

**Stefan Schepers** explains how the High Level Group on Innovation Policy Management is designing a new approach for European innovation

# INNOVATION FOR GROWTH





*Many elements of an innovation policy are already present in the EU but there is a need to develop a real innovation “ecosystem”: a set of ideas, institutions, instruments, policies and regulations*

The High Level Group on Innovation Policy Management (HLG), a unique public-private partnership, comprising top-level representatives from European Union Member States, the European Commission, the European Council, business and academia, was launched in December 2011.

The aim was create out-of-the-box thinking and concrete proposals on how to enhance existing initiatives, develop and manage a more comprehensive innovation policy in the EU, and to boost sustainable growth and competitiveness.

The group was deliberately structured as independent from the EU Commission or Member States. It has a tripartite composition: senior officials from the Commission and eight EU governments; 10 corporations from different industry sectors; and several academics plus a representative of the European Council President.

All operate without mandate, under Chatham House rules, to ensure a truly open and creative approach. It has not focused on innovation in a particular area, such as, for example, the pharmaceutical or automotive sectors, as some other groups but on the framework conditions themselves that would stimulate innovation in the EU.

Innovation policy is a key component in re-launching economic growth, creating employment and improving the competitiveness of European companies in global markets.

HLG came up with a set of concrete recommendations of what to do and how to bring it about, based on their own comparative analysis and study of private companies and public institutions in selective countries, predominantly those that head the innovation and competitiveness rankings.

Many elements of an innovation policy are already present in the EU but there is a need to develop a real innovation “ecosystem”: a set of ideas, institutions, instruments, policies and regulations.

The EU of 28 loses much effectiveness because of its lack of efficient mechanisms to align diverse views and objectives and because of multiple fault lines, both inside EU institutions and between them and Member States and between industry and academia, to name but a few stakeholders.

The Lisbon Treaty was supposed to remedy this but it clearly has not delivered the desired outcome. As the Innovation Union Scoreboard 2013, published by the Commission, also indicates, only an holistic and ecosystem-oriented approach to all the aspects of innovation can achieve the main goal of innovation-policy management, the “European Common Good” or the best living and working conditions for European citizens.

To achieve an innovation ecosystem, the EU must, in the opinion of the HLG experts, focus on five “Cs”:

- Complexity Management
- Collaboration
- Competition
- Competence
- Communication

It is imperative to acknowledge that innovation results from a complex process, combining curiosity, creativity, rigorous scientific method and a suitable institutional framework of interaction.

The emergence of novel concepts, processes, products or services can only result from out-of-the-box thinking, improvisation, trial and error, and new tacit or explicit knowledge. We are not yet in an ecosystem approach in the EU and the present traditional approach will not yield the desired results. The so-called "Community Method" is fine for opening up markets and setting standards but it does not work well when faced with new needs, such as innovation policy.

The HLG produced a number of recommendations for the EU and Member States. These ranged from setting up an ecosystem approach and all that this requires – including innovation in government itself – to temporary assistance by an independent brain trust.

They also advocated more policy and budgetary coherence in the Commission and between it and Member States' innovation policies, systematic and rapid elimination of all obstacles to innovation, and new modes of funding and facilitating industrial co-operation across sectors and borders.

Finally, they recommended broader protection of intellectual property, serious reduction of regulatory costs and complexity, more bottom-up approaches, demand and consumer driven innovation, and more transparency in order to get more social acceptance of innovative products, processes or services. (See [www.highlevelgroup.eu](http://www.highlevelgroup.eu).)

These recommendations were well received and the Irish Presidency asked the HLG to continue its work and organised a first meeting of Phase II work in Dublin in December 2013. Most of the same corporations took part again (with some new ones) and two more Member States and one more DG from the Commission.

The objective of Phase II is to deliver a blueprint of possible reforms and initiatives, which together can better and faster achieve all objectives, to be implemented by the next Commission.

The HLG approach allows some presumptions about future recommendations.

