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The Urban Lab of Europe !

# The AS-FABRIK project Journal N° 4

*Project led by the City of Bilbao*



**JOBS & SKILLS  
IN THE LOCAL ECONOMY**



European Union  
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# The AS-FABRIK project

The **AS-FABRIK** project seeks to increase the competitiveness of the advanced services sector of Bilbao (Knowledge Intense Business Services – KIBS) through a collaborative process that will prepare them to supply the digital transformation demands of the manufacturing sector (Industry 4.0).

A strategic alliance with the city, businesses, universities, local service providers and entrepreneurs will be set up in order to create a new ecosystem based on innovative pillars and hosted in a tailor made space for experimentation and incubation of new services. New education programs for university students, entrepreneurs and professionals addressing the new challenges of the industry 4.0 and the digital economy will be tested while networking actions, supported by dedicated IT tools, will ensure a good match between demand and supply. New business models will be prototyped to support specialised start-ups that will benefit from a Minimum Viable Product (MVP) test Fab Lab for the market validation of new products and services.

## Partnership

- Ayuntamiento de Bilbao
- Bilbao Ekintza - Public Agency
- Mondragon Goi Eskola Politeknikoa J.M.A. S.COOP - Research Center
- Mondragon Unibertsitatea Enpresagintza S.COOP - Research Center
- MIK S. COOP. - Research Center
- GAIA - Association of Electronic and Information Technologies in the Basque Country - NGO
- Deusto Foundation - Basque Institute of Competitiveness - Research Center
- Asoc. Cluster Audiovisual de Euskadi - EIKEN BASQUE AUDIOVISUAL - NGO
- Mondragon Centro de Promocion, S.COOP - Business Support Center
- IDOM Consulting, Engineering, Architecture, S.A.U. (IDOM) - Private Company

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# 1. Executive summary

This journal summarizes the key activities that took place in the last months in the AS-FABRIK project.

First, based studies that were done in the context of the AS Fabrik project, in this journal we will reflect on how the KIBS sector is developing in Bilbao and the wider region. We present some relevant trends, tendencies, facts and figures regarding the development of KIBS and the industry in Bilbao and the Basque Country, based on research from Orkestra on this topic.

Second, we focus on how AS-FABRIK builds on experiences in other successful European regions regarding the development of KIBS, and how it learned from them. Apart from the content of the study, the process is interesting. To maximize the studies' value for practice, research institute Orkestra worked closely together with Bilbao Ekintza (the local development agency) in the design and implementation of the study. Third, this journal focuses on the mentoring activity of AS-FABRIK: how companies are being helped to identify collaboration partners and develop strategic partnerships for innovation. We interviewed three companies and their mentors to understand how the process works.

The journal ends with an overview of the key implementation challenges that lie ahead. The main challenges are:

- 1) Communicate to firms what is happening regarding the AS-FABRIK building in Zorrotzaurre, and involve them in the process
- 2) Raising awareness about the added value and results of new partnerships to firms; this can be done effectively by showing / communicating good results
- 3) Maintaining an integrated/participative approach after the UIA funding ends
- 4) Achieve local scaling and financing, that relies on the ability to reach more companies and the ability to find funding for a continuation of the activities on the long run

Our main conclusion is that the project is very well on track and delivers results as planned. At the same time, some work has to be done to ensure the sustainability of the project after the UIA funding ends.

## 2. Introduction

This journal highlights several activities that took place in the last months in the AS-FABRIK project. In section 3, based on studies conducted as part of AS-FABRIK, it describes a number of trends & developments in the development of KIBS (Knowledge Intensive Business Services) in Bilbao and the Basque region. Next, in section 4, it presents the highlights of a benchmarking study

about other regions; Section 5 discusses in more detail the mentoring activity, in which companies are helped to develop new innovative partnerships. The journal ends with an overview of the key implementation challenges that lie ahead in the AS-FABRIK project. The information for this journal comes first-hand from in-depth interviews with several key stakeholders in AS-FABRIK.

### 3. Trends & developments in KIBS in Bilbao and the Basque Country: Does AS-FABRIK hit the target?

The goal of AS-FABRIK is to develop Bilbao as a centre for KIBS, to make the industry stronger, and to encourage servitization. But what is the baseline situation in these sectors in Bilbao and the Basque Country, what trends do we see, and how does AS-FABRIK contribute to this triple aim? In this section, we summarize recent research results and interpretations, derived from the studies of Orkestra, partner in the project.

