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Regional Network for Quality Promotion: A Case-study of the Basque Country

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ABSTRACT *Quality promotion as a means of improving competitiveness is a major objective in many countries. This paper examines successful practices in the Basque Country over an 11-year period, with a view to shedding light on the theoretical literature. Research on policy networks has produced useful results but we are still some way from a plausible, consensus-based theory of policy networks. Based on experience in the Basque Country, an integrated approach to understanding the antecedents and consequences of a regional knowledge-driven network for quality promotion is offered. Other regions in developing countries could use this approach to achieve successful policy networks. Although Total Quality Management implementation in public sector entities has been studied before, evidence about Regional Quality Promotion experiences is scarce.*

Quality and the Basque Country: An Overview

About Quality

Over the years the concept of quality has evolved from a quality control system directly related to product and service quality, including production process checking, into a global management system.

Desmarets (1995) identifies three key steps in this evolution: (1) quality control (QC), (2) quality assurance (QA) and (3) Total Quality Management (TQM). QC is the combination of operational techniques and activities used to verify the quality requirements of a product or service. QA is the combined set of planned and systematic actions necessary to ensure that a product or service is going to meet the established quality requirements. Total Quality is a management strategy to be implemented by organizations designed to achieve a satisfactory balance between customer and staff satisfaction, shareholders' requirements and expectations and those of society in general. The international development of TQM has led to the appearance of various TQM models, also known as Excellence Models.

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QA refers basically to product, while TQM encompasses organizational management in its entirety. The transition to TQM is, then, a complex process requiring time and effort.

An extensive literature analyses the motivations for and results of implementing quality systems in organizations (Anderson *et al.*, 1994; Vloeberghs & Bellens, 1996; Brown *et al.*, 1998; Häversjö, 2000; Heras *et al.*, 2002).

QA systems help companies reduce errors, improve delivery time, increase customers' satisfaction and develop brand image. Nevertheless empirical studies highlight external factors (basically customers' demands) as main drivers of the implantation of QA systems at businesses (Vloeberghs & Bellens, 1996; Withers & Ebrahimpour, 1996). TQM systems make qualitative leaps possible in company management. Theoretical literature has found that internal factors provide the main motivations for the implantation of TQM systems in organizations (Arana, 2003).

About Basque Country (BC) Profile

Located in the north-east of Spain, the Basque Country (BC) is the largest industrial area in the country. It has an unusual culture and an ancient language about whose origins linguists still disagree. In the 1970s, with the collapse of the steel industry and the worldwide energy crisis, the industrialized Basque region was hit particularly hard. After the death of Franco, the Autonomous Community of the Basque Country ("The Basque Country") was created in 1979.

With its new powers of self-governance and taxation, the young Basque Government faced some daunting challenges. Its major industries were on the verge of collapse and the new leaders lacked an explicit economic development strategy for the region. The Ardanza administration, 1985–1999, initiated a cluster-based economic development strategy in the early 1990s, a strategy continued by the subsequent Ibarretxe administration. Today basic data for the BC are: size: 7234 km²; population: 2,082,587 inhabitants (5.4% of the population of Spain); gross domestic product (GDP) per inhabitant, 2003: 107.4 (EU 15 = 100; Spain = 87.4); industry gross added value: 32.7%. Population density in the BC is high, the region's industry is solid and its GDP higher than the overall Spanish one.

An important point about the BC is that it has its own fiscal system, with the power to levy taxes, giving it an unequalled degree of financial autonomy in the European setting to which it belongs. The BC has a large range of administrative powers, the most important affecting industry, education and public investments.

About BC Quality Promotion Policy (QPP): A Brief Chronological Description

The BC has worked continuously towards excellence in three phases:

- (1) QA in industry (1993–1996). The first programme for quality promotion in industry was QA oriented and was created in response to the need to foster the development of a lasting, self-sufficient quality movement. The programme's main objective was to improve the competitiveness of Basque companies through the implementation of quality management systems. The basic means to this end was the exchange of theoretical knowledge and practical experience between quality experts in the BC and Basque companies.

- (2) Total quality in industry (1997–2000). The second programme for quality promotion in industry (1997–2000) was designed to respond to the situation of businesses seeking to improve their management performance. In this sense, it rounded off the existing quality promotion mechanisms. The basic objective was to make Basque companies move along the quality path beyond certification, i.e. to change from product quality to quality management, and adopt TQM as the basic strategy for improving competitiveness. Although quality system certification, especially for small and medium sized enterprises (SMEs), is an important means of demonstrating a company's compliance with customer requirements, it is not enough to ensure economic survival. The implementation of quality management strategies oriented towards customer satisfaction and based on continuous improvement supported by staff motivation can provide firms with a tool for increasing competitiveness.
- (3) Emphasis on other organizations (2000–) and cross-institutional integration. The strategy extends to any Basque organization, whether educational, health, etc., and is being widely used in the above-mentioned areas. The strategy was integrated within the Basque regional government Department of Industry's Cross-institutional Plan for Economic Promotion 2000–2003.

Research Objectives and Method

Quality promotion as a means of improving competitiveness is a major objective in many countries. This paper examines successful practices in the BC over an 11-year period, with a view to shedding light on the theoretical literature. We analyse policy antecedents and consequences to (1) provide evidence about a successful Regional Quality Promotion experience, and (2) offer an integrative approach that helps to improve our knowledge regarding policy networks. We contribute to the literature in two ways. In the first place, evidence about Regional Quality Promotion experiences is scarce. Secondly, although research on policy networks has produced useful results, we remain a long way from an agreed, plausible theory of policy networks (Peterson, 2003).

The literature review directed us to theory generation in the area of regional quality promotion policies, so a rigorous qualitative research methodology of case study was adopted (Perry, 1998; Yin, 1994). This choice of case study is justified on two grounds. First, qualitative methods such as case studies address theory building rather than theory testing (Perry, 1998). Second, there is a need to delve deep to gain an understanding of the complex phenomenon. Because the Quality Promotion Policy (QPP) is an ongoing contemporary phenomenon, it needs to be investigated within its real-life context. The depth and detail of qualitative data can be obtained only by getting physically and psychologically closer to the phenomenon through in-depth interviews (Perry, 1998; Yin, 1994). According to the inductive method, there is an external reality that can be reached by collecting observable and unobservable phenomena. Yin (1994) argues for using case studies to investigate the "how" and "why", while Stoecker (1991) suggests that the case study method should be used for research projects that attempt to explain the dynamics of a certain historical period of a particular social unit from a holistic perspective. Uniquely, the method obviates the necessity of pre-selecting the context type variables to be included in the research. Instead, the researcher observes the contextual variables impinging on the phenomenon under analysis over a period of time (Yin, 1994; Neuman, 1997; Punch,

1998). Finally, findings are evaluated for reliability and validity (Leplin, 1986; Hunt, 1991; Perry, 1998).

