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editorial

Innovation: an entirely natural process

Christer Enerskog
DISTRICT Project - Västra Götaland Region

That is how it has been throughout the history of mankind. For aeons, it was an extremely slow process that only had a marginal effect on the standard of living and welfare. This rapidly changed with the advent of the Industrial Revolution. Suddenly, successful innovations could guarantee incomes and employment for decades to come in the industrial economy.

However, in this new industrial economy, the pace of change is accelerating at rates we have never experienced before.

For companies operating in the industrial sphere, this means an intensification of competition and a need to quicken the pace of innovation and react more rapidly to new and shifting market trends. Many companies are unable to keep up with this high pace of change, which entails major adjustments that affect individuals, companies and society. The stability and security that previously existed are disappearing in an increasingly distinct innovation economy.

As a result, society becomes more deeply involved in the innovation process, since no company, region or nation can maintain sustainable growth without innovation. The key to the growth of industrial countries and regions lies in the ability of companies to introduce new, worthwhile goods and services into the market, to improve the levels of quality and customisation of existing goods and services, and to develop more efficient methods of producing, distributing and customising these goods and services. Companies currently operating in the industrial sphere therefore need to be constantly developing in order to maintain their edge in an increasingly competitive global marketplace.

Moreover, studies have shown that external networks are by far the most important source of innovations for companies in the major industrial countries. The majority of the innovations have been influenced by the companies' surroundings, often complex integrated networks with a number of different external players (customers, suppliers, partners, R&D, etc.). International exchange of expertise also plays a central role in this process. At the same time, modern research indicates that innovations are a

complicated process embracing technological, economic, social and psychological elements. However, qualified research results are crucial to the development of new technology, new materials, etc. In spite of the same macroeconomic conditions (interest rates, taxes, inflation, etc.), economic growth can vary in different regions and areas depending on a higher incidence of innovative ideas and a larger pool of entrepreneurial talent. So when it comes down to it, the economic growth depends on how smart and clever companies and entrepreneurs are, within a geographical area, at taking new ideas and new knowledge and transforming them into new or refined products or new companies. New and rapidly-changing fields of technology often also give rise to new companies with global market potential.

The innovative economy and growth environment have much to do with investing in uncertain opportunities that may involve high risk but also offer high potential returns. This is particularly the case for new technology-based, knowledge-intensive companies. The innovative economic environment is all about promoting ideas that are original and unusual, as well as allowing for failure. This capacity for renewal is vital in offsetting ongoing change and closures of companies within the existing industrial sphere.

Society can play a key role in promoting innovation and entrepreneurial activity by creating pro-innovation taxes and other regulations, encouraging people's creativity and influencing attitudes. At a regional level, society can fund various operational initiatives that cannot be undertaken on commercial terms. This primarily applies to the exchange of expert knowledge from universities/R&D to SME companies, pro-innovation and enterprising initiatives carried out at schools and universities, expert support for new start-up companies with global market potential and various forms of early-stage seed capital and growth capital for these. Since the level of risk for these types of new start-up companies is high, public organisations must have knowledge and understanding of the actual conditions and be prepared to deal with risks. This particularly applies to the provision of public capital during the early stages.

If society wants entrepreneurs and new start-up companies to be innovative, it also has to be prepared to share these

risks if the potential returns are high. At the same time, public efforts and initiatives must be made with a long-term perspective – and thus shake off much of the project hysteria that exists today – so they achieve maximum effect and benefit and are tailored to the real needs and demands of companies and entrepreneurs. This requires flexibility within certain parameters and the ongoing development of initiatives.

In order to frame these long-term initiatives, it is often necessary for them to be organised in project form in order to develop and test new innovative concepts. These projects must provide scope for experimentation and adaptation to circumstances within the specified project limits. Unfortunately, this is often incompatible with the public policy of planning most things far in advance. This is especially the case for various EU-funded development projects which tend to apply the "accountants' approach" rather than the innovative approach.

Programmes such as DISTRICT play a key role in the development of new innovative regional concepts, because they unite regional expertise and innovative powers that can work together on developing and testing new and potentially long-term concepts. Just like in the business enterprise sector, the transfer of knowledge and expertise between the participating regions also increases. There is also a general awareness that many European regions have similar problems, yet at the same time they also have the same basic potential for developing a more innovation-oriented economy.

