

# Innovation Policies in European Regions

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## Abstract

As innovation policy becomes an important part of political reality, various perspectives for researching it may be adopted. For example, innovation policy plays a vital role in the Europe 2020 strategy, which is now the most important, influential document shaping the economies of EU member states. This article analyses the Europe 2020 strategy in terms of the role played by the regional level of governance and in terms of the importance of innovation policy for the strategy. Using an institutionalist approach, the article concludes that regions will vary in their performance in innovation policy in tandem with their governance capacities.

*Keywords:* Innovation policy; Europe 2020; regions; multilevel governance

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## 1. Introduction

Innovation policies have taken centre stage in the political discourse, particularly at the European level. Interestingly, this quest for innovation is taking place in the context of major challenges to do with recovering from the acute financial and economic crisis in the EU, as well as more long-term problems such as global warming, demographic change and social exclusion. There is an emerging consensus that sustainable growth and social cohesion in Europe depend upon a sufficient level of innovation.

The Europe 2020 strategy, which is outlined briefly in the next section, directly follows this line of thinking. It encourages political, social and economic forces to show more cooperation in facilitating the development of new ideas and practices. European regions are playing an important role in this strategy. They are seen as entities which provide the territorial space for innovation networks. As I will show below, this reflects the growing saliency of regions in the European multilevel system more generally.

Arguably, however, the capacity of individual European regions to live up to this expectation shows marked variation. One must take into account their specific institutional, legal, economic and societal conditions to understand their endogenous potential for innovation

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policies. Following on from this, I will sketch an institutionalist research perspective to study and compare the innovation policies of European regions.

## 2. The Europe 2020 Strategy

The EU seeks to promote economic competitiveness and high levels of employment through its Europe 2020 strategy, which is driven by seven flagship initiatives. Social and ecological objectives are interwoven with economic parameters in a systematic fashion. The EU thus claims to strive towards a “smart, sustainable and inclusive growth” (European Commission 2010). In doing so, economic production should be more closely linked to knowledge-based research and development (*smart growth*), industrial production more strongly oriented towards a resource efficient and low carbon economy (*sustainable growth*) and political and social efforts strengthened to deal with the problems of unemployment, poverty and exclusion (*inclusive growth*).

Table 1 shows how the Europe 2020 strategy translates these general objectives into different policy areas and more specific headline targets. These targets have been agreed upon at the EU level to quantify and measure progress towards growth. The European Commission and the member states are mandated to monitor the process by issuing reports and recommendations.

**Table 1: The Europe 2020 strategy**

Objective	Policy Areas	Targets (at the EU level)
<b>Smart Growth</b>	Employment	Employment rate 75% (of those between 20 and 64 years)
	Research and Development	3% of GDP in research and development
<b>Sustainable Growth</b>	Environment	Greenhouse gas emissions 20% lower than 1990
	Industry and Energy	20% of energy from renewable sources 20% increase in energy efficiency
<b>Inclusive Growth</b>	Education	Reducing school drop-out rates below 10% 40% of EU citizens completing tertiary education
	Social Policy	Lifting 20 million people out of poverty and exclusion

Source: Author's presentation (see European Commission 2010).

The member states of the EU have agreed to develop national reform programmes in implementing the Europe 2020 strategy. This will allow them to take specific national considerations and circumstances in different policy areas into account. The EU envisages a broad discourse in civil society in the setting-up of national plans and highlights the role of regional stakeholders in this process. The Committee of the Regions is running a “Europe 2020 Monitoring Platform” which documents initiatives and networking activities at the regional and local levels (Committee of the Regions 2012).

Innovation is among the key terms of the Europe 2020 strategy. Public and private investment is expected to focus on the production of knowledge-based research, new technologies

and economic activities, as well as on the development of new practices and procedures in society and politics which foster inclusion and participation. Hence, there is a broad understanding of innovation which matches the broad manner in which growth has been defined. The emphasis lies in the mutual interaction between technological progress, which is primarily oriented towards economic growth, and social innovation, which aims at the qualitative welfare of society. Examples include higher employment rates following economic expansion, the inclusion of marginalized groups through new technologies and the strengthening of a “culture of innovation” via better educational standards and more open political discourses (for a general discussion, see Hämäläinen and Heiscale 2007; Pol and Ville 2009).

