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Markku Sotarauta & Reija Linnamaa

**The Finnish Multi-Level Policy-Making
and the Quality of Local Development Policy Process:
The Cases of Oulu and Seinänaapurit Sub-regions**

ABSTRACT

Theoretically this paper is based on soft strategy (communicative strategic planning) that balances different sides of policy-making, i.e. its instrumental, social, communicative and processual aspects. The main starting point in this article is that the solutions to many of the contemporary social and environmental problems on the one hand and success in economic competition on the other hand may not be found as directly as earlier believed in a search for correct answers, design of creative intended strategies or appealing visions. Instead of these means the solutions may be found in the quality of the communicative processes of decision-making, policy-making, co-operation, knowledge creation etc.

Empirically this paper focuses on the analyses of the quality of policy processes in two Finnish sub-regions outside the capital region, i.e. the sub-regions of Oulu and *Seinänaapurit*. First, the Finnish multi-level regional policy-making is described by programming procedures, second, the communicative strategic planning based theoretical framework is set, third, criteria for the analysis of the quality of policy process are created, fourth, such important analytical dimensions as information flow between key-actors, surplus value brought by each actor, commitment, touching-points between strategies, learning, forums, trust and responsibility are briefly analysed in the context of case sub-regions.

1. Introduction

The purpose of this article is to contribute to strategic policy making by redirecting the focus on the quality of policy processes as one of the most important issues in local and regional development policies in the creation of innovative architecture, innovative milieu, learning region, cluster and network based economy, etc. The point of departure is the notion that if the modes of development policies are built on interconnectedness and interdependencies, as is shown in a rapidly expanding body of literature, a new kind of strategic planning is also needed.

An excessively firmly established belief in instrumental rationalism-based planning models cannot meet the requirements of an ambiguous and rapidly changing environment, and the many more or less self-organising networks and clusters. They cannot be directed by the rather straightforward, linear models we are used to, because societal problems are not so well specified as assumed, the goals or objectives are not clear, or it is even doubtful if they can be brought to clarity during predecisional work as assumed. In addition implementation is not a phase distinct from the planning phase, but strategy itself is rather a never-ending process, and thus it becomes a two-way process, in which intended strategies affect the functions of an organisation but at the same time people, events, actions etc. affect strategies, changing them. Recognising, acknowledging and using this phenomenon to benefit the performance of the local/regional development and learning may be one of the key issues. Therefore, we propose two working hypotheses:

- The quality of the policy processes is not given enough attention and thus many of the shortcomings faced in local development policy-making are largely due to the fact that policy makers have had too strong a faith in the basic assumptions of classical strategic planning.
- Strategic planning is to be balanced by concentrating more on *the quality of policy processes*.

In this article, we first set the context of multi-level governance for local level policy processes by describing Finnish multi-level regional policy-making by programming procedures, second we take a look at the different sides of strategic policy-making, third, criteria for the analysis of the quality of policy process are created, fourth, such important analytical dimensions as information flow between key-actors, surplus value brought by each actor, commitment, touching-points between strategies, learning, forums, trust and responsibility are briefly analysed in the context of case sub-regions. The empirical analysis focuses on interactive development policy processes between various independent

municipalities and firms within the sub-regions. In this context a sub-region is composed of municipalities within a functional area, and it is determined by the municipalities themselvesⁱ.

2. Finnish multi-level regional policy-making

In Finland, the new Regional Development Act of 1994 came into force. It was an attempt to create a system that suits EU regional policy framework, increases the influence of local and regional level actors, improves the concentration of various regional development funds by programming, and increases co-operation between key-actors. By formulating regional development programmes an attempt is made to create a more structured and planned approach in regional development measures. The aim is to coordinate the funding of regional policyⁱⁱ measures more efficiently.

The new Act divides the responsibility for institutional regional development efforts between central and local government. However, a significant decision made in the reform of the Regional Development Act was *not* to change the existing relationships between various sectors, their funds and tasks in the regional development process. Most of the decisions concerning the actual use of regional development funds are still made by the national authorities, and Regional Councils co-ordinate the regional development policies and measures of various organisations at the regional level. Regional Councils are formed and principally financed by the municipalities of the region concerned. The coordination between many organisations has remained rather difficult, and consequently, in 1997 regional offices of the Ministry of Labour, the Ministry of Trade and Industry, the Ministry of Agriculture and Forestry, the Regional Development Fund and the Technology Development Fund were merged into regional Employment and Economic Development Centers. Thus, the state's regional "powerhouses" were created.

The founding of Employment and Economic Development Centers clarified the Finnish institutional set-up, even if it still remains to be seen if it was only an organisational gimmick, or whether the three ministries controlling its development funds will be able to cross the sectional borders and function as one unit. At all events, merging of state's regional offices was essential, because they are in a key role in channelling the EU structural and national funds to the regions. The money distributed from the EU structural funds is entered in the state budget on the debit side of the sectoral ministry in question. For example, EU structural

funds are channelled by nine ministries. Each sector uses EU structural funds when they are implementing regional development measures of their branch of administration.

In Finland, by definition, the institutional promotion of regional development is based on shared power between various state authorities and between central and local government, and thus in practice there is a wide network of actors which are dependent on each other.

Programming

The new Regional Development Act is intended to improve the coordination between the various sectoral policy schemes and integrate them by programming. According to the principle of partnership, both formulation and implementation of regional development plans are to be based on extensive cooperation between the Regional Council, various regional administrative authorities, universities and other educational institutions, private firms and non-governmental organisations. Regional Councils are in charge of the coordination of the programming processes. The question of relevant actors is considered individually in every region, but those authorities controlling regional development funds must be included. The aim of the extensive participation in programming is to increase the commitment of those organizations needed in the implementation phase.

As a new EU member state, Finland is implementing its first regional development programmes (objective 2 programmes were for two years and thus they have been updated). In Finland, the SPD (single programming document) approach is applied. In the formulation of programmes, *first*, as is the standard procedure, the commission and Finland negotiated about the areas to be financed and the types of projects to be financed in each area. After agreeing on these issues, Finland submitted proposals in the form of development plans on how it plans to channel the funds allocated to it.

Second, the financial framework and target areas were determined by central governmentⁱⁱⁱ. In addition to these rather fundamental questions, the guidelines for the administration and organizing of programming were laid down^{iv}. Central level preparation groups were appointed by the government, and specific groups for every objective were also appointed. The Ministry of the Interior, the other ministries and the Association of Finnish Local Authorities prepared instructions for the work at the regional level. (EU:n rakennerahaston... 1994.)

