Since the Start of the initiative, there has been an on-going dialogue between ESIC and representatives of the model demonstrator regions that has centred on ESIC’s analyses of each region. Many discussions have taken place during study visits and peer review meetings, which have resulted in a shared understanding of current policies and framework conditions and the actions that should be undertaken to enable the regions to better capitalise on service innovation and its transformative power. The regions are currently considering how to proceed with what they have learned in the course of this process.

In terms of the areas that will be promoted through service innovation, the Canary Islands is concentrating on tourism, Luxembourg is focusing on health, whilst all of the other regions intend to use service innovation to transform their manufacturing industries. There are some potential similarities between Emilia-Romagna, which will concentrate on ICT and logistics in its transformation process, and the Canary Islands, which will attempt to boost the contributions of ICT and logistics to tourism. There may also be some parallels between Luxembourg and Northern Ireland on health and between the Canary Islands and Northern Ireland on energy.
There is, however, considerable diversity in the regions and in the challenges they face. This can be shown by just a few examples taken from the analyses of the strengths and weaknesses of the innovation systems that are reflected in the tables that have been agreed with each of the regions and are contained in the following six regional descriptions:

- The analyses identify the Canary Islands, Limburg and Luxembourg as having problems with their private or business R&D efforts, whilst Emilia-Romagna, Northern Ireland and Upper Austria present this form of R&D as being one of their strengths;

- The Canary Islands, Emilia-Romagna and Limburg exhibit widespread, open attitudes to entrepreneurship, creativity and innovation but Northern Ireland talks about its risk-adverse cultural attitude;

- In addition, the Canary Islands, Emilia-Romagna, Limburg and Upper Austria see good collaboration in clusters as being one of their strengths but, at the same time, the Canary Islands refer to a lack of cooperation between the public and private sector, Emilia-Romagna and Limburg cite an over dependency or lack of collaboration between manufacturing and service firms and Northern Ireland believes that “a key challenge to be addressed is a lack of effective collaboration.”

In the case of lessons that are being learned, action lines have been identified in the strategies to implement these policies and they are outlined in the regional Policy Briefs that are available on the ESIC website at: http://ec.europa.eu/enterprise/initiatives/esic/index_en.htm

Obviously, policies and practices have to be tailored effectively to the real needs and situations in each of the regions and thus, differences between regions are to be expected. However, the following common aspects have been highlighted by the majority of the regions as being the keys to the successful implementation of their strategies:

- Introducing more clarity into the governance arrangements and ownership of the Large-Scale Demonstrator initiative and bringing on board relevant stakeholders;

- Renewing and streamlining existing innovation support policies and making the necessary changes to the selection criteria and the funding rules of the chosen policy measures to make them more service innovation friendly;

- Establishing a regional focus for the promotion and development of service innovation. New structures that have been proposed by the regions include an innovation platform, a forum for service innovation, a permanent platform, a key pilot action for service innovation and, even, a service innovation and industrial renewal factory. Although the titles used vary, the objectives of the new structures are largely the same.

Policies and practices have to be tailored effectively to the real needs and situations in each of the regions.
### The Canary Islands

**Evolving from ‘Sun, Sea and Sand’ to tailor-made Tourist Experiences**

**THE CANARY ISLANDS** have a lot to offer as a tourist destination and with a constant flow of tourists, the region claims to be an ideal test bed for services and service innovations. However, for a long time the region has relied on the ‘sun, sea and sand’ approach and has not paid enough attention to the increasingly individualistic needs of the visitors. Therefore, the region is now trying to diversify its regional economy by strengthening the strategic sector of tourism and by improving the conditions and incentives for supportive sectors such as logistics, energy and ICT.

