

Good Governance in the organisation of Regional Business Development

- inspired by three foreign regions

Written by the Iris Group for
The Danish Enterprise and Construction Authority
and REG LAB.

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1. Preface

Together the Danish Enterprise and Construction Authority and REG LAB took the initiative to this publication about good governance in the organisation of regional business development.

The publication describes how three foreign regions have organised the work of preparing, developing and implementing their regional business development strategies¹. It evaluates common traits in the three regions and gives a number of specific examples of the initiatives each region has taken to create quality and effect in their industrial policies.

The three chosen regions are Northwest (England), Västra Götaland (Sweden) and Styria (Austria). They have a long experience with regional strategy work in common. Styria developed its first regional business development strategy in 1994 and Västra Götaland introduced their first strategies in 1999. Since then more strategies have been developed.

The three regions have been chosen because they are all characterised by a very strong commitment among municipalities, knowledge centres and the business community to the strategic work of industrial policy. In Northwest, Västra Götaland and Styria they have succeeded in creating a strong partnership, where all the important players pull together.

Another reason for the choice of these particular regions is that they have systematically endeavoured to evaluate and professionalise their strategies. The fact that they today exemplify very strong partnerships is a result of years of hard work, where the entities responsible for the strategy have learnt from their experiences and gradually created a stronger foundation.

1. Throughout this publication we use the expressions *business development strategy*, *economic strategy*, *business- and development strategy* or just plain *strategy*. This signifies that the titles of the regions' strategies differ, and various generations of the strategy have different names in each region. The varying names do not signify differences in the content of the strategies.

Table 1.1 Brief introduction to the three regions

	Northwest	Västra Götaland	Styria
Population	6.8 mill.	1.8 mill.	1.2 mill.
Main cities	Manchester (pop. 2.5 m.) and Liverpool (pop. 0.5 m.)	Gothenburg (pop. 0.5 mill.)	Graz (pop. 300,000)
Principle industries	Bio-medicine, aeroplanes, cars, chemicals, food, energy and environment.	Cars, machinery, metal, bio-medicine, transport, logistics.	Cars, steel, paper, wood, hi-tech industry.
No. of universities	14	3	5
Average yearly growth of gross regional product (GRP) (2000-2005)	2.3 %	1.8 %	2.8 %
Research and Development as percentage of GRP (2004)	2.4 %	6.0 %	3.3%
Political structure	43 councils. No regional political level. Regional development executed by special development unit financed by government.	Run by regional council, elected at regional elections every four years. 49 municipalities in region.	Run by regional council, elected by local councils. 22 municipalities in region.

What is the purpose of this publication?

The purpose of this publication is to provide inspiration for discussions in the six growth fora, in the regions and in the local municipalities about how to best develop and implement regional business development strategies in the coming years.

The regional business development strategies are up for renewal in 2010. The regional growth fora and their secretariats have initiated this work. There are many questions to answer. How can a stronger commitment among the municipalities, knowledge centers and the business community be ensured for the next generation strategies? What should the fact based decision foundation look like? How can the various actors become a part of the discussions prior to the first draft? Who will implement the initiatives and make sure that the targets are met? How long time should be allowed for the preparation phase, and who should be part of this? Should special boards or panels be formed to

advise the growth fora on particular subjects?

In this development work it is important to be able to draw on ideas and experience from foreign regions, which have years of experience with the development of partnerships and professionalising strategy work - and who have been through similar deliberations.

The publication is meant as an inspirational catalogue with special emphasis on examples of good practise, which we review in the individual chapters.

The financing and organisation of the analysis

The publication is financed by the Danish Enterprise and Construction Authority and REG LAB.

A steering committee with Finn Lauritzen (Danish Enterprise and Construction Authority), Søren Tegner Pedersen (Danish Enterprise and Construction Authority), Gitte Bengtsson (Danish Regions) and Bjarne E. Jensen (REG LAB) was established. The conclusions of the publication do not necessarily reflect the positions of the members of the steering committee.

The publication and the three case studies are compiled by Jens Nyholm and Jens Bjerg Carlsen, both from the IRIS Group.

We hope that this publication will inspire all those participating in the creation of a strong foundation for the next generation of regional business development strategies.

Enjoy your reading!

Finn Lauritzen

Director General, Danish Enterprise and Construction Authority

And

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2. Introduction and summary

"A common trait of all local development successes is the building of partnerships, and the need to govern them properly. While partnerships would seem to be the wellspring of local development, it is good governance that determines their quality", (Xavier Greffe in "Local governance and the drivers of growth", OECD 2005)

The challenge

In Denmark there seems to be consensus about the main ingredients in regional and local business policies. Innovation, education, cluster development, entrepreneurship and new technology are recurring themes in the Danish strategies for regional business development. Quite a few strategies developed at municipality level also focus on these themes. This is due to the realisation of the fact that good base conditions like physical planning and generic services for businesses are no longer enough in the battle to attract businesses and a place in the sun in the global workplace.

But to develop strong local and regional frameworks within these new growth drivers is a complex task. Here, quality is determined by the sum of a large number of decisions and initiatives, upon which each single player has little influence.

The ministries, growth fora, municipalities, universities, colleges and companies all have a share in an area's performance within the new growth drivers. When for instance the members of Growth Forum decide on a strategy and an action plan, it is only really a small part of the total investment in the region's competitiveness that's up for grabs. The same counts for the regional business development strategies. The challenge is to get the many initiatives to dance to the same tune.

The goal for a regional business development strategy should not only be to recommend what the Regional council's business development budget and the money from the structural funds should be spent on. An equal goal should be to create a common platform for all the local initiatives.

There's a need for a *common vision* in regional business development, which can serve as the foundation for the work of all local stakeholders. And a framework is necessary to ascertain which clusters, technologies, education etc., the region should focus on.

Regional business development strategy is the natural platform for creating this common vision and direction. This is where the most important players are brought together.

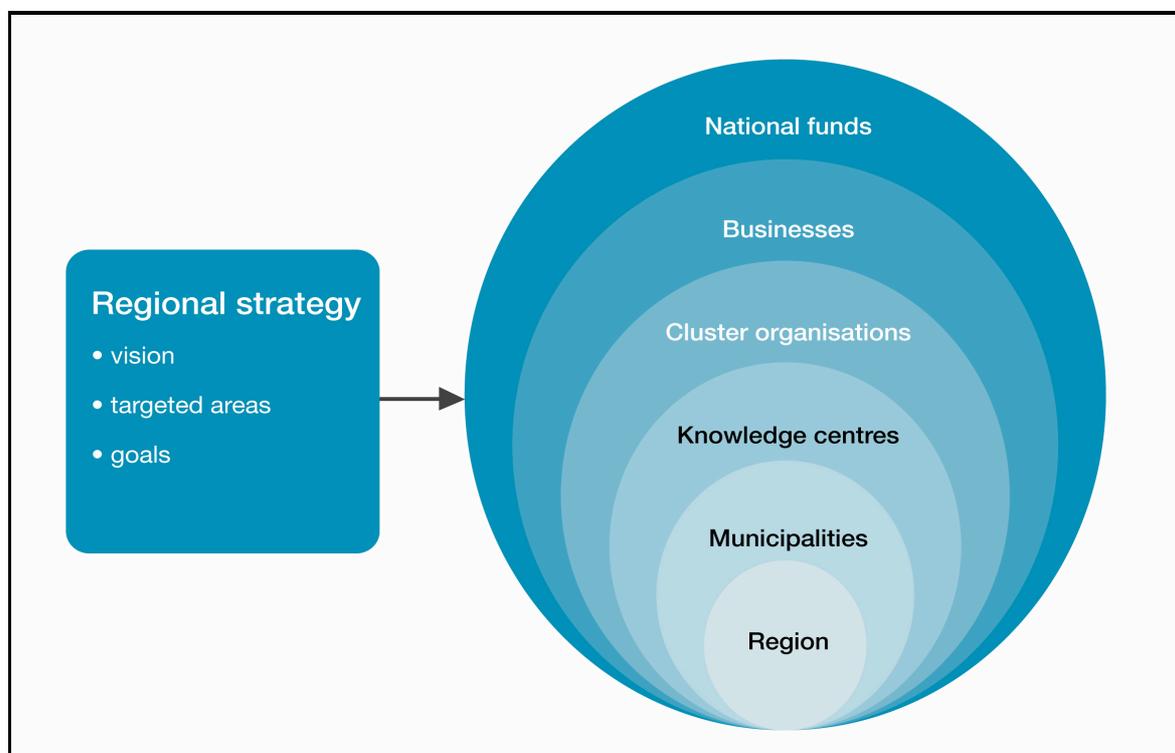
But it's one thing to bring together all municipalities, the region, knowledge institutions, the business development players and businesses in one room. Another matter is the creation of a *de facto partnership* to develop the new regional and local growth drivers. A partnership where municipalities, the business community and the knowledge institutions have a real sense of ownership of the regional strategy and where each player always has a strong focus on the regional strategy when developing their own strategies.

The lessons from the case regions

The starting point - before regional economic strategies - for the case regions was a situation, where each player had visions and strategies all pulling in different directions. This was exemplified by the way different players focused on different industries and trades, that innovation- and knowledge centres had overlapping purposes, that universities and colleges focused on different competencies than those sought by local industries, and so on.

Today, the regional strategy for all three regions is the common framework for the majority of the funds invested in knowledge building and business politics. The regional budget for business development is only a small portion of the funds, which are earmarked by the strategy. See figure 2.1.

Figure 2.1. The strategy sets the framework for the prioritising of funds among many players



In all three regions they've succeeded in forming a strong partnership where municipalities, knowledge centres and the business community are engaged in the preparation, development and implementation of regional strategy. Simultaneously the regions have developed a number of powerful initiatives, which enjoy widespread support in the business community. And finally the efforts at regional and local levels appear coordinated and regional initiatives play a significant role in finding solutions to local growth challenges.

To get this far has been a long haul. Through learning-by-doing, continuous improvements and evaluation of previous strategy processes they have successfully created an overall infrastructure for the regional business development that actually works. In Northwest for instance it took six years to

develop the organisations,

Boards and dialogue processes necessary to facilitate what is possibly the best functioning partnership in Europe.

The strong partnerships in the three regions express themselves in three ways;

1. Partnership for the regional strategy

A strong feeling of ownership of the regional economic strategy and common vision, which form the foundation of the overall strategy has developed among municipalities, knowledge institutions, the business community and other key players. There are three reasons for this:

- A common burning platform and a common vision has been formulated, in which the important players are very engaged.
- The strategies are kept on an overall level, meaning that they set targets, prioritise action areas (e.g. special clusters and technologies) and appoint the people responsible for reaching these targets. The development of sub-strategies, action plans and initiatives is placed with the actual players, specialised in designing regional frameworks, and placed decentrally in e.g. municipality collaborations (see the section on implementation).
- They have been successful in creating an engaging strategy process, whereby everybody in the regions feels ownership. This has been achieved by freshly established boards and partnerships with special responsibilities to communicate the strategy and to organise input and commentary from the players involved in the regional development.

Chapter 3 looks at these conclusions in depth and gives a number of examples as to how the regions have tackled the strategic work.

2. Partnership around a common knowledge base

The strategies in the three case regions are based on the foundation of fact based knowledge, which all the major stakeholders contribute to the development of. Fora have been developed, where e.g. the business community, the municipalities and the knowledge institutions play a major part in identifying the clusters, technologies and types of education upon which the strategy rests. In this way the players experience that the strategies reflect needs and challenges in their local areas and in their particular businesses and clusters.

The three regions - and Styria in particular - also make a special effort to spot and identify budding clusters and knowledge-based hotbeds at universities. They have developed applications to identify where universities have their strengths and which potential uses these technological advantages will have in the dominant clusters. That is one of the reasons why Styria can attract more national funds for their public-private research ventures than any other region in Austria.

Chapter 4 focuses on good practise in the development and use of a regional fact-based knowledge foundation.

3. *Partnership in implementation*

It is a huge challenge to develop a well functioning regional infrastructure for innovation, cluster development and dissemination of knowledge. New kinds of players with considerable market insight are required.

Trendsetting businesses and knowledge institutions must be motivated to actively contribute to the sense of ownership for concrete initiatives. And the work in the regions, the municipalities and the knowledge institutions must be coordinated.

In the three regions we've found two further approaches to implementation, which, with varying weight, address the challenges outlined:

- Implementation via professional players, specialised in the design of political initiatives and in establishing relations between the players in the market.
- A decentralised implementation model, where the responsibility for the realisation of the goals of the business development strategy is placed with the different parties in the regional development, for instance sub-regional partnerships.

Chapter 5 focuses on these approaches and presents a number of well functioning initiatives, which originate from this.

3. Partnership in the regional strategy

3.1 Introduction - briefly about the strategies

Styria is the one of the three case regions with the longest experience in regional business development. Their first strategy for economic and technological development was developed in 1994 and the latest version is from 2006. In Northwest and Västra Götaland the first economic strategies were introduced in 1999. Table 3.1 shows the key information about the three regions' strategies.

Table 3.1. Key information about business development strategies in the three regions

	Styria	Northwest	Västra Götaland
Ownership	Regional council	North West Development Agency	Regional council
Time frame	First strategy in 1994. Revised every 4 years.	First strategy in 1999. Revised every 3 years.	First strategy in 1999. Revised every 6 years.
Main target areas	Innovation Internationalisation Strength positions Entrepreneurship Competencies Infrastructure Financing	Business development Competencies People and jobs Infrastructure Quality of life	Business development Competencies and knowledge Infrastructure Culture
Regional budget for implementation of strategy	150 mill. EURO/year	£1.5 billion for the period 2007-2010	640 million SEK/year

The most significant difference between the strategies is that for Styria and Västra Götaland it is the Regional Council who approves and owns the strategies. In England there is no political level between the municipalities and the state. Here the Department for Business, Enterprise and Regulatory Reform (BERR) set up nine "Regional Development Agencies" (RDA). The goal was to create a foundation so that the business communities and the local communities could develop a framework matching the various challenges, faced by different parts of England. The RDAs are governed by a board with a majority of representatives from the business community.