Third, the actual programming took place at the regional level in a loose framework created by central government. As mentioned above, Regional Councils are responsible for the actual programming process and coordination of regional level cooperation. Therefore the ways Finnish regional development plans were formulated differ somewhat between regions. In many regions the first step was to formulate sub-regional development plans, and the regional plans are based on those plans. Therefore, on sub-regional level numerous consultations were held to discuss, outline and disseminate information on what was already involved and planned in the regions. After completing sub-regional development plans the proposals were passed to the Regional Council for the preparation of regional development programme(s), and thus the discussing, informing and outlining continued. All types of partners were supposed to be consulted before the regional development plan was compiled.

After regional development plans had been drawn up, they were passed to the Ministry of the Interior, that is responsible for formulating national plans for objectives 2, 5b and 6 in cooperation with other ministries. However, the preparation of national plans to be submitted to the Commission had begun at the same time with regional programming. The process was overlapping stressing continuous discussion both horizontally and vertically (including EU officials).

Fourth, after compiling national plans from the regional plans, the government broke down the type of financing into different priorities, and decided how much each of them should receive. At the end of the programming process, there were three development plans that included the national proposal to the Commission. The Council of State approved the national programmes as the basis for the negotiations with the Commission. The Grand Committee of the Parliament was informed. (EU:n rakennerahaston... 1994.)

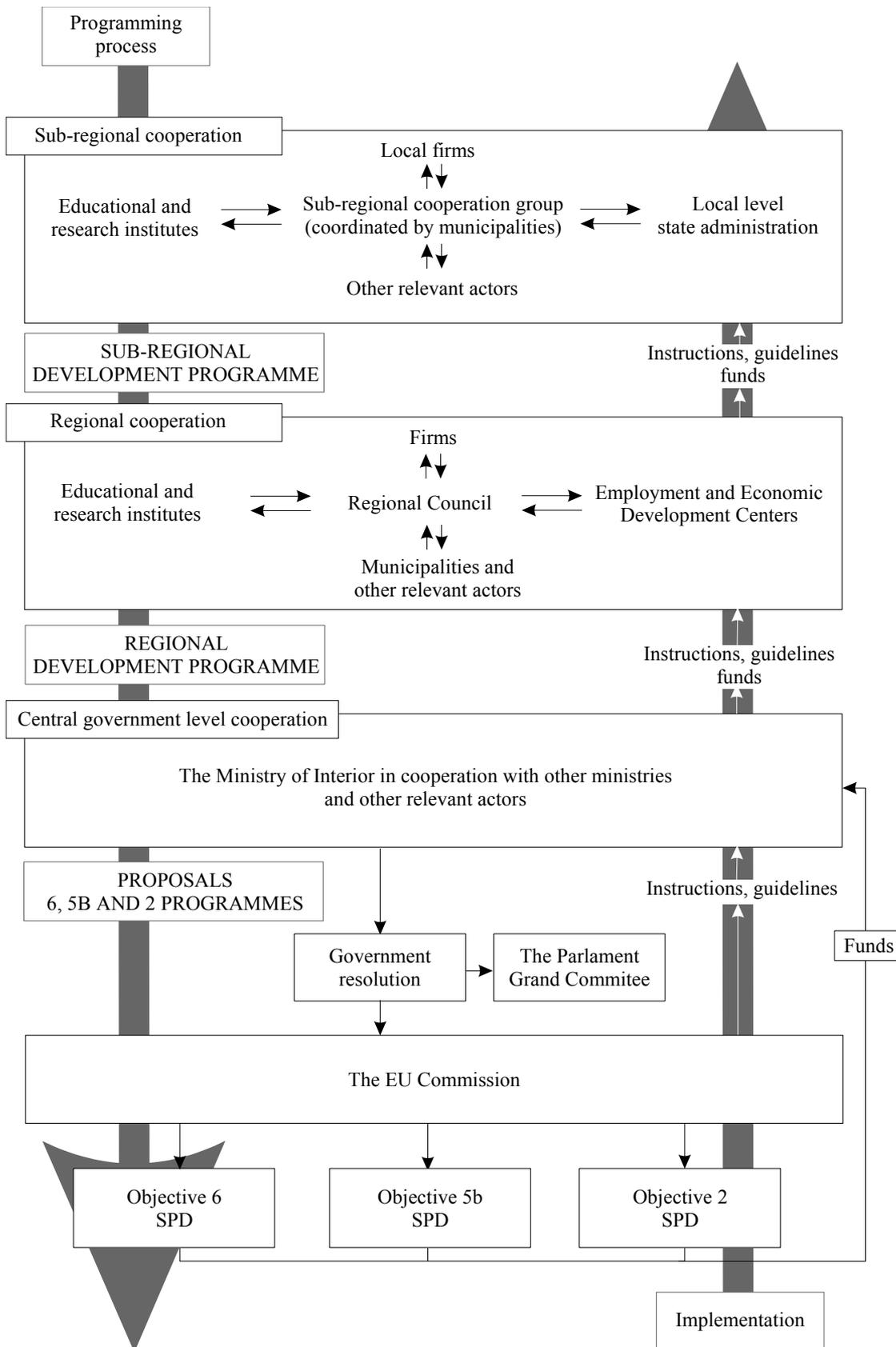


FIGURE 1. The programming process of objective 6, 5b and 2 development programmes in Finland

Programmes are implemented by means of various projects and business aids that are supposed to be parallel with the development strategies indicated in the development programmes. To ensure the coordination between different actors in the implementation phase various cooperation groups were set up. At central government level, the general responsibility is on assessment committees for the three objectives. There are formed by a wide spectrum of representatives from such organizations as ministries, Regional Councils, business organizations, labour market organizations etc. However, in coordination the main formal tools of Regional Councils are official statements, development programmes and programme agreements. A new means aimed at ensuring the cooperation between key-actors is the method of programme agreements in which the interested parties commit themselves to carrying out the objectives, projects and measures and to providing their share of the funding.

At the regional level, for the coordination, regional management committees were set up in every region. Regional management committees are supposed to take care of the coordination of the implementation process, and consider various bids for the support schemes (excluding business aid). Further, they are responsible for the assessment of the regional programmes. Business aids are not considered in the regional management committees in order to protect trade secrets. Thus an expert group for bids for business aids is set up. This group reports to the regional management committee.

