PROFILING INDICATORS IN THE CONTEXT OF REGIONAL INNOVATION STATEGIES FOR SMART SPECIALISATION (RIS3)
Background note

THE IMPORTANCE OF INDICATORS FOR PROFILING REGIONAL ECONOMIES IN RIS3

The RIS3 approach implies an ambitious agenda aimed at achieving the all three priorities of Europe 2020 strategy: smart, sustainable and inclusive growth[1]. In this sense, it is a key issue to have a good understanding of the socio-economic characteristics of the territories where this placed-based strategy is expected to be applied. Given the **broad scope to be covered by RIS3 strategies**, a wide approach should be taken into consideration in the analysis of the regional context and its potential for innovation, focused not only on the traditional factor endowments but also on the entrepreneurial dynamics, the interactions between the key players on the innovation ground and the existing institutional framework.

In this context, the definition and use of profiling indicators appears as the first stage in the design and implementation of RIS3 strategies, with substantial implications on the further developments of subsequent stages[2]. Therefore, a fruitful discussion on profiling indicators under the coordinates of the new approach of RIS3 can be based upon the next points:

- Given the dynamic performance of RIS3, many of the **indicators used for monitoring and evaluation** should be closely related to **profiling indicators**.
- Precisely along this line, profiling indicators have to add constructive insights about the determination of **niches of competitive advantages**; this involves obvious implications on the subsequent stages of RIS3, such as the elaboration of an overall vision for the future of the region and the identification of priorities as well.
- While the traditional techniques of analysis (SWOT analysis, regional profiling studies, expert assessments, etc.) are available for the new strategy, an additional (and more complex) dimension appears in the RIS3 approach: **stakeholders** must be involved in the characterization of the regional context. This is particularly relevant for the analysis of entrepreneurial capacity.
- Notwithstanding, the set of profiling indicators (and those derived from them for monitoring and evaluation) must be objective enough to avoid an **endogenous choice** of them strongly influenced by rent-seekers.

CHALLENGES

A first stage should be to clarify a functional definition of profiling indicators. In this sense, they can be understood as the set of statistical indicators covering demographic, socio-economic, institutional and connectivity features of territories with the purpose of **shaping the relevant characteristics of regional economies in terms of smart growth**. Particularly, the profiling indicators must allow the analysis of regional economies and provide quantitative and qualitative information on:

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[1] http://ec.europa.eu/europe2020/index_en.htm

[2] The so-called context indicators can be considered as a subset of a broader group called profiling indicators. While the former imply a more descriptive characterization of a territory, the latter not only include such as context indicators but also are aimed at making easier the definition of a dynamic strategy in line with the concept of smart specialisation.

a) the **regional assets available** to be used as a basis for promoting smart growth, such as the strengths and weaknesses of regional innovation systems and the technological infrastructure,

b) the **linkages between the region and the rest of the world** in terms of trade, technological diffusion and the position of the regional firms in the global value chains,

c) and the intensity of regional **entrepreneurial activity**, especially that related to the birth of innovation ideas and how they are converted into profitable businesses.

The set of such as profiling indicators must cover the requirements of information roughly sketched in points a)-c). Given the differentiated nature of each block, particular criteria can be applied in each case to deal with the selection of profiling indicators. However, it must not prevent from overlapping conditions and circumstances over a), b) and c) to get an appropriate set of indicators. This is especially true for R&D measures since they have a strong bearing on the whole of relevant dimensions of smart growth.

For the identification of regional assets capable of generating (or limiting) smart growth, the standard, conventional approach given by the production function and its arguments could be the starting point at this stage. **Relative endowments** (with respect to some benchmark values) of private and public capital, human capital measures and labour force characteristics, and other conditioning factors affecting TFP (mainly R&D indicators and their interactions with skilled workers), could provide the first approximation to the regional profile. At the second stage, several context indicators should be added for a complete characterization of the territory, paying special attention upon some **institutional components**.

For the block of issues regarding the connections with the rest of the world, the analysis of the flows (in a broad sense) with other regions and countries complements the description of **specialisation pattern** existing in the territory. The **degree of internationalization** of regional firms must be placed on a relevant position at this point. Moreover, the consideration of the flows of capital, skilled workers and technology must overcome the traditional view of specialisation in terms of trade of goods and services.

Finally, the measure of the **regional entrepreneurial activity** likely becomes one of the trickiest challenges by designing the set of profiling indicators. The main reasons of this are two. Firstly, problems with data availability, which in many cases come from subjective sources, i.e. responses to surveys. And secondly, there exists a closely relationship between the environment where entrepreneurs make their decisions and the institutions that determine the (correct or perverse) incentives guiding them; and the quantitative measurement of this type of situations may be extremely complicated.

EXPECTED CONTRIBUTIONS OF THE WORKSHOP

The previous challenges need to be conveniently tackled in order to guarantee both the effective use of profiling indicators by policy-makers and their technical consistency. Clarifying ideas along the following lines would be one of the most productive contributions of this workshop:

- Given the context of rapid structural change where the global economy is involved at this moment (mainly due to adjustments derived from the persistent economic and financial crisis), the availability of appropriate data also means having a **suitable access in time** to the

statistical information. The delay between the period which the figures refer to and the date of data availability is critical.

- The role to be played by the **composite indexes** should be on the table. They are very useful to summarize the analysis of profiling indicators but may lead to an excessive simplification of a multidimensional phenomenon.
- It is especially relevant to delimit the sources of statistical information in order to deal with the huge potential heterogeneity of regional data in terms of methodology, time availability and others technical points. A debate should be launched whether or not it is preferable to have **few indicators but comparable** across regions than a wide battery of very regional-specific indicators.
- The sound examination of profiling indicators could lead to a categorisation of European regions. Therefore, a kind of **typology of regions** may be seen not only as a natural result stemmed from the profiling exercise but also it could make easier the design and implementation of subsequent stages in RIS3.

REFERENCES

European Commission (2012) *Guide to Research and Innovation Strategies for Smart Specialisation (RIS*3), Publication Office of the European Union: Luxembourg.