Policy mixes for new place-based innovation policies

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EPRC Spring Webinar Series
10th June 2026

Orkestra
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Introduction

How is effective transformative innovation policy designed and implemented in regions on the ground?

1. Recently published book chapter with Edurne Magro on *policy mixes for new place-based innovation policies*



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2. Ongoing Research in collaboration with colleagues at Orkestra and the JRC that uses examples from the Basque Country to explore *how the implementation of place-based industrial transitions are governed …*

Convergence of industrial and innovation policy

Narratives of injecting directionality into innovation policy to address grand societal challenges have permeated academic and policy discourse, converging with debates around industrial policy

Industrial Policy

From 'old' industrial policy to 'new' industrial policy (via 'discovery')

(e.g. Bailey *et al.* 2019; Rodrik, 2004, 2008; Naude, 2010; Wade, 2012, Warwick *et al.*, 2013)

CONVERGENCE AROUND MORE STRATEGIC APPROACH

Innovation Policy

From 'linear' to 'systemic' to 'transformative' (including S3)

(e.g. Cooke & Morgan, 1998; Foray, 2018; Schot & Steinmueller, 2018)

CONTEXT:

Need to respond to societal challenges (missions, sustainable transitions, SDGs, Industry 5.0)

(e.g. Breznitz *et al,* 2018; Coenen *et al.*, 2015; Kuhlman and Rip, 2018; Mazzucato, 2019; European Commission, 2022)

New generation innovation policy

- Need to **broaden innovation** from its traditional economic focus, 'under the assumption that innovation, and its institutionalization and diffusion, is at the heart of radical societal change' (Laatsit *et al*., 2022: 3)
  - **Mission-oriented** innovation policies (Mazzucato, 2018, 2019, 2021): influential in shaping the EU's Horizon Europe programme
  - **Transformative** innovation policies (Schot and Steinmuller, 2018; Weber and Rohracher, 2012): heavily influenced by literature on sustainable transitions

- BUT there is an **implementation gap**, with a lack of understanding around how policy-mixes for addressing transformative change are best articulated across different actors and places
  - How and when should different actors be engaged?
  - Which failures are more suitable to be addressed at sub-national levels?
  - What type of coordination is required between territorial levels?

Unresolved role for place

- Societal challenges manifest themselves differently in different places
  - Sophisticated understanding of place, that goes beyond productive structure to also appreciate values, social assets, cultures and how problems are framed (Flanagan et al., 2022)
  - But must avoid unrealistic expectations that regions can act like mini nation-states (*ibid)*

- Regional Innovation Systems have been oriented to technological innovation and economic growth, but S3 take steps towards experimenting with directionality failures at regional scale



- ➢ Context (and capability) specific
- ➢ Targeting economic transformation (in the nexus between innovation and industrial policy)
- ➢ 'Discovery' as a means for determining directionality

Policy mixes for new place-based innovation policy

In the book chapter we use Weber and Rohracher's (2012) typology of policy rationales as a basis for exploring examples of multilevel policy mixes in the Basque, Catalan and Welsh regional contexts

Transformative system failures

- Directionality
- Coordination
- Reflexivity
- Demand articulation

Regional characteristics

- Strong regional identity
- Industrial regions with decarbonisation challenges
- Significant regional-level policy competences

Summary of examples

Policy mix components	Transformative failure	Administrative level	Examples
Strategic vision	Directionality	Supranational / national / regional	European green Deal / Basque Green Deal / Future Generations act
Processes	Coordination / Directionality	Multi-level / Regional	S3 / EU missions / Catalan cluster policies
	Reflexivity	Interregional	PRI
Instruments: Promoting new solutions	Demand articulation / directionality	Supranational / Regional	SBRI Wales / Basque Tractor-effect initiatives (S3)
Instruments: Destabilisation/ Scaling up	Directionality / Coordination	Supranational / Regional	Regulations (Basque Law of energy transition) / Taxes (green taxes)

