

ADVISORY BOARD Reports

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AB Meeting

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First Results of S3-4AlpClusters Project

The overall impression of the members of the Advisory Board is that the S3-4AlpCluster project is very well managed with a decent project management structure in place. Although the set-up of the project is very diverse - including different actors and institutions from different countries and regions, with also a different approach concerning the definition of a cluster initiative - it is interesting to see how different regions and actors are dealing with certain issues like the implementation of a regional S3-strategy.

Whereas the stress test showed that some regions are involving their cluster actors very actively in preparation phase of the regional S3-strategy, some other regions did not. The report stated quite clearly that rather small regions seemed to be more aware of the fact that cluster initiatives could play an important part in the implementation phase of a S3-strategy, whereas larger regions did not interact that much with their cluster structures.

Sometimes it seems that regions simply at a later stage become aware of the fact that their regional strategy/ies is/are based on the S3 concept, which they were not aware of when actually developing it/them. Some other countries were adapting to the S3 concept when simply forced, e.g. in Sweden in order to connect already existing competences to emerging industries for finding new and intelligent combinations. In some other countries like Austria it was unwise to combine the S3 concept with structural funds. Because of a lack of money and a long tradition

within the Austrian regions to come up with their own regional strategies, it was difficult to motivate them in a rather early stage to adopt to the concept of S3. Since then a lot of further advancement has happened, e.g. combining performance agreements for Austrian universities with the S3 concept, where Austrian universities are all asked to make sure that their strategies for further development is in line with the regional policies and programmes for development.

Cluster organizations could be used as important drivers for narrowing down regional strategies to certain topics. Whereas a lot of European regions are allocating their efforts on a sectorial level like automotive industry, the diamond model elaborated in the S3-4AlpCluster project could help to find niches for intelligent specialization like connecting car to cloud services. Besides the fact that for elaborating transformative activities it is important to break down certain regional fields of strength (like sectors) to actual existing and possible future competencies, the specialization could then also be used as a marketing tool for regions in order to point out their regional uniqueness and also for finding complementary partners in other regions. When narrowing down regional strategies in line with the S3 concept it could happen that in a certain field of specialization there are not enough partners within the region for building up necessary competences. But when collaborating across borders with other specialized regions it is possible to build up the necessary critical mass or overcome regional fragmentation.

The diamond model definitely helps to identify the potential between different fields of regional strength – and is also a good communication tool for discussing future cooperation potential with other regions. It also helps the cluster managers to scrutinize their own business strategy. Cluster managers are often very engaged in their own cluster business – and therefore also not always aware of regional strategies. When adopting to the diamond model and trying to find new interlinkages between the currently processed core topics of a cluster, the diamond could also help as a translating tool for bridging cluster activities with regional strategies. This is important as it was on the one hand stated in the stress test report that some regions still don't interact with their regional cluster structures when implementing their S3-strategies, and on the other hand clusters with their dedication for their own cluster business and giving respect to the business needs of their individual member companies often are also not aware too much of the actual S3-strategies in place in their region. The entrepreneurial workshop concept – also established within the S3-4AlpCluster project – is another important tool in this respect, as it brings together different actors within a region offering a methodology for driving a common perception in terms of specialization. In some regions the results of this process will directly be integrated in the periodical update of the S3-strategy (e.g. Upper Austria in the field of medical technology).

Besides narrowing down the regional strategies in order to identify fields for specialization and transformative activities it is also an important question which kind of services cluster initiatives could develop in order to foster the continuous transformation of their participating actors (companies, research and development institutions as well as educational bodies). For clusters it is quite often a challenge to somehow destruct – in a creative and innovative way – already existing services, because they comprise a substantial amount of turnover and budget

for them – and furthermore the existing partner structures have to be convinced to adopt new service offers. It is also a question of the methodologies how cluster initiatives could identify new services. If the procedures to identify and prototype new services are too complex and time consuming, a lot of cluster initiatives simply will not adapt them. In this context the offered diamond model, the entrepreneurial workshop scheme and the best practice examples to be tested in the S3-4AlpCluster project offer a comprehensive and at the same time efficient tool-set for deriving new services. Nevertheless it will be critical to come up with services that comprise new business models for different levels – for the cluster initiative as provider of new services but also for the participating partners of the cluster in order to optimize and further develop their business with their clients/customers.

Finally the S3-4AlpCluster project should also engage with other project consortia dealing with the issue of transformation on different levels (e.g. Clusterix 2.0 project) in order to share experiences and diffuse the already compiled know-how and best practices!

