Policies and Partnerships for Innovation

Maria João Rodrigues
Notes 2005.11.05

1. The recent developments in the European policy for innovation

Turning knowledge into added value is a central process in the transition to a knowledge-intensive economy. This is the role of innovation in its various forms, technological or organisational, in products or in services. The innovation policies aim at fostering this process within companies, by developing the innovation system and the interactions between the knowledge production, diffusion and utilisation. Hence, innovation policies should be considered as a major catalyst of a strategy of transition to a knowledge economy.

Therefore, in the context of the European Lisbon agenda for growth and jobs, it seems important to improve the national policies for innovation, taking advantage and respecting the differences across Member States, but it is also relevant to enhance the European dimension by defining some common objectives or guidelines and by developing networks, partnerships, clusters and other instruments at European level.

Over the recent mid-term review of the Lisbon strategy (2005), a stronger focus was put on the central role of the innovation policy in the general structure of this strategy:

- the Lisbon Community Programme, which encompasses all the actions taken at European level, includes not only a more ambitious Framework Programme for RTD but also a Community Programme for Competitiveness and Innovation;
- the European Investment Bank and the European Investment Fund were invited to deploy new instruments to support innovation in the framework of their Initiative *Innovation 2010*;
- the recently proposed Community Strategic Guidelines for the Cohesion Policy, to shape the regional policy and the next generation of structural funds, are also giving a strong priority to innovation policy;
- the recent reform of the Stability and Growth Pact introduces more concern with the quality of public expenditure and encourages Member states to redirect their

public budgets in order to foster public and private investments in key priorities such as R&D, innovation, education and training;

- the Community framework for the State aids is being reviewed in order to turn them into a more horizontal approach, focusing R&D, innovation and human capital;
- last, but not least, the same happens with the integrated guidelines for the Lisbon Strategy, which were discussed by various formations of the Council of Ministers and finally endorsed by the European Council of June 2005 in order to provide the frame for the national reform programs to be implemented over the next three years.

Taking into account these building blocks, the following table summarises the state of the art in the building process of the European innovation policy. The need to strengthen this process is confirmed by the integrated innovation/research action plan recently adopted by the European Commission (2005.10.12) as well as by its contribution to the last European Council (October 2005) on the challenges of globalization.

Table 1. Building the European Innovation Policy

Innovation Policy Components	National Level	European Level
Fostering innovation in companies	– Training for innovation management – Business support services for innovation– including support for the modernisation of work organisation at enterprise level – Promoting learning organisations – Support to innovative start-ups	– Training for innovation management (RG, CIP) – Business support services for innovation (RG, CIP, EIB) – Support to innovative SME (EIB, EIF) – Capacity building is required at regional level to provide the organisational infrastructure capable of delivering business support services.
Developing knowledge production	– Increasing the private and public investment in R&D – Training and mobility of more researchers – Education and training for innovation (specialised skills and qualifications) – National policies for lifelong learning	– 7th Framework Programme for RTD – Community Programme for Lifelong Learning – EIB actions for human capital – Support to R&D (RG)
Developing networking for innovation	– Developing clusters, poles of innovation and partnerships for innovation – Supporting joint research by companies and universities	– Supporting clusters, poles of innovation and partnerships for innovation (RG, CIP) – Supporting international transfer of knowledge and the international cooperation between companies (CIP)
Improving the framework conditions for innovation	– Broadband infrastructures – Access to venture and seed capital – Tax incentives for innovation – Intellectual property regime – Innovation in social dialogue. Some really creative thinking is needed at both national and European levels. A strong role exists for action research	– Reform of State Aids – Public incentives for Innovation (RG) – Venture capital schemes (EIF) – Community patent – Innovation in social dialogue
Using demand as a leverage for innovation	– Encouraging public procurement of innovative products and services – Improving quality standards and certification	– European competition policy – European trade policy – Setting standards by Single European Market directives
Improving governance for innovation	– Council of Ministers for Innovation – Innovation council and board – Lisbon Coordinator	– Council of Ministers for Competitiveness

RG – European Regional Policy
CIP – Competitiveness and Innovation Programme
EIB – European Investment Bank
EIF – European Investment Fund

2. Developing innovation policies at national level

Against the background of these policy developments at European level, it is important to identify the new possibilities for the innovation policies at national level, taking into account the diversity of national settings.