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<table>
<thead>
<tr>
<th>FUNCTION OF INNOVATION SYSTEM</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
</table>
| **Entrepreneurial activities** | • Well-developed entrepreneurial attitude | • Low level of self-employment  
• Low level of private sector R&D  
• Low level of European/international cooperation |
| **Knowledge development and transfer** | • Relatively high share of people with tertiary education  
• Some sub-fields excel in their domain, for example, marine technology, astrophysics, water and renewable energy  
• Relatively good knowledge infrastructure in some areas such as energy and astrophysics | • Knowledge output in terms of patents and publications is lower than the EU average and mainland Spain.  
• Low level of general education  
• High unemployment amongst young and highly educated people  
• Brain drain  
• Low capacity in many firms to capitalise on knowledge  
• The fit between knowledge supply and knowledge demand is not optimal |
| **Innovation and business model generation** | • Innovative solutions and expertise can be found in various sectors such as energy and water | • Lack of an innovation culture  
• Overly-heavy bureaucracy |
| **Financing innovation and growth** | • New financial instruments for innovative entrepreneurs such as those accessed through development agency SODECAN | • Companies struggle to find funding  
• Lack of private funding to match public support |
| **Collaboration and networking** | • Relatively good networks amongst policymakers  
• Inter-sectoral and cluster networks and collaborative organisations | • Lack of cooperation and communication between clusters/sectors  
• Lack of private/public collaboration  
• The administrative model is complex with relatively high levels of bureaucracy and inefficiency |

Strengths and weaknesses in the Canary Islands’ innovation system
The areas to be promoted through service innovation

The main areas to be developed through service innovation are tourism-related. The 12.5 million visitors each year and the tourism industry itself constitute a large market for other sectors of the regional economy and these include:

- The Green Economy - sustainability, renewable energy, management of natural resources and waste management;
- Transport and Logistics – services removing barriers to connectivity and promoting coordination between different modes of transport;
- ICT - advanced services for tourists, applications, platforms providing access to local facilities and attractions together with regional innovation fora offering the policy-induced matching of local challenges to local solutions and initiatives;
- Agro-food and Farming - developing servitisation and locally produced food that, in turn, can provide unique experiences for tourists based on the sustainable exploitation and preservation of the bio-diversity of the region.

Lessons being learned that might be reflected in future policies

There are a number of activities taking place in the Canary Islands that have the potential to produce policy recommendations or guidelines for the future.

As in other regions, the policy mix is currently biased towards technology and traditional R&D and so the ESIC team recommends that it is important to increase the service inclusiveness of the measures in the mix.

The region also possesses great potential for service business development which is not being fully harnessed. Therefore, the Canary Islands has initiated a process for establishing an innovation platform to identify the challenges and, more importantly, to develop solutions and new innovative approaches.

In addition, stakeholders in the Canary Islands need to clarify aspects of the Large-scale Demonstrator strategy prior to its implementation. The current version of the strategy represents a good start but, at the same time, it lacks an overall focus, clear ownership and key performance indicators.

Another important suggestion made by the ESIC team was that the region should take full advantage of its natural conditions for renewable energy including solar, thermal and wind energy. The region was amongst the first to use wind power and to introduce desalination of water but this ‘lead-user’ position has not yet been translated into a competitive advantage.

Practices that have the potential for transfer

As a leading tourist destination in Europe, the transformation strategy demonstrates important lessons for other regions that want to turn potential in tourism into more diversified regional economic and sustainability benefits. Many tourism regions face similar challenges in better targeting potential customers and in extending and managing the range of tailor-made experiences that can be offered.

The smaller Canary Islands have, in particular, been able to bring together public administration, private sector actors, tour operators and local people in several inclusive initiatives in order to boost the local economy. As a result, new attractions and experiences have been established around volcanoes, dining and sports in Lanzarote, as well as star gazing in La Palma. The former is also promoting its unique landscape as a film location.
The areas to be promoted through service innovation

The focus of the demonstrator is on two service sectors: ICT and logistics. The objective is to foster service innovation in these areas in combination with local manufacturing companies, primarily in the machinery/equipment and the agro-food sectors.

Specific innovations are of course not pre-defined in the strategy. However, the broad aims are to:
- Incentivise client diversification within existing service markets and encourage the large number of very small service providers to move up the value chain;
- Increase awareness of ‘servitisation’ amongst manufacturing companies as a means of diversifying their products and increasing their profit margins;
- Internationalise the current services offer; and
- Increase the expertise of existing services and manufacturing companies in realising their growth potential and translating it into successful business plans.

Lessons being learned that might be reflected in future policies

There are a number of important actions that have to be taken in Emilia-Romagna if its strategy is to be implemented successfully. The ESIC team identified a need to provide a focal point for all service related initiatives. This need might be met through a specific ‘forum’ dedicated to service innovation that would bring together all the service innovation activities in the region.

It is also vital that any change is driven by local actors who have the trust and credibility and the networks to bring industry on board. The region will use local change agents to promote the available policy instruments such as network contracts and living labs, and to deliver genuinely new, service-focused, business interactions.

