SMART SPECIALISATION BETWEEN VANGUARD AND COHESION CHALLENGES

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developed further from joint work with Roberta Capello

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Brussels, Berlaymont

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Novelty and future of Smart Specialisation

Smart specialization triggered notable changes in the way innovation policies are conceived

- **transcending old centralized planning policy styles**
  - priority setting based on *regional bottom-up self-discovery*
  - public–private partnership processes to identify *and pursue* objectives
- **turning away from high-tech myopia**
  - innovation is no longer set equal to R&D expenditure;
  - consideration of innovation beyond product innovation;
  - inclusion of societal challenges.
- **suggesting "realistic" policy prioritization**
  - *focus on application/use* rather than development of technologies
  - technology domains that *actually matter* for the regional context

BUT:

➢ **In the coming years (post ex-ante) RIS3 & EDP will effectively become voluntary regions need to see added value, otherwise their will discontinue their efforts**

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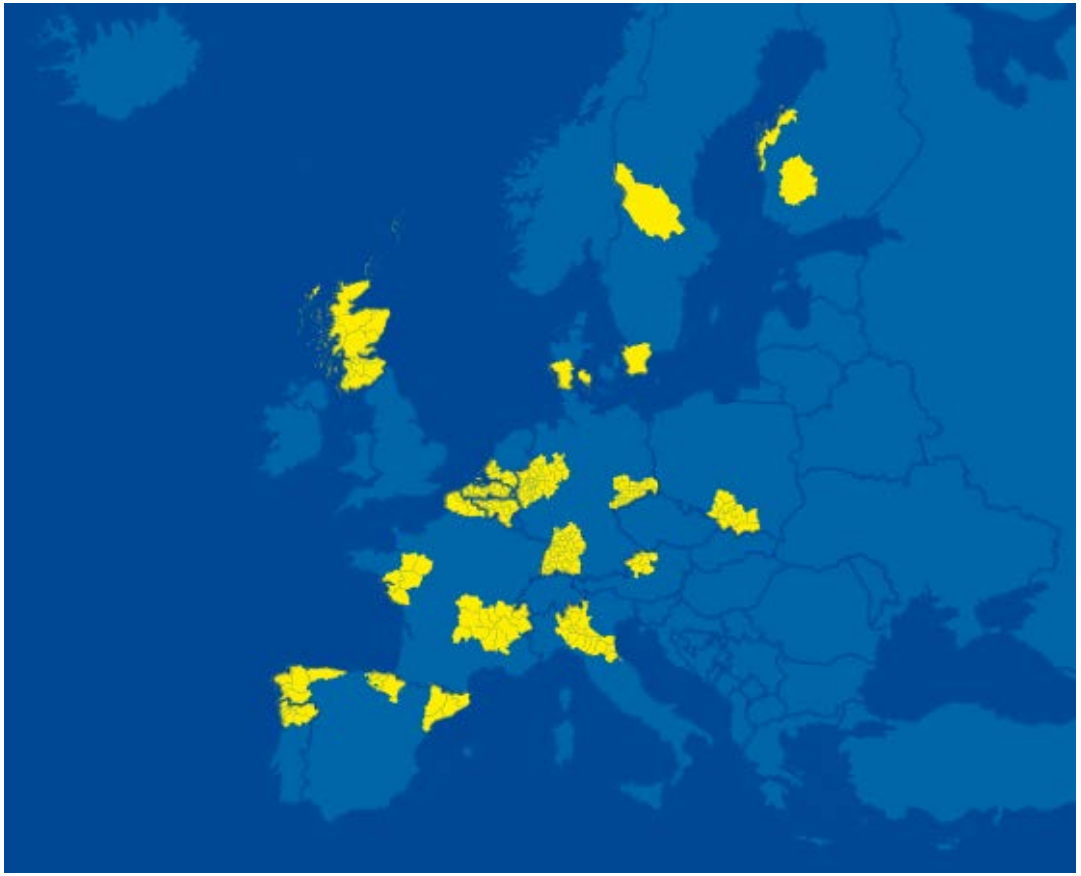
Novelty works for the centre Vanguard / 4 Motors



