



EC-OECD Pilot Action: Regions in Industrial Transition



Hauts-de-France's High Impact Action:

Accelerating the digital transition of traditional industrial companies

In-depth assessment

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In Brief

Industrial transition in Hauts-de-France

The Hauts-de-France region in northern France is the third largest region in France by population, and the sixth largest by GDP. The region has a long history of activity in traditional industrial sectors, such as coal mining, textiles, and steel production. Yet the decline of these industries has affected regional employment and economic activity. Moreover, the region is heavily reliant on just a handful of industries, such as agribusiness, logistics, and the automotive sector. This concentration makes the region vulnerable to economic shocks and highlights the need for diversification into new industries. In addition, the region's 9.8% unemployment rate is higher than the averages for France (7.9%), the European Union (7.7%), and the OECD area (6.2%). In some parts of the Hauts-de-France region, unemployment rates are as high as 16%.

While unemployment is one of the series of challenges that regions in industrial transition face, Hauts-de-France's faces others which, if addressed, could also have a positive influence on unemployment rates. First, according to the European Regional Innovation Scoreboard 2021, the region was ranked in the category of "moderate innovator", with a below EU average performance on several indicators, including collaboration among innovative SMEs, and lifelong learning.

Second, the region has a shortage of skilled workers, in particular in the fields of digital technology and advanced manufacturing. This limits the development of modern technologies and products that could support the growth of new industries and the transformation of existing ones. Third, the region has a limited number of "champion" enterprises, with only around 500 companies leading the way, out of a total of 300 000.

Haut-de-France's High Impact Action (HIA)

The HIA was designed to tackle several industrial transition challenges in the Hauts-de-France region. In particular, it aimed to support SMEs with potential for innovation. It also sought to support the digital transition of SMEs. Additionally, it aimed to strengthen the breadth and depth of public support to regional innovation. Several actions were developed in support of these goals.

First, the Hauts-de-France innovation and development agency, *Hauts-de-France Innovation Développement* (HDFID), sought to raise awareness of the HIA among SMEs that could benefit from its support. Through 15 HDFID presentations, 150 regional companies were made aware of the many benefits of digitalisation and digital transition including improvements in productivity, profitability and job creation. Second, HDFID provided diagnostic support to 50 SMEs on how to begin the transition to digital technology by developing a diagnostic tool that consisted of 100 questions. Third, following the diagnosis, the 50 SME managers and their teams received coaching to develop a strategy, objectives, and action plan for the digital transformation of their company's organisation, processes, and tools.

Governance and management of the HIA

Two main elements underscored the governance and management of the HIA. First, its focus on digitalisation to help generate a more sustainable and competitive economy, create new jobs, reduce territorial disparities and enhance innovation was well-aligned with the Hauts-de-France region's smart specialisation strategy. The HIA represents a concrete commitment to the S3, and a significant step forward in terms of creating more dynamic and attractive regional development. Second, to document

the impact of the HIA, HDFID established a series of steps to be taken with each company receiving support. These included the preparation of biannual reports by an expert within the agency, in order to monitor progress and ensure that objectives were being met, and the use of a customer-relationship management (CRM) tool by HDFID to monitor the pilot action. A final report produced in 2021, which offered a retrospective examination of the HIA's progress, served as a starting point to reflect on the pilot action's impact.

Policy experimentation, challenges encountered and scalability of the HIA

The experimental nature of Hauts-de-France pilot action lies in its testing of new methods and tools to support digital transformation in traditional industries. The pilot action involved a series of tools that provided companies with a diagnostic, coaching, and support in areas such as digital strategy, cybersecurity, and data management, among others. By providing companies from traditional manufacturing industries with the tools and knowledge they needed to adapt to the digital age, the initiative contributed to boosting their competitiveness and relevance in an increasingly digital world.

