequence of the infancy of many organisations and the pressures on them to get on with delivering, rather than reviewing, newly emerging responsibilities. Finally Third, encouraged by an array of financial programmes and links with donor agencies, organisations are encouraged to search for new ideas and creative solutions. Indeed many funding programmes in actively promoting inter-regional learning opportunities, also facilitate opportunities for institutional experimentation and testing at a time when organisations are still in the process of establishing their own organisational boundaries and remits. As a result there appears, at the present time to be far greater scope for institutional reflexivity to generate double loop learning processes. Nevertheless the danger remains that embracing new ideas without adequate evaluation will result in single loop learning trajectories. Increasing pressure to justify activities in light of ever tightening financial constraints as well as growing dependency upon external and highly standardised funding programmes may reduce current levels of creativity and experimentation,

entrench certain learning channels and neglect the critical and questioning capacities needed for effective institutional reflexivity to take place.

Whilst institutional cognition, memory and reflexivity in Cracow seem in the main to promote radical learning, there is nevertheless a limited appreciation of the value of intra-organisational dissent and failure. First, with respect to failure, although organisations acknowledge that mistakes are inevitable as new organisational practices are acquired and delivered, the tolerance for errors may diminish as the pressure to demonstrate institutional success intensifies. Second, reinforced by a continued preference for hierarchical organisational management systems, there is widespread acceptance that top down leadership is essential in setting the direction of the organisation and framing institutional learning opportunities. As such intra-organisational dissent is not seen to be essential in promoting radical, double loop learning.

### **7.3 Conceptual and policy implications**

Evidence in this thesis has suggested that cognition and the related notions of cognitive maps, domains and repertoires, are extremely useful concepts with which to explain differences in institutional learning processes and represent valuable mechanisms to examine a variety of internal organisational influences. Three aspects of institutional cognition have been highlighted by this thesis. First, the study of institutional cognition appears to reinforce theoretical claims regarding the historically dependent nature of institutional learning processes. In both areas history and environment do indeed matter with past events and actions giving rise to institutional cognitions that can act as either learning barriers or stimuli. Within this framework the concept of organisational memory has proved informative, confirming insights in institutional economics regarding the significance of habits and routines in shaping institutional conduct as well as evolutionary arguments regarding the path-dependent nature of economic change. However, the academic focus given to both organisational memory and its cognitive frame has tended to focus principally upon the restrictive impact of these variables upon institutional performance. Teesside confirms this tradition's validity indicating that

memory can indeed act to the detriment of radical learning by embedding learning arrangements and expectations that although once appropriate, no longer continue to be so. Nevertheless I have also shown that memory does not have to be restrictive in nature but can in fact promote radical learning. As economic development organisations in Cracow have demonstrated, memory and cognition can also provide the rationale for change, with the past driving the experimentation and creativity necessary for radical learning to take place.

Given the central significance of cognition and memory in shaping institutional learning, this thesis suggests that the processes of unlearning, remembering and creative forgetting merit more academic attention than has been the case in the literature on regional development. The evidence collected suggests two areas for analysis. First, this thesis has indicated that the concept of unlearning is explicitly rejected by economic development organisations in both areas as a tool through which radical learning can be guaranteed. Instead unlearning is viewed quite simply as being an essential component of any institutional learning process. Even amongst those organisations that are unknowingly pursuing actions associated with unlearning - including for example alterations to organisational management systems and staff dismissals - these actions are driven by a need to exert authority and control and not as a means of securing radical institutional learning. This suggests that a theoretical distinction may now need to be made between unlearning that occurs naturally as part of the learning process and that which is a more conscious dismissal of past practices that break with inappropriate learning pathways.<sup>103</sup> Second, although a degree of consistency is displayed in what is being recalled it is clear that some events in Teesside and Cracow are remembered more vividly and used more frequently than others. Such an observation corresponds with theoretical claims regarding the notion of selective recollection (Simon, 1991; Turati, 1997). This term suggests that not every past event is recalled or applied in a consistent and comprehensive manner. But why should this be the case? Why for example does Teesside remember industrial glories that are over one hundred years old yet forget the

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<sup>103</sup> Following Johnson (1992) a useful distinction would be that of 'creative unlearning' but this would then require further elucidation as to the differences between this term and that of creative forgetting.

post war period of significant national investment? Similarly why do the majority of economic development organisations in Cracow appear to remember only the bad times under Communism yet forget the extensive social and community facilities made available during that era?

