

Are you interested in the fields of Smart specialisation, transnational learning and triple-helix connectivity? This newsletter reports in a nutshell on initial results and insights gained in the LARS project.

The LARS project aims at strengthening the regional innovation systems by transnational learning. We will identify, transfer and apply good practices which improve triple-helix connectivity and facilitate the discovery of new opportunities and domains using existing knowledge in the regions.

In the first step, we have focused on mapping value chains at the center of the Smart specialisation strategy in each region. The mapping has resulted in more explicit knowledge of strengths and weaknesses at different levels of the value chains, as well as, of key stakeholders and their different roles in the value chains.

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What is the LARS Project?

11 partners from **8** regions in **8** countries

**LARS helps the public sector lead
Smart specialisation processes in their regions
and connects innovation networks across regions**

**Project duration:
October 2017–September 2020**



The six steps of LARS

1. Mapping of strategies in order to select the final intervention areas
2. Triple-helix gap analysis with the purpose of finding deficiencies and also good cases of innovation networks functioning
3. Matching partners in functioning transfer networks based on the “good” and “bad” practices
4. Learning on the transfers, essentially an innovation context analysis
5. Piloting new activities in the regions with the purpose of improving the innovation networks
6. Communicating the findings with a view on the wider implications of the project

The LARS partners

Regional Council of Ostrobothnia, Finland
University of Vaasa, Finland
Region Västerbotten, Sweden
Regional Council of Päijät-Häme, Finland
Hamburg University of Applied Sciences, Germany
Lithuanian Institute of Agrarian Economics, Lithuania
Ministry of Environmental Protection and Regional Development, Latvia
Lithuanian Innovation Centre, Lithuania
Oppland County Authority, Norway

Associated partners

CPMR Conference of Peripheral Maritime Regions
Office of the Marshal of the Pomorskie Voivodship, Poland

Read more at
www.lars-project.eu

Why LARS? The Role of Transnational Learning in Macro-Regional Strategies

Seija Virkkala and Åge Mariussen, University of Vaasa

Regions and localities face similar concerns regarding improving the livelihoods, prosperity and wellbeing of their inhabitants. The learning from others' experiences and knowledge in other contexts and beyond national borders – that is transnational learning – can avoid 'reinventing the wheel'. Actors can learn from advancements already made elsewhere.

Macro-regions are neither countries nor regions within countries, instead they are formed by several regions and countries. According to the European Commission, macroregional strategies are integrated frameworks comprising many countries or regions and which have common challenges and the same geographical area. They benefit from stronger cooperation contributing to their economic, social and territorial cohesion. The concept of macro-regional strategy has started with the EU Strategy for the Baltic Sea Region endorsed by the EU member states in 2009, and spread to three other regions: the Danube Region, the Adriatic and Ionian Region and the Alpine Region.

Transnational learning in a macro-regional context will contribute to create a framework in solving the common problems. It is also one mean to construct the macroregion; it is a process of building the new region, as well as to deepen territorial, social and economic cohesion in these regions.

Transnational learning is important in the aim to build a framework of multi-level governance in the context of Smart specialisation policies in the macroregions. The starting points of Smart specialisation policies are the regions (and in some cases countries) and the aim is to transform regional economies and discover of new potentials for growth (domains) which should be supported by the regional strategy. Diversification should be based on knowledge of the region. New potentials and new specialisations can be found in a collaborative process of economic search by entrepreneurial actors in a broad sense (firms, universities, public agents and NGOs).

Entrepreneurial discoveries leading to growth may emerge through experiments coming up through learning across value



chains and countries. Experimental decisions once made need rethinking. Smart specialisation operators should re-examine their own ideas and decisions, and improve their work by learning from their own experiences as well as the achievements of others.

There is a need for transnational cooperation as the challenges cannot be addressed at an organizational or national level. The ambition of Smart specialisation in the Baltic Sea region is to create regional growth through better ways of combining and using place based resources and improved macro-regional networks. A key element in achieving this is improved regional governance and partnership coordination. At the regional/national level governance mechanisms, partnerships and networks of innovation are often seen as self-evident and given.

