EVALUATING EU REGIONAL POLICY
How might we understand the causal connections between interventions and outcomes more effectively?

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This article presents a challenge to the ways in which EU regional policy has been evaluated in the past. Given the complexity of the ‘policy framework’ and its objectives, it is argued that existing evaluation methodologies are not only inappropriate but create a real risk of misleading policymakers in their search for identifying which programmes and initiatives are the most effective in tackling the scale of regional disparity that exists across the European Union. For example, the search for an ‘average effect’ of intervention, whether in terms of jobs created or GVA generated, does not adequately recognise the context within which policy operates. The article argues that only by attempting to adopt a realist evaluation framework can the discourse on effective regional policy be advanced. Examples are provided from a body of work on the evaluation of business support interventions in the UK as well as a broader study of the way in which regulations impacts upon firm performance and growth. This methodological approach provides an opportunity for the evaluator to identify the causal mechanisms which connect the range of policy interventions and their outcomes. In brief, it has greater potential to inform the policymaker as to what works and, more importantly, in what contexts.

Introduction

The persistence of disparities in regional development across the European Union (EU) clearly presents a considerable challenge to public policy in the post-enlargement period (European Commission, 2004). In that context, the importance of developing even more effective regional policy interventions cannot be understated. However, as Martin and Tyler (2006) argue, it is just as important to develop an understanding of what the impact of previous regional, or ‘area-based’, policies have been. At an EU level the operation of the Structural and Cohesion Funds represents the most explicit policy tools that seek to enhance the social and economic development of ‘lagging’ regions.

The objectives of EU regional policy are challenging: to reduce inequalities between regions, to increase efficiency at the national and European level and to decrease inequalities between the Member States of the EU. The main instruments available to the European Commission for direct regional aid have been the Structural Funds (strengthened in 1988) and the Cohesion Funds (since 1993). Inevitably, these objectives lead to a trade-off at the spatial level as the ongoing tension between equity and efficiency
becomes paramount in the execution of individual policy programmes and initiatives. This tension can be written perhaps more succinctly as a choice between supporting economic regeneration or boosting growth (see, for example, Haughton & Counsell, 2004, pp. 192–194). Using the East of England region as an example, they suggest that the strategic importance of the Cambridge sub-region meant that it took centre stage in the overall regional planning strategy. This type of ‘agglomeration’ effect, manifested in what might be termed positive localised spillovers, can produce efficiency effects through the self-sustaining nature of these ‘agglomerations’.

However, the long-term unwelcome or incompatible aspects of this ‘agglomeration’ process sits uneasily with a desire to reduce regional inequalities when investment gravitates to where transaction costs are seen to be lower whether as a result of infrastructure improvements (financed through public expenditure) or through the availability of skilled labour which reduces, for example, the costs of recruitment and retention. The role of regional policy is to balance the needs of lagging regions with the demands of fast-growing regions. If these equity considerations are accepted then the issue becomes one of ensuring the efficiency of these public policy interventions.

Western governments have spent significant sums of public money in attracting inward investment, and indeed it may even be argued that attracting (and retaining) inward investment has been the main focus of industrial and regional policy (Bailey & Driffield, 2002). The merits of various approaches to regional policy are discussed in some detail in Armstrong and Taylor (1993). Leaving aside the issue of whether governments should intervene to address regional disparity, the theoretical literature on regional policy makes one essential distinction. This focuses on the debate concerning whether regional policy should be designed to address the symptoms of regional disparity such as unemployment and low levels of investment, or whether it should seek to address the underlying causes, such as low productivity and low levels of innovation. For example, UK regional policy has been concerned to identify regions with high levels of unemployment that could benefit from new fixed capital formation (Harris & Robinson, 2005; Wren, 2005). This recognises that there are certain areas of inner cities, for example, that may have above average unemployment, but that seeking to attract large-scale investment is not feasible due to congestion or other constraints. This is an essential reason why regional policy is based on relatively large areas rather than very small jurisdictions. A review of the regional economic development literature in recent decades points to one overriding conclusion. Despite periods of convergence the overall trend is towards the persistent nature of regional inequalities throughout the EU, including the UK (see, for example, Dunford, 2005; Gardiner et al., 2005). The enduring scale of regional, and indeed sub-regional, inequalities across the EU and within the UK provides prime facie evidence that some combination of market failure can be said to exist which has led to a continued justification of area-based interventions.

