

**Compete In**  
**Policy Guidelines and Recommendations**  
**for Policy and Decision Makers**



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## Introduction

The policy recommendations in this brief report are a distillation of activity within the Compete In project partnership: study visits, presentations and discussions at project meetings, good practice exchanges and transfer workshops and feedback from partners' Local Stakeholders Groups across these activities.

The recommendations are primarily aimed at policy and decision makers within local and municipal authorities, universities, business and community associations and SMEs.

The International Best Practice Review and the Enabling Factors Report provide detailed background and references, with this document highlighting the general lessons learned.

## Key Themes and Lessons from Compete In

Compete In partners' activities illustrate a rich range of good practices highlighting innovative approaches to internationalisation with regions acting as enablers and catalysts of cultural links, supporting SMEs internationalising and proactively stimulating links with international markets.

Across the project a series of common themes have been notable revealing the importance of local actors' engagement from the public, private and non-profit sectors. Central to this has been building and sustaining partnership and collaboration for a common purpose.

- The growing importance of new forms of local collaboration, networking and partnership, a cultural approach typified as 'networked governance';<sup>i</sup>
- The central importance of innovation and of systemic support for it;
- The critical importance of enhancing technical and managerial skills and linking these to SMEs;
- The importance of sustaining a vibrant SME culture;
- The importance of an open, outward looking culture that is willing and able to develop linkages with other regions and cities across the world.

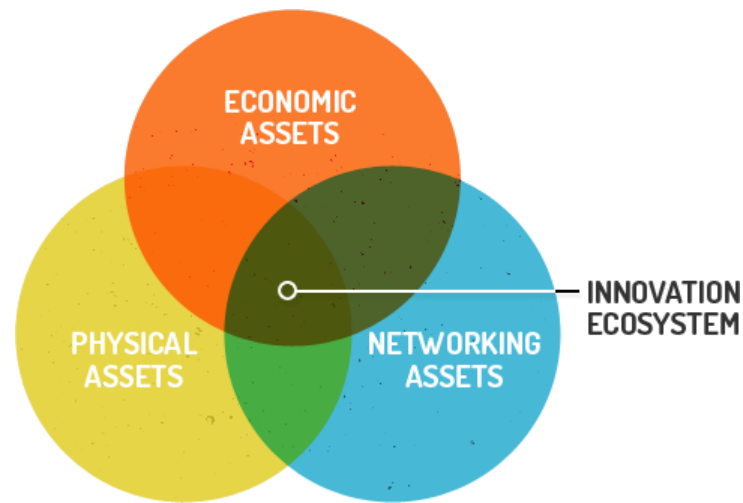
## The Importance of Locality in Global Value Systems

Compete In partners function within a globalised economy, as well as national, regional and EU cohesion policy and structural funds programmes. Regional policy responses have developed to meet specific challenges of economic and social change. The enduring challenge for leadership structures within the regions remains finding ways to rebuild new sources of competitiveness for their people and business communities.

Central to rebuilding competitiveness has been the importance of supporting SMEs and their resilience and particularly around their capacity to generate and absorb innovation. This has been complemented by the growing awareness and action on improving and supporting innovation systems within regions. This reflects recognition of the importance of the relationships between agglomerations of industry and the underlying support research and innovation infrastructure and how technical talent is nurtured and connected with the regional and local economy.

Building and rebuilding innovation ecosystems has become a key theme. And within this there has been growing interest and focus in more granular activity to stimulate and improve innovation activity in local areas; to grow and sustain *local innovation systems*. The Brookings Institution's Bruce Katz and Julie Wagner have provided an excellent summary of this approach in their work on innovation districts published in 2014. They describe a multi-faceted *innovation ecosystem* composed of three key elements: Economic Assets, Physical Assets, and Networking Assets which sustain "a synergistic relationship

between people, firms and place (the physical geography of the district) that facilitates idea generation and accelerates commercialization”.



Source: Katz & Wagner (2014): *The Rise of Innovation Districts: A New Geography of Innovation in America.*<sup>ii</sup>

Katz and Wagner’s work on innovation districts very much echoes the Quadruple Helix model that has influenced and is a key reference point for regional and innovation policy development in the European Union. A central premise to both is the importance and logic of cooperation, and of partnership.