Validity in the research was assisted by using multiple sources of evidence (Yin, 1994). Evidence is based on: (1) extensive observations concerning this field by one of the authors in his capacity as consultant and (2) the use of secondary and primary data sources. We obtained the primary data through in-depth telephone and personal semi-structured interviews with 21 public and company managers (see Table 1). The number of interviews conducted in this research is in the range of 20 to 50 respondents recommended by several researchers (for example, Perry, 1998).

Reliability was achieved using a protocol for each interview that outlined the philosophies, procedures and questions. That is, the interviews were based on a standard format written down as an interviewer's guide. At their beginning, the interviews discussed ethical concerns to ensure informed consent before moving on to a very open-ended question like "Would you please tell me the story of your experiences in implementing quality systems?" The protocol had also structured questions (34 for industrial firms; for example, one question asked, "How did you make the initial contact with Basque Quality Foundation?") that served as a means of gently probing for information about the four research objectives: (1) understanding the antecedents, singularities and contextual conditions favouring or hindering policy implementation, (2) understanding the motivations, expectations and results of actors in the policy network, (3) contrasting the relevance of the QPP to dissemination of quality systems among organizations and (4) understanding the policy tools used and their relevance to policy success. Propositions to contrast (see next paragraph) were also incorporated as a checklist. Some people were interviewed on several occasions to contrast the main results. The questions in the protocol did not have to be asked in any order and were inserted into the conversation of the interview as appropriate. Indeed, some issues were raised and answered by the interviewee in that conversation before a question about them could be asked by the interviewer. The quality of ideas of these in-depth interviews on a one-to-one basis with one or two

Table 1. In depth interviews

	Number	Interviewed
Basque Quality foundation	1	Technician
Department of Industry of the Basque Government	2	General Manager
Department of Presidency of the Basque Government	1	President's Economic Affairs Advisor
Clusters	3	2 General Directors, 1 technician
Companies used as drive organizations	2	2 General Directors (1 with a European EFQM Award; 1 with a Gold BC Award)
Associations	3	3 technicians from business associations
Organizations with exemplary capacity (Club 400)	5	3 General Directors, 1 Manufacturing Director, 1 Marketing Director.
Assesors Club	2	1 Manager consultant, 1 Senior consultant
Other companies	2	2 General Directors
Total	21	—

Source: Authors' own work.

respondents was higher, and the administrative problems and costs less, than those of alternative methodologies such as focus groups (Perry, 1998).

Although the case method provides an in-depth explanation, the results it provides may not necessarily be generalized into other contexts. That is why we have developed a model in which we identify the factors that, in our view, explain the success registered in the case we selected for analysis.

As we show later, the Basque case was selected because of successful results in terms of quality system dissemination and also the innovative way in which policy was designed on the basis of the co-creation of a regional knowledge-driven network.

Literature-driven Propositions

Because our approach is integrative we needed review literature from a multidisciplinary perspective. Regions and development literature, supply chain theory and new public management publications provided disseminated conclusions regarding policy rationale. Policy network literature improved our understanding of policy management requirements. We obtained 12 literature-driven propositions (this paragraph) and contrasted them for the case of the BC (next paragraph) offering an integrative model (conclusions).

Rationale for a Regional Policy Network for Quality Promotion

Regions and development literature provides a rationale for a regional policy network for quality promotion. Regional economies are synergy-laden systems of physical and relational assets, and intensifying globalization is making this situation more and not less the case. As such, regions are an essential dimension of the development process. Agglomeration is a fundamental and ubiquitous constituent of successful development (Bairoch, 1988; Henderson, 1988; Krugman, 1991; Eaton & Eckstein, 1997; Fujita *et al.*, 1999; Scott, 2002; Scott & Storper, 2003). It is a result of economies of scale and three further sets of phenomena that complement its effects (Scott & Storper, 2003): (1) the dynamics of backward and forward inter-linkage of firms in industrial systems, (2) the emergence of localized relational assets promoting learning and innovation effects and (3) the formation of dense local labour markets. One particularly powerful phenomenon is face-to-face contact for the transmission of complex and uncertain messages (Leamer & Storper, 2001).

The spatial proximity of large numbers of firms locked into dense networks of interaction provides the essential conditions for many-sided exchanges of information to occur (Scott & Storper, 2003). Furthermore, firms come together in both formal and informal organizations that help to streamline their interactions and accelerate information transfers, to build trust and reputation effects, and to promote their joint interests (Becattini, 1990; Asheim, 2000). So, “regional economies are internally tied together through human and organizational interdependencies—often untraded—that have a strong quasi-public goods character, meaning they are the source of positive externalities that are more or less freely available to local firms but are the property of none. Such positive externalities are observable in diverse domains of regional economic activity, including dense information flows, learning processes, the emergence of craft or design traditions, business network formation and so on” (Scott & Storper, 2003, p. 587). These “regional economic commons” (Scott & Storper, 2003) are crucial for overall

regional success, but producers are tempted to engage in free-rider behaviour by poaching these resources from the regional resource pool (Braczyk *et al.*, 1998; Maskell, 1999; Johanssen *et al.*, 2001). “Concomitantly, new kinds of policy interventions based on the concept of regional economies as aggregates of physical and relational assets need to be identified and refined” (Scott & Storper, 2003, p. 587). The notion of “regional economic commons”, offering value to coordination, implies that the way a local economy operates can be enhanced by suitable policy intervention. Therefore we expect that:

Proposition 1: The way a local economy operates can be enhanced by suitable policy intervention based on the concept of regional economies as aggregates of physical and relational assets.

Supply chain theory adds to regions and development literature by providing a business perspective for the rationale behind a regional policy network for quality promotion. In the business arena, global competition, more demanding customers, and rapidly changing business environments have dramatically altered the way companies do business. As major competition is no longer just one firm against another, companies seek to improve the performance of their supply chain. A supply chain can be defined as “the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer” (Christopher, 1994, p. 12). Regarding quality, the quality delivered to the final consumer does not depend on the quality commitment of the last link in the chain only; it is, rather, a question of the quality commitment of all the links.