The results presented in this thesis have begun to answer these questions. First, organisations in both areas appear to remember the distant past through rose coloured spectacles and compare later 'bad times' to earlier periods of perceived economic success. Second, although economic development organisations in both areas share the same economic histories and experiences, differing interpretations of the same memory are invoked depending upon the present day purpose for which the memories are recalled. The clearest examples of this observation relate to the Teesside Development Corporation and the Cracow steel works. In the case of the former, beneficiaries of the significant financial resources on offer through the agency recall the period with keenness whilst those local authority bodies that saw their resources and responsibilities adversely affected, remember the agency considerably less fondly. In the case of the latter, whilst memory is invoked to substantiate workforce demands for a return to full employment, for Cracow's local authorities recollections of environmental pollution substantiate calls for the steel plant's closure. Similarly in relation to forgetting it is apparent that this process occurs accidentally rather than in the creative sense suggested by Johnson (1992). Indeed especially within Cracow many economic development organisations reject the need to creatively forget as it is assumed that such forgetting is only required when mistakes have been made. As mistakes are deemed to be useful in defining future institutional conduct creative forgetting is therefore perceived as unnecessary.

Clearly institutional economics through its identification of rules, routines and habits offers partial guidance as to how certain past events come to be either directly remembered or indirectly forgotten. But these insights could be usefully complemented by more detailed inter-disciplinary investigations into the actual procedures associated with remembering and forgetting. Such analysis could include for example studies into

the various institutional or environmental triggers that spark remembering and forgetting. As well as leading to a more thorough understanding of the processes themselves, such investigation would also enhance understandings of the influence that organisational memory and cognition can exert upon institutional learning.

Second, the study of institutional cognition in this thesis has indicated that the manner by which cognition is organised within agencies is also a crucial factor in defining either the radical or incremental nature of the institutional learning processes undertaken. In particular, this thesis has provided further evidence of the restrictions imposed by hierarchical organisational management systems upon radical learning potential and in doing so has usefully pointed to three issues upon which future research can be based. First through hierarchical management systems individual departments are encouraged to develop task specialisations. However due to the vertical structures of command and communication, any new ideas or interpretations deriving from such specialisation are not easily shared with other organisational members other than those working at the more senior levels of the organisation. This obviously limits the flow of new ideas and interpretation around the organisation leaving only the originating department and senior management exposed to any innovations presented. However, as in the Cracow case even when more decentralised organisational management systems are adopted in order to aid institutional learning, the institutional cognitions associated with the hierarchical systems characteristic of the Communist era continue to exist in staff attitudes. It would appear therefore that simply changing organisational structures away from hierarchies towards more decentralised forms is no guarantee of a corresponding shift in institutional cognition. This observation raises further questions. If for example deliberate changes are made to organisational management systems how long does it take for new, 'improved' institutional cognitions to develop? And are there any additional methods for speeding up cognitive change within organisation? Such questions could form the basis of future enquiries into the various ways in which cognition comes to be arranged within distinct institutional settings.

Second, this thesis has indicated that even within the same organisational setting, various institutional cognitions can emerge. Confirming claims in the literature (Robbins, 1990) the evidence presented suggests that intra-institutional cognitions can arise, partly as a result of the hierarchical organisational management systems in place. These internal cognitive sub sets need not necessarily be distinct from those affecting the originating organisation or indeed the wider institutional community. For example amongst Teesside's economic development organisations, the atmosphere of mistrust and insecurity affecting the institutional community pervades organisational boundaries and is represented in the protective and defensive stances adopted by individual departments. In this instance the differing institutional cognitions interplay in such a way as to restrict institutional learning but there may well be other situations where the existence of, and relations between, distinct intra-institutional cognitions actually facilitate institutional learning. These might include those instances where individual departments are physically situated away from the main organisational location or where staff turnover is far greater. As the development and impact of such cognitive sub-sets represents another important determinant of institutional learning processes it is a line of enquiry that remains open for further analysis.