Several challenges were encountered during the implementation of the HIA. First, the COVID-19 pandemic affected recruitment and economic activities in the region. While the HIA in its initial form had foreseen the issuance of vouchers to participating SMEs to help them hire a transition manager, ultimately no vouchers were issued, owing to a lack of interest. Reasons for this included the challenging economic situation during the COVID-19 pandemic, which made it less attractive for SMEs to hire additional staff.

Second, many SMEs involved in the HIA had limited resources. Despite their willingness to adopt innovative practices, many of them could not afford to hire a dedicated digital technology specialist. The diagnostic and coaching services showed that many industrial SMEs did not intend to increase their workforce following the pandemic, making it difficult to deepen digital transition policies. Third, there were significant variations in personnel among the supported SMEs. The differences in company size and structure made it difficult to effectively diagnose and monitor their progress.

With regards to scalability and continuity, the HIA pilot action allowed the region to build specific tools, identify best practices, and form partnerships that can help promote the development of the 2021-2027 S3. Moving forward, HDFID can rely on its expertise and the experience gained to expand its support and awareness-raising of the digital transition among traditional businesses.

Policy lessons learned from the HIA

The HIA's implementation also generated valuable policy lessons for advancing industrial transition, including the following:

- Flexibility in a digital strategy can better help SMEs succeed with industrial transition.
- Strong leadership is needed to shift the mindset of industrial SMEs towards embracing industrial transition and digitalisation.
- Non-financial incentives to support industrial transition can have a positive, long-term impact on the capacity and skills of a region's labour force.
- Specifically targeting the innovation ecosystem in rural and/or disadvantaged territories early on in a pilot policy or initiative design process could help policy makers better meet inclusivity and social cohesion aims.

Introduction

This case study provides an in-depth assessment of the High Impact Action (HIA) carried out by the region of Hauts-de-France in northern France. The HIA supported the digital transformation of small- and medium-sized traditional industrial companies in the region. The diagnostic and the coaching, which were financed through the HIA, were perceived as extremely valuable by the participating companies and provided a series of policy lessons on how to best advance industrial transition. The digital transition is also an important cross-cutting priority for Hauts-de-France's 2021-2027 smart specialisation strategy.

The purpose of the case study is to explore how new approaches to governance and policy can support industrial transition through a process of experimentation as applied through the HIA. Experimental governance is an iterative process of setting goals, exploring alternative approaches, and learning and monitoring (Morgan, 2018^[1]; Wolfe, 2018^[2]). Adopting such an approach is not without preconditions and challenges but may help advance industrial transition if its learnings are well integrated into future industrial transition and smart specialisation strategies. The case study may serve as inspiration for practitioners and policy makers from other regions and countries in industrial transition trying to advance their transitions, for example those that did not participate in the industrial transition pilot.

This case study consists of five sections. The first section describes the and industrial transition challenges in Hauts-de-France. The second section analyses the HIA, including its objectives, activities, governance mechanisms and contribution to industrial transition. The third section elaborates on the experimental nature of the HIA. The fourth section analyses policy learnings derived from the HIA. The last section concludes the case study.

Industrial transition challenges in Hauts-de-France

The Hauts-de-France region in northern France was created in 2015 from the merger of Nord-Pas de Calais and Picardy and is the third largest region in France in terms of population, with 6 million inhabitants, and sixth in terms of GDP generated (Hauts-de-France, Région, 2022^[3]). The region has a long history of activity in traditional industrial sectors, such as coal mining, textiles, and steel production. Yet the decline of these industries affected employment and economic activity in the region. Moreover, the region is heavily reliant on just a handful of industries, such as agribusiness, logistics, and the automotive sector. This concentration makes the region vulnerable to economic shocks and highlights the need for diversification into new industries, either based on upgrading existing ones through new technologies or diversifying into new industries related to old ones.