Source: Vanguard Initiative

Source: afersexteriors.gencat.cat

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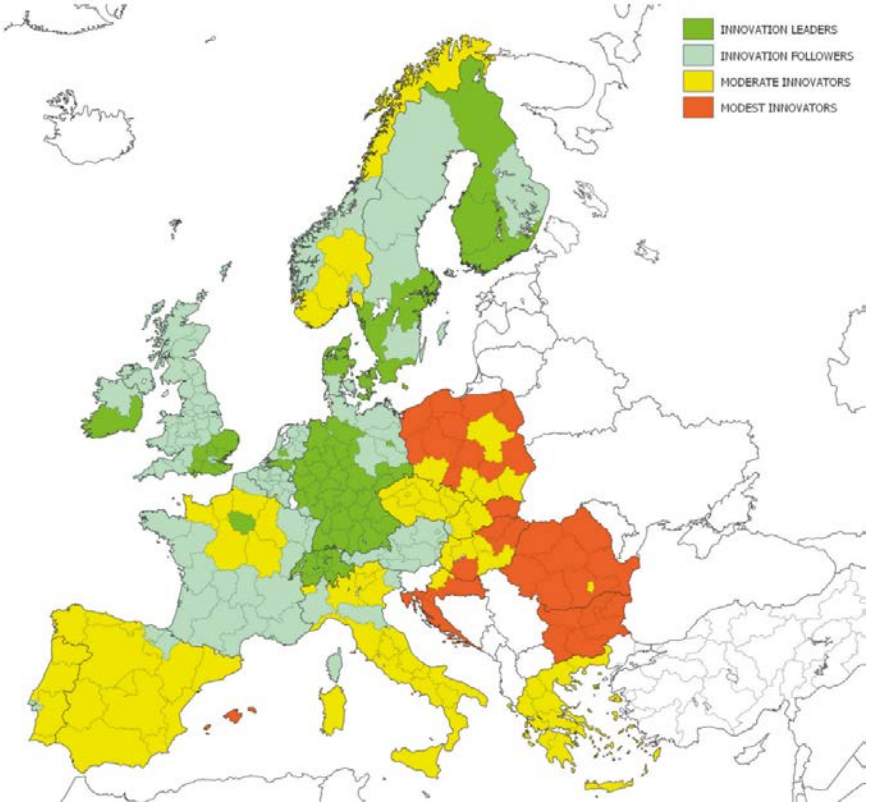
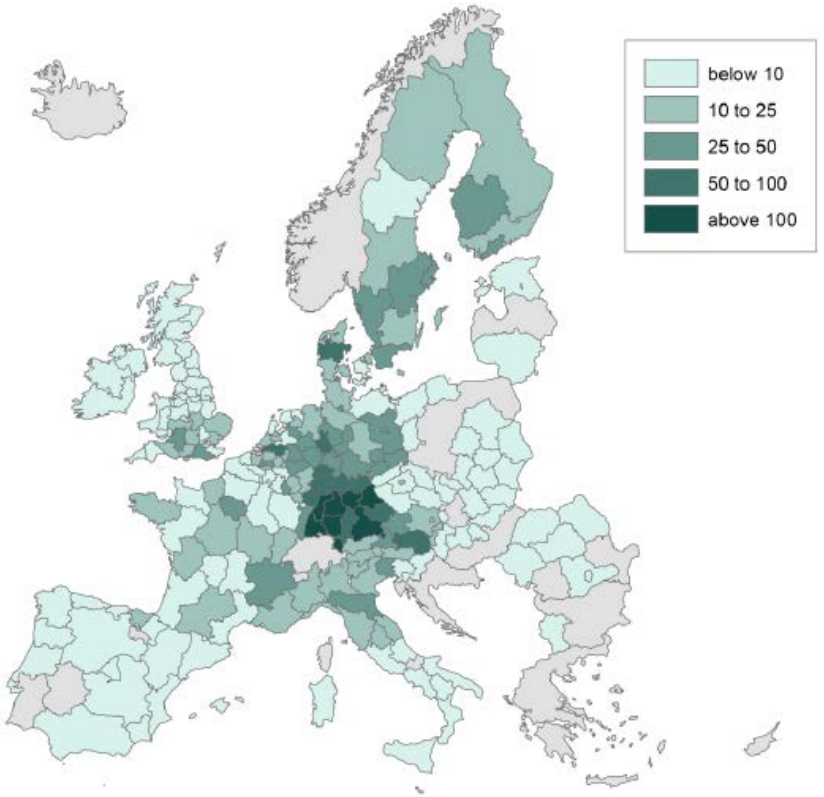
The real economy as it is

