Governance Models and Frameworks for Smart Specialisation: The challenge of implementation.
Case study of the Hunter RDA RIS3 initiative

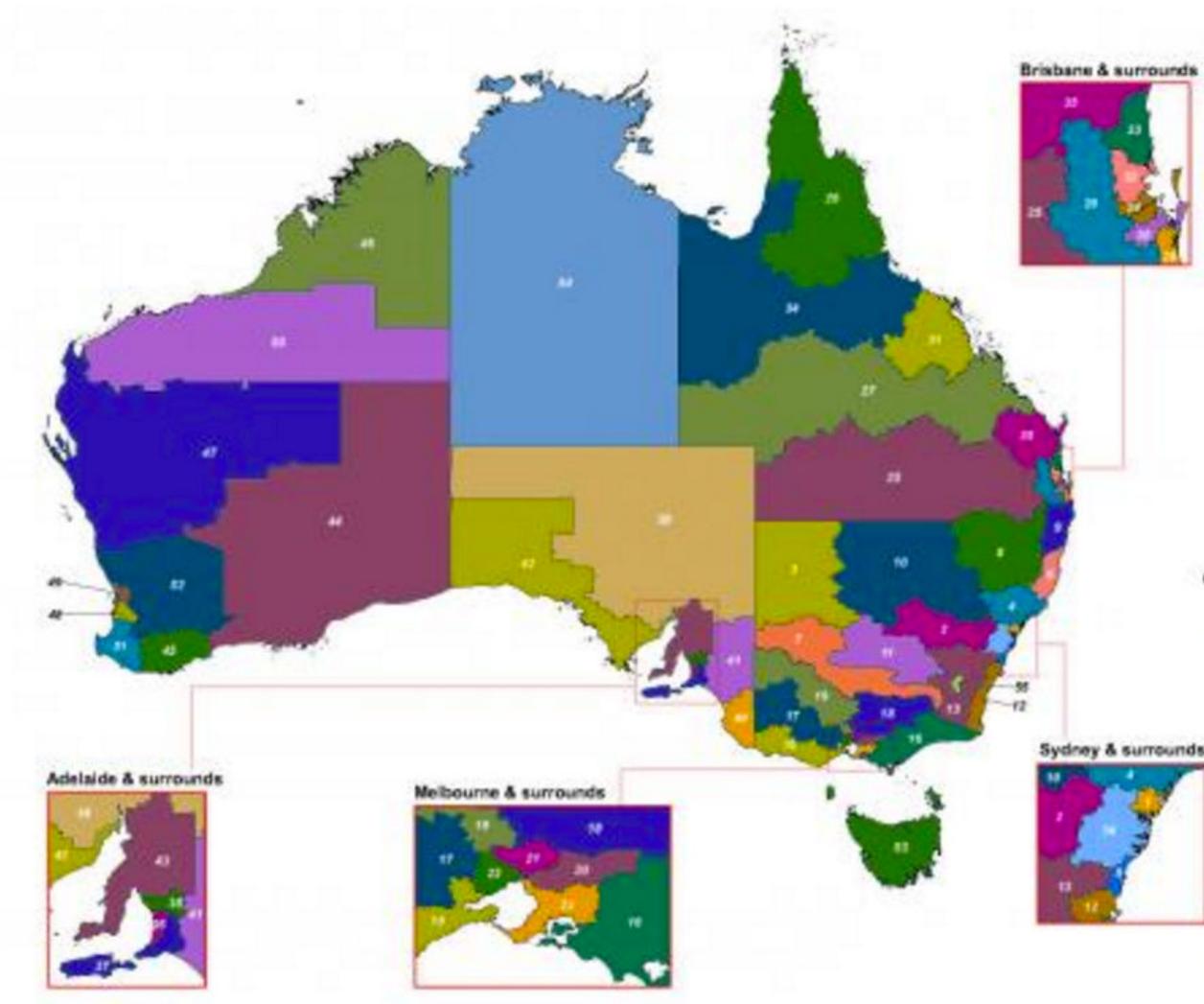John Howard and Renu Agarwal, University of Technology Sydney,
Todd Williams, RDA Hunter

Regional Development Australia (RDA)

