



# BEYOND EDP IN THE NORTHERN NETHERLANDS



The Entrepreneurial Discovery Process (EDP) is at the core of the regional innovation strategy (RIS3) of the Northern Netherlands. This document presents an overview of the structure and management of EDP in the Northern Netherlands.

The Northern Netherlands supports the notion that EDP should be continuous. As a public institution responsible for the regional innovation strategy (RIS3), SNN aims to facilitate and support continuous interaction between stakeholders from the quadruple helix (Q4): businesses, knowledge institutes, government and civil society.

## I. EDP in the Programming Phase: Design of the Strategy

SNN made an early start with its regional innovation strategy (RIS3). The first sketches for the RIS3 were already drawn in the beginning of 2012. From the outset, government was kept away from the 'driver seat'. The design of the RIS3 became a true co-creation process with extensive stakeholder involvement. As a result, the distance of the government is reflected in the process and in the content of the strategy. After the creation of the RIS3 in 2012, there was a widespread feeling among all the stakeholders that the strategy should be operationalized. In the fall of 2013, a new process started which aimed to create a the Northern Netherlands Innovation Agenda (NIA). The NIA intensified the co-creation process of stakeholders from the Q4. The NIA was delivered in the summer of 2014.

The organization of the process is an important element of its success. It started with a 'strategy counsel', later succeeded by a Task Force RIS3, consisting out of Q4-stakeholders. This Task Force became responsible for the process and accountable to the regional board of government. The daily work was done by a project team or 'core team', which was organized around Q4 stakeholders as well. Under this umbrella, several working groups were installed – all of them again existing of Q4-stakeholders. Each working group consisted of about 10-15 people.

A broader involvement of stakeholders was achieved through several so-called regional 'power sessions'. More than 150 stakeholders participated in these intensely shaped workshops which were organized around specific themes. In addition, several consultation rounds were held – among which a large-scale online session. The end result was a strategy and an agenda which received broad acceptance among stakeholders in our region.

We believe that the process itself helped to lay a foundation for the eventual Q4 cooperation in the implementation phase.

*"The RIS3 is to be a guiding principle that brings together the businesses community, knowledge institutes, citizens and authorities with the primary aim of using innovation to make a difference."*

- Quote from the Northern Netherlands' RIS3

## II. Content and Philosophy of the Northern Netherlands' RIS3 and NIA

In terms of content and philosophy, the Northern Netherlands' RIS3 and NIA is unique because it doesn't prioritize sectors, subsectors, clusters or areas. This decision is derived directly from the conviction that one shouldn't steer the direction of an economy too much in advance – and that it certainly isn't up to governments to decide upon the right path to follow.

### **SOCIETAL CHALLENGES**

However, focus was brought into the RIS3 by designating four societal challenges as a starting point. These societal challenges are not limited to the region, but can be seen on a national and European scale as well. The Northern Netherlands believes it has the capabilities to contribute to finding solutions to these challenges. No sector is therefore prioritized or excluded to participate and to contribute to solving these challenges.

The challenges are (1) Health, Demography and Welfare (about the issue of ageing), (2) Food Security, Sustainable Agriculture and Bio-economy (about the transformation of the economy into a bio-based economy), (3) Reliable, Clean and Efficient Energy (about the scarcity of natural resources, developing alternative sources) and (4) Clean, Safe Water (about the scarcity of clean and safe drinking water). These challenges are still quite broadly defined, and this is a deliberate choice as well. The eventual focus, it was thought, will be initiated during the implementation phase of the

strategy, as the result of a continuous interaction between parties involved.

*“Our Smart Specialization strategy raises the bar by designating societal challenges as the key focus. This is a deliberate choice which aims to put innovation and entrepreneurship in the spotlight. [...] Cooperation is of the utmost importance [...] By focusing on societal challenges in our strategy, we create an environment that not just encourages, but promotes, substantial innovation. Instead of referees choosing between industries and niches in advance, a substantive standard is established - that is to say, one that has been shaped by societal challenges.”*

- Quote from RIS3 N-NLs

## **REGIONAL DNA**

Of course, the societal challenges weren't decided upon at random – the choice was the result of an intense analysis process. This process included the analysis of the clusters in this region, as they are an important source of innovative power. Also, the broader economy was investigated thoroughly. It started with an extensive analysis of, what we called, our regional DNA. This was a three layer analysis, that started with a SWOT-analysis conducted by the Northern Netherlands' Social and Economical Council. In addition, a SWOT-analysis was included for seven important industry sectors. Finally, a SWOT analysis was carried out for a wider area. The analyses revealed four areas of considerable interest.

Firstly, the presence of strong business- and knowledge clusters. An in-depth analysis was conducted to identify those clusters best able to contribute both to solving the major societal challenges. Also, the analysis looked at the region's well-developed industries and industrial niches that demonstrate potential for further growth. Using three criteria, it was investigated whether these clusters, which contain the reliable base for developing high quality solutions, contained strong or rapidly growing concentrations of business activity and knowledge directly related to relevant social challenges. The first criterion we examined was evidence-based. Utilizing the so-called life cycle approach, which analyses the life cycle of a product, innovation or sector, a combination was made of statistical evidence and qualitative information, obtained from interviews and desk research. The second criterion was policy based and utilized the already existing initiatives within the industry sectors. The final criterion concerned the innovation potential of the industry sectors under investigation, meaning the contribution the sectors or clusters could provide in order to tackle major societal challenges.



A second area of interest is the focus on applicability. The Northern Netherlands economy is characterized by an over-representation of SME's as compared to the Dutch national average. Northern entrepreneurs are highly specialized in the application of knowledge. This creates an ideal environment for small but important adaptations of completely new methods and techniques that ensure that innovations are effective in practice.