This then takes us into the realm of assessing the ways in which various regional policy frameworks can be considered ‘successful’. Nobody would argue against the fact that engaging in evaluation is methodologically an extremely challenging task. As discussed in this article, there is an obvious need for, and inherent benefits to, an engagement in policy evaluation. The real difficulty for evaluators is ‘how’ to evaluate. The
next section presents a brief overview and critique of some of the traditional ways in which regional policy interventions have been evaluated. Arising out of that discussion the article then moves on to consider the challenges presented to the evaluation community by the increasing complexity of the nature and operation of EU regional policy. The article then assesses the value of an alternative ‘realist’ methodological approach to the evaluation of EU regional policy which attempts to provide policy-makers with a more useful answer to their question of ‘what works and in what circumstances?’ than has hitherto been possible (see, for example, Batterbury, 2006). By way of illustration, and to advance the arguments of Bachtler and Wren (2006), the article presents some examples of this approach in the context of evaluating business support programmes in the UK as well as a more general discussion of how it has been used to assess the impact of regulation on the performance of SMEs.

EU Regional Policy: The Challenges to Evaluation

At an EU level the operation of the Structural (strengthened in 1988) and Cohesion Funds (since 1993) represents the most explicit policy tools that can be harnessed by national and regional governments to enhance the social and economic development of ‘lagging’ regions (see Bachtler & Wren, 2006 for a review). There are a number of key principles that have emerged over this period which seek to guide the construction and implementation of this set of policy tools. For example, there has developed an emphasis on endogenous growth models and in relation to this the desire to increase the competitiveness of regions as opposed to simply engaging in redistributive actions which characterised much of previous regional policy interventions. Further, the actual nature of the interventions themselves have become much more wide-ranging including the indirect support to local environment, cross-sectoral, multidisciplinary approaches and the involvement of a broad range of actors (e.g. the Territorial Employment Pact initiative of the late 1990s). Moreover, the emphasis on a longer-term perspective involving multi-annual plans makes it much more challenging to arrive at some overall sense of how EU regional policy impacts on regional growth and prosperity.

Following on from these shifts Polverari and Bachtler (2005) have argued that EU regional policy in the current operational cycle has become systemic, embedded and with an increasing number of intangible effects as anticipated outcomes. The involvement of a plurality of actors in the delivery of programmes and initiatives and the increasing recognition that there is a complex set of cause–effect relationships at work further complicate the task of the evaluator. While Polverari and Bachtler (2005) clearly set out the obvious challenges for evaluation methodology they fall short in developing how one might respond. So, while it is important to acknowledge the need for evaluation frameworks to become interdisciplinary, more participative and develop competencies at different levels (i.e. project, instrument, programme and policy) the task is to reflect more clearly on how this should be done.

Against this background the evaluation units of national government departments (especially the Ministries of Finance) and within the Commission itself continue to demand a review of its programmes and initiatives which place a clear emphasis on additionality,
efficiency and value for money considerations. By doing so the choice between competing policy options in a finite budget context is deemed easier to manage. These demands, whether they are within the context of ex-ante, mid-term or ex-post evaluations, have the effect of reducing the choice of evaluation methodology to one which can best provide such a response. While this is undeniably important it has the undesired effect in many instances of forcing evaluators to reach for an evaluation toolkit which will arrive at some quantitative estimation (in the worst cases point estimates) of the effects of policy. The chosen evaluation methodologies have matured greatly in recent years and there is now a common understanding of what represents ‘best practice’ ex-post evaluation with, for example, the increasing use of selection modelling techniques (Lenihan et al., 2005). However, the ex-ante evaluation of the likely additional impact of government interventions is also of great importance and Roper et al. (2004) have argued that greater effort should be invested in this approach. The issue here is of understanding the way policy interventions ‘causally’ connect to observed outcomes and once that is understood then a more considered assessment of the evidence on additionality, efficiency and value for money can be undertaken.