From a regional perspective, a region’s supply chain can be seen as a collection of all individual industry supply chains. As supply chain effectiveness decides the success of the companies involved in the supply chain, collective competence in all individual supply chains is believed to be one of the crucial elements in a region’s pursuit of competitiveness. Improving supply chain performance has thus become a major goal of economic development in many regions.

Successful regions must be able to engage in regional foresight exercises that identify and cultivate their assets, undertake collaborative processes to plan and implement change and encourage a regional mindset that fosters growth. Like businesses, communities and regions need to innovate and adapt to remain competitive (Gertler & Wolfe, 2001).

The inter-organizational network is an increasingly common form of organization. Although many of these networks are concerned with the exchange of tangible goods, increasing numbers look to exchange knowledge. All are dependent upon the role of knowledge in their activities (Swan *et al.*, 2000). As regards learning processes, some authors argue that most firms learn from close interaction with suppliers, customers and rivals. Knowledge creation processes are strongly influenced by specific localized capabilities such as resources, institutions, social and cultural structures (Maskell & Malmberg, 1999). Therefore we expect that:

Proposition 2: Knowledge creation processes are strongly influenced by specific localized capabilities such as resources, institutions, social and cultural structures.

While quality strategies, like competitive strategies, must fundamentally remain the prime responsibility of economic operators, public authorities retain the role of ensuring that the legal, political and overall economic environment is favourable to the economic and competitive development of industry.

New public management (NPM) literature also provides a rationale for a regional policy network for quality promotion that refers to a balance of power between policy actors. NPM has dominated public sector reform in many of the Organization for Economic Cooperation and Development (OECD) nations, requiring public organizations (Lawler & Hearn, 1995; Van Gramberg & Teicher, 2000) to shift their focus from “process towards purpose, reorganise their structures around programmes and strategy, adopt the financial and human resources management approaches of the private sector, and the de-bureaucratized forms of organisation emerging there” (Ryan, 1997, p. 158). In the past two decades, the public sector has undergone a period of intense change, with the focus being on efficiency, effectiveness and value for money in public sector operations. The methods by which governments account for and report on their operations has received scrutiny (Ryan, 1999). Foster and Scott (1998, p. 105) described NPM as “the intraorganizational separation both of policy and administration and of those purchasing and providing services; a commercial ‘customer’ orientation externally to the public and internally within the organization; use of tangible performance measures to track attainment of service outputs and quality targets; and the importation of human resource management practices into the public sphere”.

Summarizing NPM reforms in the UK, Painter (1998) says managers should be free to develop corporate plans, which identify specific objectives and targets, incentives and constraints in order to focus on the essentials of efficiency and effectiveness. Delivery and provision need to be business-like, further from politics and closer to the market (Osborne & Gaebler, 1994; Painter, 1998, p. 45).

Clarke and Newman (1993) suggested that NPM refers to the aim of making management the driving force of a competitively successful society by providing leadership through the transformation of culture. The authors state that NPM breaks the traditional conception of managers as organizational functionaries or bureaucrats trapped by an organizational culture which values rule-following above innovation (Van Gramberg & Teicher, 2000). The new management role is described as “visions, missions, leadership by example, intensive communication processes and thorough attention to the realm of symbols”. These “are the mechanisms for creating the cultural conditions which mobilize and harness enterprising energy” (Clarke & Newman, 1993, p. 430).

NPM “is characterised by decision systems in which territorial and functional differentiation disaggregates effective problem-solving capacity into a collection of sub-systems of actors with specialised tasks and limited competence and resources” (Hanf & O’Toole, 1992, p. 166). The result is a functional interdependence of public and private actors in policy-making. Governments have become increasingly dependent on the cooperation and joint resource mobilization of policy actors outside their hierarchical control. Actors interact through the sharing of information and expertise. The types of networks created depend on the balance of political power and resources between private and public actors. These changes have favoured the emergence of policy networks as a new form of governance, different from the two conventional forms of governance (hierarchy and market), which allows governments to mobilize political resources in situations where these resources are widely dispersed between public and private actors

(Kenis & Schneider, 1991; Marin & Mayntz, 1991; Kooiman, 1993; Mayntz, 1994; Le Galès, 1995). Therefore we expect that:

Proposition 3: Governments have become increasingly dependent upon the cooperation and joint resource mobilization of policy actors outside their hierarchical control.

Designing an Effective Regional Policy Network for Quality Promotion

Policy networks literature combined with NPM literature provides conclusions regarding the design of an effective regional policy network for quality promotion. Two different (though not mutually exclusive) schools of policy networks can be identified in the field of public policy (Katzenstein, 1978; Rhodes, 1990; Rhodes *et al.*, 1996; Peterson, 2003). The “interest intermediation school” interprets policy networks as a generic term for different forms of relationships between interest groups and government (Rhodes & Marsh, 1992; Jordan & Schubert, 1992; Van Waarden, 1992; Kriesi, 1994). The “governance school”, however, conceives policy networks as a specific form of governance, as a mechanism to mobilize political resources in situations where these resources are widely dispersed amongst public and private actors (Kenis & Schneider, 1991; Marin & Mayntz, 1991; Kooiman, 1993; Mayntz, 1994; Le Galès, 1995). For the governance school, policy networks only characterize a specific form of public–private interaction in public policy (governance), namely the one based on non-hierarchical coordination, opposed to hierarchy and market as two inherently distinct modes of governance. This conception of policy networks is drawn mainly from works in the field of public policy.

The key functions of global public policy networks include (Witte *et al.*, 2000): (1) raising global consciousness, (2) facilitating the negotiation and establishment of global standards, (3) gathering and disseminating knowledge (increasing efficiency and efficacy and avoiding duplication) and (4) serving as innovative implementation mechanisms. Therefore we expect that:

Proposition 4: The greater the orientation of the policy network towards raising global consciousness, facilitating the negotiation and establishment of global standards, gathering and disseminating knowledge and serving as an innovative implementation mechanism, the greater the success of the policy network.

A key dimension of policy networks is public–private partnership. Such partnership allows government and private sectors to learn from each other while creating synergistic effects for both parties (Bagchi & Paik, 2001). Experience increasingly indicates that many countries benefit from a more cooperative relationship between government and private entities in economic development (Flora *et al.*, 1992; Larkin, 1994; Rosenau, 1999; Lockwood *et al.*, 2000).

