



# Smart Specialisation in the Northern Netherlands



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# I. The Northern Netherlands RIS 3

The Northern Netherlands made an early start with developing its RIS3; it appeared already in 2012. The development of the RIS3 was a true co-creation process with extensive Q4 stakeholder involvement. From the outset, government was kept at a distance. First and foremost, the consequences of the RIS3 needed to be visible and beneficial to society. In the process of developing the RIS3, the involved stakeholders found that it was not possible to appoint certain priority areas in terms of sectors and/or subsectors in advance. This decision is derived directly from the conviction that you shouldn't steer the direction of an economy too much – and that it certainly isn't up to governments to decide upon the right path to follow.

Focus was brought into the RIS3 by designating four societal challenges as a starting point. These challenges are not only present in the region, but in the whole of the European Union and the world at large: (1) Health, Demography and Welfare, (2) Food Security, Sustainable Agriculture and Bio-based Economy, (3) Reliable, Clean and Efficient Energy and (4) Clean, Safe Water. Even these four societal challenges are still quite broadly defined, and this is a deliberate choice as well. The eventual focus, it was thought, would be initiated and developed during the implementation phase of the strategy, as the result of continuous interaction between those parties involved. This particular approach, without sectoral demarcation beforehand, would allow for discovering those areas where the Northern Netherlands would be able to provide solutions to the societal challenges.

In short, the road solve those four broad societal challenges is to 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 should be best to stimulate innovative behavior and entrepreneurship. To develop fertile ground for a continuous type of entrepreneurial discovery is at the core of the Northern Netherlands RIS3. 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. The aim of the Northern Netherlands is therefore to facilitate the creation of an ecosystem for innovation.



## II. Policy Instruments for Implementing RIS3

**SNN** is increasingly convinced that continuous EDP is the key to true smart specialization. In order to foster collaboration and to stimulate continuous EDP, several policy instruments are available. The Operational Programme European Regional Development Fund (OP ERDF) in the Northern Netherlands' main policy instrument, for which SNN is the Management Authority (MA). The main objective of the program is to stimulate innovation among SMEs. Furthermore, the OP ERDF aims at improving the knowledge base of SMEs, improving the effectiveness of networks, fostering the valorization of knowledge and stimulating the development of innovative environments, like living labs. Essentially, the Northern Netherlands OP ERDF is organized in accordance to their RIS3, which means that all grant instruments that SNN offers should contribute to solving those challenges as outlined in the RIS3.

The common denominator of these instruments is that they are mostly horizontal in nature. SNN is ultimately aiming to move away from generic instruments and provide more targeted support by shaping its instruments upon the outcomes of the entrepreneurial processes in the region. So before it's possible to create those more 'vertical' instruments, the EDP in the region should be stimulated. To facilitate continuous collaboration, SNN has recently launched the Open Innovation Call: a call to businesses and knowledge centers to cooperate in order to develop initiatives that are capable of generating a series of related innovations, which together can become economic strengths of the Northern Netherlands. For this call, SNN is looking for initiatives that actively involve small- and medium sized enterprises (SMEs) and ideally end-users in innovation processes. Besides contributing to the structural improvement of the innovation ecosystem, these initiatives will also help develop a creative climate that sparks more ideas. These ideas can eventually become innovations with clear market potential that have a significant economic and societal impact in the Northern Netherlands.

Except for some support schemes that are implemented at the level of the innovation environments, there are no particular instruments yet that exclusively focus on the growth of those niches that emerged out of the entrepreneurial discovery process. The challenge of developing sharper targeted or even 'vertical' instruments are also closely connected to the monitoring and governance of the RIS3.



### III. Monitoring RIS<sub>3</sub> and EDP

**M**onitoring is becoming increasingly important. The Northern Netherlands is quite active in developing proper RIS<sub>3</sub> monitors. In 2016, SNN has initiated the Northern Netherlands Innovation Monitor, a joint project with the University of Groningen. The objective of the Innovation Monitor is to annually identify and analyze innovation activities and performances of SMEs in Northern Netherlands. 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 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 factors 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.

