

Position Paper

INNOVATION ECOSYSTEMS

The purpose of this document is to present ideas to improve European regional innovation ecosystems. This position paper is part of the strategic planning consultation process of the European Commission to design a programme aimed at improving innovation ecosystems' connectiveness within the 3rd Pillar of the Horizon Europe programme. At this stage of the policy-making process, the Horizon Europe programme will likely have a budget of €500 million for the period of 2021-2027.

This document is structured as follows:

- First, we will outline three of the main challenges that innovation ecosystems currently face;
- we will then provide possible solutions to those challenges drawing on good examples of resilience and consolidation of a regional innovation ecosystem in three EU regions: the Basque Country (Spain), Emilia-Romagna (Italy), and Upper-Austria (Austria).

1. Our vision for innovation ecosystems

Although the comparison with biological ecosystems has been academically criticised, we believe that it is the best way to understand the concept of innovation ecosystems. As in biological ones, the final goal of innovation ecosystems is to keep alive a virtuous circle in which the result of the activity performed by some actors allows other actors to perform their own activities, and vice versa. The virtuous circle in the innovation ecosystem works under the following logic: resources required by researchers to conduct R&D projects come from a sacrificed part of the commercial profits (whether through direct investment or through taxes), and the revenue of the companies will presumably increase in the future by capturing a bigger market share thanks to the new discoveries of researchers.

An innovation ecosystem, therefore, encompasses several actors with diverse interests, which work according to different logic and reward systems, coming from public administrations, civil society, academia, and the private sector. However, they all share a common purpose to make their region thrive in a highly competitive world. Policymakers and regional development agencies (RDAs) should accomplish the task of connecting all relevant stakeholders to make their ecosystem succeed (Morgan, 2016).

2. Which are the main challenges that European innovation ecosystems face?

EURADA has consulted members and stakeholders about the challenges they face regarding the development of regional innovation ecosystems. At the end of the consultation, we decided to focus on three of them.

2.1 The necessity of making SMEs work together with other organisations in innovation projects. SMEs tend to cooperate less than socially desirable with valuable partners within and beyond the ecosystem. It would be beneficial if they participated more in research partnerships and had closer relations with other SMEs and large-sized companies, universities, research institutes, and vocational and educational training centres. SMEs ought also to be more interregionally-focused and seek alliances outside their own region. Innovation is often the result of a combination of diverse perspectives as well as the exchange of knowledge between different organisations in order to achieve a common goal. This challenge concerning SMEs is crucial due to the prevalence of SMEs in most of European regions and their capacity to create new jobs.

2.2 The difficulty with modernising existing industries and adapting them to new scenarios. The process of creative destruction that characterises capitalism makes industries become obsolete and be replaced by newer industries capable of meeting market demands in a better way. Having an innovation-oriented mindset and adopting new technologies are features crucial to guaranteeing survival in this extremely competitive period of human history. Nowadays many regions face not only the challenge of industrial transition, but also the challenge of profiting as much as possible from digitalisation.

2.3 Making regional policies remain stable over time. Innovation policies do not show their results immediately. It takes time, effort, study, and experimentation to develop the institutions, relations among stakeholders, and innovative culture that will make the ecosystem progress. Regarding innovation policy, regional authorities should be pragmatic and open-minded, remaining aware of the latest advances in regional economic development theories and good practice from other regions.

3. Recommendations for addressing these challenges

3.1. Active policies supporting innovation in SMEs. A successful EU programme to support innovation ecosystems should promote integrating and unifying policies that help SMEs to avoid becoming isolated silos. SMEs need to work together with other members from both the regional ecosystem and external ecosystems in order to stimulate the acquisition of new knowledge and skills that could lead to higher levels of innovation or higher-quality innovation. In order to make the ecosystem succeed, it is necessary to encourage regional SMEs to be in contact with other

organisations with a shared interest in a certain area and to thus achieve higher levels of innovation than they are able by their own means.

This incentivisation of collaborative efforts and knowledge transfer is done in Upper Austria through the easy2innovate initiative; a support instrument aimed at promoting innovation in regional SMEs which can be described as innovation beginners. Easy2innovate is divided into two programme lines: a) easy2research, which offers aid in technology, product, and process innovation, and b) easy2market, which supports market launch activities. The initiative allows the regional government to support personnel costs, costs for the acquisition of technologies and intellectual property rights, costs for external contract research, costs for materials and contract manufacturer and market launch activities. Nevertheless, regional SMEs are only eligible if they cooperate with R&D institution to guarantee technology transfer and learning within the SME.