Accomplishing the Europe 2020 targets and mastering the severe economic, environmental and social challenges Europe faces will only be feasible, so the Commission argues, if political and social actors follow such a broad concept of growth and innovation.

### 3. European Regions and Innovation Policies

The European Union is a prime example of a system of multilevel governance in which complex networks of public and private actors based at different territorial layers are to coordinate policy decision-making (Piattoni 2010). There is a vital role for the regional level in implementing the Europe 2020 strategy. Regions can be defined as sub-national authorities situated between the national and local levels. They are capable of policy decision-making through their legislative and executive institutions (Jeffery 1997; Renzsch 2004). The EU has developed the NUTS classification system to differentiate political entities below the member state level. The rescaling of political authority in the last few decades has placed the “new regionalism” across Europe at the cutting edge of changes in economic and social as well as political organization (Keating 1998; Hooghe et al. 2008).

In many EU member states, regional and local authorities have political and/or administrative competences in policy areas which are of vital importance in the Europe 2020 strategy. Among these are labour market policies, research and development, infrastructure, education and social policies. It is only through the involvement of regions in multilevel policy coordination that coherent effects on strategic priorities will be achieved.

A second motive for a regional focus has to do with the “innovation divide”. Looking at the EU structural policies, experience has shown that there are significant regional disparities in research and innovation outputs. The financial crisis has further intensified this tendency. This poses an immediate threat to social and territorial cohesion in Europe. For the Commission, the answer lies in “smart specialization”. Regions are to focus on their endogenous strengths in promoting growth and innovation. It therefore seems appropriate to entrust regional stakeholders with the definition of strategic priorities and the building of societal networks in innovation policies (European Commission 2011). Autonomous regional governments are often thought to be more responsive to regional needs than big governments in centralized nations. Yet this may fail due to weak resources in terms of economic power, inefficient governmental structures and a lack of civil servants familiar with EU procedures.

In parallel with political rhetoric at the European level, there is also an academic discourse which emphasizes the role of the regions for innovation. There are several reasons why there

should be a territorial, place-based understanding of innovation processes. One may distinguish four different dimensions here.

At the *theoretical level*, the conceptual understanding of innovation has moved from a linear to a systematic approach, in which linkages and feedback loops between the different actors involved are stressed. This has caused researchers to take into account the importance of the social, economic and political context in shaping and sustaining innovation processes in systemic perspectives (Lundvall 1992; Seravalli 2009; Pol and Ville 2009). According to this logic, innovation policies have to be conceptualized as being framed by actors working within specific institutional environments.

At the *level of the economy*, two policy trends have contributed to an enhanced role for regions (see OECD 2011). In recent decades, there has been a paradigm shift in regional development policies which now emphasize the mobilization of regional assets for growth. Innovation which takes into account endogenous strengths has become the centre of regional development agendas. There has also been a growing recognition of the regional dimension in European and national innovation strategies for improving policy impacts (Hooghe and Marks 2001). More recently, the effects of structural crises and developmental pressures on regional economies have been emphasized (Seravalli 2009).

At the *level of civil society*, the self-organization of citizens in voluntary associations constitutes a valuable generator of novel solutions to social problems. This seems particularly relevant in cases of state and market failure. Civil society can give voice to the concerns of citizens and deliver services that meet people's needs. At the European level, grassroots consultation may sometimes be the only effective way for EU institutions to get the real "pulse" of society and to empower organized civil society (Karolewski and Kaina 2012). In a similar vein, regional development, in particular the establishment of public-private networks for facilitating innovation, will also depend on a well-organized civil society at the regional level (Jeffery 2000). The resources of social capital and collective identities which stress regional distinctiveness may constitute the basis for civic action to tackle poverty, lack of education or long-term unemployment.

Finally, at the *political level*, regions across Europe have become more potent laboratories of innovation policies in recent decades (Bradbury 2008). In territorial restructuring processes, political authority has been reallocated upwards via international and supranational political integration, downwards by decentralization and regionalization, and sideways by deregulation and privatization (Keating 1998; Hooghe and Marks 2001). Using the regional authority index, one can show that regions across Europe have gained in self-rule competences, with enhanced policy scope in areas like education, health and regional development (Hooghe et al. 2008). The more regional institutions co-determine policy areas, the more the quality of regional governance matters.

