

The InnoRegio Initiative – The Concept and First Results of the Complementary Research

Ten years after German reunification the economic situation in the new Länder is still unsatisfactory. New approaches are being sought in promotional policy so that the weaknesses that are known or suspected can be better targeted and removed. One of these weaknesses is the lack of research, and the consequent shortage of innovation by companies. Another is inadequate regional cohesion between companies and related facilities. Formal and informal cooperation between the various regional protagonists is regarded as essential to strengthen corporate innovation and exploit the regional economic potential, and that means networking of companies, research facilities, universities, the administration and politicians.

In April 1999 the Federal Ministry of Education and Research (BMBF) therefore launched a promotional initiative known as InnoRegio. Prospective participants were invited to enter a competition for promotional funds by putting forward concepts for the development of innovative regional cooperations or associations. The implementation of the InnoRegio Initiative will be monitored by complementary research until 2004.¹ This article outlines the concept of the promotion and the first empirical results of the establishment and development of the InnoRegio networks.

Since the end of the 1990s the catching up process in eastern Germany has been faltering. Macroeconomic growth is still lagging behind that in western Germany, while registered unemployment is still very much higher than the average for the old Länder and is hardly changing.

Many regard the inadequate cooperation between companies, research and related facilities at regional level as one of the main weaknesses in the eastern German economy. The BMBF's InnoRegio Initiative has been designed to tackle this. Its aim is to make compa-

nies in the new Länder more innovative by promoting network formation and so indirectly stimulate growth and employment in the regions of eastern Germany.

In this approach, building up viable cooperation between companies and between them and related establishments such as research and educational facilities and technology transfer offices in the various regions is the main focus.² Interested participants were free to choose the field of activity and themes themselves.

The approach deviates from the traditional promotional policy in this offer is not addressed to individual companies but to regional groupings that have formed for specific projects. The recipients of the promotional funds were chosen in competition.

The concept is based on the interrelation between networking and innovation that is founded on theory and has been proved empirically. The networking of regional protagonists in the innovation process – or regional innovation systems, as they are also called – should in principle evolve spontaneously from the interests and needs of those involved, and be self-steering. But in view of the many obstacles, such as high start-up costs, lack of confidence and the 'free rider' problems associated with this, state promotion can be helpful in the initial phase. It is then also reconcilable with policy on the general order.

The networks involved in this promotion were chosen in a three-stage procedure. The initial qualification phase ran from April 1999 to October 1999, when participants from the regions put forward their first concepts for promotion for their project associations. Out of 444 applicants 25 networks were selected in November 1999 for the next so-called development phase, by applying criteria such as importance for the region, how well the participants complement each other and the innovative quality of the approach. They were awarded up to nearly 153 400 euro in promotional funds to draw up a more detailed version of their concept.³ In this phase the InnoRegios were also given immaterial support from the project sponsors through moderators who monitored the communication and organisation process and through consultancy on subject areas and technical aspects of the promotion.

¹ The complementary research is being directed by the Deutsches Institut für Wirtschaftsforschung (DIW Berlin) and the following institutes are involved: Arbeitsstelle Politik und Technik (APT) of the Free University, Berlin, artop-Arbeits- und Technikgestaltung, Organisations- und Personalentwicklung e.V. of the Humboldt University, Berlin, the Forschungsagentur Berlin (FAB) and the Center für europäische und internationale Studien (CEIS) of the University of Jena. Further information from (<http://www.diw.de/innoregio>).

² In addition to promoting specific associative projects in innovative fields proposed by the participants themselves, social innovation is also to be stimulated. In particular, new institutional arrangement e.g. forms of organisation and steering patterns of communication and interaction, are to be tried out and established.

³ Selection by specific criteria has advantages and disadvantages: on the one hand good results may be expected, while on the other the results are hard to generalise.

