



## Implementing Smart Specialisation strategies in Nordic regions

Smart Specialisation (S3) as a policy tool has quickly been adopted across the European Union and in the Nordic countries, but the implementation of S3 is not uniformly adopted. What is the added value of smart specialisation implementation in Nordic regions?

➤ This policy brief explores the adoption of S3 strategies in the Nordic Region. Strengthened governance structures, clear ownership to S3 processes, and understanding S3 as a process in its own right are some of our key recommendations. We also explore if there is a Nordic Model of S3;

A highly compatible Nordic innovation environment may suggest a favourable positioning for maximising the added value of S3 in Nordic regions. This research is part of the work of the Nordic Thematic Group on Innovative and Resilient Regions established by the Nordic Council of Ministers.



Smart Specialisation (see Box 1) is shaking up regional development strategies in the Nordic Region. Regional authorities are encouraged to ‘think like entrepreneurs’, bringing businesses and industries, civil society and research institutions together in a quadruple helix to identify areas of strategic strength. EU Member States are required to develop S3 strategies – a so-called ex-ante conditionality – in order to access the structural funds. This requirement is part of the wider effort to achieve an increasingly cohesive macro-region. However, S3 is also adopted outside of the European Union. Norway and Iceland as non-EU members are not required to develop an S3 strategy, but regions in Norway have been actively adopting the tool nonetheless.

Our report *The status, characteristics and potential of smart specialisation in Nordic regions* looked at the reasons for the adoption of S3 strategies, defining the added value of S3 as an innovation policy tool.

## BACKGROUND FOR THE POLICY BRIEF

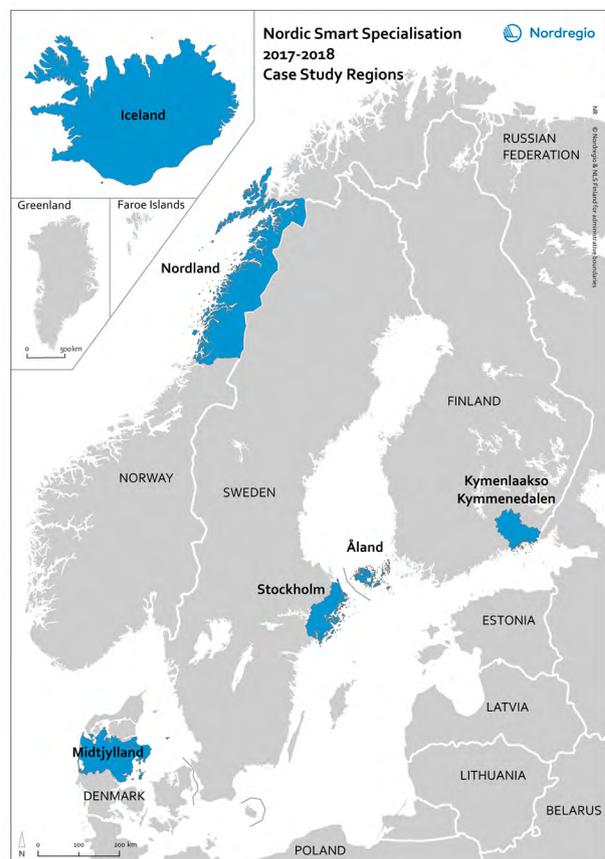
Smart specialisation has been adopted by 38 of 74 regions in the Nordic Region (European Commission, 2019), but the acceptance and implementation strategies differ markedly across the countries and regions. Examining regional characteristics may help uncover the added value of S3 in the Nordic Region and be a starting point for transnational and trans-regional learning opportunities.

Coming to understand the regional innovation systems and their positioning for the adoption and implementation of S3, alongside uncovering enabling and impeding factors, were some of the objectives of the report *The status, characteristics and potential of smart specialisation in Nordic regions*. Our report investigated six Nordic regional approaches to S3: Kymenlaakso (Finland), Stockholm (Sweden), Midtjylland (Denmark), Nordland (Norway), Åland (Finland) and Iceland. Innovation and business development policies are connected to the national level in Iceland, thus the country was considered as a whole. Åland represents the self-governing territory examined for this report.

