KEN 2011

Human Capital Development for Knowledge Economy

A New Role for RDAs

Christian SAUBLENS

Eurada Executive Manager

6 June 2011 - Maribor
EURADA: HISTORY

- Creation: December 1991
- 130 members mainly in EU countries
- 3 staff members
- Budget: ± 450.000 € / year
- Members are public or semi-public organizations under private law, but having public missions and strong links with regional authorities. The public missions are in the field of regional strategy and services support to enterprises.
RDAs in Europe: observations

- No European model
- Their existence and their recognition depend on
  - Regional governance
  - Decentralisation/regionalisation of the country
  - Local partnerships
  - Financial means
  - Political debate, what type of support for endogenous development?
ROLE OF RDAs

• Advice to the design and implementation of regional strategy
• Support to local entrepreneurial infrastructures (incubators, industrial parks, technopoles, technological centres, ...)
• Non-financial support to SMEs (advice, audits, ...)
• Financial support to SMEs (grants, loans, equity, guarantees, ...)
• Foreign direct investment attraction
• Support to internationalisation
• Management of regional networks (clusters, enterprise-university platform, ...)
## Attractiveness factors

<table>
<thead>
<tr>
<th>Sectorial intensity</th>
<th>Knowledge base</th>
<th>Quality of life</th>
<th>Enterprise competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• enterprise stocks</td>
<td>• quality of education</td>
<td>• housing</td>
<td>• location</td>
</tr>
<tr>
<td>• research centres</td>
<td>• skills availability</td>
<td>• culture</td>
<td>• wages</td>
</tr>
<tr>
<td>• export capability</td>
<td>• language proficiency</td>
<td>• leisure</td>
<td>• clusters</td>
</tr>
<tr>
<td>• n° of foreign enterprises</td>
<td>• R&amp;D, innovation culture</td>
<td>• environment</td>
<td>• access to markets</td>
</tr>
<tr>
<td>• industrial estate</td>
<td></td>
<td></td>
<td>• workforce development</td>
</tr>
<tr>
<td>• utilities</td>
<td></td>
<td></td>
<td>• incentives</td>
</tr>
<tr>
<td>• external connectivity</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EURADA: MISSION

- Dialogue with EU administration
- Exchange of information concerning economic development and management of RDAs
- Platform for partners search
- Promotion of the concept of regional development and RDAs
- Being at the “forefront” of new ideas in economic development.
REGIONAL ECONOMIC DEVELOPMENT

What is it about?

• In short: « 4 Ps »
  – Place: county, region, city, neighbourhood
  – People: citizens, entrepreneurs, investors, students, tourists, shoppers, congress attendees, ...
  – Perspectives: quality of life, growth, jobs, revenues, experiences, social inclusion
  – Productivity: enterprises, innovation, investments, skills, competition.

• In reality: Governance
How to share the vision and the implementation process?

- Leadership
- Consensus building
- Value chain analysis
- Investment willingness
- Investment readiness
- From grants to financial engineering
Governance and strategy

Wishful strategy
I have a dream

Yes, I can

Do as I say

Demand strategy

Documented strategy
I had a dream: yes we can together

Source: EURADA
Assets review

- Infrastructure (tangible and intangible)
- human
- financial
- social
- R&D
- Innovation
- Natural and cultural
- Sustainable development
- Institutional and administrative
- Attractiveness
The dimensions of support for R&D+I

1. Approach to R&D+I
   - Activities
     - Research
     - Design & Prototyping
     - Human Capital
     - IP protection
     - Start ups
     - New products/services
     - New business models
     - Public procurement
     - Market replication
   - Enterprises
     - Market
     - Sectors
     - Science parks
     - Incubators & networks
   - Infrastructure
     - Enterprise growth
     - Financial support
     - Non-financial support
   - Knowledge (people/talent)
     - Training
     - Skills
     - Technology transfer
     - Mentoring/coaching
     - Consultancy

2. Nature of the support
3. Delivery mechanism

**Direct**
- Grants
- Loans
- Reimbursable advance
- Equity
- Coaching
- Technology transfer
- Proof of concept
- Internationalisation
- Market replication
- Audits

