



# KEN

Knowledge  
Economy  
Network



Buskerud  
fylkeskommune

## KEN-2011

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### Regional Innovation Policy

#### **Draft Recommendations**

Text of Recommendation		International	Country / Region	Stakeholders
1	<p><b>Regional Development Strategy based on Innovation</b></p> <p><b>Innovation has been recently recognized as the heart of a proactive regional development agenda</b>, most directly linked to improving productivity and strengthening knowledge-based competitiveness. In OECD countries, on average, 2/3 of public investment is performed by regional and other sub-national entities which should be focused more on supporting innovation.</p> <p>Regional authorities and stakeholders should take <b>more initiative and responsibility</b> for <b>designing innovation policies, creating necessary support environment</b> and</p>		X	X

	improve implementation mechanisms of regional development strategies.			
<b>2</b>	<p><b>Options and Key Instruments of Innovation Policy</b></p> <p>While <b>building efficient and smart policy mixes</b>, besides <b>science and technology</b>, also <b>entrepreneurship, job training and adequate education policies</b> should be their integral part. Policy instruments should target knowledge generation, diffusion and exploitation, or multiple objectives, simultaneously using more <b>systemic approach</b> with <b>policy packages</b> offering <b>complex services</b> intended to encourage knowledge economy.</p> <p>There are three possible <b>general strategic approaches</b> for regions:</p> <ol style="list-style-type: none"> <li><b>1. Building on current advantages</b> with an emphasis on scientific research, and RTD, or a mix of the two, while leaving room for experimentation and diversification into future models;</li> <li><b>2. Supporting socio-economic transformation</b> by recognizing its relevance and then by reconversion or identification of a new frontier in order to readjust to global trends, with a special emphasis on the <b>use of the human capital</b> and productive use of <b>regional traditions and accumulated knowledge</b>;</li> <li><b>3. Catching up on the basis of the creation of knowledge-based capabilities</b> is relevant for regions lagging behind in income per capita, productivity growth and employment generation, and suffer from the absence of high value-added economic activities and general lack of infrastructure and relevant services.</li> </ol>			<b>X</b>
<b>3</b>	<p><b>'One-size-fits-all' policy to be avoided</b></p> <p>Each region has <b>some innovation potential</b> but existing differences in <b>location, knowledge base and institutional structure</b> have to be fully appreciated and taken into account. Because of regional diversities, it would be wrong to apply a 'one-size-fits-all' policy and simply <b>copy the models of best practices</b> (like Silicon Valley).</p> <p>Accordingly, there is a need for <b>tailor-made policy strategies, geared towards specific potentials</b>, and focused on <b>tackling specific bottlenecks in each region</b>. As a result, regional policy needs to evolve, capitalising on region-specific assets, rather than selecting from a portfolio of specific policy models.</p>		<b>X</b>	
<b>4</b>	<p><b>Embedded Innovation</b></p> <p>A territorially embedded regional innovation network has to sustain the <b>competitiveness of economic operators in the system/region</b>. This is especially true for SMEs. Thus, it is not possible to fully rely on localized learning and tacit knowledge (as well as localized, codified knowledge), which must in many cases be complemented with formal R&amp;D-competence. For this type of RIS, it is important that the <b>regional actors develop external linkages</b> and not only <b>cooperate within the region</b>.</p>		<b>X</b>	
<b>5</b>	<p><b>Regionalization vs. Regionalism: Policies for smaller regions</b></p> <ul style="list-style-type: none"> <li>• For regional innovation policies to be meaningful the regions already have either <b>one or several clusters of SMEs</b> or <b>one or several larger leading companies</b></li> </ul>		<b>X</b>	