In addition, the region faces significant disparities in unemployment rates and employment growth. In 2021, the unemployment rate in Hauts-de-France was 9.8%. This is higher than the averages for France (7.9%), the European Union (7.7%), and the OECD area (6.2%) (OECD, 2023^[4]; Eurostat, 2023^[5]; INSEE, 2023^[6]). However, unemployment within Hauts-de-France varied widely, with unemployment rates in some areas as high as 16% (INSEE, 2023^[6]). Certain territories such as the European Metropolis of Lille (MEL) enjoy strong employment growth. With 529 300 jobs in 2019, the MEL accounts for 25% of the region's jobs. Between 2013 and 2019, jobs increased by 3.0% in the metropolis, compared with -0.6% in the region (INSEE, 2023^[7]). While these territories are vital for the international presence of Hauts-de-France, it is equally important to ensure that struggling territories in the region are not left behind, as this can generate even greater inequalities, with implications not only for social cohesion but also potentially for trust in government. Evidence suggests that regions in long-term economic decline tend to register lower levels of trust in government, reflective of the "geography of discontent" (Allain-Dupré, Michalun and Upton, 2022^[8]).

While unemployment is one of the myriad challenges that regions in industrial transition face, Hauts-de-France's faces others which, if addressed, could also have a positive influence on unemployment rates. These include:

1. **Low innovation capacity.** According to the European Regional Innovation Scoreboard 2021, the Hauts-de-France region was ranked in the category of "moderate innovator". The region's overall innovation performance was below the EU average on several indicators, including collaboration among innovative SMEs, and lifelong learning (European Commission, 2021^[9]).
2. **A shortage of skilled workers.** There is a skills deficit in the region, particularly in the fields of digital technology and advanced manufacturing. This limits the development of modern technologies and products that could support the growth of new industries and the transformation of existing ones (Hauts-de-France, Région, 2022^[3]).
3. **Limited competitiveness.** The region struggles with a limited number of economic champions, with only around 500 companies leading the way. In addition, there are about 10 000 companies in the region with a strong potential to thrive (out of 300 000 companies in the region in total). However, these companies face fierce competition on the global stage, and their success will depend on their ability to diversify and digitalise their offerings, anticipate emerging trends, and adapt accordingly. This is a pressing issue that requires urgent attention to ensure a sustainable and prosperous economic future (OECD, 2022^[10]).

Hauts-de-France's High Impact Action

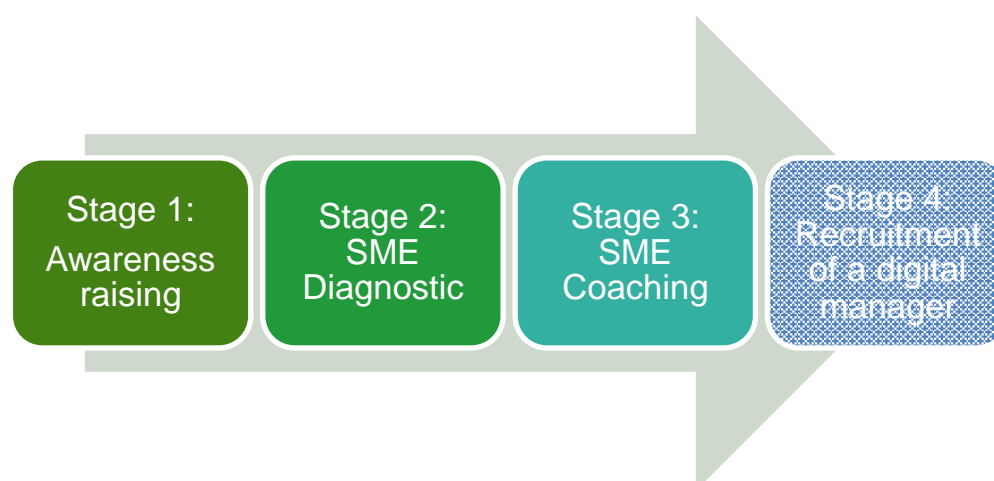
Hauts-de-France's SMEs are confronted with a need to adapt to complex, digital, and personalised production systems in order to stay competitive. The pilot action supported industrial SMEs in acquiring the skills needed to integrate digital technologies into their production processes, product design, product distribution, and service provision by offering coaching and advisory services. It targeted companies needing assistance in building management capabilities, market knowledge, and internal capacity to adapt to rapid technological changes. The targeted companies included three types of SMEs, (i) industrial enterprises; (ii) enterprises providing services to industrial companies; and (iii) digital start-ups with innovation potential or needs but that are ineligible for any other public support programme.

