

BOOK REVIEW

Carlo GIANELLE, Dimitris KIRIAKOU, Caroline COHEN, Marek PRZEOR (eds.) (2016), *Implementing Smart Specialisation Strategies. A Handbook*, Brussels: European Commission

Smart specialisation is a modern approach to regional development. *Implementing Smart Specialisation Strategies. A Handbook* is an ambitious effort to compile a comprehensive guide to smart specialisation strategies in the European Union. The handbook clarifies many concepts that are crucial for the smart specialisation approach based on integration between research and regional policy, specifically the effective utilisation of a Quadruple Helix.

As a general conclusion, we consider that this handbook is very valuable, both to funding officers and all stakeholders, because it clearly states the ambition of the EU and the Commission. However, the handbook's scientific foundation appears to be quite weak and, consequently, it may be too arbitrary from a researcher's point of view, and based on popular beliefs and ad hoc political thinking.

Discussion on Chapter I: The Entrepreneurial Discovery Process (EDP) cycle: from priority selection to strategy implementation

In smart specialisation strategy, the EDP is a key issue in regional planning. Chapter I provides examples from France, Poland, Spain, Greece, and Belgium. It would be interesting to know how the regional case examples were selected for various chapters of the handbook. One problematic question in the S3 handbook is how EDP prioritisation is executed in practice. The division of labour between venture capital and public funding is quite a problematic issue in this respect. Are we able to prioritise the best and the most innovative business models on the basis of the EDP?

The handbook defines participatory models as working or focus groups: partnerships and public-private committees, websites tailored for citizen participation, consultation, and methodologies based on action research approaches. Table 1.1 and Fig. 1.1 are very informative in their definitions about what EDPs are/are not.

The context of instability in politics should be discussed because of the so-called populist trends, and the crisis in the inadequate exploitation of knowledge-based management. 'Entrepreneurial readiness of the actors' may require more up-to-date thought. The entrepreneurial spirit should be elaborated more clearly, because it is a dynamic force in some, but not all regions of Europe.

There is a need for more detailed instructions showing how the potential planning arsenal would be used in the EDP, because the handbook is meant to provide guidance for regional agents and stakeholders. Typically, many agencies take advantage of SWOT analyses based on the current situation, but future-oriented scenarios are not integrated into the analyses. The selection of 'promising sectors' requires some understanding of comparative advantages and resilience structures in European regions. How to find them? This issue is not an easy one for the stakeholders.

Discussion on Chapter II: Good governance: principles and challenges

It is quite easy to agree with the view that establishing good governance in conjunction with smart specialisation requires the application of general principles in local/regional contexts. From this perspective, the creation of transparency and common cohesion, for instance, have different meanings in different countries and regions.

To enable the application of general principles locally, it should especially be possible to identify the factors that produce differences between the local and national levels of smart specialisation. This receives too little attention in this work. Specifying cultural factors and their impact would have significantly increased the applicability value. Also, it would have been possible to utilise perspectives from contingency or institutional theories. Power relations, the economic environment and its nature, as well as the social environment with its interactive relations are among the factors that affect the implementation of good governance nationally and locally.

The work gives the general impression that implementing good governance runs along the same lines in smart specialisation as in other activities involving cooperation between different actors. However, if we wish to understand the nature of smart specialisation, it is particularly important to examine the matter more systemically. Smart policy-making and its governance are based on open systemic thinking. This kind of smart specialisation is able to take in influences from outside the system – say, from customer relations – and to renew and create new added value through specialisation differently than earlier. It is clear that the published work underlines the importance of dynamics in the governance of smart specialisation. Thus smart specialisation calls for the ability of good governance to support continuous development and dexterity. This places emphasis on trust-based management, for instance.

Platforms constitute a central element in the governance of smart specialisation. Ideally, platforms are able to combine different kinds of expertise and lead

various actors to jointly work on a subject. What should be noticed, however, is that the challenge of good governance in regions, or at the local level, is not the governance of just one platform, but rather the promotion of interaction and interfacing between the platforms of different actors – companies in particular – so that smart specialisation is generated. This requires constant identification and highlighting of joint advantages, such as outlining why companies benefit from implementing smart specialisation jointly and not by themselves through their own platforms. At the same time, good governance should also be used to fairly distribute the benefits of smart specialisation.

Discussion on Chapter III: From priorities to projects: selection criteria and selection process

Chapter III deals with the operationalisation of the smart specialisation theory. Smart specialisation practitioners acknowledge that leading and lagging regions may need different interpretations of the basic theory. Affluent regions that have an abundance of knowledge institutions may subsidise basic research, develop General Purpose Technologies or follow the path-dependent trajectories of their clusters. Rural and other regions mostly apply research and existing technologies in their core activities, or fill gaps in their policy mixes.

In the smart specialisation method recommended in the handbook, project selection is done by evaluators. Giving such power to a group of experts changes the local power relations radically so reaction from the old regional elites is to be expected. We also find this problematic as, in practice, the Entrepreneurial Discovery Process is usually led by firms. Who has the final word when a participatory EDP and the evaluator panel disagree? It would be good to see more advice on this question, because this issue is not handled in the handbook at all. The authors of the handbook do not recognise that there is a need for a regional authority, the project selector, to maintain continuous RIS3 collaboration in regions, and also to foster regionally and locally-based development efforts with strong regional leadership.

At the end of chapter III there is a mention of the assessment of the projects' economic impact on regions and countries. This is an appropriate starting point, but there is still a huge dilemma linked to the assessment of the effect of single projects on regional development. It is very demanding to analyse and separate the impact of a certain project's contribution to macro-level variables, such as economic growth, jobs, and innovativeness. One way could be to assess a single project's quality factors, such as the skill level and experience of the project workers, extent of networks, created patents, and scientific and practical publications. These are at least linked to the success of a region.