Advisory Board and Project Observers, Salzburg, 19th October 2017

Feedback from my journey to Trento, Lombardia, Franche Comté, Fribourg and Slovenia

Dominique Foray¹ - October 2017

The goal of the various EDP workshops in Trento, Milano, Besançon, Fribourg and Lubljana (and a few others I did not attend) was to simulate a process of identification of priorities as part of a smart specialisation strategy.

From the start, it was clear that the word “priorities” is a difficult one; it is vague and ambiguous. “*What are the priorities in your region?*” is a question that is likely to be misunderstood. This is why we introduced the concept of “transformative activities”. This concept proved to be useful to explain what was the workshop about and what was the main goal of the community of experts in the room: identifying and selecting a small number of transformative activities that will be critical to meet the structural challenges of the region (i.e. modernizing a traditional sector; shifting a few sectors to a new paradigm such as the bio-economy or the digital economy).

Our workshops have been therefore structured in order to identify these transformative activities on which the Region should focus – the process of identification involving a systematic comparison of existing capacities/potentials on the one hand and opportunities for structural transformations on the other hand.

The value of the concept of transformative activity

The concept of smart specialisation describes a process. A process aimed at transforming the economic structures of a region or any other geographical unit through the formation and development of new *transformative activities*.

Transformative activity is a key concept. It is neither an individual project nor a sector as a whole but rather *a collection of innovation capacities and actions, that have been “extracted” as it were from an existing structure or several structures, to which can be added extra-regional capacities and that is oriented towards a certain structural change*.

In all cases of smart specialisation, the starting point is an existing structure, the transitional path is the formation and development of a transformative activity and the objective is a structural change (for example the modernisation of a traditional sector). We also observe that the transformative activity does not necessarily concern the whole sector but a group of companies, suppliers and research partners that are prepared to embark upon some forms of collective action in order to transform their capacities.

¹ - While this short paper reflects my own feedback and opinion, all workshops were driven in a “team spirit” involving specifically local organizers as well as Gerd Meier zu Koecker and Michael Keller. Gerd and Michael have been absolutely central in preparing and driving the workshops.

A transformative activity concentrates the necessary actions – R&D projects, partnerships, supply of new specific public goods – to explore the new area of opportunity and facilitate the implementation of collective actions between the different innovation actors concerned. The basic operational mode is not necessarily the collaborative project but the search for coordination and links between the entities and projects concerned, which will facilitate spillovers, economies of variety and scale and the supply of specific public goods and infrastructures to the domain in question.

Based on this definition of the transformative activity, **designing a smart specialisation strategy** means identifying a small number of transformative activities, which will be developed and supported. This portfolio of activities is managed at regional level and possibly modified as new opportunities for structural change arise.

The ultimate goal of our workshops was to set up and test a process through which transformative activities are identified and selected.

Selecting transformative activities as priorities

There are three fundamental principles that seem to us to be important.

Firstly, the process of priority setting needs to involve the **comparison between potentials and capacities on the one hand** and opportunities for change on the other hand. The discussion and analysis of potentials and capacities is evidence-based. This includes quantitative data on economic structures and innovation capacities as well as more qualitative knowledge of experts about the entrepreneurial activities and resources which are currently present in the regional economy. Opportunities refer to new technologies and challenges that can support and drive the process of structural transformation.

Secondly, finding the right **level of granularity** at which priorities are identified is critically important : *The selection of priorities* must be carried out not at sector level but at the level of *activities that transform these sectors or establish new ones*. This level – known as transformative activities – is thus one of intermediate granularity, finer grained than sectors but coarser grained than individual entities. For example a ‘correct’ priority should not be the footwear industry as a sector but rather the development of flexible manufacturing technologies for the footwear industry; should not be agro-food but the development of nano-applications to increase quality in agro-food; should not be energy but the development of smart materials for the renewable energy sector; etc. This is the level that best reveals the domains in which a region should position itself. This intermediate level of aggregation also allows the defining of priority domains that are not too extensive. In an area that is too broad – one designated ‘energy’ for example – the 12 or 15 projects that are selected and supported are scattered and dispersed. Connections, synergies, and spillovers will hardly happen and critical mass will not emerge. In a narrower priority area, the same number of projects will be more connected, providing potential scale, scope, and spillover effects. Some platforms will be ‘general-purpose’ and the markets for specialised inputs (skills and services) will become thick. There is, of course, a political rationale underlying the need for broad areas (the so-called “coffee for all”) but this is not the right way to proceed because, at the end of the day, the region will not get what an S3 is supposed to deliver.

