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Innovation and Transformation:

Making Transformative Innovation Work in Regional Policy

Lessons from the Basque Case

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Introduction

- Emergence of new transformative innovation policy approaches for addressing grand societal challenges (Schot and Steinmueller, 2018), including the concept of missions (Mazzucato, 2018).
- These approaches lack the consideration of the role of places and geographies for transformative change (Coenen, et al., 2015; Coenen &Morgan, 2020).
- Regional innovation policy and particularly S3 approaches have focused on science and technology and have largely failed in facilitating broader forms of social innovation and in incorporating the voice of society→ need of new governance models that facilitate transformation, following a multi-actor, multi scalar perspective (Pontikakis et al., 2022, Serger et al., 2023).
- The role of entrepreneurial state in regions can be performed by different governments at different territorial scales. (McCann, 2023, Kivimaa & Morgan, 2023)

Governance, policy translation and directionality in place-based transformative innovation approaches

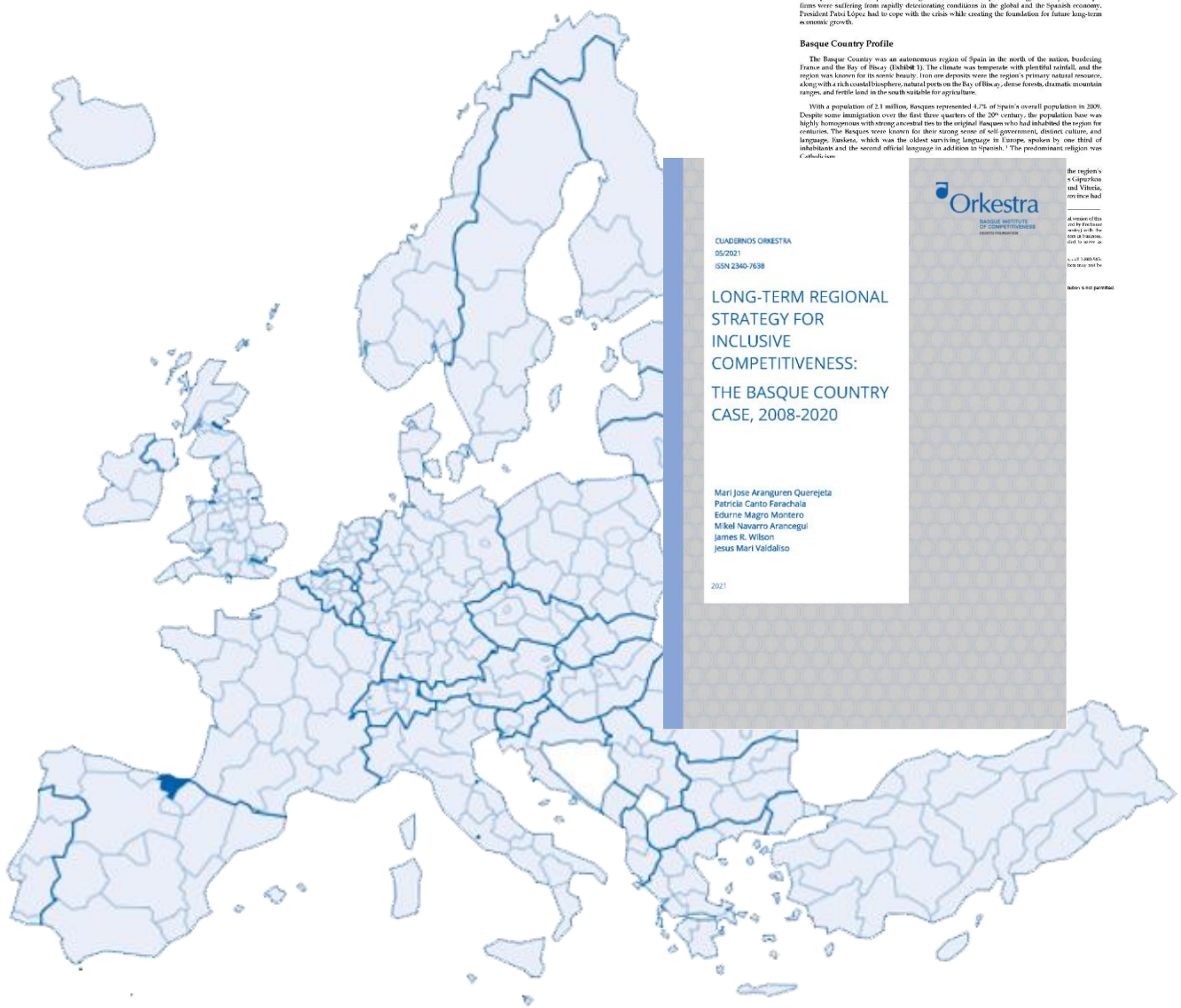
- **Based on transformational failures:** directionality, demand articulation, policy coordination & reflexivity (Weber and Robharer, 2012).
- **Importance of missions and their dimensions:** Strategic orientation, policy coordination and policy implementation (Larrue, 2021)
- **Different type of missions**: Accelerator vs transformative (Wittmann et al., 2020)
- **Importance of experimentation** in these approaches (bottom-up perspective) together with **scalability of solutions** and regimes destabilisation, which gives room for a multiscalar perspective of 'missions' depending on policy competences and capabilities.