The focal areas also vary to some degree between the three strategies. All strategies have a strong

focus on innovation, business development, entrepreneurship and internationalisation². On top of which comes infrastructure. Northwest's strategy is more comprehensive than the other two, insofar as it incorporates a sustainable development of climate, development of fringe areas and jobs for the most deprived as key focus areas (embodied in the target area "Quality of Life").

Three central elements behind the strong partnerships

Across the three regions three reasons emerge as to why they've been successful in creating a strong feeling of ownership of the strategy among key stakeholders. They are:

- **Formulation of a common vision and a burning platform.** All three strategies contain a common regional vision, which all key players have participated in the development of, and which they feel strongly engaged in realising. At the same time vision and strategy are both based on a common burning platform - meaning a regional challenge, which both the business community, the knowledge institutions and the politicians view as important.
- **The strategies set direction and targets.** The strategies pinpoint the most important challenges, set targets and point out which technologies, competencies and clusters they will focus on. The strategies are very consciously kept on this *overall level*. The development of specific initiatives within the various target areas are often placed with speciality boards, agencies or decentrally in for instance collaborations between municipalities. At the same time the method secures a close relationship between the regional initiatives and the existing efforts in e.g. the municipalities.
- **Engaging strategy process.** The development of strategies has taken 1-2 years and they are based on an extensive dialogue with the most important stakeholders - e.g. via special advisory agencies. At the same time boards and partnerships have been established with special responsibilities for the creation and implementation of the strategy.

The following three paragraphs address common traits in these three elements within the three case regions and give a number of specific examples as to how the regions are carrying out these tasks.

3.2 Common vision and burning platform

"It takes 10-15 years to change a region. You need a longer time horizon than the next poll and the next election in the vision. Therefore, you have to gather the right people with integrity, global perspective and readiness to change. This means people outside the political system who can engage other

² Gathered under the two first mentioned target areas in Northwest and Västra Götaland respectively in table 3.1.

important stakeholders in the region by an “Uncle Sam needs you attitude”, Thomas Krautzer, managing director, Federation of Styrian Industries.

The development of a common regional vision has in all three regions been the first step in creating a common ground for the regional economic strategy. The vision serves three overall purposes:

- It expresses a direction and a strategic focus, which serves as a foundation for the economic strategies and for a number of future strategic decisions in the region.
- It expresses choices made, i.e. inclusion and exclusion and suggests what would be the main sources of income for the region over the next 10-20 years.
- It is motivating and meaningful to each player. The vision must be developed so that each of the major stakeholders feel that they play an important part in its realisation.

In addition, it is the process in itself, which leads to the vision, which crucially determines the players' commitment to its execution. The vision must be developed in a way that makes the important players feel a responsibility and obligation to pull in the direction chosen and to take part in the development of the strategy itself.

There are big differences between the case regions in how they've planned the process. In Styria the vision is developed by a think tank consisting of influential people with enough status and integrity to gather the entire region around the vision. In Northwest the vision has been subjected to a comprehensive hearing- and consultation process together with other parts of the regional economic strategy. This process - and the adjustments it entailed - has played an important part in the creation of the desired sense of ownership.

Box 3.1. Common visions in Styria and Northwest

Styria's first vision was "to make Styria one of the world's 25 leading regions within technology and innovation." It was developed in 1994 by a dedicated think tank, set up by the then business affairs minister. In the think tank CEOs of some of the region's most important businesses participated, as did the heads of several of Styria's universities and the most important business associations. The think tank consciously held an arm's length distance to the political system because the government wanted to create a free space for thinking and to make sure the vision and the appointment of strategic focus areas would be independent of more shortsighted political agendas. The think tank's job was then both to develop a vision and to point out the primary focus areas for the first economic strategy. To do so the think tank used international authorities such as prominent business leaders within the business areas where Styria specialises (e.g. Olivetti's CEO). The broad ownership to the vision was created by the participants' huge integrity and personal networks. They took responsibility for the development of the region and pulled other key players in with them via their personal and business networks. Thus creating what they in Styria call a snowball effect.

The vision in **Northwest** is much longer. It has an overall message about what should become the

region's competitive edge, combined with six bullet points:

“A dynamic, sustainable international economy which competes on the basis of knowledge, advanced technology and an excellent quality of life for all where:

1. Productivity and Enterprise levels are high, in a low carbon economy, driven by innovation, leadership excellence and high skills.
2. Manchester and Liverpool are vibrant cities and, with Preston, are key drivers of city-regional growth.
3. Growth opportunities around Crewe, Chester, Warrington, Lancaster and Carlisle are fully developed.
4. Key Growth Assets are fully utilised (Priority Sectors, the Higher Education and Science Base, Ports/Airports, Strategic Regional Sites, the Natural Environment especially The Lake District, and the Rural Economy).
5. The economies of East Lancashire, Blackpool, Barrow and West Cumbria are regenerated.

Employment rates are high and concentrations of low employment are eliminated.”The vision has two core messages. Firstly that the Northwest must correct two major weaknesses compared to the rest of England - a low level of productivity and a low rate of new business start-ups. Secondly there is the important message that vision and strategy look at each part of the region separately. Northwest is a large and heterogeneous region, which encompasses both big cities like Manchester and Liverpool and large land areas like Cumbria. The vision reflects that the strategy is aimed at all parts of the Northwest and that growth- and development conditions are very different.

The intense focus on the various sub-regions and urban areas is a result of the consultation process (see section 3.4), which the first draft of the strategy was subjected to. According to the Northwest Development Agency the final version of the vision plays a major part in the fact that each municipality has committed itself to the strategy and its implementation. visionen en stor rolle for, at kommunerne har engageret sig i strategien og dens implementering.

The two visions have in common that they focus on what the regions' activities must be in the future global competition. In Styria - with the region's dependence on industry - the focus is 100% on knowledge, technology and innovation. In Northwest the emphasis is on the fact that the diversity among the sub-regions' different business structures and competencies is an asset in the change to global knowledge economy.

The burning platform

To commit the business community, the knowledge institutions and the politicians to a regional business development strategy it is important to articulate a common burning platform. Such a platform should embody a regional challenge, which everybody in the region identifies with and feels a responsibility toward solving. It could be a crisis. But it could also be a threat or a common challenge, which potentially carries consequences for a large number of the regional players:

- In **Styria** the burning platform was the industrial crisis towards the end of the 80's and the beginning of the 90's. The region lost many businesses and jobs within its traditional industrial base, mining, metal industry and car manufacturing. Simultaneously the period was characterised by a considerable brain drain.
- In **Northwest** there were two factors that created a commitment to the regional economic strategy. Firstly the 80's and 90's were characterised by low growth. The region was successful in creating a common commitment to close the income gap between Northwest and the rest of the country. Citizens, politicians and businesses want the region to experience the same degree of prosperity as the citizens in the rest of England. At the same time the region experienced that it found it harder than other regions to attract national funds, in particular for research and infrastructure. They've reached the joint conclusion that if the business community and the knowledge institutions have common priorities, they will not only get more out of the funds they receive, but also receive more funding.
- In **Västra Götaland** the burning platform is that both businesses and politicians feel squeezed from two sides. Firstly the region's dominant industries are under serious threat from relocation, outsourcing and global competition. Secondly, the region finds it hard to compete with the other two big urban regions, the Öresund region and the Stockholm region - about both national funds and political focus.

3.3 The strategies set the course and the targets

"It helps if you keep your strategy pretty general", Patrick White, director, Northwest Development Agency.

For all the case regions the primary purpose for the strategy is to set the course and the goals. The strategies point out what the regions should target, what the starting point is within each area (e.g. benchmarking with the rest of the country or other regions), and what they want to gain, shown as specific targets.

But the strategies say very little about how to reach the targets. There's a clear distinction between strategy and implementation in the three regions. It is during the implementation phase that the targets are converted into specific initiatives (see chapter 5 about the implementation phase). There are several reasons to keep the strategies on an overall level:

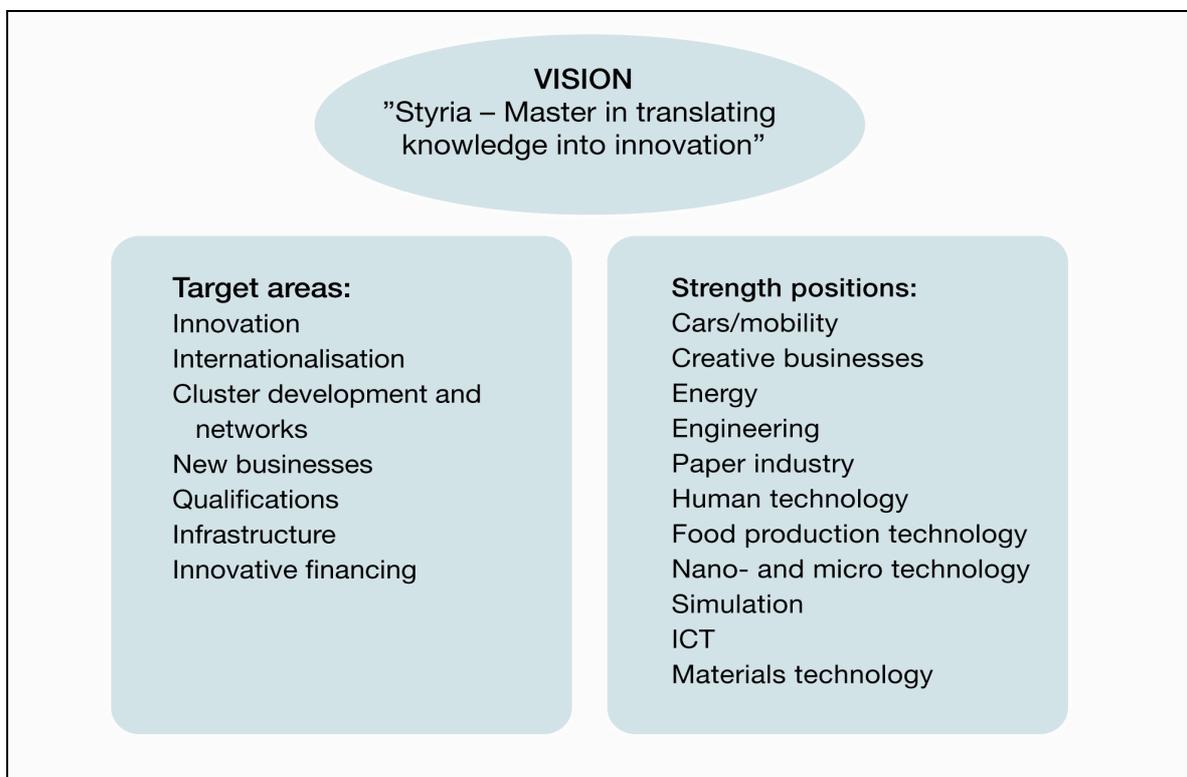
- It is important to have a board, whose primary focus is on being a Strategy Factory. Namely a

group of people who are in charge of setting the course and continuously monitoring, whether the targets are reached (included here is the revision of the strategy and/or the introduction of new initiatives in areas, where the targets don't seem attainable). All the interviewed regions emphasise the importance that strategy developing agencies are not also responsible for the development of initiatives, invitations to tender, evaluation of applications, etc. That would make it difficult to maintain the strategic focus.

- The focus on being a Strategy Factory makes it possible to engage a larger group of players in the work to transform targets into action. For instance, both Northwest and Styria have established research boards with the participation of the heads of the universities. By delegating the work on each separate part of the strategies and action plans to specialty boards, the regions gain several things. Firstly, more players are engaged in the development of the strategy. Secondly, it increases the likelihood that the players themselves prioritise these regional targets in their own strategies. By keeping the strategy on a overall level, a greater sense of ownership and commitment is secured.

Styria's business- and innovation strategy highlights seven strategic target areas and a number of strength positions, upon which the effort must be focused.

Figure 3.1 Styria's business- and innovation strategy



Within each of the seven target areas, the strategy has five main sections:

1. **The Starting Position.** In this section it is described where the region is today ("economic baseline" - see chapter 4). Within e.g. *Innovation*, the strategy notes that the R&D effort makes up 3.7% of the GRP.
2. **Targets.** This includes a description of a number of quantitative and qualitative targets the region must reach by 2010. Under the header *Innovation* eight targets are set. For instance R&D effort must make up 4% of the GRP and that the commercialisation of the university research - in the form of license agreements and the establishment of new research based businesses - must be significantly increased.
3. **Focus areas.** Under this heading the overall tools are described. In the *Innovation* area the strategy emphasises that Styria must establish more competency centres (long standing collaboration programmes between businesses and knowledge institutions) and that it must implement a number of events on the subjects of trends and tendencies within Styria's business strength positions.
4. **Programme radar.** Must form the base for monitoring. A number of indicators are set for the participation in publicly funded initiatives. Under the *innovation* heading the indicators could be the number of first-time participants in collaboration projects and the number of innovations among the businesses who take part in initiatives under the regional strategy.
5. **Business radar.** Here all the accomplishments by the business community within each target area are measured. For instance the private R&D effort and the participation in EU's framework programmes under the *Innovation* target area.