Impact of innovation activities in Sweden: a study visit in Västra Götaland

Our partners from Tuscany, West Midlands and Sachsen spent a few glorious days in September visiting our region. The focus of this visit was our efforts to increase entrepreneurial activity, the number of technology-based and knowledge-intensive companies and our funding initiatives for these companies. During the visit, we also looked at the efforts by the community to build up new future-focused businesses in what used to be an extensive industrial area. For logistical reasons, the visit was confined to the city of Gothenburg, where we also attempted to provide our visitors with a background of the history and development of the city.



Norra Älvstranden project and Lindholmen Science Park

To gain an understanding of this extensive development project, we visited Lindholmen Science Park where a representative from Älvstranden Development Ltd. explained how the area has changed from one of the world's most successful shipbuilding centres, with three massive shipyards, to one of Sweden's hottest development areas. In this more than twenty-year process, the strategic direction has been

to enhance the appeal of the area for the establishment of new businesses and waterside residences. A key step in this process has been to establish institutes of higher education in the area (part of Chalmers University of Technology and the new IT University) and to set up development departments from leading companies such as Volvo and Ericsson. A great number of development-based and IT-based companies have also chosen this site for their operations. Chalmers Innovation runs one of its Business Incubators here and more than 15,000 people are already working or studying in

the area.

The representative for Lindholmen Science Park told us about the Open Arena Lindholmen concept, which provides a development environment for carrying through research and development projects between industry, academia and the community. The prime focus of this concept is on the vehicle industry and logistics. A pilot study is being conducted to establish Test Site Sweden for the planning of research and development activities in the areas of safety, security, logistics and the environment.



Encouragement of entrepreneurship and schools of entrepreneurship

Drivhuset (Hothouse) in Gothenburg has centres at Gothenburg University and Chalmers University of Technology. Drivhuset explained how it stimulates entrepreneurial initiatives and encourages students to set up in business. Since Drivhuset began in 1998, more than 14,000 students have benefited from the range of activities it offers. Drivhuset inspires new attitudes, arranges business courses, seminars, etc. The students learn about running a business with the help of training courses, mentors and sales seminars. Drivhuset also provides organisations with guidance and offers advice and support to new businesses. Each year, Drivhuset helps more than one hundred companies get off the ground.

CIP – Center for Intellectual Property (owned by Gothenburg University and Chalmers University of Technology) explained that CIP's mission is to promote and facilitate a shift to an intellectualised economy for the benefit of industry, academia

and society as a whole.

We were also given an insight into GIBBS – Gothenburg International Bioscience Business School. This two-year international master's programme, with some 15 legal, commercial and engineering science students, is specifically designed to train entrepreneurs in this field. The Chalmers School of Entrepreneurship (CSE) has enjoyed great success since it started offering its entrepreneur training programmes in 1997. The School created its pre-incubator in 2001. CSE has been involved in more than 30 high-tech start-ups and more than 300 master's degree students have received training in IP and entrepreneurship.

The representatives from Venture Cup gave us a good insight of this yearly business plan competition in Western Sweden. The purpose of this competition is to stimulate the creation of new companies with growth potential and also promote entrepreneurship. The last 8 years Venture Cup has attracted more than 2,300 business proposals and 260 companies has started on basis of those proposals.

Support for new technology-based and knowledge-intensive companies

We visited Sahlgrenska Science Park where we learned about its key role in the regional medical innovation system. Sahlgrenska Science Park operates an incubator for research-based new companies and can also offer premises for R&D-based companies. Sahlgrenska also runs a Biotech Center for growth-oriented companies within this sector. Sahlgrenska wants to be a link between the business sector and academia/university hospital, as well as a convergence point for the regional medical business sector. The proximity to Sahlgrenska University Hospital is greatly valued by the Business Park and the Biotech Center, which become natural meeting grounds where

expertise can be shared and contacts developed.

We also paid a visit to Chalmers Innovation and its Business Incubator. Here we learned how inventors and entrepreneurs are offered the most effective and valuable creative process for transforming technology-based ideas into growing companies with international potential. Since 1999, a total of 68 companies, currently with 260 employees, have been assisted. Chalmers Innovation is actively engaged throughout the incubation process and also arranges different kinds of public venture capital for the companies. It has also built up its own Business Angel Network.

Connect Väst gave us an insight into its business which focuses on providing advice and support to new companies by means of springboards and by arranging business contacts

and private funding for young growth companies. Connect also operates a Business Angels Network. Connect is modelled on the original Connect in San Diego, California. In recent years, Connect Väst has also established branches in university towns across the Västra Götaland region.