- A national network of 55 committees, made up of local leaders
- Expected to work with governments, business and community groups to support development of their regions
- Funded (limited) by the Australian and State/territory governments.
- Expected "to build partnerships to develop strategies and deliver sustainable infrastructure and services to their regions" -
  - promote and participate in regional programs and initiatives
  - provide information and advice on their region to government, and support informed regional planning
  - Develop a *Regional Plan* which outlines priorities for the region and guides them in strengthening their communities (not the same as a RIS3 plan)
  - Set priorities, screen, and support grant applications from their communities from the *Regional Development Australia Fund* -
    - Most recent funding round - 42 grants of between $0.5m $15m for projects covering construction of new and/or upgrading of existing sporting, cultural, arts and community facilities, airports and roads.
    - Support for university infrastructure projects is ***not*** within scope of the Fund.
- This paper draws on experience in the *Hunter Region* of NSW in taking the RDA framework further into an innovation agenda
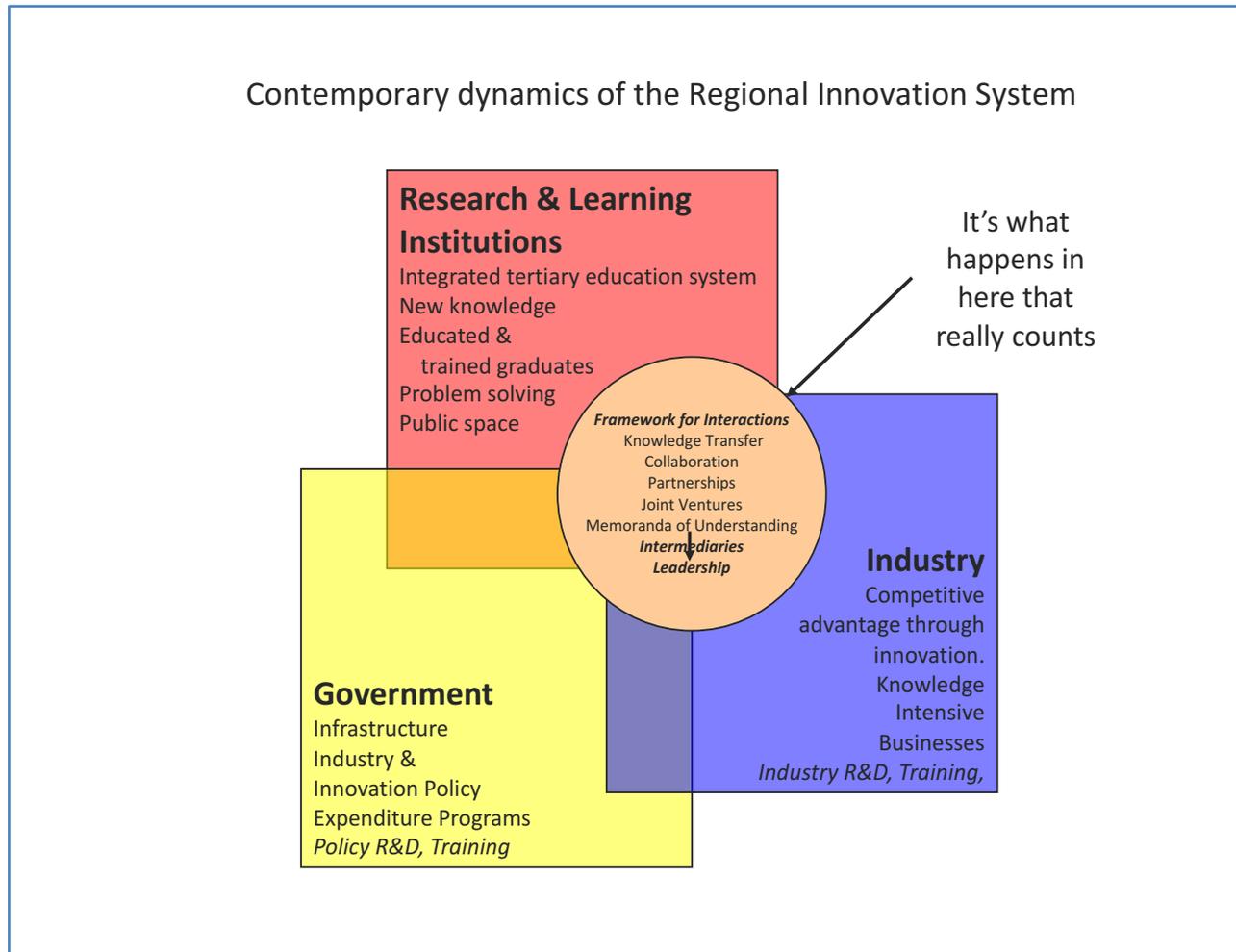
Regional Development Australia Regions

