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

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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
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
- Agribusiness
- 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

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

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

It's what happens in here that really counts

Everyone has a plan, resources, and budgets! But no regional innovation 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

<table>
<thead>
<tr>
<th>Strategic Actions</th>
<th>Priority Growth Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Advanced Manufacturing</td>
</tr>
<tr>
<td>Inclusive Leadership</td>
<td>High importance</td>
</tr>
<tr>
<td>Encourage Entrepreneurship</td>
<td>High importance</td>
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<tr>
<td>Develop Skills for Innovation</td>
<td>High importance</td>
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<tr>
<td>Coordinate Polices and Regional Programs</td>
<td>High importance</td>
</tr>
<tr>
<td>Establish a Hunter Regional Initiatives Fund</td>
<td>High importance</td>
</tr>
<tr>
<td>Communicate the Strategy</td>
<td>High importance</td>
</tr>
</tbody>
</table>
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 portfolio
  – 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 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
  - 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

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Governance structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Network</strong></td>
<td><strong>Association</strong></td>
</tr>
<tr>
<td>Basis of governance</td>
<td>Shared interest, informal connections</td>
</tr>
<tr>
<td>Level of participant commitment</td>
<td>Loose, causal, voluntary</td>
</tr>
<tr>
<td>Mission</td>
<td>General statements of purpose</td>
</tr>
<tr>
<td>Outcome focus</td>
<td>Limited</td>
</tr>
<tr>
<td>Breadth of agenda</td>
<td>Narrow</td>
</tr>
<tr>
<td>Governing board involvement</td>
<td>Casual</td>
</tr>
<tr>
<td>Decision making processes</td>
<td>Consensual</td>
</tr>
<tr>
<td>Role of Chief Officer/Secretary</td>
<td>Administrator, facilitator</td>
</tr>
<tr>
<td>Role of Finance Officer</td>
<td>Absent, limited funding</td>
</tr>
<tr>
<td>Focus of operations</td>
<td>Communication, knowledge sharing</td>
</tr>
<tr>
<td>Cost of formation</td>
<td>Minimal</td>
</tr>
<tr>
<td>Operating instruments</td>
<td>Exchange of letters, emails</td>
</tr>
<tr>
<td>Basis of operation</td>
<td>Informal, consensus</td>
</tr>
<tr>
<td>Cost of operation</td>
<td>General agreement, good will</td>
</tr>
<tr>
<td>Capacity to deliver large programs/projects</td>
<td>Limited – small specific projects</td>
</tr>
<tr>
<td>Accountability to stakeholders</td>
<td>Limited – small specific projects</td>
</tr>
<tr>
<td>Risk for stakeholders</td>
<td>Informal reporting Project acquittal</td>
</tr>
</tbody>
</table>

**Notes:**
- **Basis of governance:**
  - **Network:** Shared interest, informal connections
  - **Association:** Collective action, membership
  - **Strategic Alliance:** Joint action in deed of agreement
  - **Incorporated Entity:** Provisions of the Corporations law

- **Mission:**
  - **Network:** General statements of purpose
  - **Association:** Specific statements of purpose
  - **Strategic Alliance:** Clear Statement of purpose
  - **Incorporated Entity:** Clear statement of objectives, results

- **Outcome focus:**
  - **Network:** Limited
  - **Association:** Specific
  - **Strategic Alliance:** Focused
  - **Incorporated Entity:** Strong

- **Breadth of agenda:**
  - **Network:** Narrow
  - **Association:** Specific interests
  - **Strategic Alliance:** Focussed
  - **Incorporated Entity:** Encompassing strategy

- **Governance board involvement:**
  - **Network:** Casual
  - **Association:** Limited
  - **Strategic Alliance:** Strong
  - **Incorporated Entity:** Diligent

- **Decision making processes:**
  - **Network:** Consensual
  - **Association:** Representative
  - **Strategic Alliance:** Contractual
  - **Incorporated Entity:** Corporate, judgemental, expert

- **Role of Chief Officer/Secretary:**
  - **Network:** Administrator, facilitator
  - **Association:** Administrator, adviser, broker
  - **Strategic Alliance:** Executive, manager, broker
  - **Incorporated Entity:** Executive (decision maker) manager

- **Role of Finance Officer:**
  - **Network:** Absent, limited funding
  - **Association:** Important
  - **Strategic Alliance:** Significant
  - **Incorporated Entity:** Critical

- **Focus of operations:**
  - **Network:** Communication, knowledge sharing
  - **Association:** Cooperation, consensus
  - **Strategic Alliance:** Coordination, alignment
  - **Incorporated Entity:** Corporate, integrated

- **Cost of formation:**
  - **Network:** Minimal
  - **Association:** Exchange of letters, emails
  - **Strategic Alliance:** Low
  - **Incorporated Entity:** Moderate

- **Operating instruments:**
  - **Network:** Informal, consensus
  - **Association:** Memoranda of Understanding
  - **Strategic Alliance:** Formal agreements and obligations
  - **Incorporated Entity:** Incorporation, legislation, deed

- **Basis of operation:**
  - **Network:** General agreement, good will
  - **Association:** Statements of Intent Membership fees
  - **Strategic Alliance:** Agreed Business Plan and budget
  - **Incorporated Entity:** Legal Entity

- **Cost of operation:**
  - **Network:** Minimal
  - **Association:** Low
  - **Strategic Alliance:** Moderate
  - **Incorporated Entity:** High

- **Capacity to deliver large projects:**
  - **Network:** Limited – small specific projects
  - **Association:** Moderate – project specific
  - **Strategic Alliance:** High – project specific
  - **Incorporated Entity:** High – project and programme specific

- **Accountability to stakeholders:**
  - **Network:** Informal reporting Project acquittal
  - **Association:** Formal reporting in financial statements
  - **Strategic Alliance:** Formal reporting in financial statements
  - **Incorporated Entity:** Formal reporting covered by law

- **Risk for stakeholders:**
  - **Network:** Minimal
  - **Association:** Low
  - **Strategic Alliance:** Moderate
  - **Incorporated Entity:** 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 there 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