Governance, policy translation and directionality in place-based transformative innovation approaches

- The definition of transformative innovation policies or missions at the subnational level can be understood as a translation or interpretation of global challenges and missions. The definition and implementation of missions at local and subnational levels is **a multi-stage process of policy translation**, shaped by the actors involved at various levels (Brett et al., 2023; Wittmann et al., 2021).
- Missions at subnational level interpreted following the contextual nature of the problems to be addressed can play a **subsidiary role** to the missions designed and implemented at supranational or national level (Wanzenböck & Frenken,2020).
- Some regional contexts are characterised by proactive communities and grassroots innovations, relying on society's ability to self-organise and act (**society-based governance**), while others depend more on the state's role (**administrative-based governance**) or on a network of regional actors (**network-based governance**)
- **New governance models** should emerge for developing this place-based approach to transformative innovation policy

Basque case context

- Successful case of industrial transformation and innovation upgrading.
- Complex institutional policy and institutional setting
- Strong regional competencies (NUTSII) in innovation policy, alongside limited national competencies and significant sub-regional competencies in economic development (NUTS III)
- Unique institutional framework that grants it significant legislative, executive, and fiscal autonomy
- Multi-level governance within the region



Green missions in the Basque Country and their governance

- **Case 1:** Basque Electric Mobility mission, embedded in the STI regional strategy (evolution of the Basque S3)
- **Case 2:** New mobility Mission in Gipuzkoa, included in the framework of the subregional territorial strategy

	Name of the case	Electric mobility in the Basque Country	New mobility in Gipuzkoa
The context	Administrative level	Regional	Provintial (Sub-regional)
	Policy competencies	Industrial policy, STI policy, among others	Economic development policy, fiscal policy
The policy rationale	Strategical framework *and policy rationale*	Basque Science, Technology and Innovation Plan (which contains the Basque S3)	Etorkizuna Eraikiz (Territorial Strategy), collaborative governance strategy for public sector innovation
		MOIP as Innovation policy	MOIP as policy innovation
Governance arrangements	*Governance and participation*	Hybrid, mainly Administrative	Network-based
		Mainly governmental but triple helix involvement	Quadruple helix, early and broad involvement, co-creation
The output	Mission orientation	Accelerator (technology and industry led)	Transformative (oriented to society)
		Top-down, aligned with EU	Co-created, aligned with supra-territorial strategies
	Governance and policy instruments	Whole-of-government, one experimental policy instrument	Whole of government, multiple policy instruments

Main reflections and conclusions

- Institutional trajectories and **pre-existing governance** arrangements condition the way transformative innovation policies are implemented.
- Relevance of regional policies and governance context in the deployment of this new policy approaches
- A more administrative-based governance approach leads to a technology-led mission, whereas a more participatory network-based governance approach leads to a more society-based and transformative direction: **influence of actors in the process** of defining and implementing missions.
- **Bidirectional relationship**: missions can shape governance mechanisms and existing governance modes can also condition the orientation of the mission.

Main reflections and conclusions

- The diversity in mission approaches does not necessarily imply fragmentation. Possibility of **complementary capacities** between governments :
  - Regional level contributes and can mobilize infrastructure and technological resources
  - Sub-regional level may mobilize social networks and experiments with local solutions, generating learning that can be later scaled- up.
- TIP's should not seek a **one-size-fits all** approach but should leverage the differentiated and complementary roles of governance levels.
- A **multilevel strategy**, where regional and sub-regional levels act complementarily, allows for the full utilization of each level's differentiated capacities, ensuring that mission policies have not only strategic direction but also a solid base of social legitimacy and local adaptability.

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