



Universiteit Utrecht

# **Regional branching and regional innovation policy**

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## structure of lecture

- 1. regional branching
- 2. mechanisms behind regional branching
- 3. regional branching and policy intervention?
- 4. mechanisms and policy actions



# 1. regional branching

- variety as key driver of regional growth: the more, the better
- Jacobs: knowledge will spill over to other sectors, and geographical proximity is an enabling factor
- however, effective learning requires cognitive proximity between sectors
- but too much cognitive proximity between sectors may be harmful (lock-in)
- need for technological relatedness between sectors in a region to enable knowledge spillovers
- the higher related variety, the higher regional growth



# 1. regional branching

- technological relatedness also major input for regions to diversify into new industries and develop new growth paths
  - regional branching: new industries branch out of technologically related local industries from which existing capabilities are exploited and recombined in new activities
  - case studies on regional branching, but no systematic study
  - Neffke, Henning and Boschma (2011) *Economic Geography*: long-term analysis of 70 Swedish regions 1969-2002
1. a new industry is more likely to enter a region when it is technologically related to other industries in the region
  2. existing industries tend to disappear from a region when these are not technologically related to other existing industries in the region



## 2. mechanisms behind regional branching

- through which mechanisms new industries branch out of existing related industries?
1. **entrepreneurship** is crucial mechanism through which regional branching occurs: **experienced entrepreneurs** (with relevant knowledge from related industries) are crucial for first stage of the industry lifecycle: experienced entrepreneurs have a higher survival rate, in comparison to other types of entrepreneurs
  2. **labour mobility** may be another mechanism: this has not (yet) been investigated in the context of the industry life cycle: does labour recruited from related industries impacts on the survival of firms in a newly emerging industry?
  3. **collaboration networks** (like R&D networks) may be another mechanism: no systematic evidence yet in the context of the industry life cycle, but there is evidence that networks with partners with related competences perform better
  4. there may be other mechanisms, like foreign investments, etc.

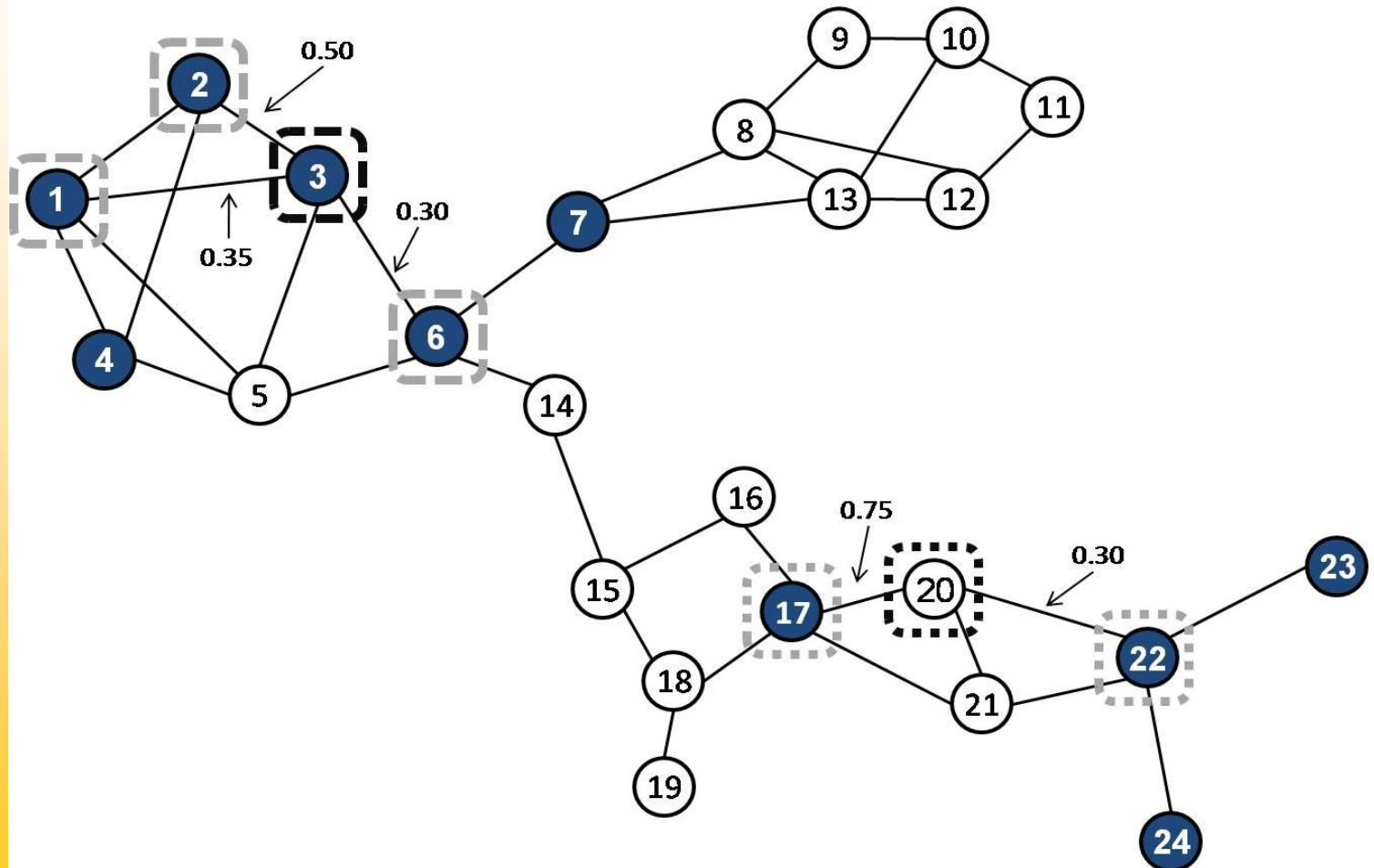


### 3. regional branching and policy intervention?

- regional policy based on regional branching takes the existing industrial structure at the regional level as a starting point
- objective: to broaden and renew the industrial structure of a region: make it branch into new related activities
- no ‘one-size-fits-all’ policy (regions differ)
  - no universal optimal policy model (no copying of best practices)
  - do not start from scratch: region-specific assets as building blocks
  - history matters: need for tailor-made policy strategies based on relatedness: focus on available options and probable outcomes of regional policy



- where to intervene in the regional industrial structure?
- how to define opportunities for regions to diversify?





## 4. mechanisms and policy actions

- regional policy can build on the mechanisms that diversify regions through relatedness
1. entrepreneurship
  2. labour mobility
  3. collaboration networks
- these mechanisms connecting old and new sectors basically take place at the regional level: reduces the risk of leakage effects to other regions
  - they have the potential to move regions in new growth paths while building on regional assets