Thirdly, the Northern Netherlands underlines the human dimension in dealings between society and business. Social responsibility is highly valued in the region and for this reason, many people and organizations are willing to participate in pilots and research.

Fourth and final, there is a deep-rooted concern among all parties for the peripheries of the labor market. Northern Netherlands residents, on average, complete lower levels of education than their compatriots. This means that an inclusive human capital agenda is vital to promoting sustainable economic success and therefore forms an integral part of our smart specialization strategy.

## **COLLABORATION**

The conclusion of all the analyses was that the Northern Netherlands society has a strong interest in tackling major societal challenges which are felt deeply in both the region and in Europe. It was also concluded that the road to solve these challenges would be paved through collaboration: bringing businesses, knowledge institutes and preferably end-users together in innovative environments, like hubs, campuses and living labs, where the climate would be best to stimulate innovative behavior and entrepreneurship.

In other words, the Northern Netherlands aims to create a fertile ground for a continuous type of entrepreneurial discovery. This is a type of EDP which leads to 'dynamic specialization'. This means the process provides room for specializations not yet identified, which can be expected to develop in particular at the crossings of current clusters and industry sectors.



## **III. EDP in the Implementing Phase**

Fostering cooperation, particularly within innovative environments, is thus at the core of our RIS3 implementing strategy. Over the last few years, an array of innovative environments (or 'innovation hubs') were created. Here, companies and knowledge institutes work together on new developments and innovations. In many cases these environments are truly physical places, locations which include research, incubator and/or living lab facilities. However, they can also be non-physical collaborative initiatives. The common denominator for all these initiatives is that they are joint efforts of a combination of companies and universities, facilitated and encouraged by governments.

### **ENHANCING THE NUMBER OF INVOLVED SMES**

The group of companies and institutes involved in these environments doesn't cover all companies or even a majority of them. It is limited to a relatively small group, namely companies with a natural tendency to improve and to renew. A big challenge at the moment is to enlarge this group, to involve more and more businesses in these environments. SNN is dealing with the question on how to tempt businesses, in particular SME's to join these environments, and more in general, how to tempt them to join the EDP-process.



## **STIMULATING RISK-TAKING BEHAVIOR**

In order to foster collaboration and to stimulate continuous EDP, several policy instruments are available. The main instrument is the regional European Regional Development Fund Operational Program (OP ERDF) for this region, for which SNN is the managing authority (MA). The ERDF OP aims at improving the knowledge base of SME's, improving the effectiveness of networks, fostering the valorization of knowledge and stimulating the development of innovative environments, like living labs. There are nationally and regionally funded instruments in place, such as innovation-vouchers and innovation consultancy. The Ministry of Economic Affairs offers fiscal incentives for innovation and there are quite many possibilities – however, innovation is connected to risk. To stimulate risk-taking behavior poses another challenge for the Northern Netherlands.

## **CREATING MORE 'VERTICAL' (TARGETED) INSTRUMENTS**

The common denominator of the instruments is that, in general, they are horizontal in nature. Except for some support schemes, which are implemented at the level of the innovation environments, there are no particular instruments yet that really focus on the growth of niches that emerged out of the EDP-process. SNN is not at that stage yet. This leads to two other important aspects: monitoring and governance.

Monitoring is becoming more and more important and the Northern Netherlands is quite active in developing proper monitors. For example, the Northern Netherlands Innovation Monitor is a joint initiative of the University of Groningen and SNN. This monitor aims to provide a detailed insight into the innovation characteristics of the SME's in our region. It is powered by a yearly survey among more than 3.000 companies in our region, whereby it classifies companies in several ways, for instance according to their degree of innovativeness. Factors which are taken into account in this classification do not only include the actual innovation performance or innovation investments, but also factors like the external orientation, the participation in networks, collaboration with other companies and research institutes and the participation in living lab environments.

These are factors which are directly related to smart specialization. An important characteristic for the monitor is that it aims to give these insights over a longer period of time, so that developments can be monitored and patterns become visible. This monitor will be made even more specific in terms of the outcome of the entrepreneurial discovery processes, so that it becomes clear in which fields the discoveries are made, as well as the direction the innovations and new developments are headed for. The movement towards a new potential economic strength and the development of a new sectoral niche is something that is really difficult to grasp by traditional monitoring systems and traditional indicators. Our survey can be very useful in this respect, as it offers the flexibility which is needed.

## **MAINTAINING THE MOMENTUM REGARDING EDP-GOVERNANCE**

As for governance, the design of the strategy was a truly quadruple helix affair. However, during the transition from strategy design to implementation a bit of this momentum was lost. In the design of the RIS3-strategy we envisaged a quadruple helix board, to further steer the whole process. In the Northern Netherlands, this has developed into the Economic Board Northern Netherlands – which will focus on boosting promising, new and innovative developments in the region.

The Northern Netherlands' OP ERDF programme is governed with the government at a distance, as it has a Monitoring Committee, which is headed by an independent businessman and is further composed of a full quadruple helix composition. The same counts for an advisory body installed for assessing grant applications. Within the innovation environments, EDP is governed by the environments themselves. In general, at the strategic level at least, SNN is continuously trying to maintain the momentum.

## **EXTENDING EDP BEYOND BORDERS**

Internationalization is an important part of the strategy as well. There is a strong believe that smart specialization and EDP are not limited to regional borders. While missing links in value chains perhaps cannot be found close to home, they might be present somewhere else. Therefore, the Northern Netherlands aspires to match chains beyond borders and to create a multi-regional ecosystem with connected value chains all over Europe.