Source: Own elaboration based on Rogge and Reichardt (2016) and Kivimaa and Kern (2016)

Policy mixes: Some emergent considerations

- Sophisticated articulation
- Effective implementation
- Key role for sub-national levels
- Vertical governance challenges
- An evolutionary process
- Multi-domain perspective (sensitive to trade-offs)
- Time dimension: different combinations at different moments

This all points to the need to understand more about the effective governance of the implementation process …

Ongoing research: Governance and implementation

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Shifting context and framing

Economic resilience in the face of increasing geopolitical uncertainties while simultaneously addressing societal challenges

Research agenda

Role of governance for implementing the transformative innovation portfolios required for place-based industrial transitions:

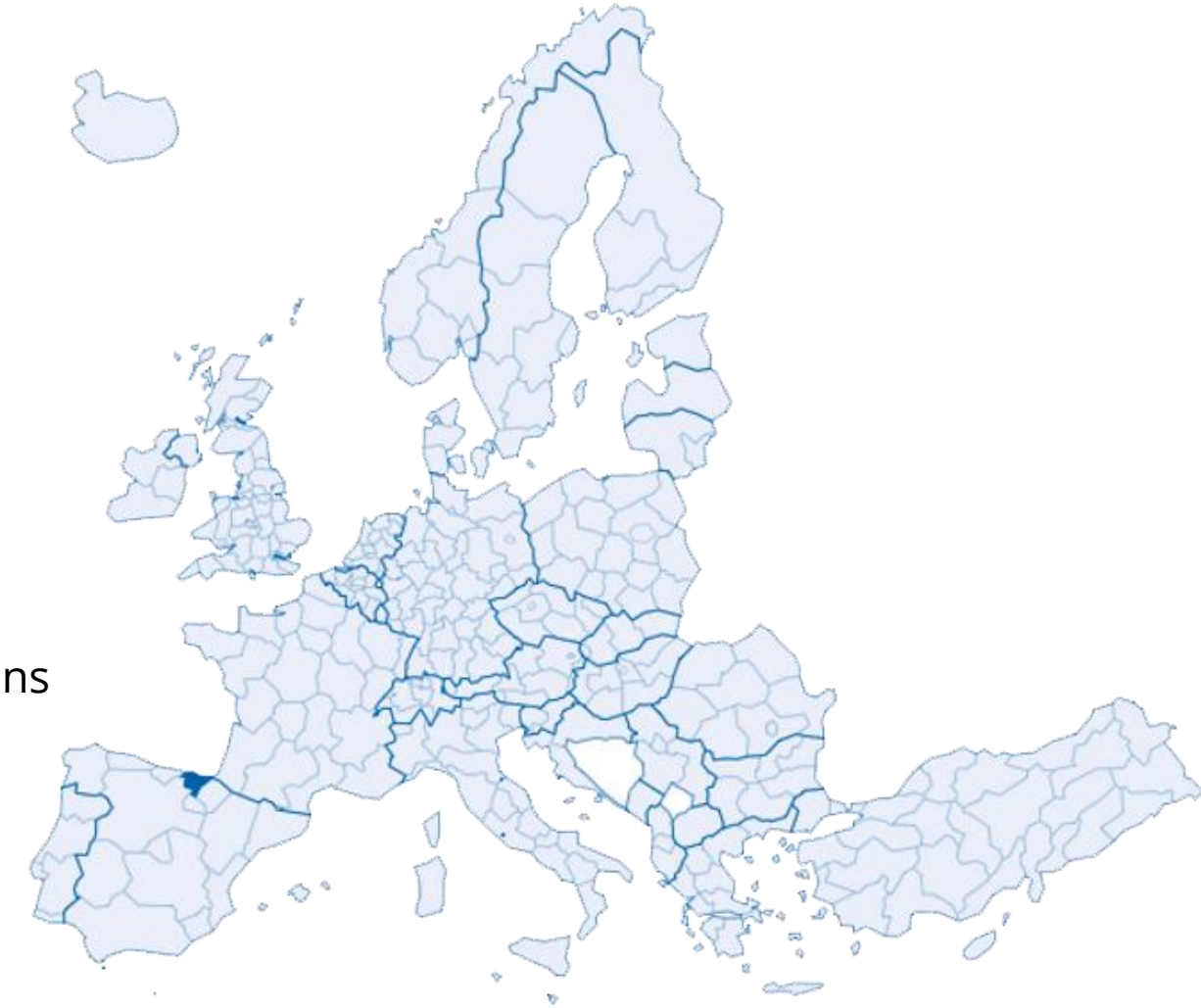
- Beyond policy-mix, traditionally understood
- 'Innovation portfolios' of projects and activities led by different actors
- Portfolio management challenge requiring intermediation (Brodnik et al., 2025; OECD, 2021)
- Administrative, network-based and society-based governance (Janssen et al, 2023)
- Metagovernance (Sørensen & Torfing, 2017)
- **Which governance arrangements give strategic direction, coherence and effectiveness to a portfolio of projects and activities?**