Survey

The InnoRegio Networks

No.	Land, name of InnoRegio	Domicile of coordinator/initiator	Promotion vol. reserved up to ...
Berlin			
1	Berlin/Buch Health Care Region		still open
Brandenburg			
2	FIRM – Real enterprises form the Central East Brandenburg virtual holding (Dahme-Spree-Oder)	Königs Wusterhausen	still open
3	BioHyTec – Biohybridtechnologies in the Potsdam-Luckenwalde region	Potsdam-Luckenwalde	euro 8.18 mill.
4	Learning to live in the Oderbruch	Letschin	still open
5	RIO – Oberhavel Regional Innovation Alliance	Hennigsdorf	euro 4.09 mill.
6	The Plant as Economic Factor	Oranienburg	still open
Mecklenburg-Western Pomerania			
7	Nucleus – Precision Engineering Network in the Parchim-Wismar-Rostock Region	Parchim	euro 11.25 mill.
8	Maritime Strategic Alliance in the Baltic Region	Wismar	euro 15.85 mill.
9	DISCO – Diabetes Information and Service Centre in east Western Pomerania	Karlsburg	euro 10.22 mill.
10	West Mecklenburg Plastics Centre	Wismar	euro 11.25 mill.
Saxony-Anhalt			
11	NinA – Altmark Natural Substances Innovation Network	Gardelegen	euro 10.22 mill.
12	REPHYNA – Börde Innovation Potential	Magdeburg	euro 11.25 mill.
13	InnoPlanta e.V. – North Harz/Börde Plant Biotechnology	Stassfurt	euro 20.45 mill.
14	MAHREG Automotive – The Automobile Supplier in the Magdeburg-Anhalt/Altmark-Harz Region	Barleben	euro 10.22 mill.
15	INNOMED – Regional Network for Innovative Technologies in Medicine	Magdeburg	still open
Saxony			
16	BioMeT – Dresden Innovation Network	Dresden	euro 20.45 mill.
17	IAW 2010 West Saxony Industry and Automobile Region	Zwickau	euro 9.20 mill.
18	RIST – Regional Innovation Network on Substances Circulation	Freiberg	euro 5.11 mill.
19	KONUS – Cooperative Use of Data Networks	Dresden	euro 9.20 mill.
20	INNTex e. V. Textile Innovation	Chemnitz	euro 15.85 mill.
21	InnoSachs – Central Saxony Innovation Region	Chemnitz	euro 17.90 mill.
22	Musicon Valley	Markneukirchen	euro 9.20 mill.
Thuringia			
23	Model No-Barriers Region for Integrative Tourism	Tambach-Dietharz	euro 7.16 mill.
24	Micro Innovative Macro – Bautronic Concept 2000	Erfurt	still open
25	INPROSYS – Intelligent Production Systems in an Attractive Environment	Schmalkalden	euro 5.11 mill.

Source: Federal Ministry of Education and Research (BMBF), <http://www.innoregio.de>.

The concepts had to be handed in by 30 June 2000. In October 2000 the jury initially recommended 19 InnoRegios from all the new Länder for promotion in the implementation phase (survey). The promotion is to be given over a period of four years. Another six InnoRegios were given the possibility of developing their concepts in more detail by June 2001, and may be given promotion after a second assessment.

During the period from 1999 to 2004 the BMBF will provide a total of 255 million euro for this Initiative.

The research complementary to InnoRegio – tasks and first results

The tasks for the complementary research in support of the InnoRegio Initiative are to analyse the elaboration and implementation of the InnoRegio projects in the regions and identify success factors, underpin the exchange of experience between the regions with research, work out proposals for the transfer of successful approaches to other regions, advise the BMBF on the

implementation of the main areas of promotion, assess the promotional approach and work out recommendations for future promotional programmes.

The theoretical basis of the InnoRegio concept can be sketched as follows: (1) Innovations are based on the production and exchange of knowledge. They are particularly accelerated by handing on tacit knowledge. (2) Common interests and complementary competencies are essential, and confidence is the basis of the process. (3) Geographical proximity helps to create common experience, which in turn helps to build up confidence and cooperation. (4) Strengthening innovativeness makes the individual protagonists more economically efficient, it creates spill-over effects and externalities that over the medium to long term help other protagonists in the region in their value creation and competitiveness.

In this context the central questions are:

- Has InnoRegio led to the formation of a network of regional protagonists that is permanently viable? In other words, what factors determine the process of network formation generally and specifically in the case of the InnoRegio Initiative?
- Has the networking initiated the formation of efficient regional innovation systems, or have existing systems been strengthened? In other words: is the network making the expected contribution to forming or strengthening regional innovation systems?
- What effects are any changes in the innovative ability of the network participants having on value creation, competitiveness and employment in the region as a whole?

The interaction of the effects is being examined on various levels: the individual participants, the project associations, the networks formed through cooperation between projects and in the regions to which the networks belong.