Recent studies show that servitization in the Basque industry is happening slowly, and it still is small. Within the manufacturing industry in the Basque country, servitization occurs, but the revenues from services are still small (2% of revenue on average) and do not grow very fast. In the machine tool building sector, the percentage is higher (5%, based on Eustat data), but overall it is unlikely to grow very fast in the coming years. Industrial companies are still very product-oriented; a number of them offer services without separately charging for them, very few develop value propositions that integrate services. A recent survey from Orkestra, based on other data, shows a somewhat stronger tendency of servitization; Of the 56 industrial companies studied, an average of 10% of their revenue stems from services. But there are big differences between frontrunners and laggards. Almost 20% of them have no income from services at all. And many firms (60%) indicate that they do not expect a rise of revenue from servitization.

One might expect that the strong industries in the Basque Country could be a booster for service and ICT companies, because they increasingly need ICT solutions and other services. However, the data suggest that the manufacturing industry in the Basque Country is not (yet) a major driver behind the development of the local KIBS sector. The KIBS sector can be divided into three groups: ICT services, finance & insurance, and professional/technical/R&D services. In total, this sector is important for Bilbao: it has 8,000 companies, that generate 26% of GDP, and employ more than 28,000 people. Half of them are in the professional/technical/R&D services segment. Most companies in the KIBS sector are locally or regionally oriented. For instance, if we look at the Basque ICT service sector, we see that only a small share of their revenues comes from sales on foreign markets. At the same time, the city shelters a substantial amount of employment in information service activities (as well as in legal and marketing activities). These findings suggest that Bilbao is rather a regional KIBS hub than an international one. Moreover, while the Basque Country and Bilbao may not have a very strong KIBS profile from an internationally comparative viewpoint, the position of Bilbao as a hub for KIBS within the Basque Country is a fact (and may have even grown stronger through the years).

One of the assumptions of AS-FABRIK is that a better link between ICT service firms and manufacturing firms could help to modernize

the industry. If we focus on the development of ICT services in the Basque Country, the picture is not very encouraging; between 2008 and 2015, the employment share of the sector grew from 1.9% to 2.1%, but this is still below the average of Spain (2.4%) and the EU 15 (3.0%), and very low compared to Madrid (that rose from 5.2% to 6.3%). These figures suggest that the Basque Country has been developing as an ICT service hub. Also, the data indicate that ICT service firms mainly sell their services to other service firms, much more (6 to 7 times) than to manufacturing firms. Meanwhile, the manufacturing industry in the Basque Country is remarkably stable over the same period, with a share of around 25% in the GVA (this is high from an international perspective).

From the data, one cannot conclude that the industry is a booster for the commercial local/regional ICT sector, or the other way around, that a strong local service sector is favouring the servitization of the industry. But several alternative explanations are possible:

- a. It could be that, rather than buying ICT from the private sector, manufacturing firms work more with local universities or (semi) public technological institutes
- b. It could be that manufacturing firms develop services in-house -certainly those of a larger size, rather than working with outside service partners. There are case-based indications that this is indeed the case.

The latter explanation resonates with the still prevailing “product oriented” culture within the manufacturing industry in the Basque Country (see above). So how should we judge the main ambitions of AS-FABRIK –promoting the KIBS sector as well as servitisation, and promoting interfirm alliances- in the light of these data?

For Bilbao, the question arises what its ambition should be: becoming a hub for the direct hinterland, nationwide or internationally? Becoming a hub with an international target audience requires having KIBS that operate cross-border and have clients across Europe or the world. At present, from the data, we conclude that only a very small portion of KIBS turnover stems from international sales. It could be more promising to focus on developing a very specific, specialised KIBS pole linked to industrial niches. More qualitative research could reveal more precisely which specialised KIBS might be a promising sub-sector, and what would be needed to support it.

Second, average levels of servitization are low and may need a boost –assuming that in the future, servitization is necessary for firms to remain competitive. Whereas KIBS could provide support in this evolution, many firms seem to choose developing services in-house, or work together with other partners (universities, technological institutes), or with service firms outside the Basque Country, and some are quite active in this regard. A cultural change is required, especially among the lagging industrial firms, to develop a more service-oriented strategy and use digital technologies. The activities within AS-FABRIK to develop alliances (and related competencies) are an important factor in this. The general context that prevails as regards KIBS shows that projects like AS-FABRIK are much needed and are very opportune. To inspire and activate less advanced firms, it is important to highlight and showcase the “success stories” of servitization.