In spite of the state's active influence over regional development policies municipalities have been active in the promotion of local economic development. Currently Finland is divided into 452 municipalities, which are very different in size and population. Because of their small size, Finnish municipalities have been forced to form voluntary or statutory joint organizations to take care of functions that are costly and need a large population base. There are some 350 intermunicipal joint authorities, the most significant ones in such fields as health care and education. However, in the promotion of local development, co-operation between municipalities began^v only in the 80's. Under the new Regional Development Act sub-regions form the smallest regional policy unit, and thus in many regions they are expected to make sub-regional development programmes for their own purposes but also for regional policy purposes, and for this reason among others, at sub-regional level, several different solutions to organise co-operation have been created.

Finnish multi-level policy-making stresses partnership, co-ordination and co-operation, and thus it can be seen as an inclusionary endeavour. However, it seems that the system itself has

become rather rigid and bureaucratic, and Sotarauta (1997a) has postulated that a) there is a danger of a rigid planning machine emerging, b) the sectional and organizational goals are usually stronger than regional goals, and c) in practice regional development programmes are arenas of struggles, negotiations and conflicts (see Healey, 1992), and essentially they should be used as such, as forums for communication. In addition they function as mirrors for potential partners and providers of financing. (see Sotarauta, 1995.)

Because multi-level policy-making is a large entity, we take here a closer look at the above postulates at local level only. Before that we ask by what kind of approach to strategy can a collaborative system be bolstered in real situations. Is there a need to redirect the focus? We do not analyse the new Act or organizational models, but focus on the strategic policy-making process.

3. Different approaches on strategy^{vi}

Our starting point is that new modes of policy-making need to be sought because the bottlenecks of co-operation, programming and the challenge of industrial clusters, networks and other interconnected entities, and the complexity, diversity and variety they reflect cannot be fully brought into the traditional government-oriented and classical instrumental planning approach, that still dominates the formulation of regional development programmes. Thus the next question to be scrutinised is: what kind of approach can we build for our practices in the new situation? The core of basic approaches to strategy is sought, some ideas about how to see their complementary aspects are presented, and the elements of the quality of policy process are defined.

Classical strategic planning

In the 1990s, classical strategic planning has become almost a standard method in Finnish policy-making, and it seems clear that, among other reforms, it has reformed public sector policy-making. Policy makers have tried to avoid comprehensiveness, and have paid more attention to finding and concentrating on the key issues. In addition, analyses of strengths and weaknesses, and the identification of opportunities and threats have become common. In the classical view strategy is seen as artful design, the basic premises treating strategy as

- *explicit* the basic idea being that strategies should be unique: the best ones result from a process of creative design, and they are built on core competencies. The assumption is that strategies must come out of the design process fully developed, they should be made explicit and, if possible, articulated, which means they have to be kept simple,

- *consciously and purposefully developed, i.e.* it is not the action that receives the attention so much as the reason; action is assumed to follow once the strategies have been formulated. This premise derives quite directly from the notion of rational economic man.
- *made in advance* of the specific decisions to which it applies. In common terminology, strategy is a "plan".
(see Mintzberg 1994)

Local and regional strategic policy-making has based on classical strategic planning. Visions, intended strategies and action plans have been designed to be explicit. The belief is that a good analysis leads to good intended strategies, and they lead to implementation and commitment. Attempts are made by development programmes and intended strategies to guide the development efforts of many organisations. Planning and implementation are usually seen as distinct from each other, the aim being to create a more structured and planned approach in local and regional development measures. The aim is to co-ordinate the funding of regional policy measures more efficiently by shared intended strategies. Efforts are often directed at building on core competencies and finding the competitive edge, to which resources can be directed.

One of the basic problems is that regional strategies has been seen as plans, and hence in large co-operative network, complexity easily replaces clarity and comprehensives have replaced cohesiveness, or as is often the case, strategic plans remain in too a general level and their power to guide the actions of many organisations is poor. Strategic planning therefore is easily divorced from the process of implementation. In times of rapid change it may be that the implementation gap cannot be reduced linearly simply by "formulating better strategies" and committing ourselves better to them; we have to be able to find policy-making models that recognize the non-linear nature of strategies. They should more often be seen as overall processes based on continuous learning. Strategies develop constantly, and, in a way, they are never realised. As Morgan states, managers of the future will have to learn to ride turbulent conditions by going with the flow, recognising that they are always managing *processes* and the flux rather than stability defining the order of things. (Morgan 1991, 291.)

The processual approach

The processual approach on strategy has, more or less, emerged from the criticism of the classical view on strategy, from the attempt to avoid the trap of classical strategic planning. The proponents of the processual approach have adopted different kinds of starting points and basic assumptions for strategy. They are less confident about managers' and policy-makers'

ability to find the correct intended strategies and guide actions by them. For processualists both organisations and policy implementation are often incoherent and muddled phenomena, and strategies emerge with much confusion from the incoherence and in small steps. Here it is essential to abandon any too well established belief on the idea of rational economic man.

Mintzberg (1994) has described the basic idea of the processual approach interestingly: "real strategists get their hands dirty digging for ideas, and real strategies are built from the occasional nuggets they uncover". Stewart (manuscript) writes: "Strategic management does not carry out the strategy, it builds an organisation capable of carrying out the strategy. It intervenes and, if effective, then withdraws. The art of strategic organisational change is wherever possible to work with the strength, for to work against it uses organisational energy in often frustrating endeavour."

According to processualists what matters in strategy is the long-term construction and consolidation of distinctive internal competencies. In this view, strategy becomes a patient inwardly conscious process that stresses simultaneously experience, internal competencies and constant learning. However, relying only on the processual approach there is a danger of overemphasizing parts (single actions) and the whole, i.e. comprehensive future consciousness, may be left behind, and thus if managing networks indifferently we may end up with intolerable fragmentation, where no-one is interested in seeing development holistically. As has already been stated, multi-level policy-making require abilities to cooperate, network, negotiate and understand different logic and goals. This leads to a need to widen the discussion by communicative planning.

The communicative turn in planning

The processual approach stresses intraorganisational learning, and thus it is intellectually linked to the discussion about communicative planning, that stress as (among other things) interorganisational learning. There already exist signs that both the planning and strategic thinking literature are retreating from classical, long-range, top-down and formalistic approaches to planning and strategic thinking and are stressing argumentative aspects of planning and seeing organisations as containing important social, political and cognitive elements. (see e.g. Healey 1992, Fischer & Forester 1993a, Sager 1994.) One clear proof of the new focus is the communicative turn in planning.

Let Healey (1992, 153) begin our search of the starting-points for communicative planning: "A communicative approach to knowledge production - knowledge of conditions, of cause and effect, moral values and aesthetic world - maintains that knowledge is not pre-formulated but is specifically created anew in our communication... We cannot, therefore, predefine a set of tasks which planning must address, since these must be specifically discovered, learnt about and understood through inter-communicative processes."