	<p>surrounded by clusters of suppliers and/or customers.</p> <ul style="list-style-type: none"> <li>• Since most small and medium-sized regions usually do not have public research institutions, developing strong <b>links to research universities in other regions</b> are of paramount importance.</li> <li>• For those small and medium-sized regions that have one or several institutions of higher education, it is important to take special measures to <b>adapt the educational profile</b> to fit the needs of the region and of its innovation networks.</li> <li>• Problems to <b>recruit qualified personnel</b> are impeding regional innovation systems in many small and medium-sized regions. <b>Special measures</b> are necessary to facilitate the recruitment of qualified personnel needed.</li> <li>• Since many innovations are best realized within new firms, <b>broad support to new entrepreneurial ventures</b> is essential for maintain viability of entrepreneurial environment.</li> <li>• As conditions in each region differ, it is necessary to decide on changes in regional <b>innovation policies after thorough independent studies</b> of the existing regional innovation system, ways of its functioning, including weaknesses and strong points.</li> <li>• <b>Administrative and functional regions normally do not coincide.</b> Since the functional regions are actually the relevant ones, it is necessary to approach regional <b>innovation policies in the context of functional regions.</b></li> </ul>			
6	<p><b>Functional Linkages</b></p> <p>The relevant linkages in the <b>innovative process are not necessarily geographically determined.</b> Therefore, a cluster-oriented business development policy should be <b>wider in scope than its geographical base.</b> In particular business service agencies or innovation mediators should <b>serve as local knowledge anchors</b> transmitting new technology into the local business environment.</p>		X	X
7	<p><b>Role of Universities</b></p> <p>The <b>role of universities in regional development</b> is attributable to <b>two key effects:</b></p> <p><b>First, universities develop basic science</b> as well as <b>deliver RTD products,</b> often in cooperation with private businesses.</p> <p><b>Second, they – unlike research institutes – bring in talented students,</b> building up local competent workforce and thereby increase region’s attractiveness for economic operators and investors.</p> <p>Innovation policies and instruments should invite and engage firms and knowledge organisations in helping to develop a regional innovation strategy, to create other nodes for local cooperation between business and academia, as well as to provide bridges between firms and technological and knowledge resources.</p>			X
8	<p><b>Innovative Regions and TNCs</b></p> <p>Regions ought to <b>bind the units of Transnational Corporations (TNCs) more strongly to their local economic environment,</b> thereby upgrading local suppliers. It is their interest to upgrade local knowledge organisations and develop <b>regional ‘club goods’ which will intensify the motivation of TNCs for operations in the region.</b> TNCs may then find it profitable to maintain and further develop some activities, including innovative activities, in what may become a <b>dynamic regional innovation system.</b></p>			

	<p>In such circumstances the local TNC unit will gain bargaining power within the corporation for additional activities and investment, benefiting from local innovation potential.</p> <p>Corporations may even <b>tap the knowledge base of such a region</b>, i.e. the knowledge intensive region becoming a '<b>listening post</b>' for relaying back product development and marketing information to the TNC.</p> <p>Regional and national authorities should <b>support such collaborative patterns in innovative activities</b> between local companies and TNCs, and offer them advice on strategic negotiations.</p>			
9	<p><b>Smart specialisation strategies</b></p> <p>Regions ought to concentrate resources on few <b>key priorities</b> rather than spreading investment thinly across areas and business sectors. Such strategies should become a key element in developing <b>multi-level governance for integrated innovation policies</b>. Moreover, they have to be closely linked with other policy domains and require an understanding of regional strengths relative to other regions and of the possible gain for interregional and transnational cooperation.</p> <p>Smart specialisation strategies should contribute to more <b>effective use of public funds</b> and should <b>stimulate private investment</b>.</p>		X	X
10	<p><b>Innovation-friendly business environments for SMEs</b></p> <p>A thriving SME sector is essential for growth, jobs and innovation and finally for cohesion. SMEs are central to the EU economy: some 20 million of them account for almost 60% of value added and two-thirds of employment in the private sector. Over 92% are micro firms employing fewer than 10 people.</p> <p>The ERDF funding in 2000-2006 allowed the creation of <b>at least one million jobs</b> and <b>increasing investment in research and innovation</b>. There should be more extensive use of loans, equity finance and other forms of financial engineering in favour of SME. Regional and national authorities should thus support <b>innovation-friendly business environments to assist SMEs, R&amp;D intensive</b> ones especially, and the creation of new firms.</p>		X	
11	<p><b>Encouraging labour mobility and lifelong learning</b></p> <p>Since most labour mobility takes place at the regional level, <b>policy promoting labour mobility may enhance knowledge transfer and innovation at the regional level</b>. Since labour mobility may take away the incentive of firms to invest in their personnel, <b>public policy should invest heavily in education and lifelong learning</b>. If not, individuals do not have the capability to confront new changes and to move from one job to the other.</p> <p><b>Many universities in the EU are helping to commercialise research</b> by increasing the <b>entrepreneurial mindset of students</b> and by collaborating with regional firms in innovation, so becoming more strongly involved in regional economic development. More cases of this kind are needed.</p>		X	X