The Large-scale Demonstrator has to reflect both the demand and supply sides of the market and a series of ‘living labs’ focused on service innovation will be created with a specific focus on ICT and logistics.

The fragmentation of the service supply side can be reduced and this will enable a move towards higher value innovative services. The method that will be used to counteract the fragmentation is the dissemination of network contracts (‘contratti di rete’) in the service sector.

Practices that have the potential for transfer

Many of the above actions in the systematic approach of Emilia-Romagna could also be valuable to other regions including the use of:
- So-called living labs to bring together suppliers and users of innovative services;
- A ‘service innovation’ umbrella initiative coordinating all relevant policies and programmes to focus action on service innovation;
- Employing local industry change agents has been a strategy that has already been successful in other regions and could be applied elsewhere.

1 The idea that is behind the ‘contratti di rete’ is to enable smaller companies to acquire know-how and to access larger business opportunities through cooperation with other, complementary providers.
THE MANUFACTURING INDUSTRY in the Province of Limburg is facing a situation in which its products are becoming indistinguishable from others and consumers are buying on price alone. Other problems include increasing competition and short time-to-market. Thus, there is an urgent need to create new forms of added value and new business models and to capitalise on the opportunities in service innovation. Although the province boasts several multinational companies, policy initiatives and knowledge campuses, the challenge is to foster a more service-oriented culture in manufacturing firms, especially among SMEs. The regional eco-system is rather fragmented and more needs to be done to align the campuses, service-related policy initiatives and other policy programmes.

The areas to be promoted through service innovation
The regional development strategy is centred on several regional knowledge hubs, which include:

• Chemelot, as a centre of the chemicals industry and related materials including goods and services;
• The Health Campus is related to the academic work of Maastricht University, the Maastricht Medical Centre and firms in the cluster of life sciences and health, chemicals and medical, precision and optical instruments;
• Document Services Valley originated in the machine and equipment manufacturing sector and is linked to logistics and ICT. It started around Océ in Venlo, which is a manufacturer of printing and copying machines and a provider of related software services, and it is now part of the international Canon Group;
• Greenport is related to the agro-food and horticulture cluster in the northern part of the province and it is the logistics hotspot for the export of agro-food and horticulture products to Germany; and
• The Smart Services Hub is linked to specialised business services, financial services and public administration, in the Heerlen region where the All Pensions Group (APG) and Statistics Netherlands (CBS) are also located.

Strengths and weaknesses in Limburg's innovation system

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<thead>
<tr>
<th>FUNCTION OF THE INNOVATION SYSTEM</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
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<tbody>
<tr>
<td>Entrepreneurial activities</td>
<td>Presence of entrepreneurial clusters and innovation campuses&lt;br&gt;Open mindset, positive attitude to creativity and innovation</td>
<td>Relatively low share of self-employed people</td>
</tr>
<tr>
<td>Knowledge development and transfer</td>
<td>Presence of strong universities and knowledge centres&lt;br&gt;Large share of workforce with skilled human capital</td>
<td>Young people leaving the region after graduation&lt;br&gt;Knowledge transfer among sectors could be improved</td>
</tr>
<tr>
<td>Innovation and business model generation</td>
<td>Strong basis in several emerging industries such as bio-based products, health and high-tech systems&lt;br&gt;High level of companies innovating in services</td>
<td>Insufficient number of manufacturing companies exploiting service innovation</td>
</tr>
<tr>
<td>Financing innovation and growth</td>
<td>Strong public funding for innovation&lt;br&gt;</td>
<td>Business R&amp;D expenditure is relatively low&lt;br&gt;Less focus on funding service innovation</td>
</tr>
<tr>
<td>Collaboration and networking</td>
<td>Strong cluster initiatives and culture of collaboration</td>
<td>Weak collaboration between manufacturing and service firms</td>
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</table>
Lessons being learned that might be reflected in future policies

Various moves are being made within Limburg to ensure that appropriate policies are being established or renewed to promote the extension of service innovation.

Initially, the ESIC team recommended the definition of a clear governance structure that would outline who coordinates and implements the Large-scale Demonstrator strategy and also the tasks of the other actors involved. Although this step seems to be straightforward, it is crucial if the service innovation agenda is to be driven forward.

As part of the Large-scale Demonstrator strategy, the Province has become committed to making further efforts to identify synergies between policy initiatives that can contribute to the increased introduction of service innovation into manufacturing sectors and the further (smart) specialisation of the regional economy. The challenge is not to ‘break down silos’, but to create ‘viable bridges’ between them. This refers to bridges between sector-specific campuses, horizontal programmes such as LimburgMakers and dedicated service initiatives such as the Service Science Factory (see below).