In addition, Europe has opened multiple options for regional interest representation in intra-state and extra-state channels (see Jeffery 2000; Detterbeck 2012). This development, however, has been uneven. Not all regions in all European states have benefited from Europeanization and decentralization to the same extent. This has contributed to a pronounced patchwork of regional authorities and territorial structures, making it difficult to speak of a general "third level" of politics across Europe (see Jeffery 1997).

#### 4. Regional Innovation: An Institutional Approach

How is it possible to study and compare regional innovation policies? Starting from the premise that the creation of new ideas and practices depends upon an environment which facilitates the cooperation of actors in differing spheres, an institutional approach seems most promising. Under what conditions may such innovation flourish? We are interested in the behaviour of actors in politics, civil society and the economy. Crucially, however, their rational interests, cognitive and affective understandings and entrepreneurial strategies will be shaped by their institutional environment.

Actor-centred institutionalism offers a theoretical approach which explicitly deals with the interplay between structure and agency (see Scharpf 2000). According to this view, actors are embedded in institutional settings which define their capacities to act and shape their orientations and preferences. Using a broad definition of institutions, formal structures, formal and informal rules, as well as social norms and routines for appropriate behaviour must be taken into account (Thelen and Steinmo 1992). Institutions enable and stimulate but also restrict the behaviour of actors. However, as actors will be influenced by additional cognitive and motivational aspects (such as collective identities), institutions do not determine their behaviour alone. This allows social actors to choose among various options for action and to change their strategies over time despite institutional continuity.

In what follows, I will try to outline the political and legal dimensions of such an institutional approach. For a more comprehensive picture, one must add an economic and a sociological dimension, which is beyond the scope of this article.

Looking at the literature on sub-national mobilization, there is a strong emphasis on the differences between regions with respect to their engagement with EU policies. Strong regions with constitutional powers, economic resources and distinct cultural identities are seen as significantly more active in Europe than weaker entities lacking these attributes (Hooghe 1995; Jeffery 2000; Bauer and Börzel 2010). In addition, research into regions with legislative competences has argued that regional actors perceive intra-state participation in European affairs, the possibility of co-determining the position of the member state in Council meetings, as being more efficient than is the use of extra-state channels. The more diffuse, long-term influence exerted by regions lobbying in Brussels tends to be seen as an addition to the game played back home in national capitals (Jeffery 2000; Hogenauer 2011).

Yet the focus on strong regions tends to conceal the possibility that weaker regions may also pursue active EU policies. True, they may do so in a somewhat different fashion. In order to be heard, they need to concentrate their limited material and administrative resources on the selected policy areas most important to them. Prioritizing initiatives on which endogenous growth may be built is compatible with the idea of smart specialization. Greater cooperation with EU institutions, mutual support in trans-regional partnerships and the development of broad regional networks may also be seen as ways of compensating for the existing weaknesses of regions (Moore 2008). In parallel to small state diplomacy, a European strategy of finding niches and partners may allow weaker regions to “punch above their weight” (Crieckmans and Duran 2010; Panke 2011). Interestingly, weak regions may value extra-state channels of interest representation more than strong regions. Since their domestic voice is not as loud, they are more in need of external support to make their point.

Summing up, the governance capacities of regions in European policy-making are determined by three analytical dimensions. As the European multilevel system provides the institutional setting within which innovation policies are playing out, studying these dimensions allows for the systematic evaluation of regions' innovation potential in the political sphere.

**Table 2: Regional capacities in European policymaking**

<b>Regional Involvement in EU politics</b>	<ul style="list-style-type: none"> <li>• Intra-state level</li> <li>• Cooperation with EU institutions</li> <li>• Committee of the Regions</li> <li>• Regional representation</li> </ul>
<b>Regional Strategic Entrepreneurship</b>	<ul style="list-style-type: none"> <li>• Political leadership in EU affairs</li> <li>• Administrative adaptation</li> <li>• Transregional networks</li> </ul>
<b>Regional Policy Scopes</b>	<ul style="list-style-type: none"> <li>• Legislative competences</li> <li>• Fiscal resources</li> <li>• Cooperation with the business sector and civil society</li> </ul>