In the second stage of the InnoRegio competition, between November 1999 and June 2000, that is, the development phase, the participants in the cooperative associations had first and foremost to establish functioning network structures. The first task for the complementary research was to analyse this process. The main focus was on the starting conditions and the course of the processes of network formation or consolidation.

Factors that influenced network formation were identified from research into the conditions under which networks evolve and develop, and from information on the innovation projects in the individual InnoRegios. Some were internal factors, e.g. the efficiency of the individual participants, the existence of complementary competencies and the participants' ability to utilise these in innovative projects (economic competence); other factors were the communication and cooperation skills of the participants and their readiness to incorporate these

in the network (interactive competence), and the organisation of the running of the networks (coordination competence). Such external factors as the institutional environment and the regional infrastructure are also essential influences; finally the relevant markets also have to be taken into account.

In the first stage of the studies the constellation of these factors in the individual InnoRegios was established through around 300 interviews with selected participants and a written questionnaire to which 765 out of 1 350 questioned responded. In addition, the regional data banks of the DIW Berlin were consulted for data from official and other sources on population, the economies, the innovation potential and the labour markets for the InnoRegios. Another source of data was other company surveys by the DIW Berlin in the new Länder.

The participants

In the development phase of the InnoRegio networks, which is the subject here, the projects and participants had not been definitively fixed. There were, however, considerable differences between the concepts, not only in their objectives but also in size, that is, the number of projects planned and the number and composition of the participants. Besides networks with three to five subject areas, eight to ten projects to be worked out and ten to twenty participants, there are networks with more than two dozen project ideas and more than a hundred potential participants.

Basically, the composition of the participants is oriented to the principle of complementarity, that is supplementing skills and activities. That applies both to networks wishing to establish value creation chains in the region that are as complete as possible, and to groups wishing to combine different technology fields (like specialised mechanical engineering, laser technology, micro-systems technology, materials research) for fundamentally new products or process technologies. Groups have also been formed with participants from entirely different backgrounds (such as production and services companies, research and development [R&D] facilities, education and technology transfer facilities, local administrations) in order to improve the general conditions for innovation in the network region as a whole or in special areas of technology.⁴

⁴ Complementarity of network partners in the InnoRegio networks does not, however, necessarily mean that each network has only one protagonist that specialises in a certain activity. Doubling up will always be accepted or explicitly desired if it appears meaningful for the specific objective of the network or of a part-project within the network.

Table 1

Companies' Assessment of Their Own Position in Competition

	Compared with our competitors we are ...					Position not foreseeable	Number of cases
	clearly weaker	slightly weaker	about the same	slightly stronger	clearly stronger		
	Shares in %						
Producing companies	2.3	15.0	31.9	23.9	16.9	9.8	213
Service companies	0.5	5.1	25.6	37.2	22.3	9.3	215
Craft companies	7.1	7.1	42.9	28.6	–	14.3	14
Total	1.6	10.0	29.2	30.5	19.0	9.7	442

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

Innovation and Competitiveness

The efficiency of the individual participants was tested first for the group of companies using their own assessment of their position vis-à-vis competitors. The results of the survey of the InnoRegio participants was compared with the results of a survey of all companies in the new Länder. This showed that roughly 450 companies in the survey that are participating in InnoRegio networks see themselves as much more competitive than eastern German companies as a whole do. Of all producing firms in eastern Germany 31% think they are superior to their competitors, but 41% of the InnoRegio participants think this. The difference is even more marked among service companies, where 60% of the InnoRegio firms, but on average 37% for the eastern German Länder, believe they are superior to their competitors (cf. table 1). The very much greater share of service enterprises that take a positive view of their position than industrial firms is striking. One reason may be that the service companies are suppliers on local markets and

generally measure their achievements mainly against local competitors.

The companies that have linked up in the InnoRegio networks also said they have above-average R&D capacities. Around 60% of all the companies surveyed engage in R&D, and the figure is higher for producing firms (70%) than for service enterprises (50%). In eastern Germany as a whole these shares are 60% for producing firms and 45% for service firms (cf. table 2). The high personnel intensity of the R&D process is striking. Around 60% of the firms engaging in R&D employ more than one-fifth of their staff on this; for service firms the figure is actually 85%, according to the results of the survey.⁵

⁵ These relations are unusual for the German economy, and they doubtless reflect a certain lack of clarity in the delimitation of R&D by companies surveyed. Nevertheless, the figures are probably not unrealistic, as the companies surveyed were a selection that have already demonstrated their above-average readiness to innovate by taking part in the InnoRegio competition.

