Regional innovation agencies

Regional innovation agencies are organisations in charge of delivering and co-ordinating innovation policies implemented at the regional level

Target and purpose

Innovation is an increasingly prioritised key policy area at regional level in OECD countries, fraught with a main challenge: ensuring co-ordination and effectiveness in policy implementation. Choosing a mode of delivery of innovation policies at regional level, possibly through the establishment of dedicated agencies, is one important decision to be made within the broader realm of regional innovation policy governance.

Establishing regional innovation agencies (RIAs) is a step taken by many policy-makers, both at national and regional levels, that responds to a general "agencification" trend. This relates to the separation between decision-making and execution, which is a widespread trend notably in the innovation policy domain. This allows for more flexibility, permanence, independence and responsiveness to changing economic needs. As such, RIAs may thus act as a response to the key co-ordination and effectiveness challenge for innovation policies at regional levels.

The main role for RIAs is to foster a smooth functioning of the regional innovation system. RIAs are in charge of promoting regional economic development and innovation: their missions are (at least partially) defined and controlled by authorities in charge of regional innovation policy. RIAs' operations are geographically bounded at sub-national level: their mission targets a given territory, the "region", typically an administrative division within the country. RIAs' innovation promotion mission encompasses a wide range of innovation aspects, and not just a single instrument or target group. As such, they represent an important and dedicated arm for national and regional authorities, and complement wider economic promotion policies.

The ultimate target groups of RIAs are innovators located in the region, with a frequent priority on SMEs and newly established firms. Depending on the scope of their activities and service range, RIAs also target firms' innovation partners: research institutions, training organisations, suppliers of innovation finance, etc.

Practice

RIAs can be established as brand new organisations, or emerge from a specialisation process of existing economic development agencies, formerly providing basic industrial support. The emergence of RIAs is a relatively recent phenomenon, which has accelerated in the last two decades. There is a diversity of models of RIAs as they appear in practice, with a number of key dimensions around which they differ: size, ownership, missions, activities, funding structure, etc.

Examples of such Agencies illustrating this diversity are: Scottish Development Agency (a central agency in charge of a broad regional development mission, funded by the regional government); IWT in Flanders (a large dedicated innovation agency, in charge of innovation promotion through R&D and technology, distributing funds for industrial R&D in public and private sectors, and co-ordinating intermediaries network); the US Manufacturing Extension Partnerships (a decentralised and flexible network of business advisory services, funded equally by national, state and private money, with a focus shifting from problem-solving towards innovation promotion); and the Dutch Regional Development Companies (the regional arms of the Ministry of Economy for its regional development and innovation policies, in charge of support to innovation, amongst other economic promotion goals).

Steps for implementing RIAs in given regional environments involve taking decisions on several strategic questions:

1. The governance and ownership question needs to be determined. The model adopted will differ between two extremes, with nationally-led agencies, to regionally autonomous agencies. In practice, many agencies are co-funded and respond to several layers of government.
2. There is the definition of the agency's mission, as it could choose to be an innovation specialist only or have a much broader regional development mission.
3. The territory that it covers needs to be determined, as while agencies typically service an area that maps to a particular administrative region, this does not always serve the needs of innovation actors.
4. A key decision to take relates to the choice between a networked model (relying on existing service providers and intermediaries) versus one-stop shop model.
5. The nature and extent of the RIAs services portfolio require a definition of the scope of intervention and the nature of market and other failures that need to be addressed. A list of typical services offered by RIAs appears below.
6. The choice of a funding structure will determine in part the nature of the services it will provide as well as the accountability mechanisms. Performance-based funding models increase the chance of efficient service activities, but may lead to structural instability, while the reverse is true with permanent funding schemes.
7. Finally, there is a conscious choice to be made in terms of the frequency and nature of evaluation tools to address agency effectiveness, and of the consequences of these evaluations.

Types of support offered by RIAs	
Soft support to firms	*Generic support* Information provision Awareness raising Training Stimulation and /or running of networks and clusters Promotion of internationalisation Promotion of foreign investors *Individual support* Coaching, advice Training Needs assessment, audit Support for start-ups Access to finance, intermediary with business angels Science and technology services
Finance	Delivery of public subsidies and loans
Infrastructure provision	Incubators Science parks
Support to policy	Support to policy design (*e.g.* Structural Funds programmes in EU) Monitoring and evaluation of regional policies Acting as a node for regional partnership Acting as co-ordinating body for a network of innovation support actors Regional marketing

Appropriateness and feasibility

Establishing RIAs is an appropriate policy option for governments wishing to improve the efficiency of regional innovation systems: RIAs can help to co-ordinate these policies and ensure their effectiveness, taking advantage of:

- Their knowledge of specific situation of local companies.
- Their proximity with local public and private actors in charge of innovation promotion.
- Their potential to enhance regional partnerships and social capital.
- Their central position, enabling them to achieve horizontal co-ordination of the portfolio of services available in the region, as well as vertical co-ordination with other levels of government.
- Their capacity to liaise and develop synergies with other (national and foreign) regions to exploit possible synergies.

The role of RIAs is bound to differ for each individual region (even within a single country) and depends notably on:

- The institutional framework and the degree of decentralisation of powers in the country, of autonomy (regulatory, budgetary, etc.) held by regions. RIAs may be established and designed at national level for the regional implementation of national goals; in other contexts, the initiative for RIAs establishment will be taken by regional authorities acting independently.
- The competitive advantages of the region, its sectoral specialisation, the degree of openness of its productive fabric, the presence of not of dynamic metropolitan areas, and the existence of leading regional actors (such as big firms or strong universities).

