Linking needs and markets: How to conceptualise and support the creation of Lead Market?

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Stream: Achieving National and Global Goals

Aim of the paper

This paper
1) discusses the concept of lead markets and the linkage of lead markets to societal and global goals
2) presents a novel concept to support and assess policy approaches that strive to create Lead Markets.
3) aims at discussing how formative and summative evaluation can be used to support demand based policy more generally and the challenges and limitations of those approaches.

More generally, the concept developed is equally supportive when it comes to programmes that are geared towards solving national or global goals by creating favourable market conditions, especially demand conditions.

The discussion shall inspire the academic community and the policy community to think about preparing and measuring developments and policy impact in demand based innovation and market supporting policies. Especially when public demand is used to stimulate markets in times of market contraction, to develop an analytical framework with which those concepts can be assessed is crucial.

Background

This session asks how science and innovation policies are incorporated into programs to address common goals. Such a demand based approach to innovation and science policy experiences a revival, or a fresh start, across Europe. A range of European countries think about demand based policies, stimulating demand in many different ways. At the European level the so-called Lead Market Initiative (LMI) is the most recent and most prominent example. The Lead Market Initiative (LMI) for Europe was launched by the European Commission following the EU’s 2006 broad based Innovation Strategy. The 2006 Aho-report
presented the concept of lead markets (Aho et al. 2006). It recommended the development of innovation-friendly markets in a more targeted way by creating conditions to bring innovative products and services quicker to the market. This shall support emerging markets in Europe with a view to give European producers a leading edge in global markets and thus to support the emergence of Lead Markets in Europe. At the same time those markets are defined in areas in which there is a clearly defined societal need (such as eHealth, sustainable construction etc.). The concept thus links the satisfaction of a European and global need with a concerted stimulus for innovation and a drive for competitiveness and lead market creation.

The Lead Market Initiative (LMI) was adopted by the Commission in December 2007 and endorsed by the European council in May 2008. For all markets the concepts rests on a combination of four pillars: public procurement, standards, other legislation and complementary actions. For each of the six markets concrete action plans were defined.

Need for a summative and formative support of demand based policies

Policies that try to create future markets by focusing on satisfying current and future needs are challenging. The LMI is a novel policy instrument, the first attempt to actually create Lead Markets, and it applies a complex mix of instruments. Such an approach is challenging and those challenges need a set of strategic intelligence techniques to be employed.

The paper therefore develops a strategic intelligence concept that satisfies a fourfold ambition: (1) it is conceptualising, i.e. it develops a logic chart model that demonstrates the interplay of instruments and the various steps from the overall object and the activities through to immediate, short term and long term effects (see annex of this paper), (2) it is preparatory, i.e. help to make choices, to decide which instrument mix in which area can best deliver a link of market fostering and need satisfaction, to understand consumer and citizen’s needs and to delineate the markets to be supported; (3) it is formative, i.e. it must support learning and adaptation of all actors involved, looking at the ‘how’ and deliver insights that help all those public and private actors involved to adjust and improve the instrument and their reaction towards it. (4) Finally, it is summative and inform about progress, impact and effectiveness of the policies employed.

Major building blocks

The concept rests on the literature on lead market and summaries the major characteristics and prerequisites for lead markets to emerge (Beise 2004, Beise/Rennings 2005, Blind et al. 2004, Edler 2009, Georgiou 2007, Jänicke 2005, Meyer-Krahmer 2004) as well as on a few sets of evaluation that have evaluated demand based approaches (e.g. Neji 1998). On this basis, a concrete step-wise approach for formative and summative evaluation of the lead market concept is developed. This is done by defining the key evaluative questions along the classical evaluation dimensions: (1) challenging the rationale / appropriateness of the measure / policy (starting with the societal need definition), (2) analysing the implementation efficiency/effectiveness (which includes transition management), and (3) assessing impact (which is the sum of effects in terms of output, outcome and additionality and includes the longer term perspectives). The concept supports a policy mix approach, covering individual policy instruments and their interplay.

Against the background of the concrete evaluative framework, the paper finishes by discussing in-depth the conceptual and governance challenges for lead market concepts linked
to achieving national and global goals and the methodological and theoretical challenges of their evaluative backing.

References


Annex – Figure 1: Logic Chart for LMI

Revised Lisbon Agenda: Innovation for growth, creation of jobs

LMI objectives

- Fostering markets with high economic value, to lead globally
- Satisfying societal needs, fostering markets with high social value

LMI activities

- Public procurement:
  - Networks of public procurers across Europe in place
- Legislation
  - Interaction of procurers in same areas
- Standardisation, labelling and certification
  - Regulatory discourse and coordination across different policy areas
- Complementary activities
  - Coordination and interaction within and between demand and supply policies established
  - Vertical coordination EU – MS level established

Immediate effects

- More public demand for innovation. Barriers removed, across Europe
- Bundling of demand across Europe
- Enabling and pioneering legislation defined and decided
- New standards decided

Intermediate effects mid term

- Increase in innovation input and output of firms
- Private demand for innovations has been triggered
- Leading edge regulation implemented in Europe, accepted, spreading globally
- New standards used and diffused (also in public procurement) spreading globally, compliance by industry

Intermediate effects long term

- Growth in the defined markets (volume, jobs, firms)
- Increased global market share of European actors
- Progress in tackling societal challenges
- Public service more efficient and effective

Ultimate effects

- Lessons learned for applications in other areas