Table 2

Research and Development (R&D) by Companies

	Companies with inhouse R&D	Of which: share of total staff employed on R&D				Companies without inhouse R&D	Number of cases
		less than 20%	20% to less than 50%	50% to less than 80%	80% and over		
		Shares in %					
Producing companies	71.7	40.6	15.1	10.5	5.5	28.3	219
Service companies	50.0	15.0	11.8	12.3	10.9	50.0	220
Craft companies	14.3	14.3	–	–	–	85.7	14
Total	59.4	27.4	13.0	11.0	7.9	40.6	453

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

Table 3

The Development in Employment 1997 to 1999 in the Companies Surveyed

	Share of companies in which employment				Number of cases
	fell	remained stable	grew slightly (under 5%)	grew strongly (more than 5%)	
	Shares in %				
Producing companies					
Number employed					
1 to 19	12.3	15.8	–	71.9	57
20 to less than 50	13.3	10.0	10.0	66.7	30
50 to less than 100	11.1	5.6	7.4	75.9	54
100 and more	30.0	7.5	17.5	45.0	40
Total	18.0	11.2	8.7	62.1	161
Service companies					
Number employed					
1 to 19	17.3	30.6	1.0	51.0	98
20 to less than 50	43.8	3.1	6.3	46.9	32
50 to less than 100	20.0	13.3	13.3	53.3	15
100 and more	43.8	12.5	6.3	37.5	16
Total	25.8	22.0	2.5	49.7	159

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

The picture of generally positive self-assessment is confirmed by the development in employment and turnover from 1997 to 1999 in the companies questioned. The majority of the firms that are active in the InnoRegio networks are distinguished by above-average growth in turnover and employment: 55% of them report a strong and 6% a slight growth in turnover and employment; 17% were able to keep their turnover and employment on a constant level, while 22% admitted to falling turnover and employment (cf. table 3).

The growth in employment is surprisingly strong in the producing firms questioned. Over 60% achieved growth of more than 5%.

The conviction that they have been able to obtain a firm position on growth markets with the right product ideas may be assumed to be an essential motive for the companies to take part in the InnoRegio competition. It is not surprising, then, that three-quarters of the firms – which is clearly more than the average for the new Länder – expect growth in the markets in which they are operating (cf. table 4).

Table 4

Assessment of the Development in Companies' Most Important Sales Markets

	The market volume will ...					Development not foreseeable	Number of cases
	shrink markedly	shrink slightly	remain about the same	grow slightly	grow markedly		
	Shares in %						
Producing companies	0.9	4.2	17.6	35.3	39.5	5.5	215
Services companies	0.9	5.6	13.4	33.8	43.5	2.8	216
Craft companies	–	35.7	21.4	35.7	–	–	14
Total	0.9	5.8	15.7	34.7	40.2	2.7	445

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

Table 5

Measures to Improve Companies' Competitive Positions

	Introducing new products/services	Reducing costs	Intensifying R&D	Improving sales and distribution	Further training for staff	Intensifying cooperation	Number of cases
	Shares in %						
Producing companies	82.3	58.6	60.5	45.9	52.7	59.1	220
Service companies	77.8	28.5	38.9	45.2	55.7	66.5	221
Craft companies	64.3	28.6	21.4	28.6	42.9	57.1	14
Total	79.6	43.1	48.8	45.1	53.8	62.6	455

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

Nevertheless, the companies do see the need to increase their competitiveness (cf. table 5). Their individual measures correspond to the objective of the InnoRegio Initiative: developing new products or services (80% of companies) and expanding R&D for this (60% of producing and 40% of service firms), setting up joint ventures (a good 60%) and investing in further training for their staff (a good 50%).

The qualification of the workforce is essential in strengthening a company's innovation. Evidently the companies themselves are aware of this. Almost all the companies active in the InnoRegio networks provide further training (cf. table 6). The majority of them – two-thirds – offer their workforce opportunities for further training both in the firm and in external facilities. The only exceptions are firms that employ fewer than 10 people and those that were only founded in 1999 and 2000. The further training offered in these firms is very much less, but that is probably mainly because no short-

ages of skills were apparent so soon after the firms were founded, when personnel was taken on. The training patterns in producing firms do not differ from those in service firms in either intensity or the kind of qualification that can be achieved.