The EU Territorial Employment Pact (TEP) initiative, financed in the 1994–1999 programme cycle, provides an illustration of the tensions between objectives and tangible outcomes. The TEP initiative was launched in December 1996 with the objective of tackling unemployment and promoting job creation through multi-stakeholder partnerships at local level (ECOTEC, 2002). They were a response by the European Commission to the demands of the Member States for stronger action in favour of employment. There were 89 TEPs across the EU at that time and each was provided with up to €300,000. While the final (i.e. ex-post) evaluation report quite correctly focused on the non-quantitative outputs and outcomes of the TEP initiative, some of the reviews of progress presented to the Commission were framed in terms of the number of jobs created and/or business supported and not solely in terms of how the partnerships operated. Huber (2001, p. 2) acknowledges this tension when he states, ‘aside from an impact on labour market outcomes such as unemployment, which needs to be evaluated, territorial employment pacts also contribute to improve the efficiency of the regional labour market governance’. Many of the internal evaluations sought to arrive at some estimate of how many jobs were created across the 89 TEPs. Therein lies the tension the evaluator currently faces and the need to develop appropriate evaluation frameworks. This initiative was primarily about building capacity at the local level for tangible future employment benefits. Yet, the discourse of whether this initiative was a success gravitated too readily towards ‘How many jobs?’

Bachtler and Wren (2006) acknowledge this tension and outline, in very broad terms, alternatives to such positivistic approaches to evaluation. Indeed, the work of Batterbury (2006), Eser and Nuessmuller (2006) and Armstrong and Wells (2006) provide a clear indication of the value of adopting alternative approaches based on realist philosophical traditions which seek to explore the mechanisms that account for changes in policies and programmes. Nevertheless, the problem remains one of how this can be designed and incorporated into meaningful evaluation frameworks to say more about the outcomes of policy rather than deepening our understanding of the changing institutional system (see
Batterbury, 2006). Yet, the focus in much of the evaluation literature to date has been on ex-post evaluation, which provides an assessment of the level of ‘additionality’ associated with a particular regional or industrial policy intervention (Bachtler & Wren, 2006). The objective here has often been to arrive at some notion of the ‘average effect’ of intervention which, for example, may be expressed in terms of the net number of jobs created with some value for money assessment (i.e. cost-per-net-job or net addition to GVA at regional and/or national level).

The use of macro-models to determine the effects of EU regional policy are an example of this need to quantify the likely aggregate impacts of Structural Fund policies (see, for example, Bradley, 2006; Martin & Tyler, 2006). However, do these models provide the policy-maker with the necessary evidence of the precise ways in which projects and instruments within the broad family of Structural Fund policies can serve to overcome say below average levels of GDP, high unemployment or low levels of innovation at the level of the firm? Indeed, depending on the calibration of macro-models the results for the four Cohesion countries differ markedly from QUEST and HERMIN. There is also the additional problem of the impact of all EU policies on the Cohesion project. For example, beyond the Cohesion Funds and structural policies what is the impact of policies related to European and national policies on European Monetary Union (EMU), competition, internal market, agriculture, fishing, energy, enterprise, energy, transport and employment?3

So, while it may be useful to derive an average effect of intervention upon recipient businesses (i.e. percentage increase in employment or sales) the challenge is to understand the ways in which the intervention can achieve a set of positive outcomes which extend beyond the attributable uplift in net employment or turnover and into areas such as the shift in strategic focus, enhanced capacity, etc. What is needed, therefore, is to develop a clear idea of what Structural and Cohesion Fund interventions are at the micro-level (essentially the projects and instruments) and how they impact upon the Cohesion Project. Furthermore, while large-scale macro-econometric models might be useful to ‘exhibit’ the asymmetric shock of, say, enlargement, do they really shed light on the adjustment processes that take place at the firm or local economy level as markets are redefined? I would suggest not. The obvious defence is that they are not designed to do, but that leads to another question of what they are actually doing within the evaluation literature on the impact of EU Cohesion Policy.

Adopting New Approaches for Evaluating EU Regional Policy: Hunting the Snark?

The previous section has highlighted that the evaluation evidence on the impact of Structural and Cohesion Funds interventions is problematic. This problem essentially surrounds the inability to provide a response to the policy-makers’ question – ‘What works and in what circumstances?’ One approach, which is grounded on critical realism ideologies, might provide a useful way to evolve our evaluation ‘toolkit’ (Pawson & Tilley, 1997). While, as noted above, there has been some recent discussion of the value of realist evaluation approaches (see, for example, Batterbury, 2006) these have not gone much further than articulating the deficiencies in current evaluation practice. What is presented
below is a more detailed discussion of how this methodological approach can serve the evaluation of EU regional policy.

