

**ECONOMICS***Sociology*

Kristina Zumbusch, Roland Scherer, Mobilizing Enterprises for Regional Innovation Policies. How to assure an active involvement of located enterprises in regional development, *Economics & Sociology*, Vol. 6, No 1, 2013, pp. 13-27.

**Kristina Zumbusch**

*Institute of Systemic Management  
and Public Governance (IMP-HSG)  
University of St. Gallen  
Dufourstrasse 40a,  
CH-9000 St. Gallen  
Fon (CH) +41-(0)71-224-2524  
Fax +41-(0)71-2242536  
<http://www.imp.unisg.ch>  
E-mail: kristina.zumbusch@unisg.ch*

**Roland Scherer**

*Institute of Systemic Management  
and Public Governance (IMP-HSG)  
University of St. Gallen  
Dufourstrasse 40a,  
CH-9000 St. Gallen  
Fon (CH) +41-(0)71-224-2524  
Fax +41-(0)71-2242536  
<http://www.imp.unisg.ch>*

*Received:* December, 2012

*1st Revision:* February, 2012

*Accepted:* May, 2013

## MOBILIZING ENTERPRISES FOR REGIONAL INNOVATION POLICIES. HOW TO ASSURE AN ACTIVE INVOLVEMENT OF LOCATED ENTERPRISES IN REGIONAL DEVELOPMENT

**ABSTRACT.** During the last decades a paradigmatic change in regional policies has occurred: Cohesion oriented policies gave place to policies focusing on economic growth by innovation. In consequence also the consignees of regional policies changed: in the past public institutions responsible for infrastructural measures received most of regional funding; now mainly enterprises are addressed. Though, located enterprises do not automatically get involved with regions' development processes. How can they be mobilized for these issues? Primarily on the base of the Swiss experiences with its innovation oriented New Regional Policy (NRP) the article first illustrates the status quo, which role enterprises currently play in regional innovation policies. Secondly, the crucial factors are discussed which determine the interplay of entrepreneurial and public rationalities in the context of regional innovation policies. And third the article derives suggestions from these assessments for the design of regional innovation policies and corresponding regional governance structures.

**JEL Classification:** R12, O32 **Keywords:** regional policy, regional innovation policy, regional governance, Switzerland

**Introduction**

Over the last decades regional policy has enhanced its innovation focus. After long years of cohesion orientation almost all European countries as well as the European Union currently emphasize the importance of innovation in regional policies (Koschatzky *et al.*, 2010). Innovation has been identified as major driver in new models of growth and competitiveness. And regions with their specific capacities and activities in research, technology and innovation are seen as key actors for enhancing innovation (e.g. Capello *et al.*, 2009; Hassink *et al.*, 2009). The importance of the regional level is also due to the vital role of localized innovation factors for innovation like SME, local qualification needs, regional collaborations as well as local innovation centers (Gössling, 2007, Koschatzky, 2003).

In consequence there are not only regional differences with regard to the amount or share of innovation activity, but also in the way in which regional innovation systems function. Taking these differences into consideration regional accentuations in corresponding policies are indispensable to generate competitive advantages. These factors underline a broad demand for innovation strategies on a local and regional level and explain the growing innovation focus of regional policies since the 1990ies (e.g. Asheim *et al.*, 2011, Fritsch/Stephan, 2005, p. 1123).

This development can be well illustrated on the European level by the regional policy of the European Union itself (Bachtler, 2007). In the legislative proposals for the EU cohesion policy 2014-2020, adopted by the European Commission in 2011, regional innovation strategies are even seen as *ex ante* conditionality for future structural funding in the field of R&D (European Commission, 2011). But also on the level of the EU member states numerous examples of regional policies strongly focused on innovation and economic growth instead of cohesion objectives are meanwhile to be found. Innovation is currently ranking on the top of regional policy agendas (Tödting /Trippel, 2005).

Also Switzerland has revised its regional policy approach in the last decade. Its former policies aimed to reduce regional disparities between agglomeration areas and mountainous regions mainly by financing of infrastructural measures (Bieger *et al.*, 2004). In 2008 previous regional development programs were replaced by the so called New Regional Policy (NRP) of Switzerland, which is in the main focus of this article. The NRP has manifested a complete change in the Swiss paradigm of regional policy: in order to improve regional economic performance, it reflects a clear shift from infrastructural and financial assistance towards economic support for the creation of value added to the regional economy. Referring to the export-base-theory the New Regional Policy aims to make mountainous, peripheral, and border regions more attractive places for business. For this purpose especially softer development factors are emphasized, like economy friendly institutions, entrepreneurship, regional networks, or the access to know-how (Schweizerischer Bundesrat, 2007).

With this alignment the Swiss approach corresponds well to the European developments. Although one has to differentiate between innovation policies directly funding regional enterprises (SME) and such regional policies focusing on regional development by innovation support for the regional economy remaining on an inter-company level and pre-competitive stage. The Swiss NRP ranks among this second type of regional innovation policies: avoiding direct funding for enterprises which is in most cases in the responsibility of institutions for economic promotion or challenging due to the Competition Law, these regional innovation policies concentrate on regional development stimuli by emphasizing regional collaborations and innovation efforts at a pre competitive stage (e.g. Schweizerischer Bundesrat, 2007).

Altogether regional innovation policies throughout Europe have amongst others one decisive element in common: they all focus on regional enterprises. This paper is based on the key assumption that the success of regional innovation policies is strongly depending on the interest and an active role of the located enterprises. For a long time public institutions responsible for infrastructural issues have got most of regional funding (Bieger *et al.*, 2004). With the paradigmatic shift now mainly regional enterprises are addressed. Regional innovation and competitiveness cannot be achieved without the located enterprises. New consignees of a policy require also new modes of policy interventions. But in many cases the paradigmatic shift in regional policies towards innovation has not yet entailed a critical awareness of the corresponding necessities for adaptations to the conditions and requirements of the new target groups.

