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Directionality and Subsidiarity: A Regional Policy for People & Planet

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How can regional policy be designed to foster sustainability (the wellbeing of people and planet) as well as being a catalyst for innovation and development?



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The holy grail: How to calibrate directionality with subsidiarity

We focus on the **role and limitation of the entrepreneurial discovery process** because it is a central mechanism for local engagement and identifying opportunities for regional transformation in

- the original conception of S3
- S3 for sustainability
- Partnership for Regional Innovation

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The concept of ”discovery”

- Discovery is “the **act of finding something** that had not been known before.” (Cambridge American Dictionary)
- Logic of scientific discovery: **things and their causal powers exist in ‘real’ independence from our knowledge**. Scientific discovery is a process of **learning** about these things and their causal powers (Bhaskar 1997, Sayer 2000).



The concept of ”discovery”

- Entrepreneurship as “the **processes of discovery, evaluation, and exploitation of opportunities**” (Shane and Venkataraman 2004, 218)
- Shane and Venkataraman (2000, 220) argue “Although recognition of entrepreneurial opportunities is a subjective process, the **opportunities themselves are objective phenomena** that are not known to all parties at all times. For example, the discovery of the telephone created new opportunities for communication, whether or not people discovered those opportunities.”



The concept of ”discovery”

- **Dominant view is that opportunities** “exist independent of individuals” – yet some see opportunities to develop iteratively with individuals engagement (Berglund et al. 2020, 825)
- Links to economic theory where entrepreneurial discovery has to do with “gradually but systematically pushing back the boundaries of sheer ignorance” (Kirzner, 1997, 62)
- **Contrasting perspective:** Entrepreneurship as a process where opportunities are iteratively developed as entrepreneurs engage with their environment.
- Environments are not discovered but created, and thus can be influenced by human agency (Engel et al., 2017).



The concept of ”discovery”

- In the original design of S3, the view of opportunities as exogenous was very much present:
 - the entrepreneurial discovery “precedes the innovation stage and consists of the **exploration and opening up** of a **new domain of opportunities** (technological and market), potentially rich in numerous innovations that will subsequently occur.” (Foray 2014, 495)
- The notion of EDP has changed over time, has a more limited role in initial priority setting, but is thought important in discovering the “paths that work” (Foray 2019).



The concept of ”discovery”

- In S3+ and PRI, there is no explicitly articulated stance about the view on opportunities,
 - The Open Discovery Process (ODP) is “the central PRI mechanism for stakeholder engagement and co-creation. It is where new opportunities are co-discovered, where the agreement for their exploration begins and where joint plans for action are developed.” (Pontikakis 2022, 39)
- The continuation and adaptation of the intellectual heritage from S3 **bears the risk for reproducing the dominant view of opportunities**



The next generation of regional policy needs an explicit and pro-active approach in relation to shaping opportunity spaces for the wellbeing of people and planet because of three challenges



The opportunity challenges

- Twofold nature of opportunity challenges:
 - If the **perceived** opportunity does not lie in areas that contribute to solving societal challenges, actors **will not engage** in this direction.
 - If the **real** opportunity does not lie in areas that contribute to solving societal challenges, actors' engagement **will not succeed**.