**Indirect**
- Cluster
- Infrastructures
  - Incubator
  - Science parks
  - Research centre
  - Technology centre
  - Demonstration centre
- Pre-commercial procurement

NB: vouchers, tax holidays & open innovation
SME typology

- Newly-developed companies
- Spin-outs and spin-offs of large businesses, research centres and universities
- Start-ups (less than five years in existence)
- Locally-rooted companies (micro-businesses and craft companies)
- Entrepreneurial growth companies
- Innovative businesses and companies leveraging RTD outcomes
- Companies in the process of being transferred
- Subcontractors
- Companies at risk of bankruptcy
- Multinationals
- Social enterprises
THE KNOWLEDGE CHALLENGE

1. Creation of new knowledge
   – Technology
   – Service innovation and/or non-technological innovation

2. Commercialisation of new products/services based on new knowledge

Knowledge-based region
   • technology leaders
   • start-ups
   • gazelles
   • licensing

Others
   • access to knowledge
   • absorption of knowledge
   • diffusion of knowledge
KNOWLEDGE CYCLE IN A REGION

- Depreciation
  - Relevance of RDTI
  - Outsourcing
  - Offshoring
  - Delocation

- Existing
  - People
  - Traditions, know-how
  - Patents

- Anchoring
  - Partnership
  - Knowledge transfer
  - Talent attraction
  - Knowledge take-up by enterprises

- Creation
  - Research
  - Experimentation
  - Living labs
  - Imitation
  - Adaptation

- Exploitation
  - Licensing
  - Innovative products/services
  - Start-ups
  - Clusters

- Customisation
  - Foresight
  - Market intelligence
  - Stakeholder interaction

Source: EURADA
# THE ENTERPRISE PIPELINE ASSESSMENT MATRIX

## Sector

<table>
<thead>
<tr>
<th>Life cycle</th>
<th>N° of enterprises</th>
<th>Nature of the public support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N°</td>
<td>Trends</td>
</tr>
<tr>
<td>Pre-venture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence / Start-up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International relocation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-engineering process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decline</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-failure / Closure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**REGIONAL FINANCIAL AND EQUITY VALUE CHAIN**

**OFFER**

- **Entrepreneur’s own resources and re-investment capacities**
  - Funding
    - Loans on trust
    - Loans
    - Micro-credits
    - Reimbursable advance
    - Proof of concept
    - Guarantees
    - Crowd funding
    - Technology transfer
    - Leasing
    - Factoring
    - Export credits
  - Equity
    - FFF
    - Business Angels
    - Mezzanine
    - Pre-seed
    - Corporate venturing
    - Venture capital
  - Benefit in kind
    - Incubators
    - Clusters
    - Coworking space
    - Enterprise hotels

**DEMAND**

- Investment readiness
- Prize/sponsorship
- Proof of concept
- Technology transfer fund
- Risk Sharing Facilities

**PRE-REQUISITES**

- Risk taking investors: Private, public
- Infrastructure: business angels, networks, incubators, etc.
- Intermediaries: advice, investment readiness, tutorship, rating, assessment
- Human capital: Professional fund managers, state aid experts
- Taxation holidays: Business Angels, research activities, etc.
**OFFER**

Entrepreneurs own skills and resources

- Infrastructure
- Advise & audit
- Matchmaking, networking & clusters
- Knowledge & skills
- Product improvement

**REGIONAL NON-FINANCIAL VALUE CHAIN**

- Incubator, industrial estates, science parks, soft landing offices
- Business plan, innovation capacity, export readiness, IP protection & valorization, self assessment, regional intelligence, benchmarking, info days
- Fairs, university/enterprise club, investment readiness, living labs, open innovation, meet the buyers & intercluster events
- Training, skills observatory, talent attraction, PhD outplacement, coaching, technology transfer
- Prototyping, quality management, design, e-business, productivity improvement through ICT, R&D+I

**DEMAND**

- Pre-commercial procurement
- Market replication
- Technology demonstration center

**PRE-REQUISITES**

- Human capital: Public & private qualified advisors
- Intermediaries: No wrong door network
- Infrastructures: tangible & intangibles
- Delivery schemes: Vouchers Grants Equity Non-financial support
REGIONAL BLUEPRINT

Investing in a given industry: potential inventions

- Enterprises
- People
- Universities and vocational training organisations
- Infrastructures
- Networks
- Catalyst organisations
- Money
- Know-how
- International opportunities
Smart Specialisation Strategy
The Concept

“As most regions and institutions cannot reach the frontier of science and innovation, they would be better to search for a suitable specialization in the global competitive landscape. It is most likely that this specialization will take place along applications, exploiting business segments, niches, or markets that require adaptation of general technologies to specific user needs.”