NSW Regions

The Hunter Region

. 29,000 sq kms
. 650,000 people
. 160 kms from Sydney
. Mining – 22.3% of GRP
   (but only 5% of jobs)
. Manufacturing – 11.7%
. Health – 7.7%
   (13.7% of jobs)
. Finance - 6.5%
. Construction – 6.0%
. Known as a 'steel' city

. Major defence facilities
. Global oriented university
. Strong in medical research
. Agribuisness
. Equine

Regional Innovation System Dynamics

Contemporary dynamics of the Regional Innovation System

Research & Learning Institutions
Integrated tertiary education system
New knowledge
Educated &
   trained graduates
Problem solving
Public space

It's what happens in here that really counts

Framework for Interactions
Knowledge Transfer
Collaboration
Partnerships
Joint Ventures
Memoranda of Understanding
Intermediaries
Leadership

Industry
Competitive advantage through innovation.
Knowledge Intensive Businesses
Industry R&D, Training,

Government
Infrastructure
Industry &
Innovation Policy
Expenditure Programs
Policy R&D, Training

Everyone has a plan, resources, and budgets! But no regional <u>innovation</u> plan - until RIS3

Hunter RIS3 Planning Narrative

- RDA has track record of commitment to innovation - the Hunter Innovation Scorecard, Hunter Innovation Festivals, STEM in schools, and Business Innovation Hub

- Need to find new sources of growth and productivity in a post-mining boom economy – but building on the strong mining, energy, and agriculture base and achievements in medical research

- Advances in digital and other enabling technologies making mining, energy and agriculture 'high tech' and service oriented

- Respond to and capture the opportunities of changing patterns of international trade, the closer economic ties with China, India and the Middle East, as well as the challenges from climate change, urbanisation, and securing a sustainable energy future.

- *RIS3 framework as a catalyst for new activities around innovation to strengthen the economic development of the region.*

- The RIS3 framework has helped define competitive advantages and establish priorities for investment and research that maximise distinctiveness through *innovation and collaboration*.

- RDA Hunter is the first region in Australia to apply the RIS3 framework.

- Launched by the Prime Minister of Australia in March 2016

RDA Hunter Regional Smart Specialisation Strategy
In Brief

Strategic Actions	Priority Growth Areas						
	Advanced Manufacturing	Creative Industries	Defence	Food and Agribusiness	Mining Equipment, Technology and Services	Medical Technologies and Pharma-ceuticals	Oil, Gas and Energy Resources
Inclusive Leadership	High importance	Moderate Importance	High importance	High importance	High importance	High importance	High importance
Encourage Entrepreneurship	High importance	High importance	Moderate Importance	High importance	Important	Important	Moderate Importance
Develop Skills for Innovation	High importance	High importance	Important	High importance	High importance	Important	High importance
Coordinate Polices and Regional Programs	High importance	High importance	Important	High importance	Moderate Importance	High importance	High importance
Establish a Hunter Regional Initiatives Fund	High importance	High importance	Moderate Importance	High importance	Moderate Importance	Important	Important
Communicate the Strategy	High importance	High importance	Important	High importance	High importance	High importance	High importance

The Implementation Context

- Absence of a regional governance framework

- Very strong and well resourced university:

  - AAA credit rating, strong balance sheet, very positive cash flow, capacity to leverage property portflio

  - Has built world class research capability in geoscience, resources engineering, biochemistry, medical research (ERA assessments)

  - Adopting a lead role in the industrial transformation of the region from coal, steel and heavy manufacturing, to a regional and global knowledge hub, a driver of world class innovation and a collaborative partner of change (McMillan, 2014)

