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Paper “Regional Innovation Policy at Community level – Evidence from the RITTS Programme to Promote Regional Innovation Systems” (S03 P02)

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Objectives

This paper will describe, analyse and assess a European programme abbreviated RITTS (Regional Innovation and Technology Transfer Strategies) financed by the European Commission in the area of regional innovation policy. The RITTS scheme supports regional actors in designing a regional innovation strategy in order to promote regional development which is demand-led and innovation-based. The RITTS initiative can be seen as a strategic planning tool; the role of the European Commission is that of facilitator – providing a framework for intervention. RITTS projects share the conviction that regional actors, regional governments in particular, should and can play an important role as a catalyst, a facilitator and a broker in the articulation of the regional innovation system (Landabaso 1999). This paper will assess whether the experiences with these projects have evidenced such a role and if so, how this role can be shaped to contribute to the innovation potential of a region.

Methodology: Theory

Due to the internationalisation of trade, investment and production modes, accelerated technological development, the growth of consumer sovereignty and market volatility, as well as shortened product life cycles, the nature of competition in world markets has changed. In a rapidly changing environment, firms have to become more flexible in order to react to changes in technologies and markets, to save development costs, to spread risks and to learn from other firms and research centres (Hassink et al. 1995). “Technology” seen as knowledge in the broadest sense (of products, processes, technologies, markets, management techniques, organisational modes, etc.) becomes the crux in the competitive survival of firms.

As a result, conceptual approaches trying to explain the determinants of economic growth have been turned up side down as well. Was technology considered to be exogenous to the economic system within traditional neo-classical theory, the new evolutionary approach has placed it at the very centre of all economic activities.

The competitive advantage of a nation or even a region is nowadays considered to rest increasingly on the innovative performance of firms, and in particular on their capacity to create, diffuse, apply and adapt technological knowledge (Soete & Arundel 1993). In addition, firms do not operate in a vacuum, but within a “knowledge system”. The way in which the elements of creation, diffusion, application and adaptation of this knowledge system interact as well as their interplay with social institutions (such as laws, values, norms) determine the overall innovative performance of an economy.

The policy implications of this new approach are dramatic, since they involve a fundamentally different way of government intervention than the traditional neo-classical emphasis on knowledge creation. Instead, public intervention should focus on facilitating knowledge diffusion, which requires a policy of creating conditions in which the dynamic process of technological development can prosper.

Besides “national systems of innovations”, theoretical arguments and empirical proof can be found on the existence of “regional systems of innovation”. As Cooke and Morgan (1994) suggest, “innovation is first and foremost a collective social endeavour, a collaborative process in which the firms, especially the small firm, depends on the expertise of a wider social constituency than is often imagined (workforce, suppliers, customers, technical institutes, training bodies, etc.)”. The organisational capacities of these networks of relationships become a crucial determinant of the performance of what can be labelled as the regional system of innovation (Nauwelaers & Reid 1995).

Therefore, not only at national, but also at regional level, the ability of public actors to create these conditions can make a difference in enhancing the innovation potential of a region. Whether public actors will manage to achieve this, depends on their ability to find a new way of policy intervention in which “co-operation”, “competition” and “conflict” are the key elements instead of “command”, “check” and “control”. The classical view on “government” as one undivided, monocentric, rational administrative organisation is no longer valid. More in accordance with reality is the view on government as a multitude of relative independent administrative units at various policy levels that govern the system as a whole through their interactions (Toonen 1990, Convers & Nijkamp 1996).

These relative autonomous administrative units pursue their own goals, interests and ideas and have their own values, perceptions, resources and means to exert influence. The fact that these units depend on the co-operation or at least non-opposition of other units in order to achieve the policy objectives they have set out, provides ample opportunity for conflicts to occur and influence to be exerted. As a result, the availability of means to influence the decision-making processes, such as knowledge, information, exchange, negotiation skills, persuasion techniques, expertise, the ability to form compromises as well as to steer conflicts, have become alternative ways of achieving policy objectives.

This paper will argue that a new way of government intervention is required if regional actors want to succeed in enhancing the innovation potential of their region. Besides identifying the elements of the regional system of innovation and understanding the way these elements interact, another view on government is required in order to be able to design a successful regional innovation strategy.

Methodology: Empirical Evidence

This paper will use the experiences gathered in the RITTS projects to demonstrate which factors influence the design of innovation policy at regional level and are, therefore, crucial in determining policy success or failure.

Between 1994 and 1999, three generations of RITTS projects have seen the light, covering 77 regions throughout the European Union, Norway and Iceland (members of the European Economic Area). From 2000 onwards, RITTS has ceased to exist in its current form; the RITTS scheme continues with a different focus (Central and East-European countries). The 77 regions that have participated in RITTS offer plenty opportunities for testing the empowering role of regional governments in the regional innovation system.

Three assumptions will be tested in this paper. Given the fact that RITTS is an initiative explicitly intended for regions, it is assumed that: (1) most of the RITTS projects will come from regional governments; (2) given the assignments and competencies (sometimes including financial competencies to raise taxes), commitment to the project will be stronger when the project promoter is a regional government, and (3) given the differences in governance structure per Member-State ranging from federalism to unitary state forms, those countries with a strong regional government tier will be better represented among the RITTS regions.

