# HIGH LEVEL GROUP ON INNOVATION POLICY MANAGEMENT

## *TOWARDS A BLUEPRINT AND ROADMAP FOR A EUROPEAN INNOVATION ECOSYSTEM*

## REPORT OF THE 1st MEETING, Phase II
## Dublin 12-13 December 2013

## I. BACKGROUND

Currently in its second phase, the HLG (High Level Group) held its 1st session of its phase II in Dublin on the 12th and 13th December, at the invitation of the Irish Government.

Building upon the conceptual framework outlined in the first Report, the meeting was a starting point to elaborate concrete proposals for a 'blueprint' of the European innovation ecosystem. It focussed on foresight, the contextual situation, and first elements to construct a blueprint. Dr. Angela Wilkinson (Strategic Foresight Counsellor, OECD) acted as facilitator and provided the structure and working method for the meeting.

## II. THE WORKSHOP

### Introduction

The Irish Minister for Enterprise, Jobs & Innovation, Mr Sean Sherlock, welcomed the participants and commended the efforts of the Polish Government. He reinstated the validity of the Recommendations produced by the Group in June 2013, observing that the optimisation of research investment and the creation of non-financial means to support innovation represent a key priority in times of financial turmoil.

The Minister remarked how the Group's tripartite composition, perfect example of cooperation between companies, government and Institutions, is in the ideal position to deliver fresh ideas and concrete proposals to foster innovation and growth in Europe. The Minister invited the Group to deliver solutions which will benefit wider society, creating growth, jobs and prosperity in a period which sees many Member States exiting the crisis, but also the unprecedented allocation of 80 billion euro for Research and Development by the EU.

In this respect, he observed, the HLG's Phase II can play an important role in complementing and even improving Horizon 2020 – strongly backed by the Irish Presidency- adding to the Commission's initiative flexibility and breadth.

As Mr Klaus Gretschmann (HLG Chairman) pointed out, the group, unique for its tripartite structure and independent nature, had successfully provided the input for the

realisation of the European 'innovation dream'. It was recalled that 2014 will witness momentous changes in the European institutional framework, which include the European Parliament's elections and the designation of a new European Commission. At this point, it is therefore pivotal for the group to formulate deliverables and concrete models which could enable the initiative to move from theory to practice. In this perspective, decisive steps forward must be taken to deliver the Italian presidency with a concrete product to present at the 2014 Competitiveness Council.

Taking into account those considerations, the participants structured their analysis along three progressive steps:

1. **Situational analysis:** this session consisted in identifying what are the 'healthy' elements and the points of strengths already present in the European context, but also the ones which need to be developed from here to 2030 in order to bring about a complete, all-round innovation ecosystem.

2. **Evolving global context:** intended as a 'stress-test' for the initial model devised by the Group, this session invited the participants to consider how the trends of an evolving global environment (ranging from climate change to the rise of the developing economies) could impact on the developing innovation ecosystem.

3. **Towards the blueprint:** this session brought together the considerations emerged from the previous discussions, providing a number of issues and elements which need to be ordered and perfection in order to draw the architecture of the innovation ecosystem.

## 1. <u>What we have, what we miss and what can fill the gaps</u>

The fundamental precondition to an effective analysis rests above all, in its honesty and its all-roundedness. The refusal to confront on the main points and to recognise that the existing system might not work can, on the long term, can bear to disastrous consequences for any initiative – public or private - leading to waste of resources, mismanagement and eventual failure. Starting from this consideration, first question to be answered is: **what does Europe have?**

The elements already in place and potentially conductive to the creation of the innovation ecosystem are:

✓ **Open society:** the social environment where innovation is developed is no less important than technology and investments. In this regard, Europe represents a socially stable context, where cultural and diversity plays a central role in fostering innovation and creativity.

✓ **Wealth of resources:** due to its great diversity, Europe has excellent potential for innovation, particularly at the local level, where a variety of networks favours knowledge and experience-sharing. A particularly noticeable manifestation of this phenomenon is the number and success of Small and Medium Enterprises (SMEs). Parallel to them, a strong industrial backbone is already present.