Although there is no magic formula for successful public–private partnership (Bagchi & Paik, 2001), previous studies have discussed several success factors:

- (1) The essence of a successful partnership is cooperation and a mutually supportive relationship between the two parties and the recognition that each party has a stake in the success of the other (Waddock, 1988; Kolzow, 1994; Hart, 1998; Lockwood

et al., 2000; Bagchi & Paik, 2001). The merit of the idea of public–private partnership is oriented mainly towards mutual benefit (Pongsiri, 2002). Therefore we expect that:

Proposition 5: The greater the mutual benefit and the recognition that each party has a stake in the success of the other, the greater the success of the policy network.

- (2) A commonly accepted vision/objectives (Fosler & Berger, 1982; Kolzow, 1994; Keene, 1998; Hart, 1998; Bagchi & Paik, 2001). In general, partnering success is likely in certain contexts (Nagel, 1997). Partnership works well if there is broad community or societal consensus concerning the value of policy goals. Therefore we expect that:

Proposition 6: The greater the community or societal consensus concerning the value of policy goals, the greater the success of the policy network.

- (3) Patience in government and the private sector (Waddock, 1988; Larkin, 1994; Bagchi & Paik, 2001). Successful partnership seldom occurs spontaneously. It requires long-term investment and farsightedness from both parties. Therefore we expect that:

Proposition 7: The greater the patience in government and the private sector, the greater the success of the policy network.

- (4) A realistic and clearly defined partner role (Hart, 1998; Bagchi & Paik, 2001). Therefore we expect that:

Proposition 8: The more realistic and clearly defined the partner role, the greater the success of the policy network.

- (5) Another key to successful partnership is a strong commitment from the top and leadership (Waddock, 1988; Flora *et al.*, 1992; Bagchi & Paik, 2001). Because partnership involves many players from government and the private sector working closely in tandem, it is essential to have a coordinator who can provide leadership and steer the process forward by addressing various complex issues that arise along the way (Bagchi & Paik, 2001). Therefore we expect that:

Proposition 9: The greater the commitment from the top and leadership, the greater the success of the policy network.

- (6) Performance orientation. This involves the implementation of a coherent strategy, performance measures and some means of controlling the agenda (Nagel, 1997; Bagchi & Paik, 2001). Public–private partnerships are also likely to be successful if key decisions are made at the very beginning of the project and set out in a specific plan, achievable targets are set, incentives for partners are established, and progress is monitored. This can be achieved at the highest level of business and government (Bagchi & Paik, 2001). Therefore we expect that:

Proposition 10: The greater the performance orientation, the greater the success of the policy network.

Public–private partnership has various challenges that must be overcome. Some authors (Schermerhorn, 1975; Williamson, 1975; Provan, 1984) suggest that the formation of public–private partnering relationships often leads to negative outcomes such as increasing complexity, loss of decision-making autonomy and information asymmetry. Other authors (Kolzow, 1994; Keene, 1998; Hart, 1998; Rosenau, 1999) state that managing risk and uncertainty is crucial to the success of any public–private partnership. Shifting the cost of the less profitable part to the public sector partner is one effective way to reduce risk (Rosenau, 1999). It can increase the attractiveness of the project from the private partner’s point of view and demonstrate the government’s support and participation. Therefore we expect that:

Proposition 11: The more risk and uncertainty are reduced, the greater the success of the policy network.

A final major challenge is identifying and achieving agreements with key groups and individuals that will act as project powerhouses. Without them it is very difficult to carry the project forward. Therefore we expect that:

Proposition 12: The greater the success in identifying and involving key groups and individuals, the greater the success of the policy network.

Proposing a New Conceptual Framework

Based on the main conclusions offered by the literature, this paper aims to make a theoretical contribution by proposing an integrated approach to understanding the antecedents and consequences of a regional knowledge-driven network for quality promotion (see Figure 1). The framework incorporates 12 literature-driven propositions verified in the Basque case (see the next paragraph).

We differentiate between three categories of antecedents. What we refer to as general antecedents are those related to the ultimate reasons explaining the convenience of designing and developing a regional policy network for quality promotion (propositions 1 and 3). Contextual conditions are the specific characteristics of the territory (propositions 2, and 5) and of the final objective pursued: quality promotion (proposition 4). Management requirements are what we call the key factors for success in the implementation of the policy network. The consequences are policy network success according to the previously established measurements, i.e. quality certificates and EFQM awards.

Contrast of Propositions: The Case of the Basque QPP

Success of Suitable Policy Interventions Based on the Concept of Regional Economies as Aggregates of Physical and Relational Assets (Proposition 1)

The Basque Government has, since 1993, been committed to a long-term QPP as a strategic element in the creation of a differential competitive advantage. The BC is currently the European area with the highest relative number of ISO 9000 certificates (quality assurance certificates): 1432 per million inhabitants and also the European area