All evaluation research, necessarily, rests upon assumptions about the nature of the human-made world (ontology) and how it can be known (epistemology). Researchers and policy-makers do not always reflect explicitly upon these assumptions, but this does not mean they do not influence research and policy practice; rather, they are implicit and taken for granted. In all cases, ontology is non-optional (Fleetwood, 2004). These assumptions shape our definition of the objects studied, their relationships with other objects, and the choice of methods to study them. Faulty assumptions will lead to poor evaluation research and policy failure. By illustration, the notion that regulatory frameworks are somehow separate from the market system has led to some flawed thinking about how a reduction of the ‘regulatory burden’ can improve business performance. For example, without regulation in the area of intellectual property rights, consumer law and property ownership the market system would falter due to a lack of confidence in the transaction process.

In order for the practice of science to be intelligible, critical realists argue that the social world must be constituted in a particular way and that the research methods adopted should recognise this particular constitution (Bhaskar, 1979; Sayer, 1992). By extension, policy prescriptions addressing particular social issues must also be consistent with these assumptions. Critical realists maintain that social objects are intransitive, that is, they exist independently of their identification, necessarily possess particular causal powers by virtue of their structures, and that these powers, when exercised, interact to cause social change (see Archer, 1995, 2000, 2003; Bhaskar, 1978, 1979; Fleetwood, 2004; Sayer, 1992, 2000 for a detailed discussion). The claim by these realist researchers is that standard empirical approaches based on large-scale survey data lack explanatory power because they do not identify the causal mechanisms that generate the social phenomena under scrutiny; in short, they do not tell us how things happen, which is of real interest to those engaged with EU regional policy instruments, projects and programmes.

If, by way of example, we are interested in regional growth in employment as one part of the EU Cohesion Project then we need to establish what are the necessary conditions for that outcome to be achieved. This may well be state aids to industry in Objective 1 regions (e.g. Selective Finance for Investment in England (SFIE), or the Regional Selective Assistance Scheme in Scotland), or investment in capacity building through infrastructure projects or assisting the networking of businesses in particular sectors (e.g. the Supply Chain initiative in the Shannon region of Ireland). From an evaluation point of view we are then interested in identifying those contingent influences, or the context (combination of contingent circumstances) that in effect may ‘adjust’ the necessary influences. Structural and Cohesion Funds are part of those contingent influences. This approach, by definition qualitative in nature, is designed to explore the interplay of mechanisms and local circumstances in, say, individual Objective 1 areas that may reveal complex sets of causal relationships. As a consequence the capability of a region to harness the effects of Structural and Cohesion Fund interventions is mediated or adjusted. It is the nature of this mediation and adjustment process, relative to the scale of the intervention, which is of prime interest to the policy-maker.
Two elements combine to produce an outcome – a generative mechanism and the specific context in which it works. Through what generative structures, mechanisms, powers (capacity of agents) and tendencies do regions achieve increases in GDP per head? A second question then follows from this. What conditions support or hinder the exercise of these generative mechanisms, or in other words, the tendential nature of these mechanisms? Translating that into the language of EU regional policy, the question becomes through what mechanisms do Structural Funds and Cohesion Funds, broadly defined, causally affect regional growth? These EU regional policy mechanisms generate particular tendencies which causally influence, but do not necessarily determine, regional performance outcomes. In other words, regional actors (business owners, social enterprises, business support organisations, government departments with responsibility for infrastructure projects or partnerships involving all of these) may adapt their behaviour to become eligible for assistance or not; but even when they do so, adaptation does not generate uniform performance outcomes. These depend not only on the activities of the regional actors themselves but also on those of other stakeholders whose actions causally affect them – for example, actual and prospective competitors, customers, employees, suppliers, infrastructure providers and regulatory authorities.

This type of evaluation, based primarily on qualitative data, is useful for programme developers and will typically include stakeholders to help with the generation of the likely causal explanations for programme effects. Further, it will begin to reveal how a policy intervention works and under what conditions. The adoption of such an approach provides a real challenge to current evaluation approaches. Does this mean the abandonment of purely quantitative methodologies, increasingly dependent upon econometric techniques (e.g. selection modelling – see Mole et al., 2007a,b; Roper & Hart, 2005) to set aside that body of evaluation activity which demands the ‘point estimates’ of additionality and value for money estimates? A response to this question is discussed in more detail in the next section.