Approach

We are exploring cases within the Basque Country that rely on different portfolios of actors and activities

Euskadi – Basque Country

- Population of around 2.2 million
- Most policy competences independent of Spain, within a complex (multi-level) administrative structure
- High presence of cooperative business and culture of public-private cooperation
- Strong and balanced economic and social development
  - Per Capita Net Disposable Income: 20/195 EU regions
  - Life expectancy at birth: 11/195 EU regions
  - AROPE: 43/195 EU regions
- Recognised as a long-term success case in territorial strategy-making
  - OECD, Michael Porter, Kevin Morgan, Orkestra …



New Industrial Strategy



Industry Forum

MORE INDUSTRY

Strengthen the productive base

- Embed key firms in the territory
- Increase the size of industrial SMEs
- Complete value chains in strategic sectors
- Attract FDI in sectors with potential for the future
- Consolidate internationalisation in strategic markets

Transformative Projects

- WIN
- GROW
- LEAP

BETTER INDUSTRY

Strengthen technological and organisational quality

- Increase technological innovation among firms
- Facilitate the adoption of AI and cyber security
- Promote advanced physical and digital infrastructures
- Attract and develop new talent for industry
- Promote advanced and sustainable management

FEWER EMISSIONS

Strengthen competitiveness through sustainability

- Decarbonise industry while maintaining competitiveness
- Develop industrial opportunities in the circular economy
- Promote the generation of our own renewable energy
- Increase the capacity and flexibility of the electricity network
- Promote climate change adaptation

DEBUREAUCRATISATION

Strengthen institutional efficiency through improvements in the regulatory and procedural framework that affecting industrial activity

Three examples of innovation portfolios

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NET ZERO BASQUE

- R&I and technology driven
- Mission-oriented decarbonisation; deliberate and long-term
- Network governance
- Public-private strategic alliance with regional agency as a metagovernance actor; high institutional density

MUBIL

- Mobility innovation
- Mission-oriented sustainability; multi-domain, deliberate
- Multi-level governance
- Provincial-regional-national; collaborative network with coordinating node

B(t) Bizkaia with the talent

- Talent development
- Society-based challenge; emergent, capacity-building focus
- Network governance
- Government-led public-private partnership; society-wide stakeholder inclusion

The Net-Zero Basque Industrial Supercluster

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International support
Transitioning Industrial Clusters Towards Net Zero