The opportunity challenges

Oil & Gas
match between
perceived and real

Green markets
Lack of perceived
opportunity

Green markets
Real opportunity less
favourable than perceived

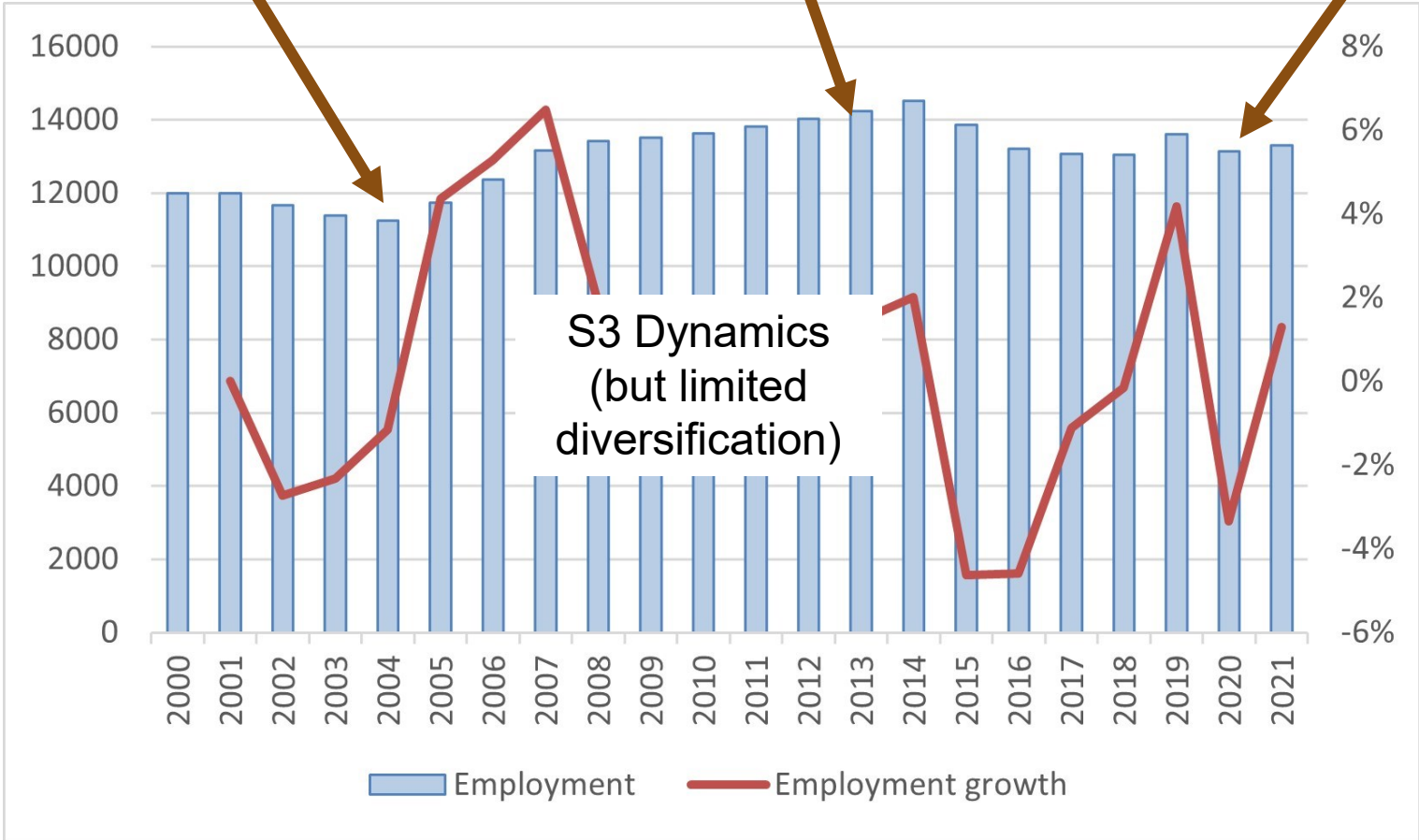


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Maritime industry in Sunmøre/Norway
(Grillitsch & Asheim 2023)

The capability challenges

- Even if opportunities for green and inclusive development exist, it requires actors to perceive and make use of them.
- S3 has drawn significantly on the relatedness idea (Balland et al. 2019) but what are the recommendations for cases like coal mining regions that cannot draw on relatedness and knowledge complexity?



The capability challenges



Photo: James Qualthrough on Unsplash

Restructuring coal mining regions shows that their capabilities typically become redundant and irrelevant (Görmar et al. 2022)



Photo: Chirs Muñch on Unsplash

The case of the Danish wind power industry illustrates how capabilities built in the past made it possible to exploit the emerging opportunities in renewable energies (Simmie 2012)



Democratic challenges

- Dilemma and trade-offs between rapid transformations and inclusive development (Skjølsvold and Coenen 2021)
 - Acceleration conflicts with participatory and democratic decision making
 - Acceleration may deteriorate shared values
 - Risk of exacerbation of spatial uneven development and inequalities
- Recognised by novel approaches to regional policy such as S3+ or PRI
- However, it remains a practical problem:
 - How are those most vulnerable included in the process?
 - What is the role of incumbents for rapid transformations?
 - What consequences does this have for decision making processes?