The national programmes to implement the Lisbon strategy over 2006-2008 complemented by the National Strategic Reference Frameworks can offer a unique opportunity to define national strategies of transition to knowledge-intensive economies with a central role to be given to innovation policy. The key question for each Member State is how to develop this process, adapting the European agenda and, more precisely the integrated guidelines for growth and jobs and for cohesion to the specificities of its national innovation system. Some of these specificities should be particularly underlined to justify the diversity of national strategies to a knowledge intensive economy:

- the industrial specialisation patterns, the relationship with the global economy and the position in the international division of labour;
- the predominant types of companies and their need "to climb the ladder of innovation";
- the institutional framework regarding, in particular; the corporate organisation, the education and training system, the research system, the financial system and the labour markets regulations;
- the quality of the infrastructures;
- the educational levels and the specific skills of the labour force;
- the organisation of the civil society and the instruments to manage change.

Recent experiences suggest there is a critical path to develop an innovation policy as a catalyst to the transition to a knowledge intensive economy:

1/ to use the European agenda as a leverage to introduce this strategic goal in the national agenda;
2/ to spread a richer concept of innovation, taking into account its different dimensions: technological and organisational, in process or in products and services, based on science or in learning-by-doing, using or interacting;
3/ highlighting the implications of the innovation system approach for the coordination of policies;
4/ to define the priority areas of an innovation policy and prepare a tool box of operational measures;
5/ to open the access to this tool box in order to support innovating projects and companies whatever the sector;
6/ to focus on some clusters in order to illustrate the advantages of developing partnerships for innovation, as a good practice which can be followed by other clusters;

7/ to dynamise the national innovation system, by focusing the missions and the interactions among its bodies, including the flexibility of labour markets;

8/ to reform public management with implications for innovation;

9/ to spread skills for innovation and to train innovation managers;

10/ to improve governance for innovation, by improving the internal coordination of the government and the relevant public departments, by creating public awareness and by developing specific consultation and participation mechanisms with the civil society.

The already very rich comparative analysis on innovation systems, which is available, shows that they operate in quite different ways. Sometimes, the main source of innovation is science and technology but, in other cases it is learning-by-doing, learning-by-using and learning-by-interacting leading to less codified kinds of knowledge. The purpose of policy making should be to improve the mix of these different sources of innovation in each concrete situation, by developing appropriate instruments to foster these different sources. Therefore, the innovation instruments can range from joint research projects between companies and universities to diffusing learning organisations in companies. The tool box of innovation policy instruments should be rich enough to deal with different sources of innovation in order to ensure the appropriate policy-mix for each concrete situation.

Last but certainly, not least, the critical problems of improving governance for innovation should also be underlined: the coordination between the different public policies which are involved (enterprise, research, education, employment, regional and macroeconomic policies); the different ways of networking with the civil society; the public-private partnerships; the administrative capacity to foster innovation capacity; the need to build coalitions for innovation.

3. Developing clusters and partnerships for innovation

Apart from improving the general conditions, the European and the national policy can also focus on special catalysts to speed up the innovation process. For example, the approach based on clusters should aim at develop partnerships for innovation, jobs creation and competence building, involving all the relevant actors: companies, research institutions, education and training institutions and financial bodies.

A cluster can be defined as a set of companies connecting between themselves and with institutions of knowledge production and diffusion in order to build new competitive factors and new competences and to increase the added value. A cluster can be identified and developed at different levels according to the main policy purpose:

- at local/regional level, if the purpose is to strengthen the concrete and personal relationships which underpin all clusters;

- at national level, if the purpose is to improve the framework conditions for clusters which are spread over the national territory;

- at European level, if the purpose is to improve the framework conditions for clusters which are present in various Member states.

The main policy objectives for supporting clusters development are:

- to create a self-sustained process of cooperation for competition, gathering companies, education, research, business support and financial institutions;
- to identify a critical path to develop a network and key-connections in order to add value;
- to speed up the transition to a knowledge intensive economy;
- to improve the comparative advantages in a globalized economy.

The main cluster activities which can be supported as partnerships for innovation are:

- the cooperation between enterprises regarding areas of common interest such as trade, e-business, organisation of the supply chain, diffusion of new technologies and certification;
- the development of joint research programmes;
- the development of joint training programmes;
- the development of joint business support services;
- the support to start-ups.

A critical path to develop a concrete cluster can be discovered by asking how is it possible to add more value building on the already existent competence. For instance, if we take the general human needs as a broad reference for associating clusters of economic activity (see figure 1):

- competences in tourism should be combined with the competence in cultural activities, sport and environment in order to develop the area of *leisure*;
- competences in construction, furniture, electronics, urban management should be combined in order to develop the area of *habitat;*
- competences in clothing, footwear, new materials and design should be combined in order to develop the *fashion* area;
- competences in car industry, transports and logistics should be combined, in order to develop the area of *mobility.*

In the meantime, other horizontal competences are required to develop all the clusters of activities, such as electro-mechanic equipment, information and communication technologies and biotechnologies. These can also be considered as horizontal clusters.

Figure 1. A framework to explore new areas of innovation and jobs creation