



Report on Policy Roundtable

“Industrial diversification, entrepreneurship and regional economic growth”

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¹Please start with version 0.1. All minor changes will lead to a new number (0.2, 0.3, 0.4 etc.). The first complete draft will get the number 1.0. Again all minor revisions will lead to a new decimal number (1.1, 1.2, 1.3 etc.). A major revision will become 2.0 etc. etc. Until there is a final version which will be called 'final'.

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1. Executive summary

On January 26th, 2018 we organised a policy roundtable at Utrecht University on the effects of industrial diversification and entrepreneurship on regional growth in the EU. The roundtable offered an excellent setting for the FIRES participants to share and discuss their research findings with practitioners involved in regional policy making and with researchers with an expertise in policy design, content and evaluation. An initial round of presentations of empirical results was followed by a series of reflections by policy makers, who provided critical assessments of our findings and discussed how and to what extent contemporary policies can benefit from the results. In a third round of presentations, several policy researchers provided critical evaluations of our empirical findings and linked our research to contemporary debates on the nature and design of policies aimed at the promotion of regional growth. Overall, the participants were in agreement that there is much scope for policy making to foster regional growth by promoting regional entrepreneurship. Also, policies should try to focus more on positive growth effects that the type of composition of economic activities of regional economies can generate. There was also consensus on the need to allow for substantial heterogeneity in the design and content of policies, given structural differences between lagging and advanced regions in the EU and dynamic differences between regional growth trajectories based on related or unrelated diversification of economic activities.

2. Introduction

In the FIRES project, we have devoted considerable effort to the empirical identification of drivers and effects of regional entrepreneurship. In relation to this, we are also examining how regional economic structures influence economic development. In particular, this relates to the question whether and how levels of relatedness and/or unrelatedness of activities within regional economies generate positive growth effects. Having obtained a set of empirical findings on these issues, we decided to organise a round table with policy makers and policy researchers. As explained by Erik Stam in his introductory statement, the round table had the following aims:

1. Inform: Present FIRES research findings to policy makers and practitioners;
2. Knowledge circulation: What do the participants make of the research results? What other aspects are important to consider in future research efforts?
3. Debate: Entrepreneurship is assumed to be key for the success of the Europe 2020 Agenda. How do the round table participants see the role of entrepreneurship?

4. Policy making: What (new) policy making and more fundamental institutional reforms are required to foster entrepreneurship and its role as driver of sustainable growth and creator of employment?

The round table consisted of three interactive and related sessions, in which all participants were able to reflect on the empirical findings, discuss and debate contemporary policy making and explore possible future changes and improvements to further foster positive effects from entrepreneurship on regional growth.

3. Key empirical findings

In a first round of presentations, UU researchers presented a set of key empirical findings. Koen Frenken addressed the question whether related or unrelated variety of regional economic activities fosters economic growth in the EU. Whereas related variety is better suited to foster growth in lagging regions, advanced regions have more opportunities to benefit from unrelated variety. Furthermore, knowledge intensive business services represent a key factor fostering regional growth. Jeroen Content focused on the important question whether related and/or unrelated variety influences entrepreneurship. At the NUTS2 regional level, the findings indicate that related variety exercises a positive effect on entrepreneurship, whereas unrelated variety generates a negative effect. In addition, the results also show that institutions play an important role, in line with the “varieties of capitalism” concept. Erik Stam focused in his presentation on how regional policy making can foster positive effects of entrepreneurship on regional industrial diversification. His presentation contained a detailed outline of how policy making should be based on a strength and weaknesses analysis of a region, followed by a clear selection of policy targets, instruments, implementation and robust evaluation.

4. Reflections by policy makers and researchers

The first set of reflections on the empirical findings was provided by several policy makers. Edgar van Leest emphasised the importance of recognising that policy making needs to allow for a high degree of heterogeneity among EU regions. Successful regional policies need to be based on a clear identification of the key strengths and weaknesses of individual regions. Also, the innovative strength of entrepreneurs needs to be included as a potentially important driver of regional growth. Marc Hameleers felt that, although the empirical findings do provide important suggestions for policy making, he would like to see more discussion on detailed policy recommendations that can be drawn from such findings. In more general terms, he pointed out that there is a need for the evaluation of specific policies so that policy makers are better able to make more informed choices in their policy design. Sander Kes discussed how regional policies in the Netherlands also need to be assessed within the wider context of Dutch policies that focus on particular sectors and topics, including innovation, digitalisation and sustainability. Huib van der Kroon also highlighted the importance of sustainability and digitalisation. He also emphasised that it is not clear whether policies should try to foster entrepreneurship in general or be targeted at frontrunners and leading entrepreneurs. This is also related to the issue of heterogeneous regions, as different types of regions may contain different types of entrepreneurs. Hans Rijnten provided some insights into how Utrecht, one of the leading regional economies in the EU, conducted policy making. Policies are targeted in particular on facilitating the cooperation between knowledge intensive sectors. A good example is the growing cooperation between the health sector and the gaming industry.

