



Australian Government
**Department of Industry,
Innovation and Science**

Innovation Precinct Insights

Guidance for innovation precincts

Governance Arrangements

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Innovation Precincts Insights – Guidance for innovation precincts

An innovation precinct is a group of industry, research and education activity in a geographic area. Precinct members build partnerships, launch new entrepreneurial activity and start-ups, and help businesses improve their competitiveness, productivity and innovative capacity. It takes many years for an innovation precinct to develop into a sophisticated, richly networked hub.

[Innovation Precincts Insights](#) provides best practice guidance to support Australian innovation precincts to form communities of practice and share their knowledge and experience.

The guide provides practical advice for innovation precinct managers, including from universities, economic development organisations, and local government.

Previous Innovation Precincts Insights

[Planning a new innovation precinct](#) - **March 2019** - Provided advice for innovation precinct managers on factors to be considered when planning a new innovation precinct.

Governance arrangements

Governance arrangements for innovation precincts vary. They can be simple networks that share information, strategic alliances that coordinate and align activity and investment, or involve dedicated facilitators and organisations to drive collaboration.

This guide summarises some models for consideration when making decisions about the best type of governance for an innovation precinct. It outlines the role of governance, common governance models, sources for further advice and gives an example governance structure.

Please note that the department does not advise or recommend establishing any particular entity type over another. We encourage precinct managers and facilitators to keep the needs of their particular precinct in mind and consider engaging a suitably qualified professional for advice.

Role of governance in innovation precincts

The governance settings for an innovation precinct will influence its success.

Getting the governance settings right can help to ensure that:

- participants are **engaged** in the precinct
- sufficient **resources are available** and **financing is properly managed**
- activities are **efficiently executed**
- overarching **goals are met**.

Both under-governance and under-investment, and over-governance and over-investment, can have negative impacts on the development of an innovation precinct.

Under-governance and under-investment may result in a lack of strategic direction and suboptimal growth. In contrast, too much, too early, can stifle bottom-up organic growth and impose financial and legal risks on innovation precinct participants and funding bodies.

Governance arrangements may change over the course of an innovation precinct's life. Precinct managers should regularly review their governance to ensure it is still fit-for-purpose. It should focus on the precinct's growth through strategic collaboration activities.

Look to other precincts and peers for advice

Precinct facilitators should consider seeking guidance from communities of practice on suitable arrangements. Communities of practice are networks for collaborative learning and sharing of experiences between practitioners in a given area of expertise.

In the context of innovation precincts, these groups include can include facilitators, academics, innovation precinct and cluster managers, representatives from university research and technology

transfer offices, representatives from planning authorities and regional development agencies, and other interested stakeholders.

Communities of practice that can help access and share learnings around innovation precincts include:

- [University Industry Innovation Network](#): an international network of academics, practitioners and business focussed on improving engagement between industry and researchers.
- [Global Institute on Innovation Districts](#): a global network of leaders in the theory and practice of establishing and maintaining innovation districts.
- [MIT Regional Entrepreneurship Acceleration Program](#): The MIT REAP Program is a two-year program where representatives from a region work together to strengthen innovation driven entrepreneurial ecosystems through an evidence based, practical process.
- [Network of Corporate Relations Officers](#): a network of academia, industry, and government that work to strengthen relationships between research institutions and industry to create mutually beneficial outcomes.
- [TCI](#): a global network of organisations and practitioners with expertise in cluster management and facilitation to raise the competitiveness and innovative capacity of firms, cities and regions.

Governance models for innovation precincts

There is no one-size-fits all governance model for innovation precincts. Depending on the age, scale and sophistication of the precinct, different arrangements may be appropriate.

In the paper, 'Governance Models and Frameworks for Smart Specialisation'¹, Howard Partners describes a potential framework for collaboration governance:

- **Networks** are an informal collaboration where members exchange information through conferences, meetings, communities of practice or networks.
- **Associations** build relationships where members interact on common themes and interests. People and organisations pool their interests, and sometimes resources, to work towards an end result that has only been loosely defined or articulated.
- A **strategic alliance** is an agreement between two or more parties to pursue a set of agreed objectives, while remaining independent organisations.
- An **incorporated venture** involves formally established corporate arrangements that cover governance, management and accountability protocols.² They may require formation of a corporate entity. They give effect to strategic partnerships between parties where there are significant resource commitments involved, and delivery of outcomes is required.

Key attributes of each of these governance structures are outlined in Table 1.

¹ Howard J.H., Williams T and Agarwal R. (2016) *Governance Models and Frameworks for Smart Specialisation* <https://www.howardpartners.com.au/assets/ris3-paper---rsa-conference-seville-.pdf>.

² An **incorporated venture** refers to formally established corporate governance arrangements through entities including corporations covered under the *Corporations Act 2001* and entities such as Incorporated Associations covered under relevant State and/or Territory legislation².