Training alone is not always enough to strengthen a company's human capital; new staff are also needed. It could not be expected that the InnoRegio Initiative would create a need for more staff at so early a stage, but an assessment was necessary, if only for methodological reasons, so that it could later be established whether the InnoRegio Initiative has also succeeded in increasing employment. At the time of the survey about 40% of the companies had vacancies they had not been able to fill owing to the shortage of skills.

The producing companies had a greater need for staff than the service companies, and this is probably partly the result of the favourable cyclical situation in manufacturing in the new Länder at the time of the sur-

Table 6

Companies Providing Training and the Type of Measure offered

	All companies	Producing companies	Service companies
	Shares in %		
Companies providing training, total	91.7	91.0	92.5
of which companies			
taking on new staff	37.1	35.7	38.7
providing further training inhouse for present staff	71.3	69.7	73.1
providing further training externally for present staff	63.6	64.3	62.7
Companies not doing this, or not replying	8.3	9.0	7.5
Total	100.0	100.0	100.0

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

Table 7

Vacancies in the Companies Surveyed

	All companies	Producing companies	Services companies
	Shares in %		
Companies seeking staff	44.1	47.9	39.7
Of which: those seeking ...			
unskilled and semi-skilled workers	1.5	2.5	0.5
skilled workers/masters	12.1	20.4	2.8
white collar workers for simple jobs	0.9	0.4	1.4
white collar workers for skilled jobs	33.5	32.5	34.6
management staff	14.8	17.5	11.7
apprentices	5.1	6.7	3.3
Companies not seeking staff	55.5	51.3	60.3
No reply	0.4	0.8	0.0
Total	100.0	100.0	100.0

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

vey. The share of the young, small firms that want to appoint new staff is below average, as is their need for further training, probably for the same reason. The staff needed are mainly skilled white collar workers; the need for skilled blue collar workers is second to this (cf. table 7).

The Regional Environment

The regional environmental conditions are an essential determinant of the success of the InnoRegio networks. In the view of the InnoRegio participants the location factors they regard as essential are not always sufficiently available. The supply of skilled personnel is regarded as the most important location factor, and precisely here there is a shortage. According to the frequency with which it was named, political support (e.g. from the Land government) comes second; it is regarded as good to satisfactory. The image of the region comes third, and it is also only regarded as good to satisfactory. The result is similar for the fourth most important factor in the view of the participants, links to the transport routes (particularly motorways). However, the availability of universities in the region, which ranks in fifth place, is regarded as good.

Network management and communication

Participants from a wide range of fields of activity – companies, universities, research institutes, associations and the public administration – work together in the

InnoRegios. As the organisational cultures differ and interests diverge this is also a potential source of conflict.

Almost all those surveyed (96%) said that fairness and confidence between participants was one of the essential components in developing the networks (cf. figure 1), as was a manageable organisational structure for the networks (90%). Similar interests, formal and informal contacts and the broad spectrum of participants followed in the scale of major factors. The organisation of the network and the choice of channels and forms of communication must be regarded as critical factors in successful network development.

Against this background, it is worth asking what forms of organisation bring success. Owing to the lack of reliable indicators of the state of development of the networks, which could not be available at so early a stage, an alternative success variable was used, namely the jury's decision on whether the concepts submitted deserved promotion. In the weak InnoRegios, which in the opinion of the jury needed to be worked out more precisely before being included in the promotion (postponed networks), the communication climate is much more frequently said to be negative than on average for all networks. Many more of these participants also classify the organisational structure as not transparent on average.

The external support from politicians, chambers and associations and from the media and the general public is classified by a smaller share of the participants, although they are a clear majority, as important for the success of a network. More participants regard support from regional politicians as important (78%) than support from the chambers and associations (70%),

although support from politicians is frequently experienced as inadequate, particularly by participants in the (initially) postponed networks. Hence their weakness could be due to a bad environment (cf. figure 2). However, it must be stressed in this connection that these are necessarily the subjective views of participants.

Innovation networks are 'open social systems' and their cohesion largely rests on joint tasks and jointly agreed objectives, which in principle can be abandoned at any time. Organising forms of cooperation under these conditions poses a stiff task for the network management.