LARS applies a method of transnational learning which combines a standardized approach to regional level analysis with transnational comparison, analysis and dialogue, expected to (1) lead to discoveries of gaps and needs for improvements in policies and governance, and at the same time (2) provide ideas of solutions through transnational learning. These solutions are then (3) seen as the basis of experimental pilots.

The EU Strategy for the Baltic Sea Region builds on traditions of collaboration and established cooperation in the field of innovation among the countries. Even if the various transnational collaborations have been tested, institutions need to align their efforts more effectively to achieve synergies. With the Smart specialisation approach regions can explore competitive advantages at the macro-regional level making the best use of available assets, competences and funds with an ambition to become internationally competitive and plugged in to global value chains to strengthen their global position and visibility. This is where we need the LARS project.

LARS will contribute to the Baltic Sea Region Innovation union by reducing existing innovation barriers with the help of new tools identifying gaps in the innovation systems of partner regions, as well as identifying, selecting and transferring good practices to bridge the relevant gaps. LARS will develop and test two types

of methods in the implementation of regional Smart specialisation strategies: methods to measure the gaps in the regional innovation system, and methods to transfer the good practices (on bridging the gaps) to the region with problems with gaps. LARS pilots are expected to explore regional strengths and implement entrepreneurial discovery processes on new domains and business opportunities, resulting in smaller gaps in the regional innovation system, and consequently upgrading the local economy and business environment.

References:

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Building Blocks (Value-Chain Analysis) for Transnational Learning

Åge Mariussen, University of Vaasa

Blood and crude oil: Learning between value chains

What is the similarity between blood and crude oil? They both are liquid substances going through tubes. These tubes may be subject to variations in pressure. Blood might contain lumps of various things, like fat. Crude oil coming up from the ground may bring with it pockets of gas, sand, stones and all kinds of things from the sediments. How do you construct tubes which can handle this problem without bursting or clogging up and blocking the stream?

For some decades, the Norwegian oil industry has been working on subsea technology. Instead of bringing crude oil up to the surface of the sea, to a platform, where it may be separated and turned into a more homogenous substance, they now put unmanned production facilities on the sea bottom, and transport the crude oil across long distances to on-shore facilities. Sub-sea technology is the competitive edge of the Norwegian oil industry, and it is one of the reasons why it can survive a crude price down to 50 dollars. Heart surgeons expect they might have something to learn from the petroleum industry.

More on this topic here: <https://www.uis.no/news/how-can-oil-technology-help-heart-patients-article123855-8865.html>



Climbing in value chains: Ireland - USA

Ireland used to have a chemical industry which supplied pharmaceutical industries in the USA with raw materials. Then they asked what their chemicals were used for, and they started a coordinated strategy of climbing in the value chain. Now Ireland has a blooming pharmaceutical industrial cluster, providing lots of high paid nice jobs for highly educated engineers.

Read more of their strategy here: <http://s3platform.jrc.ec.europa.eu/-/smart-specialisation-creating-growth-through-trans-national-cooperation-and-value-chai-1?inheritRedirect=true>

Mariussen, Å., Rakhmatullin, R. and Stanionyte, L. (2016). *Smart specialisation: Creating growth through trans-national cooperation and value chains*. Thematic work on the understanding of transnational cooperation and value chains in the context of Smart specialisation. Luxembourg: Publications Office of the European Union.

Reflections on the Process Leading up to the LARS Project

Jerker Johnson, Regional Council of Ostrobothnia

In the core of Smart specialisation lies the idea that all regions should identify the key activities and technological domain where they have a competitive advantage. The novelty which differentiates Smart specialisation from previous innovation and industrial policies is the emphasis of the entrepreneurial discovery process, EDP or in our case a systematic triple-helix learning through interaction.