GENERAL INNOVATION



Source: Regional Innovation Scoreboard 2014

ADVANCED MANUFACTURING (PATENTING)



Source: Technopolis, Fraunhofer ISI; Regional Innovation Monitor

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Limits of the real economy

- **lack of regional innovation system**
  - lack of industrial strength & diversity,
  - no or few research institutions or universities,
  - size in terms of market potential,
  - lack of intra-regional connectedness.
- **multiple actors beyond the direct control of (isolated) local policy**
  - multinational subsidiaries hesitant (or not entitled) to engage, external corporate decisions
  - regions not part of value chains or hold an unfavourable position in them
- **limited basis 'cross- innovation domains' in regions with partial capacities**
  - specialized diversification does not apply for lack of variety and capacity,
  - cross-fertilisation does not work in fragmented RIS – no new domains emerge,
  - lock-in around historically grown specializations.

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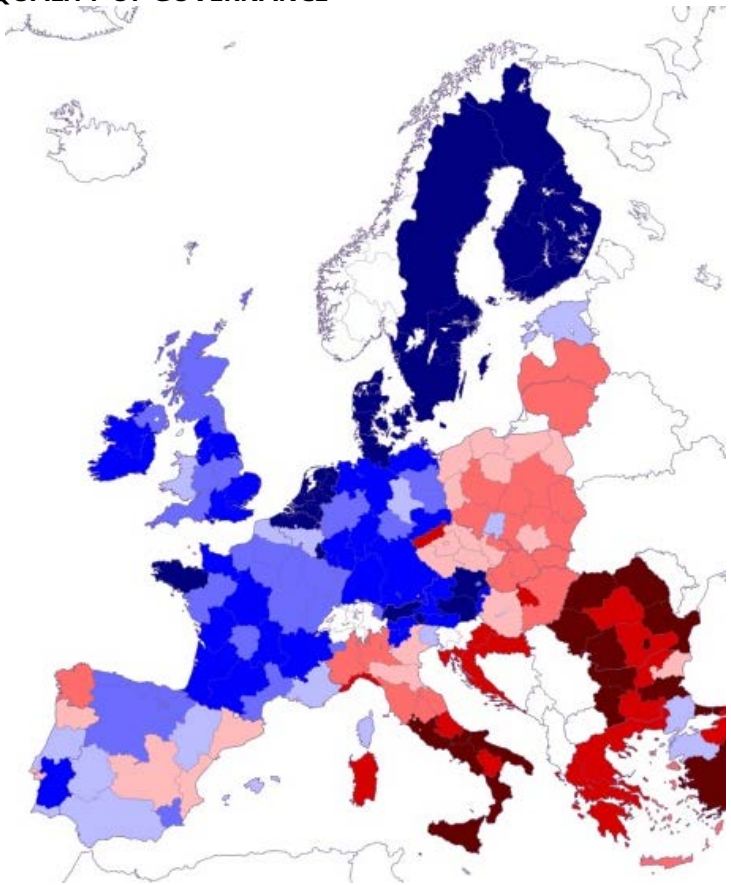
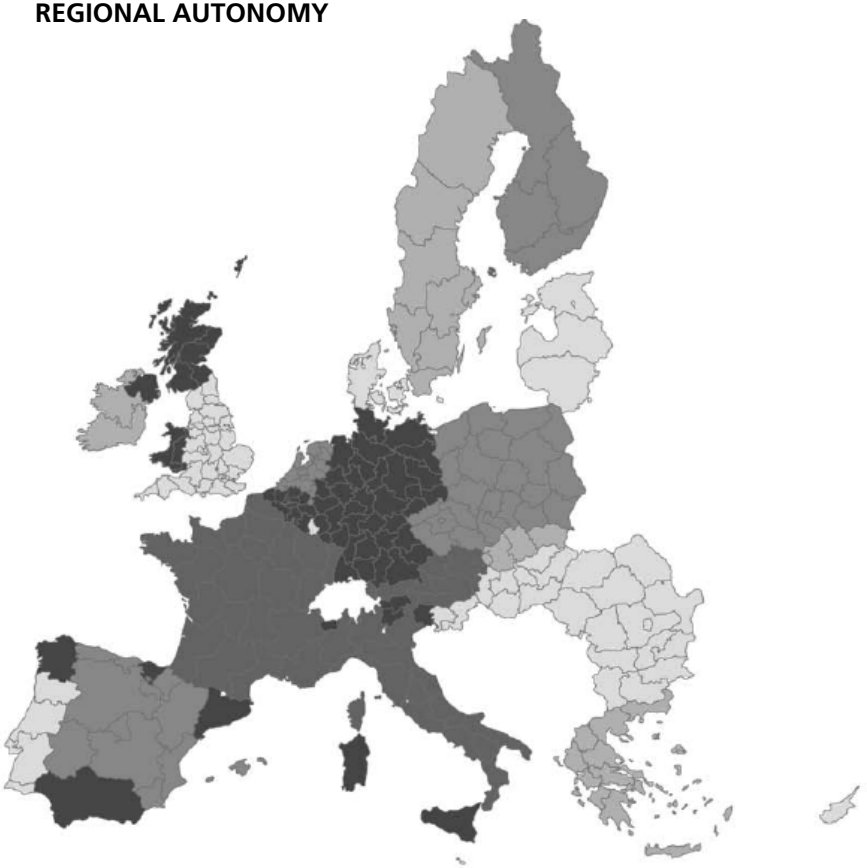
The governance system as it is

