
Introduction

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REGIONAL GOVERNANCE AND LEARNING

Part VII, the final Part of the *Handbook of Regional Innovation and Growth*, focuses on regional innovation policy. To a limited extent some such implications arose in Part VI on regional innovation institutions, especially intermediaries (Tödtling and Trippel's Chapter 33 and Nauwelaers's Chapter 34 in respect of 'relatedness' and 'conventions' that are marked features of the new regional innovation challenge). These pose interesting tasks for modes of governance of regional innovation and demands for new kinds of learning, both more proactive than the 'institutional borrowing' that characterized the supply-side era when markets became perceived as the solutions to developmental dilemmas. Main results of this in many countries have involved social polarization, financial market collapse, continued regional deindustrialization, if not industrial 'desertification', with only regional public sector employment excess to mitigate the resulting imbalances. Faced with the budgetary reckoning of this neoliberal experiment, regional governance, where it exists or survives, must perforce itself become innovative. Coordinated market economies have recognized this for some time, as exemplars from the chapters that follow make clear. The task is harder in liberal market economies, where injunctions that state intervention was the problem rather than the solution penetrated most deeply into the governance fabric.

Martin Heidenreich and Knut Koschatzky's Chapter 39 reviews the literature on regional governance of innovation, pointing to some fallacies and open questions about the manner of its conception and execution. Both authors inhabit Germany's coordinated market regime and are accordingly comfortable with federal norms that devolve some innovation and other knowledge responsibilities (for example universities) to the meso-level. They identify key efficiencies from knowledge recombination coordinated in regional institutions from the outset, primarily lower transaction costs, learning advantages from spatial proximity, and direct provision of 'collective competition goods'. 'Governance' moves beyond a region's 'soft institutions' such as conventions by addressing its 'harder' government plus civic or associational rules and regulations. These can involve the nature of financial support for innovation (this can range from grants to loans); university coordination (for example regional mergers or centres of excellence); sectoral, cluster or platform stimulus (see Harmaakorpi et al.'s Chapter 41); training and skills formation; foreign direct investment; and regional promotion abroad, a non-trivial package of innovation instruments.

REGIONAL GOVERNANCE AND POLICY LEARNING

Building social capital is a target of regional governance and variety in the interactions between these exerts a strong influence on the distinctiveness of regional governance

idiosyncracies, which extend to regional innovation system configurations. Although for complex systems to function effectively there must be considerable system articulation, especially those involving multilevel regional–national–supranational strata, Heidenreich and Koschatzky refer to studies that see considerable friction among such levels. This is caused by networks negotiating and bargaining according to distinctively layered democratic politics. Thus, although not hierarchically organized in a top-down manner, the supranational can withhold resources from the national or regional levels if proposals to access policy funds infringe the ‘rules of the game’ being targeted. Occasionally a region can reject national policy inclination, clarify that it has reserved powers, or move ahead with its own projects where the state has abdicated a national strategic responsibility or allowed it to fall into disarray, conceivably for ideological reasons. ‘Real service’ provision to small and medium-sized enterprises (SMEs) by Italian regional administrations was a case of the last-named, which was subsequently forced into privatization by a hostile right-wing national government. The authors refer to Sabel’s ‘regional experimentalism’ as characterizing aspects of such friction resolution. In general, friction of the kind noted is a minority pastime.

Regional agglomeration and associated regional advantage arising from spatially proximate innovation, productivity and growth also partly explain the success of ideas and practices promoting regional innovation governance. So, argue Heidenreich and Koschatzky, does recognition by evolutionary social scientists and practitioners (for whom neoclassical theorems can seem other-worldly) of the difficult-to-measure value of social networking and ‘untraded interdependencies’, Storper’s regional ‘dark matter’ measurable only by its gravitational influence. Enough is understood of these at least to see their effects in rapid regional mobilization that can swiftly translate identity into action, showing a region has ‘got its act together’. Is this an immutable regional comparative advantage for some or can it be ‘learned’ for wider regional practice? The generic design for this is portrayed in Heidenreich and Koschatzky’s conclusion as dilemmas surrounding regional economic structure, regional networks, regional institutions and regional policies. The ‘big shift’ for new regional innovation policy is to attend to the content and multidimensional interrelationships of the second and third of these, rather than mapping the first onto the fourth, and vice versa. Regional intelligence and policy learning suggest that a more proactive catalytic or orchestrating role is required of regional innovation governance in future.

