

Executive Summary

Piedmont's regional innovation policy aims to strengthen regional innovation capacities in order to boost regional competitiveness and foster innovative and dynamic enterprises. Since its inception, the policy has supported collaborative research and development (R&D), including through innovation clusters, and the promotion of partnerships in important areas such as the smart factory, industry 4.0, life sciences, and the bio-economy. Yet, Piedmont's strong concentration in manufacturing and sophisticated and specific innovation activities in local core industries are at risk of decline due to on-going industrial transitions. Moreover, where innovation does occur it tends to be created by larger firms, with only limited innovation by small- and medium-enterprises (SMEs) that dominate Piedmont's industrial system.

In recognition of these challenges the Piedmont Regional Government is taking a fresh look at its innovation policy design, implementation, monitoring and evaluation. The insights and recommendations in this report are particularly timely as the regional government is currently preparing the Piedmont Smart Specialisation Strategy for the 2021-2027 period and also revisiting the current innovation cluster model that supports innovation in the region.

Key Findings

The territorial context

Piedmont is a wealthy Italian region with a strong industrial heritage but weak growth and employment performance. The region is home to 4.34 million inhabitants and is in the top 20% of OECD regional economies based on economic size. Although its regional per capita GDP is 17% higher than the OECD regional average, like other Italian regions, it is stagnating, broadly flat-lining between 2004 and 2018. Piedmont was hit particularly hard by the global financial crisis as well as the sovereign debt crisis that followed in its wake in 2011, with unemployment increasing to 7.6% in 2019 from 4.2% in 2007. Manufacturing remains an important asset for the region, yet the sector is in decline and manufacturing job losses are higher in Piedmont than in other OECD regions. In addition, the region exhibits strong geographic polarisation, with a gap between the regional capital, Turin, and the rest of the territory. The Functional Urban Area (FUA) of Turin covers less than 7% of the region's geographic territory, but is home to 40% of the total regional population and 44% of its workers in business sectors.

Broadening the definition and approach to innovation

Piedmont exhibits a mixed innovation performance. While the region ranks strongly in terms of private R&D (top 15% of OECD regions), its performance is weaker in terms of public R&D. Moreover, SMEs face difficulties in collaborating in innovation. While the region is considered a “moderate innovator+” among European Union (EU) regions based on the EU innovation scoreboard, innovation policy activities are dominated by technological innovation, missing opportunities offered by other forms of innovation, which can be particularly helpful for micro-firms. In Piedmont, little is being done to “mainstream” social innovation activities, for example, and more attention could be placed on innovation in the public sector. Doing so

could create greater inclusiveness; support larger societal goals (e.g. addressing climate change); and, also, generate greater citizen satisfaction with public and administrative services.

- Opportunities to broaden the regional approach to innovation include active support for management, marketing, processes, business-models, etc. in addition to technological/R&D-driven innovation, and mainstreaming social innovation, developing public sector innovation and supporting innovation among micro- and small firms that currently are not active in the innovation space.

From an innovation environment to an innovation ecosystem

Piedmont has a very rich and dense set of regional innovation actors, including private firms, public sector entities, public-private agencies, such as the seven clusters (*Poli di innovazione*), private foundations, and others. Its main innovation challenge is not a sparse environment for innovation. Rather, it is one of system fragmentation and complexity, with many actors and initiatives pursuing individual objectives through individual initiatives, and little to associate these various efforts. The lack of coordination among these actors is likely affecting their ability to have a greater impact on the region. One challenge for Piedmont's next innovation policy is, therefore, to generate greater integration among its innovation actors and move from an innovation environment to an innovation ecosystem.

- Opportunities to strengthen the regional innovation ecosystem include better connecting innovation actors and activities through a single point of entry for regional innovation support. The Piedmont Regional Government could also create thematically oriented regional innovation platforms to bring together different stakeholders to identify solutions to common problems or to achieve common goals. A regional innovation council could help improve coordination in the innovation environment to fill a leadership void and to build an innovation ecosystem.

Reinforcing the (multi-level) governance of Piedmont's innovation policy

While Piedmont's innovation policy is well integrated in multi-level strategic frameworks, such as the Agenda 2030, European initiatives, and in national programmes managed by the Italian government, it also faces several governance challenges. One of the main challenges is the financing and investment mechanism. The heavy reliance on EU funds as a source of financing for innovation activities may limit the region's ability to pursue its own and more territorially specific innovation priorities. However, increasing own-source revenues to support innovation financing may not be realistic at the moment. Other multi-level governance challenges include low administrative capacity among small municipalities and small enterprises, reinforcing stakeholder engagement in innovation policy, and improving the monitoring and evaluation system.

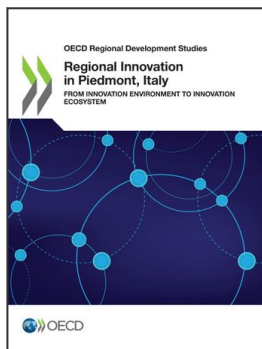
- Opportunities to reinforce the multi-level governance of Piedmont's innovation policy include addressing concerns of administrative burden and red tape to optimise existing streams of investment financing for innovation. Actions to help accomplish this include: introducing a public investment strategy component in the new innovation policy; building the administrative capacity of municipal governments and micro and small firms; and improving innovation performance measurement practices.

Future-proofing the Piedmont innovation cluster model

Innovation clusters and their corresponding cluster management organisations play an important role in Piedmont to implement its innovation policy and advance the development of its seven innovation clusters: agrifood, green chemistry/advanced materials (Cgreen), energy and clean technologies (CLEVER), ICT, smart products and manufacturing (MESAP), "Made in" textiles (POINTEX), and life sciences (BioPmed). The cluster management organisations successfully support innovation and economic growth in already

innovation-oriented firms. However, greater engagement is needed with firms not actively engaged in innovation, not least to assist them in tackling challenges from on-going green and industrial transitions, the COVID-19 pandemic, and other mega trends such as demographic change.

- There are a number of opportunities to future-proof the Piedmont innovation cluster model. These include: strengthening collaboration among cluster organisations by introducing a shared cluster management platform; making better use of clusters to support skills for industry; developing a cluster internationalisation strategy; and building cluster organisation capacity to design technological and industrial roadmaps for the region.



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