Northwest's economic strategy has 122 so-called actions spread over five main target areas (see table 3.1 above). 45 of these actions are categorised as "transformational actions". I.e. actions which are particularly important to the region's growth. That Northwest has this many actions is due to the fact that the strategy encompasses a lot more than the Danish business development strategies, for instance infrastructure, rebuilding and climate. The target area "business development", which covers most of the target areas in the Danish business development strategies, names 25 actions.

For each action a target is set and a "lead organisation" is appointed, responsible for the implementation (see chapter 5). Illustrating this, figure 3.2 shows the three actions within the area "regional sections" under the target area "business development".

Table 3.2. The target area "regional sectors" in the Northwest strategy

Actions	Rationale	Lead organisation (responsible)
<p>To develop <i>Cluster programmes</i> within six areas with the goal to increase productivity and identify future growth possibilities:</p> <ul style="list-style-type: none"> -Bio medicine -Energy- and environmental technology -Advanced engineering -Foodstuffs -Digital and creative industries -Business services 	<p>The six sectors account for 55% of the value creation in the region and are characterised by high exports and a significant growth potential. Productivity below national average in the regional business service sector explains up to 40 percent of the region's productivity gap.</p>	<p>Regional cluster organisations (a cluster organisation has been established for each sector)</p>
<p>Develop a "Media Enterprise Zone" based on BBC's establishment in Manchester</p>	<p>Offers the opportunity to develop Manchester into a regional media hub and for the whole region to benefit from the growth in the media sector.</p>	<p>Northwest Development Agency</p>
<p>Create growth and innovation in the tourist sector through a regional tourism strategy.</p>	<p>A growing part of the economy with large impact on the citizens, companies and visitor's experience of the region.</p>	<p>The Regional Tourism Forum</p>

In addition to the "regional sectors" the main target area "*Business development*" features actions for entrepreneurship, innovation, innovation financing and R&D, internationalisation and information- and communication technologies.

The strategy contains further eight overall targets for the economic development of the region in the period 2006-2009, which the 122 actions will contribute to reaching. For instance there is an overall target that the number of business start-ups must increase to 21,000 a year, and that the number of persons without work qualifications must be reduced by 80,000.

3.4 Committed strategy process

"You need to get the right people involved – not least if you want to influence priorities and strategies among key stakeholders like universities. If you want big players to spend money on the region you need to get them together", Patrick White, director, Northwest Development Agency.

If the regional business development strategy is to have the necessary impact, it is imperative to secure a sense of ownership to the strategy. Not only among a few representatives for the business

community, the knowledge institutions and the municipalities. But among all the players on the field, who together contribute to the regional development, growth and innovative force.

This entails that firstly the strategy process is relatively long, so there is the necessary time to engage the region in both the preparatory work on the strategy (see also chapter 4), in the discussions about the first draft and in the implementation (see also chapter 5). In Northwest almost two years passed from the preparation for the first draft till the publishing of the finished strategy in December 2006.

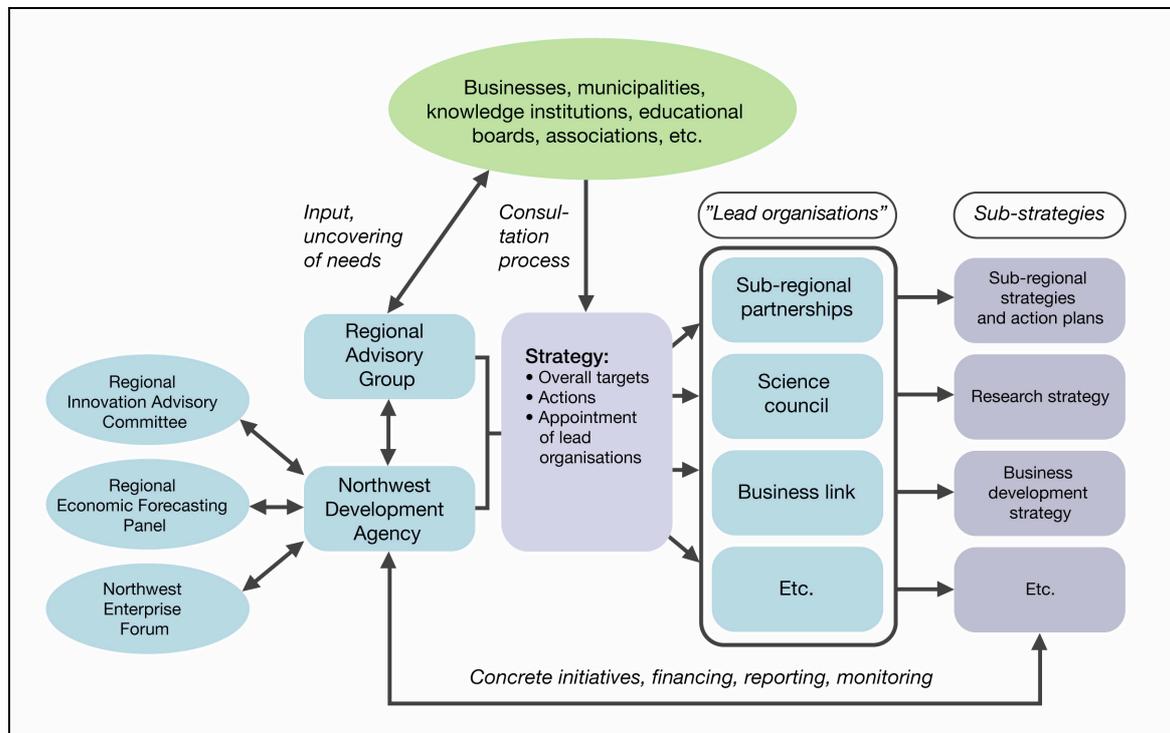
Secondly it is important to ensure that the necessary *organisational platforms* are in place to engage the strategy's stakeholders and give them a feeling of ownership to the strategy. How do you make sure that all the knowledge institutions, the leading businesses, organisations and municipalities recognise real influence on the different phases of the strategy process?

The next three paragraphs elaborate on elements of the strategic process in each of the three regions.

3.4.1 Northwest's partnership model - the players are involved via boards and consultation processes

Northwest is possibly the region in Europe that has been most innovative in the development of organisational platforms to create regional ownership and commitment to the regional economic strategies. Since the first strategy in 1999 Northwest Development Agency (NWDA) has set up a number of boards and committees, which all serve the purpose of making the economic development strategy a matter for the whole region and to make each of the important players feel ownership to a degree that they incorporate the regional strategy into their own strategies. Figure 3.2 tries to give an overview of the most important players and processes in the regional partnership in Northwest.

Figure 3.2. The regional partnership in Northwest



There are three groups of boards and partnerships in Northwest. The first is a group involved in advising NWDA on what the region shall base its livelihood upon. These include the *"Regional Innovation Advisory committee"*, *"Regional Economic Forecasting Panel"* and *"Northwest Enterprise Forum"* (the left hand side of the figure).

The second is the *"Regional Advisory Group"*, established by the NWDA to help with the development of the strategy as such and to create a sense of ownership among all important players in the regional business development. The Regional Advisory Group is put together so that all important stakeholders in the region are represented among its members.

The third is a group of organisations, whose task it is to translate the general strategy into sub-strategies and action plans and thus in the implementation of each part of the strategy. This includes the *"Sub-regional partnerships"* and the *"Science Council"* (on the right hand side of the figure).

The advisory boards in Northwest

In the first group of advisory committees and panels are the leading businesses, business organisations, heads of universities etc. They advise NWDA about subjects such as technological development, the dissemination of knowledge, innovation, entrepreneurship and trends in economic development.

For instance *Northwest Enterprise Forum* functions as a "warning forum", which advises about new market possibilities and growth barriers in the area. The forum consists of 15 members, all chosen because of their "passionate interest" in regional development strategy matters. The forum compiles a yearly report for NWDA with a status update on the region's competitive edge and with recommendations on new actions. The most important function for the players on the left hand side of the figure is to advise NWDA on challenges and strategical matters, which the economic strategy should focus on.

The Regional Advisory Group and the shaping of strategy

The most important organisational innovative feature in Northwest is the *Regional Advisory Group (RAG)*. RAG consists of representatives from the business community, knowledge institutions, municipalities and other key players. The group's role is to develop vision and strategy together with NWDA. See box 3.2.

Box 3.2. The Regional Advisory Group in Northwest

The Regional Advisory Group (RAG) was established in 2004. It consists of 25 representatives from the business community, knowledge institutions, municipalities, voluntary organisations etc. It is made up so that it broadly representative of the region. For instance the knowledge institutions are represented by two organisations, one representing the universities and another representing the colleges. The 43 municipalities are represented by five sub-regional partnerships (see next paragraph).

Furthermore it includes representatives from different organisations such as the Confederation of British Industries, Chambers of Commerce, Culture Northwest, English Nature and Regional Skills Partnership in RAG.

RAG's members have four main tasks in relation to Northwest's economic strategy on behalf of the players they represent:

- To gather input, ideas and propositions for the strategy
- To present and discuss drafts for the strategy
- To communicate and convey the strategy
- To be responsible for the implementation of a number of the actions in the strategy.

The involvement of knowledge institutions, municipalities and the business community via the RAG means that the strategy is generally perceived as the strategy for the whole of the region. The RAG meet 4-5 times a year. Though more often in the period when the strategy is produced.

The members of the RAG must account yearly to the rest of the group for the status of the actions, which they are responsible for ("lead organisations").

This yearly account and status ensures that the members feel great responsibilities for the implementation of the initiatives, for which they have been appointed responsible. Where the "lead organisations" are outside the RAG, a RAG-member is made responsible for keeping in contact with this organisation and report back to the RAG.

So the RAG is the group, which ensures a sense of ownership among the many actors, which are not directly involved in formulating the strategy. At the same time the RAG membership holds a big responsibility for implementing the strategy and for realising the targets, in its role as "lead organisation" in respect of the various actions.

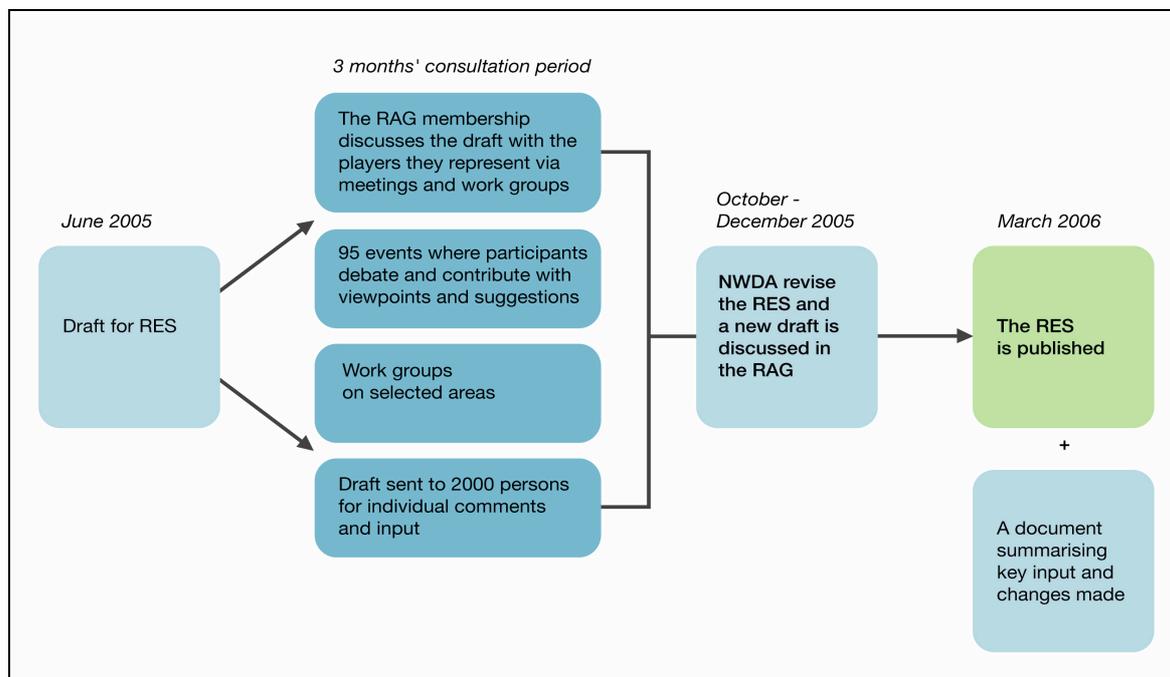
"To take the region forward and to keep the region with us, we need to involve the region. RAG were here helping us to produce it, and they are still here to help us drive it and to implement it. They do not just stay with the group. Each member is responsible for pushing the work out to – and to get input from – the people they represent", Brenda Buckley, North West Development Agency.

It is the chairman of the board of each of the 25 members of the RAG, who in the end ratifies the regional economic strategy. In the ratification process the RAG-members commit themselves to also align their own strategies to fit in with the regional economic strategy.

RAG is also an important partner in the extensive hearing- and consultation process, which the strategy goes through. The RAG-members are thus responsible for discussing the strategy with their constituencies and for gathering comments and suggestions for improvement.

This is part of a three months consultation period, which also encompasses a number of other activities. See figure 3.3.

Figure 3.3. Preparation for the economic strategy in Northwest



* RES is short for Regional Economic Strategy

In the consultation period a number of events take place, where the strategy is discussed with various regional players while simultaneously, a number of work groups within different areas are set up.