A coordination office financed with promotional funds was set up for the network managements of the InnoRegios. The coordinators (network managers) have the task of advancing the development of the network, persuading participants who are needed or groups of participants to join, collecting information and handing this on, solving conflicts within the network and helping to build up confidence. As a whole those surveyed were satisfied with the work of the network coordinators in these fields, but to differing degrees in individual fields (cf. figure 3).⁶ Such activities as organisation, external

Figure 1
The Importance of Selected Network Variables and Regional Support as Seen by Network Participants in %

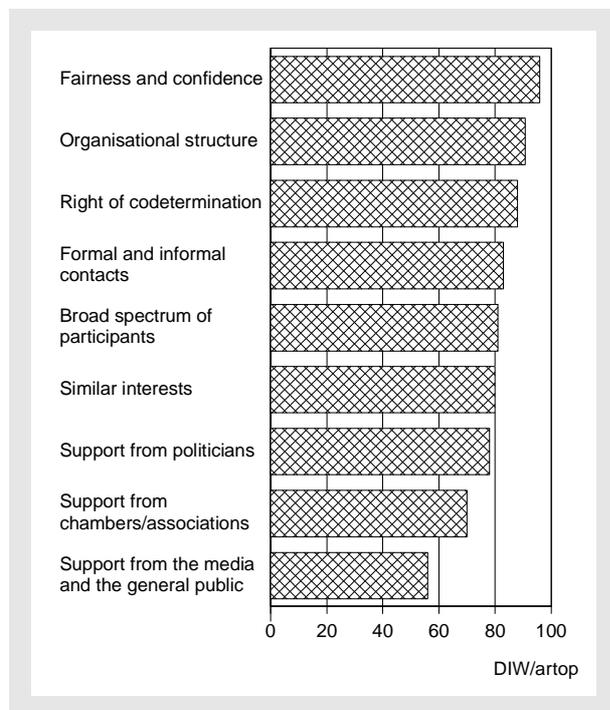
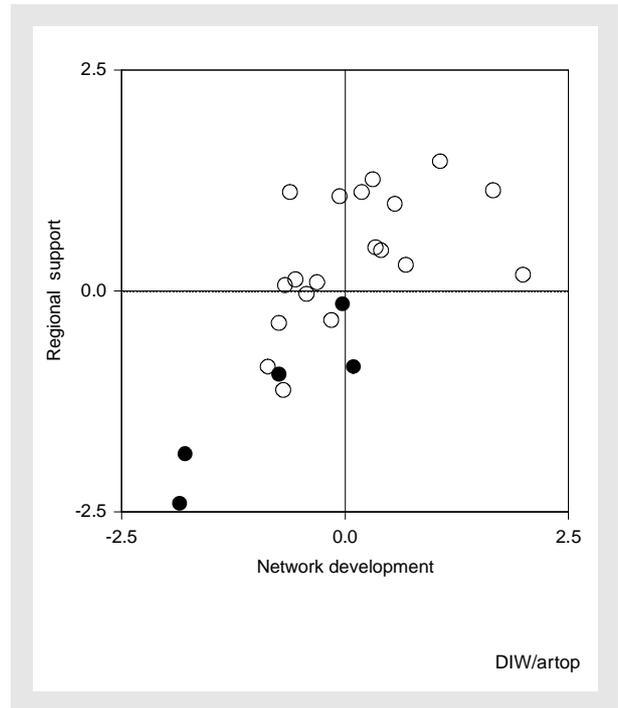


Figure 2
Network Development and Regional Support¹



¹ The figures for the individual InnoRegios were entered on the two scales; the scales are zero-standardised, 0 = average, standard deviation 1. Black circles = initially postponed networks. Source: Survey by the DIW Berlin, July/August 2000.

representation, the provision of partners and confidence-building were judged to be positive by the majority.

Participants surveyed in the initially postponed networks are clearly less satisfied than average with the information, coordination, communication, confidence-building and conflict management in their networks. This result also supports the view that the tasks for the network coordinators examined here are crucial for success.

Conversely, the success factors in network formation are also revealed. The network formation will be more successful as the organisation and communication become better oriented to the interests, needs and capabilities of the participants, even in the initial phase. The success factors are the transparency and efficiency of the organisation, participation in decision-making, and open and confident communication. A network management that ensures these conditions and also has the specialist competence and is in a position to make a contribution to solving possible conflicts in an acceptable way is also essential.