The HIA was designed to tackle three key industrial transition challenges in the Hauts-de-France region. First, it aimed to support SMEs with potential for innovation. Second, it sought to accompany the digital transition of SMEs. Third, it aimed to strengthen the breadth and depth of public support to regional innovation.

HIA activities

The region of Hauts-de-France complemented and reinforced existing public support to manufacturing and industrial services companies in the region through a series of support tools elaborated and implemented through the HIA (Figure 1). Following an awareness-raising phase of proposed HIA activities, the companies that expressed their interest benefited from a diagnosis of digital maturity and support in the form of coaching sessions. It was also envisaged for these companies to take advantage of a "digital transition voucher" worth up to EUR 10 000 to partially finance the recruitment of a qualified person (recent graduate or unemployed person). The voucher was, however, never put into place due to the COVID-19 crisis (OECD, 2022^[11]).

Figure 1. The phases of the Hauts-de-France HIA model



Source: OECD elaboration based on (OECD, 2022^[11])

Stage 1: Awareness raising

In a first step, the Hauts-de-France innovation and development agency, *Hauts-de-France Innovation Développement* (HDFID), compiled a list of SMEs that could benefit from support through the HIA. To achieve this, the agency gathered information from two main sources. The first was the agency's project managers, who told local companies about the agency's services and network. The project managers created two documents, one that briefly explained the agency's services and another that provided more detailed information on what the agency could do to help businesses with their digital transition by engaging with the HIA. The second source was the project manager's personal network, which was used to directly contact and speak with business owners who may not have known about the agency's services.

Overall, HDFID gave 15 presentations to various partners in the innovation ecosystem, resulting in 150 companies in the region becoming aware of the many benefits of digitalisation and digital transition, including improvements in productivity, profitability and job creation.

Stage 2: SME diagnostic

The diagnostic phase of the HIA was an important step for companies to begin transitioning to digital technology. HDFID diagnosed and provided support to 50 companies in the region. The agency developed a diagnostic tool consisting of 100 questions that were grouped into four categories: Commercial Strategy, People/Strategy, IT Equipment, and Production/Service. Several consultants/experts were asked to support the development of the diagnosis.

This tool helped measure the company's digital abilities and the areas for improvement. The diagnosis was conducted through an interview that lasted between four and six hours with the manager and team responsible for the company's digital transition.

Of the companies supported, 75% were from the industrial sector and 25% were from the business services sector. The 50 companies represented 2 040 employees and EUR 620 million in annual revenue.

Stage 3: SME coaching

After the diagnostic, the 50 SME managers and their teams received coaching to develop a strategy, objectives, and action plan for the digital transformation of their company's organisation, processes, and tools. The coaching took place over six half days and aimed to increase productivity, profitability, and

potentially job creation. The coaching was very flexible, as it could be adapted and refined as necessary to align with the needs of the company.

During the pilot action, the methodology and tools used for coaching were continuously improved. The group meeting format with employees allowed the support team to analyse and support a variety of sectors with different processes. For companies not ready for a digital transition project, the coaching prepared them to outline their potential future digital development strategy. This preparation also allowed companies to participate in other programmes in the region, such as the Industry of the Future, the Diagnostic Innovation, and the Cyber Advice Pass.

Stage 4: Recruitment

During the pilot action, no vouchers were issued for hiring a digital transition manager for the participating SMEs. This was due to the challenging economic situation during the COVID-19 pandemic making it less attractive for SMEs to hire additional staff, and the limited timeframe available for project deployment.