Though, located enterprises do not automatically get involved with regional development processes. As in general, entrepreneurial involvement in regional innovation

activities seems to have remained quite limited as first analyses from different countries show (e.g. Elbe *et al.*, 2011 for Germany, DATAR/ASP 2010 for France, TSO, 2010 for Great Britain, Crevoisier *et al.*, 2011 for Switzerland). Although, one has to confess, that in most cases (political) expectations concerning an intensive participation of located enterprises have never been explicitly discussed or defined. In consequence only very few studies can be found so far which assess the entrepreneurial participation in regional innovation policies. Thus, the paper argues that for a successful implementation of regional innovation policies a more specific approach is needed in relation to the collaboration with located enterprises as the main policy addressees.

Summing up the article focuses on the basic question, how located enterprises can be mobilized for regional innovation issues. There for it takes up three main issues: First it analyses the status quo of entrepreneurial involvement in regional innovation policies. Second, the article explores the crucial factors in the interplay of public and private actors in the framework of regional innovation policies and shows the difficulties due to the different rationalities of both groups. This section aims to broaden the understanding of the specific requirements of entrepreneurial involvement in regional innovation policies. Based on the first two sections the article discusses thirdly the consequences for regional policy actors and regional innovation governance: that means on one hand decisive factors are illustrated for a stronger involvement of private actors. On the other hand this last section points out some suggestions in which way located enterprises can be mobilized for regional innovation objectives. Optional paths for a successful and sustainable stimulation of entrepreneurial initiatives for regional innovation projects are explored.

The article comes from the Swiss difficulties in mobilizing located enterprises for their regional innovation policy. On behalf of the Swiss State Secretariat for Economic Affairs we assessed entrepreneurial involvement in the NRP by quantitative analyses of relevant funding data as well as by empirical work in four case regions in Switzerland (Nordbünden/Prättigau, Lucerne West, Neuchâtel, and Valais) (Crevoisier *et al.*, 2011). The article embeds these specific results from Switzerland in broader discussions and respective experiences of other European countries, even if only a few international studies dealing with the challenge of entrepreneurial involvement can be found so far.

## **1. Entrepreneurial Involvement in Regional Innovation Activities**

Regional innovation policies require different intensities of entrepreneurial involvement. First entrepreneurial involvement varies in the different stages of the policy cycle: During the conceptualization phase of regional innovation policies enterprises are often represented by their specific associations or they are at least heart for precise issues. But firms' interests and resource capacities for long lasting discussion processes at this policy stage are often limited, as it was for example empirically shown for the German funding program "regions of the future" (Von Löwis *et al.*, 2004). A quite altered picture might arise regarding the implementation phase of regional innovation policies, as different requirements and conditions exist for the involvement of located enterprises at the project level (Crevoisier *et al.*, 2011).

Second, entrepreneurial involvement has to differ with respect to the various lines of regional innovation programs. Not all issues tackled by regional innovation policies need direct entrepreneurial engagement (*ibid.*). Third, different regions are asking for a different level of activity of the located enterprises. The specific regional conditions and situations have on one hand a strong effect on the requirement for entrepreneurial involvement, on the other hand they also influence the perception what kind of entrepreneurial involvement is adequate and productive for target achievement (Elbe *et al.*, 2011).

Analyzing the monitoring data for the NRP in Switzerland<sup>1</sup> the first years of implementation (2008-2011) showed for example that less than 20% of all projects funded by the New Regional Policy had privately organized project leaders. Regarding not the number of funded projects but the corresponding investments the share of private financing is at 11%. Combining both perspectives (firms as project leader, project partners or only co-financing institutions) about one quart of all funded projects showed some kind of involvement of located enterprises. An empirical analysis of the German funding program for the innovative development of rural regions showed a similar percentage: in about 22% of all funded entrepreneurial involvement was to found (Elbe *et al.*, 2011). For France respective data is available for the implementation of the European structural funding by the ERDF in the framework of the operational programs 2007-2013 “competitiveness and employment” (DATAR/ASP, 2010): in France altogether 30% of the project costs were financed by the private sector. Exclusively focusing on the issue of R&D, innovation and entrepreneurship 42% of the investment came from enterprises. With regard to the project leaders, the private sector constitutes about 25%. Especially in the field of Energy private project leaders are strongly represented (*ibid.*). These shares of entrepreneurial involvement seem significantly higher than in the German or Swiss cases.

As this French data also shows, entrepreneurial involvement on the project level may have different forms. For assessing private activities we propose the following differentiation (see *Figure 1*). The highest intensity of entrepreneurial involvement is given when enterprises are the project leader, but also as partners of the project enterprises get actively involved. Such a partnership can be articulated in various ways: some enterprises get exclusively involved by in-kind contributions, some co-finance projects; others sponsor projects financially without getting involved on a content level. Taking into consideration the co-operative and inter-company focus of most regional policies a direct involvement of enterprises as project leaders or partners is not always imperative (e.g. Crevoisier *et al.*, 2011).

entrepreneurial involvement in regional innovation policies			beneficiary side		
			direct benefit	indirect benefit	Implicitly addressed
input-side	direct involvement	as project-leader			
		as project-partner			
	indirect involvement	by intermediaries			
		by associations			
	exclusively public projects				

Figure 1. Different forms of entrepreneurial involvement in regional innovation policies

In consequence also an indirect involvement of enterprises as well as an involvement of enterprises exclusively as beneficiaries of projects has to be considered for certain regional activities.