- ✓ **Tech-friendliness:** both at the national and at the EU level, the attitude towards technology is positive and quality-oriented. Programs like Horizon 2020, with its 80 billion euro worth of funds, testify to the strong value that the EU attributes to technological research. While such a sum might not impress when compared to the investments of the private sector actors, it nevertheless represents a considerable financial commitment, especially if combined with national funding. Moreover, the fact that good programmes like European Research Area (ERA) and the Dublin Declaration are already in place means that it is not necessary to start from the scratch.

Much in the same way, it is opportune to ask: **what does the EU miss?** In this case, different shortcomings can also be spotted. Those missing elements, which also represent as many gaps which will have to be filled by 2030, are:

- o **European in-fight**: the lack of a common vision and common objectives stands out as a major impingement on the way of European innovation of the EU. Not only there is little coordination at EU level, but the different European Member states and other actors tend to compete against each other rather than coalesce to better face global competition. Consequently, a great part of Europe's vast resources are wasted and misused.

- o **Lack of innovative governance and disaggregation:** at the same time cause and consequence of the European inner competition, the lack of coherence is considerably hampering the EU's innovation policies. This significant gap weakens cross-fertilisation, an essential element for a successful ecosystem. However, it must be noticed that a few suggestions to bridge this gap have been gradually brought forward (for example, the proposal tabled at the October 2013 European Council to activate a network of digital coordinators which can play a strong role in Cloud Computing and Big Data management).

- o **Alignment over Scarce engagement**: this important shortcoming is not only caused by a substantial lack of coordination, but also by scarce political will and inclusiveness, a result of European policies which have so far privileged alignment over engagement.

- o **Regulatory maze**: it was widely agreed that standardisation is badly needed in order to favour a steadfast and EU-wide innovation process. Instead, the current system relies excessively on laws which are, however, useless if no agreement is reached on common standards. The establishment of such common standards should therefore help to tackle barriers between countries, without adding further levels of administration. In addition, there is over-regulation and regulation not adapted to technological evolution.

- o **No interfaces business/research:** the link between education, research and business, which lies at the basis of successful innovation models of countries like the US, but also some EU Member States (Finland, Netherlands...) needs to be seriously strengthened and extended at a Europe-wide level.

- **Local-to-global divide:** while local networks constitute one of Europe's greatest strengths, the lack of connection with (but also between) policy makers, research institutions and other actors frequently prevents such realities from playing an active role at a global level.

- **Leveraged funding:** for all the financial support offered by the EU's programmes like Horizon 2020, the degree of funding offered by the EU is frequently seen as risible by the business and research sector. In addition, the slow deployment times (ex. 7 years of Horizon 2020) hardly enable European actors to compete in a fast-changing global context.

- **Risk adversity:** European innovation policy is hindered by aversion to risk, sometimes even politically promoted. Without adopting a less deterministic approach, which draws upon the boldness which underlies the scientific as much as the business sector, the EU will easily be outpaced by other actors' more dynamic and flexible innovation models.

What emerged from this critical analysis is the need to create a solid, inclusive and interactive ecosystem, ideally reflected in the so-called 'Triple Helix' structure.

This goal can only be achieved by taking into consideration the above mentioned strengths and weaknesses, as well as proposing solutions which can include:

- **Large scale co-ordination;**
- **Bottom-up experimentalism and serendipity;**
- **Crowd sourcing and funding;**
- **Stakeholders engagement (ex. 'industry in system');**
- **Cooperation through 'Frictionless interaction';**
- **More foresight and long-term vision**
- **Governance and regulatory innovation.**

## 2. <u>From here to 2030: what global changes will the ecosystem face?</u>

Once assessed positive elements, but above all gaps in the current context, the debate moved a step further, taking the new 'ecosystem' outside its European niche and testing it against the reality of a global environment in constant evolution.

The privileged instrument for such analysis is 'long-term foresight' intended, as Dr Wilkinson aptly pointed out, not 'as a look into the future, but as a way to rediscover the present'. As such, this analysis aimed at following a no-nonsense approach, with the foresight being developed on the basis of currently emerging trends.

