

I Introduction

Introduction

1.1 Structure of the Report

The first chapter outlines the structure of the report (this section), covers the Terms of Reference, outlines the methodology used and defines innovation.

The second chapter assesses the current economic, social and demographic position of the BMW Region with an emphasis on manufacturing industry.

The third chapter assesses the level of entrepreneurship and the performance of companies in the BMW Region. It concludes with exemplars of 'best practice' in the BMW Region itself and also examines potential opportunities for future development.

The fourth chapter reports on an innovation survey of 215 companies in the BMW Region. The survey identifies the innovation activities undertaken, sources of information, most important stimulators and barriers, the economic impact of innovation, measures the level of networks/co-operation and the overall level of innovation compared to the S&E Region.

The fifth chapter contains a description of state development assistance and an analysis of these supports in relation to the BMW Region.

The sixth chapter examines the current role of the Third Level sector in the BMW Region, the state of the Region's infrastructure and the culture of the BMW Region related to innovation.

The seventh chapter brings in the international contexts. It assesses the impact of regional development in the EU under the three CSFs, compares the BMW Region with three selected European regions, and reviews 'best practice' in regional development worldwide.

The eighth chapter looks to the future, starting with a description of the current conventional wisdom on the potential employment growth areas up to 2015. It proposes a Framework for improving regional innovation, makes a number of recommendations under this framework and proposes four pilot actions for early implementation.

1.2 Terms of Reference

An audit of innovation within the BMW Region

The audit of innovation was conducted to help policy makers understand issues of competitiveness, research and technological adaptation and organisational change in the BMW Region. This involved developing a profile of innovation, identifying or developing appropriate indicators and benchmarking current levels of innovation in the BMW Region against best practice elsewhere. Insights to innovation performance improvement strategies and actions in other regions informed the audit process. The audit also proposed a pilot initiative targeted at small and medium sized enterprises (SMEs) in the region.

Specific requirements of the Innovation Audit

The BMW Regional Assembly commissioned CIRCA to undertake an audit of the current state of innovation in the Border, Midlands and Western Region. The BMW Regional Assembly and the Steering Committee worked very closely with CIRCA in making information available, convening and facilitating meetings of relevant actors, seeking required supporting data and proofing draft texts. The consultants were required to maximise the use of existing data sources and where necessary to supplement these with other data collection methods. The assignment involved a combination of desk research, structured interviews, written surveys and questionnaires, working with focus groups and consultations with key players. The consultants were required to make specific recommendations regarding approaches and mechanisms that will impact positively on the innovation performance of the region. Where feasible, study findings and recommendations were to be specific to NUTS III (Regional Authority) areas.

Terms of reference

The Terms of Reference were:

- *To develop a broad profile of the region, describing the status of innovation and the capacity of the region to innovate, providing insights to the performance of various sectors and identifying trends and the internal and external conditions, which influence innovation within the region.*
- *By reviewing existing data and supplementing it where possible by appropriate data collection means; to identify factors which influence innovative actions and outputs within the business sector, particularly those factors, which result in the growth of technology, based firms and the adoption, development and exploitation of new products, processes and organisational structures by firms, including SMEs.*
- *By building a profile of the role and contribution of higher education and other research institutions within the region, to identify the current and future potential impact and role of these institutions on the capacity of the region to innovate and of the capability of the institutions to be able to transfer and commercialise the results of research within the region.*
- *To identify and evaluate the role and contribution of formal institutional supports - including those, which provide financial, training, research, consultancy, and other measures, which both initiate and sustain innovation and the extent to which these measures and supports are relevant to the growth of enterprise within the region.*
- *To identify formal and informal networks and linkages which enable interaction between the public sector institutions, higher education institutions and the private sector and in which opportunities for knowledge transfer both within and from outside the region (including Northern Ireland) occur.*
- *By reference to international best practices, to identify or otherwise develop appropriate indicators or benchmarks, which establish the region's innovation performance and which allow on-going monitoring and comparison of its performance to be undertaken.*
- *To identify successful models or systems of innovation or actions used in other regions which are transferable to the BMW Region and can be used as a means of comparing or positioning the Region against other regions.*

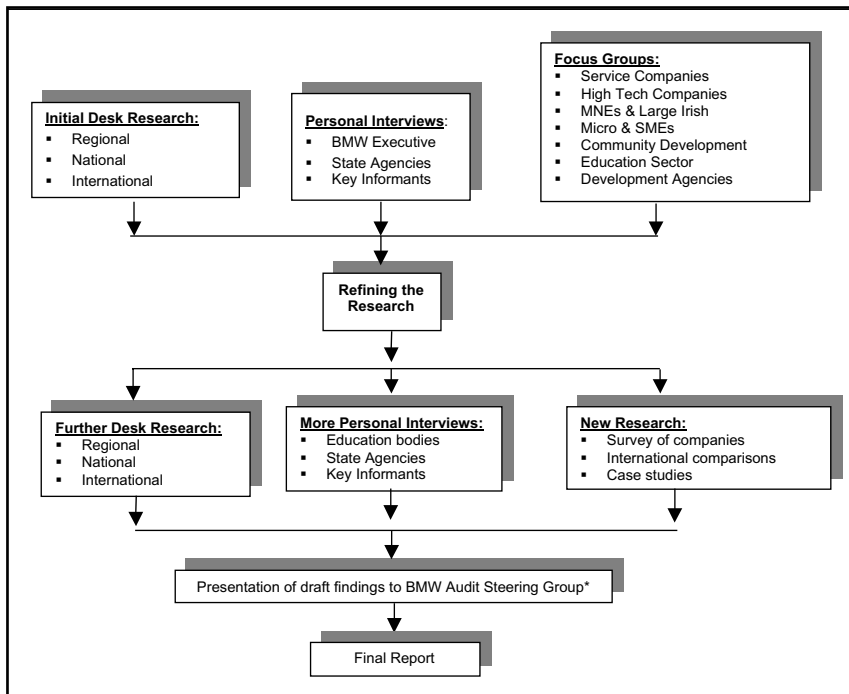
To carry out this audit by:

- *Analysing all available data on the region's innovation performance*
- *Interviewing a representative sample of those responsible for the management and operation of the measures which support innovation and other key individuals involved in industrial development and higher education policy of the region*
- *Convening focus groups for the purpose of gaining specific insights into key issues*
- *Reviewing reports and other studies - both national and international which help in positioning the region, including the cross-border innovation strategy being developed for the North-West Region*
- *Conducting case studies where particularly good examples of innovative approaches and practices are being adopted*
- *Carrying out other investigations relevant to the purposes of the audit*

1.3 Methodology

The building blocks of the BMW Region Innovation Audit methodology were:

Figure 1. BMW Region Innovation Audit - Methodology



Note: *The information in the draft report was assessed at a team meeting on the 11/12th June and discussed with the BMW Executive. The conclusions were presented to a broader meeting (40-50 people) in the BMW Regional Assembly meeting room in Ballaghdereen. Many comments were made on specific issues, but the broad principles and the data presented was not contradicted

1.4 So What Is Innovation?

The definition we are using is the commonly accepted definition of innovation today. Thus, the definition of Innovation used in the BMW Regional Innovation Audit encompasses:

- *The introduction of new or significantly modified products*
- *Process innovation new to the firm*
- *Opening of a new market or markets*
- *Significant change in business organisation or structure*

Any company, business or community group can be innovative. Knowledge and advanced skills are accepted as fundamental strategic resources for business development and innovation. We believe that knowledge and skill should be customised to enhancement of available resources, traditional skills and markets, rather than superimposing unreal and unrealisable conditions on development.

Preconditions for Successful Innovation in the BMW Region

Based on the evaluation of more than 50 innovation strategic plans in Europe and internationally, and on our own experience in the development and implementation of innovation strategies and actions for SMEs and larger Irish and overseas businesses, and in extensive evaluation of innovation performance in Ireland and overseas, we are confident that the three preconditions necessary for building 'Best Practice' templates for innovation are:

A positive **Culture and Attitude** towards entrepreneurship and innovation. The general attitude and approach of people in the BMW Region towards entrepreneurship and innovation and how this manifests itself at the level of the enterprise is critical to encourage more innovation. Regional, national and EU influences form this culture and behaviour. The 'right' culture is a major stimulator of innovation.

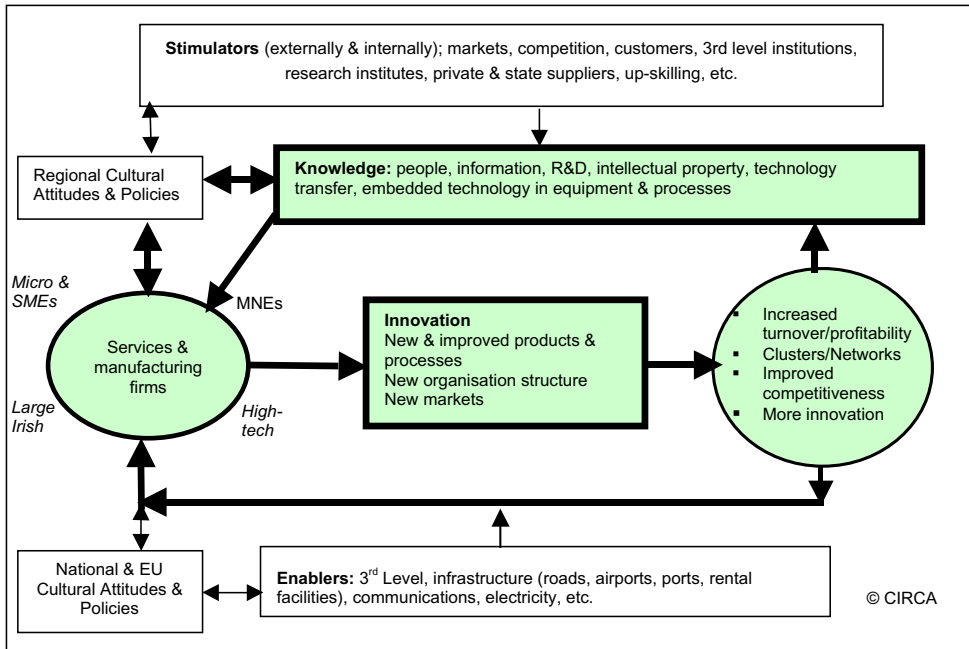
The **Enabling Conditions** which must be present at an adequate level to allow and support innovation (too low a level and they hinder innovation), such as Third Level institutions producing relevant graduates and research outputs, essential infrastructure (roads, airports, rental property, etc.), broadband communications systems, adequate electricity and the availability of venture and risk capital. Such conditions contribute to increased innovation awareness.

Real **Innovation Stimulators**, i.e. market opportunities, competition, customers, the development of a positive public attitude towards increased innovation; stimulation of new enterprises and the encouragement and support of enterprises to grow and move up the innovation ladder; understanding the innovative behaviour of firms; bridging the gap between the Third Level sector and enterprises; up-skilling new and existing employees, managers and owners; appropriate processes (such as bottom-up and inclusiveness); R&D supports, research centres relevant to local industry and intellectual property (patents, trade marks, licences, copyright).

Thus a graphical representation of the BMW Regional innovation system is shown in Figure 2. The interactions between the different components in the model are extremely complex and both difficult to fully understand and replicate.



Figure 2. A Dynamic Model of Innovation in the BMW Region



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