Governance and management of the HIA

As part of its commitment to promoting the digital transition of SMEs, the Hauts-de-France region relied on the expertise of the HDFID to implement the HIA. To meet this responsibility, the agency hired a digital specialist to work with the companies on its behalf and that of the regional government. The expert's responsibilities included conducting audits to evaluate the digital maturity of supported SMEs. They also assisted with developing and implementing a tailored digitalisation plan that could last between one and three years for participating companies. HDFID staff were responsible for overseeing and executing this multi-stage plan, which was customised to meet the unique needs of each company (OECD, 2022^[11]).

The HIA was well embedded within the regional smart specialisation strategy

The Hauts-de-France HIA's focus on digitalisation is based on the ability of digitalisation to contribute to generating a more sustainable and competitive economy, create new jobs, reduce territorial disparities and enhance innovation in the region. All of these objectives are well embedded within the regional smart specialisation strategy (S3). The Hauts-de-France region developed its 2021-2027 S3 with industrial transition in mind, and with a particular focus on digitalisation, which was supported through the HIA. Based on the HIA, the region has identified the priority of "Digital-Robotics" as one of its seven strategic activity areas¹. Moreover, one of the five cross-cutting axes of the S3 is focused on ensuring the transition to the industry of the future. The HIA chosen by the region is a concrete commitment to its S3, and a significant step forward towards creating more dynamic and attractive regional development (OECD, 2022^[10]).

Several monitoring and evaluation mechanisms were set up for the HIA

To document the impact of the HIA, the HDFID established a series of steps to be taken with each supported company. Biannual reports were prepared by an expert within the agency. These reports were then sent to the project's steering committee to monitor progress and ensure that objectives were being met.

The HDFID's customer-relationship management (CRM) tool was used to monitor the pilot action's activity. By utilising the Dynamics tool from Office 365, all relevant data was centralised, including information from a launch sheet, visits, and video conferences conducted during each phase of the scheme. This encompassed diagnoses, support sessions, and follow-up reports.

¹ Haut-de-France's seven S3 priorities are: mobility, nutrition and health, bioeconomy, creative industries, materials, energy, and digital-robotics (Hauts-de-France, 2022^[3]).

In 2021, a final report was produced, which offered a retrospective examination of the HIA's progress. While it did not provide a comprehensive evaluation of the successes and failures of the pilot action, it served as a starting point to reflect on the pilot action (Hauts-de-France Innovation et Développement Agency, 2021^[12]).

The experimental nature, challenges encountered and scalability of the HIA

The Hauts-de-France pilot action was an experimental approach to supporting digital transformation in traditional industries. It went beyond traditional information sessions by providing an in-depth diagnosis and coaching targeted to the needs of each company. It also created a collaborative ecosystem that brought together companies, digitalisation experts, and the public sector to co-create innovative solutions to the challenges of digital transformation in industrial SMEs. Despite the challenges faced during the implementation process, particularly the COVID-19 crisis, the HIA successfully supported and guided companies towards their digital transition goals.

The experimental nature of the HIA compared to previous policy approaches

The experimental nature of Hauts-de-France pilot action lies in its ability to test new methods and tools to support digital transformation in traditional industries. The pilot action involved a series of tools that provided companies with a diagnostic, coaching, and support in areas such as digital strategy, cybersecurity, and data management, among others.

One of the key aspects of the pilot action was its focus on traditional manufacturing industries, for example, the agro-food sector. Digital transformation is often associated with tech-based businesses or start-ups, but the Hauts-de-France initiative recognised that traditional industries also needed support in this area. By providing these industries with the tools and knowledge they needed to adapt to the digital age, the initiative could contribute to boosting their competitiveness and relevance in an increasingly digital world (OECD, 2022^[11]).