Focus on discovery too limited

Call for a pro-active approach of local/regional
actors shaping opportunity spaces

Broader perspective of local agency



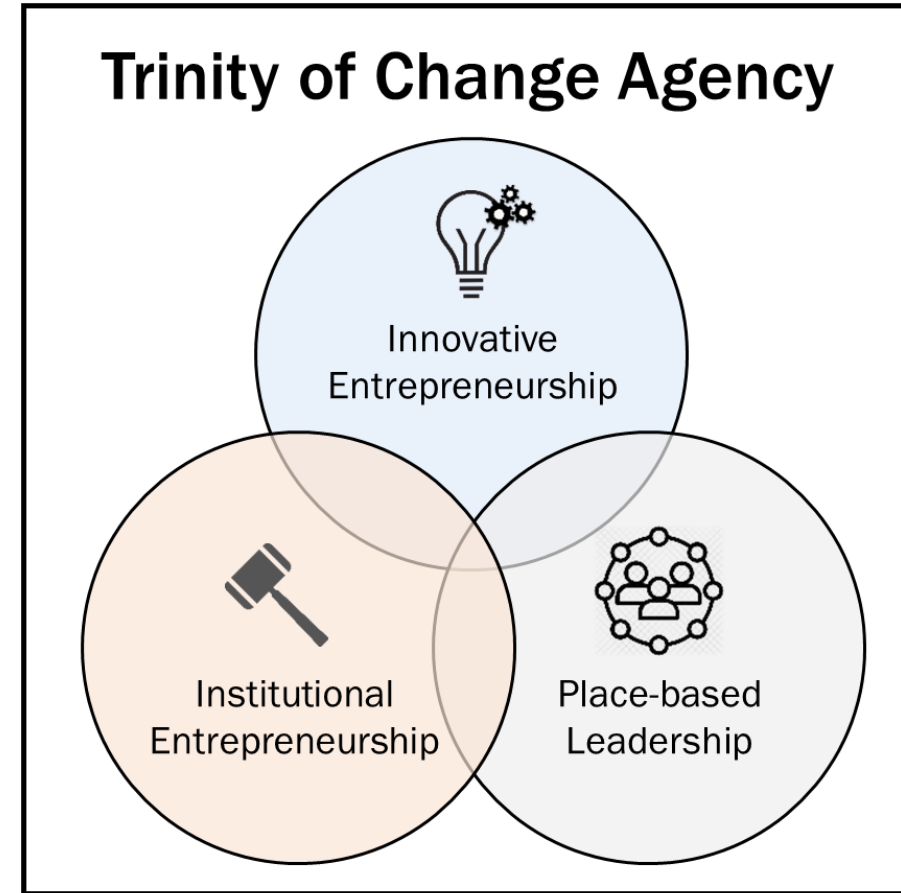
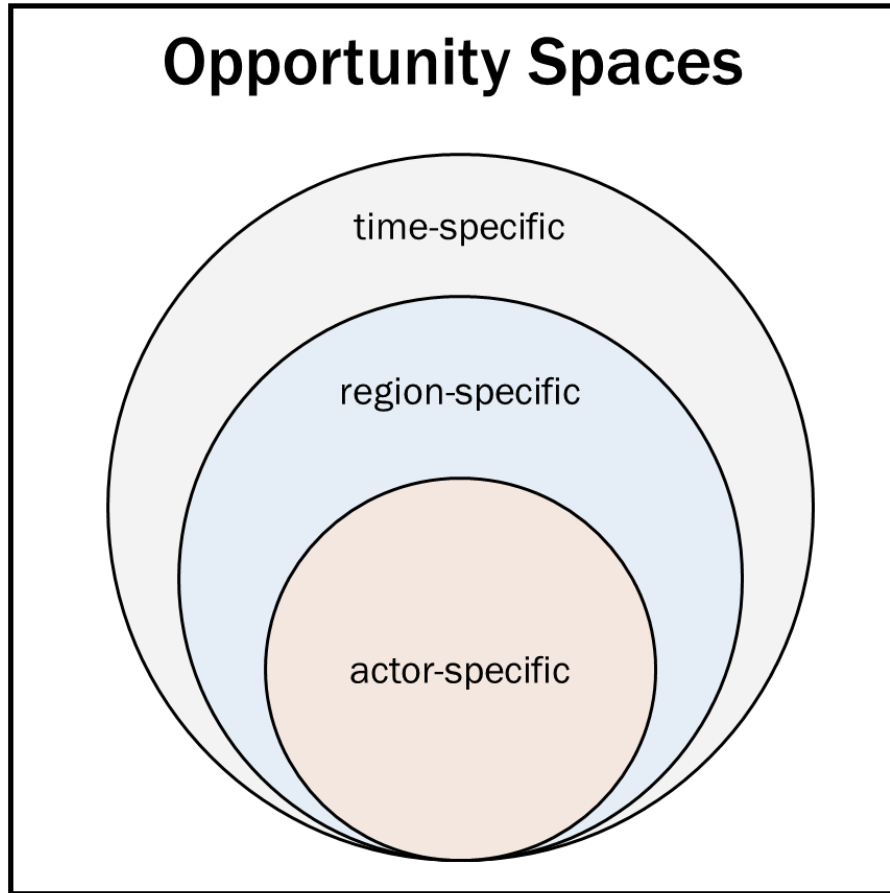
Transforming opportunity spaces: Industry and public transport