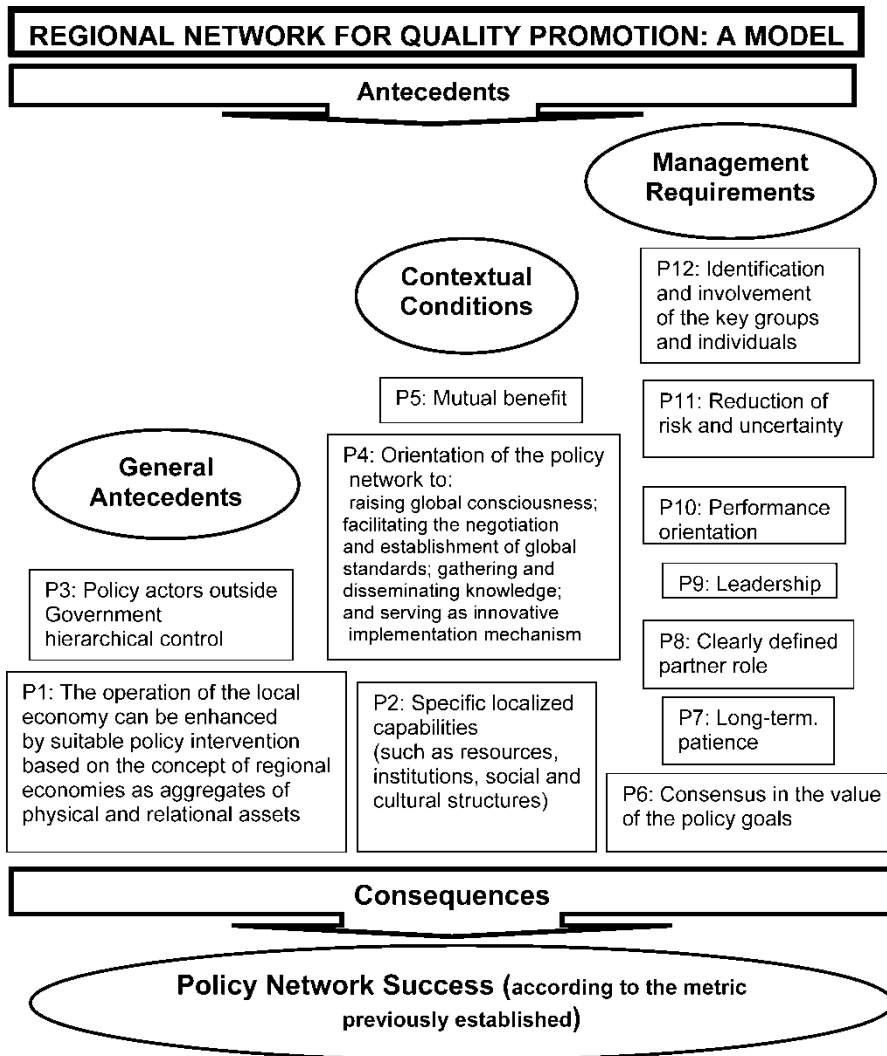


Figure 1. A regional knowledge-driven network for quality promotion. *Source:* author's own work.

with the highest relative implementation level of the European Excellence Model, EFQM: Almost four awards per million inhabitants (1997–2003). In absolute terms the BC has obtained eight European Quality Awards (four prizes, four finalists). The leader, Spain, has obtained 16 (including eight from the BC), UK 14, Germany 11, France 9 and Italy only 4 (see Table 2).

A relevant example of the consequences of QPP is that QPP was crucial to QA and TQM dissemination. Most interviewees recognized this with no prompting from the interviewer. Previous literature focused on internal factors in explaining TQM system implantation. Regarding QA systems, external factors were considered critical but the focus was placed on client requirements.

Table 2. Quality certificates and EFQM awards

	EFQM awarded organizations (1997–2003)	ISO 9000 certificates until 2002	Population 2003 (thousands)	Certificates per million of inhabitants	EFQM awards per million of inhabitants
<i>BC</i>	8	3024	2112.2	1432	3.79
Spain	16	28,690	41,550.6	690	0.39
UK	14	60,960	59,328.9	1027	0.24
Germany	11	35,802	82,536.7	434	0.13
Turkey	11	3941	70,000.0	56	0.16
France	9	19,870	59,630.1	333	0.15
Hungary	8	9254	10,142.4	912	0.79
Switzerland	6	10,299	7317.9	1407	0.82
Italy	4	61,212	57,321.0	1068	0.07
Denmark	4	1900	5383.5	353	0.74
Belgium	3	4725	10,355.8	456	0.29
Greece	3	3180	11,018.4	289	0.27
Ireland	2	2845	3963.6	718	0.50
Luxembourg	0	148	448.3	330	0.00
Holland	0	13,198	16,192.6	815	0.00
Austria	0	4091	8067.3	507	0.00
Portugal	0	3061	10,407.5	294	0.00
Finland	0	1872	5206.3	360	0.00
Sweden	0	4039	8940.8	452	0.00

Source: Authors' own work based on INE, Euskalit, EFQM and ISO.

Localized Capabilities (Proposition 2)

The BC's singular context helped to establish a policy network for quality promotion. In particular, the BC has a long industrial tradition, beginning in the early days of the iron and steel industry and continued by shipbuilding. Industry there has now evolved towards the most advanced technological sectors. Many Basque companies work as suppliers of other businesses in sectors that require QA certificates (i.e. automotive industry). This factor was very important in the initial phases. Quality certificates have now extended to all sectors.

Further, in the late 1980s the Basque Government implemented an industrial cluster policy, which provided experience and some relational resources that were crucial to the success of the QPP. Fluid two-way communication facilitated the identification of needs and the Basque Government worked jointly with a group of pioneering companies that acted as policy leaders. Also, the Mondragón cooperative group, formed by 218 companies with annual sales of 9232 million euros, is a major presence in the Basque industry. Strong formal ties link Mondragón group member firms, which also enjoy strong informal ties with the regional government.

Government Dependence on the Cooperation of Other Actors (Proposition 3)

The regional government knew that a quality promotion strategy could not function without the contribution of the companies that would ultimately have to make the effort to establish the tools and systems to improve quality. Pioneering companies were also

crucial in diffusing their experiences and expanding the new knowledge and culture. Government need companies willing to establish quality systems and at the same time to share their experiences by participating in joint learning forums, showing their factories, writing up and publishing their experiences, aiding other companies in their implantation processes, etc. For instance, the web site of the Basque Quality Foundation (BQF; for more details about BQF, see proposition 6 contrast) includes a “Search Engine of Excellence”, a tool for finding and getting to know about good management practices and offering a permanent programme of physical visits to advanced organizations.

The Government also needed the support of quality experts and of the firms responsible for measuring and accrediting the progress of industrial companies towards quality objectives. The Government was therefore dependent on the cooperation and joint resource mobilization of policy actors outside their hierarchical control. The key strategy was, then, one of partnership between public and private initiative to facilitate coordinated and simultaneous action between the basic agents taking part in the policy network.

Before the policy network was developed and implemented, the government created the right environment through shared vision, early participation of private sector and the formation of a network of believers among partnership members.

Policy Orientation (Proposition 4)

The Government’s first task, in partnership with the pioneering companies, was to create a global awareness of the importance of quality for survival and of the need to make the major effort required to establish quality tools. In the second place, the government had to establish task forces to listen to business and to co-design the path leading to quality. From this moment the policy was conceived as a process of knowledge creation and dissemination.

Businesses were ignorant of innovative tools and of how to implement them. The public sector offered support in the shape of financial aid. But the focus was knowledge provision. Basically receiving knowledge (training, quality methodologies, incorporation of young people with specific quality training, evaluation by external expert, etc.), companies were obliged to return the knowledge received to the network, adding the knowledge gained in their own quality system implementation process. Over 3000 managers and technicians receive training in quality management methodologies and tools every year in Basque programmes and more than 10,000 attend Basque activities to spread the culture of excellence.

Basque programmes also focus on the knowledge of quality experts (assessors). BQF manages a Club of Assessors (for more details, see proposition 6 contrast) and maintains a permanent training programme for these experts. The club’s development may be an indicator of the degree of development of quality culture in the BC. In 1995 the club had 12 members; in 2003, 725.

Mutual Benefit (Proposition 5)

Government and business objectives coincided. As we said earlier, many Basque companies are suppliers of other businesses in sectors requiring QA certificates. In the early 1990s some were suffering client requirements. Additionally, business and government knew that global competition from other countries with lower costs meant that price

strategies were not enough to ensure survival. Government thought that quality dissemination contributed to the development, competitiveness and welfare of the BC.