The second set of reflections started by a presentation by Jonathan Potter. He argued that the evidence of the relative importance of related and unrelated variety is far from straightforward and needs to be further examined. Furthermore, it is important to keep in mind that governments increasingly use local (regional) level policies to foster national level outcomes. In line with the first reflection session, Jonathan Potter also stressed that it is important that policies are fine-tuned and adjusted to the needs of specific regions. As Michael Fritsch added, it may also be the case that entrepreneurship needs to be seen as the key driver of regional diversification, irrespective of whether economic growth leads to higher levels of related or unrelated diversity. Anet Weterings followed up on this in her presentation, discussing whether regional specialisation or diversification is good for growth. Based on the concept of smart specialisation, the argument would be that diversification is important, although it is not clear what the optimal level of diversification would be. Entrepreneurship may play a key role in preventing regions from becoming too specialised in a narrow range of activities. In extension of this, Sjoerd Harderman discussed the need to look more closely at the different regional effects of productive versus unproductive entrepreneurship. He also argued that entrepreneurship plays a vital role in creating new regional activities. Depending on the regional structure, such activities may foster more related or unrelated variety of economic activities. In fact, as he argued, perhaps entrepreneurs should be seen as transforming unrelated activities into related activities to advance regional growth.

5. Summary and conclusions

The round table revealed to be a productive platform of knowledge circulation, with fruitful debates on both the science and practice of industrial diversification, entrepreneurship and regional economic growth. All the participants contributed by giving short presentations, challenging findings and contributing to the discussions in response to the presentations. The format of presenting key findings followed by the reflection sessions resulted in a process of collective learning, where the participants shared ideas and insights on contemporary regional policy making and assessing how future policies can and need to be improved. Overall, the participants were in agreement that entrepreneurship and related and unrelated variety play key roles in contemporary growth processes in EU regions. Similarly, there was clear agreement that regional policy making needs to be strengthened to further advance these roles. At the same time, there was also consensus that several key aspects need to be considered for the success of future policy making. One important issue is that policies need to be flexible and tailored to particular regions. One size fits all policies are not likely to be effective. Furthermore, it is not always clear how the lines of causation run between entrepreneurship, related and/or unrelated diversity and economic growth. Therefore, in order for policy making to be efficient, regional economies need to be analysed in detail to identify the key factors and relationships driving growth before policies can be implemented. As such, more empirical research, building on the findings from the FIRES project, is clearly called for. Similarly, there is a need for more extensive experimentation and evaluation of regional policies to aid policy practitioners in their choice of policy design and implementation.

APPENDIX

Participants

FIRES/Academics

Jeroen Content (Utrecht University)

Koen Frenken (Utrecht University)

Michael Fritsch (Friedrich Schiller University Jena)

Magnus Henrekson (Research Institute of Industrial Economics – IFN)

Jacob Jordaan (Utrecht University)

Bart Los (Groningen University)

Axel Marx (KU Leuven)

Mike Robinson (Utrecht University)

Mark Sanders (Utrecht University)

Erik Stam (Utrecht University)

Andrei-Gavril Sue (KU Leuven)

Policy / Policy Research

Marc Hameleers (Dutch Ministry of Agriculture, Nature and Food Quality)

Sjoerd Hardeman (Rabobank)

Matthijs Janssen (Dialogic & Utrecht University)

Sander Kes (Dutch Ministry of Economic Affairs and Climate Policy)

Huib van der Kroon (Dutch Ministry of Economic Affairs and Climate Policy)

Edgar van Leest (Brainport / Strategy Unit)

Cees-Jan Pen (Fontys / Brabant Advies)

Jonathan Potter (Organisation for Economic Cooperation and Development)

Hans Rijnten (Economic Board Utrecht)

Anet Weterings (PBL Environmental Assessment Agency)