Public and private funding opportunities for new technology-based and knowledge-intensive companies

Innovationsbron Väst AB can provide different types of financing for new companies in this sector via regional and national-based strategies. It is vital to know what kind of capital is needed in order for the idea or the company to evolve. Innovationsbron works collaboratively with other public and private organisations to improve business effectiveness and to find tailored funding solutions. In the course of three years, Innovationsbron has assisted in the start-up of 30 companies. In its current portfolio, 38% of the companies are IT-based,

23% technology-based and 18% biotech-based. Scandinavian Financial Management AB (SFM) explained about private capital for technology-based and knowledge-intensive new companies with major market potential. SFM was launched in 2001 and focuses on knowledge capital. It comprises 12 partners and also operates a private business incubator in Gothenburg. SFM presented the different critical business phases and explained how a lack of the right kind of capital puts many young companies out of business. It used the imagery of innovation having to cross the Valley of Death and survive the Darwinian Sea. SFM emphasised that in addition to receiving the right kind of funding, companies need to be assisted with commercial know-how and business contacts.

One important aspect of the visit

was also to meet socially in order to promote personal contacts and deepen our knowledge of the objectives of the visit. We therefore arranged to have a guided tour of the Älvsborg Fortress at the entrance to Gothenburg harbour and a boat trip along the river Göta Älv. We also went onboard the submarine "Nordkaparen" and the destroyer "Småland" where our entire party partook of a maritime dinner in the destroyer's gun room.



Regions for Economic Change - Regional policy responses to demographic challenges

25-26 January 2007, Bruxelles, BE

"Regional policy responses to demographic challenges" is the title of a conference organised by the European Commission's Regional Policy Directorate General in the Charlemagne building in Brussels on 25 and 26 January 2007. More than 500 participants from regions all over Europe are expected to discuss in nine workshops under three headlines how European regional policy allows regions to respond to demographic challenges. The event will showcase examples of best practice in order to provide learning opportunities for Structural Funds managing authorities and others.

The purpose of the conference is to demonstrate how European regional policy and its instruments allow European regions to respond to demographic challenges and make the most of the opportunities presented by demographic change. The event will showcase examples of best practice and is intended to provide a learning opportunity for Structural Funds managing authorities. Apart from the opening and closing plenary meetings, the conference will be focussed around 3 workshop sessions, with 3 workshops per session.

For more information, please visit:
http://ec.europa.eu/regional_policy/conferences/demographicchallenge_jan07/home_en.cfm?nmenu=1

Regions for Economic Change - Fostering competitiveness through innovative technologies, products and healthy communities

7-8 March 2007, Bruxelles, BE

The event will be organised by the Commission's Regional Policy Directorate General and other Commission services together with the French region of Provence-Alpes-Côte d'Azur and in cooperation with the Committee of the Regions. During the event, Commissioner Danuta Hübner will launch the "Regional Innovation Awards" seeking for best European practice and innovation in regional policy. More than 500 participants from regions all over Europe are expected to discuss how European regional policy and its instruments contribute to competitive regions and cities through innovation and exchange of best practice. In nine workshops, the event will showcase strategies, experiences and projects intended to provide learning and networking opportunities for Structural Funds managing authorities.

The conference aims to facilitate the exchange of good practices for pursuing the implementation of the Lisbon strategy at regional level through cohesion instruments. In particular, the event will showcase examples of good practice and governance in European regional policy in the fields of technological innovation, market development for new products and services and the improvement of quality of life of the citizens.

The Committee of the Regions will also present the "Lisbon Monitoring Platform", a network of more than 60 regional and local authorities which monitors in detail the progress of the implementation of the Lisbon Strategy and its governance process. It will showcase good practices and challenges for the local and the regional level in different policy areas.

For more information, please visit the Conference Website:
http://ec.europa.eu/regional_policy/conferences/competitiveness/home_en.cfm

INTERACT Conference - European Territorial Cooperation programmes 2007-2013

29-30 March 2007, Budapest, HU

The INTERACT Programme is organising an international conference on the European Territorial Cooperation objective programmes 2007-2013 in Budapest on 29 and 30 March 2007. Keynote speakers from the European Commission and other European Institutions as well as governmental representatives of the EU Member States have been invited to discuss the future of territorial cooperation. Panel sessions will be devoted to the changes, needs and challenges for 2007-2013, while work groups tackle technical aspects of programme management. The conference targets those persons representing European Territorial Cooperation 2007-2013 programme authorities and bodies (Managing Authorities, Certifying Authorities, Joint Technical Secretariats) as well as representatives from Member State authorities dealing with European Territorial Cooperation programmes.

The INTERACT Programme seeks to have a balanced representation of Member States and Neighbouring Countries, European Commission and representatives from other European institutions.

For more information: <http://www.interact-eu.net/227138/242330/0/1205914>