<sup>1</sup> For implementation of the Swiss New Regional Policy a corresponding monitoring system has been established (CHMOS), which integrates the most relevant data of all funded projects. This system is comparable to respective monitoring systems for example in Austria (ATMOS) or in France (PRESAGE).

- In many regional innovation projects enterprises are indirectly involved. The project leaders, perhaps not privately organized themselves, represent enterprises and their interests in the project. In many cases intermediaries like technology centers or regional cluster organizations play an active role on behalf of regional enterprises. On the other hand also associations of enterprises may bring entrepreneurial interests in regional projects. These kinds of indirect involvement of located enterprises show the important advantage that the respective enterprises may be relieved of administrative and organizational burdens of funded projects.
- With respect to the objectives of regional innovation policies it is also of importance if and to what extent regional enterprises benefit from regional innovation projects, without being necessarily involved at the input level of the specific projects. A direct benefit is seen if enterprises are directly addressed, if the output of a certain project can actively be used by one or more regional enterprises, as well as if the outcome of a project is a new start-up in the region. An indirect benefit is seen if the outcome of a project is to be used by enterprises in a further step (e.g. foundation of technology centers). NRP-projects focused on locational factors and the general attractiveness of the region for enterprises may be classified as projects of implicit benefit for regional enterprises. In this case entrepreneurial involvement is of the lowest intensity.

In consequence regional innovation policies have to define which kind of entrepreneurial involvement is reasonable and desired for which kind of projects. A first review of projects funded so far by the New Regional Policy in Switzerland (2008-2012) shows that currently most of the projects are to be classified as exclusively publicly financed and of implicit benefit for located enterprises (Crevoisier *et al.*, 2011). While this category is without any doubt of importance for regional attractiveness, a successful innovation policy has to strive for a stronger direct and indirect involvement of regional enterprises on the input side and a greater direct and indirect benefit for located enterprises. However, the degree of entrepreneurial involvement required for a successful implementation of the regional innovation policy is certainly dependent on the specific regional conditions, as shown before.

## **2. The interplay of public and private rationality in regional innovation policies**

Striving for a stronger entrepreneurial involvement is not always that easy. Especially the following three aspects constitute major challenges (Scherer/Zumbusch, 2013): First, the conditions and positions of the located enterprises are important for an enhanced understanding of their behavior and their decisions with regard to regional development projects (“demand-side”). In this context entrepreneurial demands as well as the embeddedness of located enterprises in their region are of key influence in shaping interest and willingness to engage in regional projects. Second, the “supply-side” of the specific regional innovation policy has to be considered. That means that the regulatory framework, its contents as well as its implementation structures have to be assessed with regard to their usefulness and meaning for regional enterprises. And third, it is necessary to take into account the regional context with its specific economic development conditions, its governance structures as well as its individuals. The regional context shapes significantly the interaction of the located enterprises and the public institutions (Tödtling/Trippl, 2005).

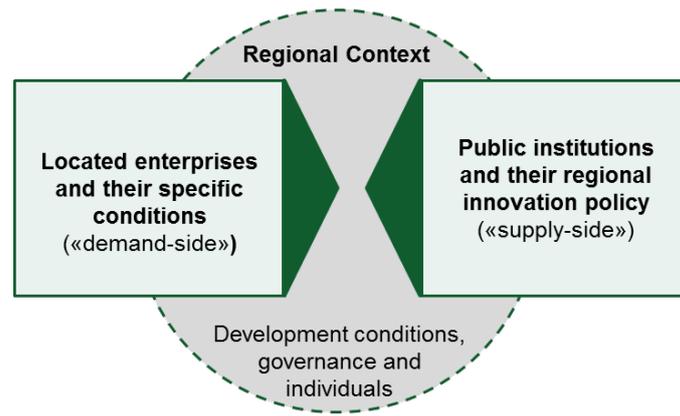


Figure 2. The interaction of located enterprises and regional innovation policies

The main challenge of this interplay is to be seen in discrepancies due to specific rationalities, since enterprises and public actors act and function according to different rationalities. Their processes and procedures obey dissimilar objectives, criteria, and norms (e.g. Storper, 1997, Peet, 2000). In general, rationalities shape perceptions and decisions, which may be related amongst others to the assessment of project-benefits as well as to the choice of promising procedures (Goddard, 2000).

The contradiction between public and economic rationality, colliding in the implementation of regional innovation policies, is mainly based on (i) a different perception of the potential benefit of a regional innovation project (concrete, direct benefit versus regional added value), (ii) diverging expectations of financial modalities (company level versus intercompany level), (iii) varied time horizons (short term versus long term periods), as well as on (iv) differences in the way how funding is given and absorbed (privately operated versus administrative business plans) (e.g. Crevoisier *et al.*, 2011).