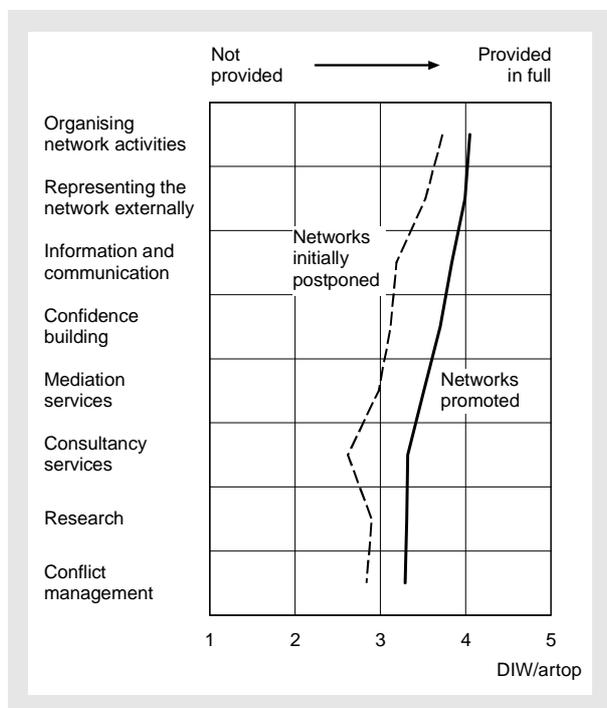
⁶ Measured on a 5-tier scale from 'not provided' (1) to 'fully available' (5).

A positive assessment by participants

The above results are based for the greater part on subjective assessments by the participants, as 'hard' data were naturally not available in the start-up phase. The interpretation of the situation by the participants is also itself of value for the complementary research, as the readiness to participate in the InnoRegio networks also depends on subjective judgement. In this connection two of the aspects by which participants made their overall assessment are informative: how the promotional approach was judged and the verdict on how useful participation in the InnoRegio process was thought likely to be.

Companies in the new Länder are offered a broad spectrum of promotion. In addition to promotion of investment activity and capital formation, there are special incentives to set up in business, to engage in research and development and to secure liquidity, as well as various labour promotion measures. According to the results of the survey these measures are also being used intensively by the InnoRegio participants, and in the majority of cases the verdict is positive. Thus, the participants' assessment of the InnoRegio approach

Figure 3
Participants' Views of the Services Provided by the Network Managements
 Averages in graph



All differences significant to < 0.01 .
 Source: Survey by DIW Berlin, July/August 2000.

to the promotion of innovative joint ventures must be seen in connection with their relatively broad experience of promotion. One of the central issues for promotion is whether the programmes can be implemented smoothly, and especially without unnecessary administrative obstacles. In the period covered by this article well-founded experience with the InnoRegio programme was not yet available; nevertheless, many participants suggested that the promotion could be made more transparent, simpler and more flexible, and they asked for the possibilities of using other programmes at federal, Land and EU level to be shown more clearly.⁷ There was also criticism owing to the impression that the funding of the network coordination (network management) would come to an end when the applications were handed in at the end of June 2000. This ultimately proved to be a misunderstanding, but some coordinators took other jobs in the course of the summer and valuable know-how was thus lost.

Basically, the philosophy of the InnoRegio Initiative is meeting with broad acceptance: 75% of those questioned hold the view that the Initiative is of benefit to their region (cf. table 8). The approval in principle the approach was also evident in the interviews. The Initiative certainly seems to have stimulated the participants to embark on new forms of cooperation or to tackle projects they had long been planning but had not been able to realise owing to shortage of time or funds. The participants also acknowledge this. They expect learning processes to be initiated through the need for self-organisation, and new ties and relationships to evolve through the interdisciplinary cooperation, the associative projects that are planned and the link-up of participants with different competencies. It is recognised that the Initiative functions as a catalyst. The region itself will benefit, not only because unutilised potentials are being activated but also because regional needs can be better placed on the political stage. Many of the participants wished the Initiative had come earlier, to prevent the emigration of skilled labour.

The benefit to their own enterprise, on the other hand, is seen as positive by far fewer participants, only around half. The rejection ratio, that is, the share of those who are not really, or very certainly not, in agreement with the statement that InnoRegio benefits their own enterprise, is clearly above 10%. According to the interviews the reasons for this scepticism lie in the over-long build-up phase to the promotion.

The assessments of whether the expenditure on InnoRegio to date had been worthwhile differed: for

⁷ Around 360 participants, that is just under half, put forward a wide range of very heterogeneous suggestions. Most of them are concerned with the technical aspects of the promotion.