One perspective that promised this is ‘the learning region’, a concept anatomized by James Simmie in Chapter 40 of this *Handbook*. Somewhat disappointingly, the promise of this notion has not materialized, partly because as Simmie shows it got bifurcated into a normative idea resting on the injunction that learning was a desirable end for regions to aspire to, on the one hand, and more empirically that it was an action line in regional innovation strategy, on the other. Accordingly, it has never developed analytically even though as foregoing chapters make clear there is a clearly perceived need for ‘regional policy learning’ to tackle issues such as: ‘cognitive switching’ by entrepreneurs and policy functionaries; ‘convention analysis’ of regional production culture; policy mixing to stimulate ‘path creation’; and the hybrid skills to facilitate relatedness and transversality (see Chapter 42 by Philip Cooke in this *Handbook*). In its origins, in the work of Richard Florida in 1995, ‘learning region’ is a response to the rise of the knowledge economy, as is even more the case in a rapid follow-up article by Björn Asheim which grounds the

notion in Lundvall and Johnson's advocacy of building a 'learning economy' to face the exigencies of the same phenomenon. Michael Storper did not write about 'learning regions' as such, but devoted research time to comparing 'technological learning' in clusters with different convention sets or modes of untraded interdependence, which were probably the most fruitful theory and practice lines to follow. Finally, probably the most-cited variant of the 'learning region' idea was Kevin Morgan's paper of 1997. Here, Simmie shows the key to regional regeneration and improved social welfare lay in strengthening a region's social capital and institutional capacity to support learning.

Critique of the concept has ranged from ascribing it the status of 'fuzzy', an 'impressionistic neologism', 'unlikely', 'over-localized', and challenged by 'learning asymmetries'. This is reminiscent of the many critiques aimed at the cognate concept of 'organizational learning' in firms. Here problems concerning how to sample, from where or whom to learn, whether what might be learned was applicable, and indeed whether it was yesterday's knowledge, meaning the learner would be engaged in a permanent failure to 'catch up', were all raised. This all seems rather unfair to what – if the concept had been better specified, perhaps in terms of learning the region's paradigm and regime uniqueness and how it might be 'nudged' towards path-interdependence – we now see to be a fundamental cognitive need in accomplishing regional innovation and growth. This seems to be the thinking in recent attempts to revisit the concept by Rutten and Boekma who are cited in Simmie's chapter. However, the kind of conceptual and policy instruments needed to achieve such endogenous regional change are nowhere specified.

REGIONAL PLATFORMS, METHODS AND NEW INNOVATION POLICIES

This task is undertaken by Vesa Harmaakorpi, Tomi Tura and Helinä Melkas in Chapter 41 of this *Handbook* with their 'platform' concept of regional innovation and renewal. The roots of this model are found in recognition of basic Schumpeterian insights into the nature of innovation as a product of cross-fertilization of knowledge and ideas. This is something which the cluster idea, as the apotheosis of proximate specialization, obscured for academics and policy-makers alike for two decades or more. Accordingly, there has been a lack of policy measures to foster practice-based, networked innovation processes that combine diverse knowledge bases. It could be added that until recently, and in the process of being articulated into a synthesis in this *Handbook*, there has been relatively little intellectual leadership of an alternative perspective either. One reason for this is that although the Lundvall line that policy learning is for policy-makers not academics seems a little harsh, it is difficult to think out and design policy in the 'ivory tower', an otherwise excellent location for reflection and critique. Harmaakorpi and associates have the privilege of occupying both 'worlds': academia and innovation policy-making simultaneously. This enabled them to conduct 'regional experiments' à la Charles Sabel. One criticism they have of the 'proximity' perspective is that it fails to explain how learning from knowledge spillovers actually happens, and that this may be negative. They find the distance implied in the notion of diversity more appealing because it avoids negatives like involuntary spillovers, opportunism and lock-in. Accordingly their aim is to create an efficient balance between the contradictory purposes of enhancing proximity

and distance. The cluster model is seen to be suboptimal in this respect and accordingly inferior to a platform model of regional innovation policy.