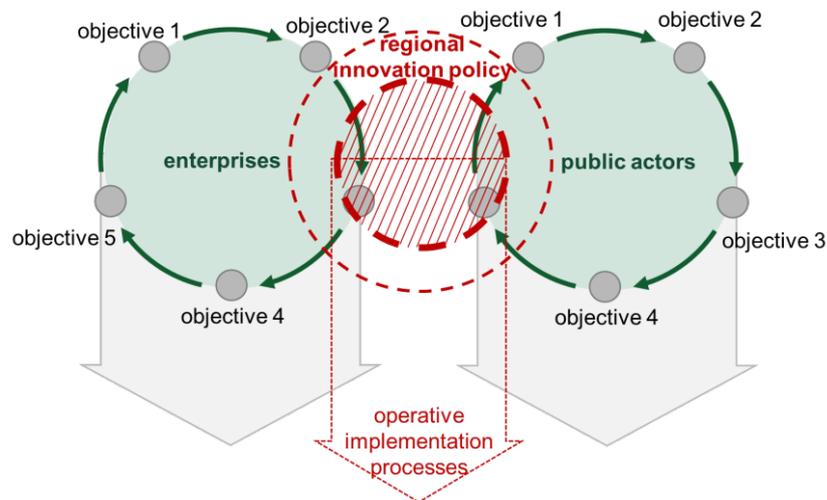


Figure 3. Different cycles of success in the framework of regional innovation policies

This contrast causes various challenges especially during the development of potential regional innovation projects. However, numerous examples show that ways can be found to bridge the contrast, given that one is fully aware of the challenge. Thus, if regional innovation policies want to have success, they have to find ways to manage these differences in rationality (Scherer/Zumbusch, 2013).

### 2.1. The demand-side: the rationality of located enterprises

The rationality of the private sector shapes the meaning and the quality of entrepreneurial relations to their regions of location (Goddard, 2000). First, regional relations of enterprises are strongly influenced by their expectations and needs from the location (like infrastructure, human resources, etc.). Second, many enterprises show a certain fundamental solidarity with the respective region, based for example on traditional aspects, or on linkages on a personal level (e.g. Cooke *et al.*, 2005). Thus, regional firms' embeddedness as formerly introduced by Granovetter with regard to social relations (1985) shows a broad range of facets.

To become aware of regionally orientated needs and expectations of located enterprises is a fundamental prerequisite to address located enterprises adequately and involve them concisely. Entrepreneurial needs vary significantly between enterprises of different sectors and structures. Needs and expectations also show different characters, some are explicitly and clearly articulated, others remain implicit or latent. However, they can be classified in certain categories (Figure 3). In these categories the needs of located enterprises meet the ones of regional policies (e.g. Koschatzky, 2005, Crevoisier *et al.*, 2011). Regional innovation policies may address some of these needs.

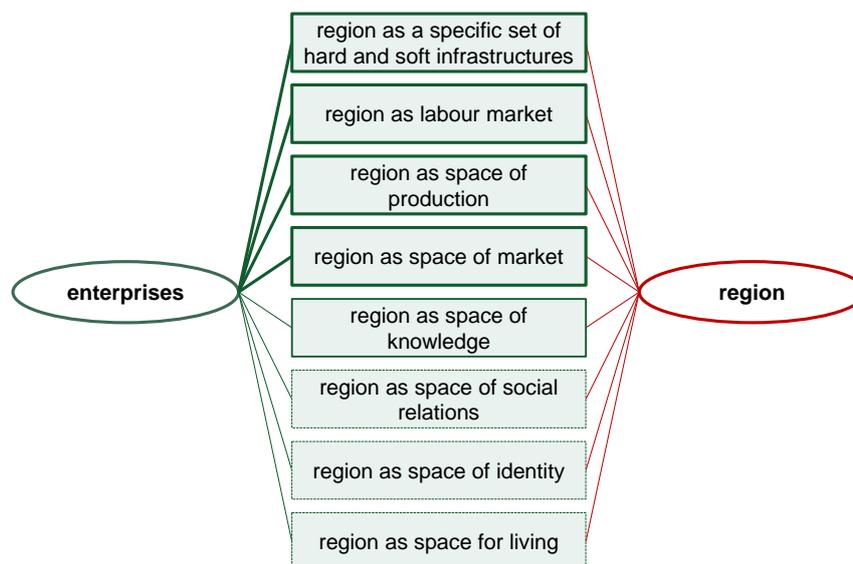


Figure 4. Categories of regional orientation of located enterprises

In addition, orientations and entrepreneurial positions towards the locational region are not always rationally and causally determined, but in many aspects strongly influenced by soft and subjective perceptions (Derungs/Scherer, 2008). A regional embeddedness beside the entrepreneurial needs may be induced by the issues which are discussed at the regional level and which might be of interest for certain enterprises. But it may also be based on social relations, when enterprises are integrated in the influential social networks of the regions. An anchorage can also be institutionally established, if entrepreneurial representatives are structurally and formally involved in the decision making bodies of the region (Crevoisier/Jeannerat, 2009).

The entrepreneurial needs and the regional embeddedness of the located firms determine the involvement of enterprises in regional policy, since they indicate a certain interest of the respective enterprises in regional issues. This interest may express a certain

regional dependency as well as a certain regional engagement of enterprises (Crevoisier *et al.*, 2011). In consequence it defines the space in which issues of common concern can be identified or complementarities for co-operative regional projects may be mobilized.

## **2.2. The supply side and the regional context**

The supply side is constituted by the regional innovation policies and their specific regulatory frameworks. Corresponding to the specific regional and national conditions these policies vary significantly. Thus they have in common, that they focus on innovation and economic growth. In Switzerland the federal government's New Regional Policy (NRP) is designed to make mountainous, outlying and border regions more attractive places for business. It has replaced previous development programs, and changed the Swiss paradigm of regional policy. Its main objectives are about

- strengthening of innovation, added value, and competitiveness of the regions;
- contributing to the creation and maintenance of employment in the funded areas (growth-approach);
- there by indirectly contributing to the preservation of decentralize settlement and to the reduction of regional disparities.

