



Innovation and LEADER: setting the scene

Bill Slee



The James
Hutton
Institute

What I am going to talk about

- Innovation matters to economic growth...but a wider framing of innovation is needed to include social and institutional aspects
- Supportive framework conditions matter..
...but so sometimes does serendipity, chance, luck....
- A supportive innovation system is crucial
...which requires supportive policy means
- LEADER must find, build and develop its niche in the innovation ecosystem
- Understanding place potentials matters
...and so does breadth of vision, leadership, knowledge and skills
- There are strategic choices about where to focus attention, how to work etc.



Schumpeterian innovation



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Innovation type	A role for LAGs?
New products	Yes up to a point. Working with local actors to create linkages to enable new product ideas to move from idea to prototype to marketable product. Often retro innovation
New methods of prod/processes	Yes, again helping firms develop connections and networks to enhance production methods/processes and increase competitiveness
New markets	Yes, as above
New sources of supply	Yes where appropriate, especially building local networks of supply
New market structures	Yes especially with collaborative supply chains

Innovations can be radical/disruptive or incremental





Definitional framings matter

- OSLO MANUAL: “An **innovation** is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.”
- We are interested in the *rural* dimension with many small (farm) firms, food and fibre supply chains, rural tourism etc.
- **But this OSLO definition leaves out institutional and social innovation.... which we surely must include if we are interested in LEADER’s role in innovation**



Framework conditions matter

Behind any innovation are **framework conditions**

- The firm's competitive position vis a vis others doing the same thing
- The firm's relationship with its employees & supply chains
- The market environment for its inputs and products
- The market environment for other products that the firm might produce
- The policy environment





Policy helps frame the Innovation System

- It can underpin the R&D behind innovation (e.g. graphene)
- It can support national groups seeking to innovate to meet a challenge (EIP groups)
- It can enable and create new coalitions of actors and institutions (in formal language this is the triple helix or a cluster)
- It can provide incubator units and physical support structures
- It can institute accelerator programmes
- It can enhance the diffusion processes to get new adopters
- It frames the regulatory environment: what is and what is not do-able?





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Serendipity matters (sometimes)



The wheat
variety
Champagne in
the early 19th
Century UK



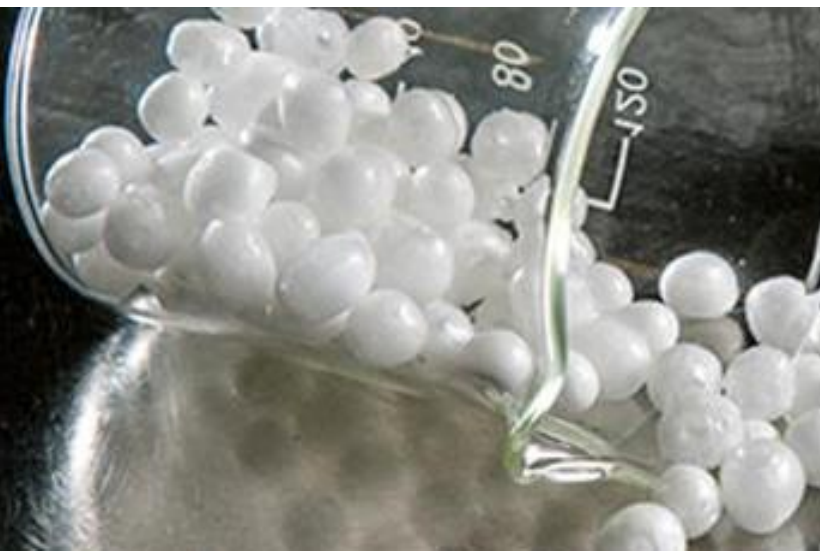
New pelargonium
(house plants)
varieties in
Southern Poland



Yarg cheese
Cornwall

But it is rarely just serendipity..... collaboration matters

- The national /regional innovation system
 - municipalities, colleges, universities, industry consortia, 3rd sector
- The Finnish forest based bio-economy
 - strong public sector and third sector support
 - firms eager (and needing to) to adapt; research community focused
 - strategic engagement of all key partners



There is an innovation ecosystem out there

- And LEADER is only one “species” in it; not the only species in it
- And the richness, diversity and good functioning of that innovation ecosystem depends on the **interaction** among species- **how they work together**
- The regional and sectoral innovation systems matter, so does knowledge transfer, so does **trust** among actors
- There is also scope for institutional innovation(incl. policy innovation), social innovation, product, process and organisational innovation.
- **LEADER cannot do it all. It must find its niche.**



Where best can LEADER nurture innovation?