The establishment of a permanent platform as a focal point for learning about service innovation is under active consideration. It is felt that such a platform could facilitate knowledge exchange, opportunities for stakeholders from industry and research to meet, occasions to discuss project proposals, continuous and incremental innovation and the discovery of relevant support programmes at regional, national, cross-border and European levels.

Practices that have the potential for transfer

The Service Science Factory was initiated by the University of Maastricht in 2010. It aims to stimulate service innovation in the Province of Limburg. Firms wishing to develop a new service can hire a team of professionals or students to undertake a project that is valuable to all parties involved.

The LimburgMakers programme that was launched in 2013 recognises how services can contribute to the success of economic activity in manufacturing sectors. It has a budget of €10 million over three years to help manufacturing firms with the development of both new products and services.

Luxembourg

Transforming the Healthcare Sector and becoming one of the Healthiest Nations on Earth

There are other important areas of Limburg’s economy that are not yet covered by the campuses and the service initiatives. Thus, the Province will review the relationship between these hub interventions and the rest of the regional economy including sectors such as ICT, specialised instruments and the automotive industry.

In a similar vein, the ESIC team pointed out that it was important for the Province of Limburg to maintain the goals of its regional development and innovation strategies and so key performance indicators will be determined to help to create a long-term vision that will have cross-party political support.

Luxembourg’s progress in becoming one of the wealthiest regions in Europe was initially based on its strong steel industry, followed more recently by a boom in financial services. Nevertheless, Luxembourg needs to diversify its economy and the healthcare sector. Life sciences especially represent an interesting opportunity for the region but the healthcare system of Luxembourg is expensive and has really only been concerned with a reactive approach to the treatment of illnesses. Now, the region aims to put in place a more personalised and integrated approach to healthcare and this transformation is expected to trigger the development of health-related services and businesses.
The areas to be promoted through service innovation

The key focus is on the healthcare sector because Luxembourg sees service innovation as the means to transform its expensive, and not particularly effective, health system. This new approach relies on personalised medicine and an individual’s interest in his/her own health. Several business opportunities have been identified that can be combined with the goal of improving health. For example, a person willing to invest in his/her well-being might take up jogging or running. The distance covered can be measured and linked to a smart phone or other device that, in turn, can communicate with the customer database of a sports company. The company can use this information to provide customised sports gear, targeted marketing offers, discounts or services to the person involved, who would then be more likely to buy or use them. In the long run, however, the key objective is to have an impact on the healthcare system. This can be renewed and improved if the service providers, including the doctors and hospitals, are willing to become involved in, and contribute to, such changes.

Lessons being learned that might be reflected in future policies

The ESIC team concluded that Luxembourg’s Large-scale Demonstrator strategy is relevant, topical and important and that the ‘triple-helix’ approach captures the concerns and interests of the patients, the service providers and the national healthcare system. However, just as in the Canary Islands and Limburg, the ESIC team emphasised that the current strategy needs to be further developed if the best possible outcomes are to be ensured.

Changing the healthcare system is not a simple task. Involvement and inputs are required from different stakeholders ranging from politicians and the civil servants responsible to healthcare professionals and service providers. In addition, it is crucial to engage the key ministries from the very beginning by providing them with convincing evidence of the potential of service innovation.

There is an increasing awareness of the potential role of service innovation in Luxembourg. However, just as in every other region, this is not reflected in the policy mix which currently does not support service innovation to the fullest extent. Thus, the ESIC team suggested that more attention needs to be paid to ensuring that innovation support measures reflect the specific characteristics of service innovation including its intangible, multi-disciplinary and non-technological aspects.

Additionally, the ESIC team identified the need for a greater focus on generating new services and the living labs concept might be used to redress this deficit.

 Practices that have the potential for transfer

A number of changes have been made in Luxembourg in order to support entrepreneurial activities. One of the benefits includes the fact that only a low level of bureaucracy is associated with the process of starting a business. The objective of the current policy and practice is to enable anyone to establish a business within ten days, assuming the applicant fulfils the basic conditions. Overall the business environment is SME friendly.

It also seems that communication between the various public and private stakeholders is quite open and interactive. This is combined with a rather decentralised and bottom-up approach to regional development. Such open, transparent and inclusive decision-making has been regarded as being favourable to the process.