Third, experts from Orkestra indicate that servitization has important implications for finance and risk management. But banks and insurance companies in the Basque Country are

not always ready to support industrial firms in the process; they still assume an ownership-oriented model where an industrial firm sells a product to the customer. But for servitization, specialised financial tools and instruments are needed, for instance to pre-finance leased machine installations at the client, to value used industrial assets, and to assess/value new types of risk associated with servitization. Currently, firms need to turn to foreign financial institutions to support them. In the AS-FABRIK project, the focus lies on the alliance formation and competence development. Additional actions are being set up by MONDRAGON to improve the role of financial institutions in supporting servitization.

Finally, the research from Orkestra hints that, even when servitization is still in its infancy, several industrial firms have successfully shifted their earnings model from income based on product sales only to revenue streams where service provision represents a fifth or more of their turnover. For servitizing and digitalizing firms, there is perhaps another problem. The

skills and mentality that they require from firms implies changes for their skill and human resources base. Consequently, it can be a problem to find qualified staff and to hire new recruits. It happens that industrial firms have to reach out to higher skilled people from elsewhere in Spain or even abroad. Since a lot of the industry is located in non-urban areas; if that kind of companies have to recruit outsiders (particularly if it concerns IT workers) to go to the countryside is not always perceived as hugely attractive. Hence, Bilbao -as a big city- could play a role in hosting satellite offices or flexwork zones for persons that work for industrial firms, but who are allowed to work off-factory. The office that Lantek (half KIBS/ half industry) has opened in Bilbao is illustrative of that context. And with possibilities to connect with the corporate workplace from “everywhere”, providing work space for this kind of “urban professionals who work for firms located in non-urban areas” could also be a value proposition for cities like Bilbao. Zorrotzaurre, as it is being developed as a mixed innovation district, will probably become an asset in this respect.



## 4. Policy benchmarking with other European regions: a coproduction of researchers and policy makers

Bilbao is not the only region looking for new approaches to stimulate Industry 4.0, ICT, and servitization. A benchmarking exercise was conducted, in order to learn how other leading industrial regions approach the challenge. It includes case studies from Brno, Tallin, Rotterdam, Emilia Romagna, Aarhus, Tampere, and Manchester. The results have become available in the last month. The objective of the benchmarking exercise was also to increase the knowledge and capabilities of policymakers and intermediaries that implement the cities' smart specialisation strategy.

The results of the study are now available in a report ([link](#)). For the purpose of this journal, rather than discussing the contents of the analysis, we want to highlight how the study was done as a co-creation effort of the analysts (from project partners Orkestra and Idom), and the policymakers (from Bilbao Ekintza, the local development company). Normally and typically, studies are conducted by researchers, and after that the results are shared with the policymakers. In this case, it was a co-production from the very start, because the aim was to arrive at "actionable" conclusions and recommendations.

The researchers/analysts provided the relevant theoretical frameworks and theories, and guided the process; there was frequent and systematic interaction with the policymakers to guarantee that the analysis would be action-oriented and actionable.

So far, 7 sessions were held (starting in February 2018), in which the researchers and policymakers discussed and brought forward the benchmarking study. Together, they made decisions about the relevant European regions to be studied, they discussed the most relevant policy instruments and how to "replicate" them in Bilbao, evaluation methods, and actionable learning points. The first stage of the process (2018) was more focused on the identification of relevant benchmark regions and their policies, and the second part (2019) more on the concrete actions that follow from the analysis. The process is not finished yet, two more meetings are planned, in April and June 2019, in which an action plan will be conceived based on the benchmarking.

So far, the benchmarking has yielded an interesting list of policy instruments for the promotion of KIBS, and an analysis of their value and "actionability" for Bilbao Ekintza. Along the way, the process has helped the staff of Bilbao Ekintza to become more knowledgeable and professional in this specific field.

The co-creation process is considered as a success by both the researchers and the policy makers. Having said that, there are also some points of improvement; first, ideally, the team of people should comprise more than one person belonging to different responsibility scales within the organisation. Therefore, decision making can be easier as people that can make decisions and people that have field knowledge are mixed up in

the same process. Due to the learning potential that the process can have for the people from Bilbao Ekintza, beyond the involved team, the

institution should enable channels, mechanisms and resources to spread the knowledge all along the institution.