QUALITY OF GOVERNANCE



Source: European Quality of Governance Project

REGIONAL AUTONOMY



Source: Baier, Kroll, Zenker, 2013

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Limits of policy and governance

- **institutional weakness**
  - quality of governance,
  - lack of suitable institutions to support participative processes.

- **barriers at the level of the governance system**
- lack of match between functional and political-administrative regions,
  - lack of regional autonomy and thus remit,
  - lack of resources – number of staff and professional qualification,
  - lack of experience with transformative learning processes,
  - lack of suitable networks and positive standing with the private sector.

- **political barriers**
  - lack of high-level support, preference for centralist governance,
  - reservations cf. possible outcomes of broadened stakeholder involvement.

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Conclusions for Cohesion Policy

- **R&D capability based smart specialization provides limited practically attractive propositions for regions outside the core or 'The Vanguard'**
- technology generation-based RIS3 as originally conceived will be attractive for a relevant number – yet a clear minority of European regions

- **a "universal RIS3 approach" as originally promoted has not and cannot become a common solution for all types of European regions**
- entrepreneurial discovery is a useful headline ambition but has to serve different ends
  - by piloting participatory processes in the first place
  - by putting existing participatory processes to concrete use in innovation policy
  - by establishing a new and more robust framework to meet future challenges

- **for the others, alternative options need to be explored as this will be fundamental to support cohesion objectives**

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Re-integrating a territorial perspective - acknowledging connectedness

- future regional development strategies for smart specialisation will have to **embed innovation and industrial policies in their socio-economic context** => otherwise they will never be place based

- **all regions participate in societal challenges** that the application of multi-purpose technologies can help address and resolve
- **the periphery faces specific regional challenges** that require creative proposals and new technologies for solution

- **Even if peripheral regions cannot generate innovation, they can be relevant testbeds, contexts for new approaches**
- **Suitable interfaces (or boundary spanners) between the mainframe of knowledge generation and the local context will be needed**