Finally, this thesis has explored the impact of cognition upon the reflexive practices required if radical institutional learning processes are to be adopted. The evidence has indicated that in both areas, reflexivity is restricted by a need to deliver fixed economic development responsibilities and comply with the inflexible targets set by the major funding programmes, upon which economic development organisations are increasingly reliant. Currently for Teesside, these factors are forcing economic development organisations to focus upon justifying past actions and are simultaneously limiting the creativity and experimentation necessary to take reflexivity forward. Although in Cracow such restrictions are not yet apparent, they are likely to become so in the near future as increasing reliance upon European Union funded economic development programmes and growing financial instabilities in the public sector look set to intensify. Similarly practical obstacles undermine organisational appreciation of the value of intra-organisational dissent to radical learning. The term automatically carries with it negative

associations and is rejected on account of its ability to reveal examples of institutional failures which can ultimately affect financial and institutional viability. These very real practical obstacles are further compounded by the prevailing cognitive conditions. In Teesside these limit the value allocated to reflexive and dissenting practices. In Cracow the tendency to automatically reject the past and unquestioningly accept anything different also reduces the capacity of reflection and dissent to generate radical learning.

The study of reflexivity has proved to be an extremely interesting line of enquiry, providing further evidence of the importance of cognition to learning and highlighting some very real practical constraints upon institutional learning capabilities. However, the study of dissent, has been restricted by the negative connotations that the term inevitably carries due to its everyday usage. One reason why the concept of reflexivity may have been of more use in exploring institutional learning within the context of this thesis relates to the fact that the term has been broken down into a variety of stages - including monitoring, evaluation, experimentation and creativity. As these stages are capable of being studied in their own right a more comprehensive understanding can be gained of the various forces influencing the reflexive capacities of economic development organisations. By contrast the term dissent has been applied in a more 'universal' manner without reference to the various stages that potentially contribute to the delivery of intra-organisational dissent. Such stages may include for example the processes by which the problems to be solved are identified, the methods employed to gather potential solutions and the processes by which potential solutions are discussed, dismissed and accepted.

With the centrality of institutional cognition confirmed by the investigations undertaken in this thesis regarding organisational memory, management systems and reflexivity, a few concluding remarks are now necessary. As well as pointing to the key policy implications of my research, these observations allow for reflection upon the key theoretical shortcomings and benefits associated with the regional rediscovery literature. Three points in particular are salient. First, the research findings presented echo claims that regional economic performance is as much to do with social, cultural and

institutional variables as it is purely economic factors. This thesis has pointed to three such factors: regional learning capabilities, institutional forms and the operation of distinct institutional cognitions. Nevertheless, I share those concerns highlighted in chapter two regarding the growing academic preoccupation with highly socialised accounts of regional performance and the resulting neglect of important economic variables (Loveridge, 1993; MacLeod, 1999; Thrift and Old, 1996). Evidence collected in Teesside and Cracow has indirectly suggested that the economic actions and decision of large enterprises have had a dramatic effect not only in shaping social, cultural and institutional variables but also quite simply in economic terms - impacting enormously upon issues such as unemployment, growth and investment.

One way in which future research could achieve greater balance between economic and non-economic variables is through a more synthesised investigation into the links between learning processes and learning outcomes. Although this thesis set out deliberately to gain a clearer understanding of the internal organisations conditions motivating learning (Glasmeier, 1999; Smith et al., 2000), it is important that future research does not emphasise process at the expense of outcomes. Making links between learning process and outcomes - particularly in terms of economic results - may not necessarily be easy however, with institutional learning so often having intangible as well as concrete results. Nevertheless, it is a line of enquiry that could do much to enhance the relevance of the learning theme to discussions regarding regional economic variations.

Second, the regional rediscovery literature has tended to overplay the role of local assets as major determinants of regional economic success. This evidence presented in my research calls for a reassessment of this focus suggesting in particular that in both Teesside and Cracow the influence of national and international factors has been of crucial significance. Most especially, national government and European Union interventions have played an important role in guiding locally based public sector actors with their economic development priorities and actions. For example, in Teesside far-reaching national policy interventions have been fundamental in shaping local

institutional and economic conditions whilst Cracow has been dramatically affected by the decisions of wider European Union and international authorities. This acknowledgement that local, national and internationally based public sector agencies play such a significant role in determining regional economic opportunities, demands that far greater attention should be given to the structures and responsibilities of such agencies, and the factors contributing to their operational effectiveness.