Thirdly, **intensive interactions between public and private sectors created within the framework of a robust and transparent process** : The identification of transformative activities is based on a process of interactions and dialogue between the government, public sector and private sector, backed up by evidence concerning the regional economy and knowledge concerning the region's entrepreneurial activities and capacities. There is no magic solution to avoid problems of policy capture by "regulars" and those with the most influence. In the context of S3, it is a question of setting up a decentralised and transparent process in order to identify the desired structural changes, the transformative activities that could lead to them and the capacities and potentials that enable the selected activities to be initiated in a credible manner. All of this contributes to the selection of a small number of unique combinations between existing capacities and new opportunities for transforming regional structures.

Feedback from the workshops

I'd like to highlight four specific points.

*As the goal is to identify transformative activities, based on comparisons between capacities/potentials and opportunities, we learned from the workshops that it is valuable **to pre-determine a sectoral area where the identification process will happen**. In case of no-pre-determination, many sectors will be present in the room, experts will have difficulties to talk to each other and will only try to "sell" their priorities while there will be very little collective discussion on each proposition.

If a pre-determination of a sectoral area is done (such as bio-economy in Fribourg or production technologies in Besançon), the expert knowledge and competences present in the room are "related"; each proposition can be challenged by others; it is possible (and important) to trace relations between different projects and identify thereby strong transformative activities. In such a context, the identification of the transformative activities is **the emerging property of a network of experts with related knowledge and competences** (reflecting so to speak the related variety - present and future- of a pre-determined part of the regional economy).

Of course - the pre-determination of a sectoral area means that several workshops should be organized so that the whole regional economy will be eventually covered. We think that the pre-determination of workshop areas can be based on a mix of sectors and key technologies (such as in Besançon) or a mix of sectors and grand societal challenge (such as in Fribourg).

*It is not easy to organize the discussion as following a well defined three rounds structure -a) potential/capacities - b) opportunities - c) transformative activities. The two first rounds are always mixed up in experts statements but this is not a real problem. The key steps are in fact:

- first, the formulation of projects (based on comparison between capacities/potentials and opportunities) and;
- second, the identification of a few transformative activities, based on projects' mapping (in the potential/capacities - opportunities space), which allows to discover **connections and relations between several projects** which make a transformative activity. On the other hand, a small scale and isolated project - even if described as high potential - should not form a transformative activity (which does not mean it should not be supported through other types of policy).

*We used different mechanisms to classify projects and identify transformative activities. Gerd Meier zu Koecker used a two-dimensional space (capacities/potentials – short term/long term) for project mapping while I used another two-dimensional space (capacities/potentials – opportunities) for project mapping and identification of relations and connections among projects. There are pros and cons in each case. The main thing is to have some kind of cognitive device to drive the discussion

*We observed a gender effect: males are more inclined to be over-optimistic about potential and capacities in their own area of expertise while females seem to be more realistic! It is important therefore to try to reach a fair gender balance in the composition of the group.

S3-4AlpClusters in a nutshell

Smart Specialisation with Smart Clusters

Smart Specialisation Strategies (S3) are a lever of EU Cohesion Policy. One of the biggest challenges is to make use of the interplay between S3 and clusters. How can S3 be used to foster innovation processes and spark entrepreneurship within clusters? How can S3 be implemented through clusters to gain sustainable and inclusive growth? There is a lack of experience among regions on how to use clusters in the implementation of S3 and how to develop implementation tools to fully benefit SMEs. In addition, alignment between and knowledge about other regions' strategies are very limited.



This is exactly the focus of the S3-4AlpClusters project, which believes that the interplay between S3 and clusters is an innovative approach that could spread innovation in the whole Alpine Space. S3-4AlpClusters will launch cross-regional coordinated actions between the different sectors/regions involved and enhance transnational cluster cooperation. The final aim is to generate critical mass for SMEs and to improve the framework conditions for innovation in the Alpine Space.

S3-4AlpClusters will develop:

- A joint transnational cluster action plan to improve transnational, cluster-based cooperation
- An S3-based innovation model for cluster development
- A fully synchronized call scheme
- New services validated by pilot clusters

The S3-4AlpClusters community includes cluster managers, entrepreneurs, academics and policymakers, and is supported by public authorities and S3 experts.

The NUMBERS of S3-4ALPCLUSTERS

15 Partners

35 decision makers

More than **10** Observers

11 Alpine Regions

830 SME

More than **20** pilot clusters

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