### **Leadership, Partnerships and Innovation**

Cultures that are open to ideas and supportive of innovation are more likely to be socially and economically successful as they are more adept and able to respond quickly to the challenges of the modern age and to develop new solutions to local problems. Problems are increasingly bigger and more complex and their solution requires more collaboration and cooperation to solve them. The days of being able to centrally command and control and deliver solutions are gone. Leadership in local and regional economies is more and more about building network governance structures and processes to tackle problems.

There is a wealth of evidence and practice that underlines the importance of building civic and social capital as an ingredient in successful political and economic regeneration. This also extends into the world of enterprise where collaboration is a critical complement to competitiveness both at the level of the firm and in the regional economy. Individual SMEs can learn from and with others, enhance their managerial and technical capacity to cope with business challenges and thus become more efficient.

Similarly, supporting networks of innovation and technology transfer and more generally building relationships and linkages within clusters reduces businesses transaction costs in accessing and adopting new ideas. The learning curve is more moderate, less costly.<sup>iii</sup>

### **Open Cultures, Outward Looking Cultures**

The lesson of the post-World War Two international economic system is that open economies promote trade and growth. Within this growth regime there has been a growing realisation of the importance of investment in and adaption of innovation and consequent policy focus on the relative strengths and competences of national innovation systems and latterly regional innovation systems. The production and movement of ideas and innovation and products has as the Organisation of Economic Cooperation and Development evolved into global supply chain system both for innovation and production. The geography of production and innovation is global and is changing as is also the mobility of researchers.

Large firms, SMEs and national and regional economies are having to adapt to and evolve with these changes. Models for promoting innovation have increasingly emphasised collaboration and open innovation beyond the traditional capacity of research laboratories, of firms and borders. The ability not only to generate ideas or solutions but also the capacity to absorb, adapt and transform ideas is dependent on high level technical and scientific skills within a region.

A key factor for regions and localities being part of this dynamic is growing and attracting technical and scientific talent. A wide range of evidence shows the importance of this skilled absorptive capacity driving technology transfer and innovation activities. This has also been evident in partner good practice where technical talent nurtured within the region is being linked to and embedded within firms.

There is an inherent and relatively simple logic to this type of “openness”: a local culture that is open to ideas, that engages with and accesses solutions beyond its locality will attract talent and resources. Closed and inward-looking cultures do not lead to optimum solutions in science and problem solving.<sup>iv</sup>

Summarising the sections above: improving a region’s attractiveness to capital and its SMEs’ competitiveness in international markets necessitates tackling a range of policy issues across a broad front. For clearly international attractiveness and competitiveness are composed of an amalgam of inter-related and correlated factors: openness, innovation, efficiency and endowment.<sup>v</sup>

## **Recommendations to Policy and Decision Makers**

**Local and municipal authorities** typically play the key leadership role in marshalling resources and activity in improving internationalisation. However, this is now a much more shared process of ‘networked governance’. Local authorities are deepening existing relationships with business associations and universities so that the specialised knowledge and know-how of these bodies can inform decision making and action on internationalisation. This leadership role is particularly important in fostering direct overseas linkages and often builds on past cultural, political, social and economic ties. These cultural and historic ties can provide great opportunity to enhance specific economic and business relationships as the past dealings provides a basis of trust, empathy as well as political and emotional intelligence to guide and nurture the development of the connections.

**Universities** across the Compete In territories show a range of country and regional specific experience that reflect the local higher education system’s past and current relationships with businesses and the wider regional economy. Universities need to mobilise their efforts and resources to ensure that they are better placed at supporting SMEs, and stimulating innovation and problem-solving activity. This can be a difficult balancing act with university’s research output. The growing maturity and sophistication of such associations can also build upon universities’ international academic activity. Academicians and university leaders can act as ambassadors for the regions, by providing briefings to leaders in other regions as well as spotting broad and specific economic opportunities for their region to follow-up on.

**Business and community associations** have typically functioned as representational bodies or as specialist export agency type services. Clearly this could be further built on not just around existing collaborative projects but also through the exchange of personnel and secondments so that partners can develop a more detailed and granular knowledge of the other’s functioning. Within the project partners’ good practices there is opportunity to follow-up and potentially develop collaborative projects between a number of partners; for example, encouraging start-up or micro-SMEs to commence exporting earlier in their development.