# 5. How to create innovative alliances?

## The value added of mentoring

A key goal of AS-FABRIK is to foster new types of alliances between regional firms, in order to grasp synergies and complementarities. By March 2020, this process should have resulted in 15 Partnership Agreements (collaborating businesses), and 6 educational agreements (business-university partnerships). In total, 90 hours of mentoring are available to firms that want to partner with other firms or with a university. The mentoring is provided by a range of knowledge partners in the project. The mentors are seasoned advisers, knowledgeable in the field of industry 4.0. They use a dedicated “Guidebook” with tools, and are able to help the partners in the process.

The partnership development is led by MIK (Mondragon Innovation & Knowledge), and is done in two ways. First, there is a group approach. Industrial cluster organisations in the region

### *Step 1 Identifying opportunities*

Before the mentoring started, each company already had a rough idea for an innovative/ collaborative project. During the first meeting, guided by MIK, each company started to further explore opportunities, conducted a SWOT analysis, and pitched it for the others in the group to receive feedback. The exercise resulted in an external framework that shows the relation of the new project with external partners such as clients, suppliers, knowledge institutes etc. After the meeting, the companies had to do some

(some of them are also part of the AS-FABRIK consortium) mobilise their members to explore new partnership opportunities. Second, and in parallel, there is an individual approach, focused on specific potential partnerships, in which firms involved which are interested in collaborating are mentored on the partnering process.

The mentoring programme is not yet finished, but well underway. How does it work, and what is the experience of the companies that participate? In this section, we focus on the mentoring process with three individual companies, based on conversation with the company representatives and the mentors. The three companies entered in the mentoring process are Noismart (smart acoustic spaces), Imatek (IoT equipment and solutions), and Material ConneXion (a consultant in material innovation).

“homework”: fill in a value proposition canvas, to gain more clarity how the new project would bring value to the customers (increasing gains, reducing pains). They received online support from MIK and GAIA to do this. A second meeting was held to present and discuss the canvasses, and to define key performance indicators (KPIs) for each projects and to identify the resources and capabilities required to offer their respective value propositions.

## Step 2 Stakeholder analysis

In this second step, guided by the reflection about resource and capabilities requirements, the companies systematically listed and analysed the stakeholders that are somehow involved in their new collaborative project. They had to put the stakeholders in an influence/power matrix in order to identify potential alliances (figure 1).

After that meeting, the firms worked online to develop an “empathy map” (that highlights the motivations of the various stakeholders), and needed to identify the various roles of the stakeholders (partner, contractor, influencer, disseminator, informer, funder, etc.). In a fourth

		Level of interest	
		Low	High
Degree of influence	High	High influence, low interest: Broader analysis required	High Priority: Alliance partner potential
	Low	Low Priority	High interest, low influence: Broader analysis required

Figure 1 - Influence-power matrix

## Step 3 Alliance configuration

Now, the time had come to elaborate the alliances that the participating firms had in mind. During the 5<sup>th</sup> 2-hour meeting, the three companies had to fill in an alliance map, that helps to identify various types of alliances, ranging from very operational to strategic, and with various dimensions (impact, competitive advantage, interaction, and intelligence). Also, they had to reflect on the desired level of formalisation of the alliance. And finally, they had to identify various types of risks in order to prepare negotiation in potential alliances., and assess their own resources, capacities and competences regarding the management of the alliance. After the meeting, each firm had the “homework” to

2 hour meeting, the companies presented and discussed the results: a stakeholder list, and developed a plan how to attract (or relate to) the stakeholders.

identify what skills and capacities they are lacking: a gap analysis, as well as an action plan how to address this gap. Based on this, during the 6<sup>th</sup> 2-hour meeting, the firms elaborated a strategic map of resources and competences needed to further develop their project. Along this step, mentors contribute (the names of) additional stakeholders to the mentored firms in order to broaden opportunities for their projects. During the 6<sup>th</sup> 2-hour meeting, firms analyse and select the type alliance with each stakeholder. Moreover, firms are enhanced to test this proposal with stakeholders and gather direct feedback for adjustments.