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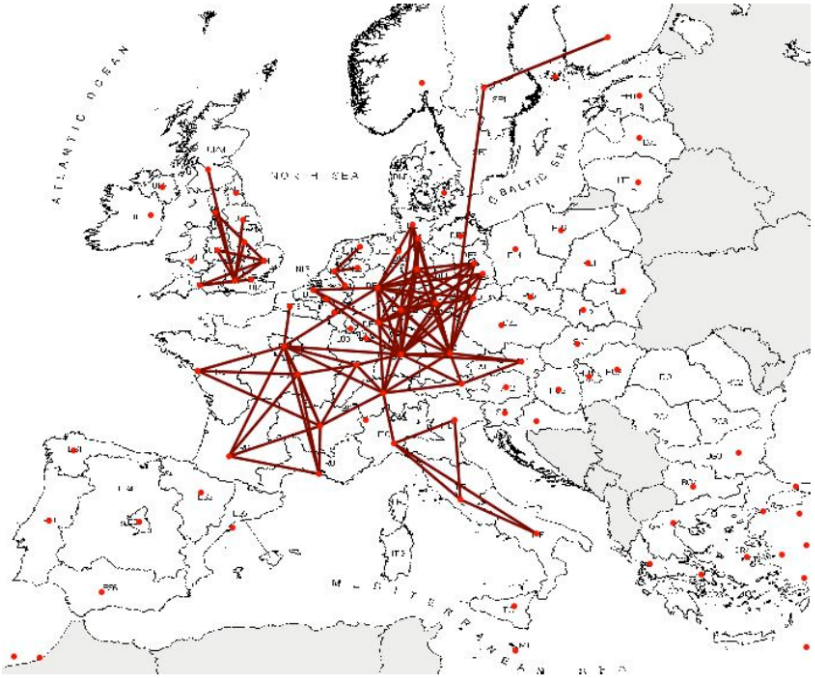
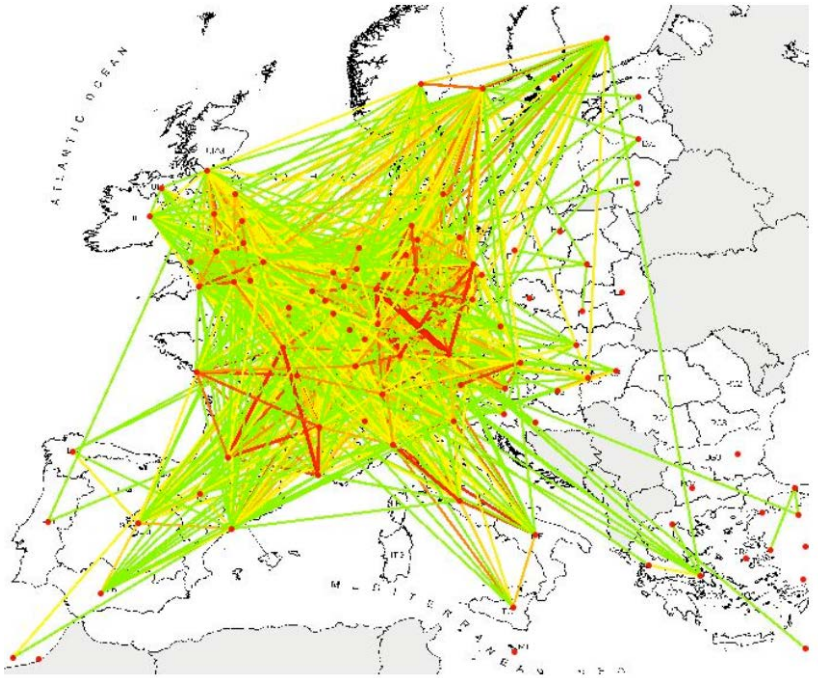
Re-integrating a territorial perspective - acknowledging connectedness (example)

Co-Patenting Networks between EU Regions (>300 links)



Source: DG Research and Innovation, 2012

Co-Patenting Networks between EU Regions



Source: DG Research and Innovation, 2012

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Re-integrating a territorial perspective - a different view on potentials

- **consider diverse growth assets beyond industry**
- **compete on the right – i.e. realistic – areas of competitive advantage**
  endowment of social and relational capital:
  entrepreneurial spirit, creativity, social virtues, cooperation culture, openness to diversity
  intangible potentials:
  beauty of landscape, art of cooking, traditional techniques

➢ A **wider concept of smart specialisation** should exploit intangible assets, supporting development strategies based on natural and cultural capital endowment

➢ **Focus should be on:**

- **broader understanding of competitive advantage**
- **capacity to exploit knowledge from outside the region for local purposes**
- **non-technological innovations (business models)**

➢ **RIS3 strategies for the periphery** will need to clarify better how their priority fields can become relevant from a cohesion point of view