This policy brief is based on key findings from the aforementioned report.

## BOX 1: SMART SPECIALISATION

A bottom-up policy approach for regional innovation and development. It helps in directing knowledge investments into pre-identified key regional strengths. This is to generate spill-over effects that may support regional growth. This policy brief uses S3 as short-hand for smart specialisation.



Map: Case-study regions selected for field research.

## SMART SPECIALISATION AT A GLANCE

Smart specialisation is a bottom-up policy approach for regional innovation and development (European Commission, 2010). Its purpose is twofold. First, S3 is aiming to level the playing field between regions in Europe, supporting 'lagging' regions in catching up with their European counterparts by making S3 an ex-ante conditionality for ERDF funding. Second, S3 aims to help in bridging the growing gap between the innovation and commercialisation capacities of the European Union (EU) and those of the United States, Japan and other emerging global competitors (European Commission, 2010). Although this policy measure carries resemblance to previous innovation and growth policies, S3 as a strategy carries the distinct potential to help unlock regional-specific assets and competencies based on a region's unique economic structure and knowledge base, adjusted and adapted to the specific regional context. This differs from policies of 'picking winners' in that S3 focus on optimising the existing innovation potential and taking advantage of regional knowledge-based resources in a bottom-up perspective.

Smart specialisation embodies two key sub-concepts: Entrepreneurial discovery processes (EDP) and domains (see Box 2). These concepts help promote innovation policies from an entrepreneurial perspective – an important aspect of S3. Lending the entrepreneurial lens to the overall strategic implementation, S3 as a bottom-up approach may identify and address new and emerging innovation paradigms that break with a region's dominant or traditional areas of economic strength (Teräs and Mäenpää, 2016).

### BOX 2: KEY SUB-CONCEPTS

**Entrepreneurial discovery process.** A process of engaging various actors (i.e. organisations and agencies) in a joint experimentation process to explore alternatives for sustaining the competitive advantage of regions.

**Domains.** New identified areas of strength in regional R&D&I that build on the region's assets and capabilities and contribute to its competitive advantage.



### S3 IN THE NORDIC REGION

In the Nordic Region, evidence shows that S3 implementation takes on different shapes and forms. Smart specialisation strategies are also seen implemented outside the EU and the ex-ante conditionality: seven Norwegian regions are currently registered on the S3 platform in Seville (see Box 3), and more regions are in the process of registering their strategy. Smart specialisation is truly a regional policy mechanism, and thus far the national level has taken a passive role in relation to its implementation in all Nordic countries. This policy brief is based on the empirical material gathered for the report *The status, characteristics and potential of smart specialisation in Nordic regions*.

### BOX 3: S3 PLATFORM IN SEVILLE, SPAIN

A platform and policy tool supporting EU regions in their S3 strategy design and implementation. It provides guidance material and good practice examples, ensures access to relevant data, and facilitates peer review and mutual learning. The platform is maintained by the EU Joint Research Centre.

## CASE STUDY REGIONS

**Kymenlaakso, Finland** is an early adopter of the S3 strategy in Finland. Since adopting S3, stakeholders in Kymenlaakso have been able to discern their key regional strengths and have concertedly created a clear regional vision. Coming together around a common regional vision has in turn enabled the region to attract both international collaboration partners and funding from large EU funds for R&D purposes. The region has developed a striking regional profile with clear regional strengths: bioeconomy, logistics and digitalisation. The region displays a genuine willingness to enhance the support mechanisms for regional innovations and to reinforce promising domains that are reflective of the long-term strengths of the region. Well-established domains have already brought clearer common priorities to the agenda and have facilitated the allocation of the region's available resources.

