



New waves of regional innovation activities – new challenges of SDOs

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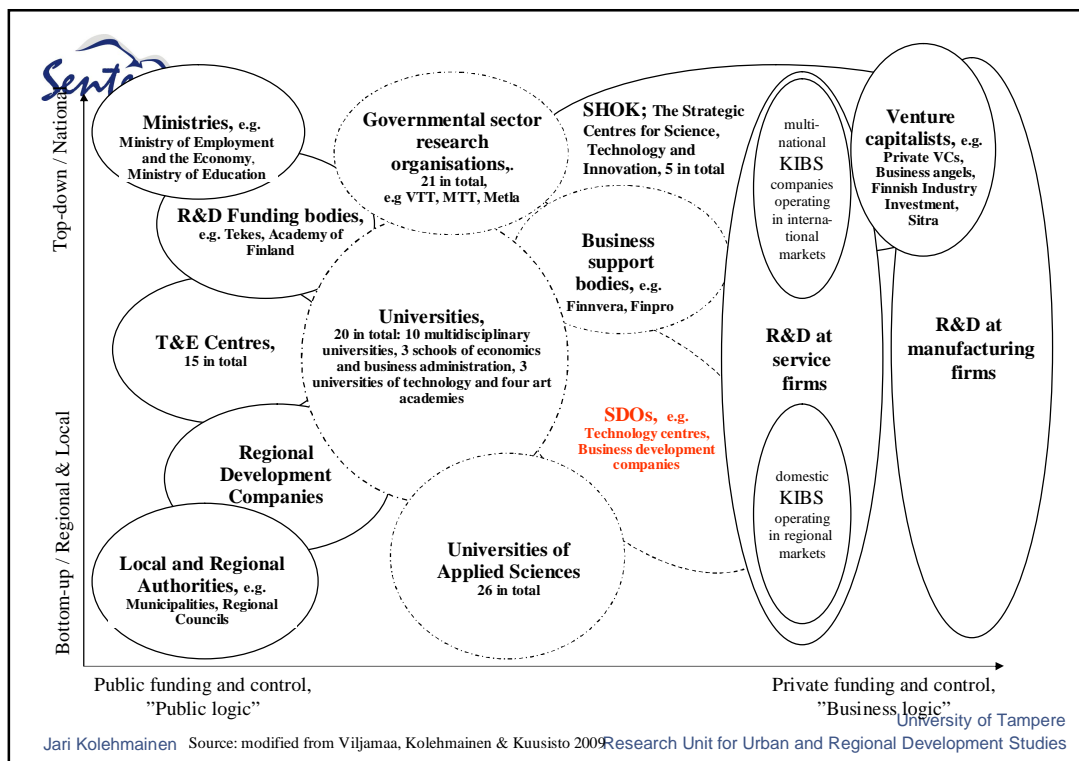
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ø Discussion



Prelude: The Finnish NSI and Roles of SDOs





Specialised Development Organisations, SDOs

- ü Division between:
 - o general development organisations (e.g. regional councils, city-councils) and
 - o specialised development organisations (SDOs).
- ü Usually SDOs are owned by public organisations (e.g. city-councils, universities), but usually they are limited companies which are externally funded (e.g. projects, selling services, selling)
- ü The main task of the specialised development organisations is...
 - o to develop a certain sector or cluster of the region, or
 - o to take care of some other particular task (e.g. business development).
- ü The activities of the specialised development can be roughly divided into two categories:
 1. Support services for companies
 2. Boundary-spanning activities for many kinds of actors.



Support Services for Companies

Typical support services include activities, such as:

- § Evaluation of business plans, technologies and patents
- § Support for commercialisation of existing technologies and business ideas
- § Support for technology projects, project planning and management
- § Market research / support for selling
- § Basic business counselling
- § In-depth consultancy (e.g. strategy, legal issues, finance)
- § Educational activities and personnel training (e.g. training programmes for companies within the same branch)

→ **Comprehensive business development consists of various of elements**



Boundary-Spanning Activities

Specialised development organisations can be mediators between or even amongst...

- § companies within the same branch or cluster (e.g. personnel training)
- § subcontractors and main suppliers (e.g. development of subcontracting networks)
- § suppliers and end customers (e.g. marketing, sales promotion)
- § companies that have complementary competences (e.g. technological partnership, development of "micro clusters")
- § universities, research institutions and polytechnics and companies (e.g. licensing, technology transfer, collaborative projects)
- § companies and financiers (e.g. finance of R&D activities, "V2C activities")
- § universities, research institutions and polytechnics (e.g. joint teaching activities, collaborative research projects).

→ **Boundary-spanning processes aim at adding value and they need special skills.**



From RIS to RIE?



From RIS to RIE?

?