Ostrobothnia started very early working with building a format for the work. As a starting point could be noted the Smart specialisation platform peer-review workshop in May 2013 where the Ostrobothnian Model of Smart Specialisation was peer-reviewed. Earlier the Regional Council of Ostrobothnia had initiated a project together with university partners and the project has produced a methodology for EDP through gap-analysis.

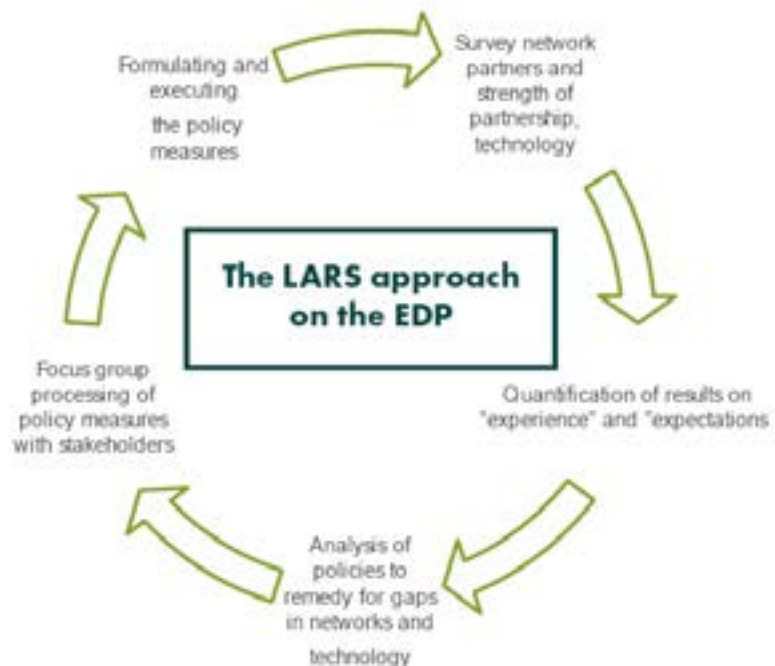
This was a response to a long-term need of a more focused development work in the Ostrobothnia region. Even if the region could access funding from different sources with ideas corresponding to the needs the experience was that they did not provide a return on investment, instead we found that they actually in some cases caused fragmentation, duplication of effort and in some cases even rivalry. While a multitude of perspectives is important for the innovative process there is a need for a soft coordination where all actors understand the key challenges the region is facing.

The methodology developed build on a gap-analysis developed in Ostrobothnia, and dialogue-rounds with stakeholder interviews had been conducted in 2013, 2015 and 2017. Parallel with the process the need to enrich the process with

transnational learning becomes more evident. What are regions with a better functioning innovations network doing different and are the good practices transferable? Even the sole presence of an outsider perspective works as a “development inspiration” particularly in small and peripheral regions.

In 2016 the work started by building a partnership around the project. Already established networks were used in building the network, notably the CPMR. Building the partnership it was important to ensure participation from different countries and since the topic of the project was Smart specialisation policy development it was also vital to ensure that the partnership consisted of a sufficient number of regional and/or national governments with a first-hand experience of the administration of Structural Funds tied to Smart specialisation by the ex-ante conditionality. It was also important to include research institutions with a research experience in Smart specialisation.

We did not aim for any business partner to participate in the



project partnership as the business perspectives would form part of the project. The experience from the work in Ostrobothnia also showed that business partners are good in pointing out dysfunctional policy arrangements and identifying concrete project needs but are less interested in participating in policy formulation.

In advance of the submitting the application two physical project group meetings were held at the Arlanda Airport, one before the concept note and the second before the full application. The face to face meetings were necessary and benefitted from a clear idea on how the project should be structured. Under the process partners opted-out as the concept did not fit their approach to Smart specialisation but the word spread in the networks and other partners opted-in. We also had the experience that professionals working with Smart specialisation would have liked to join the consortium but were restrained by

the political leadership in their regions. This points to the conclusion that Smart specialisation still is not sufficiently well anchored and/or that decisions on participation in transnational projects occur in an ad hoc manner. Considering the import role of transnational learning in Smart specialisation this should be remedied for.