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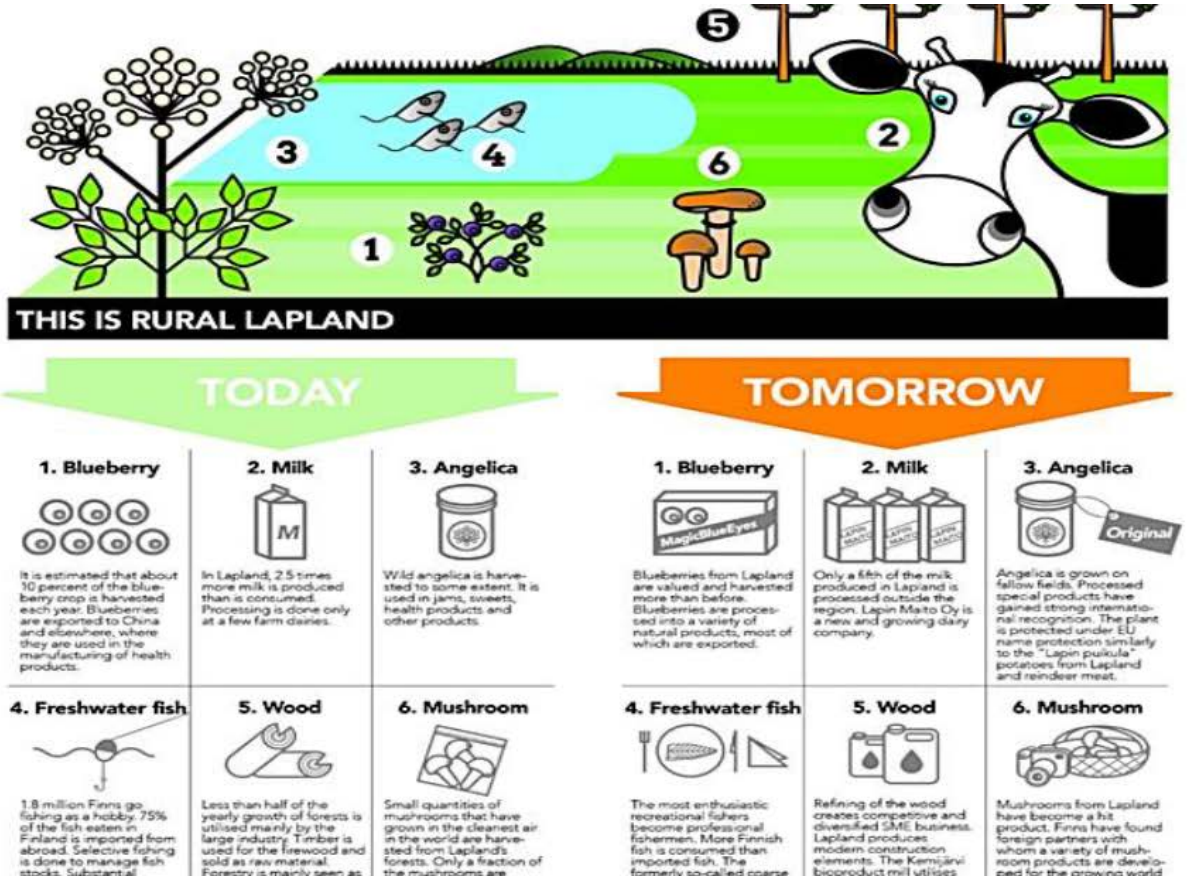
Re-integrating a territorial perspective - a different view on potentials (example)



Source: Region of Lapland (Finland), WIRE2016 Conference

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Possible avenues to pursue

- strategies need to **overcome the supposed tradeoff between "efficiency and equity"** – or competitiveness and cohesion goals,

- **identify 'untapped' assets of territorial capital** that can be found in all places,
- mobilize and connect
  - **cross-border and neighbouring regions,**
  - **Europe-wide networks of regions dealing with similar challenges.**

- **Strengthening the centre by leveraging the potential of the periphery**
  - **creating knowledge where there is critical mass**, not least by linking regions with key capacities in related domains across the union (Vanguard), but
  - **developing applied solutions for different challenges** in diverse types of regions, including the economic periphery

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Why this could work

- **Industry needs markets**, Europe is at a disadvantage compared to the US, China, India
  - The European Paradox is far from overcome, creating a larger „area of resonance“ including the periphery might actually be more important than linking capacities