The 'platform' model of regional innovation policy displays the following key characteristics: its network morphology is one based on loose-coupling of weak ties engaging with 'structural holes', that is, areas where network interactions may produce innovations if the holes can be filled with innovation discourse, action and content; social capital is thus of the institutional 'bridging' kind; knowledge production is transversal; knowledge conversion is by means of cross-fertilization; regional absorptive capacity is future-oriented; experience-based learning is favoured over science-based learning; external economies are those of 'urbanization' rather than 'localization' in kind; and innovation systems are regional and national. On this basis structured experiences of challenges and change of conventions, competences and capabilities are induced by articulation of discourses among firms and stakeholders combining related knowledge from inside and beyond the region. The aim of this is to create a regional platform based on relatedness and supported by platform policies that optimize it.

Facilitation of the required articulation of discourses that may valorize or change conventions, and build up firm and intermediary competences and capabilities, is by instigating a structure of learning institutions and processes in the region. The key spatial process aims here are: to clarify the nature and forms of regional related variety; to facilitate the recombination of knowledge; to identify the 'structural holes' or 'white spaces' where innovation opportunity may lie; and to evolve regional platforms that combine knowledge, clusters and sectors for purposes of innovation. Complementing these in a new regional innovation systems perspective are four policy concepts. First, 'enlightenment' may be diffused through the deployment of dramaturgy, literally acting out scripts of representative 'convention sets' under challenge. Second, having a mode of 'orchestrating' dramaturgy and other learning facilities, such as 'ideas incubators', 'living laboratories' and 'improvization sessions'. Orchestration here implies promotion of such assets and conducting their articulation into a coherent narrative. Third, achieving 'transversality', or the cross-pollination of intercluster or sector-cluster innovation potentials within and beyond the region; and finally, evolving methodologies, such as technology or creativity matrices to concretize commercializable innovation actions and outcomes.

The exemplar of this is engineering-rich Bavaria but it is also practised in the design-driven innovation context of Lombardy with its creative and innovative design-intensive domestic furnishing, lighting and kitchenware clusters, as described (after Verganti) by Philip Cooke and Arne Eriksson (Chapter 43 of this *Handbook*). Here, the innovation paradigm is changed relatively frequently and radically in the 'episodic' sense by articulation of discourse that changes conventions by changing the meanings prioritized in the prevailing socio-cultural regime. This demands inputs from inside and well beyond the region, as well as inside and well beyond the specific cluster. It requires strong articulation of regional firms and stakeholder institutions and it is orchestrated in ways that 'propose' innovations to markets. It can thus be vulnerable to overestimation of the market appeal of new lines but such 'practical reasoning' is also built into the articulation of discourse process.

Accordingly, a new paradigm for regional innovation and growth has been evolved in ways that meet the criticisms of the weaknesses and lacunae of inherited models, rooted

as these initially were in manufacturing supply chain thinking of the 1990s. This is by no means the only way forward but it resonates completely with the main threads of the discourse from its Schumpeterian origins to the modern day. As Arnoud Lagendijk shows in the final chapter of this *Handbook*, Chapter 44, the new agenda for regional innovation policy is different from the old. As others have noted, endogenous innovation policy with the regional agency in a more catalytic role is now expected to replace the backstop functions it had in responding to market failures and welfare enhancement imperatives in the neoliberal, supply-side era. This is conceived as the appropriate posture in the context of a global knowledge economy regime assailed by seemingly intractable crises of economy and ecology.

The region where innovation platform methodology was pioneered was a declining economy within Finland; the region where pulp and paper relatedness evolved into cross-media clustering is a relatively poor, peripheral region in Sweden; London and other metropolises may not be as innovative as presumed because they bask in conventions of entitlement, expectation and privilege. Accordingly, the 'innovation paradox' reported by Lagendijk as least absorptive capacity in regions needing most innovation is clearly somewhat shaky and in need of measured reflection. He also draws attention to 'smart specialization' as an appropriate response, building on regions' own paradigm and regime assets rather than aping those of inappropriate exemplars. With this we would agree, except that we would elaborate the concept to 'smart diversification' in light of the relatedness, path-interdependence, conventions and transversality imperatives central to the concerns of this *Handbook* and to evolutionary economic geography more generally.