Ireland: the Shannon Experience

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Changing political norms mean that the governing role of the state now involves interaction at both supra-national and sub-national levels and with an ever-increasing array of actors. In recent years the interaction of state and society is frequently analysed in terms of governance (John 2001, Hambelton et. al. 2003, Sørensen 2006).The governance approach has led to institutional and processual change affecting, for example, the provision and redistributional roles of the state as well as the making and implementation of policies. Governance is perceived as a useful frame of analysis because it accommodates the multiplicity of issues, interests, agencies and modes of policy-making and regulation involved in governing complex polities. The governance approach has also increased the salience of the local and regional levels since they are frequently the site of intersection between the horizontal and vertical networks involved in governance (Quinn, 2007). Yet, there is debate about the classification and functions of regions and the nature and purpose of regional development. The term "region" has been variously used to describe historical, cultural, economic or political entities, thus posing problems of nomenclature, not only for academic theorists but for economists, politicians and citizens. The *raisons d'être* of regions are as varied as their configuration but the one constant is the territorial element. However, the different modes of territorial politics affect social, political and economic activity and impact within and between regions. Consequently, local and regional development is increasingly a global issue. Regional development is framed by the governance structures and mechanisms which prevail and the values and principles which underpin development policies. Various approaches to regional development have been implemented, frequently based on economic premises ranging from neo-classical growth theory to the promotion of indigenous development (Pike et al. 2006). Different instruments and types of intervention have been used to stimulate regional development. In recent years there has been an emphasis on bottom-up approaches to regional development (Halkier, 2007) and this has often resulted in the creation of regional development agencies, situated outside mainstream government apparatus. Such agencies have facilitated a move away from redistributive mechanisms and fostered regional entrepreneurship. This chapter looks at the Shannon region in Ireland and examines how the existence of a unique regional entity, Shannon Development, has acted and interacted to foster innovation in a changing governance context.

Ireland: the regional development context

Before focussing on the Shannon case, it is useful to outline some pertinent features of the Irish system, features which circumscribe Shannon Development's actions. Ireland's political system is based on a strong central government with subordinate local authorities answerable to and financially dependent on the centre. The county is the chief sub-national administrative unit and until the 1990s there was no regional tier. However, over the years central government had installed a large number of regional and local bodies, some of them operating separately from local authorities and some linked to local authorities (e.g., fisheries boards, health boards, etc.), but all operating within a system controlled by central government and sometimes with overlapping boundaries (O'Leary, 2001). The regional structures created during the 1990s (eight Regional Authorities in 1994 and two Regional Assemblies in 1999) were established to fulfil EU requirements for sub-national structures in order to maximise Ireland's gains from EU Structural Funds. These indirectly-elected and functionally limited bodies are the only governance structures at regional level. Although regional development organisations were created in the 1960s, they were abolished in the late 1980s. Consequently,

only two dedicated regional development agencies currently exist in Ireland, Údarás na Gaeltachta, a partially elected regional authority which continues to facilitate preservation of the Irish language by developing the Gaeltacht (Gaelic-speaking regions) economy and Shannon Development, the organisation which is the focus of this study.

EU membership and in particular adaptation to EU regional policies has had a significant impact on Irish regions (Rees, Quinn and Connaughton, 2006). The changed emphases within the EU since the late 1980s have combined with changed attitudes and circumstances in Ireland in order to create a climate conducive to a more regionalised focus in Irish policies and provision. Disproportionate growth of the east around Dublin led to problems of congestion while demands for greater support and developmental opportunities were articulated by leaders in the weaker regions. Consequently, the National Development Plan (NDP) 2000-2006, the latest NDP 2007-2013, the 2002 *National Spatial Strategy* (NSS) and the 2005 regional planning guidelines all advocate balanced regional development. Thus, the rhetoric of balanced regional development is now the *lingua franca* of the Irish government and policy-makers.