In communicative planning, as can be deduced from Healey's quotation, it has been emphasised that analytics' and policy makers' arguments should not be considered "truth" as such, and that every argument is not as valid as some other argument. Various arguments presented in the policy process may be rhetorical means to defend policy maker' status and power. (Fischer & Forester 1993b, 3.) The objectivity of policy-making has been questioned, and therefore questions to be posed are - not only *what* is said - but *who* said, to *whom* the argument was addressed, and *how* it was addressed (based on what arguments, whose arguments, and on what point of view). Throgmorton even maintains that all policy-making is based on rhetorical activity. Various analyses are not only objective knowledge providing methods, but rhetorical metaphors in essence. They give persuasion power, and they are always addressed to some other actor, and thus the audience becomes a noteworthy concept. Often various policy statements are responses to some other policy statements. (Throgmorton 1993, 120)

Rather than being marginal adjustments to the present (processual strategy) and programming existing strategies (classical strategy), communicative strategic planning would be *future seeking*, but not, like goal-directed classical predecessors *future defining*. (Healey 1992.) Forester (1989 and 1993) states that we need a critical pragmatism, pragmatics with vision, and planning can no longer be seen as a technical problem solving, but, as he states, planning can be seen as a questioning and shaping attention, and organising it.

In the practical-communicative view on policy-making, process is not seen as an input, but as a framework constituting within which politics and policies take place, and thus policy-making according to Hoppe, becomes "the capacity to define the nature of shared meanings; it is a never ending series of communications and strategic moves by which various actors in loosely coupled forums of public deliberation construct intersubjective meanings. These meanings are continually translated into collective projects, plans, actions, and artefacts,

which become the issues in the next cycle of political judgement and meaning constructions and so on.” (Hoppe 1993, 77.)

In local development strategy processes, there are usually incompatibilities between goals and strategies, and in the process of local development policies various actors easily come into collision with each other. Communicative planning is a way to read the situation of the complex networks and to see the needs of its members. In addition it supports in efforts to read and understand the logic of other actors and to reconcile strategies of many organisations to each other and to the needs of the sub-region as a whole. Hence one of the main aims is to balance the many interests to enable co-operation and improvement of the quality of policy process. In communicative policy-making process policy-makers are continuously in a search for mutual understanding between many strategies and goals, and thus the idea is not to implement shared intended strategy. Communicative planning thus stresses that partnership does not come true within a common strategy but *between many strategies*, and hence it calls into question on the basic assumptions in classical strategic planning based programming. In our view, strategies have many roles, and one of the roles is to enable strategic communication, and thus strategic planning is not seen as a planning procedure as such, but a tool in bringing about strategic consciousness. It contributes in learning and communication processes. Writing development plan is not the key to co-ordinating the actions of many organisations, but the main question is how strategies are communicated between many organisations? Therefore the test of a good strategy is not whether it portrays the future actions accurately and guides many organisations but whether it enables inter-organizational learning and adaptation, and facilitates communication within and between organisations.

4. Quality of Policy Process

The studies related to strategic policy-making in the promotion of regional and local development have usually dealt with problems like *why* actions happen or should be happening, and *what* is carried out or on the planning process prior the actual decision-making. However, it is as important to analyse *how* these things are being done. When thought is given to how things are done, the quality of the processes emerges as an important issue, and the question of how to combine possible and probable futures into our every day actions in a continuous communicative process so that we would not end up with intolerable fragmentation, where the future is always trampled by the issues of a moment but is still able

to “cultivate” the qualities of processes. The main starting-point behind this paper is that the solutions to many of the contemporary social and environmental problems on the one hand and success in economic competition on the other hand may not be found as directly as earlier believed in a search of correct answers, design of creative intended strategies or appealing visions. Instead of these means the solutions may be found in the quality of the communicative processes of decision-making, policy-making, co-operation, knowledge creation etc. too, and thus soft strategies are needed, and their quality becomes of utmost importance.

Soft strategy recognises that we are always managing interorganisational and communicative processes and the flux rather than stability defining the order of things, and therefore strategy cannot be merely a classical planning procedure. Strategy formulation, an artful design, is only a minor part of the overall strategy process, and intended strategies are always only abstractions in our minds, and in most of the cases they are focused to some other actor in the field. At the same time it is acknowledged that the visions, aims and strategies of other organisations do not necessarily resemble that of one's own organisation, and thus regional strategy process is the art of reconciling and balancing a variety of goals and interests both within and cross organisations. The stand taken behind soft strategies is communicative, open and flexible. In this view soft strategies are not plans to rewrite, not plans to implement as such, but an overall processes that provides decision-makers with strategic consciousness and a way to mirror single decisions and actions in proportion to both present situation, future and environment. The quality of soft strategy process is emphasised, and the basic questions to be scrutinised in the context of our two cases are:

- *Information* - what is the meaning of information for the quality of the policy process?
- *Surplus value* - what is the meaning of surplus value for the quality of the policy process?
- *Commitment* - what is the meaning of commitment for the quality of the policy process?
- *Touching-points* - what is the meaning of touching points between goals for the quality of the policy process?
- *Learning* - what is the meaning of learning for the quality of the policy process?
- *Forums* - what is the meaning of formal for the quality of the policy process?
- *Trust* - what is the meaning of trust for the quality of the policy process?
- *Responsibility* - what is the meaning of responsibility for the quality of the policy process?

>>> The focus is especially on the interdependency of these factors, i.e. how they corroborate each other.

(Sotarauta 1997b)

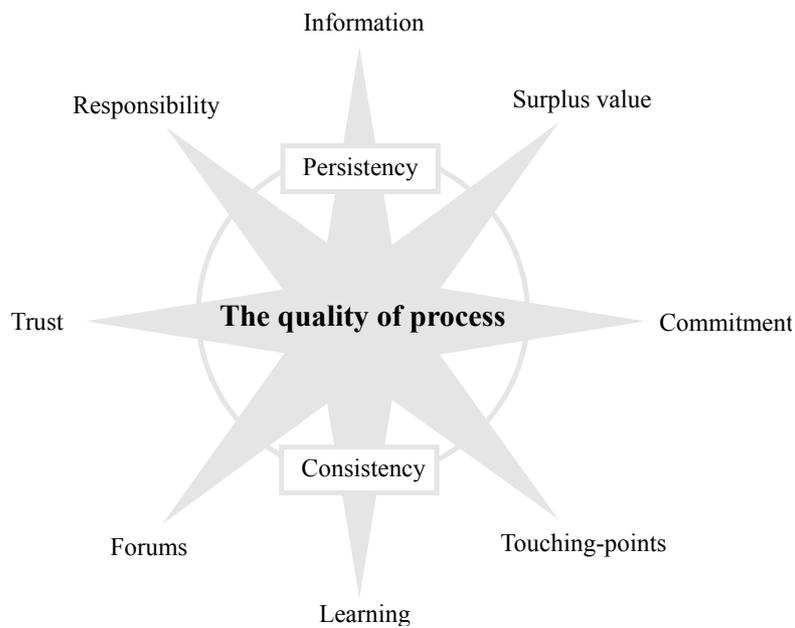


Figure 2. The elements of quality of the soft strategy process (Sotarauta 1997b)