Most, if not all, European regions are affected by an ageing population and the increasing costs of their healthcare systems. The proactive approach to healthcare and the intention to transform the whole system could have a significant impact on the effectiveness and costs of the operating environment. The overall healthcare system should be driven towards the next paradigm of healthcare - a continuous, preventive and patient-friendly system. If successful, Luxembourg can become the benchmark for all regions in Europe.
Making a Transformation through Service Innovation

NORTHERN IRELAND’S ECONOMY is evolving and regional stakeholders recognise the challenges they face in ensuring that the region’s strengths and resources are channelled into the exploitation of future opportunities. A key challenge to be addressed is a lack of effective collaboration. The region must continue to develop strategic partnerships and recognise that traditional concepts, such as differentiating between manufacturing and services, have been superseded by ‘joined up approaches.’ This requires a cultural shift in the perceptions, attitudes and activities of Northern Ireland’s businesses and stakeholders that will make them more open to the wider innovation context and its potential benefits.

FUNCTION OF THE INNOVATION SYSTEM STRENGTHS WEAKNESSES

Entrepreneurial activities
- Export-oriented culture
- Over-representation of regional activities in low productivity sectors
- Low level of entrepreneurship

Knowledge development and transfer
- Increased business expenditure on R&D (BERD)
- Increased Government expenditures in R&D (GERD)
- Competitive S&T sector
- Brain drain
- Low number of patent applications
- Risk-adverse cultural attitude

Innovation and business model generation
- Increasing employment shares in knowledge-intensive services
- Specialisation in service-oriented clusters
- Large share of employees with completed tertiary education
- Low employment shares in medium-high tech and high-tech sectors
- Very reliant on a few large firms
- Relatively small private sector and a small number of innovative firms

Financing innovation and growth
- Excellent record on Foreign Direct Investment (FDI)
- Poor access to finance
- Lack of financial engineering means, lack of seed and venture capital
- Large amount of FDI in low value sectors

Collaboration and networking
- Important share of policy measures supporting collaboration and networking
- Lack of a collaboration culture

Strengths and weaknesses in Northern Ireland’s innovation system

The areas to be promoted through service innovation

Initially, Invest Northern Ireland expressed a wish to focus the support for service innovation on the traditional manufacturing sector. During the assessment phase, three areas were identified in which a Large-scale Demonstrator could be implemented: the food and drink sector; the health and social care sector; and a combination of both sectors. During the Belfast peer review workshop in January 2014, the sustainable energy sector was also discussed as a possible option. The potential for service innovation was recognised by stakeholders who suggested some lead markets in all the proposed sectors.

During discussions on potential service markets, health was widely seen by Northern Irish stakeholders as a leading market for service innovation, particularly as the role of big data analytics is supporting patients in research trials and providing them with improved health outcomes. There are two internationally recognised research centres for computational biology and Northern Ireland also has one of the best molecular research centres working on cancer treatment, which is funded by the private sector.

Another lead market where the region has great potential is in distributed energy solutions and their integration into Smart Grid technologies. The aim here would be to build the expertise that could demonstrate the commercial scalability of these solutions to a global market.

A further topic that is relevant to advance computational analytics or big data is its application to the food industry. Within the food sector there is a larger potential for spill-overs, as food is less regulated than healthcare and is more industry driven. For example, the meat sector is keen to conduct research into genetics and within agri-tech there is additional expertise related to data analysis.
Using the Transformative Power of Service Innovation in Industrial Renewal

**Lessons being learned that might be reflected in future policies**

As in most of the other demonstrator regions, the ESIC team’s analysis revealed a need to review the current policy mix and adjust it so that it becomes more favourable to service innovation.

Also, the team indicated that efforts were required to ensure that policymakers better understand and harness the innovative behaviour of those Knowledge Intensive Business Services (KIBS) that have export potential.

The region recognises that a decision still has to be made in Northern Ireland as to whether the Large-scale Demonstrator will be implemented through a cross-cutting application combining several business sectors or applied in a specific sector or field.

Finally, a decision also has to be taken on the launching of a key or focal pilot action for service innovation through the establishment of the proposed Open Innovation Centre or an open innovation support service.

**Practices that have the potential for transfer**

The Northern Ireland Connected Health ECO System1 is a good example of how service innovation can be fostered and enhanced through collaboration between relevant stakeholders. The ECO System is the forum that brings together stakeholders from the Health and Social Care Services, academia and businesses to discuss and develop connected health solutions for the region.