**SMEs** are typically the target community for improving services and support for internationalisation around specific initiatives. However, there is also opportunity and need for co-opting individual leaders of specific SMEs that have special skills or know-how to contribute to internationalisation. For example, some of the individuals who have been involved in the Compete In Local Stakeholder Groups have really helped to invigorate and inform the development of good practices and transfer workshop activity.

**Local and regional authorities** hoping to improve their performance on internationalisation need to focus on how they deliver services and activity in the following areas:

- 1. Provide a systematic and responsive service (benchmarked, monitored and performance managed) to potential investors seeking to come to the region.**

The competition for FDI is very strong. Regions need to constantly review and ensure that their support offer to inward investors is competitive, fit for purpose and ‘state-of-the-art’. Local or municipal authorities should also mobilise key regional institutions such as universities to ‘amplify’ the investment offer or to act as ambassadors for the region’s proposition as an investment location.

- 2. Ensuring that there is a readily accessible, strong, modern and resilient infrastructure for the flow of people and goods into and out of the region.**

The capacity to get goods into and around a region correlates strongly with regional competitiveness.

- 3. Ensure there is a resilient and modern digital and advanced ICT infrastructure: digitalisation is a fundamental enabling technology for all sectors and economic activities.**

Ensuring there is an excellent ICT infrastructure is a must for any region seeking to attract world class investors. ICT is very much a general-purpose technology and a prerequisite for the competitiveness of all sectors operating in a region as well as innovation.<sup>vi</sup>

- 4. Ensure that there is good access to and the mobilisation of STEM skills and particularly around ICT skills for these are the complementary assets that will guarantee that SMEs and other enterprises in the region have the absorptive capacity to develop, consume and adopt innovations as well as attract and anchor FDI.**

Having the necessary 'liveware' to make best use of good hardware resources is fundamental to SMEs and inward investors being able to realise the benefits from good ICT infrastructure.

- 5. Identify and support the development and promotion of supply chain linkages with FDI and between local technology-based SMEs and the local service economy.**

This is a classic FDI aftercare service where is a follow-up on the earlier phases to ensure that downstream activities from the

- 6. Ensure that there are soft landing and facilitation spaces (such as within incubation and innovation centres) available for new entrants to the region (set-up offices, virtual offices, brokering local services & suppliers).**

This is not just a case of "welcoming" but of having a system of "wrap around" support and aftercare that ensures that the inward investor can start activities quicker and more efficiently.

- 7. Create mechanisms for regional responses to structural challenges and sectoral changes to reshape local competitiveness.**

Regions need to have the capability to analyse and solve the problems that challenge them as well as the ability to mobilise local partners and create a policy consensus on action to tackle the issues.

- 8. Showcase quality of life and "liveability" strengths in the region.**

Higher value and knowledge-based investors want to buy into places that are attractive places for their managers and workforces to live in and where they will be able to sustain growth and attract talent to their operations.

### ***SMEs***

Classically SMEs consume services rather than mobilise and deliver them. However, within regions and regional partnership arrangements there is scope and need to harness the expertise of individual experts and entrepreneurs to guide SMEs into new markets.

- 9. Provide mentoring and support for SMEs that are looking to move into markets that are new to them, especially internationally, so that their resource base and competency is extended.**

This is a fairly constant theme within regions that are trying to improve export and internationalisation performance and echoed in Local Stakeholder Group contributions. A range of evidence (including the experience of high-tech clusters) shows that businesses of all sizes benefit from support and advice that overcomes barriers to entry and supports the learning process (cultural, transactional and managerial) of entering new markets.

### ***Business Associations***

Business associations need to collaborate more and proactively share their collective expertise within regional and local partnership structures.

**10. Facilitate and sustain the development of networks of businesses and business support organisations to share information, best practice, develop linkages and the exchange of tacit knowledge at peer-to-peer levels.**

Ideally business and community (such as non-profit) associations should take the lead in organising and managing these. Mature business ecosystems can and will typically spawn a number of initiatives and groupings to facilitate the exchange of information, advice and brokerage of financial relationships. Technology and networking events and collaborative spaces can augment the functioning and the impact of such networking.

***Local Authorities, Universities and Business Associations***

These recommendations bring together three key partners that should be collaborating around these issues to improve synergies, as well as strategic and operational cooperation in and beyond the region. It will vary from region to region on the relative weight and leadership role and path that these partners take.