Challenges encountered during the HIA implementation process

One of the main challenges faced during the HIA implementation process was the COVID-19 pandemic, which affected recruitment and economic activities in the region. At the same time, the pandemic also emphasised the need for digitalisation and the transformation of traditional industries.

In addition to the challenge of dealing with the COVID-19 pandemic, the HIA's timeline was shortened to 12 months from the initially intended 18 months because of the time needed to finalise the HIA agreement with the European Commission and to recruit a project manager for the HIA. As a result, the region had to suspend the promised vouchers to companies because there was no time left after the diagnostic and the coaching to distribute the vouchers. In addition, as explained above, there was very little interest from participating companies in the vouchers. Many of the companies that went through the diagnostic concluded that they did not want to hire additional staff responsible for digitalisation. Rather, they wanted to embed digitalisation in the work of staff that were already on the payroll. At the same time, COVID-19 highlighted the importance of digitalisation for businesses. With the need to rapidly switch partially or fully to remote work models, IT tools have become indispensable. This urgent digital transition has contributed to the pilot action's tremendous success.

The second obstacle encountered in the project was the limited resources of the SMEs involved. Despite their willingness to adopt innovative practices, many of them could not afford to hire a dedicated digital technology specialist. The diagnostic and coaching showed that many industrial SMEs did not intend to increase their workforce following the pandemic, making it difficult to deepen digital transition policies. A third challenge was the significant variation in personnel among the supported SMEs. The differences in

company size and structure made it difficult to effectively diagnose and monitor their progress. A general approach was not sufficient, and it was necessary to adapt the development strategies to the specific needs of each SME (Hauts-de-France Innovation et Development Agency, 2021^[12]).

Continuity and scalability of the HIA

The pilot action allowed the region to build specific tools, identify best practices, and form partnerships that can help promote the development of the 2021-2027 S3. Moving forward, the HDFID agency can rely on its expertise and the experience gained to expand its support and awareness-raising of the digital transition among traditional businesses.

The HDFID is currently evaluating the results of the project, but it is certain that it will either be renewed or serve as the basis for another, more ambitious project. Negotiations are currently underway with the eDigital Innovation Hub (eDIH) project (part of the DG Connect programme) that would provide additional support to a larger number of companies to continue the work. Therefore, it is highly likely that Hauts-de-France will amplify the results obtained through new, similar projects.

Policy lessons from the HIA for advancing industrial transition and smart specialisation

Many policy lessons have emerged from the HIA implementation process, with the aim of advancing industrial transition. These include:

- **Flexibility in a digital strategy can help SMEs succeed with industrial transition.** Digitalisation can mean different things to different firms, as experienced by Hauts-de-France. For some of the region's firms, it may involve upgrading processes to simplify and delegate tasks and actions. For others, it could involve creating a digital business model. Most companies participating in the HIA did not require a complete digital transformation but rather an upgrade. Moreover, managers needed support in communicating the changes that digitalisation will bring about in the workplace to their employees. These companies also realised the importance of focusing on building a culture of digital transformation – one that empowers employees to embrace modern technologies and ways of working – rather than just hiring a digitalisation manager to “fix” problems with digitalisation efforts.
- **Strong leadership is needed to shift the mindset of industrial SMEs towards embracing industrial transition and digitalisation.** Employees need to understand the importance of industrial and digitalisation transitions, and how this technology will benefit the company and the employees themselves. One of the lessons learned from the HIA is that SME managers must be prepared to communicate a clear vision of the benefits of industrial transition and digitalisation to their employees. It is also essential to provide training and education to help employees acquire the skills and knowledge necessary to adapt to modern technologies and processes. Leadership also involves encouraging employees to think ‘outside the box’ and come up with innovative ideas for improving processes and products. In this regard, successful SME managers also recognised and rewarded employees who contributed to the company's digitalisation efforts. Moreover, leadership is more successful when it leads by example and embraces digitalisation themselves. By doing so, managers can inspire and motivate their employees to follow suit and adopt new technologies and processes.
- **Non-financial incentives to support industrial transition can have a positive, long-term impact on the capacity and skills of a region's labour force.** The coaching provided by the HIA to SME managers gave them a fresh perspective on their business and challenged them to think differently. This can be particularly valuable during a period of industrial transition when a company