After the consultation period the strategy is revised in close collaboration with the NWDA and the RAG. In connection with the release of the strategy, the NWDA publishes a document, which reviews the most important input and comments from the consultation period and how the strategy has been revised accordingly. It reflects the great focus that the NWDA has on engaging the whole region in the strategy and on signalling that all players have real influence on the final strategy.

Lead organisations and sub-regional partnerships

It is the so-called "lead organisations", which are responsible for implementing the regional economic strategy (see also chapter 5).

The overall character of the economic strategy means that the many lead organisations will typically work out sub-strategies and action plans for the actions they are responsible for. For instance the "Science Council" must prepare a sub-strategy for which technologies they should focus on and how the collaboration between the universities and the business community can be strengthened.

The use of these "intermediaries" has the significant advantage that many of the key players are involved in the strategy work itself. Several heads of universities and colleges, business leaders, municipalities and organisations will get involved in the strategy work, when the responsibility for translating the general strategy into action and initiatives is delegated to boards consisting of leaders

within the areas that the strategy focuses on.

NWDA has itself taken the initiative to establish a number of these boards as part of strengthening the partnership around the strategy. One of the most important bodies is the so-called "*sub-regional partnerships*" (SRP).

SRP are five municipality collaborations covering all of the region's 43 municipalities. Three of the collaborations existed prior to the strategy work, whereas two were established on the initiative of NWDA. But they have all received new tasks, as they are now responsible for implementing the economic strategy and for working out local needs assessments within each area.

The philosophy behind the SRP is that the region needs a body who can represent local wishes and needs and which can convey a sense of ownership for the strategy among the municipalities. At the same time there's a general consensus that most of the municipalities are too small (lack of critical mass) to implement the regional strategy alone within areas, where the municipalities are the natural partners.

SRP is a framework for bringing together politicians, knowledge institutions and businesses to form common priorities for the various sub-regions. The municipalities see this as a forum, where the local communities make their influence felt in respect of overall regional priorities. See box 3.3.

Box 3.3. Sub-regional partnerships in Northwest

Five sub-regional partnerships (SRP) have been established in Northwest - the Cheshire and Warrington Economic Alliance, the Cumbria Vision, the Greater Manchester Forum, Lancashire Economic Partnership and the Mersey Partnership.

The partnerships are responsible for leading the economic development in each sub-region and to identify local needs as a foundation of the regional economic strategy.

SRPs are organised as independent companies run by a board of representatives drawn from the municipalities and the private sector.

The collaboration between the NWDA and the SRP is based on a Memorandum of Understanding. This is a common document, which describes how the SRPs will contribute to the realisation of the overall targets in the regional economic strategy and how the NWDA can be a partner in the solution of sub-regional challenges. The memorandum is not legally binding, but is signed by the directors of both NWDA and the SRPs.

In each sub-region the board of each partnership coordinates and organises the dialogue between the municipalities, the business community, voluntary organisations etc. in respect of the regional economic strategy. The five partnerships will - after the approval of the strategy - develop a sub-regional strategy and action plan for all the actions that are relevant to the sub-regions (see also chapter 5).

Furthermore the SRPs are obliged to develop a strong local fact-based knowledge base, which will be the foundation for 1) the partnerships' input and wishes for the regional strategy, 2) local business ventures.

NWDA contributes £600,000 yearly of base financing for the running costs of the sub-regional partnerships - primarily secretariat wage costs.

3.4.2 Sub-regional partnerships and growth agreements in Västra Götaland

Also in *Västra Götaland* sub-regional partnerships play a crucial role in the design and implementation of the strategy. *Västra Götaland* consists of 49 municipalities, organised in four municipality-unions. The municipalities in each of the four unions have established their own sub-regional business development organisation. These are organised as non-profit companies, which maintain a dialogue with the business community and work as facilitators for a number of business development initiatives. For instance the companies offer general business services (basic advice for entrepreneurs and small businesses) and a number of initiatives directed towards clusters.

The four sub-regional business development organisations also play a prominent role in the development of the regional economic strategy for *Västra Götaland*. It is their job to identify the challenges, possibilities and needs among the industries in which the various parts of the regions are specialised. Box 3.4 elaborates on the work in one of the partnerships - the Gothenburg Business Region.

Box 3.4. The Gothenburg Business Region

The Gothenburg Business Region (GBR) is a municipal limited company owned by the Gothenburg municipality. GBR covers an area consisting of 13 municipalities with altogether app. 900,000 inhabitants. GBR has a board of municipal politicians. GBR has 80 employees organised within four areas: clusters and business development, general business services, globalisation and marketing and company start-up services.

GBR puts emphasis on the task of developing and marketing future growth industries, which play a crucial role in the region's future economic development.

Via its cluster activities and the general business service, GBR has a considerable contact to the businesses in the area. In the strategy process, GBR is responsible for organising seminars and workshops in the clusters with a view of getting the businesses' input for the regional strategy.

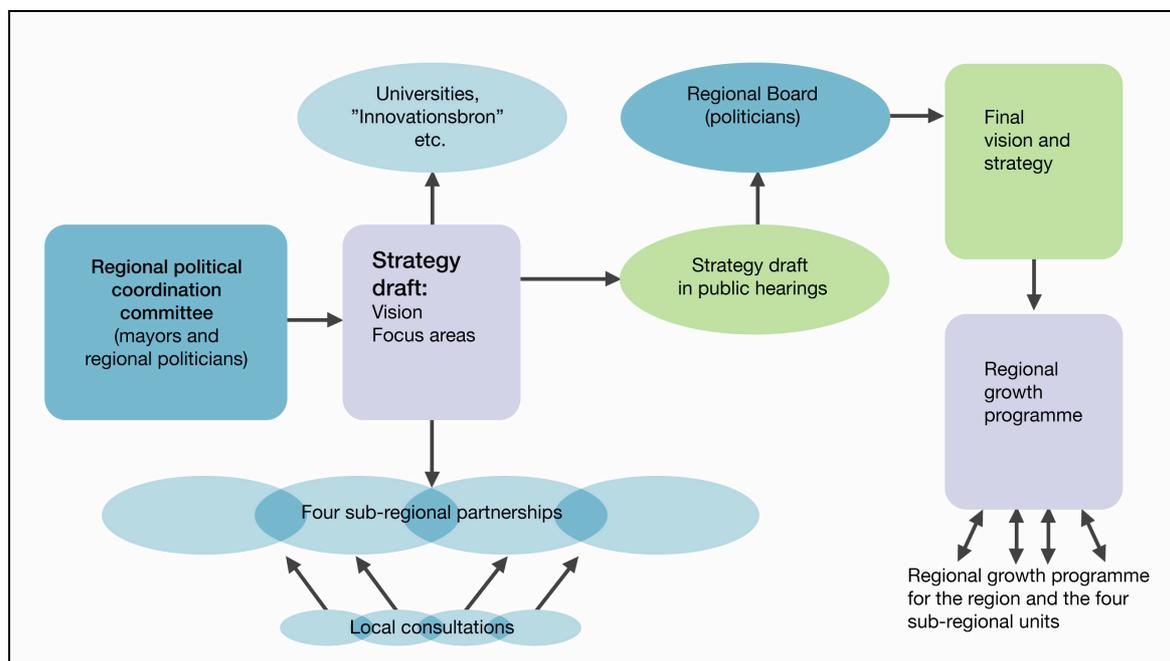
By implementing the regional strategy, GBR plays a major part in the design and implementation of initiatives, necessary for the development of the region's cluster specific framework conditions. Together with businesses and universities, GBR is responsible for developing a new managerial education for present and future managers in the region's bio industries.

The local commitment in the regional strategy in Västra Götaland is furthermore strengthened by a regional collaboration committee, consisting of 12 local mayors (three from each sub-region) and 15 regional politicians. The committee is responsible for planning an open and participative strategy process and for developing a first draft of the regional economic strategy. The work on revising the vision and strategy is commenced at least one year prior to the publication date of the new strategy.

Prior to the first draft of the strategy there has been a period of minimum six months, where the fact-based foundation for the strategy has been finalised. Already in this preliminary phase many of the key players are involved (see more in chapter 4). Based on the various inputs the regional coordination committee develops a first draft of the strategy. The draft is then discussed with central regional players (for instance the heads of universities and the four sub-regional partnerships).

Each of the four sub-regional partnerships has a responsibility to obtain viewpoints and input from local players. After the incorporation of comments the coordination committee approves a draft of the strategy, which is then sent out to hearings among the organisations and then finally presented to the Regional Board for approval.

Figure 3.4. The consultation process in Västra Götaland



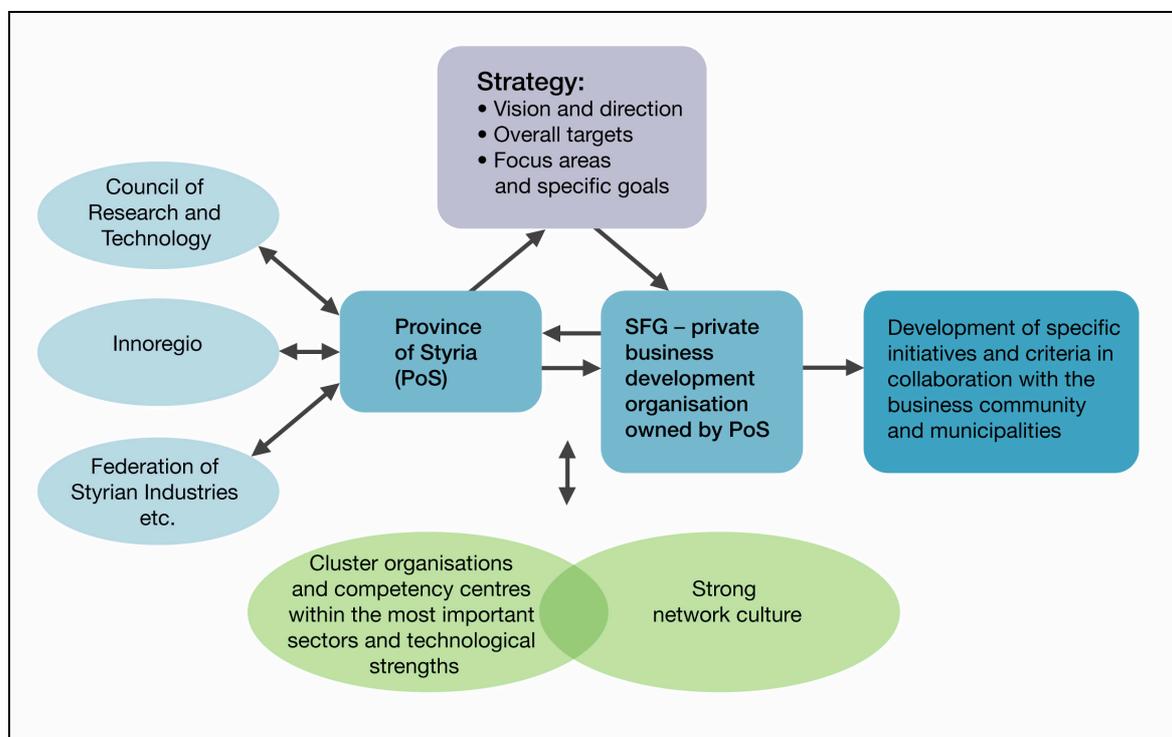
The interaction between the regional economic strategy and the local business politics is further formalised in a so-called *growth programme*. This is an instrument with the purpose of creating a common direction between the regional and local business development efforts. The growth programme describes a number of target areas for each of the four sub-regional units, which the region and the municipalities plan to make a joint effort to promote. The agreements are non-binding for all. The goal of the growth programme is solely to identify common challenges and priorities in order to create an

increased cohesion between each player's efforts within areas such as entrepreneurship and cluster development.

3.4.3 Special agencies for research and innovation creates ownership of Styria's strategy

Styria has in its vision and strategy - as described in section 3.2 - chosen to focus on research, technology and innovation. Not surprisingly, it is in these fields that the region has chosen to establish agencies, which can contribute to the development and implementation of the regional strategy. Figure 3.5 gives an overview of the most important players in the regional partnership..

Figure 3.5. The main players in the regional partnership in Styria



As in Northwest, one can distinguish between advisory agencies, the strategic process itself and implementation.

Two advisory agencies have been established around the innovation policy in Styria - *The Council of Research and Technology* and *Innoregio* (see left hand side of the figure). Both agencies play important roles in the overall prioritisation of which technologies the region should focus on, where bigger public-private research ventures should be established and where extra effort should be made to strengthen the knowledge transfer from universities to the business community.

Box 3.5. Two advisory agencies within research and innovation in Styria

Innoregio is a network encompassing the region's innovation policies, established in 2005 on the initiative of the Federation of Styrian industries. The purpose was to create a platform for discussions about research- and innovation priorities - a think tank which Styria's government could draw upon in the development of its innovation policy. Simultaneously, Innoregio serves as initiator of many new public-private research ventures in the region.

Innoregio has developed sub-strategies for the interaction between universities and the business community, for the charting of regional technological strength positions (see chapter 4) and for the development of instruments, which will further research and development as well as innovation in small and medium-sized companies.

Furthermore, the organisation publishes a yearly Innovation Monitor, where the region's R&D efforts are compared with other regions'. Finally they host events and matchmaking arrangements around EU's framework programmes.

Innoregio is run by a governing body of 20 people drawn from heads of the universities, leading businesses, cluster organisations and the Styrian Business Promotion Agency (SFG).