Table 1: Governance structure attributes - Tailoring governance to an innovation precinct's development level

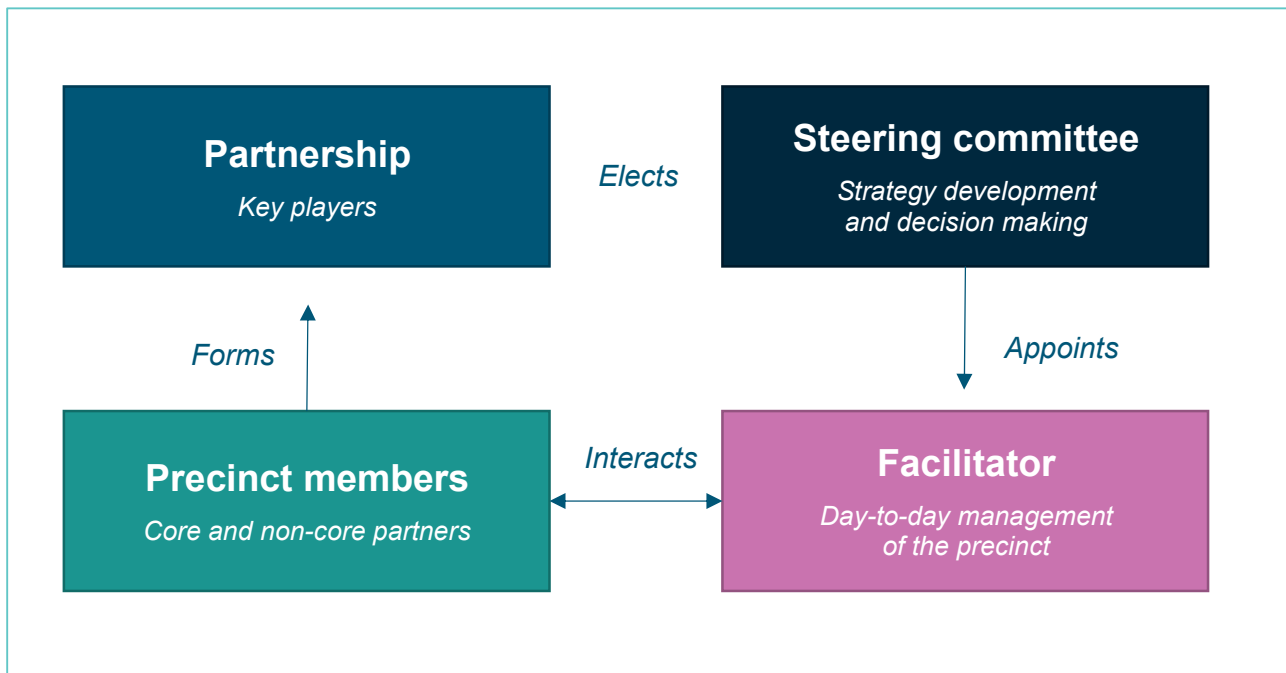
Attribute	Governance structure			
	Network	Association	Strategic Alliance	Incorporated Venture
Basis of governance	Shared interest	Collective action, membership	Joint action in deed of agreement	Provisions of the Corporations law
Level of participant commitment	Loose, casual, voluntary	Weak	Strong, committed	Enforceable
Mission	General statements of purpose	Specific statements of purpose	Clear statement of purpose	Clear statement of objectives, results
Breadth of agenda	Narrow	Specific interests	Focussed	Encompassing strategy
Governing board involvement	Casual	Limited	Strong	Diligent
Decision making processes	Consensual	Representative	Contractual	Corporate, judgemental, expert
Role of Chief Officer / Secretary	Administrator, facilitator	Administrator, adviser, broker	Executive, manager, broker	Executive (decision maker) manager
Role of Finance Officer	Absent, limited funding	Important	Significant	Strong
Focus of operations	Communication, knowledge sharing	Cooperation, consensus	Coordination, alignment	Corporate, integrated
Cost of formation	Minimal Exchange of letters, emails	Low Registration as a Not For Profit Association	Moderate May involve contract lawyers and counsel	High Expensive lawyers and accountants
Operating instruments	Informal, consensus	Memoranda of Understanding	Formal agreements and obligations	Incorporation, legislation, deed
Basis of operation	General agreement, good will	Statement of Intent, Membership fees	Agreed Business Plan and budget	Legal Entity
Cost of operation	Minimal	Low	Moderate	High
Capacity to deliver large programs or projects	Limited – small, specific projects	Moderate – project specific	High – project specific	High – project and program specific
Accountability for stakeholders	Informal reporting Project acquittal	Formal reporting in financial statements	Formal reporting in financial statements	Formal reporting covered by law
Risk for stakeholders	Minimal	Low	Moderate	High

Source: Developed by John H Howard from Howard Partners' work relating to collaborations.
<https://www.howardpartners.com.au/assets/ris3-paper---rsa-conference-seville-.pdf> (page 20).