may need to pivot or adapt to new market conditions. In Hauts-de-France, SME managers noted that one of the main benefits of the coaching and mentoring process was that it better equipped them to focus on the “big picture” and develop a strategic plan for the company’s future, rather than focusing primarily on day-to-day operations. This permitted them to work *on* their company rather than *in* it (OECD, 2022^[11]).

- **Specifically targeting the innovation ecosystem in rural and/or disadvantaged territories early on in a pilot policy or initiative design process could help policymakers better meet inclusivity and social cohesion aims.** Despite several attempts of HDFID to involve companies from all parts of the region in the HIA almost all participating companies were concentrated around the Lille metropolis, on the Opal Coast, or in the department of the Oise, which are among the region’s most developed areas. SMEs in lagging parts of the region, such as the departments of the Aisne and Somme, or coastal areas, such as Abbeville or between Soissons and Château-Thierry, received little support despite being areas in which traditional businesses are concentrated. This can exacerbate territorial inequalities, which is an issue the region is trying to address. SMEs in these areas expressed less interest in the HIA and making use of innovation support services. Developing specific support measures for rural or disadvantaged territories, for example by consulting with a broad spectrum of beneficiaries prior to or early in the project’s design process and checking in with them during and after implementation, could help policy makers design an initiative that speaks to beneficiaries with different levels of innovation receptiveness.

Conclusion

Hauts-de-France’s HIA successfully guided a selected set of firms towards their digital transition goals. The HIA approach, including a diagnosis and targeted coaching and mentoring services for participating industrial SMEs, proved to be flexible, effective, and could be adapted to the specific needs of participants. The HIA also provided important policy lessons for successful industrial transition, including the need for a flexible strategy that considers the realities of a digital world and the importance of leadership among SME managers. Hauts-de-France’s commitment to digitalisation efforts and providing opportunities for industrial SMEs to advance their digitalisation is a significant step towards creating a more dynamic and innovative region. This is an important policy objective in the context of persistently wide intra-regional disparities in the region and the need to use the insights generated from the HIA about the transformation potential of traditional manufacturing SMEs to reduce this gap.

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Annex: The EC-OECD Pilot Action on Regions in Industrial Transition

In 2018, the European Commission/DG REGIO with support from the OECD launched the pilot action *Regions in Industrial Transition* to support ten regions and two countries² in industrial transition prepare their Smart Specialisation Strategies (S3) and innovation policies for the 2021-2027 period. The pilot action was designed in two phases. The OECD supported the first phase with a series of five thematic workshops held with two cohorts of participants, each including five regions and one country. The findings from these workshops were collated into an OECD synthesis report, [Regions in Industrial Transition: Policies for People and Places](#).

As part of the project, eight of the original regions and the two countries received a EUR 300 000 grant from DG REGIO as well as tailored advisory services to design a High Impact Action that could support their industrial transition strategies.

The OECD is supporting the European Commission with an assessment of each High Impact Action. The aim is to take stock of the potential benefits of different types of High Impact Actions on industrial transition and of the policies that support them. Each assessment considers the actual or expected results of individual High Impact Actions through an understanding of their objectives, activities, governance mechanisms and experimental nature. The in-depth analysis also explores how each pilot region/country expects their individual High Impact Action to contribute to their industrial transition and advance their smart specialisation strategies and governance.

² The regions are Cantabria (Spain), Centre-Val de Loire (France), East North Finland (Finland), Grand Est (France), Greater Manchester (UK), Hauts-de-France (France), North Middle Sweden (Sweden), Piedmont (Italy), Saxony (Germany) and Wallonia (Belgium). The countries are Lithuania and Slovenia.

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