Historically, in many developing countries, participatory local development processes have been seized by the local elites. Is this the most urgent problem that we should also concern ourselves about in Europe with regard to smart special-

isation processes? Regional authorities that gain their legitimisation from representative democracy are at the same time facing pressures from experts (technocratic decision criteria), and from local interest groups and participatory processes (EDP). Possibly, regional authorities should be given official entitlement by the EU to co-ordinate and balance the various interests of various stakeholders for the advantage of a given region.

Discussion on Chapter IV: Transnational cooperation and value chains

The internationalisation of the value chain associated with a future regional economic growth is above all the result of the operations of multinational companies. The EU's transnational S3 strategy concerning GVC (Global Value Chain) should, first of all, draw attention to the attractiveness of a region's globally competitive companies and how to retain them there.

The handbook does not justify the absolute or relative importance of transnational cooperation or GVCs among the factors that create regional or European-wide competitiveness. Consequently, we remain quite unsure about the ultimate benefits and costs of investing in the specific forms of transnational cooperation and GVCs.

The chapter lists the factors that affect economic growth and regional development. The list includes a supportive environment, infrastructure, regulatory framework, research & technology & education, and human capital. There has been a lot of socio-economic research on these, and their importance has been recognised as fundamental. However, one must wonder how strongly the learning of intra-regional industry GVCs, provided platforms, matchmaking and other recommended activities contribute to regional development.

It is argued that smart specialisation and transnational cooperation are close companions. Transnational learning is crucial to achieving growth. All we need is more of the same and some new tricks to raise the efficiency of an internationalisation endeavour. Even so, the task is not an easy one, as competitive advantages and other excellence domains cannot be viewed as fixed. Rapid change means that regions must commit all their actors to constant information gathering regarding market opportunities. This search for information will cost time and resources, so it would be good to have foreign partners who have already gathered the information.

Innovation occurs in both upstream (R&D) and downstream (GVCs, FDI, outsourcing, subcontracting) activities. In fact, there is a dual innovation system in the EU. The FDI innovation system is production-oriented and led by multinational enterprises (MNEs) who invest in tangible production structures. However, the system of domestic R&D&I activities is not directly related to MNEs, as the former invests in intangible capacities, which enables the creation of new technology firms. To conclude, many theoretical and practical issues are still open and obscure.

Discussion on Chapter V: Monitoring

Monitoring is needed to reassure the citizens of EU Member States that smart specialisation is giving value for the taxpayers' money. The handbook is very clear in its message. You need to have a performance measurement system, which shows how activities in projects change into outputs.

It seems that the handbook is biased to serve the immediate needs of European agencies that control regional funds and operational programs. This is understandable, but also a very limited viewpoint for regional development strategies. Furthermore, there is a real threat of increasing the bureaucratic costs that are connected with the gathering and processing of large amounts of data which are irrelevant to regional development.

Indicators work well when the processes are stable, i.e. when we know what kind of processes are generating the data. The problem, especially with the Entrepreneurial Discovery Process, is that it should be an experimental exercise. If we want every region to find its own strengths, we must allow variation. Bottom-up processes are difficult to measure meaningfully with indicators.

Monitoring indicators and their functions are described in Table V.1 of the handbook. The first three types of indicators are purely meant for funding agents. The fourth type of indicators are meant to obtain data about structural change and specialisation. The construction and maintenance of regional and local, up-to-date databases are crucial for the knowledge creation that may advance the objectives of S3. The examples do not include investments, employment and income indicators that are fundamental socio-economic variables in this context. Also, the indicators for human capital and R&D&I are missing.

From the point of view of socio-economic growth and development research, one factor is worth paying attention to: the role of universities and research institutions is secondary in the handbook. However, they are fundamental in transforming scientific knowledge into regional success. Whatever the other stakeholders might be, universities can ensure the quality and systemic consistency of development programs.

The purpose of the fifth set of indicators is to measure the context of a regional economy. This begs the question of why context indicators are separated from structural change and specialisation indicators. They should be unified because both sets of indicators are connected to the general problems of socio-economic growth and development. Gauging the monitoring system can also be a problem if some stakeholders believe that some measures may benefit their private interests at the expense of others. This can be a potential problem in the bottom-up approaches.

Chapter V gives regional and national examples of *good practices* that have been implemented in individual regions of Italy, Wales, Spain, and France. The common feature is that they have been executed well according to Commission guidelines. Undoubtedly, these major efforts may serve official goals and require-

ments, but the coherent, theory-based organisation of knowledge and the learning processes for the socio-economic progress in regions is missing. To put it in the form of a metaphor: “You can get lots of information about individual trees, but how does this help you to manage forestry successfully as an ecosystem?”

Concluding remarks

The handbook can be expected to be valuable to both regional authorities who are involved in the selection and financing of suitable projects, and to those actors who are seeking financing for their regional development projects. From an academic standpoint, there are some more or less serious omissions that require further processing. For the factual socio-economic development of European regions, balancing the functions of “resilient systems” and the “comparative advantage” are fundamental questions in S3, but the handbook almost totally ignores this research.

For example, these concepts could bring some new points of view to the discussion on GVCs. It is, of course, beneficial to a region to become involved in GVCs. However, the resilience and comparative analyses of regions could reveal how vulnerable a region might be if it constructs its S3 too much in GVCs. It is a good strategy to provide suitable conditions for entrepreneurship and GVCs, but a region should not become dependent on one GVC, because GVCs represent global high finance that can transfer its production activities elsewhere overnight. The region should have enough resilience to survive such socio-economic shocks, which is an evident challenge for smart specialisation strategies.

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