

Industrial Strategy at Local Level – What Policy Levers for Local Emerging Industries?

Regional Studies Association Winter Conference, London, 17 November

Dr. Jonathan Potter Head, Entrepreneurship Policy and Analysis Unit OECD Centre for Entrepreneurship, SMEs, Local Development and Tourism



- 1. Policy questions
- 2. Processes that may favour local emerging industries
- 3. OECD Local Emerging Industries project
- 4. Early findings from one case study
- 5. Conclusions



1. POLICY QUESTIONS



Re-emergence of industrial strategy in OECD countries

- Governments are returning to industrial strategy, but with more 'targeted' interventions (not subsidy, state control, protection)
- A place dimension is important for:
 - local catch-up
 - strengthening place supportiveness for national priority sectors
 - integrating policy silos
- Governments are seeking to define the place dimension – what to do, with which tools, which organisation arrangements



Some key policy questions from governments

- 1. Should policy just create a favourable local business environment, or also target specific sectors?
- 2. If sectors, which ones existing local sectors or new global mega industries; related variety or unrelated; broad diversification or tight specialisation?
- 3. What policy approaches can successfully identify and stimulate emerging sectors locally?
- 4. How should policy approach vary with local context?
- 5. How can local action support national highproductivity sectors?
- 6. What about places left behind?



2. PROCESSES THAT MAY FAVOUR LOCAL EMERGING INDUSTRIES



What processes could favour local emerging industries?

Entrepreneurship

- Start-ups, spin-offs
- Scale-ups
- Inward investment

Knowledge exchange

- Knowledge generation in HEIs, companies
- Innovation collaborations
- Related variety industries

Skills

- Skills base
- Entrepreneurial employees in SMEs and large firms
- Labour mobility

Policy capacity

- Identifying diversification opportunities
- Accessing, steering, integrating national policy
- Bringing stakeholders together
- Avoiding lock-in to existing interests



3. OECD LOCAL EMERGING INDUSTRIES PROJECT



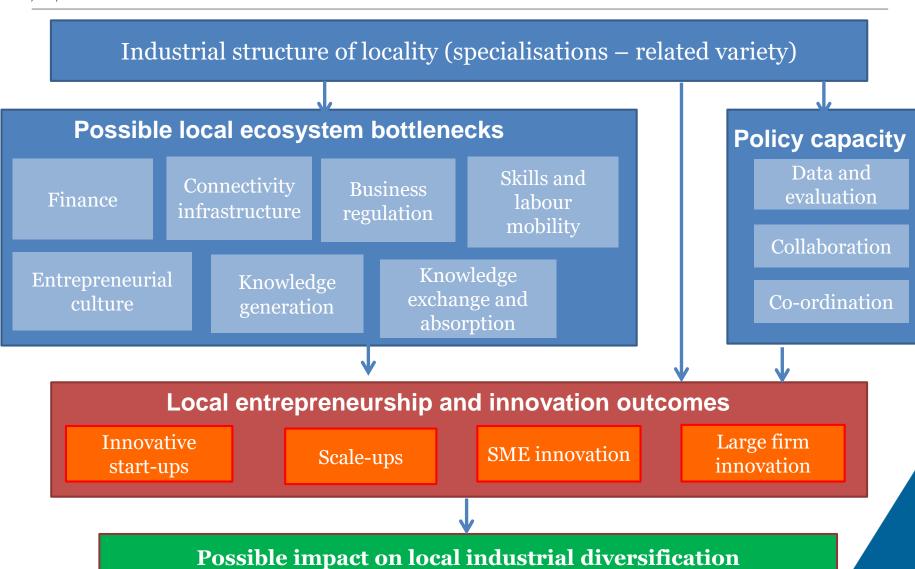
What does the project involve?

- 1. Aggregate analysis of local entrepreneurship performance and ecosystems
- 2. Case study investigations data analysis, stakeholder interviews in localities
 - enablers and bottlenecks for diversification
 - the policy process used
- 3. Collect case studies prepare synthesis

Differences across <u>local contexts</u> (policy capacities, innovation level, density, sector bases etc.)

ASSESSITIETT FLATTEWOLK







4. EARLY FINDINGS FROM ONE CASE STUDY



Pomorskie, Poland – Enablers and Bottlenecks

- Large business support infrastructure incubators, accelerators, science parks, start-up finance
- Good start-up rate scale-up is the main challenge
- Leadership of biotechnology entrepreneurs has created an early-stage cluster
- Administrative barriers to the entrepreneurial university
- Scale-up finance lacking
- Non-selective strategy towards inward investment
- Links between large firms and certain universities but few interactions with SMEs
- SMEs lack skills and management practices for innovation
- Small scale of potential future specialisation areas (IT, biotechnology) too early to narrow down?



Pomorskie, Poland – Policy Process

Satisfactory formulation

- Private sector formed partnerships (with HEI, business support organisations, NGOs) for potential R&D funds
- Workshop to discuss and adjust proposals
- Expert commission of national and international academics
- 28 partnership proposals; 7 agreed for full assessment
- Narrowed to four by selection board

Weak implementation

- No strategic goals or plan for how to develop each smart specialisation sector
- EU ROP R&D funds allocated with additional points for priority sectors
- Limited local actions beyond EU fund distribution



5. CONCLUSIONS

Conclusions

- OECD is developing case studies and analysis on the local dimension of industrial strategy
- Challenges going forward include :
 - identifying the appropriate regional entrepreneurial ecosystem influences
 - extending the entrepreneurial ecosystem concept from start-up/scale-up rates to include large and existing players and to diversification
- This is still early stage in government thinking and experimentation on local industrial strategy hence the value of the project