## In the coming months: Step 4 Intellectual property (IP) and Step 5 Evaluation

These steps have not yet been taken in the process (will be done in the months to come), but the method is already set. Step 4 is about IP, which can be a complicated issue in innovation alliances. In this step, during a 2-hour meeting, the companies will fill in a risk matrix, and assess the weights of the various risks types. Based on

this, during the next meeting, they will create a plan for the protection of IP. Step 5 is the final stage of the mentoring cycle; firms are asked to assess their KPIs, and monitor if the alliance has led to improvements. A decision tree is used to identify possible interventions and modifications.

Also, they will create an action plan for monitoring metrics.

The mentoring process is led by MIK, that acted as the main organiser and moderator of the

### *Mentoring seems to work...*

The three companies are satisfied with the mentoring process so far. They appreciate the systemic way of working, which, in their view, helps them to develop good partnerships in a complex setting. Imatek stressed the fact that the support is for free, lowering the entry barrier. Concretely, the process helped them to identify a partnership with a construction crane producer. Their IoT solution is going to be installed in the cranes of the new partner, which will make it possible to monitor air quality and noise at construction sites.

For the second company, Noismart (a start-up, about 7 employees), the mentoring helped them think more strategically about their value proposition, and also supported them to engage in a public procurement process. Moreover, they learned a lot about what types of relation/contracts to develop with alliance partners,

sessions. It is supported by GAIA, an ICT cluster organisation, that helped to activate/moderate group sessions and providing feedback to the firms; and by Idom, that plays a more specialised role in the sessions about intellectual property.

applying it concretely to an Italian company that wanted to engage with them.

The third firm, Material Connexion, used to work as consultant with deep knowledge about physical materials. Many of their clients are firms from the Mondragon group. Material Connexion was already in the process of developing a new type of service (a turn-key solution for digital asset management). This would require a new (scalable) business model, and new types of partnership with clients. The mentoring helped them to systematically elaborate this, and currently, a pilot has been set up with a client. Moreover, the interviewed representative indicated that the reputation of AS-FABRIK helped: “being part of AS-FABRIK project is useful because of the advice, but also because it has a good reputation; it increases your credibility and prestige”.

## 6. Key implementation challenges

This section summarizes the main types of implementation challenges as identified by UIA (summarized in table 1).

**Table 1. Mapping AS-FABRIK against the established UIA challenges**

Challenge	Level	Observations
<b>1. Leadership for implementation</b>	Low	The leadership (city of Bilbao) is clear, consistent, accepted by all partners, and it delivers results.
<b>2. Public procurement</b>	Low	The building was procured by the city. Some hick-ups (a remaining tax debt by the owner, the question whether to demolish or refurbish the building) were resolved, and led to some delays of the project implementation, but it is on track now. Contracting processes have started to select construction and design companies.
<b>3. Integrated cross-departmental working</b>	Medium	We observe an ongoing strong “triple helix” collaboration between city, knowledge institutes and cluster organisations/firms; also, there is a good collaboration between the main public agencies involved, namely Bilbao Ekintza and the City (Mayor’s Office and the department for Public Works).
<b>4. Adopting a participative approach</b>	Medium	Participation of the private sector and higher education/knowledge institutes is well developed, and key players are partners in the project. In the development of BETA II the participation of local citizens could be strengthened in the next stages, but the awareness on this issue has grown; The participation of companies in the development of the concept could be strengthened.
<b>5. Monitoring and evaluation</b>	Low	At project level, the lead partner (the city) closely monitor progress in frequent technical and steering committee meetings in which the partners come together. On the level of actual results and impacts in the local economy, the “observatory”, founded as part of the project, plays a key role to systematically monitor and evaluate the project’s impact.
<b>6. Financial Sustainability</b>	Medium	So far, there are no indications of financial concerns. On the longer run, it is still a challenge to continue the project without EU support. Structural financial commitments of all partners has not be secured (to update courses, to maintain start-up support, to fund the brokering/networking activities, and to keep the observatory in the air) but there is a widespread awareness that partners must work on this.

Challenge	Level	Observations
<b>7. Communicating with target beneficiaries</b>	Medium	The communication with the beneficiaries –companies in manufacturing, KIBS, start-ups, students- is in full swing and provided by all partners. A concern is still how to reach industrial firms, and also to communicate to the business community what the new AS FABRIK building will be about and what is in it for them.
<b>8. Upscaling</b>	Medium	Upscaling will be a challenge in two respects. The project manages to engage new forward-thinking companies in the projects activities of brokering, mentoring and training, also in new rounds. To increase the scale, the communication of early success stories remains an issue. Second, the Mentoring Guidebook with all sorts of tools for developing innovative alliances is now available in English, and will be useful for other regions as well.