The former instruments – despite some interesting innovative elements – strongly emphasized cohesion issues and the conservation of infrastructural factors fundamental for living in the mountain areas (sewage disposal, etc.). In contrast, the NRP is clearly focused on economic growth. In particular it underlines the importance of the export basis theory for regional development in Switzerland. This means that the regions are supported to enhance their export capacity: those economic activities are strengthened which on one hand create value by increasing exports out of the region and on the other hand reduce barriers to innovation and entrepreneurship in the region (Schweizerischer Bundesrat, 2007a).

With respect to the growth theory it is assumed, that also in rural areas competitive and innovative companies constitute the fundamental base for the creation and the maintenance of employment. Consequently, the support of such companies promises an indirect contribution to the preservation of these rural areas as attractive spaces for living. According to this philosophy, the urban centers are seen as the most important driving forces for economic development, also in the rural areas (Schweizerischer Bundesrat, 2007). The peripheral regions have to succeed in taking up these development incentives from the urban centers and to mobilize at the same time their endogenous potential to generate export-returns as well as an increase in the regional added value. There for entrepreneurial initiatives are crucial. Though, to avoid distortion of competition only co-operative projects at intercompany level as well as pre-competitive projects can be funded. These criteria constitute a significant challenge for mobilizing enterprises for NRP-projects.

The implementation of the NRP is following an eight year period subdivided in two parts. Thus, the basis for the current funding period is the federal government's program for the period 2008-2015. This program defines the guidelines for the NRP as mentioned above (economic growth, initiating of export orientated stimuli, and focus on strengthening of the strengths). For the implementation the cantons (subnational level in Switzerland) have to formulate cantonal implementation programs in setting out their priorities and strategies on the base of the federal long-term program. There is no federal money allocated automatically to every canton – the cantons have to compete for the funding with innovative and appropriate strategies. The federal government assesses the strategic orientations and concludes corresponding performance agreements with the cantons. In consequence, the cantons themselves are fully responsible for the implementation of the NRP in their area. They are in charge for the whole administration, the selection of projects, the controlling, and the

monitoring of the implementation process. Therefore the cantons conclude agreements with their regions, which in turn implement their specific strategies and projects. The federal level, this means the Swiss ministry of economics, maintains the strategic steering capacity for coordination and information.

The federal government has an annual budget of CHF 40 million for project promotion. A further CHF 50 million have been earmarked for refundable loans towards infrastructure. In addition to the federal funding the cantons have to co-finance the projects to the same amount as the respectively designated federal funding. In this context one should also mention the complementary programs and funding regimes that support cantonal activities outside the narrow economic focus of the NRP. Especially the NFA ("New Financial Equalization") has to be considered which also pays attention to cohesion aspects of regional development in Switzerland. By the NFA the cantons dispose of largely unbound resources. Even if these funds are heavily struggled for by diverse policy fields their investment only depends on the prioritization of the specific cantons.

After first years of implementation the experiences show that the paradigmatic change in regional policy is not yet as visible in the regions as one could think. The changes were mainly related to strategic (as well as to administrative) issues, whereas the instruments and processes of implementation have largely remained the same. Thus, in many regions only a few things have changed: the organizational structure of the regions has often remained, and also the responsible regional manager have often kept their positions. So these regions have had the advantage to dispose of important experiences and capacity with the absorption of federal funding on the one hand, but have also had a certain tradition and in consequence a certain inertia to adapt to the new innovation paradigm. Thus, the strategic funding regime for regional policy in Switzerland changed significantly. However, neither the awareness of enterprises as the main new addressees of regional policy nor the consideration of entrepreneurial rationalities and needs has so far been sufficiently integrated in the implementation processes of the regional policy (Crevoisier *et al.*, 2011).

### **3. Starting Points for Strengthening Entrepreneurial Involvement**

As shown above many factors ask for a stronger involvement of located enterprises in regional innovation policies. Depending on the specific regional context, on the specific conditions at the supply as well as on the demand side the required involvement may differ. However, a deliberate approach seems to be crucial taking up the specific potentials and optional pathways for entrepreneurial mobilization to assure a successful implementation of the regional innovation policy.

#### ***3.1. Assessment of different potentials for entrepreneurial mobilization***

In general it has to be considered that different enterprises show different potentials of being mobilized for regional innovation projects. However, first implementation experiences of the NRP confirm that the structure of located enterprises is not a crucial factor (Crevoisier *et al.*, 2011): neither the sectoral affiliation nor the size of located enterprises influences significantly the degree of their involvement. Similar experiences have been made in Germany (Elbe, 2011).

The potential to be mobilized for NRP-activities seems to be stronger determined by the regional embeddedness of the located enterprises than by their sector or size. Regional embeddedness of an enterprise proves a certain potential for intercompany relations at the regional level. Such co-operative relations are required to fulfill the funding criteria of an intercompany and co-operative level of activities of most regional innovation policies. The

relations, already existing or not, may be shaped by the products of the enterprises, their supply-chain, their customer relations, their labor market, their environment, by cultural resources, or by traditional factors (De Propriis, 2002).

At the same time it seems important that the enterprises in question already dispose of a certain sense for innovation requirements (Steiner *et al.*, 2006). That does not necessarily mean that these enterprises already show a high investment share in R&D, but it is imperative that they are at least open and sensitive for innovation necessities. These enterprises can be seen at the threshold of own innovation activities, needing a final external incentive to start specific innovation projects. To that effect these enterprises show a high potential for mobilization with regard to the pre-competitive level of activities (*ibid.*).