3.2. Foster related diversification. A programme aiming to support innovation ecosystems should offer measures to attract foreign talent to better address the modernisation of regional industries. It is easy for an organisation to become locked in, especially once the chosen path has been proven successful in the past, but we live in a time of globalisation, digitalisation and perpetual market change, and either those skills that took us so many years to acquire can be learned rapidly by potential rivals in another part of the world or the sectors we used to live by are left behind by technical progress; therefore, it is necessary to be dynamic, open to change and modernisation, and avoid rigidity. A good way to avoid getting locked in and to remain creative and able to find new capabilities that improve and complement the old ones is fostering diversity and diverging perspectives, features that are especially present outside ones territory.

A good example of exterior talent attraction to solve regional challenges can be found in Emilia-Romagna. Last year they developed an original initiative to help the ecosystem carry out a smooth transition to more suitable economic activities for the 21st century economy. This initiative is called MATCH-ER. It consists of a programme aimed at identifying new innovative solutions for the future of the market in three sectors defined by local corporations: smart mobility, healthcare and wellbeing, and new forms of packaging. A specific open call targeting international start-ups and SMEs led to intense use of meeting.

3.3. Having a long-term perspective. The ideal Innovation Ecosystems Programme would help ecosystems improve their governance in order to tackle the demands of all stakeholders and generate a consensus among them. One of the most important policies a region should put into practice to assist in the development of an innovation ecosystem is the creation of a societal agreement through the establishment of an innovation culture that is inclusive, open, and transparent; a policy that involves not only SMEs and RDAs but also other societal actors (researchers, policy makers, NGOs) that work together to create a sustainable social impact on ethics, science, education, governance, or public engagement. Cooperation and teamwork, therefore, must be promoted to smoothly achieve agreed actions on innovation policy.

The Basque Country stands out as a region that has, during the last three decades, been able to maintain the core principles that support industry and innovation ecosystems. This has been enabled by pursuing a regional innovation strategy based in public-private collaborations schemes that broaden participation in regional policy making, implementation and delivery. The sustainability of the Basque ecosystem rests upon three pillars: a) the ability of RVCTI (Basque Network of Science, Technology and Innovation) and their agents to successfully transfer technology to regional industries, b) the role of cluster management organisations in promoting collaborative projects, and c) the regional policies and public instruments rooted in demand-led innovation. Also worth mentioning is the high level of involvement of the relevant stakeholders embodied in the structure and operations of the Basque Science, Technology and Innovation Council, chaired by the president of the region.

4. Final remarks

EURADA believes that it is necessary to have a programme that supports the development of a well-connected European Innovation Ecosystem. Collaboration between regions is essential to achieve a competitive and dynamic EU business fabric with R&D-intensive SMEs capable of scaling-up and, therefore, creating wealth and high quality, knowledge-intensive jobs in the future (OECD, 2016). As described above, innovation and its effective transfer and transformation into marketable products are essential in order to build an economically healthy region. Enablers of capacities such as process improvements, collaboration along value chains, and organisational and marketing innovation may be less visible but do play an important role and so may demand more attention. The Basque Country and Emilia-Romagna are good examples of regions that were below the European average in many areas four decades ago, but are now high performers thanks, in great part, to the attainment of a solid, well-functioning regional Innovation Ecosystem.

Special attention should be paid to those regions that share common problems and interests, and need help to achieve a critical mass in order to provide higher-quality services. These regions should work together and build wider ecosystems that go beyond their borders. A good example of a successful cross-border innovation ecosystem is the project CETEIS in EUROACE Euroregion (Alentejo and Centre, from Portugal, and Extremadura, from Spain), a project within the framework of the Interreg Programme. CETEIS worked on the development of a distributed model for the provision of advanced services for entrepreneurship and innovation in SMEs of the EUROACE, in order to contribute to high-impact entrepreneurship and competitiveness of the territory.

In order to make EU regions resilient in the challenging and ever-changing environment of the 21st century global economy, we think that information-sharing and cooperation between not only stakeholders in a certain area, but innovation ecosystems of different European regions should be supported and fostered, so that those regions which are starting to build their own ecosystems or have been going through difficulties developing them, can learn from those who have been

successful shaping and reinforcing the links between researchers, businessmen, citizens and administrations.

5. ABOUT EURADA

Founded in 1992, the European Association of Development Agencies brings together professionals working on economic development in Europe. Through our large network of over 77 members in 23 countries of the European Union and beyond, regional development agencies (RDAs), and their economic development practitioners can network, advocate, and participate in common projects. EURADA is the international and well-established facility that allows interaction of development agencies with peers.

EURADA, as a network and connector, offers opportunities to all forms of economic development practitioner embedded in RDAs, business partners and European authorities. By bringing together highly skilled professionals, who meet the specific needs of firms, EURADA plays a role in Europe's economic growth and job creation.

6. References

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