The final outcome was 6 regional/national governments and 4 research institutions with research experience in the field. The size of the consortium is a trade-off between a multitude of perspectives and the need to achieve tangible results. It feels like the size of around 10 partners is optimal.

For the methodology developed in Ostrobothnia, see:

Virkkala S.-Mäenpää A.-Mariussen Å (2014): The Ostrobothnian Model of Smart Specialization. Proceedings of the University of Vaasa, Reports 196.



The LARS partners at the kickoff meeting in Vaasa, Finland in October 2017

The LARS Experiences in Mapping Value Chains

Edgaras Leichteris, Lithuanian Innovation Centre
Jerker Johnson, Regional Council of Ostrobothnia

The Smart specialisation platform (2015) reports on Global Value Chains and Smart Specialisation Strategies and how it would be possible to capitalize on complementarities in innovation ecosystems by developing inter-regional and trans-European linkages. This with the purpose of climbing or extending the value chain. The platform handbook states that mismatches in different regional innovation ecosystems can be addressed through a quadruple-helix dialogue. This may contribute to a shared understanding of each stakeholder's needs and to strengthen Smart Specialisation Strategies (S3) in the regions.

The mapping of global and transnational value chains is a demanding exercise. The Global Value Chain Development Report (2017) displays a global production mode consisting of dynamic networks and complex value chains. One of the major insights of the report is that global trade looks very different when detail in value-added terms is compared to gross flows of exports and imports. The value chains are a growing fraction of global trade, especially trade in high-value manufacturing and services that literally are invisible when the focus is on gross flows.

Within the LARS project the mapping of the value chains started with the process of aligning the partners according to common focus and selecting the potential intervention areas for the project according to priorities in Smart specialisation. The first exercise showed a big diversity of potential intervention areas (advanced production methods, energy, circular economy, bio economy, technologies for energy production, sustainable energy). Nevertheless that analysis helped to identify some common challenges. For instance the domination of low value-added production of goods and services in some of the regions and their integration into international value chains; establishment or improvement of cooperation in the value chain partnerships; support schemes for R&D and entrepreneurship.

There was a need to narrow down the intervention areas and finally it led to the choice of three major intervention areas: a) circular economy; b) advance production methods; c) energy. Based on these selected areas, regions were asked to identify

and describe corresponding value chains, perform stakeholder analysis and to prepare SWOT-analyses for each level of the value chain. This has helped to improve understanding about linkages between different regional ecosystems.

Within these intervention areas value chains in the following domains were identified and described:

- Circular economy for electronic and electric household devices (Hamburg City, Germany)
- Innovative products reusing side streams from food industry (Lahti Region, Finland)
- Biogas consumption effects (Lithuania)
- Bio coal and biochar (Västerbotten, Sweden)
- Flexible manufacture systems for wood, food, metal and other industries (Lithuania)
- Advanced production methods, robotics (Latvia)
- Energy technology products (Ostrobothnia region, Finland)
- Wood constructions (Oppland, Norway)

The value chains had different lengths, in some cases being very long and in others maybe forming a shorter part of a global production system. There were also differences in the level of refinement between the partners. In order to benchmark the innovation eco systems regions a "generic" value chain was identified consisting of the following steps of value creation:

- 1) *Design/Redesign/Development;*
- 2) *Raw Material and Components/Secondary Raw Material, Harvesting;*
- 3) *Production (Testing; Handling Side Fractions; Pretreatment);*
- 4) *Distribution (Storage);*
- 5) *Marketing/Sales/Service;*
- 6) *Consumption;*
- 7) *Collection (Separation);*
- 8) *Recycling/Reparation/Dismantling;*
- 9) *Science/Technology/Knowledge Provider.*

In each step the major stakeholders were identified and SW-analysis (Strengths, Weaknesses) was performed.

Drawing on the Porter's model stakeholders were identified as core stakeholders in every step and supporting stakeholders having an indirect effect on the value-added creation.