Table 8

The Assessment of InnoRegio Promotion by the Networks Promoted According to Selected Aspects

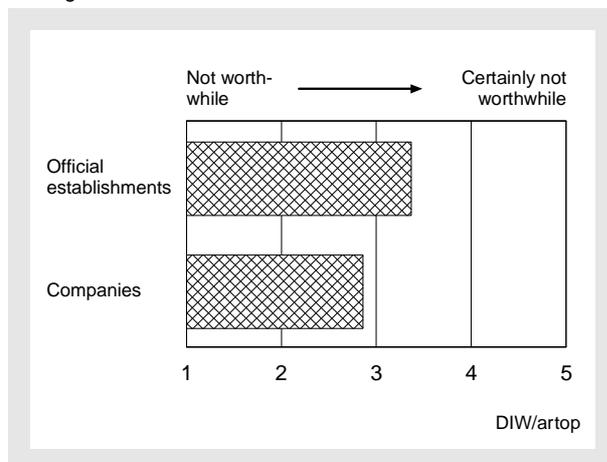
	The statement is ...					Cannot be estimated	No reply	Total
	quite incorrect	mainly incorrect	partly correct	mainly correct	quite correct			
	Shares in %							
InnoRegio is of benefit								
to our enterprise	3.7	6.9	14.2	22.5	28.0	14.4	10.3	100.0
to our region	0.8	1.2	8.2	25.4	49.5	9.4	5.5	100.0
The funding of Phase 2 was sufficient	9.9	10.5	10.1	10.1	6.1	44.4	8.9	100.0
Our expenditure to date was worthwhile	10.6	14.2	17.1	15.7	11.0	24.2	7.2	100.0

Source: Survey by the DIW Berlin in InnoRegio networks, July/August 2000.

around one-quarter of the participants it had been not really or not at all worthwhile. According to the interviews the main reason for this was the fear that they would receive very little promotion or none at all, so that their expenditure of time and funds would ultimately prove to have been in vain. Another quarter of the participants took the opposite view. For them the expenditure had already been worthwhile for immaterial reasons – it had been possible to build up new contacts and structures. Many participants commented that activities that had been started would be continued without promotional funding, if necessary. The other participants took a neutral view or could not comment as yet.

Figure 4
Participants' Responses to the Question
'Was Taking part in the InnoRegio
Competition Worthwhile?'

Averages



All differences significant to <math><0.01</math>
Source: Survey by the DIW Berlin, July/August 2000.

Owing to the different time horizons it is not surprising that on average there was a marked difference between the assessments given by the companies and those given by the official research institutions (cf. figure 4). The satisfaction index had an average of 3.0 points, with companies showing only 2.9 points while the official research establishments showed 3.4.⁸ The results of the interviews show this very clearly. The companies primarily wanted contact with other companies, for example to establish new customer relations or joint ventures, while the representatives of the official research establishments rather wanted a platform on which joint R&D could be undertaken or new ideas generated.

Using a multiple regression analysis it was established that these differences were due to differences in the assessment of the network management. The companies in the networks are satisfied with the results of their participation to date mainly if the coordinators have provided good mediation services (joint venture partners, project partners etc.). Participation was worthwhile for the representatives of the official research establishments if the network coordinators had organised the activities within the network well (the working groups, projects etc.).

Conclusion

Altogether the size, regional location and complementarity of the participants in the InnoRegio Initiative do seem to offer a good starting basis for the project activi-

⁸ Measured on a 5-tier scale ranging from 'not correct at all' (1) to 'certainly correct' (5).

ties planned. The above-average potential of the companies and the investment in increasing their competitiveness provide good conditions for the development of the networks.

The promotion so far appears to have made a measurable contribution to forming the networks, not only by providing the funds in the development phase and the prospects of funding for five years, but also through the offer of external moderation of communications processes.

The participants also criticised the fact that the regional environment did not meet expectations in many points. Several also regarded the role of local politicians as in need of improvement; however, in the meantime support has increased, in the form of ideas as well, and indeed mainly in this form.

The third promotional phase, that is, implementation, started at the end of 2000, and the main focus is on the innovation processes in the individual networks. Ultimately success will be measured by whether innovation is strengthened and by its effects on the efficiency of the participants, with the increase in value created, competitiveness and employment in the region over the medium to long term.

In the next four years the complementary research into the InnoRegio Initiative will report on the concrete structures into which the individual networks develop, what technological and social innovations evolve from the cooperation within the networks and how far this contributes to the economic consolidation in the new Länder.

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