Other policies impact on regional policy, particularly, industrial, economic and education policies. Over the years the focus of Ireland's industrial policy has changed from self-sufficiency (1920s-1950s) to attracting inward investment (1960s –1990s) to a more integrated approach promoting both endogenous and exogenous industries and emphasising the importance of innovation and knowledge creation in the twenty-first century. Since the mid-1960s education has been prioritised by successive governments and investment in education increased significantly with the result that Ireland has a very well-educated workforce. Deliberate links between education and enterprise strategies have ensured responsive policies, reflecting the changing skills and competencies required for a globalised world. These changes combined with Ireland's effective economic policies and strategic use of EU transfers have underpinned significant growth in recent years. Changes in Ireland's general policy-making approach have fostered partnership as a national mechanism of concertation for economic and social policy and as a local and regional tool for bringing together governmental and non-governmental actors within the governance process. Ireland's development has been driven from the centre and its industrialisation has been later and more dependent on foreign investment and expertise than was the case in other countries. Yet, Ireland has in recent years, established itself as a model of economic progress and an example of successful adaptation to the globalised economy. Ireland's economic and social transformation has been accompanied by modernisation and reform of government structures and processes (Collins, Cradden and Butler, 2007). It is within this changing strategic and policy context that Shannon Development operates.

Shannon Development

Shannon Development is a company whose purpose is to drive regional economic development in the Shannon Region. It is a legal liability company whose board members are appointed by the state and whose accounts are audited by the Comptroller and Auditor General. The Shannon region covers an area of some 10,000 square kilometres spanning counties Clare, Limerick, North Tipperary, South Offaly and North Kerry, which collectively have a population of over 450,000 people. Since its creation it has had a distinctive place in Ireland's governance structures. Shannon Airport began operations in 1939 and immediately became a location for entrpreneurial innovation. Successive governments were prepared to support innovation in this underdeveloped region and initially the development of a catering service was facilitated. In 1947 Shannon was declared a customs-free airport and two years later the world's first duty-free shop was opened there. During the 1950s a catering school and a mail-order department were added. A visionary team experimented with air-freight, industrial, passenger, tourism and housing sectors as potential areas of growth for the region. In 1959 Shannon Free Airport Development Company (SFADCO) was incorporated as a

legal liability company with all shareholding by the government. 'Its legal power, came therefore from the memorandum and articles of association, and was not limited by statute' (Callanan, 2000: 54). Thus a novel attempt at regional development in Ireland was institutionalised. Financial incentives and export sales relief were available to industries establishing in the zone. This accorded with national government's focus on foreign direct investment and its policy of 'industrialisation by invitation'. For the first ten years of its existence, SFADCO identified the economic sectors which had the greatest potential for growth, harnessed the resources of the region and attracted investors and employers to the zone. For example, between 1961 and 1968 employment in the zone grew from 463 to 3942 with Shannon's export trade in 1966 accounting for 30% of Ireland's total. In 1968 the remit of SFADCO was broadened to include regional industrial development, a task it undertook with vigour during the 1970s. The late 1970s saw a debate about the impact of the Shannon zone's continuing growth on the rest of the region and the Shannon zone's dependence on foreign industry. Subsequently, central government introduced a re-assignment of tasks between SFADCO and the Industrial Development Authority (IDA), with the latter being given responsibility for medium and large industry outside Shannon while SFADCO was charged with developing indigenous industry in the Mid-West. As Callanan concludes 'for the next two-three years SFADCO was to become a hive of innovative activity and new schemes for small indigenous industry' (2000:135). Among the innovations was the creation of an incubation unit linked to the University of Limerick as well as the establishment of field offices which provided support and information for emerging enterprises. The small industry programme was successful within the region and was also perceived as influencing the IDA to strengthen its regional structures at the beginning of the 1980s. Since then, Shannon Development has continued to play an important and multi-faceted role in the region, promoting balanced development; fostering the indigenous sector through   creation of a culture of enterprise and innovation; developing the Shannon Free zone as a hub for international investment in manufacturing and internationally traded services; developing and managing technology parks and innovation hubs in the region; promoting community development; managing its property portfolio and running commercial tourism activities.

Fig. 1 The Shannon Region

Shannon Development has adopted a two-strand approach, enhancing the region's economic environment while also nurturing innovation. To achieve this, it has been involved in a diverse array of activities. From the mid-nineties Shannon Development managed both the RIS and RIS+ programmes which piloted a number of projects such as a design network and a food innovation network in the region. The organisation was commissioned to prepare the Mid-West Regional Authority's Development Plan in 1994. Shannon Development was a leader in the Southern and Eastern Regional Innovative Action Programme during the NDP 2000-2006, a programme which developed two themes, transfer of knowledge from the higher education sector to rural SMEs and the application of new ICT to rural communities. Other recent activities include

- co-directing the Atlantic Gateways initiative with the Department of the Environment, Heritage and Local Government. This initiative aims to further implementation of the NSS and NDP through developing a counter-pole to Dublin by promoting connectivity, mobilisation to create a critical mass involving the four gateways of Waterford, Cork, Limerick, Galway
- continuing expansion of the Shannon Development Knowledge Network (which is focussed on the technology parks in the University of Limerick, Tralee and Thurles)
- collaborating with local authorities to improve connectivity in eight towns through Shannon Broadband
- implementing the E-towns concept which aims to bring economic activity back into local communities through facilitating tailor-made accommodation, providing broadband access and developing an alternative enterprise culture through training
- developing a major project in North Kerry to ensure a supply of natural gas and reduce long term energy costs.