**Stockholm, Sweden** is often hailed the 'innovation powerhouse' of Europe. Theoretically, the region holds an excellent position for fine-tuning its innovation system by employing a smart specialisation strategy, and it is represented on the S3 Platform in Seville. Smart specialisation has been repeatedly lifted by the Country Administrative Board, but little interest has been detected for further engagement with the concept. Due to a lack of political ownership of the strategy, challenges in mobilizing actors, and limited understanding about the added value of smart specialisation within the political governance structures, the strategy has never secured a foothold in Stockholm. The successes of the current system are evident, but the ability to plan for tomorrow's challenges may be lacking due to the laissez-faire approach to prioritize strategic areas for growth. Breaking Stockholm's tradition of non-involvement may prove to be challenging as the innovative machinery persists regardless of the implementation of a new regional strategy.

**Midtjylland, Denmark** has approached S3 primarily as a set of criteria that must be met to obtain EU funding for regional development programmes, and thus S3 implementation is missing in the region. However, this is not to say that the main ideas and aims of smart specialisation are absent from Danish innovation and regional development. Rather, the latter builds on principles that are very similar to the S3 framework in the form of bottom-up industry involvement when deciding on development projects and revising regional strategies. Midtjylland's regional development strategy does not comprise a designated S3 element, and the core focus areas (e.g. growth, sustainable adaptability, cohesive urban development, knowledge and skills) are not formulated as distinct competitive specialisations. Nevertheless, the EU tacitly recognises an S3 resemblance, and Danish regional development frameworks continue to receive S3-linked EU funding without significant restructuring; the existing regional development strategies are treated as S3 equivalent.

**Nordland, Norway** was the first Norwegian region to register with the S3 Platform in Seville, Spain. Not being part of a member state of the EU, Nordland's approach to S3 exemplifies a strategy implementation without EU requirements. The regional administration in charge of the S3 processes is displaying clear leadership for their implementation. The key domains identified in Nordland are process industry, aquaculture and tourism. Additionally, the regional administration invited key regional actors to join an 'S3 school': a series of lectures illuminating the S3 concept and its added value in the Norwegian context. Nordland is struggling with the lack of a more flexible governance structure between the regional and national level, particularly for harmonising funding and financial instruments. On the national level, support tends to favour collaboration and R&D&I for technological developments, which challenges specialisations such as tourism.



**Iceland** is not an EU member and has no formal requirements (or formal incentives) for adopting an S3 policy. Due to the governance structure in Iceland, the term 'regional' is limited in use because there are only two governance levels: national and municipal. Although steps have been taken to develop a more regional-based framework around innovation matters, the lack of regional diversity in the economic activities and the small population mean limited expertise, critical mass and funds, as well as a tendency to centralise decision-making. Nevertheless, some similarities between S3 and how Iceland is developing its innovation strategy are discernible. Trying to integrate the regional aspect into policies is an ongoing process that has called for greater local involvement, and increased focus on existing local knowledge, resources and strengths. Optimising scarce resources for diversifying the economic structure is both a resilience measure as well as a nod to de facto S3. This way of thinking is being highlighted as innovation strategy in the future.

**Åland** is not a member of the EU S3 Platform, but it did use the S3 procedures when developing its Innovation Strategy. As a small island, Åland's dependence on importing expertise and maintaining co-operation with its partners is pertinent for the prosperity of the region. S3 implementation is considered in an integrative and comprehensive way, focusing on education, regional expertise and business support. S3 in Åland is rather a practical process where implementation across all sectoral levels is more important than promoting S3 as a method for staking out key regional strengths. Creating a clearer strategy for maximising Åland's R&I could help steering business investments to the islands by displaying a clear regional profile. Employing S3 to target funding for R&I may help position Åland as an increasingly and continuously desirable collaboration partner in the future. Agriculture, finance and IT are all sectors that could serve as potential S3 areas in Åland.

## KEY FINDINGS from the cross-case analysis

- The success or inability to apply the S3 concept in these regions may be indicative of its relevance and the predilection of different geographical areas and typologies.

- Without a strong political mandate and a clear policy commitment from the national and regional level, S3 will be more a symbolic gesture than an applied strategic policy tool for regional growth.