Finally, in calling attention to the role of national government, international authorities and the public sector consideration of the very policies designed to stimulate regional economic growth is inevitable. My thesis has indicated that it is precisely within these policies that the greatest danger to institutional learning and regional economic development is to be found (Hudson, 1997). In particular, this thesis has indicated that additional flexibility is required in the economic development policies made available to public sector organisations. Policies could provide greater scope for independent action by removing the requirement to meet fixed, externally prescribed and time bound targets and outcomes. In doing so policy could go some way in providing public sector organisations with the conditions and confidence to experiment with new ideas and interpretations free from concerns about financial or institutional stability and allow organisations to confidently and productively challenge the validity of past actions and understandings. This in turn would promote progression down more appropriate economic development and learning thereby meeting more effectively the needs of the locality that as public organisations they are in place to serve.

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## Appendices

### Appendix 1: List of Interviewees

#### 1. Teesside:

Interviews conducted between October 1998 and February 1999

##### *a) Local Government Institutions*

Peter Ellis, Director of Economic Development at Redcar & Cleveland Council

Tim White, Director of Economic Development at Hartlepool Borough Council

John Foster, Ex Director of Economic Development at Middlesbrough Borough Council

John Gillis, Ex Director of Economic at Cleveland County Council

Les Southerton, Ex Director of Economic Development at Middlesbrough Borough Council

##### *b) Agents of Local Government*

Neil Etherington, Director at the Tees Valley Development Company

Magne Haugseng, Team Leader at the Tees Valley Joint Strategy Unit

Stan Stevenson, Deputy Director at the Cleveland Open Learning Unit

Kate McNaught, Manager at the Middlesbrough Training, Advice & Development Centre

##### *c) Regional Government Bodies/Initiatives*

Tony Dell, Director of Inward Investment at the Government Office for the North East

Rick O'Farrell, Civil Servant at the Government Office for the North East

Sir George Russell, Chairman at the Northern Development Company

Phil Shakeshaft, Project Manager at the Northern Development Company

##### *d) National Government Bodies/Departments*

None

##### *e) National Government Initiatives*

George Rafferty, Director at Business Link (Teesside)

Anne Heaton, Management Facilitator at Business Link (Teesside)

Doug Ross, Finance Director at the Teesside Development Corporation

##### *f) Elected Representatives*

Barry Coppinger, Councillor at Middlesbrough Borough Council

Bryan Hanson OBE, Councillor at Hartlepool Borough Council

Dr. Ashok Kumar, Member of Parliament for Middlesbrough South & East Cleveland

***g) Private Sector Bodies***

Brian Cauldwell, Ex Director of Personnel at ICI  
Simon Hamilton, Project Officer at British Steel (Industries)

***h) Private Sector Affiliations***

Richard Bell, Ex-Director at the Government Office for the North East and Consultant at Tees Valley Tomorrow

***i) Trade Union Representatives***

None

***j) Voluntary and Community Sector Groups***

John Kielty, Ex European Officer at the Workers Educational Association  
Bernard Storey, General Organiser at One Voice Tees Valley  
Graham Brownlee, Committee Member at South Bank Regeneration Partnership  
Ian Pallent, Director at The Five Lamps Organisation

***k) Local Authority Associations and Foundations***

None

***l) Universities and Research Units***

Laura Woods, European Policy Manager at the University of Teesside

***m) Regional Commentators***

Dr. David Byrne at the University of Durham  
Dr. Fred Robinson at the University of Durham  
Prof. Patsy Healy at the University of Newcastle  
Prof. John Goddard at the University of Newcastle

## **2. Cracow**

Interviews conducted between June 1999 and September 1999.