In addition also the different types of project activities show diverse potentials and in consequence also varied starting points for entrepreneurial mobilization. In this regard especially three different types of projects can be assessed (Crevoisier *et al.*, 2011):

- Ongoing projects can be accelerated, accentuated, broadened or improved by an additional impulse of regional innovation funding. Development reserves of projects can be used to strengthen the involvement of the corresponding enterprises.
- For planned projects regional innovation policies may constitute an interesting financial instrument amongst others. In this case it is important that the regional innovation policies are well integrated in the regional setting of financing instruments and that the institutions that give access to funding are broadly informed of the respective funding criteria.
- For stimulating completely new project ideas regional innovation policies have to be well known, and an active support for entrepreneurial activities in terms of generating, developing, and implementing project initiatives is required.

Starting points for mobilizing entrepreneurial engagement for regional innovation activities vary also significantly between regions. In this regard it is important that a regional process of reflection is initiated who shall be addressed by the regional innovation-funding and what kind of innovation-projects are intended. These factors influence strongly the potential of enterprises which may be involved in the NRP activities at all.

### ***3.2. Decisive starting points for strengthening entrepreneurial involvement***

The interplay of enterprises and innovation policy in the regions is shaped by some decisive factors, which particularly emphasize the importance of the specific regional context. At the same time these factors constitute crucial starting points for strengthening entrepreneurial involvement in regional policies (Crevoisier *et al.*, 2011).

A regional policy focused on innovation and economic growth has to emphasize enterprises and their co-operations with other regional actors. Ways have to be found to systematically and actively integrate located enterprises with their specific conditions, needs, demands, and situations in the formulation as well as in the implementation phase of regional innovation policies – always keeping in mind their specific restrictions. In this context especially the following aspects are of importance:

- **An intense communication:** A continuous formal and informal communication with located enterprises concerning their needs, interests, and expectations (with regard to the regional innovation policy) is of great importance. Short and direct communication channels constitute the base for fruitful and trustful exchange. In consequence a regional climate of mutual understanding and respect will offer a sustainable seedbed for regional innovation projects with entrepreneurial involvement. However it has to be considered that getting closer to the regional enterprises takes time and has to be seen as a long term process. In the region of Lucerne West for example frequent

meetings for different groups of located enterprises and regular occasions for targeted exchange have been institutionalized over more than 20 years (Crevoisier *et al.*, 2011). Successful short term projects can be seen as important steps of encouragement on this long way, as they may have important signal effects in the regions.

- **A deliberate integration of located enterprises in the policy cycle:** It seems to be of great importance to take into account the entrepreneurial rationality in defining the regional innovation policies. Not only our results from the Swiss analyses but also the German experiences (Elbe *et al.*, 2011) underline the importance of a greater awareness as well as of a better understanding of the different rationalities. This emphasis on entrepreneurial rationality should be supported by all actors responsible in the field of regional innovation issues and should be seen as an indisputable guiding principle. If located enterprises are involved structurally as well as on a content level in the decision processes of regional innovation strategies, that may be directly organized or indirectly by their associations, it seems to be much easier for them to identify themselves with the innovation policy in force. Additional such integration may help to better meet entrepreneurial demands and needs. At the same time the involvement of enterprises has to respect the entrepreneurial rationality, also has to accept limited capacities of enterprises (time, human capital, money), and should be carried out in a quite focused and concentrated way. Additional efforts and administrative tasks should be minimized.
- **A professional and proactive support at the project level:** A crucial process is the development of a certain project idea to a relevant innovation project which corresponds well to the funding criteria. To get started, active ways of information and monitoring support could be chosen, complementing the more reactive and to a large part passive information activities of the past (like flyers, etc.). Continuous exchange processes with the regional economy (see above) make it possible that regional actors responsible for the delivering of the innovation policy may identify and rapidly pick up windows of opportunities for potential innovation projects with entrepreneurial involvement. In addition, communicative opportunities between different regional enterprises are often be stimulating for the development of relevant project ideas. During concretization and implementation of projects professional and proactive support is able to relieve enterprises of unnecessary burdens. In this context also intermediary organizations can play important roles who often take over a major part of necessary coordination und bureaucratic efforts. The phase of generating a new project could even benefit from a broader support, since it requires an intense effort and clear investment of interested enterprises (development of the relevant cooperation, etc.). An initial funding which is quite easy to obtain might be worth considering. Another interesting starting point in this field could be seen in establishing facilities for involved enterprises to exchange their experiences and get in touch with each other, this may also enhance reflections for a better use of synergies between different innovation projects in the regions.
- **Defining consistent governance-structures close to the regional economy:** The starting points above have once more emphasized the crucial role of the regional context. The entrepreneurial involvement in regional innovation policies like the NRP in Switzerland is stimulated or inhibited by the specific regional environment (Crevoisier *et al.*, 2011). As our empirical work in the four case regions has shown especially the regional governance system seems to be of great influence. Elbe *et al.* (2011) come to similar findings in the context of German regional policies. First, such governance structures seem to be encouraging, which integrate located enterprises or their representative bodies in form and content. That does not mean that business

actors have to be part of all decision making boards, but should be at least near to the decision process.

Second, with regard to the challenges of entrepreneurial involvement discussed above regional institutions responsible for the implementation process should be defined in such a way, that they dispose of the essential capacities (time, financial resources, employees, etc.) and the competencies (economical know-how, communication abilities, conceptual skills, etc.) adequate for successfully implementing the regional innovation policies. This concerns not only the individual, organizational, or financial capacities but also the political acknowledgement from the local and the federal level. This factor seems to be of great importance since the responsible organizations need adequate executive power and a sufficient scope of action. Entrepreneurial motivation and stimulation have to be recognized as an important task in the portfolio of regional institutions responsible for innovation policies and have to be integrated in official performance agreements.

