

Regional Innovation Policy and Public Private Partnerships : Evidence from Sweden

Iryna Kristensen, SCEUS, Salzburg University
Walter Scherrer, Department of Economics and Social Science,
Salzburg University

Research objective

Focus on Public Private Partnerships (PPPs) for Innovation as a systemic instrument for regional innovation policy.

This article seeks to:

- describe the role of PPPs as a systemic instrument for RIP &
- illustrate how systemic elements of innovation policy are manifested by concrete structures and behaviour of partners in a PPP

Concepts

PPP:

An agreement between the government and one or more private partners (which may include the operators and the financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners (OECD 2008).

Innovation:

Focus on technological innovation i.e. new goods, new production methods and new materials.

Systemic instruments: methods and mechanisms used by governments, political parties, businesses or individuals to organize, coordinate and direct innovation systems (Wieczorek, Hekkert & Smits 2010).

Research dimensions

1. Structure of PPP : contractual vs. organizational
2. Purpose of PPP: generating innovation, exploiting innovation or mix
3. Policy intervention: innovation-related infrastructure vs. mode of program and project delivery in innovation policy
4. Systemic characteristics (Smits & Kuhlmann 2004) potentially addressed by PPP:
 - ✓ Managing interfaces
 - ✓ Innovation system building
 - ✓ Providing platform for learning and experimenting
 - ✓ Providing an infrastructure for strategic intelligence
 - ✓ Demand articulation, strategy and vision development

Database I: Quantitative analysis

Overview of systemic element's involvement in a PPP:

- All Swedish 290 municipalities
- Response: 63(= 21.7%)
- 21 reporting no PPPs for innovation
- 42 reporting 68 cases, of which 50 are PPP

Empirical findings I:

- PPPs can meet most requirements of a systemic instrument of innovation policy;
- Nearly all cases of PPP involve at least two systemic functions;
- Organizational PPP are more likely to exert all functions;
- Generators of innovation: more systemic functions than exploiters or joint generators/exploiters of innovation.

Database II: Qualitative analysis

Six cases (from 3 regions) selected according to:

- Regional characteristics: central vs. peripheral
- Sectoral characteristics: regional key industries
- Public initiator of PPP: regional vs. national

Evaluations of PPP as a systemic instrument

- by four types of functions (Smits & Kuhlmann 2004);
- by eight types of functions (Wieczorek, Hekkert & Smits 2010).

PPP as a systemic instrument by 4 functions

Systemic functions	Center of Competence Combustion Processes	Center for Automotive Systems Technologies and Testing
a) Managing interfaces	Partner cooperation is less intensive due to geographical proximity of stakeholders though various forms of formal & informal collaboration does take place.	Well established cooperation network with predominantly project-based cooperation between stakeholders.
b) Building & organizing innovation system	Although key players located outside region, PPP contributes to local SMEs promotion as potential suppliers to big companies.	PPP attracts businesses that assist in the development of winter test region.
c) Platform for learning & experimenting	Cost-sharing cooperation calls for many reasonable (learning) compromises.	Center acts as back-up unit for partnering companies i.e. provides knowledge & competences missing in individual companies (when they would act on their own).
d) Infrastructure for strategic intelligence, demand articulation, strategy & vision development	No involvement in regional policy formation: private interests should be respected	Priority area in region: university is involved in forming regional development plans. Center participates in open discussions on how these plans should look like. Companies exercise their influence either directly (via good relations with county administration board) or via CASTT.

PPP as a systemic instrument by 8 functions

Smits, Kuhlmann (2004)	Wieczorek et al. (2010)	Questions relevant to PPP
Managing interfaces	Managing interfaces among heterogeneous actors (including capacity)	How do competences and knowledge bases differ in public and private sectors? How does interaction in a PPP add to the riddance of approach/perspective diversity and creation of a common consensus?
Building and organizing innovation systems	Stimulate and organize participation of various actors (esp. users)	How are users involved in a PPP?
	Secure appropriate (hard and soft institutions)	Are there local public incentives i.e. laws, regulations to promote PPP and innovation? Are there obvious corporate culture differences that hinder/facilitate cooperation?
	Stimulate physical and knowledge infrastructure	What does private sector gain through a PPP (public sponsorship, guarantees, tax)? How does geographical proximity of agents (e.g. local investors, regional, and national, multinational) play a part in stimulation and diffusion of knowledge?
Platform for learning and experimenting	Provide conditions for learning & experimenting esp. for demand articulation and vision development	How often do partners meet to exchange ideas/knowledge and in what form? How well is team-based approach to developing a strategy and vision for a PPP is exploited?
Stimulate demand articulation, strategy & vision dev.		
Provide infrastructure for strategic intelligence	Provide infrastructure for strategic intelligence	How is the cooperation progress supervised e.g. evaluation, reporting?
	Prevent lock-in and/or stimulate creative destruction	How does regional institutional set-up facilitate or hinder the functioning of the PPP? What is the role of central/regional government in a PPP? What public and private partners are present in this PPP?
	Prevent too weak or too stringent (hard) institutions	How is a PPP involved in formulating innovation strategies and general regional development strategies?

PPP as a systemic instrument by 8 functions

Systemic dimensions/Cases	Center of Competence Combustion Processes	Center for Automotive Systems Technologies and Testing
a) Managing interfaces among heterogeneous actors	Actors have different background knowledge, differences are poised through various compromises.	Difference between small & large companies (competence & education levels).
b) Stimulate and organize the participation of various actors	Users involved implicitly : personal contacts are vital in obtaining necessary feedback.	Users are invited to participate in organised events.
c) Secure appropriate (hard and soft institutions)	No local laws or regulations to promote PPP & Innovation. Partners with different objectives & styles of communication	No local laws & regulations to promote PPP & Innovation. Partners deal with differing knowledge bases & expected deliverables.
d) Stimulate physical and knowledge infrastructure	Private partners get access to research results; no other benefits; cooperation would be closer if it was closer located to automotive manufacturers.	Private partners does not gain any additional benefits. Cooperation is well established & geographical proximity of actors is not crucial.
e) Provide conditions for learning & experimenting esp. for demand articulation and vision development	Forms of interaction (4 to 8 times p.a.): recruiting industrial people, reference group meetings, project related meetings etc. Workplan generated for each phase & is based on partners' feedback.	Clear need for interaction: testing & evaluation from different perspectives. Cooperation is mainly project-based. Work plan is developed together with partners & approved annually by the board.
f) Provide infrastructure for strategic intelligence	Some supervision from Swedish Energy Agency	Little evaluation from Sweden's Innovation Agency.
g) Prevent lock-in and/or stimulate creative destruction	Regional set-up has no impact. Central government indirectly involved through SEA. A number of multinational companies are involved	Regional government: communication & funding. International actors (automotive, system & component suppliers). Young organizations lack experience: "lock-in" in bureaucracy.
h) Prevent too weak or too stringent hard institutions	No influence on regional policy formation.	Certain influence on regional policy formation.

Summary

- PPP are widely used in regional innovation policy in Sweden
- PPPs perform systemic tasks
- Major systemic functions of PPP: RIS building

Policy implication:

- PPPs are potentially appropriate instruments of RIP.
- Careful consideration of policy requirements & policy environment is necessary

But PPP is not a remedy for all ills.

Thank You!