It is important to note that service innovation does not only mean new individual services being developed, as an equally important manifestation of service orientation is a new or renewed emphasis on customer value. Because technological R&D and traditional manufacturing occupy important positions, it is reasonable to start from a value-based interpretation of service innovation that makes the goal of the exercise more understandable to practitioners. Experience from other regions indicates that innovative ideas often follow on from customer-oriented business models.

According to the assessment of the ESIC team the existing policy mix seems to be biased towards support for manufacturing R&D and technological innovation. It is also dominated by technology-push measures, with a limited presence from the demand side. Thus, it appears to be important for Northern Ireland to integrate the concept of service innovation into the existing policy mix. This will require the current policies, which focus on manufacturing R&D and technological innovation, to be extended to cover the service sector and to promote service innovation. As a consequence, the overall goal in the short to medium term is to implement the necessary changes to the selection criteria and the funding rules of a number of chosen policy measures.

**The Economy of Upper Austria**

Upper Austria

**Using the Transformative Power of Service Innovation in Industrial Renewal**

**The Economy of Upper Austria** is characterised by the dominance of its competitive manufacturing sector including notably the automotive, mechanical engineering, metal processing, chemicals, plastics, paper, wood and automation industries. These driving industries have made Upper Austria the most export-oriented region in the country. Since the performance of the region’s industries is increasingly being threatened by global competition, sustaining industrial success has become a major challenge. Most of the efforts that have been made are extensions of existing strategies to support the manufacturing industries. So far, Upper Austria has largely neglected opportunities to modernise its manufacturing strongholds through service innovation. It is acknowledged that knowledge intensive service firms can play a role in improving the performance of manufacturing industries, but less attention has been paid to the fact that manufacturing industries can commercialise their knowledge in new, and possibly more profitable ways, by adopting service-based business models. However, the regional government is developing an economic programme dedicated to service innovation in order to unleash this ‘transformative power of service innovation’. How this can be done is one of the core questions behind the ESIC work for the region.

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1 www.nibec.ulster.ac.uk/news/article/168/northern-ireland-connected-health-eco-system-launched
The areas to be promoted through service innovation

Firstly, the regional economy lacks companies that can act as ‘knowledge-brokers’ and enhance the performance of the manufacturing industries. Secondly, manufacturing firms need to engage in service production themselves to create hybrid offerings and develop smart production methods. These include high value-adding, product-service combinations that are essential for the competitiveness of Upper Austrian firms. To develop itself, Upper Austrian industry needs a supportive eco-system, which includes expert services and tailored education that can drive service innovation.

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<tr>
<th>FUNCTION OF THE INNOVATION SYSTEM</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
</table>
| Entrepreneurial activities        | • Low administrative burden  
                                    | • Attractive cultural environment  
                                    | • Many start-ups | • Most start-ups are based purely on technology |
| Knowledge development and transfer| • Reasonably good research landscape | • Lagging education  
                                    | • Brain drain  
                                    | • Labour force demand for new skills |
| Innovation and business model generation | • Strong innovation capabilities  
                                           | • High percentage of Business Expenditure on R&D (BERD)  
                                           | • Large share of patents | • Innovation focused on manufacturing  
                                           | • Low diversity in business models |
| Financing innovation and growth    | • High proportions of the national research funds and FDI flow to Upper Austria | • Gross Domestic Expenditure on R&D (GERD)/GDP below national average  
                                           | | • Lack of venture capital |
| Collaboration and networking       | • Strong clusters | • Quality of (physical) infrastructure |

Strengths and weaknesses in Upper Austria’s innovation system

Lessons being learned that might be reflected in future policies

In Upper Austria, it is important to consider the existing policy portfolio and to identify opportunities for the renewal and streamlining of existing innovation support policies. Some renewal of existing policies and a discontinuation of outdated schemes, as well as the introduction of totally new policy initiatives, are expected to be needed. Based on the analyses of the economic system and existing policy strategies, the ESIC team recommended that Upper Austria, and other regions dealing with similar challenges, should prioritise the policy actions that are outlined below.

Renewing and streamlining existing innovation support policies is a key starting point in helping local firms to exploit their knowledge in novel ways. This requires a thorough analysis of how services can spur both economic transformation and improvements in competitiveness, given that the potential of service innovation has various distinct aspects that require their own respective forms of policy support. Also, a clear organisational and governance structure is required for the industrial renewal activities and for securing the lean and effective implementation of the development programme.