The Styrian Council of Research and Technology was established in 2006 based on an idea from Innoregio. The council's purpose is to advise the regional government on questions about research and technology. It is comprised of high ranking specialists from the business community and the universities - most of them from outside Styria to give the council a more global perspective. The chairman is the former R&D director for Siemens Global. The relevant stakeholders in Styria (the universities, the business organisations and cluster organisations) nominate global leading specialists within their specialty fields to sit on the council.

In addition to general counselling the Council has a so-called "Future Fund" of € 2 mill., which it can invest yearly in projects, which can strengthen Styria's position as a leading technology region

The actual regional economic strategy is developed by a work group consisting of government officials from the Styria Province and the Styrian Business Promotion Agency (SFG). Ratification requires a unanimous vote among the regional council. Unanimity is considered important, because the politicians represent the various municipalities. The political process is therefore considered as an important part in the creation of local support and backing and sense of ownership for the strategy.

The Federation of Styrian Industries also participates actively with input in the phase where the first draft is being developed. This is due to the fact that the organisation plays a very central part in the mapping out of needs, challenges and potential in enterprises (see chapter 4).

The main features of the strategy process are these:

- The first draft is developed as a co-operation between The Federation of Styrian Industries

and The Chamber of Commerce. Individual meetings are held, where the business organisations make presentations on their current status, their view of global challenges, key challenges as well as key technologies and - competencies.

- Individual meetings are held with other stakeholders to discuss the draft, for instance with universities and unions.
- Then a two day seminar is held with all stakeholders on a revised draft - the strategy is adjusted on several counts
- The final draft is sent out to a hearing via e-mail to all parties
- The minister presents the strategy to the parliament and holds meetings with all parties to ensure unanimity.

The implementation of the strategy is, contrary to how it is done in Northwest and in Västra Götaland, placed within one single organisation, namely SFG, a private organisation owned by the Province of Styria. SFG's roll in the implementation is described in chapter 5.

SFG plays a central role as the driving force in the partnership. SFG is the ambassador for the region's economic strategy and for the business- and innovation policy through its participation in boards of cluster organisations, competency centres etc. Because of its close ties with the business community, SFG also has a good sense of the needs and challenges it is facing and makes sure that this is communicated to the region's politicians and civil servants. This ensures a feeling of responsiveness and a belief that it is beneficial to spend resources on an active participation in the regional development work. SFG is also - with its profound knowledge of both the established cluster organisations and the knowledge institutions - an important bridge builder between the various players and the regional strategy.

Styria's well functioning partnership is to a large extent a self-organising partnership. It is a strong bottom-up culture, where businesses, cluster organisations and knowledge institutions meet across traditional borders and exchange ideas for new initiatives. The partnership is based on the common understanding of the region's challenges and targets, which were developed in the mid-90'es (see paragraph 3.2 above). The common vision has been integrated into mission and strategy in the knowledge institutions, business organisations, cluster organisations etc. It has created a great commitment to participate in boards, committees etc. and to prioritise participation in regional development projects.

3.5 *Learning points*

Across the case regions three central reasons emerge, why they have been able to create a strong sense of ownership to the strategies among the business community, knowledge institutions, municipalities etc. Below we have briefly listed a few of the most important learning points from the three case regions within each of the three areas.

Common vision and burning platform

It is important that the regional economic strategy is based on a *common vision* and that the most important players have a strong sense of ownership. The vision can e.g. be developed by gathering a group of key players and ask them to formulate a proposal for a vision and strategic target areas, necessary to implement the vision. The group can, as with Styria's first vision, be comprised of leading business leaders and top people from the knowledge institutions. But the vision can also be developed and subjected to hearings and consultations together with the rest of the strategy.

There are considerable differences between the visions for Styria and Northwest:

- Styria's vision is concise and sends a clear signal that the region targets initiatives, which will add to the innovative power of the region's industry.
- Northwest has a longer and broader vision, which reflects both a broader economic strategy and more of an eye for the fact that all of the region's areas must feel that they are targeted in the vision.

To use the vision as a base for prioritising sends out a strong signal. All ideas and propositions, which do not add to the industries' innovative power, can be rejected by Styria, because they don't add to the realisation of the vision.

On the other hand, Northwest's vision can be particularly inspiring for regions, where it is a big challenge to create backing and commitment for the regional strategy among the municipalities. Northwest's vision strongly reflects the notion that the strategy must create development in all parts of the region and that the different areas face different challenges.

A *burning platform* is necessary. This platform can, as in Styria's case, take the form of an acute crisis or, in Västra Götaland's case a potential threat.

The question then, is what can be done in regions with a strong economic development and little unemployment? The answer is that the parties must identify common challenges, which all the key players find relevant.

These common challenges could be a metropolis losing terrain to metropolises in neighbouring countries, or the threat of relocation and outsourcing or need to re-align traditional trades and industries. A growing brain drain, the lack of skilled labour or a big economic backlog compared to other regions could be other possibilities.

The regional strategy

The main goal for the regional economic strategy is for all three case regions to channel the funds, which are invested in business development in the region. Strategy developers not only target the regional budget for business development. The goal is also to influence all the resources, which know-

ledge institutions, municipalities, businesses and the government invest in the development of the area.

That is one of the reasons why the strategies are kept on a relatively overall level. The strategies set targets, prioritise target areas and appoint these responsible for transforming the targets into sub-strategies, action plans and initiatives. This opens up for:

- The participation of more key players in the design of specific frameworks, and as such taking co-responsibility of the regional strategy.
- The facilitation of a clear division of responsibilities between a "strategy factory" and one or more operators who are specialised in implementation (see also chapter 5).

Furthermore, the three regions have developed fairly comprehensive processes to harvest ideas and suggestions to improve the strategy and to make sure that everybody involved feel that they have some influence on the strategy. The purpose is to create a sense of ownership and to make sure that the strategy is perceived as the strategy for the whole of the region.

Special boards and partnerships

An important common trait in the three regions is that they have established a number of boards and partnerships, which contribute to the preparation, the development and the implementation of the strategy.

There are three kinds³ of boards/partnerships in the three case regions, which can serve as inspiration for other regions.

Advisory agencies: The case regions have established specific agencies, where leading/visionary business leaders, key players from the knowledge institutions, etc., get together to consult regarding e.g. innovative policies, competencies, technological development, etc. Furthermore, the Styrian Council of Research and Technology is interesting because the council engages experts from outside the region to advise on what the region should target in the global knowledge competition.

Collaboration in strategy formulation. The Regional Advisory Group (RAG) in Northwest is a good example of how a board can be utilised to create ownership and ensure that the strategy covers the whole region. By creating the strategy in collaboration with a group, which represents all important stakeholders, and making the group responsible for the uncovering of needs, consultation and implementation, Northwest Development Agency has created a very strong commitment to the strategy.

RAG is built on a structure/culture, where regional confederations are in place for all important players.

³ In chapter 5 we will return to inspiration concerning boards/partnerships/organisations in the implementation phase.

For instance Northwest has a confederation of universities and business colleges. This is not the case in Denmark or other countries.

But the work in RAG should, in a Danish context, serve as inspiration for key players outside the Growth Forums to take a central part in the different phases of strategy development. One could possibly establish sparring groups with representatives for all important players in the strategy development phase. The participants could, as it was the case with RAG, be assigned to discuss drafts with their sister organisations and partners.

Sub-regional partnerships. The sub-regional partnerships are an important partner in both Västra Götaland and in Northwest. They provide important local inputs to the strategy, they play a central in the development of the strategy and the consultation phase and are responsible for the implementation of several target areas in the strategies. Among other things they have a big responsibility to ensure that local initiatives are co-ordinated with those originating from the regional business development strategy. A successful model requires that 1) the tasks are specific and regulated through a collaboration agreement, like for instance the "Memorandum of Understanding", 2) that initiatives are taken to ensure collaboration between municipalities who are not already partnering on the business political arena.

4. Partnership about common knowledge base

"The analyses, which form the foundation of the strategy are central. It's all about creating a common understanding for the region's most important challenges. How is the region going to earn money in the future and where are the greatest challenges?", Helena Nilsson, Västra Götaland Region.

4.1 Business economic challenges

What are the most serious business economic challenges for the region today? And which business clusters and key technologies must be drivers for the region's economic development in five or ten years? These questions top the agenda in all regions with ambitions to secure an attractive position in the global division of labour.

All regions experience that global competition sets new and higher demands and requirements to the regional framework conditions. Not least in relation to central growth sources such as education, innovation and entrepreneurship.

Global competition also compels regions to prioritise. To target efforts towards niches, business clusters and knowledge centres with the prerequisites to create a global leadership position, and where the impact of business development is greatest.

This is also the case for the three regions in this analysis. They all focus on charting the most important economic challenges in the region. And they spend a lot of resources on identifying the business clusters and new technologies, which will be the region's foundation in the future.

But the lesson from the case regions is not only about a need for solid analysis based on the latest knowledge and the newest methods. The challenge is equally the ability to use the analyses strategically.

Firstly, the regions use the analyses setting targets for the future development of the regions. Secondly, the regions are able to actively engage knowledge institutions and the business community in the development of a fact based foundation. That means that the case regions have a special ability to identify at an early stage new technologies, knowledge areas and clusters with regional potential.

In the chapter we first focus on the case regions' work with identifying the regions' most important business economic challenges. And how the analyses form the foundation for a common mindset among the players in the region.

Next we describe the effort to identify and prioritise new seeding clusters and future key technologies..

4.2 Regional economic baseline

A thorough analysis of the region's business economical starting point and most important future challenges is the core of the fact based foundation in all three case regions.

Typically these analyses describe the region's current situation in terms of productivity and wealth. They also include regional key indicators such as education, research & development, innovation and entrepreneurship.

The analyses are primarily based on benchmarking with the rest of the country and are usually developed by the analytic unit in the region, sometimes in collaboration with external consultants.

The baseline analysis gauges the region's present competitiveness and identifies the key challenges for the region. It is an important tool in the work with creating a strong, common understanding for the region's challenges and the development potential among business leaders, knowledge institutions, municipalities and other key decision makers in the region.

The regional economic baseline represents the base for setting specific targets for the region's development within the key areas of regional strategies. The key indicators are updated annually and form the starting point for a broad discussion of the present development among central players in the region.

Northwest is the case region, which develops the most comprehensive baseline report. See box 4.1

Box 4.1. The content of the regional economic baseline report from the NWDA

In Northwest it is the NWDA's Regional Intelligence Unit (in co-operation with Regeneris Consulting), who has developed "North West Economic Baseline Report".

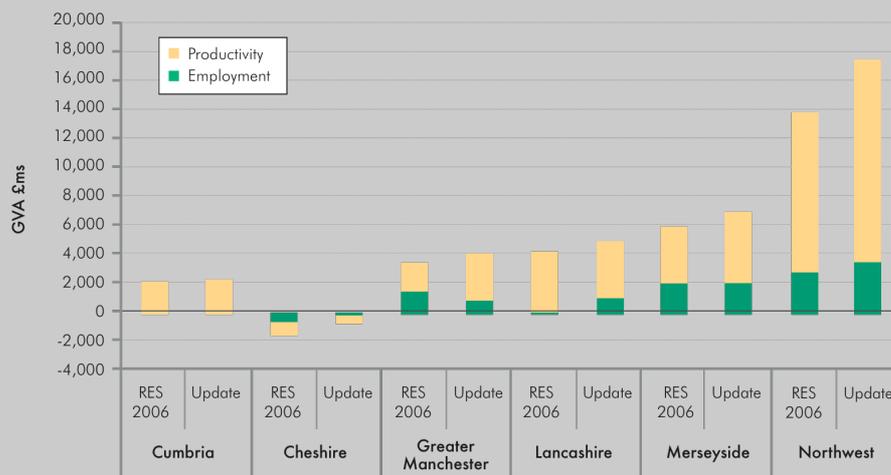
The report benchmarks Northwest against other English regions within a number of central areas: 1) productivity and welfare 2) training and competencies 3) entrepreneurship 4) innovation 5) investment levels 6) industry positions of strength.

The report shows that Northwest has a GRP per citizen, which is 12% below the national average. At the same time it points out a number of key challenges for the region, for instance:

- 80,000 more people must have a qualifying education to bring the region on level with the national average.
- An additional 40,000 businesses must be established in the region, if Northwest is to reach the average per inhabitant for the rest of the country.
- The productivity in the service sector is considerably lower than the average for the rest of the country.

Where possible, the analyses are broken down into sub-regions with a description of how large a part of region's overall performance level each contribute. See the below figure.

Sub regionally the contribution to this gap is shown in the bar chart below (together with changes from RES 2006).



Analyses of the sub-regional level are partly what makes the fact based foundation so applicable and relevant to the local actors. At the same time the analyses document that the sub-regional partnerships play an important role in relation to bringing the region up to the required level.

The Baseline analysis is also the foundation for a discussion of the need for further analyses with a particular focus with relevant key players in the region. These might comprise analyses of particularly important sub-areas with vital significance to the region's development or development perspectives and growth barriers to the region's leading clusters or of specific sub-regional challenges.

For instance Northwest has, as a part of the preparatory strategy work, developed 14 "topic papers" on subjects like business structure, entrepreneurship, future demands on work force competencies and foreign investments in the region.

In box 4.2 below three examples of this type of focus analysis from Northwest and Västra Götaland are given.

Box 4.2. Examples of focus analyses from the three case regions

Analysis of the Aerospace Cluster in Northwes

The Aerospace Research Institute at the University of Manchester, in collaboration with the cluster organisation Northwest Aerospace Alliance, has developed an in-depth analysis of the cluster's challenges in the light of global trends, global competition and cluster structure. The report has formed the base for a "supply-chain excellence" programme for sub-contractors in the cluster.