Institutional RIS

- Research and development
- Public-to-public relationships
- Universities as “knowledge machines”
- Technological orientation on innovation
- Aims at radical science-based innovation; still typical innovations incremental innovations
- Key organisations: science parks, technology centres (as brokers), intermediary organisations
- Metaphors: “Byrocratic system”, “Machine”, “Top-down”

Entrepreneurial RIE

- Dynamic; based on continuous cycle of emerging new businesses and ventures (and dying businesses)
- VCs play a big role; risk capital fueling the system
- Market-based innovation services (e.g. entrepreneurial public bodies, private KIBS)
- Universities focusing on “big issues”, not to the problem-solving
- Orientation on business and market innovation; technology as enabler
- Public interventions at the early stage of innovation processes (“development platforms”)
- Metaphors: “Ecosystem”, “jungle”, “bottom-up”

Lähde: modified Cooke, Sotarauta

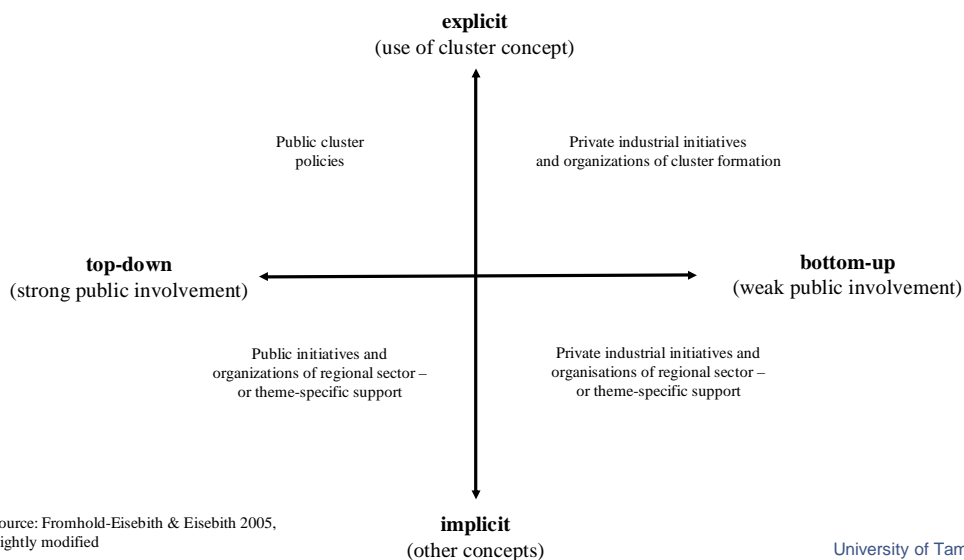
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Categories of (Traditional) Cluster Development



Source: Fromhold-Eisebith & Eisebith 2005, slightly modified

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Challenges of SDOs in Entrepreneurial RIE (1/2)

Challenges	Possible ways to tackle the challenge
<p>Customers of SDOs are increasingly demanding → the knowledge and expertise of SDOs need to be at leading edge level</p> <p>[cf. "Paradox of NTBFs"]</p>	<ul style="list-style-type: none"> ▫ focusing on certain fields of expertise / branches / clusters ▫ recruiting people with specific skills and competences ▫ job circulation programmes among different sectors (e.g. business, government, universities, development organisations) ▫ training programmes ▫ supporting personnel's own studying and encouraging employees to develop their own skills and competences ▫ acquiring needed special competences from external actors; creating collaborative arrangements
<p>SDOs are very dependent on few key people (just like many consultancy companies). Losing a key employee can harm the whole organisation badly.</p>	<ul style="list-style-type: none"> ▫ soft and hard knowledge management; using organisational and technological means to share knowledge and expertise within the SDO ▫ operational excellence; modelling the processes and systematic service development (productisation) ▫ job rotation and multi-skill orientation

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Challenges of SDOs in Entrepreneurial RIE (2/2)

Challenge	Possible ways to tackle the change
<p>SDOs' brand or image among possible customers can be quite blurred. Potential customers do not know what to expect.</p> <p>[Public logic vs. business logic]</p>	<ul style="list-style-type: none"> ▫ focusing on certain services and tasks, no more ad hoc assignments, strategic approach to the development work ▫ specialisation, substance-based development ▫ productisation of services and pricing them transparently
<p>The division of labour among SDOs</p> <p>[This is not a true problem in RIE framework]</p>	<ul style="list-style-type: none"> ▫ regular negotiations with other local and regional development organisations ▫ creating a joint service platform; joint marketing and PR
<p>SDOs stakeholders (and sometimes even shareholders) express conflicting expectations towards SDOs</p>	<ul style="list-style-type: none"> ▫ making the business logic and value proposition clear to all stakeholders ▫ setting realistic goals and achieving them ▫ "training the stakeholders" ▫ shaping the set of stakeholders
<p>Internationalisation of SDOs may be occasional or there are not resources for internationalisation</p>	<ul style="list-style-type: none"> ▫ internationalisation together with key customers (cf. Consultancy companies) ▫ being active with international opportunities ▫ new types of internationalisation models