### ***a) Local Government Institutions***

Pawel Jastrezebski, Deputy Director of Economic Development at the Municipality of Cracow

Dr. Kazimierz Trafas, Ex Director of Strategic Planning at the Municipality of Cracow

### ***b) Agents of Local Government***

Slawomir Podgorski, President at the Municipal Development Agency

Radoslaw Kazmierczak, Economic Development Officer at East Cracow Regional Development Agency

### ***c) Regional Government Bodies/Initiatives***

Dr. Klemens Budzowski, Ex Director at the Cracow Regional Development Agency

Piotr Dudek, Project Officer at the Cracow Regional Development Agency

Andrej Komanski, Deputy Director of Strategic Development at the Cracow's Marshall's Office

### ***d) National Government Bodies/Departments***

Dagmir Dlugosz, Director of the Department for Monitoring of Reforms

Zdzislaw Niechcial, Civil Servant at the Ministry of Privatisation

### ***e) National Government Initiatives***

Marek Szczepanski, Project Manager at the Foundation for Small & Medium Sized Enterprise Promotion & Development

Alicja Dudzjek, Co-ordinator at the Matrix Project (British Council)

### ***f) Elected Representatives***

None

### ***g) Private Sector Bodies***

Jerzy Wojnar, Finance Manager at Huta T. Sendzimira

### ***h) Private Sector Affiliations***

Jozef Wegrzyn, Deputy Director at the Cracow Chamber of Commerce & Industry

***i) Trade Union Representatives***

Mieczyslaw Kucharski, President of Solidarnosc 80

***j) Voluntary and Community Sector Groups***

Janusz Wesolowski, Director at the Cracow Rehabilitation Centre

***k) Local Authority Associations and Foundations***

Stanislaw Alwasiak, Consultant with the Local Government Partnership Programme  
Maciej Korkuc, Deputy Director at the National Federation for Gminas & Powiats

***l) Universities and Research Institutions***

Marchin Zawicki, Consultant at the Malapolska School of Public Administration  
Dr. Skrzyper, Director at the Malapolska Institute for Territorial & Administrative  
Development

***m) Regional Commentators***

Dr. Czeslaw Mesjasz at the Cracow Academy of Economics  
Prof. Tadeusz Kudlacz at the Cracow University of Economics  
Prof. Jerzy Hausner at the Cracow Academy of Economics  
Dr. Anna Maria Orla Bukowska at the Jagiellonian University  
Dr. Boleslaw Domanski at the Jagiellonian University

## **Appendix 2**

### **Interview Procedures and Questions**

#### **1. Selection of Interviewees**

Desk based research identified the main economic development organisations and experts operating in each area. A list of potential interviewees was established and double-checked with an existing economic development practitioner or expert in each area. Once identified, introductory letters were sent to potential interviewees. This letter detailed the research rationale, the reasons behind contacting the organisation in question and a request for a convenient interview time. Enclosed with the letter was a selection of some of the questions to be addressed during interview. It was anticipated that this summary would allow interviewees to focus in advance upon the issues to be addressed during interview. In the case of Teesside, the majority of potential interviewees responded directly to the letter with only a small number of interviewees requiring a follow-up phone call. However in Cracow, it is research custom to contact each interviewee by phone, a few days after an introductory letter has been sent. This procedure allows potential interviewees to express in advance any individual concerns about the proposed interview.

#### **2. Research Questions**

In order to conduct the research an initial set of research questions was developed. These questions tackled the themes raised in the regional rediscovery and learning literature and broadly corresponded with the envisaged chapter structure for my thesis. These initial questions were piloted during two test interviews with economic development practitioners working in Teesside. Conducting these ‘dummy’ interviews allowed me to revise and clarify my research questions, determine the order by which the interview questions were to be delivered and crucially, assess the timing associated with the proposed interview questionnaire. In addition, within the Cracow context it was also necessary to examine the research questionnaire with the employed interpreter. This ensured that upon translation the research questions conveyed the required ideas and nuances and were consistently applied in both case study areas.