These innovative activities are taking place in addition to Shannon Development's property initiatives, tourism development operations and its ongoing employment creation initiatives. Among the achievements in 2006 were the completion almost €1millon investment in high-potential start-up (HPSU) businesses and the approval of 37 potential HPSU projects. At the end of 2006 there were 20,530 people employed in Shannon Development assisted companies (Annual Report, 2006:8). Shannon Development's efforts have been complemented by other investment in the region with, for example, IDA Ireland supporting R&D investments totalling €20.4m from 20 companies in the Mid-West over the last 5 years (Press release 10/10/2007).

Challenging times: changing roles

A further re-alignment of Shannon Development's role has taken place recently. Following consultation and negotiation with the company. The Minister for Trade, Enterprise and Employment announced that Shannon Development's future role 'would focus on strategic value-added activities that would contribute to the economic development of the region' (Press release, 28 th July 2005). The restructuring was implemented from January 2007. Shannon Development's enterprise support functions were re-allocated to the national agencies Enterprise Ireland (indigenous industry) and IDA (exogenous industry). Enterprise Ireland's national regional headquarters has been relocated to Shannon Town with all regions in Ireland reporting to the Head of Regions and Entrepreneurship, an executive based in Shannon. So, following more than fifty years of leadership in the region Shannon Development's current goals are:
- To enable the more developed areas of the Shannon Region achieve their full development potential.
- To ensure that the potential of the less developed areas of the Shannon Region is realised.
- To create demand for the Shannon Airport Gateway (Annual Report 2006).

The restructuring will allow Shannon Development to concentrate on its strategic role in the region. The organisation will continue its efforts to construct regional advantage by integrating and exploiting the region's assets and creativity, synergising with the efforts of the IDA and Enterprise Ireland and channelling the endeavours of the region's public, private and third sector actors. The new operational context may prove particularly challenging because although Shannon Development's regional functions have been reinforced by the change, its delinking from national enterprise support efforts may be problematic.

Other challenges continually affect Shannon Development's actions. Following the change in Ireland's Objective One status, EU constraints on state aid affect the region. The Mid West sub-region (Clare, Limerick and North Tipperary) and Kerry will be entitled to regional aid

only for small and medium-sized firms throughout 2007-2013 and for large firms for 2007-2008. The decision of Aer Lingus to discontinue the Shannon Heathrow service from December 2007 will affect the region's connectivity and will pose a further challenge to Shannon Development.

The governance context of the Shannon region has changed significantly in recent years. The creation of Regional Authorities and Regional Assemblies has introduced a new (if limited) layer of government at that level. Reform of local government has led to the creation of new structures such as County Enterprise Boards and County/City Development Boards which bring non-governmental actors formally into the governance processes. The proliferation of local development bodies makes the governance architecture more complex. Some of these bodies were established to address issues which transcended the traditional remit of local government, others emerged because of the opportunities created by EU regional policy funding (Adshead and Quinn, 1998). These bodies act and interact in the Shannon region framing development and implementing national, European and local policies. Shannon Development has become firmly implanted within these revised structures, working actively with County Enterprise Boards and local development organisations such as Ballyhoura Development, for example. This ability to operate within and beside the formal governance structures has been a novel feature of Shannon Development's contribution to the region.

Significant factors in Shannon Development's success

Shannon continues to be one of Ireland's leading regions and Shannon Development plays a key part, not only as a regional economic development body, but also in policy development and innovation strategies. From its inception, the emphasis in Shannon Development was on learning, innovation and supporting experimentation and the company has continually adjusted its approach to reflect changing international, national and regional tends and priorities. Figure 1 captures this multi-dimensional role