For each step NACE-codes were attributed to the stakeholder activities both core and supporting. The 2-digit level of the NACE was used providing a clarity on the exact activity. This also enabled a flexibility of the value chain by successively adding codes to the NACE-classification. This diversity of information provided the material for the first transnational learning seminar consisting essentially of a moderated debate among the partners. Some conclusions:

- The regions in the project were selected based on strategic similarities in the region but a value chain is usually based around a particular product/group of products. It was much easier to agree on common intervention areas than to find the similarities when the production is very specific.
- The challenge was to find regions most suitable for cooperation based on their strengths and weaknesses analysis. Initial findings show a lot of potential, as they showed that weaknesses in one regional value chain can be potentially compensated by strengths in another region's value chain within the same intervention area.
- The elaborated structure should be considered as tentative but it works as a base for learning between the regions. Further work with the structure will be refined when the results from WP3 will be available.

During the learning seminar a stakeholder analysis was also performed where the stakeholders were classified by; 1) Importance as an actor; 2) Legitimacy as seen by others and 3) Urgency in the sense of a felt necessity to introduce new practices. Transferring good practices, the ideal stakeholder would be one scoring high on all the criteria but this is not always the case.

The analysis has been useful and will be further developed during the project. It has provided partners with an experience in value chain analysis, a field that is very much advocated as a development tool by the EC in the forthcoming program period. The development of value chains has primarily previously been

carried out on mainly a company level and more seldom on an industry level. Clearly it cannot be carried out with the same degree of exactness but it contributes to an understanding on the challenges within and between the regions.

A common view

The evaluation of this first learning seminar showed the importance and usefulness of the approach and the seminar for the partners. The partners stated that during the seminar

- the workshop succeeded in establishing a common view among the partners regarding the value chain analysis and the purpose of this analysis for the project.
- they gained a better understanding of the situation and the problems in the other regions
- they were able to rethink and develop their own position and they got new inspiration for the future work
- the workshop contributed to illustrating how regions can use value chain analysis as a basis for inter-regional learning.

The transnational learning seminar served the purpose to understand the value chain approach and the different situations in other regions as an important basis for the coming gap analysis concerning the connectivity of stakeholders in the innovation network.



LARS partner meeting in Vilnius in April 2018

Experiences from the Gap Analysis in the Region of Ostrobothnia

Johanna Dahl, Regional Council of Ostrobothnia

The Region of Ostrobothnia has designed a development tool which has since 2012 recurrently been used for Smart specialisation and monitoring.

In line with the tool, regional authorities are engaged in a structured dialogue with companies, the university sector, and the public sector including development organizations (i.e. triple-helix actors) to: map technological needs, discover gaps in the cooperation and establish a common view on relevant development actions.

Through this gap analysis, the region is strongly committed to identifying key horizontal priorities which support export intensive domains in the region. In addition, projects are funded and implemented to reduce the bottlenecks in the regional innovation system. The process is repeated every second year, which also facilitates monitoring of the results achieved and developing further measures to improve the regional ecosystem.

This development tool, and more specially, the gap analysis acts as a method for transnational learning in the LARS projects. All project partners will apply the tool to achieve a deeper understanding of the regional innovation systems and to actively plan and monitor the regional Smart Specialisation Strategy. In addition, the gap analysis will provide insights into good practices that can be shared between the partners in order to strengthen the innovation system in each region.

By using the gap analysis, the Regional Council of Ostrobothnia has during 2018 conducted 52 personal interviews with company leaders in the region's energy cluster. Both large companies and SMEs participated in the study. The interview discussions focused on discovering changes in the business environment and the entrance of new technologies.

Moreover, the interviews mapped gaps in the regional innovation ecosystem by analyzing the respondents' experiences and expectations of cooperative activities

with other companies in the region as well as with the higher education and public sector.