Focus analysis: Private enterprises' R&D activities in Västra Götaland

Västra Götaland is the Swedish region with the highest GRP percentage of private R&D expenditure. As part of the regional knowledge base a focus analysis has been developed to shed light on how R&D activities are distributed in terms of sectors, company size, etc.

Focus analysis: The sub-region Skaraborg in the global knowledge economy

This focus analysis is made in a co-operation between Västra Götaland region and the municipalities within Skaraborg. It focuses on the area's special challenges as hinterland for a big city, particularly with focus on attracting and holding on to businesses and young families.

The active participation by the region's key players in the development and maintenance of the region's knowledge base plays an important role in creating an in-depth and more operational description of strengths, weaknesses and development opportunities in the region.

All three case regions emphasise the importance of amassing knowledge about what the region's businesses view as the most important challenges and barriers.

In Västra Götaland it is particularly the region's cluster organisations who are consulted in the preparation work on the strategy.

In Northwest and Styria, as described in chapter 3, a number of agencies are established, which play significant roles in the formulation of future challenges and possible strategic focus areas.

In Styria both the cluster organisations, SFG and the business organisation Federation of Styrian Industries (FSI) play important roles in the establishment of a strong knowledge base. FSI's role is explained in box 4.3.

Box 4.3. How the Federation of Styrian Industries work

The Federation of Styrian Industries (FSI) is in close contact with the region's business community and plays a key part in relation to the gathering of knowledge about the needs of the community.

Among other things FSI holds 60-70 meetings per year with business leaders to analyse trends, challenges and needs. The focus is on the future and on what takes place internationally. What are the demands to stay among the global elite in terms of innovation, knowledge, production processes, etc.

Furthermore FSI hosts a number of themed focus groups with businesses within R&D, environment, HR, energy and tax. It also carries out two annual surveys on the current business outlook.

The Federation of Styrian Industries considers it its most important role to engage in dialogue with the business community about important trends, challenges and needs. The organisation's work is perceived - also by the authorities - as an important source to update the knowledge base for industrial politics.

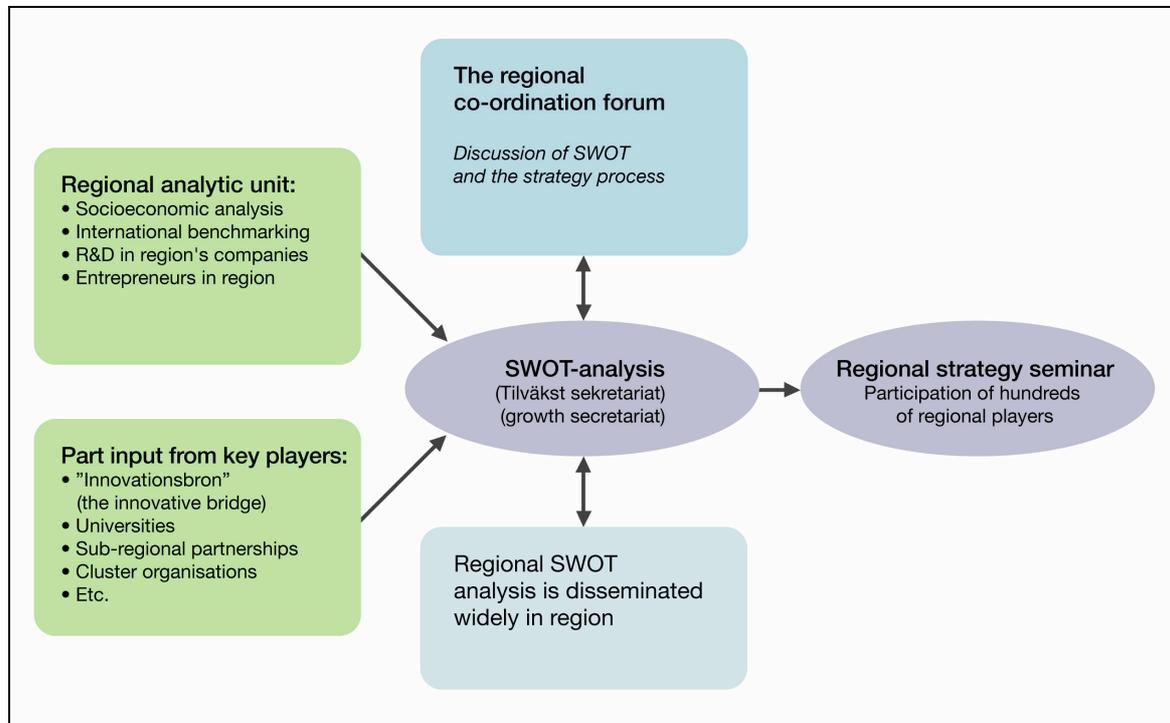
The work to create a solid knowledge base is an integrated part of the strategy work in all three case regions.

In Västra Götaland the strategy work is initiated by the regional development committee (mayors and regional politicians) who schedule and plan a process for the work to build a fact based foundation. See below figure 4.1.

The committee's secretariat has the co-ordinating responsibility for putting a well substantiated regional SWOT analysis together, which is first shown to the politicians in the committee, then revised and sent out for commentary to the regional stakeholders.

The final SWOT analysis forms the base for a big event in the region, where all players with a stake in the region's development participate. Themed work groups, where the region's most important challenges are discussed, is another method.

Figure 4.1. Process for the establishing of a fact based knowledge base in Västra Götaland



At the conclusion of the strategy seminar the responsible politicians from the regional development forum take the podium. And the work groups present their views of the most pressing challenges, target areas and future priorities.

The regional strategy seminar is the starting point for the work to formulate the strategy proper, determine focus areas and set the overall targets for the regional development in the coming years

4.3 Partnerships around new regional strength areas

Along with the increasing global knowledge-based division of labour comes a need to identify the niche areas, where a region has special prerequisites for making its global mark.

Increasingly, it will be necessary to pinpoint present and future business clusters with significant global growth potential. And it will be increasingly important to be able to identify research based areas of strength in the knowledge institutions, which have a broad application within the region's business community.

In all three case regions considerable focus is placed on the development of methods to identify seedling clusters and chart new cross sector technologies with applications in several of the region's leading sectors. This is a focus area in the "Regional Science Strategy" in Northwest and in the Styrian Business Promotion Agency (SFG).

Identification of seeding clusters in Styria.

In Styria they have more than 12 years of experience with cluster initiatives. Through the years SFG has built a tested method to uncover the potential of new, seeding clusters. The method consists of four phases, see box 4.4.

Box 4.4 SFG's method to uncover potential clusters

Start-impulse-phase. SFG gets input from industrial organisations, scientists etc, that a certain group of companies, a value chain, a technology or the like holds potential.

Statistical analysis of the potential. In collaboration with a consultancy a statistical analysis of the cluster is performed. Focus is particularly on the substance of the cluster and the dimensions of the particular industry. Twenty-seven indicators have been developed, which together uncover whether there is a foundation for a cluster initiative - the number of companies, employment, growth rate, R&D intensity and relevant study programmes. The analysis must provide the answer to whether the area holds sufficient substance or whether it should go on a waiting list.

In-depth mapping: A deeper, qualitative mapping of the cluster, including types of companies, relations between companies, value chains, business models, key competencies at the knowledge institutions and specialities with cluster relevance, collaboration with knowledge institutions and large companies' willingness to act as a locomotive for development of the cluster. This phase takes around 5-6 months and is based on interviews, performed by SFG employees. In this phase the focus is also on "selling" ownership to a possible cluster initiative.

Decision about effort: In the last phase it is decided whether a cluster initiative should be launched. Or if, alternatively, the area should be approached via other means, for instance network, encouraging investment (to close holes in the value chain), incubators or test facilities (see SFG's toolbox in chapter 5).

In conclusion, the method is based on both quantitative analyses and qualitative input from businesses, knowledge institutions and other key players in the area. In relation to the decision whether to launch an initiative, it is particularly important that the lead players in the area are willing to take on ownership.

Charting of new cross sector technologies

It is not only in relation to assessing the potential of new clusters that Styria is in front. Also when the object is to identify cross sector technologies with great economic importance, Styria leads on method development.

SFG and Innoregio together with an institute in Vienna, have developed a method, which measures

the strength of research at the region's knowledge institutions and assesses its potential for use in the region's leading business areas, see box 4.5.

Box 4.5 Method for mapping technological focus areas

The method from Styria uses a matrix. Along the first dimension the strengths or the potential strengths at the universities are identified and described. This could be technological knowledge, but also softer areas like design.

Along the second dimension the distribution and application of these technologies in the key sectors, both now and in the future, are mapped and described. The assessment of the future application of the technologies is based on, among other things, in-depth interviews with leading companies, who provide their views of what will be the key technologies 5-7 years into the future.

The goal is to identify which cross sector technologies will have the greatest regional impact in 5-7 years, with an eye on deciding, where the region should focus its resources.

The end goal for this work is to create a strong foundation on which to base prioritisation, when new knowledge- and competency centres and new collaboration- and innovation projects are established in the region.

In Styria the method is used as an integrated part of the region's cluster efforts. The purpose is to ensure that the clusters in the region are supported by a number of efforts on the knowledge side of things. A result of this was the establishment of a so-called "super competency centre" within mobility, which supports the car cluster's need for knowledge. A similar competency centre within "pharmaceutical engineering" collaborates on R&D with the companies in the human technology cluster

4.4 Learning points

All three case regions are very much engaged in the creation of a solid and fact based knowledge base, which will facilitate the identification of the most important business policy challenges. And the three regions actively use the analyses to create a broadly rooted understanding of the challenges among the key players in the region.

The present picture and key challenges

All the case regions have made solid, regional economic baseline analyses, which give a clear picture of where the regions stand in terms of overall targets and key growth drivers.

The regions use the analyses strategically. They use them as a starting point for involvement and responsibility among the sub-regional partnerships (by focusing specifically on their particular role in the baseline analysis). At the same time they use the analyses to set targets and regions follow up with annual measurements of whether development is on track.

Core challenges

Another core focus area in the case regions is the so-called "topic-papers" - or focus analyses - about selected areas with key importance for regional economic development. There's a dilemma insofar as regional strategies must be broad, but at the same time central actors in narrowly defined sectors must be committed to the work. The partnerships around the focus analyses can be instrumental in securing the necessary commitment.

The way the business organisation Federation of Styrian Industries endeavours to regularly update its knowledge about important market challenges, new trends, etc. should also inspire other regions.

Identification of new strengths

SFG has developed a tested method for assessing and prioritising new seeding clusters and mapping technological strength positions within knowledge institutions.

Quantitative analyses of a cluster's potential and economic importance are used together with more qualitative input considering industrial commitment. Styria's four-phase model and methodology to assess the potential of seeding clusters is a tool, which other regions could profitably adopt.

Innoregio and SFG have developed a method to identify technological strength positions within knowledge institutions and to uncover their present and potential application in the most important sectors in the region. The method is the foundation for setting priorities in the regional R&D strategy and for SFG's work on the identification of possible collaboration projects and competency centres.

This work is very important for the work with the region's innovation policy. And the relevance is reflected by the fact that Styria has been awarded nine out of 20 centres within the national competency centre programme..

5. Partnership on implementation

"You need to create a climate of trust, to communicate the vision, and to facilitate a strong network in which ideas for new initiatives can flourish. Our job is to bring the partners together and to develop a strong tool box that they can tap into", Gerd Holzschlag, sectoral director, Styrian Business Promotion Agency.

It is a huge challenge to transform vision, targets, strategies and action plans into well functioning efforts. Who will be doing the actual work? How should the most important stakeholders be involved in the initiatives? Which competencies are needed to carry the new regional initiatives? How can synergy and interaction with the existing efforts in the municipalities, knowledge institutions, cluster organisations etc. be secured?

Basically, the challenge is to transform targets and prioritised focus areas into well functioning initiatives in a regional "market", where

1. There, in many areas, are no qualified operators to handle the tasks
2. Success is dependent on several players committing themselves on a managerial level (active ownership from leading companies, knowledge institutions, municipalities, etc.)
3. The effort must be co-ordinated with local and decentralised initiatives at a time where success requires both local ownership and commitment.

Open bids are rarely the optimal solution. The development of new regional framework conditions often demand a long period of dialogue and motivation, where the core players are committed to the initiative and where the initiative is matched with these players' own competencies and strategies. At the same time it is important that experience with e.g. cluster development is gathered centrally and used in the development of concepts for new cluster initiatives. This is difficult to carry out, if new cluster development initiatives are put forward as open bids among players with little experience in the area.

In the three case regions we've found two further ways of implementation, which with different weight, address the three above mentioned challenges:

1. Implementation via professional players, specialised in the design of business political initiatives and the establishment of relations between the actors in the market
2. A decentralised implementation model, where the responsibility for the realisation of the targets in the economic strategy is placed with the different players in the regional

development.

Styria has unequivocally chosen the first model, whereas Northwest focuses on the second model. Västra Götaland has chosen a combination of the two.

5.1 Implementation via new professional players

In Styria and in Västra Götaland professional players have been given the mandate to implement the whole or parts of the strategy. They comprise specialised organisations with great insight into the regions' innovation systems.

These players are responsible for the realisation of a number of the regional strategies' overall targets for innovation and cluster development. They are based on a thorough knowledge of good international practise and a profound understanding of the competitive situation and needs of companies. Finally, these are organisations, which are highly respected and enjoy strong support among businesses, municipalities, region and knowledge institutions.