Success factors

There is no one-size-fits-all successful model for RIAs, valid across all types of regional environments. Several models can be adopted, but a number of characteristics of efficient RIAs can be identified:

- RIAs should act as system facilitator based on a systems failure rationale: helping to solve systems bottlenecks and increase knowledge flows in the regional environment. RIAs' mission should be defined so as to avoid unfair competition with private services. While acting on the system dynamics, RIAs need to focus on enterprises and people as key engines of innovation.
- RIAs need to work under an "open" territory definition given the frequent mismatch between administrative borders and the footprint of the innovation ecosystem.
- RIAs should include in their mission a focus on "constructing regional advantages": capitalising on existing regional strengths and supporting the development of higher value-added, innovative activities. Meeting this success condition depends heavily on the quality of human resources in the RIAs (professionalism, specialisation, complementarity of expertise).
- Funding authorities (in most cases, regional authorities, but often also higher level authorities and a series of co-funding partners from the private sector) should display a sound and long-term commitment towards these RIAs.
- RIAs also need to consider in their portfolio a smart mix of instruments and be capable of ensuring policy co-ordination in order to enhance synergies and avoid gaps and duplications in the use of programmes, subsidies, advisory schemes, etc.
- Finally, RIAs should be equipped with strategic intelligence tools and methods for evaluating the effectiveness of their actions. These evaluations should use, and feed mechanisms for the enhancement of performance. They also should feed back to the future definition of activities and missions of the RIAs, based on an understanding of past achievements and shortcomings, and on identification of new emerging needs.

Risk factors

In practice, RIAs established throughout the OECD regions are exposed to the following common pitfalls:

- Unclear mandate: when RIAs mandates are not explicit, or too vaguely defined, the risk is that the effectiveness of their mission cannot be assessed, and that conflicting priorities might undermine the agencies' operation. Unclear mandates also enhance the risk of dispersion into multiple projects to find financial resources, at the expense of overall goal compliance.
- Lack of impact evaluation: absence or weaknesses of monitoring and evaluation tools and practices generate a high risk of sub-optimal performance. In addition, legitimacy of RIAs may be undermined by a lack of goals achievement demonstration.
- Difficulty to find and retain qualified staff (due to unstable funding): when RIAs' funding sources are too uncertain, the agencies experience high staff turnover and a difficulty to attract senior level advisers, and to capitalise on in-house expertise.
- Public status and absence of competition induce lack of performance incentives.
- Inward-looking perspective constrained by administrative boundaries and lack of vertical co-ordination: in cases where RIAs' territories of action are too restricted to institutional borders, opportunities for effective innovation support will be missed through lack of openness to external sources of innovation, and unnecessary competition with other regions might take place.

Evaluation

Sound and integrated evaluations of RIAs across OECD regions are still seldom: in most cases only a few instruments run by RIAs (such as funding schemes) are evaluated separately, but overall evaluations of effectiveness of RIAs are missing. Evaluating the impacts of RIAs' actions on regional innovation is fraught with difficulties, since: *i*) there is no counterfactual for the work of an agency; *ii*) the time-lag for observing such impacts is likely to be long; *iii*) there is an attribution problem. The attribution problem is a severe barrier to engage in impact evaluation (using regional innovation performance indicators).

A realistic option is to engage into RIAs' outcome evaluation: with clearly defined objectives and targets for RIAs activities, it is possible to compare results against plans, based on monitoring data and on benchmarking with other regions.

In addition to these needed extended "results against targets" evaluations, more ambitious strategic evaluations of RIAS should involve an assessment (based mostly on qualitative data collected from beneficiaries) of whether:

- RIAs can be considered as change agents in the regional innovation system, acting “one step ahead” of the routine innovation practice.
- RIAs perform an effective role of co-ordination and synergy of regional innovation support (and help to avoid fragmentation of policy delivery).
- RIAs ensure complementarity of services (delivered either internally or externally).
- RIAs show a sufficient flexibility in services portfolio definition, and the capacity to adapt to changing environment and new challenges.

In addition, RIAs’ management mode should be assessed to determine:

- Whether it favours creativity and innovation in- house.
- Whether it has efficient outward-oriented skills to network and be embedded in a wider system (regional and beyond).
- Whether it is goal-oriented.
- Whether RIAs benefit from suitable funding sources (implying a good balance between stable and performance-based sources).
- Whether the quality of human resources contributes to its legitimacy in the eyes of its customers.
- Whether its management has sufficient autonomy and vision and skills to play its strategic role.
- Whether principal-agent control mechanisms are strong and smart enough so that the agency really serves the wider policy goals and not only its own goals.

Further resources

Generic publications which can help policy makers framing the design of RIAs are listed below.

Asheim, B., L. Coenen, J. Moodysson and J. Vang (2007), “Constructing Knowledge-based Regional Advantage: Implications for Regional Innovation Policy”, *International Journal of Entrepreneurship and Innovation Management*, Volume 7, Number 2-5, pp.140-155.

Hassink R. (2002), “Regional Innovation Support Systems: Recent Trends in Germany and East Asia”, *European Planning Studies*, Volume 10, Number 2, 1 March 2002 , pp. 153-164(12).

Howells, J. (2006), “Intermediation and the Role of Intermediaries in Innovation”, *Research Policy*, Vol. 35, Issue 5, June, pp. 715-728.

Nauwelaers, C. (2010), “Intermediaries in Regional Innovation Systems: Role and Challenges for Policy”, in P. Cooke (ed.) (2010), *The Handbook of Regional Innovation and Growth*, Edward Elgar, Cheltenham.

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