Promoting a greater awareness of how industrial renewal can be achieved through service innovation is a second priority for enhancing the region’s competitiveness. A suggested method of raising this awareness is to highlight the strengths and weaknesses in the current situation and to contrast them with alternative future scenarios. The region will undertake a range of publicity activities aimed at promoting the transformative power of service innovation. These will include the appointment of an activator, who will work full-time to encourage industrial renewal especially through the setting up of R&D&D projects and the establishment of a Service Innovation and Industrial Renewal Factory, as a flagship initiative. This factory will be a centre where manufacturing firms can experiment with making the shift towards more service-based business models. This mutual learning can also be supported by linking service providers as well as academics to the service centre. Another measure is to create awareness around the transformative power of services by selecting and showcasing examples of firms that are successful in renewing their own business activities or those of other firms.

Fostering knowledge intensive services is another way to unleash the transformative power of service innovation. The intention is to analyse how the supply and demand of knowledge intensive services can be increased and to reform training and education to secure the supply of a multi-skilled labour force for Upper Austrian firms.

Practices that have the potential for transfer

The main reason for Upper Austria’s collaboration with the ESIC initiative is that services still receive little attention from both public and private entities in the region. Although examples of firms or industries that have been successful in their transformation through business innovation remain scarce, there are already a few policy initiatives that might be relevant to other regions.

A transferable practice in Upper Austria is to be found in the Cluster Initiatives. Traditionally, these were mainly focused on individual manufacturing sectors such as the automotive industry. More recently, Upper Austria has been introducing Cluster Networks on topics including ‘human resources’ and ‘resource and energy efficiency’. Having a horizontal nature, these cluster networks go beyond the strict delineation between goods and service industries. The networks anticipate that the interaction between both sides of industry will be a crucial factor in ensuring a high level of performance in several domains. Also, Upper Austria is aware of the fact that the societal challenges of Horizon 2020 can best be addressed through an integrated approach.

Another example, in the context of Upper Austria’s well-known clusters, concerns ‘service infusion’. The Cluster Managers in the region recognise that many firms in the industrial clusters face similar challenges when it comes to servitisation. In order to support these firms in the exploration of services-based business models and service delivery, the Cluster Managers organise sessions where firms can exchange their experiences. Such mutual learning is an efficient way of sharing practices and creating partnerships, both of which have the potential to generate promising innovations.
WHAT'S NEW

CONTACT

ESIC SERVICES
The European Service Innovation Centre (ESIC) initiative is run by a Consortium led by Ramboll Management Consulting. Other partners in the Consortium are the Maastricht Economic Research Institute on Innovation and Technology (MERIT), Strasbourg Conseil, the Technopolis Group Belgium and Valdari Vicari Associati (VVA).

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UPCOMING EVENTS

ESIC conference
9-10 September 2014, Helsinki, Finland
The European Service Innovation Centre (ESIC) conference in Helsinki, Finland on September 9-10, 2014 is a platform for everyone engaged or interested in service innovations. The conference gathers national and regional policy makers, practitioners, experts, academics and company representatives. It will present and discuss the key findings of the ESIC and highlighting the work done and lessons learned in the field of service innovation and regional policy.

24th Annual RESER Conference
11-13 September 2014, Helsinki, Finland
The European Association for Research on Services, RESER, will hold its 24th International Conference in Helsinki, Finland. RESER conference is a multidisciplinary forum, where researchers in economics, geography, sociology, management, marketing and many other disciplines meet to share the latest advances in research on services.
www.reser2014.fi

European Cluster Conference
20-21 October, Brussels, Belgium
The fourth edition will gather 300 policy-makers, practitioners and high-level speakers to discuss the role of clusters in support of SME growth, industrial renewal and regional structural change and competitiveness.
http://clusterconference2014.eu/

RINASCIMENTO: Emerging Industries – A new Engine for growth
13-14 November 2014, Milan, Italy
The first emerging industries conference organised by the region of Lombardy in cooperation with European Commission's Directorate-General for Enterprise and Industry.
http://www.emiconference2014.regione.lombardia.it

INTERESTED IN WORKING WITH THE ESIC?
Regions which would like to receive advisory support from the European Service Innovation Centre are welcome to send an initial expression of interest to ESIC@ec.europa.com

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