Smart Specialisation: the Concept

Dominique Foray
Smart Specialisation Conference
Sofia (Bulgaria), May 10 & 11, 2012
1 - Introduction

• For what domain, what activity, a region would benefit from and should specialize in R&D and innovation?
  – Regions cannot do everything in STI so they need to focus on certain domains
  – They need to focus by developing distinctive and original areas of specialisation (not by imitating each other)

• These domains where innovative projects will complement the region’s other productive assets
«In my region we have many good SMEs distributed along a bunch of sectors; does the idea of SSS match this structure?»
We don’t want let SSS narrow the path of our integral regional development
Does SSS recommend us to give up engineering because it is a small activity relative to the huge sector developed by our regional neighbor?
• Smart specialisation is largely about the policy process to select and prioritize fields or areas where a cluster of activities should be developed.

• Setting priorities, selecting fields always entail risks for policy makers.

• The ‘business as usual’ strategies to minimize risks in setting priorities.

• Smart specialisation suggests another strategy:
  - To let entrepreneurs discovering the right domains of future specialisations.
  - To start SSS at a certain point in the development cycle where a degree of local commitment and development have already occurred and achieved.
• *It is not a planning doctrine that would require a region to specialize in a particular set of industries.*

• *It is an approach to policy that considers whether those activities already strong or showing promise for a region can benefit from (more) R&D and innovation*
« While the transversal nature of IT is a benefit, many of the clusters supported are not likely to sustain in the long term », OECD Review of Regional Innovation: 15 Mexican States, 2009
D. Foray, P.A. David and B. Hall

– *Smart Specialisation: the Concept*
Pulp & paper

Engineering

Agro-foods

Tourism

New business
High tech surprise!

2012?
**Horizontal policies & neutral instruments**
R&D tax credit, small business innovation plan, universities....

**2012?**
Detecting (incentivizing) discoveries
Entrepreneurial discovery vs ‘simple’ innovation

2012?
Pulp & paper

Engineering

Agro-foods

Tourism

New business
High tech
Surprise!

Nano appli

2012?
Making a sound evaluation of potentials
Technological and market opportunities
Supply conditions (local and extra-regional)
Finance requirement
International benchmark
Future value of the structural change

Nano appli
• SSS comes at a certain point in the development cycle where degrees of local commitment and development have already occurred
  
  - A policy that reinforces a growth process is to be preferred to the lottery of very early stage
Empowering those actors most capable of realizing potentials
Supply conditions (human capital)
Coordination (service providers)
Connection to extra-regional resources
Entry and agglomeration
2015?

2012
Pulp & paper

Engineering

Agro-foods

Tourism

New business
High tech
Surprise!

Med tech

2015?

2012
Pulp & paper

Engineering

Agro-foods

Tourism

New business
High tech
Surprise!

Med tech

Bio-tech

2015?

2012
Tourism

2012

Pulp & paper

Engineering

Agro-foods

Tourism

New business High tech surprise!

2015?

Med tech

Bio-tech

Nano appli.
3 - The dynamics of...

- Entrepreneurial discovery
- Entry & growth, agglomeration, clusters
  - It constitutes the confirmation that others see the discovery as meaningful
  - ‘Entry’ is desirable to generate agglomeration externalities (clusters) and a diversity of innovators (large and small)

- Structural changes
  - The outcome of entrepreneurial discoveries is not a simple innovation. It is about structural changes

- Space
4 – Lesson 1

- SSS is neither about innovations everywhere nor the lottery of very early stage
- It is about detecting discoveries of new domains, evaluating potentials and supporting subsequent growth processes
Lesson 2

• Not only for the best: innovation is multi-dimensional; not only one game in town
  – Basic inventions and development of applications
  – KEEN Regions schema used this framework

• At minimum smart specialisation strategies transform less advanced regions into good followers
Lesson 3

• SS is not uniformisation neither it is necessarily constrained within the pre-existing sectoral structure

• Related diversification
  – Modernisation (KET framework)
  – Transition & diversification (towards new sectors)
  – Radical foundation (innovative projects complement potentially ‘rich’ assets but poorly exploited or open entirely new activities)
Lesson 4

• «In my region we have many good SMEs distributed along a bunch of sectors: does the idea of SSS match this structure»

• Facing our FAQs only a bottom up logic can solve the problem of identification, selection & prioritization

• This is why SSS involves a process of entrepreneurial discovery and this is an essential provision of the SS model
5 - Policy

What are the structural conditions and policies which will increase the likelihood of such event?
Policy (1)

• All the policy challenges....
  – Supporting the discovery process
  – Detecting discoveries and making sound evaluation of potentials
  – Defining a process which will empower those actors most capable of realising the potential

• ... require **unusual observation and analysis capabilities** by regional policy makers
  – relevance of the regional level to do fine grained observations
Policy (2)

• More proactive policy is needed for some types of regions
  – RA: rich in entrepreneurial capabilities
  – RB: strong history of industries’ development not necessarily associated with strong entrepreneurship
  – RC: poor in entrepreneurial capabilities

• Let’s be pragmatic!
Policy (3)

Regions are open
Extra-regional ressources and linkages are key
(Market, Expertise, Neighborhood)
Policy (3)

Regions are open
Building extra-regional connections is key
(Market, Expertise, Neighborhood)
Policy (4) – What is a smart specialisation diagnostic?

• To check whether at any time my system is able to generate, discover, detect and realize opportunities
  – To what extent each sector has enough capabilities to discover and realize opportunities?
    • R&D, local universities, connections to extra-regional resources
  – The diagnostic includes «me» (policy maker)
    • Detection and assessment capabilities
  – ..as well as the horizontal policies
    • to increase probabilities of high tech surprises
Thanks!