Towards Realist Evaluation Frameworks: Some Practical Examples

This section will explore some examples of how a realist evaluation framework can be put into practice. Initially, a brief overview of two evaluation studies on SME support interventions is presented which are examples of a mixed-method (quantitative–qualitative) approach. They were initially designed to satisfy the demands of a rigorous econometric approach which would result in clear quantitative outcomes, such as employment, sales and productivity growth as well as the degree of increased access to private equity finance for growth and start-up. How these interventions can be deemed to have achieved their objectives, however, lies far beyond the econometric estimates.

**Business Support for SMEs**

In a recent evaluation study of the Business Link (BL) support network in England two specific questions were considered (Mole et al., 2007a,b): what sort of companies receive advisory support from Business Links; and what types of firms benefit most from that
support? From a policy point of view, the data relate to the targeting and impact of assistance in 2003, immediately before the regionalisation of the BL service in England. This point highlights yet again the importance of specifying the context within which the evaluation had taken place. The study, based on a large-scale telephone survey of over 3,000 SMEs and 40 face-to-face interviews with business owners, can therefore, be seen as a response to Pawson and Tilley (1997), who argue that there is a need for scheme evaluations to 'look under the hood' to identify what shapes specific interventions and their impacts.

The justification for the way this evaluation of the BL service was constructed derives from the critique of standard policy evaluation set out by Pawson and Tilley (1997) that suggests the need for a more nuanced view of how public support programmes work and impact on different groups of firms and in what specific context. While Pawson and Tilley (1997) use a critical realist framework to address these issues, the Mole et al. (2007a,b) evaluation, while acknowledging this approach and adopting some of its principles, adopted a quantitative methodology with the analysis based on a large-scale telephone survey of assisted and non-assisted firms. However, by asking the question of which types of firms benefit most from BL interventions, and in what ways, the evaluation was able to address the fundamental criticism that Pawson and Tilley make of most evaluations studies.

The results suggest some generally positive messages in terms of the impact of BL intensive assistance on small businesses in 2003 both in terms of its overall growth effects and issues of access to services for different groups of firms. The results also provide some guidance to policy-makers (e.g. in the Regional Development Agencies) in terms of the types of firms which are more likely to benefit most from intensive assistance, that is, those firms which are larger and have an established managerial capacity. Targeting this type of firm is likely to increase economic impact in the short term but, of course, has other consequences in terms of its potential impact on the availability of services to newer, smaller firms with less well developed internal capabilities.

Regional Venture Capital Funds

The question of how an evaluation of the recently launched UK Regional Venture Capital Funds (RVCFs) initiative might be undertaken is now addressed (Hart et al., 2007). The answer has, at its core, a model of venture capital finance (supply and demand), as well as an RVCF assistance model capturing both the investment and performance stages of the policy intervention. Both econometric models contain short- and long-run effects, as well as the direct and indirect effects of the RVCF Programme.

As might be expected, issues relating to selection bias and additionality are contained within the RVCF assistance model as it estimates the effect on recipient firms. It is the view of Hart et al. (2007) that these have either been ignored or imperfectly addressed in existing work assessing public funding of small firms. These approaches go a long way in explaining to policy-makers whether the programme works for current participants, whether businesses that do not hold the latent characteristics of recipients would benefit, and, finally, whether a universal rollout of the policy is desirable.
The model of venture capital finance captures the wider implications of the RVCF, particularly the impact on investment opportunities. This long-run impact will tell us about the effects on the region by demonstrating the consequence of the policy in stimulating the supply of, and the demand for, venture capital finance. The use of econometric modelling for the longer-term impacts addresses the more general equilibrium issues, such as displacement. As Heckman (2001) points out, the impact of programmes on those who are not directly affected by it can be substantial, although his example was higher education which has significant society-wide impacts. Consequently, this modelling is integral to any overall assessment of the policy.