The **leadership** of the project is strong, overall and on work package level. The work packages are strongly interrelated functionally; frequent contacts and briefings make sure that the leaders are well informed about the progress in each domain, and can play on that.

As to **public procurement**, after some delays, the procurement process of the BETA II building – which should become the hotbed of Bilbao’s Industry 4.0 innovation and knowledge-intensive services- is on track. The procurement is traditional; no specifically innovative types of procurement are applied in this case. It could be considered to apply more aspects of PPI (public procurement of innovation) in later stages of the implementation of the building.

Concerning **integrated/cross-developmental working**, the development of the physical space of AS-FABRIK is part of a wider and longer term challenge to regenerate Zorrotzaurre Island; for this, an intensive interdepartmental collaboration is in place (uniting departments responsible for environment, planning, transport, economic development agency). Other funding sources are used to develop the building and its surroundings. The Mayor’s Office and the department for Public Works co-ordinate their actions well. Moreover,

AS-FABRIK is fostering a deep collaboration between the city (Mayor’s office) and arms-length economic development agency Bilbao Ekintza, and this works well. A main challenge is to safeguard this way of working after the UIA funding ends. In principle, the very heart of AS-FABRIK, the partnership brokering, mentoring and start-up support activities, could be taken over by public structures such as Bilbao Ekintza, incubators, and/or cluster organisations. But a co-ordinated approach has not yet been developed to ensure that these activities do not become scattered and fragmented among many public agencies, but remain in place as a coherent whole. In other words: AS-FABRIK now acts as a glue that sticks partners together, but what will replace this glue?

A **participative approach** is a red thread throughout all activities of AS-FABRIK, where the focus, naturally, is on the participation of industry 4.0 firms and service providers as beneficiaries of the project. Their inputs and comments feed back into the organisation of the work in the different aspects of the project. With regard to the development of the BETA II building, citizen participation has so far not been part of the script; this needs improvement because the

development activities will affect local inhabitants directly. This challenge is recognized, but more action could be taken. In the further process of building/restructuring and programming the BETA II building, efforts are needed to engage more actors in its design, development and programming. Currently, it is mainly a co-production of city and Mondragon. But for companies in the region –witness our interviews with 3 of them-,it is not yet clear what they might expect from the building. A more participative approach might be needed, to develop and implement a wider shared vision. Currently –and understandably-,the energy of the people engaged in the construction and planning is focused on getting the practicalities done, to complete the building, to host the new tenants, and to find additional funding.

**Monitoring and evaluation** takes place at three levels. At the project level, the lead partner (the city) closely monitor progress in frequent technical meetings (where the WP leaders share their progress) and steering committee meetings in which top level leaders of the partners meet. On the level of actual results and impacts in the local economy, the “observatory”, founded as part of the project, plays a key role to systematically monitor and evaluate the project’s impact. There are no specific challenges in this field. Also, monitoring and evaluation is integrated in any sub-activities, such as the mentoring (explained in this journal).

Concerning the **financial sustainability**, there are no direct concerns either, but it remains to be seen how AS-FABRIK will be able to be effective without EU support: this would require structural financial commitments of all partners, to update courses, to maintain start up support, to fund the brokering/networking activities, and to keep the observatory in the air. If AS-FABRIK is here to stay,

fresh thinking and planning is needed to continue the key activities such as road mapping, training, mentoring and partnership brokering after the UIA funding expires. Several partners are starting to develop ideas in this field, and the Beta II building/concept will play a key role here. For the company trainings, fees can be considered to fill the funding gap. The task of gathering and sharing technological and market trends (now funded by UIA) could be continued by the knowledge partners.

The **communication with the target beneficiaries** –companies in manufacturing, KIBS, start-ups, students- is in full swing and provided by all partners. A still continuing concern is how to reach industrial firms, especially the more traditional ones. Also, an improvement is needed in the communication about the new AS FABRIK building: what will happen there, and how will it benefit the local/regional business community. The three firms that were interviewed for this journal were not fully up to date with this –while being part of the AS-FABRIK mentoring trajectory. So we may expect that this holds *a fortiori* for firm that are not participating in AS-FABRIK.

