

## Challenges and opportunities in linking public support with private sector business development

- Linking regional and innovation based micro-economical (business) development is not easy. There're also strong views that innovation and regional economical development should never be mixed.
  - Regional development correlates with innovation "intensity", but innovation input characteristics (R&D expenditure) do not lead necessarily to economic success.
- Confusion about the innovation
  - Innovation is not about input (investments in R&D) but about outcome.
  - Even in private sector, there is no relationship between R&D spending and the primary measures of economic or corporate success, such as growth, enterprise profitability, and shareholder return. (Booz Allen Hamilton Global Innovation 1000 study, which is believed to be one of the most comprehensive effort to date to assess the influence of R&D on corporate performance)
  - Research and technology are not the only source for innovation. Market changes (incl political and regulatory changes) and customer behavior predictions and responding solutions could be commercially as successful as science and technology based innovation.
- Should we then proceed at all? Definitely yes!
  - Wellbeing of our people and societies depends upon our ability to create new value. We need new smarter products and solutions. Not everything but a big part of that is based on R&D!
  - But we need also smarter innovation policy and especially relevant and contextualized innovation management practises.
- Observations - recommendations:
  - Avoid situations where incentives become the main business driver!
  - Too much attention at 'From Lab to Business' model! Silicon Valley cannot be copied! Aside of startup centric activities (which are equally as important) two other tracks are significant:
    - Renewal/upgrading of the existing industry
    - Attracting knowledge intensive foreign investments. Even small business units of big multinational corporations could have the crucial role in local innovation systems. Some of the skills and competences needed you just don't have anywhere else!
  - "Soft skills" and organizational cultures matter as well! Especially "innovation absorption capacity" of the local business sector.
- Last 3 recommendations for policy makers:
  - Fundamental "earning logic" – usually public funding model- of the universities and Public Research Organizations, have a much wider economical and societal implications than usually understood. You get what you pay for!
  - Help research community to determine what is their overall societal and economical role! (For example Estonian industry associations don't know their own innovation policy. How universities should then know their position?)
  - Have a better understanding about your local innovation landscape! This is not about (only) about existing funding tools, administrative boxes and few official documents.