5. Vicious and less vicious circles

Case I - The sub-region of Seinänaapurit

The sub-region of Seinänaapurit is situated in Western Finland. It consists of seven municipalities and its total population is 81 953. The centre of the sub-region is the town of Seinäjoki its population being 29 039, and the population of the other municipalities varies between 4040 and 12 005. The region as a whole is known to be an entrepreneurial region. The spirit of enterprise is reflected by the great number of small enterprises. On the average, however, the enterprises are small. The structure of the regional economy has traditionally been dominated by agriculture, even though it has gradually become less dominating during the last decades but still forms the economic backbone of the region. Agriculture and forestry employ 21.0 % of the workforce compared to 8.6 % on national average. The Seinänaapurit sub-region is somewhat divergent internally. The Southern part of the sub-region is clearly rural and economic life is still dominated by agriculture, and, on the other hand, its northern parts have a more versatile economic structure (see table 1).

Table 1. Share of workforce in *Seinänaapurit* case, % (Statistics Finland 1994)

	<i>Town of Seinäjoki</i>	<i>North- Seinänaapurit^{vii}</i>	<i>South- Seinänaapurit^{viii}</i>
Agriculture and forestry	1.9	9.8	25.1
Industry	16.1	17.7	22.9
Construction	4.9	5.3	6.0
Trade	17.5	16.3	11.1
Transportation	9.1	8.0	5.6
Business	9.1	7.9	5.8
Other services	37.7	31.7	20.8
Unknown	3.7	3.3	2.7
Total	100	100	100

The town of Seinäjoki reflects the general character of its surrounding sub-region having though one notable exception. The share of agriculture of the workforce is only 1.9 %, and thus the economic character is somewhat different from its neighbouring municipalities. However, as in the region, there are plenty of small businesses in Seinäjoki. The major economic sectors are large-scale food industry, carpentry, electronics, electrical appliances, engineering industry and commerce.

The functional co-operation unit between municipalities was formed by the municipalities in 1996, and it is called the *Seinänaapurit*. *Seinänaapurit* consists of the seven municipalities introduced above. Co-operation between municipalities, in a context that is now called *Seinänaapurit*, began in the end of the 1980's with a joint marketing project in the media, targeted at the people and companies in southern Finnish cities. At that time the aim was to promote awareness of the possibilities the various municipalities can offer. At the same time they had shared an fairly extensive training on strategic planning in sub-region. In addition the municipalities launched together a project to promote the use of information technology, marketing, networking and quality in metal industry companies.

The context for the co-operation was created by founding a common organisation. Its highest decision-making body is the *Seinänaapurit* board that consists of the politicians appointed by the seven municipalities. Each municipality has three representatives in the board. The decision-making in the board is based on the principle of unanimity, and the board must have the confidence of each member municipality. The executive body, the *Seinänaapurit* Commission, is formed by the municipal directors of the respective municipalities. It takes care of co-ordination, preparatory and executive tasks concerning co-operation between

respective municipalities. In addition *Seinänaapurit* has a shared officer who is in charge of the operative tasks.

According to EU criteria, *Seinänaapurit*, as indeed whole South-Ostrobothnia, is a 5b -area, and in the case of *Seinänaapurit*, the most important function for the co-operative unit is to take care of the local development policy (development programmes and co-ordination or their implementation and co-ordination of many projects) concerning regional policy in the sub-region. In addition, the municipalities have been active in the field of education by founding together Seinäjoki Polytechnic.

In the case of *Seinänaapurit*, sub-regional co-operation is characterised by the fact that on the one hand other municipalities within the sub-region are relatively strong in proportion to Seinäjoki, its central position is somewhat faltering (see Vartiainen 1997), and on the other hand rather traditional rural municipalities have different starting-points for the development programmes and various projects, and hence town of Seinäjoki, the centre of the sub-region, prefers its own strategies and activities to sub-regional policy, and thus it keeps its own development policy somewhat away from the sub-regional policies. It prefers co-operation with state authorities, business service organisations and firms to the other municipalities, and for example entrepreneurs indeed consider town of Seinäjoki to be enterprising. However, entrepreneurs participate mostly in projects, and strategic planning is taken care by town officials. In any case Seinäjoki can be defined as an enterprise-friendly town. Reciprocity and trust between the town administration and local companies seems to be rather favourable, but co-operation between municipalities is seen as somewhat disconnected from the other networks.

Paradoxically though Seinäjoki has been active in the creation of a shared organisation for the sub-region, and we might argue that Seinäjoki considers co-operation between municipalities an important factor (we would say that is not the case only in speeches but in practice too), but the problem is that more agricultural neighbouring municipalities have somewhat different starting points, expectations and needs for co-operation, and it is reflected in the quality of the co-operative policy process. It is rather poor. There cannot be found any single cause for this, but rather a chain of causes forming a vicious circle in which the factors of the quality identified above corroborate and thus hollow out development programmes and many efforts to promote local development. However, in order not to give too gloomy a picture of the situation in *Seinänaapurit*, it must be stated that the municipalities have been able to

implement many successful projects together. The identified vicious circle is predominantly an effort to balance the continuous strategy process by redirecting the focus on the “soft side” of the strategy processes too, and to support efforts to make the policy process flow more efficiently and get more out of co-operation.

From the classical strategic planning point of view, *Seinänaapurit* having been able to found a fairly flexible joint organisation and to formulate a fairly competent development programme, we might argue that the shortcomings in the strategy process are in the implementation phase, that there is a lack of commitment in the concrete means. According to our analyses, the problems are in the quality of policy process and are reflected in many ways in different phases of the strategy process.