In order to resolve the pressing needs of growth and employment, industry must be recognised as the basis for Europe to remain a global economic leader. Therefore the needs of different industry sectors must be accommodated in policy and regulatory frameworks that are sufficiently adapted to global economic realities and stable enough to justify long-term investments. This is as necessary for SMEs as for transnational companies.

This also requires better business-government interface and collaboration, focused on capturing the high-end parts of the value chain and on strengthening Europe's position in global markets, in high technology as well as traditional sectors. Therefore the EU should concentrate primarily on stimulating the right frameworks for comprehensive innovation and for building key competitive advantage where they can really make a difference.

An integrated innovation policy for industrial competitiveness can be built upon an innovation ecosystem, as outlined in the paper accompanying the first series of HLG recommendations. Europe needs coherent and co-ordinated policy responses and an approach that looks at the whole value chain, from infrastructure and supply to distribution. Without a quantum leap in innovation policies, Europe will not be able to master its economic and social problems and make its industries strong enough to compete.

Special attention must be given to long-term business-academia co-operation, to training and education for the digital age, and to developing entrepreneurship to create employment opportunities given the competitive opportunities and challenges of industry. Management innovation is as important as public governance innovation.

“”

*The EU should concentrate primarily on stimulating the right frameworks for comprehensive innovation and for building key competitive advantage where they can really make a difference*





*The European innovation ecosystem will be globally strong only if it is internally coherent and if all countries attain a minimum level of integration within it*

Policy thinking and implementing must be better aligned with fundamentally new contextual conditions. The various agendas of Member States and their different political and economic conditions makes this a difficult enough task but at the same time they need to be aligned with a variety of stakeholder agendas in order to ensure a strong, coherent and acceptable basis for innovation. The EU needs a fundamental re-think of how to achieve a new and widely shared European vision and how to communicate it.

There must be policy coherence not just within the Commission but also between and among the EU and Member States. New approaches to impact assessment, policy elaboration and rule making, and application in diverse contextual conditions must be found.

The gaps in competitiveness between Member States are widening, with some advancing well in developing and implementing innovation in their economies and governance, others still at the stage of planning and piecemeal implementation, and still other countries just thinking what to do, if anything.

The European innovation ecosystem will be globally strong only if it is internally coherent and if all countries attain a minimum level of integration within it.

It is clearly a collective European interest to ensure that all productive and innovative forces and opportunities are identified and used. This requires structural reforms and sometimes different attitudes in most, if not all, Member States and in the EU itself.

Since the 1990s, as a consequence of a variety of developments, EU policy making and implementation has become heavily focused on following proper procedure, restricting initiative, creativity and responsibility of otherwise highly competent officials and leading to excessive bureaucratisation of problem solving.

There is an urgent need to examine how a return to an earlier, more productive governance culture and which innovative governance methods are required to ensure legitimacy and accountability.

Today, once the EU has opened a specific regulatory trajectory, new (public and economic) interests grow upon it that prevent timely regulatory innovation. Rigidity of purpose should not necessarily be accompanied by rigidity of methodology. Just continuing a particular regulatory trajectory without regular checks on its impact and costs, and without re-examination of the objectives themselves, is the main cause of excessive regulatory burden.

Besides removing obstacles, there are also a number of policies, instruments and regulations that can facilitate the operation of the innovation value chain from research to market. Many of these are existing but need completion or modernisation in view of innovation processes and global challenges.

The EU needs to stimulate research, technological and industrial co-operation in and between all sectors and across all Member States.

This requires a diversified, strong approach to stimulating entrepreneurship and new industries and to helping European players of international standing as well as strengthening the ecosystem for innovation and investment.

The final meeting of Phase II will be later this year and in September 2014 the Italian Presidency will present the conclusions of HLG's work to the European Council and others.

The interest and support received by the HLG shows that the time is ripe for a new approach.




---

**ABOUT THE AUTHOR**

*Stefan Schepers is secretary general of the High Level Group on Innovation Policy Management.*

---