A focus group discussion, targeting the interviewees, was also organized in April 2018. The purpose of this discussion was to present and verify the conclusions drawn based on the interview material. The purpose was also to get further insights on concrete actions needed to strengthen the regional innovation system in the region. This section summarizes some of the initial insights from the study and gap analysis conducted in 2018.

Initial insights from the interviews

Overall, in comparison with earlier interview rounds (2013 and 2015), the results put more focus on opportunities and challenges related to digitalization and a transfer to industry 4.0. In fact, digitalization acts as a basis for many of the changes that the companies express that they will be facing in their business environment within the forthcoming five years. The importance of advanced manufacturing methods and new technologies, like robotics, Internet of Things, 3D-printing and digital linking of different stakeholders in the value chain are highlighted.



Higher expectations on cooperation in innovation activities between customers and suppliers

In line with previous studies (2013, 2015), the results show that companies, the university sector and the public sector are rather well-connected in the innovation system in Ostrobothnia. The companies have rather high expectations on triple helix actors in the region as innovations. In fact, compared to previous results expectations have increased (as shown in the figure).

The results also confirm that the regional innovation system is business-driven and that companies innovate with other companies and with their customers, compared to relying on science-based innovations. However, an interesting insight is that companies' expectations of cooperation regarding the development of new technologies, products and services with other companies in the region have increased. Simultaneously, the experiences remain on approximately the same level as earlier, leading to a greater gap. The interviews reveal three key explanations for increased expectations of other companies as innovation partners:

First, the results show that digitalization and industry 4.0 increase the importance of and expectations on cooperation between customers and suppliers in the value chain, particularly regarding the development of new services and implementation of new technologies.

In fact, digitalization and industry 4.0 increase requirement on for example traceability of components and used materials, detailed and efficient flows of information in the whole value chain as well as real-time information. There is also a need for more interlinked systems between suppliers, customers and end-customers. Based on these changes, the respondents note that there is a need to find new systems and means of cooperation between customers and their suppliers. In addition, the respondents describe that suppliers are increasingly expected to give their own input and value-added in product development processes.

Second, the results show that there is an increased demand for more comprehensive solutions and processed



Companies' perceived importance of triple-helix actor as innovation partners in the Region of Ostrobothnia (scale 1-10, 1= of minor importance, 10= very important)

products as well as for larger entities. In a similar vein, MNEs highlight the need to streamline the purchasing process. This finding explains increases in expectations on cooperation regarding development of new technologies, products and services with other companies in the region. In addition, the finding underlines that there is a need to establish cooperative networks between subcontractors in the value chain.

Third, digital transformation increases the need for faster development cycles and quick transfer from technology and product development activities to profit. In line with these results, respondents underline that it is valuable to be (physically) close to innovation partners. Proximity enhances quality, time efficiency and reduces the risks of mistakes. Accordingly, proximity adds value especially if subcontractors deliver unstandardized components and if subcontractors are engaged in product development activities.

Higher expectations on regional universities and schools of applied sciences as innovation partners

Furthermore, the results show that the companies' expectations of cooperation in research and development with universities and schools of applied sciences have considerably increased. However, experiences still remain on a low level, resulting in a rather significant gap. In view of the interview material, this gap can be explained from different perspectives.

On the one hand, changes in the companies' business environments increase the expectations on cooperation in research and development with the higher education sector. Specially, the entrance of new technologies (e.g. artificial intelligence), the need for reskilling employees, and higher requirements on SMEs' innovation capacity form the expectations.

On the other hand, regional actors have during past years aimed at developing the research infrastructure and establishing research platforms. Given these investments, the companies experience that there is a good ground for increasing the cooperation between companies and universities in the region. In addition, respondents note that the dialogue between the actors have improved, leading to higher expectations on cooperation.

All in all, the results from the gap analysis in Ostrobothnia show that globalization, digitalization and industry 4.0 influence, not only, the manufacturing and development of new products and services, but also, cooperation between customers and suppliers. In a similar way, expectations on cooperative relationships between companies and the higher education and public sector are changing. In fact, the results imply that different actors are more and more built together in a network, where the requirements are the same for everyone.