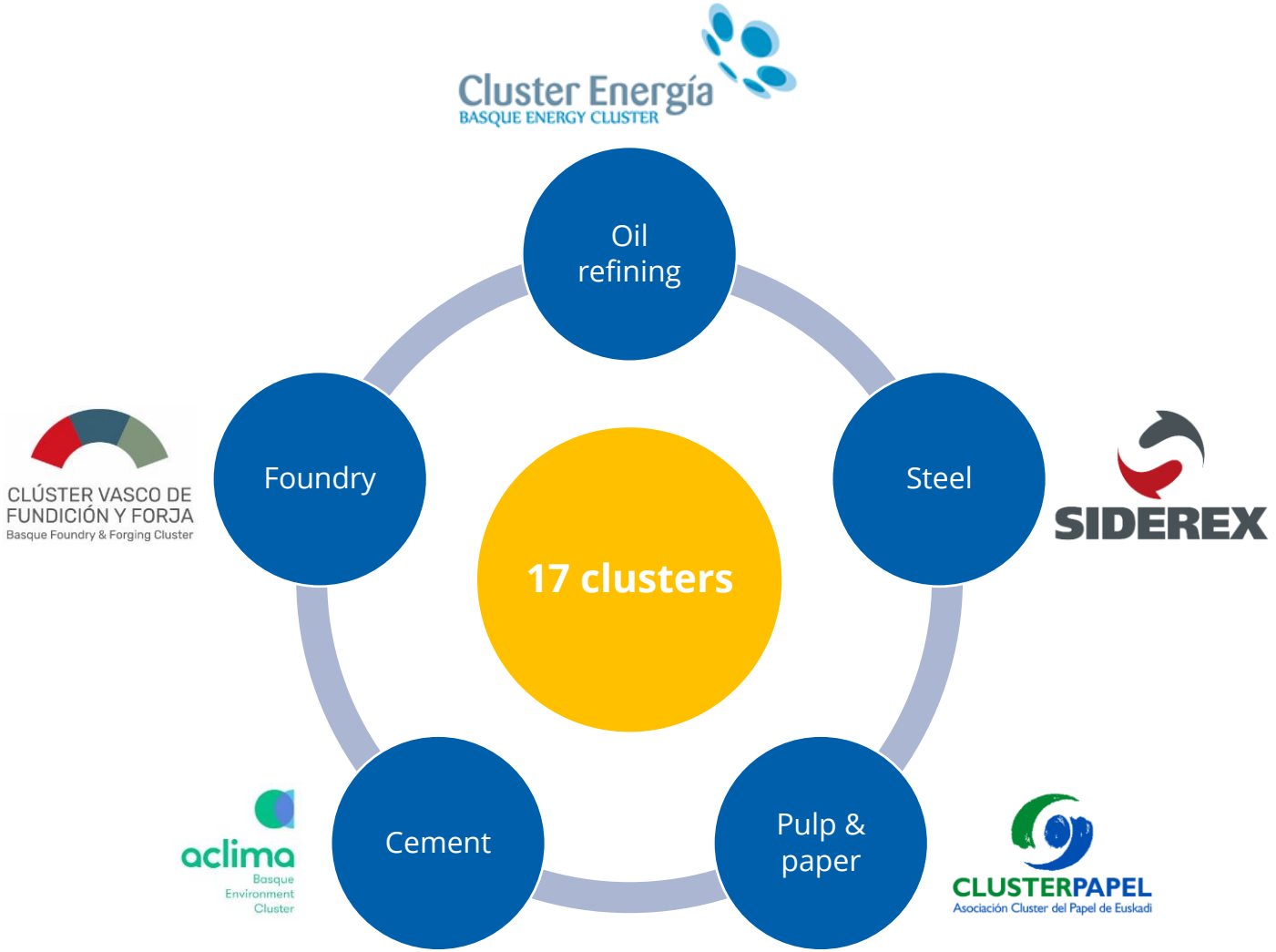
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Public-private regional support

