
Kluwer Mediation Blog

Something in the air

Charlie Woods (Core Solutions Group / Scottish Universities Insight Institute) · Saturday, June 8th, 2024

A recent Scottish Universities Insight Institute [project](#) looking at regional innovation strategies featured a presentation by Peter Wostner from the Institute of Macroeconomic Analysis and Development in Slovenia. He framed the development of innovation ecosystems as a collective action problem.

This type of problem has been defined as “a situation in which all individuals would be better off cooperating but fail to do so because of conflicting interests that discourage joint action”. Such problems can be found in many different contexts. Given their nature they beg the question of what role mediators and mediative approaches can play in helping solve them?

In the case of innovation systems one of the key issues is a failure to fully appreciate the longer term benefits to all of greater cooperation, or an overly short term focus on private or individual organisational objectives. This can apply to both private and public sector actors.

In the jargon of economics this is a failure to appreciate the positive externalities of greater cooperation and the negative externalities of lack of cooperation. As Joseph Stiglitz puts it in his latest [book](#) ‘The Road to Freedom – Economics and the Good Society’, “*Externalities are pervasive in our economy and society...Key questions of economic policy entail managing externalities – discouraging activities where there are harmful (negative) externalities and encouraging activities where there are positive externalities...Managing externalities is at the foundation of civilisation.*” The stakes don’t get much higher!

An example of negative externalities can be found in the ‘tragedy of the commons’, where a focus on private interests and a failure to manage the use of common land cooperatively leads to overgrazing and degradation of the shared asset. Another negative externality is pollution of all sorts where the significant social costs involved are much greater than the private costs borne by the polluter.

Investment in innovation provides a good example of positive externalities, where spillovers from private investment in R&D etc. benefit all indirectly. Alongside tangible factors such as a wider talent pool, they include the exchange of tacit knowledge, experience and ideas, which in turn generates further innovation.

The impact of these spillovers can be hard to measure clearly and unambiguously, but in many successful industry clusters they play a key part in the investment and location decisions of firms

and individuals. Intangible spillovers were identified as long ago as the late nineteenth century by Alfred Marshall in his consideration of industrial districts, when he observed: *“The mysteries of the trade become no mysteries; but are as it were in the air”*. Positive externalities such as these provide a strong justification for public sector involvement to help secure these benefits for the system at large.

Key questions then are:

- how do we ensure sufficient investment in the right places to generate both private and social returns?
- how do we avoid the negative externalities of too great a focus on private costs and benefits alone?
- how do we ensure the different parts of the puzzle fit together better to ensure the whole is greater than the sum of the parts?

Perhaps this is where a mediative approach can help, not least in helping generate a clearer appreciation of the value of collaboration. This might include clearer communication on how different parts of the system relate to one another and a more explicit exploration of potential trade-offs and synergies between actors and options to address them. As well as generating self-reinforcing investment between private and public sectors, this might help facilitate a more explicit pooling of resources, sharing of objectives and collective accountability within the public sector.

Accountability and associated risk taking are key to generating the necessary public investment and cooperation. This was something the Auditor General for Scotland reflected on more generally in a [blog](#) :

“I am not convinced that public sector leaders really feel accountable for delivering change that demands different organisations work together. There is much talk of collaborative leadership. But in my discussions with public sector leaders, it’s clear that too many of them still don’t feel truly empowered or sufficiently emboldened to make the changes they think are needed... Our collective appetite for risk-taking and innovation, and how we hold public sector leaders to account, also needs to shift.... we have to give our leaders the space, time and incentives to take managed risks.”

Creating and nurturing a collaborative environment is vital in solving collective action problems. Clear communication is at the heart of this. A mediative approach can help generate the required culture – one that is more trusting, builds understanding, explores options respectfully and appreciates that the benefits of actions may not be directly felt by the organisation undertaking them, may not be immediate and may be difficult to explicitly measure.

Greater collaboration is easy to sign up for in principle but it is much harder to achieve in practice; nevertheless, as the song says: *“We have got to get it together – We have got to get it together now.”*

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