Accordingly, regarding regional Smart specialisation planning, the results underline that it is important to maintain a continuous triple-helix dialogue which identifies central changes in the external environment.

It is also important to identify how these changes will affect the relationships between the actors in the regional innovation system and in this way create a shared perspective on important development actions to strengthen the system.

References:

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For more information about the energy cluster, please visit the EnergyVaasa website, available at: <http://energyvaasa.vaasanseutu.fi/>



Fuel efficiency research at the VEBIC, part of the energy cluster in the Vaasa region

The LARS Work Packages

- 1. Project Management and Communication**
- 2. Mapping of Areas of Interventions and Stakeholders**
- 3. Innovation System Gap-Analysis**
- 4. Transnational Learning**
- 5. Policy Transfer**
- 6. Pilot Implementation**



Communicating the Progress and Findings of LARS

Marie Sjö Lind, Regional Council of Ostrobothnia

The LARS project is focused on a process. We want to help the public sector in leading Smart specialisation processes in their regions and to connect innovation networks across regions. And how? By mapping strategies, analyzing gaps, matching partners, piloting new activities to improve innovation networks – and by communicating all these activities.

The better we can communicate the process and the different steps of it, the easier it will be to tell the stakeholders and the public about the results achieved in the end.

At the Interreg BSR Communication Seminar in Lübeck in March 2018 the LARS project got several useful pieces of advice on how to reach target groups and how to manage the internal project communication.

Target groups

You are reading this text because you belong to one of the target groups for the LARS project. The target groups are specific institutions, organizations, departments and roles therein. Narrow them down, all the way to personal e-mail level. When it is possible to make a mailing list of actual human beings to communicate with, the target group is narrow enough.

Reporting progress

There is no need to wait until every bit of data is analyzed and part of a working and transferrable model before we start communicating. We do a lot of work to get there and can share steps on the way. Good practices while interviewing stakeholders? Interesting findings when asking local companies about innovation? An industry cluster reacting positively to a regional authority taking an active role in trying to improve the innovation system of the region? We will tell you about that on the very next page! Flip to *Regional Value Chains: Analyzing the Pääjät-Häme Grain Cluster*.

Current progress in the LARS project can be presented in the

partners' own information channels, the Interreg information channels and local and regional media.

Partner communication

The LARS partners are based in seven countries and eleven different institutions. An open and clear communication is key. "Be clear, be extremely clear. Be kindergarten-clear!" was one piece of advice on international partner communication given at the seminar. From a stakeholder perspective, this is important as well. Make sure everyone uses the same terms, is on board with the methods and explain what is going on in an understandable way. The LARS partners use document sharing, video meetings and e-mail to communicate with each other in addition to meeting in person approximately every six months.

The work ahead

Moving into the Work Package 3, the LARS partners will start talking to stakeholders in every partner region and doing gap analyses. We will report the results from the analyses, but should not forget to communicate what we have done to get to these results. Interviews and focus group meetings are important parts of the process that we can share to spark interest in what the project is doing and how it is progressing towards its objectives.



Discussion at the Interreg BSR Communication Seminar in Lübeck 7–8 March 2018

Regional Value Chains: Analyzing the Päijät-Häme Grain Cluster

Riika Kivelä and Marko Mälly, Regional Council of Päijät-Häme

For the future welfare of the Päijät-Häme region, there are very tangible opportunities to create growth. Päijät-Häme is the most important and versatile cereal region of Finland. Päijät-Häme is renowned for its environmental technology and cleantech expertise. Päijät-Häme is committed to its local businesses, big or small, and to helping them to reach the critical mass to make it all the way to even global markets.

A key regional strategy for the years 2018–2021 is circular economy. Reducing the carbon footprint of human action is pertinent to absolutely all sectors of industry; for Päijät-Häme, this is relevant in the grain industry. With technological changes, Päijät-Häme is also committed to investing itself in digitalization, and making it an integral part of the future make up of this region.