So the QPP connected with a priority business objective. This was a key to success and, for businessmen, the most valued policy attribute. Pioneering believers prompted government movements on quality and helped to create a quality culture that favoured quality system dissemination in industrial and non-industrial sectors alike. Government created programmes designed to support their activities and to diffuse their experiences. These programmes also helped to create a favourable atmosphere and to reduce doubts and fears among other business segments.

Consensus on the Value of Policy Goals (Proposition 6)

Building trust and consensus between public and private sectors is a crucial element in successful public–private partnership. This can be achieved by joint planning involving discussions on a range of issues and ironing out obstacles together.

In the BC, the government established a number of joint task forces and committees. The Technical Support and Supervision Committee (TSSC) was created by the Department of Industry, the participating drive organizations (private sector) and the BQF. Quality promotion objectives and actions were established jointly in this committee, and efforts combined and aligned. The basic TSSC mission is to transfer programme-generated knowledge appropriate and adapted to the industrial situation in the BC. BQF is an external body comprising private and public organizations. Its basic objective is to promote and encourage the total quality culture throughout Basque society. The Foundation collaborates on programme development by responding to the different needs, basically in the area of training, as they arise. The BQF mission is to promote quality systems throughout Basque society and, more specifically, to develop a comprehensive basic training scheme encompassing the fundamental elements of knowledge in QA and TQM. This training scheme, which is the basic support required by the programme, is available to all organizations in the BC (industrial, educational, health, non-profit making organizations, town councils, etc.).

But the BQF acts as a general facilitator providing training to businesses, young people with quality training, evaluators and permanent training for evaluators, while organizing recognition events and awards, business clubs and encounter forums and visits to advanced companies (more details in Table 3).

Patience Long Term (Proposition 7)

The long-term maintenance and step-by-step implementation of the QPP are keys to its success. As noted earlier, the BC has worked continuously towards excellence in three phases: (1) QA in industry (1993–1996); (2) total quality in industry (1997–2000) and (3) emphasis on other organizations (2000–) and cross-institutional integration.

Quantitative data seem to confirm that quality model implementation occurs in an accumulative way. Practically all firms that introduced TQM systems had also incorporated QA systems. In this sense, Basque Government's step-by-step strategy seems to have been wise. But this conclusion was not fully confirmed in our qualitative studies. Some private sector experts underlined relevant conceptual and practical differences between QA and TQM. Other private sector experts and Basque Government managers stressed that both systems required cultural change in businesses to place organizing

Table 3. Partners role

First phase (1993–1996)

Drive organizations are leading companies and sector-based associations. Due to their size and purchasing power, leading companies may lead and influence their suppliers. Sector-based associations are groups of industrial companies with widespread representation and/or power to convene.

Instrumental agents include the physical quality infrastructure (i.e. standardization and certification and promotion bodies) and the human quality infrastructure, such as experts in new management methodologies included within the total quality concept

The two *Support bodies* are: (1) TSSC, an internal body formed by the Department of Industry, the participating drive organizations and the BQF. Its basic mission is to transfer programme-generated knowledge appropriate for and adapted to the industrial situation of the BC; and (2) the BQF, an external body comprising both private and public organizations. The basic objective is to promote and encourage the total quality culture throughout Basque society. The Foundation collaborates on programme development by responding to the different needs, basically in the area of training, as they arise.

Second phase (1997–)

The *Department of Industry's Competitiveness Bureau* (TSSC in the first phase) was created. Taking a leading role in developing the programme, the Bureau also coordinates the decisions of the rest of the agents involved. It is responsible for: (1) establishing targets beyond certification, (2) supporting first-rate companies in further improving their management, (3) favouring the incorporation of these companies into the QPP, (4) managing the development of a schedule of visits to the companies that have advanced the most in total quality in the BC, (5) disseminating a support structure for the introduction of teamwork and job improvement methodologies, (6) promoting the training programme for action, integrating these methodologies, (7) developing direct drive actions aimed at specific target collectives, (8) promoting the inclusion of new drive organizations, preferably on the basis of their exemplary capacity, focusing on the quality rather than the quantity of their driving force, (9) coordinating the dissemination of messages to clarify the two aspects of quality and their importance for the future of business, (10) measuring the progress made in the BC by means of a survey carried out every 2 years, (11) coordinating the involvement of other Basque Government departments in quality promotion and (12) projecting the identification of BC/quality on the basis of its differential achievements.

The *new role of the drive organizations* implies: (1) developing support mechanisms for suppliers/associates, which involve European model-based management improvements, (2) integrating business strategy into the drive process alongside management strategy to achieve greater cooperation between drive companies and their strategic suppliers and the development by sector-based associations of new products/services, (3) segmenting the "driving force" in terms of how far down the quality path a company has gone, (4) improving management with data, by establishing a set of common management indicators in each drive company, which will enable data exchange and facilitate the management of the improvement processes, (5) developing a best practices exchange plan, (6) establishing a recognition system for all participants, (7) implementing a plan to improve their work as drive organizations and (8) continuing with their training in total quality methodologies.

BQF, under the agreement with the Department of Industry, continues to offer high value-added services to organizations looking to advance towards total quality. To this end it (1) manages the two established quality distinctions, Silver Q and Gold Q (Basque Quality Management Award), (2) establishes a club (Club 400) of exemplary companies in quality management, (3) expands the Assessors Club to cover the two processes earlier, (4) prepares deliverable documents on basic quality concepts and operational aspects, (5) develops a programme for training consultants in total quality methodologies, (6) establishes methodologies for exchanging business experiences, (7) reinforces its structure to become a quality benchmark in the BC, (8) establishes a structured communication plan, (9) improves current training programmes and (10) takes the leading role in collaborating with other interested parties in the dissemination of quality.

Source: Authors' own work based on Basque Government web site and interviews.

values such as teamwork, respect for people, innovation and training at the core of organizations. These organizing values were not dominant in many Basque companies in 1992 and had to be introduced in the first phase. However, the prior introduction of QA systems facilitated the subsequent implementation of TQM systems, which require more time, effort and general knowledge on the part of the company involved. Patience is critical because cultural changes are very slow.

Policy Network Structure and Partner Role (Proposition 8)

Another key to success lies in the clear definition of the partner role. The initial policy network structure was created in the context of the first programme (1993–1996) and continues today with some improvements. The programme operated through some drive organizations and instrumental agents, two support bodies (one internal, the other external) and an agreement structure (see Figure 2).