Having poor quality, formulating strategies becomes easily a “strategy ritual” where everything seems to be in order, but under the surface, quality is falling to pieces and thus plans are not implemented as planned, and the question is not directly about lack of commitment or lack of competence to implement plans, but a more subtle question about the quality of the process. Even if the municipalities have been able to agree on long-term objectives on a “visionary level”, but being different by economic character they have had difficulties in finding a common emphasis for the intended strategies, they have had difficulties in agreeing on concrete measures and thus, it has been troublesome to agree on division of labour between municipalities too. This kind of situation has led to diminishing trust, weakening commitment and unwillingness to share both explicit and tacit knowledge, which on the other hand has led to diminishing trust, lack of commitment and to tightening relationships between key-actors.

However, it must be stressed that the chain briefly illustrated is not linear in nature, i.e. it does not necessarily have a specific starting point, it emerges gradually until it is strong enough to penetrate the surface and have negative side-effects. It has not started in strategic planning, in formulation of development programme, but it seems to be clear that the diminishing commitment and lack of trust have had an effect on planning, and instead of being creative planning procedure that creates and finds new intended strategies, it has become, simplistically put, an empty “strategy ritual”, in which the main aim is to save face and produce the planning document. The vicious circle of *Seinänaapurit* is illustrated in Figure 3.

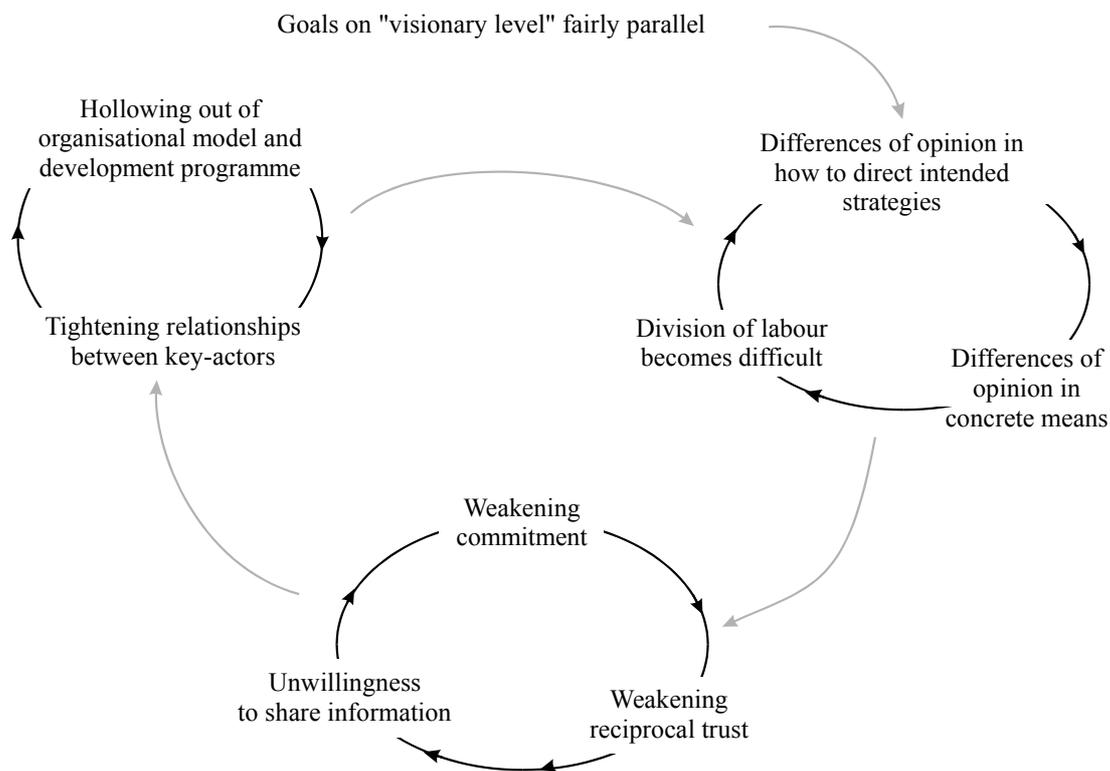


Figure 3. The vicious circle of *Seinänaapurit* reflecting rather poor quality of policy process.

In this kind of case as it is in *Seinänaapurit*, the question usually to be posed is: how to make various organisations better committed to the local strategies. However, we would put this question differently: how to generate better quality in the process, what are the factors that can be influenced, how to turn the flow and how to get various organisations committed to generating quality, making them not only to discuss intended strategies and visions, but to discuss the communication culture, information flows, trust, etc., and perhaps to find ways to use planning procedures not only in “making better strategies” but in improving quality as well.

One of the problems, however, is that key-actors are not trained or experienced dealing with such soft questions. There is a need to redirect the focus because the current policy thinking is dominated by the classical strategic planning models, that are not adequate in collaborative forms of policy-making. Policy-makers do not know how to handle crumbling quality.

In this case the worst obstacles to a free flow of policy process were the lack of understanding for the partners’ view, excessive protection of one's own territory, prejudiced and old-fashioned attitudes toward other municipalities and fear of working for the others and not benefiting by themselves, i.e. there is an inability to see quality as a strategic factor in the

promotion of local development, and an inability to see things from different perspectives and to consider beyond the status quo. Very often such "human inabilities" are simply forgotten and economic issues stressed. The worst obstacles emanate mostly from local decision-makers, their attitudes and lack of understanding how to fine-tune the policy process, i.e. how to read the situation, to see the needs of the partners, to reconcile strategies of many organisations (to work between strategies) and to balance varied interests.

Case II - The sub-region of Oulu

Oulu is the largest city in Northern Finland and it is situated on the Gulf of Bothnia. Oulu's sub-region consists of the city of Oulu and the six municipalities around it. The population of Oulu is 109 094, and the population of the other municipalities varies between 955 and 14 896.

In the early 1980's, Oulu launched an effort to develop Oulu as a City of Technology, and one of the major initiatives was to found Oulu Technopolis. It was the first science park to be created in the Nordic Countries and today it is well-known high-tech concentration. By now City of Oulu (and its sub-region) has earned a reputation of proactive and dynamic in the field of promotion of local development. In addition the co-operative spirit among firms, municipalities, research and educational institutes and other public agencies is well known and respected in Finland. In Oulu-subregion, the major economic sectors are electronics, electrical appliances, paper and pulp, food industry and chemical industry. The main branches of economic activity to be promoted in the Centre of Expertise programme are electronics, telecommunications, medical biotechnology and medical technology.