Source: “The role of Community research policy in the knowledge-based economy.” Expert group report DG Research
What is Smart Specialisation?

• Not a simple industrial specialisation of Region X in tourism or fischeries
• But it suggests for region X to specialise in R&D and innovation in the sector of tourism or fischeries
• Smart specialisation provides strategies and roles for any regional economy
• Most advanced regions invest in the invention of generic technologies, others invest in the co-invention of applications of the generic technology in one or several important domains of the regional economy

Source: Dominique FORAY
What is Smart & Specialisation?

- place evidence-based: **SWOT**
- no top-down decision, but **bottom up partnership approach**
- global perspective on potential **competitive advantage & potential for cooperation**
- **source in knowledge, technologies, talent and investors**
- **priority setting in times of scarce resources**
- **excellence in something specific**
- accumulation of **critical mass**
- not necessarily focus on a single sector, but **cross-sectoral approach**

⇒ **best way to exploit territorial potential through innovation**
⇒ **foster interregional comparative advantage**
What is it?
A system helping take documented decisions based on the evolution of local & international context and the regional competitiveness position. Collecting indicators and predicting trends.

Which objectives?
Taking better decisions thanks to the position in the business environment and the flow of knowledge and investment. Understanding the drivers of specialisation.
Smart Specialisation Strategy

= Regional Economic Intelligence (2)

**How?**
Balancing efficiency (growth) and resilience (adaptability to crisis) through diversity and interconnectivity

**In practice**
Doing SWOT analysis, reviewing value chain, improving decision process and involving key leaders, foresight, strategic policy intelligence, selection of potential winners,...
# Enterprise Competitiveness "Sandwich" Theory

<table>
<thead>
<tr>
<th>Niche</th>
<th>iApple</th>
<th>Peugeot 3008</th>
<th>Dyson</th>
<th>Nespresso</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass</td>
<td>Dell</td>
<td>Acer</td>
<td>Nokia</td>
<td>Mercedes</td>
</tr>
<tr>
<td>Low Cost</td>
<td>Dacia</td>
<td>Easy Jet</td>
<td>Ryanair</td>
<td>ZTE</td>
</tr>
</tbody>
</table>
Regional Competitiveness "Sandwich" Theory

**Niche**

Knowledge creators

Toulouse, Cambridge, London, Milano...

**Mass**

Wallonia

Nord-Pas-de-Calais

Midlands

**Low Cost**

Knowledge absorbers

Cantabria, Madera, Andalusia, ...
What can Public Bodies do?

• Mapping of key stakeholders (i.e. VC Funds, Angels associations, researchers, TT offices, etc)
• Business segmentation
  – Based on stage
  – Based on capital requirement
  – Based on innovation typology
• Involve key regional capital providers in the regional value chain
• Helping SMES to understand the process of finance/innovation
• Support SMEs in their financial/capital/innovation requirements and signposting SMEs to the right investors/clients (public/private)
• Prepare the SMEs for equity investment/innovation by developing experience in business plan reviewing
• Investing in equity regional funds
• Database of success track record
• Database of “early innovation adopters” and players (open innovation/labs)
• Networking between key stakeholders
• Develop regional intelligence
Questions for the Debate

• Are there different types of specialisation?
• How to design such strategy?
• How to steer the relationship between the specialised stakeholders (clusters, universities, funding intermediary organisations, investors, enterprises,...)?
• How to encourage specialisation and enable structural changes?
• How to measure the specialisation(s) and to monitor emerging specialisation capabilities? Is it possible to create them?
• What if extreme concentration is the current specialisation?
Thank you for your attention!

EURADA
Avenue des Arts 12, bte 7 / 1210 Brussels / BELGIUM
Tel. +32 2 218 43 13 / Fax +32 2 218 45 83
info@eurada.org