Whilst the chosen approach to evaluation has been explicitly quantitative, there is a clear recognition that this is not the only possible approach (see, for example, Danemark et al., 2002; Pawson & Tilley, 1997). What is clear is that the process of undertaking a successful quantitative analysis of this form highlights a series of insights to policy formulation and delivery which have merit in their own right. A second issue is that, to ensure the quantitative study addresses key questions, in-depth interviews have to be undertaken both with ‘treated’ and ‘non-treated’ firms, and with suppliers of VC. These cases, in themselves, are often of real interest to policy-makers as they provide a real opportunity, and realist researchers would argue, the only opportunity to identify the causal mechanisms at work following the introduction of a new VC scheme. In short, therefore, a choice between the econometric approach outlined above and a case-based approach is not the issue. The argument is that the ideal evaluation has to carefully combine the two in an attempt to understand the effects of policy intervention.

**Regulation and Business Performance**

The previous two examples highlight evaluation studies which have sought to respond to the criticism levelled at traditional evaluation methodologies (Batterbury, 2006; Pawson & Tilley, 1997). They have both sought to develop a mixed-method evaluation approach which, when interpreted in a holistic fashion, may seek to respond to the policy-makers quest for what works and under what conditions. However, although they have made contributions to the evaluation toolkit, in that they adopt best practice econometric selection modelling (see Lenihan et al., 2005; Roper & Hart, 2005), they still fall far short of what might be regarded as a realist evaluation framework. In the remainder of this section the details of a realist approach is outlined.

A robust causal explanation requires two kinds of data. First, there is a need for hermeneutic data concerning agents’ interpretations of their conditions of action and motivations for action; social structures only exist through the activities of agents, which relate to their conceptions of what they are doing in their activity (Bhaskar, 1979). Second, a robust explanation requires data on a significant (but not exhaustive) set of interacting causal mechanisms through which agents initiate and sustain action. Some suggest that quantitative data can assist in the development of causal explanations (Lawson, 1997, 2003; Pawson & Tilley, 1997), provided the aim is to explain observable phenomena – for example, business performance outcomes – in terms of underlying causal mechanisms rather than in terms of regularities. The exercise of causal mechanisms in open systems will
produce their tendential effects where conditions are advantageous for this to occur; social customs and rules might enable these tendencies to be actualised. This makes possible tendential prediction, whereby one can make predictions about what will happen should certain conditions pertain in future; given the openness of society, there is, of course, no guarantee that the required conditions will occur.

A new approach to exploring the influence of regulation on small business performance explicitly drawing on a realist perspective has been developed for the Department of Business, Enterprise and Regulatory Reform (DBERR) in the UK (Hart, 2006; Kitching, 2006). This sought to address two main questions and is summarised in Figure 1. First, how does regulation causally influence business performance outcomes? Second, what conditions support/hinder the exercise of these causal mechanisms?

The approach goes beyond studies focusing on small firm owners’ perceptions of regulation as a ‘burden on business’ and compliance cost studies that present a static picture of regulation as a cost or constraint (Kitching, 2006). Instead, a model is proposed explaining the dynamic impact of regulation on small business performance. The model specifically allows for variation in business owners’ adaptations to regulation due to differences in their capacities and motivations, and to differences in performance outcomes due to the influence of the wider contexts within which businesses operate. This opens up space for policy to intervene to enhance business owners’ capacities to discover and interpret regulation and to adapt to it in a manner likely to improve business performance. Start-up and business development programmes could incorporate learning about regulation and how to adapt to it. This might also help overcome the undoubted hostility of some business owners who perceive regulation as totally unrelated to conducting business activities.

Data were obtained from face-to-face interviews using a semi-structured interview topic guide with 124 small and medium-sized business owners and managers. All businesses were independent, employing one to one to 249 employees, operating in a wide range of sectors and in several locations in England. The approach does NOT seek to ‘explain’ the impact of regulation using statistical techniques whereby measures of regulation are correlated with performance measures. Indeed, it is questionable whether such approaches go beyond description to produce a causal explanation. The quality of the argument does not depend on large samples, quantification, or generalisation of empirical relationships. The regulatory tendencies identified influence performance

![Figure 1](image-url)
outcomes in all small businesses, though which are most causally influential in particular cases depends on internal and external conditions. Quantitative approaches are less able to explain the complex causal connections between regulatory interventions and business performance, or their dependency on small business owners’ changing capacities, resources and goals, and the broader conditions of action.