**11. Enhance and develop complementary assets and ecosystems that promote added value and innovation efforts.**

This essentially is about providing specific support around innovation activities so that SMEs especially can more readily access specific technical advice and development support. Often this will take place within incubation and innovation centres which either host such innovation support or serve as a focus for its delivery. It can involve showcasing research and laboratory facilities that assist regional businesses to test and solve problems.

**12. Promote high-tech clustering (or agglomeration) around existing and emerging sectoral and supply chain strengths.**

Clusters rise and fall and/or specialise, and this is where the intersection of activity between local partners (notably sector associations), the municipality and university research and technical facilities can strengthen the functioning of the regional agglomeration.

**13. Stimulate and support institutional engagement and network assets (e.g. trade and technical associations, executive coaching & training) to sustain a culture of learning and open innovation.**

It is essential to mobilise experience and talent from SMEs within the region stimulates a more cooperative and collaborative culture around problem solving. Businesses seeking global success need help to overcome a series of barriers. These include: navigating regulatory barriers to entry; overcoming a lack of reliable partners and contacts in markets abroad; getting to grips with language and cultural barriers; and developing their experience of managing international activities.

**14. Promote a culture of international linkages and openness (cultural, academic, trade missions, business fairs, and mentoring SME managers to participate).**

Regions and organisations that look and engage outwardly are more “in touch” with novel ideas as well as diverse and original talent; and consequently, they tend to be better at problem solving and adaptation. Past relationships can offer a huge amount of collateral and specific opportunities where trust and familiarity help catalyse and accelerate the development of the contact into new areas and projects.



## **Universities**

Universities need to identify and push what they are good at and build on such assets in a much more strategic fashion which brings them closer to business activity. The lessons from regions where such activities and practice has been developed is that there are mutual benefits and learning for university staff and entrepreneurs.

### **15. Identify and support innovation amongst SMEs and facilitate access to higher education and research institutions that can problem solve and act as a long-term resource for businesses.**

Clearly, universities can and must take the lead in the networked governance of activity and any initiatives to improve interaction between business and research and innovation capacity. Local and municipal authorities often have the physical space as well as the know-how around planning, project management, funding and sustainability to make them a joint or lead partner in the development of innovation centres. This collaboration can give both stakeholders a deeper understanding of what delivers success and how to replicate that in other disciplines and projects.

#### **Finally...**

Local collaboration, networking and partnership working are critical to new ways of working and problem solving. Adoption of these recommendations by different policy and decision makers is not enough in isolation, but must be integrated with the activity of others to ensure improved performance in internationalisation by a region.

For that reason, the actions have to be seen as a programme of activity that is cumulative, combinatory and complementary. Combined they will yield results greater than the single project activities will do over the long-run.

## ENDNOTES

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<sup>i</sup> In a 2017 work Bruce Katz and Jeremy Nowak used the concept of networked governance to describe the new patterns of public, private and non-profit organisations' collaboration and problem solving that helped transform and regenerate Pittsburgh and Indianapolis. (The New Localism: How Cities can Thrive in the Age of Populism, Brookings Institution Press, Washington DC).

<sup>ii</sup> Again, Bruce Katz and Jeremy Nowak have argued that developing new leadership and partnership structures to problem solve locally is the key to overcoming the challenges of populism and problems that can arise from communities being left behind by lack of growth and stagnation.

<sup>iii</sup> In the boarder debate focused on stimulating and facilitating a Europe of Research and a Europe of Talent the sub-text here is building a cultural pattern of openness, that is outward-looking and inclusive.

<sup>iv</sup> National chauvinism in the 1930s created diasporas of talent, dislocated international collaboration in research and fostered the discontent and distrust that lead to division and ultimately to war.

<sup>v</sup> As per the detailed benchmarking and assessment of data, its statistical coherence, and analysis carried out by the European Commission's Joint Research Centre in its Statistical Audit of the 2018 Global Attractiveness Index.

<sup>vi</sup> Technology economist David Teece in 2018 described general purpose technologies as having 3 main characteristics: (1) they "are pervasive, i.e., in wide use; (2) are capable of ongoing technical improvement; and (3) enable complementary innovations in application sectors."