- **Active and qualified regional contact persons for economic issues:** The regional context influencing the entrepreneurial involvement in innovation policies is not only determined by the regional governance systems. In fact also the level of single individuals is of fundamental influence. Regionally acknowledged personalities may act as catalysts and open access to the other rationality. In this context one has to distinguish between such persons without any formal position in regional institutions and other persons with an explicit mandate for regional development issues. The first ones, without any official mandate, like grey eminences, influential entrepreneurs or others, are to be found in many regions. They should be identified and won over for the objectives of the regional innovation policy, since they may play a key role in mobilizing other regional entrepreneurs.

For those persons officially responsible for regional development and in this framework also for the implementation of the regional innovation policy some personal abilities are essential. When recruiting for the position of such regional managers, especially those characteristics have to be considered which strongly influence their perception as competent and reliable contact persons for the regional economy. In addition an economic comprehension is of key importance; own professional business-experiences are certainly of advantage to appreciate and understand the economic rationality. Furthermore other features like communicative skills and a certain open mind combined with discretion and neutrality are decisive factors for mobilizing regional enterprises. But also solidarity and traditional relations with the respective region may positively influence the perception as regional contact person.

## Conclusions

Over the last two decades most regional policies throughout Europe have shown a paradigmatic change towards innovation – at least at a strategic level. At the project level many of these policies still have not yet sufficiently adapted to the new requirements linked to these strategic alterations (e.g. Crevoisier *et al.*, 2011, Koschatzky *et al.*, 2010). As empirical experiences in Switzerland but also studies from Germany show, the implementation processes still require significant adaptations in form and content. These adaptations especially concern the interaction with located enterprises as the new addressees of the regional innovation policies (e.g. Elbe, 2011). A common understanding as well as a deliberate strategy how entrepreneurial involvement might be assured is often missing. The awareness that changes at the strategic level require changes in the interaction with the regional economy

has arisen slowly. However, these adaptations require broad learning processes of all institutions involved and therefore take time.

But even if regional policies focused on innovation and economic growth are strongly reliant on activities of the located enterprises, it is on the other hand also questionable to evaluate their success exclusively by the degree of entrepreneurial involvement. In fact, it is of greatest importance to assure that regional innovation policies are set up close to the regional economy actively integrating entrepreneurial rationality in formulation, decision making, and implementation processes. Herewith located enterprises should be adequately addressed as potential project leaders but also as key beneficiaries of regional innovation projects. These empirical findings with regard to the implementation process of the Swiss New Regional Policy (Crevoisier *et al.*, 2011) correspond well with the results and suggestions of the German analyses (e.g. Elbe *et al.*, 2011).

Located enterprises have to be deliberately put in the focus of regional innovation policies. In consequence also the regional governance structures as well as the persons responsible for the policy implementation should show a certain awareness of entrepreneurial conditions and the economic rationality. Moreover the integration of regional key personalities seems to be of great importance who are able to identify, to understand, and to further develop entrepreneurial ideas. However, in Practice each region has to find its own way to successfully address located enterprises corresponding to its given development conditions and its specific set of actors.

Nevertheless one has to bear in mind that regional innovation policies like the NRP do not deal with questions concerning the daily business of located enterprises. There for they always rely on specific windows of opportunities which may render the innovation policies relevant for the respective enterprise. That means on the other hand, that dense relations with the regional economy are not sufficient for mobilizing enterprises for regional innovation projects. All in all a long-term effort is needed to shape supportive conditions for continuous communication and intense co-operations between located enterprises and regional institutions responsible for the implementation of regional innovation policies. In that way the differences between the entrepreneurial and the public rationality may be bridged and a sustainable seedbed for future regional innovation projects with an active involvement of located enterprises may be enhanced.

## References

- Asheim, B.T./Smith, H. L./ Oughton, Ch. (2011), Regional Innovation Systems: Theory, Empirics and Policy, *Regional Studies*, 45:7, pp. 875-891.
- Bachtler, J. (2007), *Innovation und Europäische Regionalpolitik (Innovation and European Regional Policy)*, [in:] Steiner, M./ Gruber, M./ Zumbusch, K. (ed.): *Technologiepolitisches Konzept II Steiermark Schriftenreihe des Institutes für Technologie- und Regionalpolitik der Joanneum Research, Band 7*, Graz.
- Bieger, Th./ Rey, M./ Scherer, R./ Schnell, K.D./ Sfar, D./ Strelbel, N./ Reinhard, M. (2004), *Evaluation der Investitionshilfe für Berggebiete (IHG)*, University of St. Gallen, CEAT, St.Gallen/Lausanne.
- Boschma, R. (2005), Proximity and Innovation, *Regional Studies*, Vol. 39, Issue 1, pp. 61-74.
- Capello, R. / Nijkamp, P. (2009), *Handbook of Regional Growth and Development*, Cheltenham/Northampton.
- Cooke, P., Clifton, N. and Oleaga, M. (2005), Social capital, firm embeddedness and regional development, *Regional Studies* 39, pp. 1065–1077.