- **Lead customers are important**, but in many cases need not be in leading regions
  - Some market relevant solutions can be much better in regions with a suitable set of challenges that they intend to address

- **User-led innovation gains importance**, „prosumers“ & „makers“ enter the mainstream
  - de-centralised input to innovation will become more important in Europe also and it should be sourced from the full ranges of ist complex background

Key policy messages

1. Reinforce a **market based perspective** on RIS 3
2. Strengthen capacities to reliably identify **local societal challenges** (and related assets)
3. Support **networking among regions facing similar challenges**
4. Support the integration of lagging regions as a „specific tier“ of relevant **„key users“ in and for the „Vanguard Mainframe“**

➢ **Raising the profile of neglected regions** through empowering strategies

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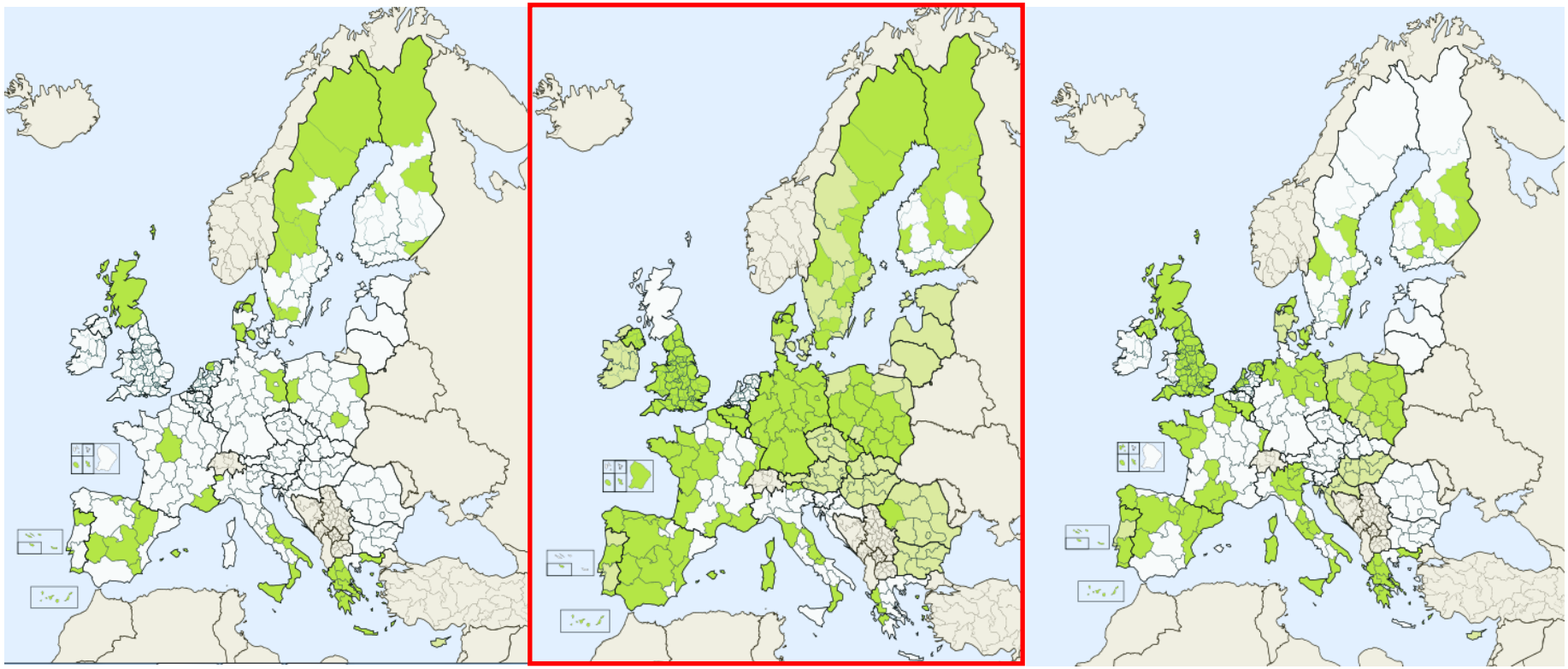
Is there hope?

Tourism (Market) | **ICT Technology** | **Agriculture (Market)**



Source: Eye on RIS3 Online Tool

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Thank you !

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