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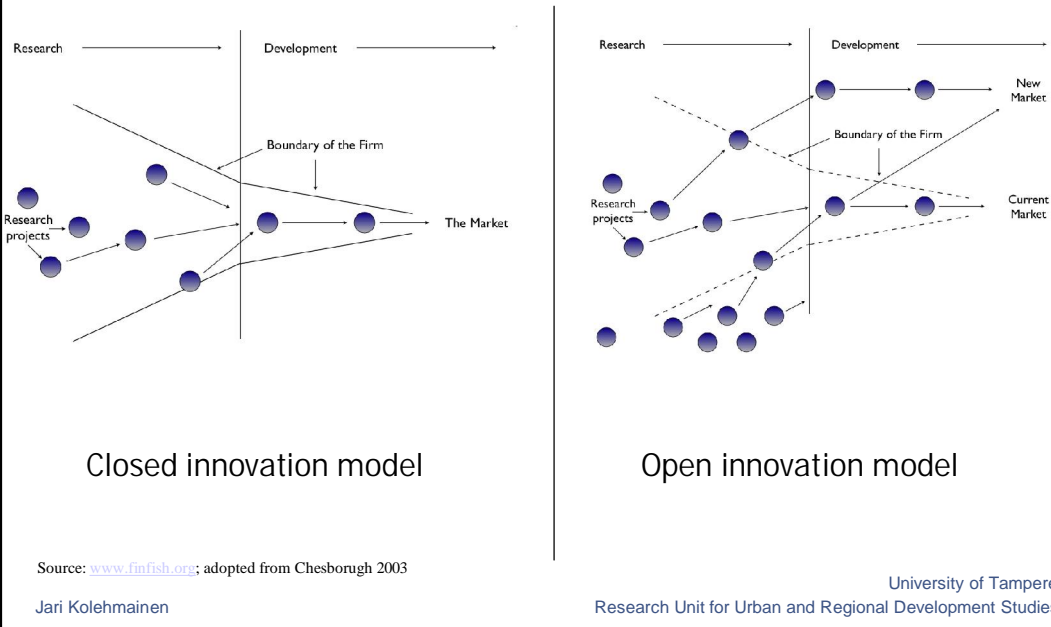
Questions and discussion I

- ü What is your take on institutional RIS vs. entrepreneurial RIE? What is the situation in your own region?
- ü How would you describe the recent changes in your own business environment? What has changed during the last few years?
- ü How do you develop your own organisation? What is the biggest development challenge in your organisation? How are you dealing with it?



From closed to open innovation?

From closed to open innovation?



Key features of open innovation paradigm

- ü Globalization of innovation
 - o Virtual teamwork on a global scale
 - o R&D internationalization due to better access to markets and resources
- ü Outsourcing of R&D
 - o Technical service providers have become more important in the innovation process.
 - o Collaborative R&D is a useful mean to increase strategic flexibility, reduce costs and to elevate innovation rates (breakthrough innovations).
- ü Early supplier integration
 - o Suppliers' early involvement in the innovation process increases innovation performance in most industries
 - o The systematic exploitation of spill-over effects in cross-industry innovation processes is just at the beginning.
- ü **User innovation**
 - o The importance of (lead) users as a source of innovation has been widely recognized
 - o The degree of user integration has increased drastically; it is all about early involvement of users and customers
- ü **External commercialization of technology**
 - o Internally created intellectual property is being exploited more systematically outside the firm (patents, licensing).
 - o Companies gain leverage effects by multiplying their internally generated patents and trademarks to the outside world.



New Policy Concepts Related to the Open Innovation

- ü The open innovation paradigm has brought new concepts into the policy debate.
 - ∅ Test-beds are a kind of artificial platforms for testing prototypes, products or services.
 - ∅ Technological platforms are systemic, open architecture infrastructures for the organisation and coordination of distributed innovation processes. They also support changes in both the structure of the network and the technological knowledge generated in the system. (Consoli and Patrucco 2007)

- ü The concept of “living lab” is even more challenging than those of “test-bed” and “technological platform”.
 - ∅ The main idea is to use user-centric research and development methods in real life environment.
 - ∅ The most extensive living labs are some parts of cities which are a kind of full-scale, real life laboratories for the development, testing and marketing of new technology applications, products and services



Implications of Open Innovation for SDOs

- ü **Living labs** are a valuable new tool for boosting innovation in the regional context.
 - ∅ Involving many actors in the innovation process in an early stage is the main advantage of this approach together with the strong emphasis on the users.
 - ∅ In living labs the technologies are exposed to the processes of “social shaping” in the very early stage which may enhance the quality and efficiency of innovation processes.
- ü Living labs need to be managed (usually by SDOs)
 - ∅ There may be need for quite intense management; engaging different types of actors into the same process is a true challenge
 - ∅ Management requires new skills and competences (e.g. user-driven innovation processes, usability, human-technology interaction, facilitation instead of controlling, facing new type of people)
- ü **Open innovation model and living lab concept do not replace the established cluster development or promotion activities, but they add on a new dimension.**



Questions and discussion II

- ü What kind of examples of open innovation you have in your own region? Are there companies that are committed to open up their innovation processes?
- ü Do you see any risks in the open innovation paradigm? Can companies be "too open"?
- ü How to engage new stakeholders (e.g. "ordinary citizens") into innovation processes?

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Thank you!

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