5.1.1. Styrian Business Promotion Agency

The Province of Styria has handed over the implementation of the regional business- and innovation strategy to the *Styrian Business Promotion Agency (SFG)*. SFG is a limited company owned by the Province of Styria. The rationale for the formation of SFG was a general consensus in the region that design of innovation initiatives and building relations in the business community must be carried out by a non-public player.

SFG, which primarily recruits from the private sector, thus plays a central role as liaison between the region and the business community. The SFG is an ambassador for the region's economic strategy and for the business- and innovation policy. The SFG has built a vast net of contacts within both regional companies, business organisations and knowledge institutions. Simultaneously SFG has, with its close contacts to the business community, a strong sense of their needs and challenges, which is then passed on to the region.

SFG is run by a board with a majority of business leaders and is run on the normal principles for a private limited company. SFG has 82 employees, who have significant knowledge about and experience with the design and implementation of business political strategies. SFG has a yearly budget of €150 mill.

The Province of Styria enters into a performance contract with SFG every year, with the regional strategy as its starting point. The contract specifies the overall regional priorities, sets targets for SFG's work and determines the budget. Once a year SFG must prepare a review, which describes 1) fulfilment of targets (see section 3.3), 2) which initiatives have been launched 3) the overall spending of funds on different kinds of services.

The SFG has built up a well stocked toolbox, which forms the foundation for the realisation of the targets in the regional strategy. The toolbox comprises six different initiatives:

- **Technology parks/incubators.** These have been an important part of the business policy since the beginning of the 90's. Besides the incubators within the high tech sectors, Styria has also incubators within areas such as the metal industry. The incubators are jointly financed by SFG and the municipalities.
- **Facilitation of clusters.** SFG has launched four cluster initiatives based on the criteria set out in chapter 4.
- **Facilitation of networks.** If there is not sufficient grounds to establish a cluster organisation, SFG can initiate the establishment of a network around specific business challenges. One example is the establishment of a network on business development among "creative" trades and services.
- **Competency centres.** A governmental initiative, which requires regional co-financing. Common research ventures on technology development and innovation between universities and research-based companies in areas, where the regions are strong. Run by a board recruited from top management in companies and universities.
- **Investment stimulation and value chain development.** To attract foreign investments and business development with a focus on strengthening local value chains. SFG can e.g. help local businesses build competencies in areas where knowledge is lacking or suppliers are scarce in Styria.
- **Loans and subsidies.** Schemes to encourage research and innovation in small and medium size companies, which haven't previously ventured into this area (e.g. providing subsidies to consultants who can give advice about innovation).

New initiatives can originate from SFG and from the various players. For example the initiative for new technology parks often comes from the municipalities. The municipality is required to finance 50% of the running costs of technology parks. Another requirement is that at least four municipalities must participate in the initiative. This is to ensure that the parks are deeply rooted locally. If the municipalities can live up to these criteria, facilitate the land and present a fair project, SFG will enter into a collaboration with the municipality in the development of the technology park. SFG will typically own 26%.

In many other cases it is SFG, who's the originator of new initiatives. Based on the organisation's broad knowledge of the goings on in knowledge institutions, clusters and the business community generally, SFG can often spot promising initiatives. SFG's role is to find key persons in the business and at knowledge institutions, who can be the driving force for new initiatives.

It is characteristic of SFG's work, that they've been good at creating new initiatives based on strong partnerships with key players in the region. That is especially true for the efforts with clusters and the work with establishing new competency centres, see box 5.1 below.

Box 5.1. Partnership based initiatives in Styria

Four cluster initiatives have been taken in Styria. They are all developed based on a model, where a decisive factor is the establishment of strong partnerships around the cluster.

What's special about the model is that cluster initiatives are born and matured by a team in SFG with comprehensive knowledge of the area. In the first phase the cluster potential is estimated (described in chapter 4). In phase 2 an external organisation with its own board is established. In this phase a number of specific services are developed and implemented. In phase 3 SFG's share of the equity financing decreases, as the operation of the cluster in phase 4 must be 100% financed by the members' income.

The owners comprise leading companies and in several cases also universities. SFG is co-owner up till phase 4. Typically, the relevant knowledge institutions are represented at high level on the board. All cluster organisations are membership based and membership financed and incorporate the participation of leading companies, sub-contractors, service contractors and knowledge institutions.

The initiatives are based on a strong bottom-up approach. SFG plays a central role in relation to finding key persons in the industry and at universities, who want to drive the initiatives and take responsibility for mobilising other businesses and scientists/teachers in the region.

SFG's role as a successful policy-designer is also reflected in the fact that Styria has successfully attracted 9 out of 20 national competency centres. Competency centres are part of a national programme from 1998, which aims at furthering research in areas where the region is strong on both the research and the business side of things.

It is the knowledge institutions and the companies together who determine the focus areas and targets for the competency centres. Focus is on applied research and on attracting international research expertise to the centres. The national funds for the competency centres last 3-10 years. The centres are established as companies, in joint ownership between the universities and leading companies. The centres employ up to 200 scientists.

An important reason for Styria's success in attracting national funds is SFG's long standing experience with the identification and hiring of people with great commitment from the business community and from the universities. Another important explanation is SFG's strong methods for documenting research strengths and assessing their future business and economic potential. See chapter 4.

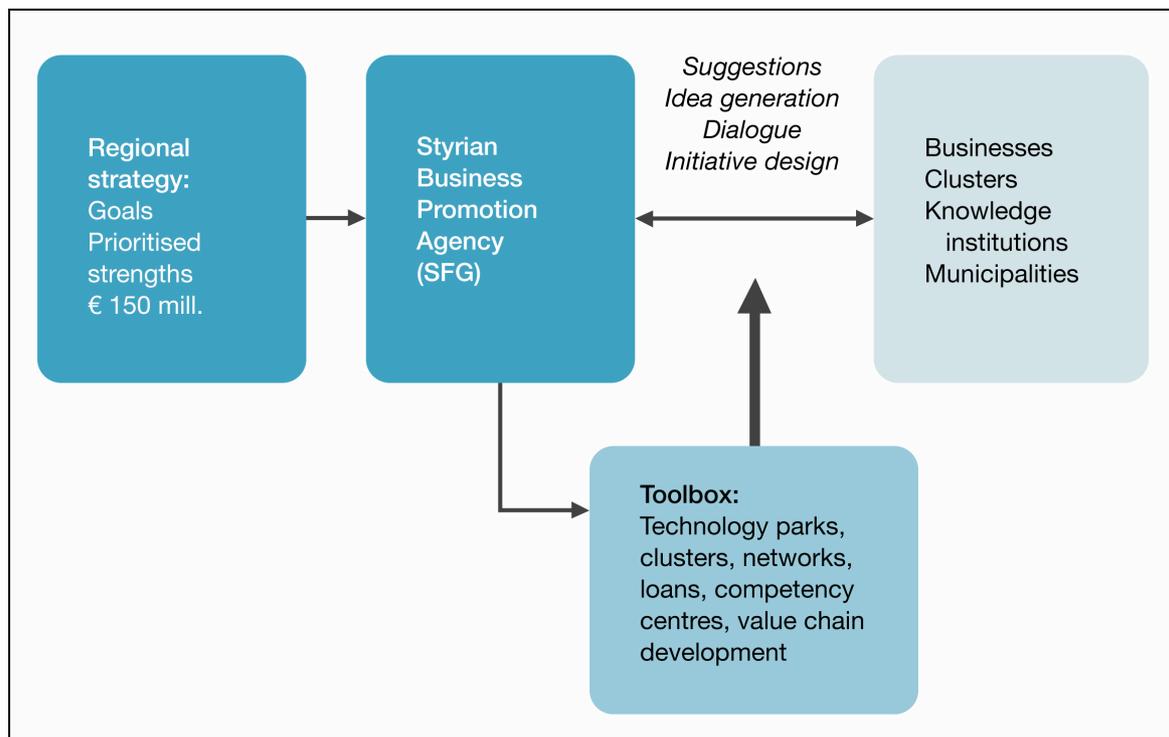
For all initiatives in its tool box SFG has developed a special set of objective criteria, used to determine whether an initiative needs financing (see chapter 4 for an elaboration of the criteria for clusters). Among the criteria are both indicators for economic potential and absolute criteria, which decide if the initiative matches the regional strategy (e.g. if the initiative focuses on the same key technologies,

which the strategy focuses on). If an initiative fulfils these criteria, it will be backed financially. Figure 5.1 shows the interaction between the overall strategy, SFG and the various players.

The figure illustrates SFG's many functions. SFG rolls out the strategy, develops the toolbox, tie the actors together around promising initiatives, participates in concept development for new initiatives, boards of e.g. clusters and competency centres, spots new technological opportunities, considers proposals for whether initiatives deserve regional co-financing etc.

The division of labour between the Province of Styria (who's responsible for the strategy) and the SFG means that the specific initiatives can be developed and considered close to the market and with a profound understanding of the business needs and the competencies needed to succeed with the initiative.

Figure 5.1. SFG's central roll in the roll-out of the regional business- and innovation strategy in Styria



So it is the targets in the regional strategy, which guide SFG's activities, and which technologies and clusters the toolbox and resources are used for.

SFG doesn't just participate in the concept development of significant initiatives. It also follows up on many of the initiatives, already under way. E.g. SFG has a seat in the boards of the competency centres. For clusters, each is assigned a Key Account Manager from the SFG's cluster team, who sits on the board, reports to SFG and functions as an ambassador for knowledge sharing between clusters.

5.1.2. Implementation of the business policy in Västra Götaland

In Västra Götaland the region hasn't placed the responsibility for the implementation of the strategy in one particular organisation. Nevertheless, this region has several professional players with responsibility for implementing parts of the regional strategy.

An example is Innovationsbron Väst (Western Innovation Bridge), which is responsible for the development of a functional and cohesive infrastructure for the commercialisation of the research, which takes place at universities, hospitals and other science hubs in the region.

Box 5.2. Briefly about Innovationsbron Väst

Innovationsbron Väst is one of seven subsidiaries under the governmental corporation Innovationsbron, which was established in 2003.

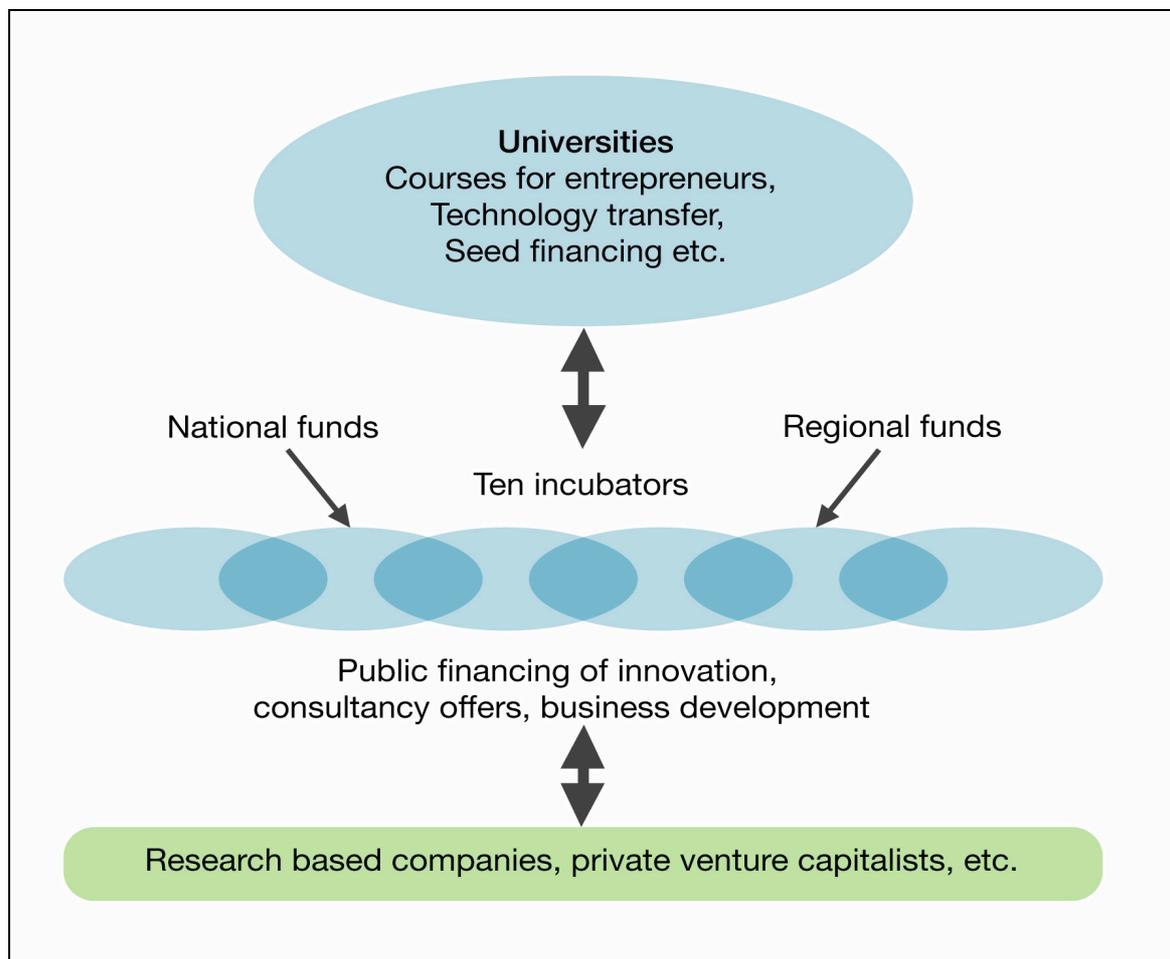
Innovationsbron Väst is responsible for developing improved frameworks and conditions for the commercialisation of research at the universities in Västra Götaland.