- The relationship between regional smart specialisation strategies and the national policy for the operationalisation of S3, in terms of mandates, power and financial instruments, needs to be considered both within and outside the EU.

- The regions act on their existing preconditions, and whilst some regions may have found a method that works optimally without S3, other regions have benefitted from S3 by developing a more targeted regional innovation policy.

- The existence of a Nordic Model is not apparent, but the quick adoption of the strategy tool in some regions may point to a highly compatible Nordic innovation environment, pointing to the value of discerning de facto S3.

- The success of S3 is not only dependent on a Nordic country's EU-membership, but rather on the regional willingness to tweak its structures to accommodate for new innovation systems.

- The green transition may be part of the sense of urgency for changing, for example, path-dependent innovation systems, nudged along by the operationalisation of the key concepts of EDP and domains.



# POLICY RECOMMENDATIONS

These recommendations are based on the key findings in the report *The status, characteristics and potential of Smart Specialisation in Nordic regions*. The recommendations are mainly targeted towards public sector actors on both the regional and national level who consider adopting or who are implementing smart specialisation strategies.

## ■ Multilevel governance

- Create guidelines. Signalling national interest may motivate regions to identify regional strengths.
- Balancing national and regional relationships. Finding the best governance model between the regional and the ERDF structure/national level to make S3 a relevant tool.

## ■ Enable regional transitioning.

- Ensure availability and appropriateness of funding mechanisms through flexible governance structures for a diverse set of regional specialisations.
- Stability through long-term commitment through regional and national co-creation, building trust amongst regional actors.

## ■ Mobilise actors to empower regions

- Increase inclusiveness and engagement of actors by communicating the opportunities to take part in planning processes.
- Favourable environments for EDP and identifying 'domains' by providing a platform for networking.

## ■ Ownership and leadership

- Be a leader of S3 processes. Clear leadership is key to mobilising actors in a region.
- Think like an entrepreneur to understand the needs of new developments and discoveries.

## ■ Avoid redressing old approaches

- Discover new opportunities and domains by going beyond cluster structures.
- Rebranding old approaches without additional measures is neither smart nor special.

## ■ Smart specialisation outside the EU's ERDF.

- Consider the added value of S3 as an approach in its own right.

## ■ Optimal size for S3

- Consider the typology and size of the region when implementing S3 for identifying appropriate measures.

## ■ De facto S3

- Reveal de facto S3 aspects in the region to fast-forward the S3 process.
- Do not 'reinvent the wheel': build on existing knowledge where relevant.

## ■ Nordic Model of S3

- Appreciate the value of transnational collaboration and share best practice examples between regions.
- Investments for increased knowledge by establishing platforms for understanding S3 in the regional context (e.g. 'S3 School' in Nordland).

## ■ Remember operationalisation

- Focus on implementation. A strategy without an action plan and implementation is a strategy without results.



## ABOUT THIS POLICY BRIEF

This policy brief is based on the report "[The status, characteristics and potential of smart specialisation in Nordic regions](#)". The report was prepared to comply with the objectives of the Nordic Thematic Working Group on Innovative and Resilient Regions 2017 – 2020 under the Nordic Council of Ministers Committee for Civil Servants on Regional Affairs.

### Further reading

European Commission (2019) Smart Specialisation Platform. Available: <http://s3platform.jrc.ec.europa.eu/home>

European Commission (2010a) Europe 2020: Commission proposes new economic strategy in Europe. Available at: [http://europa.eu/rapid/press-release\\_IP-10-225\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-10-225_en.htm?locale=en)

Teräs, J. and Mäenpää, A. (2016). Smart specialisation implementation processes in the North. Lessons learned from two Finnish regions. *European Structural and Investment Funds Journal*, 4(2): 75–86.

### Research contacts

Mari Wøien  
Research Fellow  
[mari.woien@nordregio.org](mailto:mari.woien@nordregio.org)

Jukka Teräs  
Senior Research Fellow  
[jukka.teras@nordregio.org](mailto:jukka.teras@nordregio.org)

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