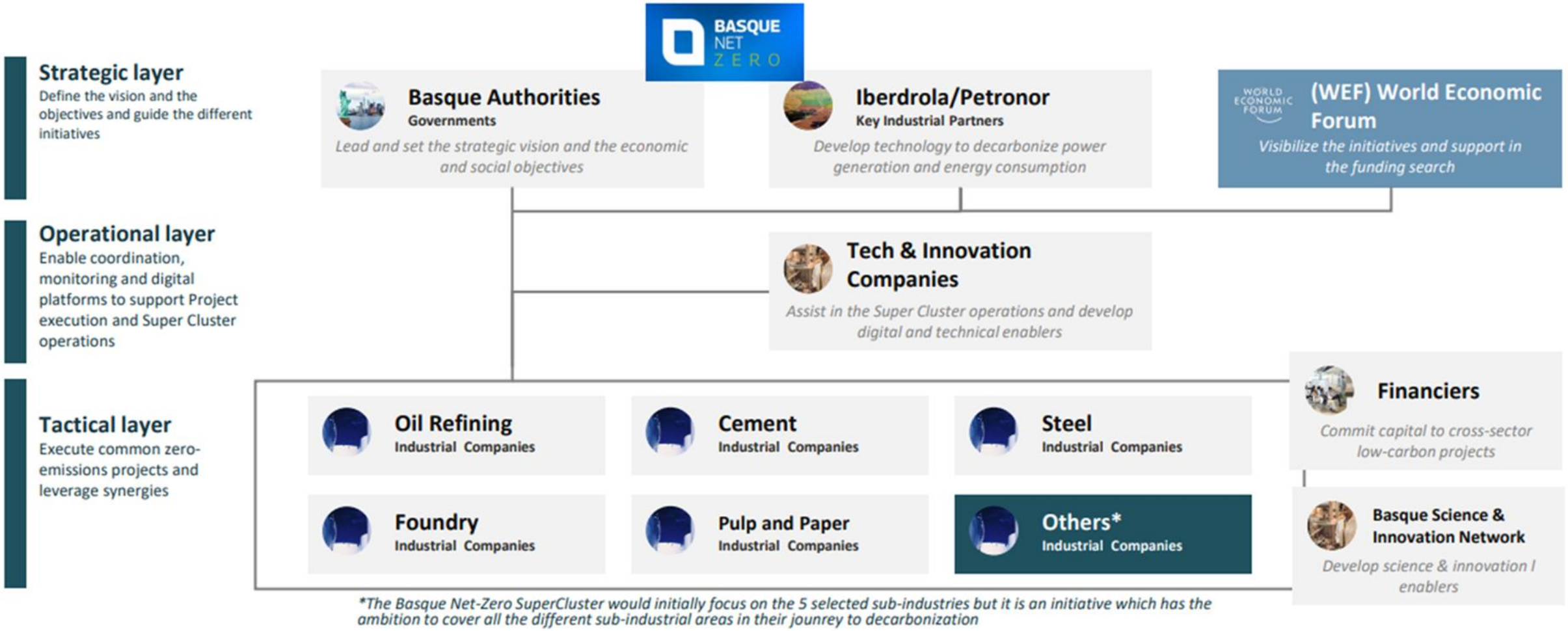
Petronor · Grupo SPRI Taldea · IBERDROLA