Table 2. Share of workforce in Oulu-case, % (Statistics Finland 1994)

	<i>City of Oulu</i>	<i>Oulu's sub-region</i>
Agriculture and forestry	0.7	1.9
Industry	18.2	19.2
Construction	4.4	5.3
Trade	15.2	14.7
Transportation	6.9	6.9
Business	12.0	11.3
Other services	39.3	37.5
Unknown	3.3	3.1
Total	100	100

In Oulu's case, our analyses indicated that co-operation between municipalities is only a one part of the whole network promoting development of the sub-region. For example, when formulating intended strategies for the sub-region entrepreneurs participated extensively. For example, in 1991 altogether over 40 entrepreneurs participated in strategic planning, and in 1995, when the strategies were updated participation was even more extensive over with 80 people from companies, educational and research institutes etc. participating. At the same time the centre of excellence programme was dated, in which additional 80 representatives from various organisations participated. In the case of Oulu it is characteristic too, that in strategic planning the various task forces are chaired by an entrepreneur and representatives of municipalities are working as their secretaries. Thus, the whole approach is very inclusionary and corporate friendly. Co-operation is based on a wide network.

The co-operation between municipalities in the promotion of local development dates back to 1991, when a above mentioned development strategies were formulated. Other municipalities were involved in the process and the strategies created were sub-regional in nature. However, in Oulu's sub-region the co-operation model is loose. Currently it is guided by a "sub-region contract", in which goals, some projects, funds and organisation are presented and agreed for the period of 1997 - 2000. The City of Oulu takes care of the administrative tasks, and for example shared funds of the promotion of economic development -team are paid by the municipalities according to their size.

As the supreme governing body there is a board consisting of five politicians from Oulu and two from all the other municipalities. It takes care of strategic issues. As a more operative tool (in practice strategic too) there is a committee composed of municipal managers from each municipality. Its function is to coordinate various teams, prepare issues for the board and responsible for implementation. Under the subordination of the board and committee, there

are three different teams, i.e. culture-, structural- (physical planning staff) and local economic development team. In practice, the core function of the teams is to co-ordinate various projects and activities of different municipalities, and generate new ideas and projects.

According to our analyses the quality of policy process in the Oulu sub-region is high, and presumable, it is one of the elements explaining Oulu's successful performance. The strengths of the Oulu co-operative policy process include such issues as clearcut intended strategies since the early 80's, wide participation of entrepreneurs, and in addition common experiences have strengthened co-operative spirit, i.e. success generates new co-operation. However, there are some tensions in the process too, within the municipal organisation other administrative sectors have not been able to swallow the significance of local development strategies as well as the economic affairs office, and thus there are some co-ordination problems within the municipal organisation. In addition, having the clear intention of promoting high-tech, the city of Oulu has faced a problem as to how to balance the interests between those lines of business who are included in the strategies and those who are not. Strategy is always a choice and in a democratic context it creates some discussion of its justification. However, it must be noted that those entrepreneurs criticizing strategies do not criticize their contents, but in to their view the city should pay more attention to the other branches too. As the case is often in development policies, there is some misunderstanding between entrepreneurs and local government too, but one of Oulu's strengths is an ability to take such human and qualitative elements into consideration and work to reduce them.

In Figure 4, there is a similar kind of simplified illustration of Oulu's co-operative policy process as was made for *Seinänaapurit*. In this case it is positive in nature, and some tensions are seen as possible factors that may change the course of the cycle if not dealt with (outer grey circle).

In the Oulu sub-region strategic priorities are fairly clear, and strategic planning has been effective, having been able to formulate intended strategies for a wide network of actors. In our analyses the good quality of the communicative process is an essential element in being able to create such an inclusionary planning and implementation process, and actually we argue that the reciprocal and mutual trust based network of key-actors is a key to the communicative process, and it is further a prerequisite to effective planning procedures. At the same time strategic planning, formulation of intended strategies has promoted the emergence of high quality process... The circle is rolling on.

The loose organisational model based on mature communication culture supports strategies, and is inclusionary in scope. There is a clear commitment to the co-operative process on the one hand and intended strategies on the other hand, there is a fairly well established shared view how to carry out strategy process in wide co-operation, and this has lead to increasing trust and reciprocity between key-actors, fairly good information flows, feedback and thus also learning. Based on this kind of reciprocal and inclusionary process strategic planning, as a minor part of the whole process, becomes to be of good quality, and has a true guiding role for the development efforts.

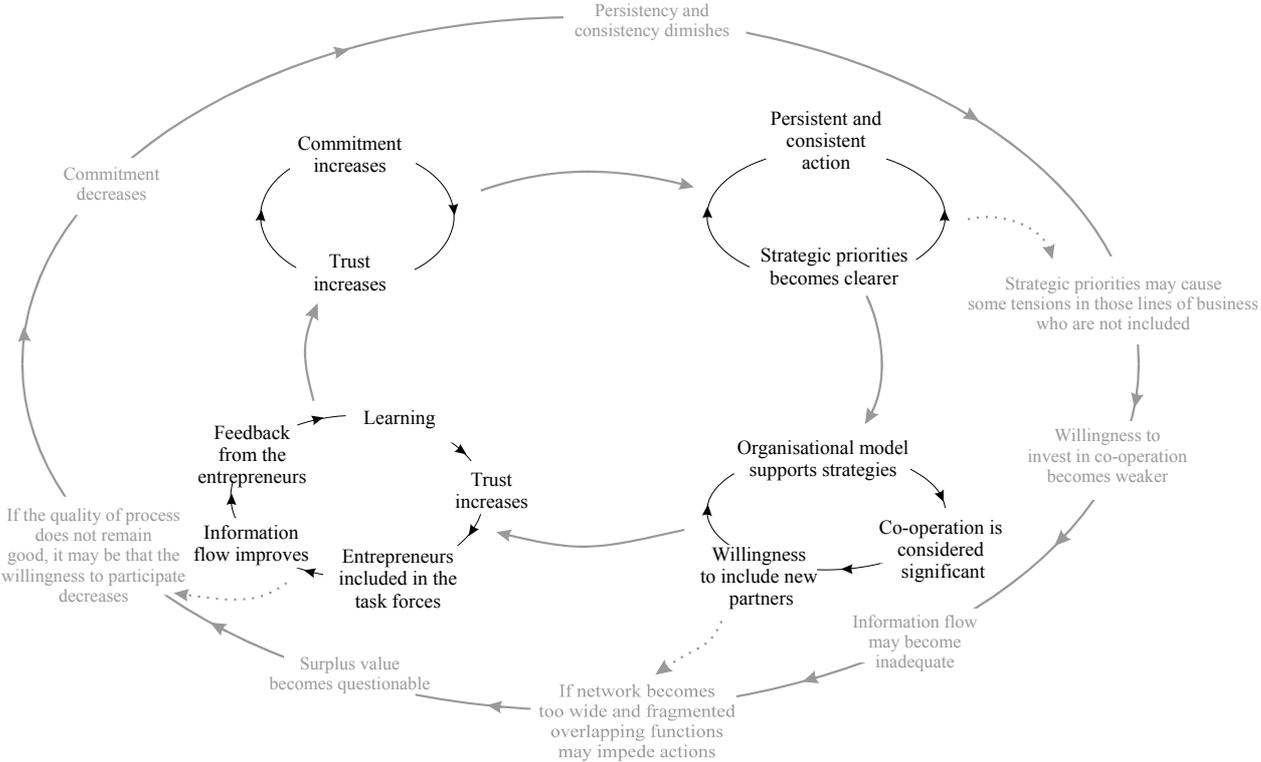


Figure 4. The positive circle of Oulu's sub-region reflecting rather high quality policy process.