Drive organizations are leading companies and sector-based associations. They are considered as leverage mechanisms capable of mobilizing a large number of companies, thus

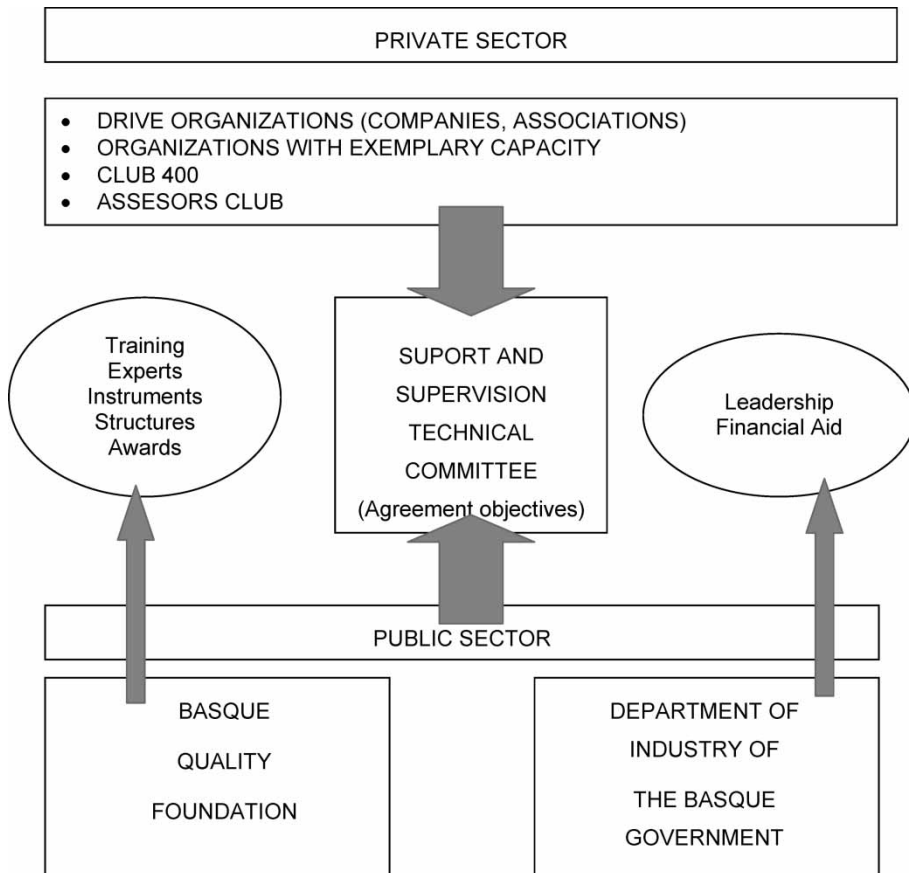


Figure 2. Policy network structure (BC quality promotion policy). *Source:* authors' own work.

representing a useful quality promotion tool. Due to their size and purchasing power, leading companies may lead and influence their suppliers. Sector-based associations are groups of industrial firms with widespread representation and/or power to convene. Instrumental agents include the physical quality infrastructure (i.e. standardization and certification and promotion bodies) and the human quality infrastructure, such as experts in new management methodologies included within the total quality concept. The two support bodies are TSSC and BQF (see comments to proposition 6).

This structure was reinforced, adapted and improved in the second phase. First the Department of Industry's Competitiveness Bureau (TSSC in the first phase) was created. Taking a leading role in developing the programme, the Bureau also coordinates the decisions of the rest of the agents involved (see Bureau responsibilities in Table 3). In this phase, drive organizations took on a new role, which involved them being seen more as models (see Table 3). Finally, under the agreement with the Department of Industry, BQF continues to offer high value-added services to organizations looking to move towards total quality (see Table 3).

Leadership (Proposition 9)

Strong leadership is critical to partnering success. The firm, proactive leadership and initiative of the government, including the President of the Basque Government and the Industry Department, have clearly been one of the major factors in the successful development of the QPP.

In developing and implementing the QPP, the Basque Government played a number of roles. In the first place, it acted as a co-initiator. Convinced of the long-term importance of quality for the BC in general, the regional government decided it should finance long-term initiatives, where benefits are difficult to quantify and yet affect a large cross-section of the economy. Quality programmes qualified under these characteristics for public sector promotion. In the case of the QPP, the government investigated the possible benefits of using quality programmes and concluded that the benefits would outweigh the costs.

To accomplish development and implementation successfully, the government also took several proactive in-house measures. Several motivation programmes, involving, among other things, extensive quality education and training, were run for government personnel involved in the QPP development. Using these motivational approaches, the government tried to stress the importance of quality within the government and encourage all government personnel involved to participate actively.

As the President of the BC has stressed in many speeches, QPP was a key government strategy. The Department of Industry takes a leading role in promoting the intended mobilization, the efficient transfer of knowledge and the creation of a process support infrastructure. To do this, the Department had to sign agreements with the other policy network players. Agreements on the first phase included:

- (1) Partnership agreements with drive organizations. In 1996, 17 basic agents (nine companies and eight associations), signed agreements to promote the implementation of quality management systems in 530 small and medium-size companies through 605 drive requests.

- (2) Partnership agreements with AENOR (standardization and certification body): during this period AENOR signed agreements on the development of standardization and certification services in the BC to provide improved service to Basque companies.
- (3) Financial support to BQF to fulfil its mission to promote quality throughout Basque society.

In the second phase, the Department of Industry signed partnership agreements with drive organizations and companies with exemplary capacity. Long-term agreements were signed with those companies which, having topped 400 points under the European Model of Excellence through external assessment carried out by the BQF Assessors Club, then made a commitment with the Department of Industry, Commerce and Tourism to improve their quality management and, in line with their exemplary capacity, act as drive companies.

Monitoring Performance (Proposition 10)

Specific QPP design has been adapted to policy results. Regular research into the results and opinions of companies has facilitated the reorientation of actions while maintaining the final quality promotion objective. In the first phase efforts were oriented towards QA. Subsequently, market research results indicated that efforts in the second phase should be directed towards TQM. In particular, the synthesis of the main conclusions drawn from a series of analyses led to the following operational objectives: (1) to identify, develop and manage local exemplariness appropriately, (2) to mobilize managers, reducing doubts and fears regarding TQM as a key factor in competitiveness and (3) to encourage uncommitted companies to set out on the path to quality. In the third phase, emphasis is being placed on non-industrial organizations.