- Crevoisier, O./Jeannerat, H. (2009), Territorial Knowledge Dynamics – From the Proximity Paradigm to Multi-location Milieus, *European Briefing. European Planning Studies*, Vol. 17, No. 8, August 2009, pp. 1223 – 1241.
- Crevoisier, O./ Jeannerat, H./ Scherer, R./ Zumbusch, K. (2011), Neue Regionalpolitik und privatwirtschaftliche Initiative. Studie im Auftrag des Staatssekretariats für Wirtschaft (SECO) der Schweiz, Direktion für Standortförderung, Bern.
- DATAR/ASP (2010), Que financent les PO FEDER 2007-2013? Bilan à mi-parcours sur les thèmes et les bénéficiaires. Dossier thématique, CONNAÎTRE les programmes européens, édition Septembre 2010, Paris.
- De Propriis, L. (2002), Types of innovation and inter-firm co-operation, *Entrepreneurship & Regional Development: An International Journal*, 14:4, pp. 337-353.
- Derungs, C./ Scherer, R. (2008), Standortwahl von Unternehmen: Ein Entscheidungsprozess zwischen Rationalität und Emotionalität. IDT-workingpaper, University of St. Gallen, St. Gallen.
- Elbe, S./ Langguth, F./ Schubert, D. (2011), Beteiligung von Unternehmen in der integrierten ländlichen Entwicklung. Im Auftrag der Bundesanstalt für Landwirtschaft und Ernährung, Darmstadt/ Bonn.
- Fritsch, M./ Stephan, A. (2005), Regionalization of innovation policy. Introduction to the special issue, *Research Policy* 34, pp. 1123–1127.
- Goddard, J.B. (2000), *The response of HEIs to regional needs*, Newcastle upon Tyne.
- Gössling, T./Rutten, R. (2007), Innovation in regions, *European Planning Studies* 15, pp. 253-270.
- Granovetter, M. (1985), Economic Action and Social relations: The Problem of Embeddedness, *American Journal of Sociology*, Vol. 91, No. 3, Nov., pp. 481-510.
- Hassink, R./ Ibert, O. (2009), *Zum Verhältnis von Innovation und Raum in subnationalen Innovationssystemen*. [in:] Blättel-Mink, B./ Ebner, A. (eds.): *Innovationssysteme – Technologie, Institutionen und die Dynamik der Wettbewerbsfähigkeit*, pp. 159-175.
- Kirchler, E./ Walenta, Ch. (2010), *Motivation* 1. Aufl. UTB, Wien.
- Koschatzky, K. (2003) (Hrsg.), *Innovative Impulse für die Region – Aktuelle Tendenzen und Entwicklungsstrategien*. Fraunhofer-Institut für Systemtechnik und Innovationsforschung, Karlsruhe.
- Koschatzky, K. (2005), *The Regionalization of Innovation Policy: New Options for Regional Change?* [in:] Fuchs, G./Shapira, P. (Eds.), *Rethinking Regional Innovation and Change: Path Dependency or Regional Breakthrough*. New York: Springer (Economics of Science, Technology and Innovation, Vol. 30), pp. 293-312.
- Koschatzky, K./Stahlecker, T (2010), A new Challenge for Regional Policy-Making in Europe? Chances and Risks of the Merger Between Cohesion and Innovation Policy, *European Planning Studies*, 18:1, pp. 7-25.
- Maier, G./ Tödtling, F./ Trippel, M. (2006), *Regional- und Stadtökonomik – Regionalentwicklung und Regionalpolitik*, Wien.
- Peet, R. (2000), Culture, imaginary, and rationality in regional economic development, *Environment and Planning A* 32(7), pp. 1215 – 1234.
- Schedler, K./ Gross, M. (2011), Rationalitäten in Politik und Verwaltung. [in:] IMPacts, Institut of Systemic Management and Public Governance of the University of St. Gallen (IMP-HSG), Ausgabe 01 – Juli 2011, pp. 6-10.
- Scherer, R. (2011), Wie unterschiedliche Rationalitäten regionale Entwicklungen blockieren. In: IMPacts, Institut of Systemic Management and Public Governance of the University of St. Gallen (IMP-HSG), Ausgabe 01 – Juli 2011, pp. 14-18.

- Scherer, R./ Zumbusch, K. (2013), Multiple Rationalitäten in der Regionalentwicklung. [in:] Schedler, K./ Rugg-Sturm, J. (eds.), Multiple Rationalitäten in Organisationen. Sankt Gallen. forthcoming
- Schweizerischer Bundesrat (2007), Botschaft zum Mehrjahresprogramm des Bundes 2008–2015 zur Umsetzung der Neuen Regionalpolitik (NRP) und dessen Finanzierung. Bern.
- Schweizerischer Bundesrat (2007a), Bundesgesetz vom 6. Oktober 2006 über Regionalpolitik. Bern.
- Steiner, M./ Gruber, M./ Zumbusch, K. (ed.) (2006), Technologiepolitisches Konzept II Steiermark. Schriftenreihe des Instituts für Technologie- und Regionalpolitik der JOANNEUM RESEARCH Forschungsgesellschaft mbH. 2006. Graz.
- Storper, M. (1997), The regional world: territorial development in a global economy, New York.
- Tödting, F./Trippel, M. (2005), One size fits all?: Towards a differentiated regional innovation policy approach, *Research Policy*, Special Issue “Regionalization of Innovation Policy”, Vol. 34, Issue 8, October 2005, pp. 1203–1219.
- TSO (2010), *An Annual Report by The Secretary of State for Business, Innovation and Skills, the First Minister of Scotland, and the Welsh Ministers for the year ended 31 March 2010*. Based on the Industrial Development Act from 1982. The Stationery Office, London.
- Von Löwis, S./ Wiechmann, T./ Müller, B. (2004), Regionale Agenden in Deutschland – Akteure, Institutionen und Strategien nachhaltiger Regionalentwicklung am Beispiel der „Regionen der Zukunft“. [in:] Wiechmann, T./ Von Löwis, S./ Kaether, J. (eds.): Das Modellvorhaben „Regionen der Zukunft“ – Erfahrungen und Schlussfolgerungen für eine nachhaltige Regionalentwicklung in Deutschland. IÖR-Schriften; Band 45; Dresden; pp. 13-78.