  - Tapping into international knowledge and experience about regional technology clusters emerging from 'rustbelt cities'

  - Investments in innovation infrastructure and hubs – particularly property components

- Substantial government assistance for business and enterprise development

  - *130 government funding* programmes – a grant application industry

- Businesses are also well networked

  - Numerous (competing) business and industry associations

- An intensive 'public administration' landscape focused on regional development

The Public Administration Landscape

- Commonwealth and State agencies have regional structures on devolved organisational models, regional statutory authorities, local governments (11)

- Multitude of public sector plans and strategies include -
  - The *Economic Profile*, prepared for the Economic Development Strategy for Regional NSW, by NSW Trade and Investment, 2015
  - The *Draft Hunter Regional Plan*, prepared by the Department of Planning and Environment - provides the land use framework
  - The *Hunter Economic Infrastructure Plan*, prepared by Infrastructure-NSW and RDA Hunter
  - The *Hunter Strategic Infrastructure Plan*, prepared by the Hunter Development Corporation
  - *Hunter Regional Growth Plan 2016-2019: Economic Development Strategy for the Hunter*
  - The *Local Land Services Strategic Plan*, 2016-21, prepared by NSW Land Services
  - The *Hunter Regional Transport Plan*, prepared by Transport NSW - covers road, rail and public transport investments
  - The *Hunter New England Local Health District Strategic Plan*
  - The *Port of Newcastle,* a privately owned corporation, is currently developing a 90-hectare site for port related activities
  - *Newcastle Airport* Master Plan
  - The Department of Primary Industries *Upper Hunter Agricultural profile* identifies important agricultural resources, critical features of region's leading agricultural industries, their potential development and related land use planning
  - Local government economic development plans
  - The University of Newcastle *NeW Futures* Strategic Plan
  - Hunter TAFE Strategic Plan

- *So where does RIS3 fit in?*
  - Potentially "define competitive advantages and establish priorities for investment and research that maximise distinctiveness through *innovation and collaboration"*.
  - **But how does it implement and allocate?**

Governance and implementation

- Absence of a formal governance framework for the region

- Vision of 'collaborative governance' often mentioned
  - Agencies working collaboratively to achieve outcomes
  - But external funding agencies require responsibility and accountability frameworks

- RDA has limited capacity in present structure for strategy *implementation*

- RDA governance options that could be explored for implementation
  - Networks – RDA as network facilitator/connector
  - Associations - RDA as lead in a 'collective' of shared interests, purpose
  - Alliances – RDA as a broker of strategic alliances
  - Incorporated entity – Regional Development *Authority* – or an existing organisation

- Where will the university fit in?

Framework for collaboration governance

Attribute	Governance structure			
	Network	**Association**	**Strategic Alliance**	**Incorporated Entity**
Basis of governance	Shared interest, informal connections	Collective action, membership	Joint action in deed of agreement	Provisions of the Corporations law
Level of participant commitment	Loose, casual, voluntary	Weak	Strong, committed	Enforceable
Mission	General statements of purpose	Specific statements of purpose	Clear Statement of purpose	Clear statement of objectives, results
Outcome focus	Limited	Specific	Focused	Strong
Breadth of agenda	Narrow	Specific interests	Focussed	Encompassing strategy
Governing board involvement	Casual	Limited	Strong	Diligent
Decision making processes	Consensual	Representative	Contractual	Corporate, judgemental, expert
Role of Chief Officer/Secretary	Administrator, facilitator	Administrator, adviser, broker	Executive, manager, broker	Executive (decision maker) manager
Role of Finance Officer	Absent, limited funding	Important	Significant	Critical
Focus of operations	Communication, knowledge sharing	Cooperation, consensus	Coordination, alignment	Corporate, integrated
Cost of formation	Minimal Exchange of letters, emails	Low Registration as Not for Profit Association	Moderate May involve contract lawyers and counsel	High Expensive lawyers and accountants
Operating instruments	Informal, consensus	Memoranda of Understanding	Formal agreements and obligations	Incorporation, legislation, deed
Basis of operation	General agreement, good will	Statements of Intent Membership fees	Agreed Business Plan and budget	Legal Entity
Cost of operation	Minimal	Low	Moderate	High
Capacity to deliver large programs/projects	Limited – small specific projects	Moderate – project specific	High – project specific	High – project and programme specific
Accountability to stakeholders	Informal reporting Project acquittal	Formal reporting in financial statements	Formal reporting in financial statements	Formal reporting covered by law
Risk for stakeholders	Minimal	Low	Moderate	High

