

Smart Specialisation: Opportunities and Challenges for Regional Innovation Policy

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Smart specialisation has over the past few years become one of the most central terms in the European regional economic policy debate. The European Commission has made smart specialisation the conceptual foundation for its new regional policy, which will distribute EU350bn between 2014 and 2020. The existence of “smart specialisation strategies” has even been made a requirement to be eligible for any funding from these EU’s programs. The concept has also captured the interest of policy makers elsewhere, with the OECD, the World Bank and others exploring its applicability.

Dominique Foray, the leading academic voice among the group of researchers behind this conceptual framework, makes in this book an important contribution to reflect on the emerging learnings from working with smart specialisation. With smart specialisation strategies just getting into their first stages of implementation throughout Europe, the time has not yet come for a full-scale post-mortem on the concept and its impact. What Foray instead does very eloquently is to discuss the core elements of the smart specialisation framework against the backdrop of his experience with many regions and EU officials in translating the framework into practical policy. The result is highly recommended reading, especially for policy-oriented researchers that want to deepen their understanding of the smart specialisation concept but also the realities of regional economic development practice. The book’s relative brevity (less than 100 pages), the many practical examples and the lack of formal jargon make it quite accessible also to a larger readership. But don’t be fooled – it is loaded with insight and meaning, which can require a bit of effort to penetrate.

Foray’s book reflects some of the core elements of recent thinking about policies to support economic development. Such policies have to be location-specific, with local strategies driven by a thorough analysis of local capabilities and opportunities. These strategies have to set priorities also in a vertical sense, not just in terms of what cross-cutting business environment conditions to improve. They have to involve many players to align dispersed knowledge, capabilities and decision power. And they have to be “learning”, i.e. adapted over time as new information is generated or becomes available.

But maybe even more interestingly, Foray's description of smart specialisation also highlights a number of aspects in his thinking that arguably have been underappreciated in the way the concept has been adopted by other scholars and applied in policy practice.

One important aspect concerns the notion of specialisation: Foray describes smart specialisation as the capacity (or process) to generate new "specialities" – what scholars in business studies might call the ability to identify and enter new market niches. It is about creating new and economically viable combinations of solutions/technologies and industries/markets that through their growth drive structural change in regional economies. The traditional notion of specialisation used by regional scientists, i.e. the relative size of specific industries or clusters in a region, is related but different. It is in some sense both the ultimate reflection and outcome of the processes triggered by smart specialisation. Smart specialisation is, in Foray's words, the "genetic causal moment" that leads to agglomeration and cluster evolution.

Another key aspect relates to entrepreneurial discovery, a core element of smart specialisation in Foray's thinking. What is being "discovered" is the economic potential of specific new "specialities" in a given location, not a scientific or technological insight driven by research. Entrepreneurial discovery is driven by firms, even though government and academic institutions set an important context for their ability to do so. Research and development can create such new potential, and innovative capacity can be critical to be able to adapt new technologies in an economically viable way. But R&D in itself is *not* smart specialisation. And neither is innovation, the translation of new scientific and technological knowledge into new products, services and business models. But smart specialisation as the creation of new specialities can occur if local R&D capabilities and other dimensions of innovative capacity are "smartly" concentrated in specific domains.

A third aspect concerns the role and specifically the scope of smart specialisation policies. Foray first points out that smart specialisation often occurs without a specific strategy or set of policies behind it. But there are many situations in which these automatic processes could be accelerated or do not occur at all without a plan for action. Foray then discusses the role smart specialisation strategies play in the overall policy mix for regional economic development, complementing "horizontal" policies to upgrade cross-cutting business environment conditions but potentially also more traditional cluster policies to enhance, but not necessarily transform, existing industries. Smart specialisation strategies, then, are a part of broader regional strategies, not their equivalent.

The book also provides many important insights into the role of clusters and cluster-based economic policy. It argues that cluster research has generated significant insights into the mechanisms and roles of established clusters but less so on the emergence of clusters, a critical driver of structural change. It also argues that the current practice of cluster policies exhibits a range of systematic failures, including the focus on either existing clusters without pushing for transformation or on ambitions for creating agglomerations where the economic fundamentals are not given. Interestingly, and this is a criticism of both cluster policy and other innovation policies, Foray argues that current policies are often too narrowly focused on science-driven sectors and companies. What they miss is the need and opportunity to transform traditional sectors, which he calls "sleeping giants", and SMEs, "hungry dwarfs".

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Dominique Foray's book is important reading for anyone interested in regional economic development concepts, even for those that have closely followed his previous work. It lays out a coherent way of thinking, supporting the type of smart specialisation efforts he describes. And it is rich with insights on many aspects of the dynamics driving regional economies and the policies that help shape them.

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At the same time, there is some tension between the well-argued but also relatively narrow focus of the efforts Foray advocates – targeted initiatives on transforming existing and triggering new “specialities” – and the broader ambitions and scope that regional economic strategies arguably need to have [see Jesus Valdaliso/James Wilson (eds), *Strategies for Shaping Territorial Competitiveness*, Routledge: 2015; reviewed in McCann, 2016, in this journal 26 (2)]. I am somewhat reminded of the experience with the term “disruptive innovation”. This term was as carefully as narrowly defined by Clayton Christensen but then achieved a much broader (and less precise) meaning in its adaptation in the wider conversation it triggered. Maybe the same is happening to the concept of smart specialisation. Whether that would be a good development remains to be seen. Foray's book provides the reader with much of the insights needed to discuss this question.

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