Finally, the approach, though dependent on business owners’ accounts of the impact of regulation upon their businesses, treats owners’ accounts as data contributing to an explanation but not the explanation itself. This is important because simply relying on business owners’ responses to survey questions does not permit the possibility of being incorrect – unless we are to treat small business owners as omniscient. Business owners are likely to base their views on what they observe and attach importance to – mainly the direct and constraining effects of regulation. But regulation also enables and motivates business owners’ activities without its influence entering their motivations or reasoning. Just because business owners are unaware of regulatory influences does not mean they have no impact upon them.

The results of this ‘realist’ investigation into the impact of regulation on small business performance are informative and run counter to many preconceived notions of the impact. First, regulation only produces small business performance effects through the adaptations of business owners and others whose actions causally affect them – actual and prospective competitors, customers, employees, suppliers, infrastructure providers and regulatory authorities (henceforth, stakeholders). Second, adaptation to regulations depends on firms’ internal resources, capacities and motivations, including their willingness and ability to manage regulation, and the wider external conditions of adaptation (including product, labour and capital markets). Business owners differ with regard to both. Third, regulation does not, therefore, generate uniform small business performance outcomes because business owners differ in their internal capacities and the external conditions within which they conduct their business activities. Finally, regulation generates multiple, and contradictory, tendencies that enable, motivate and constrain small business performance. These tendencies operate simultaneously; none is assumed dominant.

Conclusion

The evaluation industry has experienced enormous growth in recent years and this will continue with the ‘deepening’ and ‘widening’ of the EU. ‘Best practice’ evaluation is in great demand throughout the EU but what are we offering? Are we satisfied that the body of evidence from evaluation studies has made a significant contribution to an understanding of how a programme of intervention produces effects? What is of interest for policy-makers is some grasp of ‘what works’ (or perhaps more usefully what doesn’t) for which regions and in what circumstances. Have we got closer to identifying the generative mechanisms that produce an outcome for the lagging regions of the EU? The answer to this last question in the opinion of the author is a resounding no. Too often the cry from the evaluation community is for more accurate data (usually quantitative) upon which to apply existing methodologies. That misses a more fundamental point that there is a real need to embrace more appropriate methodologies which are just as data demanding but in a rather different way.
The argument above suggests that, while there is a recognition of the value of realist
type evaluation methodologies, there has been very little evidence of their practical
application. The problem is that policy-makers generally have more ‘trust’ in quantitative
evaluations as opposed to those based on wholly qualitative data. However, recently
there is an increasing recognition by those commissioning evaluation studies that a
qualitative component is a useful ‘add-on’ to ensure that the results of the quantitative
analysis are ‘grounded’ While a welcome step, this might more accurately be characterised
as a ‘mixed-method evaluation of the madhouse’.

This article presents some evidence of the value in constructing a realist evaluation
framework at the outset to investigate the impact of regulation and small business
performance. In this case a government department in the UK (DBERR) was prepared to
commit considerable resources to an extensive qualitative study based on realist
philosophical traditions – a first to this author’s knowledge. Conceptually, it necessitated
a rethink of the ways in which the causal connections between regulation and business
performance could be identified and when they tended to be activated. Such a re-
conceptualisation of the interactions between EU regional policy and regional economic
performance would seem to be long overdue.

NOTES

1. The intention here is not to provide an overview of the ‘politics’ of EU regional policy
since its formal inception in 1989 and the associated debates on the budget allocation.
A useful summary is provided by Bachtler and Wishlade (2005).
2. See, for example, the summary of ‘success’ presented by the Berlin Local Employment
3. See De Propris in this special issue for some of the links between these policies in terms
of clusters.
4. Critical realism can be contrasted with empirical realist and social constructionist
ontologies, associated with positivist and poststructuralist/postmodernist meta-theore-
tical frameworks, respectively (see Fleetwood, 2004).
5. This study was undertaken by the Small Business Research Centre of Kingston Univeristy
and I acknowledge the contributions of the team in underaking the research (John
Kitching, Nick Wilson, Steve Fleetwood, Andy Pratt, Robert Blackburn, David Smallbone
and Rosemary Athayde).
6. See, for example, the debate with respect to environmental regulation and the ‘Porter
hypothesis’, that regulation can in certain circumstances help improve firm-level
competitiveness (Porter & van der Linde, 1995).

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