*Source: Author's presentation, based on Jeffery 2000 and Bauer and Börzel 2010.*

The first dimension focuses on formal institutions and the constitutional rights of regions. At the intra-state level, regional actors may have gained access to the national decision-making process concerning European legislation. In the federal systems of Austria, Belgium and Germany, constitutionally guaranteed procedures have been established to allow regional governments to co-determine national positions. Decentralized polities, like Italy, Spain and the United Kingdom have seen the development of similar procedures, of a legally less binding nature compared to the federal agreements, which have also fostered more horizontal cooperation between the regions in these countries (see Lambertz and Große Hüttmann 2009). Regional involvement in EU politics may also be facilitated by vertical integration within political parties, in particular the inclusion of regional party elites in central party bodies (Detterbeck 2012).

At the extra-state level, regions may have been able to build strong linkages to EU institutions, often facilitated by an active bureau of regional representation which engages in "paradiplomacy" (Keating 1998; Rowe 2011). They may also have a strong presence in the Committee of the Regions, whose expertise and competence has grown over the years.

The second dimension of regional governance capacity is concerned with strategic action. The main determinant here is the efficient use of particular resources for gaining influence at the European level. Political leadership may be an important asset here, in particular the ways in which regional premiers and other members of regional government and parliament use their political power to promote regional interests in EU politics. Administrative competence is another important indicator in terms of the extent to which regional bureaucracies have adapted to Europe and strengthened their expertise in this area. Finally, the creation of trans-regional networks and partnerships is a crucial factor. Cooperating with other regions with similar political and economic interests may strongly enhance the potential for a regional voice (Jeffery 2000).

The third dimension looks at the scope of regional policy. The extent to which political actors can foster innovation differs according to their legislative competences and fiscal resources. The more self-rule autonomy is present, the more endogenous growth may be stimulated by specific political initiatives in the region. In developing regional innovation strategies, cooperation between the political sphere, business and civil society is an important factor for success. Broad legitimacy and social capital may be seen as preconditions for innovation projects in decentralized political systems (Sturm 2006).

## 5. Comparing Regional Innovation

This paper has argued that innovation policies are shaped by regional governance capacities. The most appropriate means by which to test this hypothesis would be to conduct a comparative study. For case selection, the differences in institutional formats among regions in federal, decentralized and unitary systems provide an appropriate starting point. Stronger legislative and administrative competences, as well as better access to fiscal resources, should be associated with a higher capacity for self-determined regional innovation strategies. Table 3 shows examples of which regions could form an international research project.

**Table 3: Comparing regional innovation**

Federal Systems	Decentralized Systems	Unitary Systems
Germany (Saxony-Anhalt)	Spain (Valencia)	Sweden (Western Gotland)
Belgium (Flanders)	United Kingdom (Wales)	Czech Republic (South Moravia)
Austria (Tyrol)	Italy (Piemonte)	Poland (Lower Silesia)

*Source: Author's presentation.*

However, a purely institutional argument involving different state structures is not enough. As I have argued above, actors and their strategies will make a difference. The crucial question is how political actors make use of their institutional and material resources to enhance regional interests in European policy-making. Looking at case selection, there is an interesting mixture of strong regions like Flanders and Piemonte and substate entities with relatively limited resources such as Saxony-Anhalt.

## 6. Conclusion

Innovation policies provide a good example of governance in multilevel systems. While the general objectives and headline targets of the Europe 2020 strategy have been agreed upon at the EU level, the specific programmes for implementation are decided at the national and regional levels. There is coordination across levels aimed at securing coherent policy

development and, at the same time, the flexibility needed to ensure specific adaptation to local circumstances.

Regions play a vital role in the European innovation strategy. Their legislative and administrative action in many policy fields is key to success. Looking at the ways in which regional innovation is discussed, decided upon and implemented will tell us much about the capacity of individual regions for endogenous growth. I have emphasized that this is a question of institutional strength and strategic behaviour. For analytical purposes, the three dimensions of regional involvement in EU politics, strategic entrepreneurship and policy scope provide a comprehensive picture for understanding regional governance capacities for innovation policies. For innovation to flourish there needs to be an environment which facilitates the creation of new ideas. To a large extent, this is a matter of the constitutional and economic powers of regions. Yet political and social actors decide how regional potentials are used.

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