	University leaders should encourage more collaboration in various forms with regional business environment and more professor and student mobility in line with the objectives of the Bologna Process.			
<b>12</b>	<p><b>Spill-over effects</b></p> <p>Knowledge will spill-over more intensively when regions are endowed with related industries that share a knowledge base – leading to economic branching in regions through <b>spinoff dynamics, labour mobility and networks</b>.</p> <p>Due to the systemic nature of innovation processes, <b>regions also require a critical mass of organizations that meet the following conditions:</b> (1) being well connected, which enables flows of knowledge, capital and labour; (2) ties, not too strong, and not too focused on the region, avoiding problems of lock-in; and (3) local organizations and institutions to be flexible and responsive to new circumstances, overcoming inertial tendencies due to habits, routines and path dependency.</p>		<b>X</b>	<b>X</b>
<b>13</b>	<p><b>The ‘Open Innovation’ concept</b></p> <p>Innovation concept must be embraced by businesses in the region to increase productivity and also for competitiveness in global markets. The requirements for <b>successful networking</b> should not be underestimated and <b>business to business cooperation needs to be fostered</b>.</p> <p>Businesses need to extend their sources of new knowledge and this should be <b>broad ‘Knowledge Exchange’</b> rather than just <b>‘Knowledge Transfer’</b>. Access to finance is a fundamental requirement for entrepreneurs and businesses to develop and market innovative concepts. There are many stages required in this development but <b>‘Proof of Concept’ funding</b> is an essential early component.</p>			<b>X</b>
<b>14</b>	<p><b>The importance of EU Initiatives</b></p> <p>The EIT has an important contribution to play in the European innovation landscape. Education, training and lifelong learning, as referred to in the <b>Europe 2020</b> flagship <b>‘Youth on the Move’</b> and in the <b>“New skills for new jobs”</b> initiative, are vital to developing regional capacity to innovate. Focusing school, vocational and higher education curricula on transversal competences like <b>creativity, entrepreneurship</b> and <b>initiative</b> will help young people to develop their <b>full potential for innovation</b>. More projects to support effective cooperation between all types of education, training institutions and businesses should be promoted by the ERDF.</p>	<b>X</b>		
<b>15</b>	<p><b>Key Innovation Policy Objectives</b></p> <p>The experience of European innovation policies has demonstrated that successful innovation performance should follow these broad objectives:</p> <ul style="list-style-type: none"> <li>• Improve <b>innovation governance</b> and <b>strategic intelligence</b> for policy making;</li> <li>• Foster an <b>innovation friendly environment</b>;</li> <li>• <b>Higher quality of demand-driven education, human capital development</b> including respect for <b>gender issues</b>;</li> <li>• Public and private support for the development of <b>research infrastructure</b>;</li> </ul>		<b>X</b>	

	<ul style="list-style-type: none"> <li>• <b>Protection and commercialization of intellectual property;</b></li> <li>• Encouragement of <b>technology development and knowledge exchange</b> among business and academia through clusters, centers of excellence, science and technology parks, competence centers, and other innovation poles;</li> <li>• <b>Promotion and support in the creation and high-growth of innovative enterprises;</b></li> <li>• Intensify <b>entrepreneurial education</b>, particularly within secondary and tertiary curricula;</li> <li>• Provision of sufficient levels of <b>venture capital</b>.</li> </ul>			
16	<p><b>Promoting Gender Equality in Research and Innovation</b></p> <p>High-quality research and innovation requires diversity of ideas and perspectives. This can be facilitated and strengthened by <b>full use of talent and skills of both genders</b>. Besides full respect of adopted democratic principles, gender balance is of key importance to strengthen the quality of research and innovation.</p> <p>Research institutions need to become attractive places to work, and <b>develop effective systems for career development</b> for both women and men. Corporate leadership must ensure that each individual employee is acknowledged and receives support in achieving their legitimate professional aspirations.</p> <p><b>Preferential treatment of women</b> is necessary and fully justified to overcome historical inequalities and secure really equal opportunities. One of clearly effective instruments to achieve this goal is the <b>gender quota for company boards</b> and other decision-making bodies. The Norwegian success with quotas is a very encouraging development, having inspired several European countries and regions (e.g.: Germany, Belgium, Catalonia).</p> <p>In order to achieve gender balance in research and innovation, <b>all actors (including NGOs) should support the needed legislative, political and corporate efforts in this direction.</b></p>	X	X	X