- Local actors shaping opportunity spaces in traded sectors **even though conditions are largely framed globally**
- Example: Change agency in Urban experiments - Electricity in Gothenborg (Roebke et al. 2022)



Opportunity spaces and agency



Grillitsch and Sotarauta 2020



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Empirical evidence

Comparing 40 phases of industrial path development (Grillitsch et al. 2023) shows:

- Transformative change requires a combination of different types of change agency
- There are at least two possible process chains:
 1. Innovative entrepreneurship triggering institutional entrepreneurship and place-based leadership (the S3 logic)
 2. Challenging prevailing mindset (institutional entrepreneurship) and mobilise resources for alternative trajectories (place-based leadership) alters actor- and region-specific opportunity spaces and makes innovative entrepreneurship in new fields possible



Transforming opportunity spaces: Untraded sectors – the foundational economy

- Opportunities in **untraded sectors**, sectors that serve a demand and need of the local population (foundational economy: Bentham et al. 2013, Froud et al. 2018).
- Local/regional policy makers have a strong influence and leverage to shape opportunity spaces related to e.g. energy or food.



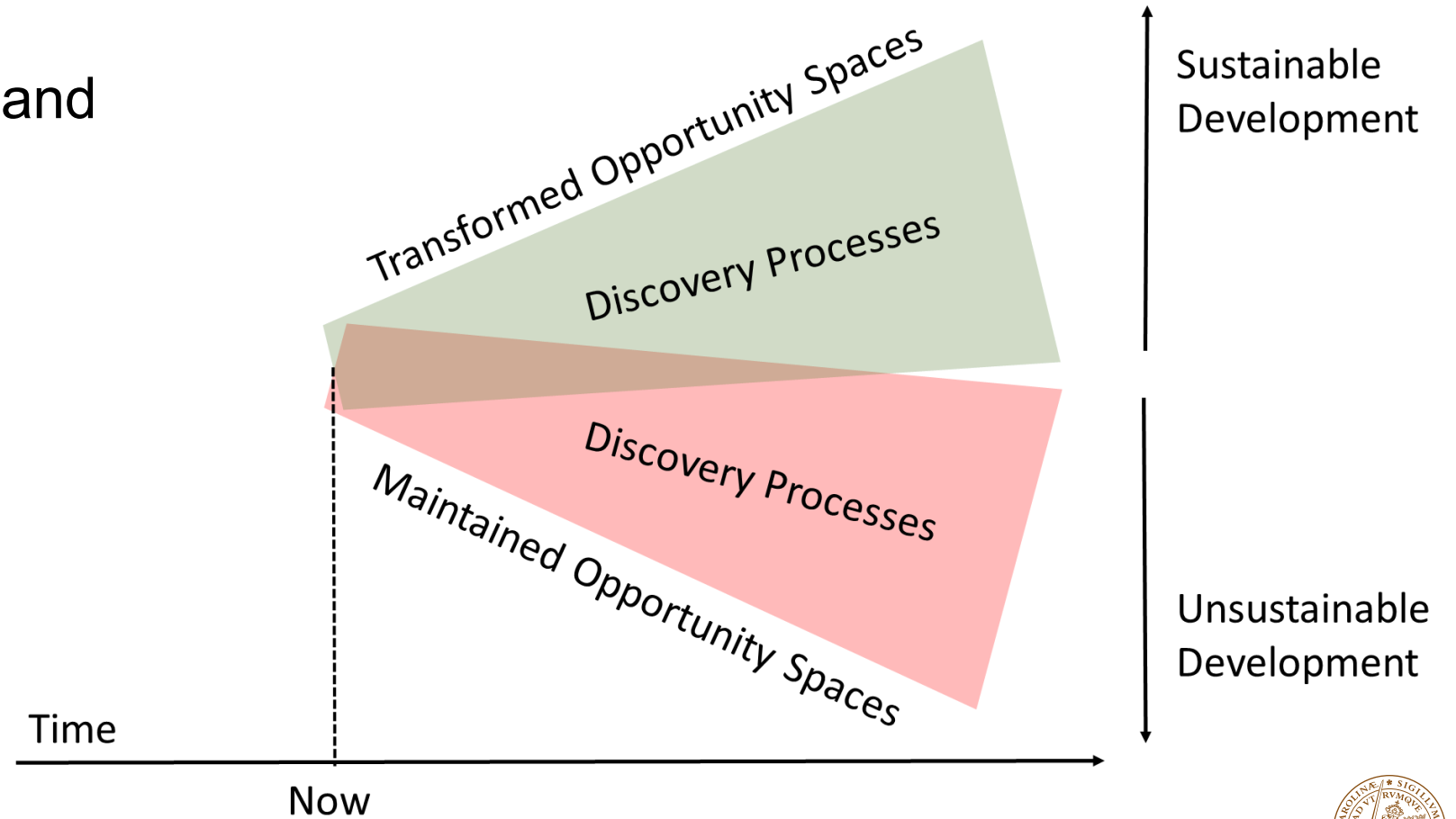
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Photo: Louisa Brimble on Unsplash

Illustration

- Combining directionality and subsidiarity through discovery processes unfolding in transformed opportunity spaces



Conclusion I

- Shaping opportunity spaces in principle not a "new" role for government having always been concerned with providing framework conditions
- However, local/regional actors as shapers of opportunity spaces overlooked
- New is experimental form of government, which needs to include the framing of the problem, the brokering of problem-solving partnerships, as well as the scaling to affect existing regimes (Morgan and Sabel, 2019)
- Foregrounds the importance and responsibility of policy actors at multiple levels for shaping opportunity spaces,
 - local and regional policy makers can and need to engage in shaping opportunity spaces if they are to promote sustainable development through regional policy;
 - national-level policy makers – and in international collaboration – are required to join these efforts.



Conclusion II

- Constructing and shaping opportunity spaces must become internalized in the regional policy repertoire:
 1. A more capacious perspective to change processes and policy agency taking action if needed to reconfigure opportunity spaces,
 2. A broader perspective on discovery processes, integrating lessons learned from experimentation processes in and across a variety of domains,
 3. Develop the institutional capacity for a regional policy design, implementation, monitoring and evaluation that is sensitive to multiple goals
- Assess, appraise and scrutinize whether the new policies stretch-and-transform rather than fit-and-conform, and are generative of more institutionalized forms, principles and repertoires of regional policy that puts people and planet at the heart of regional development.





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