

# Executive summary

## **Broadening innovation policy for all regions and cities**

There is an increasing awareness that a narrow – purely excellence-oriented – approach to innovation policy misses the opportunities that innovation diffusion and upgrading of regional innovation systems provide to support regional and national growth. A broad-based approach can help unlock this potential. Taking the capacity of the regional innovation system into account, it aims to improve and grow the innovation system through learning and by leveraging opportunities that other policy areas provide. A broad-based approach is not meant to forego the support of excellence in innovation policy but rather acknowledges that different places have different needs to fully unlock their potential. This report establishes six principles that help broaden innovation policy to benefit all types of regions and cities.

### ***Build on your regional innovation system, involving everyone***

There is no single “best practice” in policy to ensure that all types of regions fully leverage their innovation potential. Instead, policy needs a tailored approach that considers and adapts to local assets. This approach should not be purely driven by the public sector but should also engage the local actors that create, share and distribute knowledge. Many if not most regions already have bodies with a “quadruple helix” structure of academia, public and private sectors and civil society. The success of these bodies varies, however. Successful engagement requires incentives (e.g. regulatory or fiscal) aligned with the aim to support regional innovation, or at least incentives that do not actively discourage collaboration between actors in the innovation system. It also requires actors to see their input and investment as having value, i.e. their participation is more than “window dressing”.

### ***Ensure your regional innovation system is adaptive***

Even in regions with established economic strengths, there is a risk that economies become stuck during industrial, digital or green transitions, failing to adapt to changing times. To ensure that regions continue to upgrade their economies, the regional innovation system needs to be suitably adaptive. Historically, a closed innovation system that aims to internalise competencies and returns from innovation has supported the development of many regions in the OECD. However, as innovations increasingly arise at the intersection of existing technologies and knowledge areas, a closed system might no longer be the most effective approach to regional innovation.

### ***Integrate mechanisms that support learning into policy development***

Evaluation and learning how to improve the regional innovation system needs to be an integral part of the policy process. A region’s own policies can be a source for learning; another source lies in ideas, innovations and discoveries produced in other places. Regional and national policymakers can adapt the tools and programmes that worked in other regions and study their development to avoid the pitfalls they experienced. Learning is crucial at different stages of the policy process and can be supported through

different means. Knowledge sharing networks can help disseminate practices that worked in other places, and mapping and foresight exercises can help learn about the strengths and weaknesses of the regional innovation system. The process of developing an innovation strategy, a policy or a programme often helps facilitate learning, as it builds capacity in the public sector and helps forge links between the members of the quadruple helix. Governance mechanisms, such as experimental governance, can institutionalise the learning process and make it an integral part of the policy cycle. A fundamental challenge in policy learning and experimentation, however, lies in determining the underlying social and institutional criteria necessary to make them successful.

### ***Seek opportunities for local innovation along global value chains***

Many different channels support the flow of knowledge to regions that are not themselves at the technological frontier. Foreign direct investment can bring new ideas and competencies to a region if the incentives are such that multinational enterprises are willing to engage locally. Firms can draw on knowledge within their supply chains, which can be particularly valuable if these supply chains cross borders, e.g. as part of global value chains. Ensuring spillovers to the region often requires a proactive role by regional or local governments that have to think beyond simply attracting economic activity and instead focus on embedding it.

### ***Embrace disruption rather than fight it***

Disruptive innovations can lead to the displacement of existing industries and job losses. The severity of the shock varies across regions. The first reflex by local or national policymakers is often to try to stymie new technologies but this approach does not solve the underlying problem. Rather than trying to avoid disruption, policy responses need to prepare and steer disruptive progress towards growth that is inclusive, e.g. through aligning training efforts with expected innovations. Disruption to the way economies function might even be necessary. Without disruptive innovations in transport, energy production and a move towards less wasteful consumption, efforts to mitigate climate change and to transition towards carbon-neutral economies will fail.

### ***Foster links between policy domains and its intermediaries***

An innovation system is only as strong as the links that connect the actors in the system. Regions have the potential to foster the strongest possible links through which actors can engage regularly, build trust and ideally a common vision in the area where they live and work. Many of the policies that can foster stronger innovation systems are outside the scope of innovation policy, e.g. training and skills development, business promotion or attraction of foreign direct investment. All of these fields can provide a critical impetus for the upgrading of the regional capacity for innovation, in particular if they embrace innovation as an additional objective.





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