For the aforementioned reasons, and relying on discussions having taken place between regional developers and universities, grain clusters have strongly become a Smart specialisation priority. The possibilities for effective regional value added chains are already here and only getting more promising, and thus surely of interest to the stakeholders of the LARS project.

Grain Cluster and Innovation

The Päijät-Häme Grain Cluster speaks for the wide expertise our region holds in cereal produce, and a willingness to use this expertise, as well as our strengths, to meet our strategy priorities.

Founded in 2003, this cooperation network bring together a multitude of regional actors in the grain industry. From the producer, through industry, to retail, the Grain Cluster allows for the formation of an effective regional value chain. The cluster is divided into a beverage supply chain (employing 1000 ppl), and a food supply chain (employing 1,200 ppl). Together, the annual turnover of these companies exceeds 800 million €. The Grain Cluster brings together large grain industry companies such as oat mills (Fazer), breweries (Hartwall) and a malt producer (Viking Malt), together with over 1000 regional farmers.

The Päijät-Häme Regional Cluster is significant for its Smart specialisation, exactly because it majorly boosts the innovation and business potential of our region.

Grain Cluster companies rely heavily on research and development, and knowing they might reap very real benefits from it, are more prone to invest in it. Smaller companies receive support and resources for product development from leading companies. The funding from the ERDF (European Regional Development Fund) is also a crucial factor for the innovativeness and growth of the Päijät-Häme region. Another portion of the funding comes from other public funds.



The innovativeness of an industry is crucial for companies to remain relevant on the market, and tap into new business potential. This can be achieved by ie. updating traditional foods, or by increasing the added value of a good through product design and development. Bio-based side streams when producing primary products are unfortunately often inevitable, but companies are constantly looking for innovative ways to make use of these. As of now, side streams are used for soil improvement, fertilizer, and food production. Bioethanol is also produced from side streams. Mobilizing technological innovation, for which the region has good resources, for this purpose is evident.

However, such innovation can also contribute to the creation of new business potential. For instance, Fazer Mill currently produces oat oil for cosmetic purposes.

An important challenge to keep in mind is the available opportunities for smaller companies to equally benefit from the cluster value chain, both regionally and in a global context.

Resources, resources, resources

As of now, seven interviews have taken place, five of which have been with private companies. A common theme of these interviews is the lack of resources, especially as soon as ideas should start to be further processed. People, time and money seem to be the main reason for ideas not being further developed into new products or services.

Cluster companies have had a number of joint projects that have resulted in significant innovation. However, if the profit is not noticeable, nor imminent, the further development of these ideas become too costly for private sector actors.



One solution mentioned was the creation of a private company dedicated only to financing and further developing viable innovations, by testing them and launching pilots.

A typical regional challenge is also the lack of leading companies on a national and international scale. This funnels development opportunities, from national organizations and universities, to the same companies over and over again. This discrepancy in opportunities weakens the potential of the regional cluster. Faced with inadequate resourcing, private companies are also hindered from participating in development projects of mostly social or ethical outcomes. Another issue which arose from the interviews was the lack of a credible decision-making mandate on the lower levels of interaction, especially in the public regional sector. In corporate firms an initiative from a lower level employee can be pushed through with a good pitch. In the public sector, an initiative from a similar position, if lacking mandate, will not be carried forward. This significantly hinders the overall innovation between stakeholders.

According to background research there is viable potential for new businesses, yet organizational structures stand in the way of tapping into this potential. This is especially true when decision making on the public side is slow.

From the perspective of the Regional Council of Päijät-Häme, it was surprising that stakeholders were so enthusiastic to be interviewed. There has been many similar research projects pertaining to more or less the same topic, which is why our expectations weren't very high at first. Their eagerness testifies to an already existing engagement in the Grain Cluster, and a willingness to further invest themselves in it.

The fact that the Regional Council, as a body, has taken a bigger role in studying the value chains and innovation processes has been widely appreciated.

For more information about LARS, please visit

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