A potential governance model

Figure 1 shows a hypothetical model organisation and governance structure for an innovation precinct. This arrangement could be suitable for a more established innovation precinct, such as a strategic alliance or incorporated venture, or a similarly formal arrangement (as outlined in Table 1).

Figure 1: Example governance structure



In this example, there are key roles for a **partnership**, **steering committee**, and **facilitator**.

Partnership

The **partnership** consists of large and small enterprises, universities, and other entities that take part in and have ownership of the precinct.

In this example, an innovation precinct partnership consists of:

- **Core partners:** enterprises and other participants who choose to have an active involvement in the precinct and the various projects undertaken by the innovation precinct and could, for example, participate on a fee-based membership basis. This could include academic institutions managing innovation and research in partnership with other precinct participants.
- **Non-core partners:** participants who have a lesser involvement in the innovation precinct and may only be engaged on specific projects. These participants could, for example, participate on a 'services-in-kind' basis. Examples of non-core participants are certain 'expert' groups/individuals (e.g. law firms) or government institutions.
- **Informal connections:** collaborative relationships with domestic and international centres of expertise and other complimentary innovation precincts and industry clusters. These collaborations lead to increased expertise in the innovation precinct and contribute to knowledge transfer, enhancing innovative capabilities and competitiveness.

Steering committee

The partnership elects a **steering committee** to represent their interests. It consists of leaders from a selection of the innovation precinct participants, spanning the industry, research and skills/training sectors.

The steering committee is responsible for:

- developing and updating the innovation precinct's **strategy** as a basis for the growth initiatives within the precinct, and a set of Key Performance Indicators (potentially with support from the facilitator)
- driving implementation of the innovation precinct's **strategy**
- prioritising the innovation precinct's actions and activities
- high level decision making within the innovation precinct, including the selection of the facilitator.

Facilitator

The steering committee appoints a **facilitator** or team of facilitators to handle day-to-day management of the innovation precinct and act as an honest broker.

The facilitator could be a single person (small precinct) or a small team (large precinct or extended regional innovation network).

The facilitator has:

- advanced interpersonal skills, with the ability to bring people together from across sectors to reach a collective understanding
- an understanding of the relevant industry sector including some of its challenges and opportunities
- an expansive network across sectors, including industry, government, the research sector and education and training institutions
- an ability to build trust between enterprises within the partnership and between the partnership and external stakeholders, including across industry, research and education/training sectors
- strong facilitative leadership skills to deliver collaborative projects

Take home: tailor governance arrangements

- Adopt governance structures that will help to ensure the success of your innovation precinct.
- Periodically review your governance arrangements as the precinct grows to make sure it is still fit-for-purpose.
- Seek guidance and advice on the appropriate model for your innovation precinct.

Background

The value of developing Australian innovation precincts has been recognised by Australian, state and territory governments. For example Innovation and Science Australia's 2016 [performance audit](#) of the innovation system and [Australia 2030: Prosperity through Innovation](#) identified improving knowledge transfer and industry-research collaboration as a priority challenge.

Recognising this, in 2018 the Australian Government released the [Statement of Principles for Australian Innovation Precincts](#), which provides best practice guidance to drive successful development of innovation precincts. The report identifies four core principles for building a successful innovation precinct:

- local leadership
- removing barriers and aligning policy
- building capability and connections
- skills development.

State and territory governments agreed to the principles at the [COAG Industry and Skills Council meeting in April 2018](#).

The NSW Innovation and Productivity Council released [NSW Innovation Precincts: Lessons from International Experience](#) to understand the factors that contribute to successful, globally-significant innovation precincts as well as common risks and failures.

The Victorian Government has released [Unlocking Enterprise in a Changing Economy](#), a planning policy dedicated to the promotion of local 'Enterprise Precincts' as hubs for the emerging economy to complement larger National Employment and Innovation Clusters.

The Department of Industry, Innovation and Science has also worked with CSIRO's Data61 to develop a map of Australian innovation precincts, hosted on [Innovation Map](#).

Australia can also look to successful precincts internationally. There are successful innovation precinct operations around the world. The [Brookings Institution](#), based in Washington DC, has collected a significant body of evidence drawing on case studies in the United States of America.

For more information

For more information on best practice approaches to innovation precincts:

- visit industry.gov.au/InnovationPrecincts
- read the [Statement of Principles for Australian Innovation Precincts](#)
- read [NSW Innovation Precincts: Lessons from International Experience](#)
- subscribe to the [Australian Innovation Precincts Newsletter](#)
- contact InnovationPrecinctChampions@industry.gov.au.