A critical consideration must be made regarding objectives. As we said earlier, the Basque Government clearly achieved its objective of quality system dissemination. But this was an instrumental objective to obtain more competitiveness. Results in terms of competitiveness have not been researched. Theoretical literature and our qualitative research seem to confirm a positive relationship between quality system implementation and competitiveness. Empirical research conducted at the University of the Basque Country also seems to confirm a positive relationship between the implementation of quality systems and profitability, although results are not conclusive (Heras *et al.*, 2002; Aguirre *et al.*, 2004).

Shared risks and Uncertainty (Proposition 11)

Having understood the private sector's concerns about risk and uncertainty, the Basque Government addressed the issue effectively. Companies need to allocate major resources to establish tools with intangible results. The Basque Government gives financial support to the work of the drive organizations (and companies with exemplary capacity in the second phase) that are in turn committed to promoting the implementation of quality management systems in a specific and stipulated manner through partnership agreements with the Department of Industry.

Mutual commitment has been crucial to the policy success. Government policy reduces company risk and uncertainty and businesses must respond by offering the knowledge

acquired to the local business world in general. Additionally it has created a knowledge-sharing culture amongst organizations that will provide a solid base for future policies.

Network of Key Groups and Individuals (Proposition 12)

In the BC, the knowledge-sharing network of key groups and individuals comprises the drive organizations, companies with exemplary capacity, the Assessors Club and Club 400. We will be referring to them later.

The main differentiating feature of the 1997–2000 period was the incorporation of the drive of local businesses with exemplary capacity into the ongoing strategy. These companies scored more than 400 points under the EFQM European Model of Excellence, through external assessment by the BQF. The Department of Industry thereby completed the existing aid schedule for drive organizations by supporting companies topping the 400-point mark publicly committed to comprehensively improving their management quality and passing on their management experience to those around them. Companies with exemplary capacity have been crucial to the success of QPP. Many members of the government and businessmen value the influence of companies with exemplary capacity more highly than the influence of companies with capacity to drag their suppliers along with them.

The Assessors Club comprises 215-plus properly trained managers from various sectors who provide the external assessment service. External assessment helps organizations to (1) improve their knowledge and use of an effective business management diagnosis tool like the EFQM European Model of Excellence, (2) gain a deeper insight into the level of the company's quality management and the main areas for improvement. Any Basque organization that has undertaken at least two comprehensive self-assessment processes with the European Model of Excellence may request this service from BQF. The Club has a Governing Committee, made up of EFQM assessors, which has prepared the assessment process for anyone requesting the service and ensures alignment with the European Award, on the basis of the European Model of Excellence.

Club 400 is a joint learning forum for the most advanced Basque management organizations and its objective is to support improvements in their management capacities. Best management practices both internal and external to the group will be available to Club 400 members. The Club can be joined by any organization that scores more than 400 points under the European Model of Excellence in an external assessment conducted by the BQF Assessors Club.

Any such organization will obtain recognition in the form of a Silver Q distinction. These organizations can also join Club 400 if they wish to. Industrial companies that obtain the Silver Q distinction and are willing to work on quality promotion with the Department of Industry may also receive aid available to drive companies for their exemplary capacity.

The Basque Quality Management Award serves as recognition for organizations that, as a result of an external assessment conducted by the BQF Assessors Club, score more than 500 points under the European Model of Excellence. In addition to the advantages of Club 400, any organization reaching this high level will obtain recognition in the form of a Gold Q distinction. This is the maximum distinction an organization in the BC may receive for its management practices, and becomes, for the organizations which receive it, the last step before possible submission for the European Quality Award, an award only given to those scoring more than 600 points under the model (see Table 4).

Table 4. Organizations that have reached different levels in management quality (2003)

European quality prizes (EFQM)
Microdeco, S.A. (2003) (Gold Q 2002) (Silver Q 1999)
Agrupacion de Sociedades Laborales de Euskadi - Asle (2002) (Gold Q 2001) (Silver Q 2000)
Irizar, S.Coop.Ltda. (2000) (Gold Q 1999)
Gas Natural de Alava, S.A. (Gasnalsa) (1997)
<i>European award finalist (EFQM)</i>
Begoñazpi Ikastola (2003) (Silver Q 2002)
Fagor Electrodomesticos, S.C.L. (Negocio Coccion) (2003) (Gold Q 2001) (Silver Q 2000)
Novia Salcedo Fundacion (2003) (Silver Q 2000)
Norbolsa, Sociedad de Valores y Bolsa, S.A. (2002) (Silver Q 2000)
<i>Gold Q—Basque quality management award (>500 points)</i>
11 Organizations
<i>Silver Q—Basque quality management award (>400 points)</i>
47 Organizations

Source: Authors' own work based on Basque Government web site.

Conclusions and Future Research

Although research on policy networks has produced useful results, we remain some distance from an acceptable, plausible theory of policy networks. Based upon the experience gained from the Basque success story and the literature review, this paper aims to make a theoretical contribution by proposing an integrated approach to understanding the antecedents and consequences of a regional knowledge-driven network for quality promotion (see Figure 1).

We differentiate between three categories of antecedents: (1) general antecedents (propositions 1 and 3), contextual conditions (propositions 2, 4 and 5) and (3) management requirements (propositions 6–12). The consequences are policy network success according to previously established measurements, i.e. quality certificates and EFQM awards. Also, although there does appear to be a positive relationship between quality system implantation and competitiveness (final policy objective), results are not conclusive. Future research could concentrate on this topic.

We also contribute to quality management theoretical literature by showing that an external factor like public policy may be critical to quality dissemination. Previous literature focused on internal factors to explain TQM systems implantation. Regarding QA systems, although external factors were considered crucial, the focus has largely been kept on client requirements. Future research could also concentrate on quantitative measures of this result by, for instance, comparing quality system dissemination in different countries and policies.

From a managerial perspective, we show, through a specific empirical case, that the operation of the local economy can be enhanced by suitable policy intervention based on the concept of regional economies as aggregates of physical and relational assets. We also identify the key factors government managers must consider when designing and implementing policy networks. Obviously our empirical case refers to a specific context. Public policy is a contextual issue. Other contexts should be investigated in the future. The case method provides an in-depth explanation but the results it provides may not necessarily be extrapolated to other contexts. That is why we have defined 12

propositions identifying the factors that, in our view, explain the success registered in the case we selected for analysis.

Although the issue studied is quality promotion, public sector managers would be able to use the conclusions to set in motion other policies, such as innovation promotion. But they would need to do so with care.

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