The interview questions employed can be divided into four categories. Category one questions provided the interviewee with an opportunity to outline their organisational role and responsibilities in economic development related matters. It was anticipated that the application of these relatively straightforward questions would first, place the interviewee at ease with the interview situation and second, serve to introduce themes to be explored by later interview questions. These themes included for example, interviewee perceptions of their organisation's position within the wider institutional community and the temporal and spatial aspects of their organisation's behaviour. The questions employed in category one were as follows:

- What is your current organisational remit in relation to economic development in your area?
- Why do you hold this remit and what importance do you attribute to it?
- Has your organisational remit changed over the years? If so why? If not, why not? How did your organisation recognise the need to change?
- How do you anticipate your future remit changing? On what do you base your view? What are you doing now to anticipate such changes?

Category two questions were designed to encourage the interviewee to reflect upon the wider social, cultural, economic and institutional conditions within which their respective organisation was embedded. Such questions dealing for example with the interviewee's perception of the major historical events, institutional shifts and cultural features to characterise their area's economic development trajectories were designed to mirror the discussion undertaken in chapter two of this thesis regarding the institutional and evolutionary aspects of regional economic performance. It was also anticipated that these questions would generate useful empirical evidence with which to complement, in chapter four, the literature reviews and desk based research that I had conducted into the economic and social histories of Teesside and Cracow. The questions employed in category two were as follows:

- What do you perceive to be the major problems and opportunities facing your area today? How have these changed over the years and why have they changed?
- How do you perceive the area's problems and opportunities changing in the future and on what do you base your view?

- Has your organisation always viewed the problems and opportunities in this way?
- Do you think the institutional arrangements underpinning economic development of the area have posed problems or opportunities? On what do you base your view?
- What do you think are the major cultural characteristics of your area and do they hold within them problems or opportunities? Have these cultural characteristics changed over time?

The questions falling into categories three and four represented the main focus of the interview questionnaire. Category three questions were formulated to explore the interviewee's understanding of the main internal factors influencing institutional learning process within their organisation. The questions were designed first, to reveal the main activities, sources and values associated with learning and second, to provide research material with which to validate those claims presented in chapter three regarding the impact of institutional cognitions, memories and organisational management systems upon institutional learning. Providing the empirical basis for discussions in chapter five, the questions employed in category three were as follows:

- Does your organisation have a strategy towards learning? If so why do you have such a strategy? If not, why not?
- How much importance do you attribute to learning for all your other organisation priorities?
- How does your organisation learn? For example, learning by imitation, learning by using?
- What form does learning take for example, seminars, training days? Why does it take place in this way?
- Who do you learn from? Why these organisations / people?
- How is learnt information treated once it arrives within your organisation? Is it acted upon immediately? Is it stored for future use?
- Does learnt information encourage you to make routine level changes or radical changes? What factors promote or inhibit changes of a radical or routine nature?

- What do you think are the main obstacles within your organisation to learning?
- How does your organisational structure affect learning?
- How is learnt information communicated throughout your organisational structure? Is it communicated to the wider institutional community?
- How does your organisation memory affect why you learning, what you learn, who you learn from?
- How do past solutions work their way into the collective memory of your organisation? For example mission statements etc.
- Is your organisational memory weakened or reinforced over time?
- Does your organisation undertake any explicit process of unlearning past ideas or established solutions?

Whilst category three questions were designed to deal with the internal organisational features impacting upon institutional learning, category four questions were formulated to reveal whether or not an interviewee's organisation could engage in the stages associated with radical, or double loop learning processes. It was anticipated that these questions dealing with institutional reflection, dissent, creativity and adaptability would provide the empirical evidence for discussion in chapter six of this thesis. The questions employed in category four were as follows:

- Does your organisation continually reflect upon established solutions and patterns of behaviour associated with economic development and planning? Why and when does this reflection take place? Who is involved?
- Does dissent occur in your organisation? How does the organisation manage dissent? Are there any learning benefits associated with dissent?
- Are past practices subject to ongoing testing, monitoring and evaluation? How and when do these activities occur and for what perceived purpose?
- Do you think your organisation is adaptable? What features does your organisation possess/not possess which acts to influence this capacity?

Interviews were tape-recorded and transcribed immediately thereafter so as to maximise discursive analysis and minimise those problems associated with misquotation, misunderstanding and memory distortion. As a result it is possible to present the

information gained during interview as direct quotations. Only where specific requests for anonymity were made, have quotations been adapted so as to mask the identity of the individual interviewee and the employing institution (Homan, 1991).