The global challenges or 'megatrends' which have been most frequently identified as both threats and opportunities for the European Innovation Ecosystem are:

- **Empowerment of the individual:** new technologies and tools will progressively enable individuals to create wealth, original solutions and personal enterprises.

Conversely, governments progressively have less and less power over such processes.

- **Resilience**: This is also likely to cause a progressive shift towards local realities, which will be the less and less reliant on globalisation and will instead revolve around national and regional/cross-border clusters.

- **Digital education:** new technologies and A.I. will make the classical European educational system more and more obsolete, leading towards a model centred on continuous learning and life-long education.

- **Declining resources and sustainability**: there is little doubt that the increasing scarcity of natural resources, together with the effects of climate change, will require new and innovative models to create a more sustainable and liveable society. Those changes will require a solid strategy on the part of the EU.

- **Fast-paced environment:** due to its imposing regulatory apparatus, the EU might find itself outpaced and lose opportunities in a world where the acceleration of invention and innovation is made even more dramatic by new communication technologies. Should the implementation time for European project not be shortened, numerous loss of opportunities might occur and weaken the ecosystem.

Once visualised the elements which will more likely impact the innovation ecosystem, Europe will have to decide how to shape the ecosystem itself, so that it can be well positioned to withstand competition and seize the opportunities the future can offer. This leads to one simple question: **what kind of society does Europe want?**

In this regard, was agreed that the EU needs to create its very own model, which while presenting uniquely European features (ex.: focus on quality, welfare for all) will also embrace some of the positive elements of other systems (ex.: US' facilitation between interfaces). Moving on this path, it will be imperative to pick engagement and foster inclusivity and interaction.

### 3. <u>Drawing the ecosystem's architecture: where to start and what do we want?</u>

As the present features of the Europe system have been scrutinised and future developments taken into consideration, it is necessary to locate the essential areas on which the activity of the group will concentrate and develop its 'Blueprint' for the new innovation ecosystem.

Among the elements which are deemed of particular importance in order to turn the ecosystem from a theoretical model in to a well defined and achievable architecture, the most important are:

➢ **Synchronised interests/new forms of alignment and coordination,** in order to bring together the EU, governments and stakeholders between EU, governments and stakeholders, as well as to optimise the use of resources.

➢ **New governance culture and steering methods,** in order to enhance coordination and move beyond the mission-oriented leadership model. In this case,

the nature itself of such leadership (centralised or decentralised?) will have to be carefully discussed.

➢ **Outreach and Communication**, to complement alignment and foster bottom-up innovation. This will also aim at creating a **coherent narrative** for European innovation.

➢ **Regulatory overhaul,** in order to make regulations more conductive and less burdening to research and innovation, as well as increasingly based on a concept of 'reciprocity' to better compete in the global environment.

➢ **Experimentation spaces**, to foster out-of-the-box thinking, decrease discontinuity and encourage the development of daring and ambitious research policies.

➢ **In-depth analysis of success and failure**, in order immediately focus on 'what' should be changed instead of 'how'. It is importance to notice that this analysis must be based on vast evidence-gathering and must put into discussion even the most basic elements of the system.

➢ **Skills**, in order to foster an EU-wide change of the educational paradigm, shifting from traditional models to lifelong learning and vocational traineeships will allow individuals to become themselves sources of innovation.

➢ **Public/Private partnerships**, in order to bring ideas into business, create new innovation interfaces (industries, universities, etc) and build upon the many unexploited ideas developed in both environments. In this case, it will be essential to determine the degree of risk-sharing between the two sectors.

Besides those essential elements of reflection, the participants also formulated a few questions, which might eventually serve as food for thought during future sessions:

➢ **Should the EU set an external benchmark (US/Korea/Canada etc.) or come up with a peculiarly 'European model'?**
➢ **How can the EU develop more coherence and strategic agility?**
➢ **How can the EU adapt to a new global and economic reality (fundamentally different from its post-war context and st-up)?**


## III. CONCLUSION & NEXT STEPS

The fourth session of the Group (2nd session of Phase II) will focus on the elements identified in the final part of the meeting. In this case, the Secretariat will elaborate proposals and working documents instead of recommendations, in order to deliver more concrete contributions.