Figure 1. Shannon Development's contribution to the region
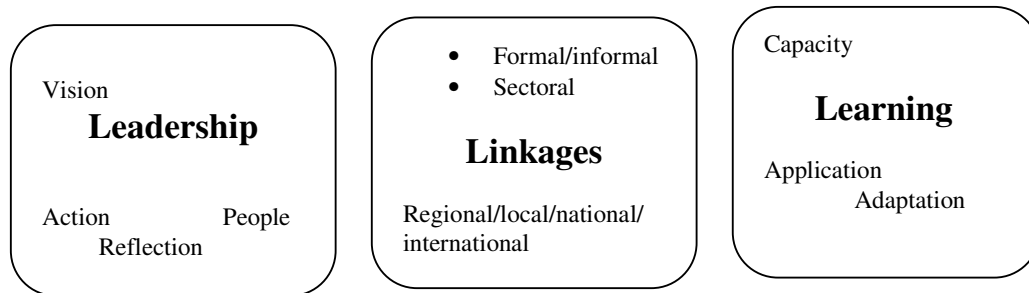
Source: Author

The role of Shannon Development in promoting development and fostering innovation in the region is evident. Its leadership has inspired a vision for the region, implemented action to achieve that vision and facilitated reflection on the effectiveness of those actions. Shannon Development believes in the value of networking. It actively promotes formal and informal, sectoral and inter-sectoral linkages. The Shannon Region Knowledge Network, for example, links business, education, research and innovation. Shannon Development also supports vertical networks linking local, regional, national and international actors, building the region's image and inspiring confidence in the region. Strategies such as the Shannon Region Knowledge Network build learning capacity in the region. Shannon Development has enabled firms to apply that learning by supporting the location of knowledge-based

enterprises in the region. As an organisation, Shannon Development has adapted in response to the lessons it has drawn from its success and failures. It has also facilitated the endeavours it supports to adapt to changing circumstances. Such adaptable learning is vital in the knowledge economy and in a world of changing social and policy priorities.

From its creation Shannon Development has been ascribed an atypical status in Ireland's governing structures. The manner in which central government has repeatedly re-aligned its responsibilities while reinforcing its existence highlight its distinctiveness. Its ability to be both a part of and apart from formal governance structures allowed the organisation to do things differently and be innovative and experimental in its approach. Its positioning at arm's length from government also insulated it from the partisan and clientilist dimensions of Ireland's political culture. Yet , its linkages to national development efforts and the associated bodies ensured its legitimacy and recognition. Effective networking was vital to its success and it fostered networks at several levels. Informal networks were also significant. Callanan states that 'networks of personal contacts were vital ingredients in overcoming obstacles, winning support and securing acceptance' (2000:182). Thus the contradictory thrusts of continuity and adaptation, independence and interdependence contributed to Shannon Development's success.

Conclusions

The existence of Shannon Development and the spillover effects of its support for development and innovation distinguish the Shannon Region from other regions. The absence, for so long, of formal regional structures, created a vacuum which Shannon Development adroitly filled. Shannon Development has served as a responsive laboratory for industrialisation and innovation. In its early years it was a locus for experimentation with approaches to industrialisation and physical planning. In recent years, as national and international trajectories of development altered, innovation and knowledge creation have become pivotal in its work. It has been a decisive force in the shape of the region's development and has complemented national policies for development and industrialisation.

The impact of Shannon Development on the region is widely acknowledged, particularly its support of innovation. Andreosso-O'Callaghan (2000) asserts that industrial development in the Shannon region can best be described as a Local System of Innovation (LSI) because of the technological proximity of a pool of innovative firms (mainly in the mechanical and electronic sectors), the supportive institutions (such as Shannon Development, the Technological parks and the University) and the spatial proximity. Although highlighting the existence of a technical culture in the Shannon region (due in no small measure to the efforts of Shannon Development), she does, however, draw attention to gaps and obstacles such as poor infrastructure, the tardiness of a national innovation policy, the low level of embeddedness of the exogenous firms and the poor availability of venture capital in the region. These are challenges which must be addressed in Ireland and which may serve as pointers for the future orientation of Turkey's regional development policy.

Shannon Development's achievements have been both tangible (as evidenced by the enterprise centres and tourist developments bearing its logo) and intangible (as evidenced by the culture of interaction and innovation in the organisations with which it works). The weakness of national regional policy networks and the limitations of Irish local government meant that those who wished to promote development in the regions formed networks based on personal and functional relationships. However, Walsh assesses that recent changes in Ireland's approach to regional development reflect a 'significant conceptual advance' (2007:56) to a system that supports efforts to optimise local potential. Development activists in the Shannon region have been advantaged by the existence of Shannon Development which acted as a catalyst for the optimisation of the region's potential. For almost half a century

Shannon Development has shown its ability to adapt to changes in the development paradigm. This adaptability will be necessary for its continued success in a changing world.

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