3 main technological projects

BH2C Basque Hydrogen Corridor · BIDERATU · H-Acero

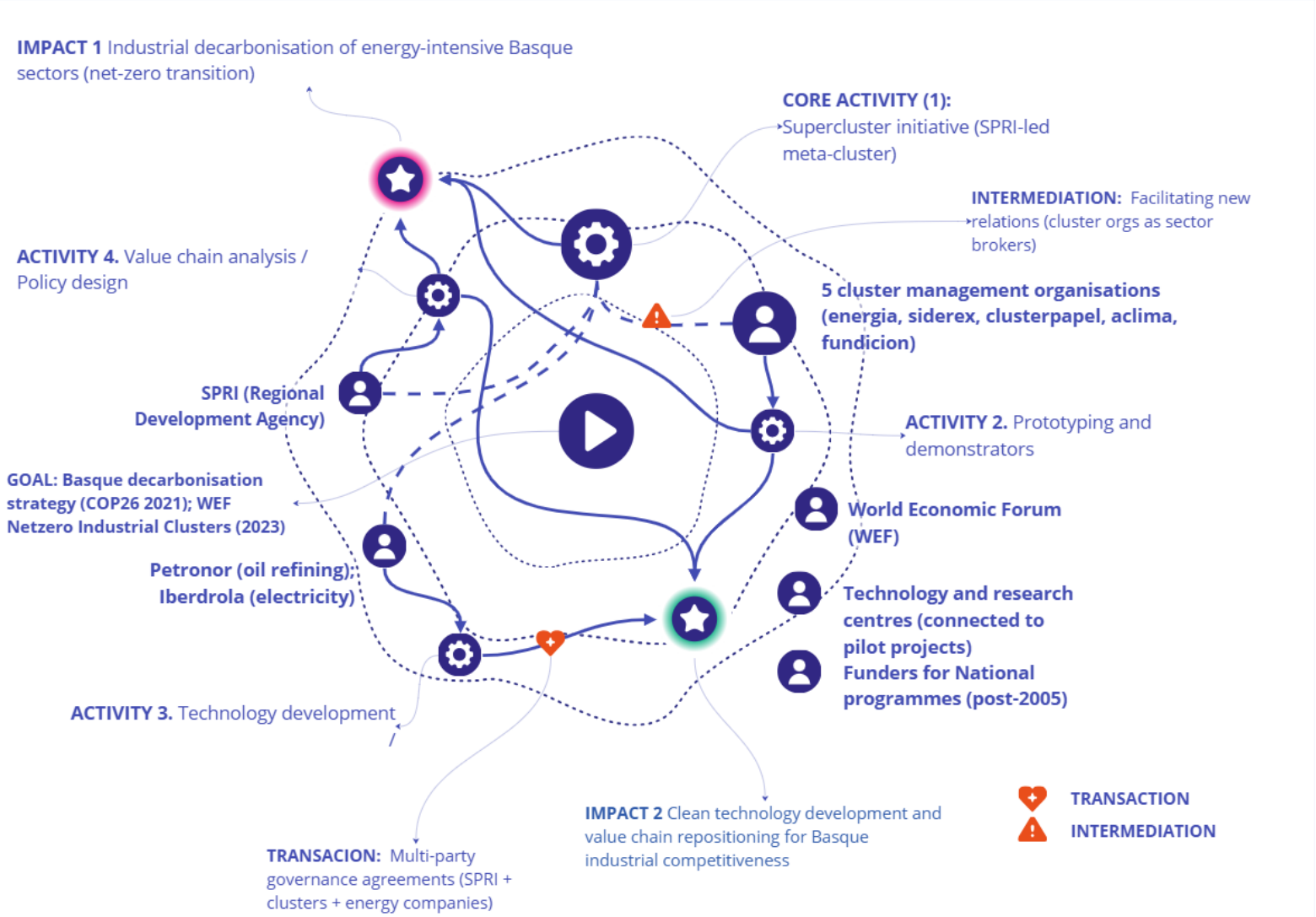


NZBIS Governance



Fuente: Presentación oficial NZBIS (SPRI).

NZBIS Portfolio (a first approximation …)



Key messages and research/practice agenda

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1. The regional scale is critical for addressing the **implementation gap** in transformative innovation policy
   - But must be aware of regional policy competences and capacities and how they fit with other levels of policy in each specific context

2. We need to look **beyond policy mixes** (or at least static and public-sector centered policy mixes)
   - Industrial transformation is the result of multiple activities and projects led by a wide range of regional actors
   - How these portfolios of activities are governed is key for achieving transformation, which suggests a key role for intermediaries (including social sciences research)

Experimentation and learning from a range of different experiences will be key for bridging the implementation gap …

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Thank You

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