6. Conclusion

As a tentative answer to our hypotheses, we can draw a conclusion that (at least) some of the shortcomings faced in local development policy-making are due to policy process of poor quality, and that policy process of good quality is one the major preconditions in successful collaborative policy processes. We found the quality of policy process as a relevant focus not only from the scientific point of view but from the policy-makers' point of view too. Based on our observations at the local level, we propose further hypotheses for the studies concerning the whole multi-level policy-making system: If the quality of policy-process is poor, multi-level regional policy-making may become a rigid planning machine, and vice versa, i.e. if the quality is good one, multi-level policy-making has a chance to become a form of dynamic governance.

Our analyses strengthened also the view that local development policy in Finland is nowadays based on network-like mode of action in which several interest groups take part, and in which the co-operation between municipalities is only a part of the whole network. In addition, it seems to be evident that there is no "third party" to control the network, but rather there is a process controlling itself being full of confusion due the incoherence and conservatism. The analysis of the quality of process strengthens the view that in addition being strategic intentions and development programme, strategies are patient inwardly conscious processes, that stress at the same time experience, internal competencies, constant learning and future prospects. Thus the strategy process can be seen as a quest for strategic consensus building, transforming a set of intentions, visions and knowledge into action through an unbroken sequence of interpersonal and interorganisational strategies in issue-based forums (cf. Healey 1992). During this continuous process, various goals and strategies of individual organisations are made as parallel as possible by communication and negotiation.

It can also be said that, above all, the starting points of the respective sub-regions give shape to the economic development processes, i.e. policy processes are path-dependent and the mental models may be based on experience and education that are not adequate in a new situation. If the quality of process is poor, and key-actors are not able to unlearn their ways of doing things, it is more difficult fully to utilise existing strengths. In addition the results

confirm the assumption that the quality of policy processes consists of various factors which form chains where the factors corroborate each other. If, for instance, there are problems with personal relations between central development actors, these problems may disturb information flow in the network, weakening trust and commitment. This link may make it difficult to agree on touching-points between strategies. When the actors cannot agree on the touching-points, i.e. concrete actions that are based both on the interests of individual municipalities and the needs of the sub-region as a whole, their commitment to economic development policies may suffer. Consequently, key-actors become aware of this lack of commitment, their attitude to the other key actors may weaken.

The results indicate that the quality of policy processes is to a great extent founded upon some key actors, also when a large area of activity is in question, and hence, even if the network is emphasised the co-operative attitude of key-actors is crucial to successful co-operation and a process of good quality. For example, when the attitude to co-operation is disparaging, this is easily sensed in the network and the effects reverberate and may have unexpected consequences. When readiness is small, it is difficult to achieve concrete results and then the attitudes become even more negative than before. Thus, it can be stated that the attitude and the action itself are more important than the organisation models of co-operation for successful action and the quality of policy process. On the other hand, well-organised co-operation can facilitate co-operation and improve the co-operation atmosphere.

An important weakening factors in the quality of policy processes according to our study is, on the one hand, key actors' difficulty in understanding the starting-points and aims of the other key-actors. There is the danger that personal relationships become acute and the adjusting of aims becomes more difficult. On the other hand, because the main cities of their sub-regions are bigger and thus have more both human and material resources the question regarding the quality of sub-regional co-operation is: what is the surplus value gained by main cities brought by co-operation with the smaller neighbouring municipalities. As it was simplified: The big one bakes the bread and when it's ready the small ones only eat the raisins out of the bread.

Even if clusters and networks highlight rather well the quest of more horizontal and interorganisational approaches in the Finnish development policies, policy makers' and politicians' ways of understanding themselves and their operations seem not to have changed as much as the general policy environment and their aims. Their view of policy-making is still

dominated by rational planning models, models that draw on product, accomplishment, and goal-oriented approaches that operate within means-end structured problems, i.e. within instrumental rationalism. Currently policy-making in practice is dominated by classical strategic planning models. As such they do not suit the world of shared power.

Local intended strategies seem to include an assumption that the actions of various organisations can be guided by them. Efforts are made to squeeze the multiversatility of organisations and their strategies and goals within mutual strategies. However, as is obvious, every organisation has its own aims, objectives and strategies. In addition to that, they all have some ideas considering the local and regional environment, i.e. what is good for the region. The question about the nature of local and regional strategies should be extended, and the communicative and/or argumentative turn planning theory provides us with a plausible basis to build on. Our argument is that in addition to content and context oriented classical strategic planning a more flexible, communicative and process oriented view in local development policy should be advocated.

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ⁱ There is a formal sub-regional division created by the Finnish Ministry of Interior, but in some cases municipalities do not directly follow its boundaries, and the decision concerning the co-operation is made by municipalities.

ⁱⁱ In Finland, regional policy is a wide concept, it is not possible to separate it completely from other forms of policy. Speaking of Finnish regional disparities and efforts to work for balanced development such sectoral policies as rural policy, technology policy, unemployment policy etc. must be taken into consideration. For example rural policy is a part of regional policy, but on the other hand, viewed from the other angle, regional policy is only a part of rural policy. (see Rural Policy... 1992.) A similar relationship exists between other sectoral policies too. Programme based regional policy can be seen as an attempt to coordinate different sectoral policies by development programmes.

ⁱⁱⁱ The Ministry of the Interior makes proposal and after that the government resolution is made.

^{iv} Government resolution

^v In some cases it began already in the 50's

^{vi} This chapter is an abbreviation of Sotarauta (1997b)

^{vii} Includes the municipalities of Ilmajoki, Nurmo, Seinäjoki and Ylistaro

^{viii} Includes the municipalities of Jalasjärvi, Kurikka and Peräseinäjoki