Innovationsbron Väst has 7-9 employees, who work closely with universities, technology parks, incubators, business angels and established research based industry in the region to strengthen the business competencies in the region's incubators.

Innovationsbron Väst is run by a board of six persons. One is a representative of the Ministry of Enterprise, Energy and Communications, while the others are prominent leaders from the region's large companies (among them Volvo) and representatives from the region's universities.

Innovationsbron is responsible for the implementation of the part of the regional strategy, which focuses on the commercialisation of public research. It is Innovationsbron, who calls meetings to address possible weak points in the region's innovation infrastructure and discusses the need for new initiatives, which can facilitate realisation of the regional vision and strategy.

Figure 5.2. Innovationsbron connects key players via common initiatives



Innovationsbron Väst has thorough knowledge of international best practise in the development of a framework for the commercialisation of research. And the employees are respected for their knowledge and insight among the key players in the area (e.g. commercialisation units at universities, among the region's ten incubators, those in charge of public programmes and the region's technology businesses and private venture capitalists).

Innovationsbron has been the primary driver of the following initiatives:

- Competency development programme for business developers at the region's incubators
- The development of the regional market for seed-capital
- Development of courses in entrepreneurship at the universities with a special focus on regional strengths, e.g. bio-tech
- Integration and collaboration between the commercialisation units at the region's two big universities
- Better division of labour and communal specialisation between the region's incubators.

Besides playing a central role in the implementation of the regional strategy, Innovationsbron Väst also functions as an important hub, where national and regional efforts for the commercialisation of research are integrated. This ensures maximum benefits from the overall efforts.

The Ministry of Enterprise, Energy and Communications in Sweden has developed a national incubator programme, which supports the establishment and running of a number of incubators around the country's big university campuses. Simultaneously a regional incubator programme has been developed, which is supported by both Västra Götaland and Gothenburg's Business Region. Innovationsbron operates both these programmes and ensures that the national and regional efforts within this area are effectively co-ordinated.

As an example, Västra Götaland Region has, according to the economic strategy, decided to spend 8 mill. SEK yearly on the development of business competencies among the companies in the region's incubators. It is the responsibility of Innovationsbron to design and organise the specific application of these funds so that they are channelled optimally in regards to other efforts in the area.

Also the *sub-regional partners* (municipality collaborations) in Västra Götaland play an important role in the implementation of the regional strategy. As described in chapter 3 the municipality collaborations have established business promotion organisations as non-profit companies. These organisations are responsible for the development of the entrepreneurship efforts, according to the targets set forth in the regional economic strategy. Furthermore they are responsible for the implementation of the part of the regional strategy, which has to do with the development of business clusters.

The purpose of the cluster initiatives in Västra Götaland is to further the collaboration between industries, universities and public authorities. Funds are available for the establishing of networks or to build up an actual cluster organisation. The sub-regional business promotion organisations have, based on the regional strategy, established a number of cluster organisations within areas, where the various parts of the region have its industrial strengths. Cluster initiatives focus on business development, R&D collaboration, competency development and internationalisation.

Some of the cluster secretariats are run by the four business promotion organisations, while others have been spun off as private, membership based organisations. But in all cases it is the four organisations, which carry out the task of establishing the foundation for the cluster organisation, including the involvement and motivation of business leaders and knowledge institutions, who will be drivers of the cluster initiative. That is true for the bio-tech cluster, where the companies are centred around Gothenburg. See box 5.3.

Box 5.3. GöteborgBio (GothenburgBio)

GöteborgBio is a common national and regional venture with the purpose of developing a strong bio-medical position in the Västra Götaland region. Via the national VinnVäxst (win growth) programme, GöteborgBio has been given funds to the amount of SEK 10 mill./year for ten years. Furthermore, Västra Götaland Region and Gothenburg Business Region support the initiative with SEK 20 mill. Additionally, the venture is supported by the region's universities and leading bio-medical companies (e.g. Chalmers University of Technology, Gothenburg University, Innovationsbron, AstraZeneca, Mölnlycke Health Care and Nobel Biocare).

GöteborgBio invests within four main areas:

- Support for R&D projects with significant commercial potential in special regional strength areas within the bio-tech field
- Support for education and training in entrepreneurship
- Development of the infrastructure for the commercialisation of bio-technological research in the region, e.g. test environments and laboratories
- The attraction of talent and investments to Västra Götaland.

GöteborgBio is run by a board of representatives from the top management of the most important stakeholders in the initiative. GöteborgBio functions as a regional coordination centre for all large investments and initiatives in the bio-medical area in the Västra Götaland region.

5.2. Decentralised implementation strategy

Compared to Northwest, Styria has chosen a very decentralised model, where a number of different organisations have been delegated responsibility for the realisation of the targets in the economic strategy. See chapter 3.

All together 75 different organisations are appointed so-called "lead organisations" in the strategy - each responsible for the realisation of one or more of the 122 actions and targets in the strategy. It is the responsibility of these organisations to work on sub-strategies, an action plan and a budget for the actions, for which they are responsible.

Examples of "lead organisations" include sub-regional partnerships, Business Link (a sister organisation to the Danish regional growth houses), Northwest's Research councils (with the participation of most of the universities), regional competency centres, tourism organisations and established cluster organisations.

Based on sub-strategies and action plans the particular lead organisations negotiate with Northwest Development Agency (NWDA) for funds for the realisation of the action plan. It is NWDA's board, who makes the final decision about the financing of the various actions. Sub-targets and a specific time schedule are agreed upon.

The responsible organisations must report to NWDA once a year about their progress, implementation and the achievement of goals (see chapter 3). The report must also contain a description of possible barriers to the implementation and realisation of the targets. And in cases where it looks like the goal can't be achieved, the organisations must propose additional actions and initiatives.

Based on this, the *Regional Advisory Group* publishes a Baseline Update Report every year. This report shows the overall targets (developed in connection with the economic strategy) for economic growth, creation of jobs, number of new businesses, persons with a college education, number of university graduates, employment rate, deprivation and CO₂-emissions. For each target the actual development is shown in a traffic light system. For several of the indicators the contributions to the realisation of the targets from each sub-region are shown.

For each of the 122 actions in the regional economic strategy the Baseline Update Report gives a qualitative view of progress, an estimation of the barriers to implementation and possible suggestions for supplementary initiatives.

For the so-called Transformational Actions (actions seen as particularly important for the region's growth targets) a bi-annual monitoring report is developed, based on the reporting from the lead organisations. On this background each action is assigned a traffic light.

It is also the lead organisations' responsibility to co-ordinate the implementation of the regional economic strategy with own initiatives and strategies. E.g. the five sub-regional partnerships - after the agreement on the economic strategy - work out a sub-regional strategy and an action plan for economic development. The plan encompasses:

- a description of the actions in the regional strategy, which are relevant for the sub-regions and which they are themselves responsible for implementing
- important investments at local and sub-regional level launched by local authorities with influence on the realisation of the targets in the strategy.

The sub-regional areas of responsibility in the regional strategy include training and in-service training in local industries, science parks, competency development in fringe areas, tourism development, transport and environment.

"Sub-Regional Partnerships (SRP) will provide strategic leadership on the development of key national/regional policy initiatives in their Sub-Region, and ensure that such initiatives are integrated with wider Sub-Regional policy frameworks. SRP's will identify gaps and weaknesses in delivery capacity across the Sub-Region, and develop solutions to address these deficits.

An extract from the wording in the Memorandum of Understanding - the collaboration agreement between NWDA and the five sub-regions.

The purpose of Northwest's decentralised model is to create the greatest possible synergies between the regional strategy and the decentralised efforts in municipalities, cluster organisations etc. At the same time, the model also adds to the sense of responsibility among the many players in the regional business development. See the below box 5.4.

Box 5.4. An example of Northwest's decentralised implementation strategy

A core challenge in Northwest is the development of strong business clusters. And that leads to a focus on clusters and sectors, which can contribute to growth in fringe areas. Sub-regional partnerships also play an important role in this. They are typically closer to the businesses and are well informed of the existing initiatives and players in the area.

For example the sub-regional partnership Cumbria Vision is responsible for "Action 51" in the regional strategy for Northwest:

"Action 51: Diversify the economic base and support sectors with growth potential in the rural economy..."

It is up to the management of Cumbria Vision to decide, what are the most expedient measures to be taken within this area in their sub-region. In this specific case Cumbria Vision decides that the greatest effect can be achieved by focusing on the region's strong and innovative food cluster.

Together with key players such as "Cumbria Food and Drink Branding Programme" and the "Cumbria Food and Drink Cluster Development Programme" Cumbria Vision develops a view as to how efforts can best be strengthened.

In the same way Cumbria Vision is responsible for the implementation of a number of other actions in the regional strategy. Based on a presentation from Cumbria Vision a joint agreement is reached with Northwest on budget and targets for the work in relation to the actions in the regional strategy, where it is lead organisation.

The risk of course is that the regional strategy is used merely as an instrument to increase financing of existing local initiatives and efforts. Therefore, according to Patrick White (director of NWDA), it is important that the goals in the regional strategy clearly signal, how the region will make its living and that

NWDA is actively involved as sparring partner in the process, where targets are converted into decentralised strategies.

5.3 Learning points

The task of developing a well functioning regional infrastructure for e.g. innovation, cluster development and knowledge dissemination is quite a challenge. New kinds of players with considerable market insight are needed. Leading businesses, knowledge institutions and municipalities must be motivated to actively take ownership. And the efforts of regions, municipalities' and knowledge institutions must be coordinated and made in tandem.

In the three case regions it has taken years to develop the infrastructure, which forms the foundation of the implementation of the latest economic strategies. In Styria and to some extent in Västra Götaland the implementation has been left to professional players, specialised in the design of new kinds of business political initiatives and in building relations between the business community, knowledge institutions etc. In Northwest they've chosen a very decentralised model, where the responsibility for the implementation of the strategy is placed with sub-regional parties, cluster organisations and other specialised operators.

Both methods are exponents of a division of labour, where 1) boards/fora with responsibility for the regional strategy set targets and select focus areas, such as prioritised clusters, technologies and competencies, 2) sub-strategies, action plans and the development of specific initiatives are placed with players close to the market or at a local level.

To create this division of labour the case regions have established new boards, operators and partnerships. Such as the Science Council in Northwest, sub-regional partnerships in Northwest and Västra Götaland and SFG in Styria.

There are certain risks attached to the delegation of sub-strategies and action plans to such players. In some areas it may increase the risk that narrow institutional political interests get pride of place in terms of prioritisation.

This has been generally avoided in the three regions, however. But that is closely linked to the common commitment to the regional development, which they have been successful in creating. Without a clear will to let institutional political interests give way to regional interests, it can be risky to delegate sub-strategies and action plans.

Implementation via professional players

SFG plays a central roll when Styria presents itself as an innovation political pioneer. An organisation has been successfully established, which combines deep insight in the region's business community and knowledge institutions with intelligent policy design and strong competencies in relation forming. That also goes for Innovationsbron in Västra Götaland, which operates in a narrower field though.

The lesson from the two regions is that a strong operator on the implementation side is an important

asset in the creation of regional frameworks for e.g. innovation and cluster development in the international elite. Common characteristics for these players are:

- Driven on market conditions with recruitment primarily from the private sector
- Strong contact net to the business community and knowledge institutions and deep understanding of how to establish collaboration between these worlds
- The development of an array of tools based on knowledge of global best practise in the design of business- and innovation political players
- Almost Independence to carry out investments of regional and governmental funds based on targets and focus areas defined in the regional economic strategy
- Back-up from both regions, municipalities and government and with a central role in ensuring initiatives/programmes on various levels are coordinated
- Participates in concept development and start-up of new initiatives within areas such as science parks, cluster organisations and bridge-building initiatives between research and industry. Initiatives are spun out as they mature, but the organisation remains a stakeholder and participates in the work on the board or similar
- Develop objective criteria for the assessment of specific initiatives/applications, which creates transparency and visibility around the premises for the business policies.

It is not a given that responsibility for these tasks must lie in a private enterprise as is the case for e.g. Northwest Development Agency, which holds this function on several areas of the Northwest strategy. However, a prerequisite for this is that the organisation has the ability to build relations, has market insight and holds the respect of the business community, which unfortunately is rarely seen in public institutions. In Northwest the mission is partly accomplished because NWDA has been able to recruit from the private sector and because there's considerable respect around the organisation's work and the partnership, which NWDA has facilitated over the later years.

Decentralised implementation strategy

Northwest's implementation model is not least interesting when looking at the interaction between the municipalities. The municipalities play an important role in areas such as entrepreneurship, the intake of students and the completion of training in knowledge institutions, tourism, leisure economy and knowledge dissemination.

The region and the municipalities in Northwest have established a new division of labour, where the sub-regional partnerships are responsible for the development of sub-strategies and action plans on the areas mentioned. The purpose is to ensure a larger degree of synergy between the use of regional and local funds and to create greater commitment from the municipalities in the regional strategy. The partnership is based on a number of initiatives:

- Sub-regional partnerships have been established for municipalities who weren't already covered by existing municipal collaborations on the business policy area.
- A Memorandum of Understanding has been developed, which specifies new tasks and functions for the sub-regional partnerships.
- Northwest co-finances the operation of each partnership with £600,000 a year, so they can carry out new tasks (e.g. clarification of local needs, development of sub-regional sub-strategies and action plans, the implementation of specific initiatives, ongoing reporting to the region).
- The engagement of the business community and knowledge institutions in the partnerships' boards and owners.