- Not worry too much over definitions
- Help catalyse coalitions of actors likely to innovate (LAG and individual projects) and link to NRNs
- Engage with and learn from successful EIPs
- Be willing to accept that risk can be measured and managed (and worth taking)
- Understand that place matters, but still scan the horizon
- Address innovation in the social realm where LEADER already has a good track record



Place matters



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But not so much that it becomes an obsessive inward looking focus. It shapes the dominant land use and other rural economic activities; and the challenges that each area faces become the drivers of innovation

Ireland

Competitiveness

Efficiency

Commodity

Low GHG/unit output

High tech innovation



Tuscany

“Nichey”

Distinctiveness

Individualised

High value added

Retro, eco- innovation



Breadth of vision matters

- More production may not be optimal strategy (mountain biking)
- Innovation is as important in rural services as it is in manufacturing-austerity creates a need for social innovation (The SIMRA Horizon 2020 project)
- Two co-existing models of innovation both merit support (high tech commodity vs locality based product)but maybe not both from LEADER?
- Supporting and catalysing coalitions of actors and new networks may be the best bet (esp with public goods/bads)
- Make the living and working environment attractive for the “creative class” helps



Some final summary thoughts

- Definitions matter (broad, in a new place etc.)
- But there is quite a crowded but spatially very variable “ecosystem” supporting innovation (sectoral clusters, regional innovation systems, NRNs, regional/local enterprise partnerships. LEPs etc.) ***so where should LEADER be in policy implementation? (Social innovation; local supply chains and network developments?)***
- Building and working in effective coalitions to deliver and implement innovation matters
- Innovation in commodity sector and niche sectors is very different **(LEADER better with niches?)**
- Is the core challenge more innovation or better diffusion?



Where to focus attention matters

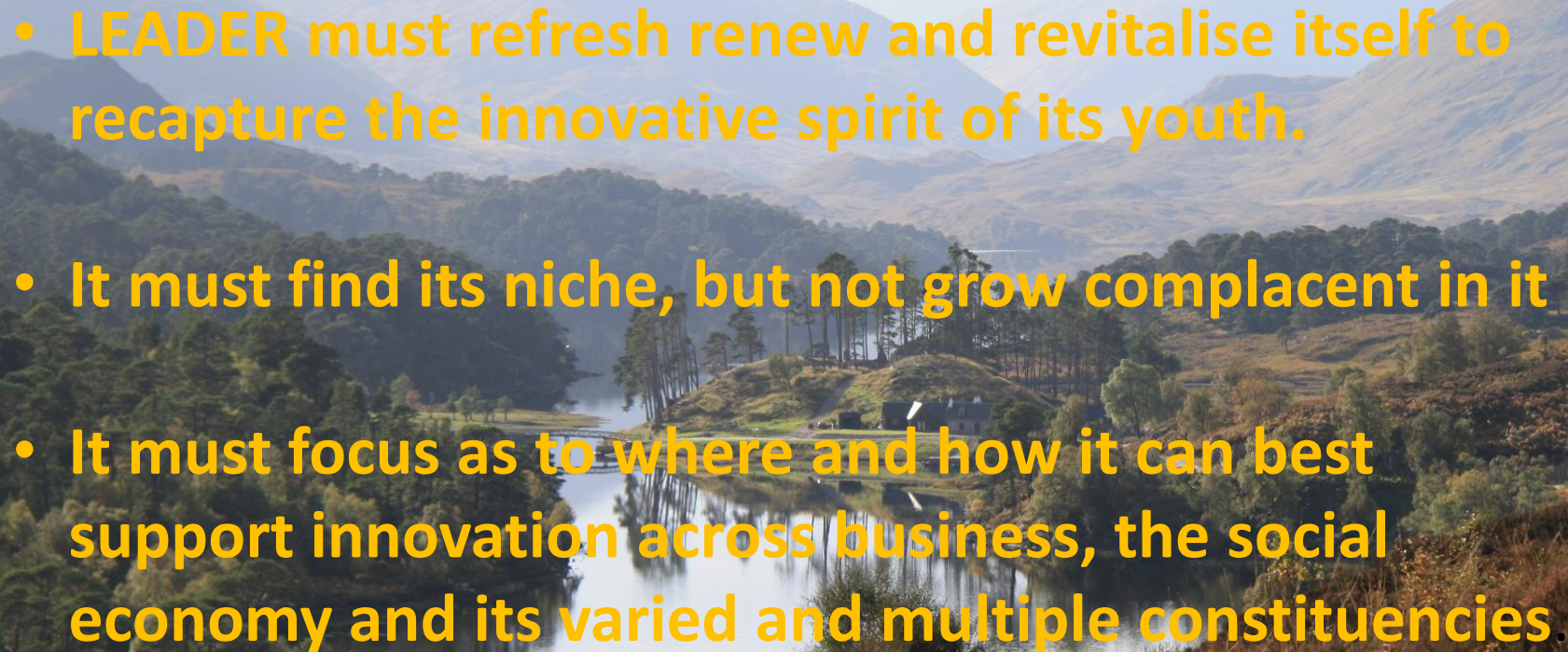
Gross margins per animal (£) Scottish red meat production 2015

System	Bottom third	Average	Top third
Hill Sheep	6	25	43
LFA Suckler	99	286	445
Cereal based beef finishing	34	154	275

Source: QMS Cattle and Sheep Enterprise Profitability in Scotland 2016

Is more technical innovation (or other type of innovation) or better diffusion of innovation more important?



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- LEADER must refresh renew and revitalise itself to recapture the innovative spirit of its youth.
 - It must find its niche, but not grow complacent in it
 - It must focus as to where and how it can best support innovation across business, the social economy and its varied and multiple constituencies.

Thank you

bill.slee@hutton.ac.uk