On top of this, it is essential to communicate effective messages about the results and potential of innovation partnering, and make clearer what the added value can be. For this, it is still a key challenge to highlight and showcase good practices, to show 1) that collaboration yields real returns and 2) that it is feasible in terms of management and control. This is a matter of visualising successes and story-telling, and perhaps the new BETA II building could play a role in that.

**Upscaling**, finally, will be a challenge in two respects. The first task, locally and regionally, is to enlarge the number of participating firms/



beneficiaries in the city and region. There is a need to engage “first mover” companies in this new ways of working. Scaling depends on communication: over time, more companies may want to participate if they expect real benefits, and if they hear positive stories about the project.

The communication of early success stories is essential in this respect. Second, the project might scale up to the national or international level. The Guidebook –now in English- with strategic roadmaps and tools for partnering is useful for other regions as well.

## 7. In conclusion

This journal summarizes the key activities that took place in the last months in the AS-FABRIK project. First, we showed how the KIBS sector is developing in Bilbao and the wider region. We present some relevant trends, tendencies, facts and figures regarding the development of KIBS and the industry in Bilbao and the Basque Country, based on research from Orkestra on this topic. From this, we can conclude that from various perspectives, Bilbao is still not developing as a national or international KIBS hub, but remains the centre of the very stable and competitive Basque manufacturing industry. Servitization is slow, and there is still an overwhelming product culture within industry. Hence, the activities of AS-FABRIK are key to safeguard the future of the Basque industry. Time will tell to what extent AS-FABRIK also contributed to strengthen the KIBS sector as such.

Second, we focus on how AS-FABRIK studied other successful European regions regarding the development of KIBS, and how it learned from them. Apart from the content of the study, the process is interesting. To maximize the studies' value for practice, research institute Orkestra worked closely together with Idom and Bilbao Ekintza (the local development agency) in the design and implementation of the study. Thus, the benchmarking not only yielded valuable lessons about policy instruments, it also helped to develop capacities and insights among the partners involved in the benchmarking analysis.

Third, the report focuses on the mentoring activity of AS-FABRIK: how companies are being

helped to identify collaboration partners and develop strategic partnerships for innovation. We interviewed three companies and their mentors to understand how the process works. We conclude that the mentoring process is very helpful for firms: it helps them to systematically develop partnerships, using an elaborate toolbox. Concrete results are in the making. It also revealed that companies are not that well informed on the next stages of AS-FABRIK, namely what will happen in the new building and how that could benefit them.

The journal ends with an overview of the key implementation challenges that lie ahead. The main challenges are:

- 1) Communicate to firms what is happening regarding the AS-FABRIK building in Zorrotzaurre, and involve them in the process
- 2) Raising awareness about the added value and results of new partnerships to firms; this can be done effectively by showing / communicating good results
- 3) Maintaining an integrated/participative approach after the UIA funding ends
- 4) Achieve local scaling and financing, that relies on the ability to reach more companies and the ability to find funding for a continuation of the activities on the long run

Our conclusion is that the project is very well on track and delivers results as planned. At the same time, some work has to be done to ensure the sustainability of the project after the UIA funding ends.

## **Interview partners:**

- Luis Berasategi, Mondragon University
- Eduardo Castellano, MIK - MONDRAGON Innovation and Knowledge, Mondragon University
- Jordan Guardo, City of Bilbao, Project Leader
- Bart Kamp, Orkestra
- Usue Lorenz, Orkestra
- Aitor Marcos, Idom
- Antonio Martínez, Idom
- Nekane Morales, MIK-Enpresagintza
- Bilbao Ekintza
- GAIA cluster
- Imatek
- Material Connexion
- Smartnoise

Urban Innovative Actions (UIA) is an Initiative of the European Union that provides urban areas throughout Europe with resources to test new and unproven solutions to address urban challenges. Based on article 8 of ERDF, the Initiative has a total ERDF budget of EUR 372 million for 2014-2020.

UIA projects will produce a wealth of knowledge stemming from the implementation of the innovative solutions for sustainable urban development that are of interest for city practitioners and stakeholders across the EU. This journal is a paper written by a UIA Expert that captures and disseminates the lessons learnt from the project implementation and the good practices identified. The journals will be structured around the main challenges of implementation identified and faced at local level by UIA projects. They will be published on a regular basis on the UIA website.



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