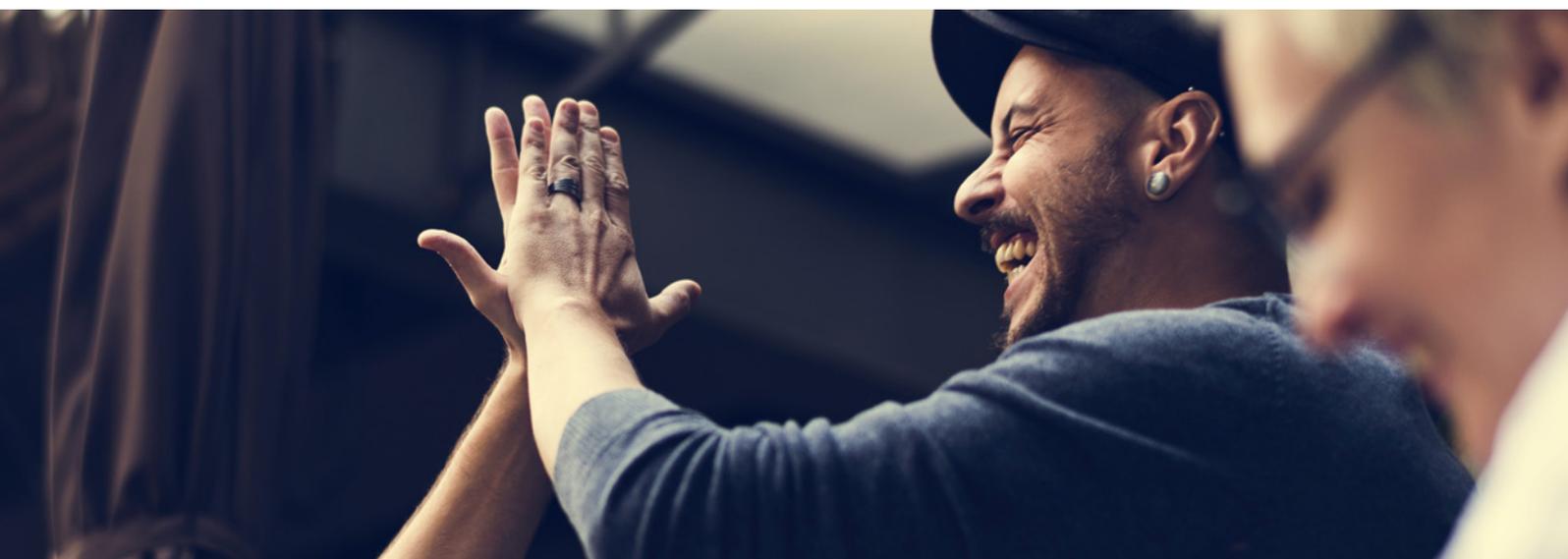
SNN aims to make this monitor even more specific in terms of the outcome of the entrepreneurial discovery processes. This way, it becomes clear in which areas discoveries are made and in which direction new developments and innovations are headed for. The movement towards a potential economic strength and the development of a new sectoral niche is really difficult to grasp by traditional monitoring systems and -indicators. A survey is very useful in this respect as it offers the flexibility and adaptability which is needed.

### IV. The Continuity Issue

**T**o recap the above: SNN aims to develop vertical instruments for targeted innovation support, which arise out of continuous EDP. At this moment, however, the outcomes of the EDP need sharpening before they can be translated into vertical policy instruments. Applying more of a focus should be a consequence of continuous collaboration. This immediately addresses the 'continuity issue', i.e. how to keep the momentum and the spirits regarding 'smart specialization' high. SNN aims to find out how to keep businesses, knowledge centers and society in continuous interaction, in order to stimulate cooperation and to increase the chances for promising entrepreneurial discoveries to occur. SNN is thus examining how to create and maintain fertile ground on which partners can meet, collaborate, and actually start initiating explorative activities.

In recent years, the Northern Netherlands focused on the development of innovation environments where continuous interaction can take place (also called 'innovation hubs'). Here, companies and knowledge centers 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, in other cases, they are collaborative initiatives. All these initiatives are joint efforts of a combination of companies and universities, facilitated and encouraged by governments. Although most of these initiatives are quite successful, there's still room for improvement concerning the increase of the effectiveness of these innovation environments and the deliverance of outputs, in terms of promising new and interrelated discoveries with strong innovation potential.

Another challenge is to increase the amount of businesses and institutes which are involved in these environments doesn't even cover a majority of them. It is limited to a relatively small group: those organizations with a natural tendency to improve and to renew. SME involvement especially is quite low and only limited to a group of frontrunners. Not only are SMEs often ignorant of these kind of initiatives, they also tend to be cautious when it comes to starting new collaborations with other less obvious actors. At the same time, governments pose that they aim to promote and facilitate collaboration and innovation. However, supporting innovation requires a strong willingness to take risk – while practice shows that government incentives display a reluctant attitude towards rewarding 'risk taking behavior'. The question is thus how to commit more stakeholders, especially SME's, and improve the climate for risk prone behaviour.



## V. Governance

All of this requires an effective structure of EDP-management and RIS3-governance. SNN is searching how to establish and foster such governance. In the design of the RIS3-strategy, SNN envisaged a quadruple helix board, to further steer the whole process. Indeed, the Northern Netherlands Innovation Board (NIB), was installed in the beginning of 2016, focusing on boosting certain promising, new and innovative developments. As of 2018, the NIB will become part of the newly-formed Northern Economic Table. The Northern Netherlands' OP ERDF is governed with public administration at a distance. The OP ERDF is governed by 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. The several innovation environments are governed by themselves. However, in general, SNN is still working to regain the momentum at the strategic level of EDP-management. Whereas bottom-up EDP-management is functioning quite well, the overall coordination leaves room for further improvement.

Governance and management of EDP should always be at a local or regional level. Regional and local governments are much better equipped to understand a region's DNA, to identify trends, to contact regional stakeholders and to monitor regional developments – which makes the design, implementation and monitoring of smart specialization a lot more effective. This underlines, once more, the importance of structural funds such as ERDF, as these funds are attired to facilitate and stimulate regional smart specialization processes through targeted support.

## VI. Interregional Cooperation

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nternationalization is an important part of the Northern Netherlands' strategy as well. Besides knowledge exchange through interregional cooperation, the Northern Netherlands believe that smart specialization and EDP are not limited to regional borders. While missing links in value chains might not be found in the region itself, 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. The Northern Netherlands thus encourages programmatic interregional collaboration based on connecting regional innovation strategies. However, this form of international cooperation is blocked by certain existing policy structures. The danger of these structures is that there is too much focus on individual projects and not on coherence. The Northern Netherlands therefore challenges itself to focus on synergies between regional innovation strategies and not so much on individual cooperative projects.