The empirical data on RITTS will be categorised as follows:

1. *the design of the RITTS programme at Community level*: in terms of history, philosophy, methodology, conditions for participation, budget, intended policy effect(s);
2. *the RITTS projects*: number of participating regions, coverage by Member States, type of organisation(s) participating, reason(s) for participating, relation between the type of organisation in charge of the project, the innovation strategy designed and the characteristics of the regional innovation system;
3. *the management of RITTS projects*: categorisation of project management styles seen in relation to the type of project promoter, the scope of manoeuvre, and the motives for participation;
4. *the three generations of RITTS*: changes in programme design over the years, differences between Commission objective(s) and regions' objective(s), policy outcomes, lessons learnt.

Results

The RITTS scheme is action oriented. Although analyses of and reflection on the regional technology transfer and R&D infrastructures are part of a RITTS project, the goal is to change and optimise the existing situation. A RITTS project should result in a strategy that provides the framework for optimising innovation policies and infrastructures at the regional level especially with regard to their relevance for the needs of small and medium-sized companies.

To increase its effectiveness the development of a regional innovation strategy should be undertaken in partnership with the main regional actors concerned.¹

The success of a RITTS project depends therefore heavily on the project promoter and his or her ability to motivate people, to acquire political support and to build consensus on a common regional innovation strategy. Besides personal qualities, both the scope of manoeuvre and the motives for participation of the project promoter influence this ability. The regional situation is a factor that induces motives for participation - what has to be changed to optimise the current innovation support system? - but also the scope of manoeuvre of the project promoter - can changes be conducted by my own organisation? For these reasons, this paper assumes that commitment to the project will be stronger with the project promoter being a regional government organisation.

[FIGURE 1]

In order to establish the implications of the type of project promoter for the success of the project, a closer look will be taken at the relationship between regional situation and the motives for participation (a), followed by the relationship between the scope of manoeuvre of the project promoter and the motives for participation (b).

The RITTS projects can be divided up in four types of regional situations of RTD and innovation support infrastructures along the two dimensions of 'S&T potential' (rich - poor) and 'TT system' (numerous - limited). The S&T (Science and Technology) potential of a region is made up by those organisations that produce knowledge which is crucial for the improvement of existing products, processes and services or the conception of new ones. The TT (Technology Transfer) system of a region is consists of those organisations that transfer knowledge which is produced somewhere else (either within or outside the region) and customise it to the specific needs of their clients, mostly firms, located in the region. Table 1 below relates the motives for participation in the RITTS programme to the four types of regional situation.

Table 1: Motives for participation in RITTS related to the regional situation		
Regional situation:	S&T potential rich	S&T potential poor
TT system Numerous	<ul style="list-style-type: none"> - enlargement of the existing TT system towards more traditional small and medium-sized enterprises - assessment of relevance of whole innovation support system, RITTS becomes an evaluation tool 	rationalisation of the existing TT system where the composing organisations act individually with limited interaction.
TT system Limited	<p>as there are not enough intermediary organisations to transfer knowledge to firms, particularly SMEs, the main motive is to build or optimise the TT system via:</p> <ul style="list-style-type: none"> - creation of a new organisation or a new binding structure - co-ordination (set up an integrating framework) 	<p>RITTS becomes a tool to assess the regional situation and formulate a strategy on how to enlarge the S&T potential and the TT system:</p> <ul style="list-style-type: none"> - in what direction? - with what organisations? --- with existing ones? --- with new ones?

¹ such as local and regional governments, local and regional economic development organisations, regional representatives of national agencies in charge of innovation, technology, science, economic and/or regional policy, central government ministries in those areas, research organisations, higher education institutes, technology transfer organisations, innovation support organisations, large businesses, R&D laboratories, business associations, trade unions.

The motives for participation also vary with the scope of manoeuvre of the project promoter. Three types of project promoters can be distinguished within the RITTS programme. In the first case where the project promoter is politically appointed by the regional government, e.g. as member of the Cabinet of the minister-president, the motive for participation in the RITTS scheme is often evaluation of the existing innovation support system, sometimes with financial implications. Given the political dimension of the project promoter, political support to change the current situation exist from the beginning of the project; the scope of manoeuvre is therefore large. The problem is often to get the administration motivated or other actors that have to implement the resulting regional innovation strategy.

When the project promoter belongs to the regional government administration, e.g. being the head of the technology policy unit within the Economics Department, the motive for participation is often to assess the relevance of the existing and the potential for a new innovation support system. The scope of manoeuvre is reverse to the above where the administration is already very motivated and involved, but the crucial political support still has to be build up.

The third type of project promoter distinguished within the RITTS programme is the organisation in charge of one task (regional development or technology transfer). The motive for participation is often to prove the added value of the organisation to the other regional actors (the organisation's *raison d'être*). The scope of manoeuvre is more limited compared to the other two types of project promoter. As the organisation is in charge of one specific task, they need other organisations both for the political support and most of the actual implementation and financing; the main issue therefore is how to get these actors involved. As the success of the project is related to the reputation of the organisation, the effort put into the project is often considerably.

Conclusions

This paper has argued that a new way of government intervention is required if regional actors want to succeed in enhancing the innovation potential of their region. The RITTS programme has provided evidence that regional actors can play an important role as a facilitator to promote the regional innovation system. The RITTS scheme has demonstrated furthermore under which conditions this role can be shaped. Unlike the assumption made, it was not evident from the data that the commitment to the project will be stronger when the project promoter is a regional government organisation. The scope of manoeuvre and the motives for participation of the project promoter as well as personal qualities of the person put in charge of the project management influence the success of the undertaking.

Key words

Regional systems of innovation, demand-led, innovation-based regional development, European Union, European regions, regional innovation strategy, strategic planning tool, consensus-building processes, problem-solving capabilities, government as catalyst.

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