Emerging role of regional universities in RIS3

- Development of regional innovation systems has been 'bottom up' in Australia - universities have taken a strong lead role
  - Universities got tired of waiting for Commonwealth policy action during 2013-15
- UoN (like others) complementing its 'global' research role with interest in regional development and innovation
- EU reports see important role for universities as drivers of smart specialisation (European Commission, 2014) -
  - Translational research facilities and programmes – economic and social
  - One-stop advisory services for SMEs
  - Professional development programmes
  - People-based mobility between HE and industry
  - Graduate retention and talent attraction policies aligned with regional priorities
- Many of these and other initiatives are being implemented at the University of Newcastle
- Commonwealth and State Governments channelling 'innovation' funding through universities
  - Support for innovation hubs, incubators
  - current proposal for R&D tax incentive

Emerging role of regional universities in RIS3

- Obstacles and challenges -
  - Integrating global, regional, and local dimensions is still a challenge for many universities and academics
  - Commitment to developing an engagement culture
  - Putting in place organisational, managerial, financial, and administrative capacity
  - Building confidence and trust of business and governments
- Concurrent global research and local engagement outcomes are possible
  - Commitment to long term partnership approach - over transactional ('funding for research')
  - Project/programme design and commissioning *can* have multiple outcomes
- UoN situation
  - The largest investor in innovation
  - The only university in the region
  - Pursing investments in urban renewal and development
  - Embracing RIS3 in a *de facto* sense
  - Has the resources and leverage to implement the RDA RIS3 strategy
- Parallels emerging university roles in other stressed regions (Geelong, Wollongong, Central Queensland, Tasmania)
- May not work in regions where the are several universities – particularly inner metropolitan regions

Ongoing role of Hunter RDA

- RDA programme is currently under review

- State government commitment uncertain

- Hunter RDA has -
  - Changed traditional infrastructure and job creation focus of regional policy to innovation
  - Built a strong networking capability
  - Developed a reputation for independence rather than sectional lobbying
  - Regarded as a effective advocate for the region
  - Developed a RIS3 focused on outcomes

- RDA Committee would also like to see commitment to other activities in RDA Mission

- Universities cannot 'go it alone' – they need community/stakeholder 'legitimacy'

- The RDA can *build and strengthen engagement* between the University, Business and Government

- Engagement is *multifaceted*

- *Amounts to an important ongoing intermediary role for Hunter RDA in the development of RIS3*

- But -
  - Would the role be embraced in the complex local public management context?
  - Be agreed by stakeholders focused on physical infrastructure investment? Does this matter?
  - How much is contingent on RDA role in access to funding?

- Can Hunter RDA experience be scaled up as a general framework for RIS3 implementation with a university lead role?

Conclude

- The RIS3 framework provides a context for regional innovation strategy formulation across a complex backdrop of largely autonomous public and private organisations.

- This complexity in organisational roles and responsibilities has a potential for _innovation systems failure_ where resource allocation and implementation decisions taken in one organisation may conflict with decisions taken in others.

- As an _intermediary organisation_ the RDA has the potential to ameliorate these potential system failures.

- RDA Hunter has a well-developed capacity and capability for continuing representation and advocacy for the region to navigate through the complex public administration arrangements that exist at the regional level.

- RDA can operate as both a 'top down' instrument for public policy implementation, and a 'bottom-up' instrument for on-the-ground contacts that generates input for the public policy.

- Important role in partnership with the University in developing the innovation dimension of regional economic development strategy through RIS3.

- University has a key role in implementation; needs the RDA connection to build engagement

- RIS3 document – an important placeholder that provides basis for collaboration thinking

- _The Hunter Region is keen to learn from EU experience and practice in implementation of RIS3_