

Notes for Presentation the 24th of November 2010, Vilnius

Ola Rostad, 24th of November 2010

Good afternoon. Ladies and gentlemen – may I say colleagues struggling with clustering?

Thank You for the invitation to this conference. I am honored by this invitation, but unsecure about how I can contribute since there is so much competence in this room already. Anyway, I will like to share some of our experiences with you, and it is my hope that this can contribute a little to a more efficient development. Maybe it can also be a start for further cooperation trough EEA Grants (Norway Grants) or in other ways.

First: My name is Ola Rostad. I am the CEO of the company Tretorget and this has been my work since December 2002. My point of view is rather practical: From my position as the manager of a project-house for cluster initiatives, for clustering processes organized as projects. There will be no “rocket science”, but my reference is mostly practical experience.

Tretorget is struggling to be a driving force for innovation and achievements in forestry and wood industry. We are forestry and wood industry's own instrument to initiate development and innovation through networking and skills development. Businesses within the forest and wood industry has most of the share capital, but SIVA – the state company for, among other tasks, to be a shareholder in innovation companies is the largest shareholder (22,5 %).

Secondly – a brief introduction to our geographical focus and where we are located. Our primary work is in the county Hedmark in the southeastern part of Norway. The county consists of 22 municipalities. We have a long border with Sweden and there is a lot of cross-border operations and business. Among other things, the largest sawmill company in Hedmark and Norway (Moelven) is also the largest company in the neighboring county in Sweden. Furthermore 1/3 of the pulpwood is exported to Sweden by railway. A significant volume of wood chips to bio-energy is also exported and chipboards to IKEA is also exported from Hedmark. In return, we have a significant import of timber for the sawmills and lumber for the wood industry from Sweden.

Hedmark is Norway's largest forest region with 20% of the nations total forest resources and more than 25% of the harvesting. The past 80 years standing volume (timber in the forests of Hedmark) has doubled to 125 million cubic meters. Annual growth is 4,8 million cubic meters which is more than twice the annual harvesting which is 2,2 million cubic meters. In an environmental perspective we can say that the forests in Hedmark tie up nearly 10% of all anthropogenic greenhouse gas emissions in Norway. About 80 % of the forest area is owned by private farmers, the rest is owned by the state (6%), commons (9%) and municipalities.

In Hedmark there are more than 260 wood processing enterprises that have a turnover of nearly 500 million €. These companies employ more than 3300 people. Forest-based industries account for 5,2% of employment in Hedmark and 7,3% of the total GDP of the county. We have almost no production of furniture. That type of industry is located elsewhere in Norway. We are however great for all types of products that goes into buildings: lumber, laminated wood, solid wood elements, chipboard and pillars. We also have a considerable production of houses mainly constructed by wood - as elements or modules. Norway's national museum of forestry and wood industries is also located in Hedmark. We do have a university college with studies in forestry and wildlife, but we don not have any technical education for the wood industry and no R&D centre. To have a complete Trippel Helix we therefore need to look to other counties – especially the Oslo-region.

It is in this agglomeration – you may even say cluster or clusters- of forestry and timber

industry Tretorget operates. The firm Tretorget was established in 2001. It means that we can celebrate the 10th anniversary next year. This was not obvious some years ago, and this is perhaps part of the reason for why I have been invited to this conference to share some of our experiences with you. The picture shows you some key figures for our business and we are proud to tell you that we also this year are on the list of gazelle companies (rapid growing companies) in Hedmark.

	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Omsetning (1.000 kr)	11.	2.151.	4.046.	4.570.	3.803.	6.008.	12.466.	12.858.	18.347.
Driftsresultat (1.000 kr)	-10.	-25.	137.	229.	-144.	300.	451.	89.	231.
Egenkapital	92.	1.130.	1.233.	1.388.	1.227.	1.470.	1.809.	2.029.	2.257.
Antall årsverk ansatt	0	1,8	3,1	4,0	2,2	2,2	3,9	4,7	4,8

* Tall for 2009 er foreløpige. For resultatregnskap vises det til egen regnskapsrapport.

From the beginning Tretorget was a rather local initiative related to the concentration or agglomeration of sawmill operations in the southern part of Hedmark. The sawmill business had been through major structural changes with a corresponding reduction in the number of employees in the 70 -, 80 - and 90-century. This was a development that was hard to accept for the politicians and public actors. The politicians and different public actors therefore made several attempts to establish an organization - a business - that could contribute to new businesses and more jobs. I will come back to this later.

From the start Tretorget therefore had a strong focus on new products and new businesses. There was a lot of talk about spinoffs, entrepreneurship, intrapreneurship, R & D, internationalization and development through clusters. Tretorget was therefore quite quickly organized with its own small business incubator and became a part of the Norwegian national program for a cluster development – the ARENA program. Our project was called Trepiloten Glåmdal (The Woodpilot in Glåmdal – Glåmdal is the name of the southern part of Hedmark). A project that I think both we and the drivers of the national ARENA-program have learned a lot from. This even though our project only lasted for two years. The normal duration for a project in the ARENA-program is – and was even then – the minimum of 3 years.

The project Trepiloten and the participation in the ARENA program can be described as a failure. A failure that was about to lead to that Tretorget could have been closed down in 2005. But we were lucky. During the first few years we had started activities that some of the largest companies had appreciated and there were enthusiasts in the industry and among the public actors who believed that there was a need for such a business like ours. These companies and enthusiasts helped us to establish new projects financed by other programs than the ARENA-program. This was projects that had a strong company foundation and with activities that companies wanted us to do for them. This was projects that have made it possible for us to constantly do more and expand our area of activity - including the development of network or cluster of industries that produce houses with a wood construction. An industry that is mainly located in the central and western parts of Hedmark.

The picture here shows some of the trends for the development of Tretorget from 2001 til now. Let me point out:

- From helping inventors and organizing product development to establishing networks and projects for going businesses
- From commercial company (royalties ..) to cooperative producer (“non-profit” project house)
- From having our own business incubator to mediating assistance to entrepreneurs and focusing on processes that bring up new business ideas
- From a physical meeting place (a building, a house) to becoming a node for networks who are facilitating meetings between peoples and businesses

- Form a local player with local ownership to a project house for the county of Hedmark with a partnership agreement with county authorities and with all the big companies as shareholders
- From focusing on building product suppliers (push) to the downstream wood house manufacturers and demanding customers (pull)
- From the experiment to the "experience and competence"
- From 0,2 million € in revenue in 2002 to 2,3 million € in 2009
- From being "omnivorous" (take all sorts of jobs) to having the possibility to choose a strategy

Why these changes?

1. Innovation policy ("fashion" – importing American models for innovation policy) have changed and so have the possibilities for funding
2. Framework is changing (the prohibition of differentiated employers' tax, firms merging..)
3. More businesses have found "what`s in it for us" in Tretorget
4. By accident
5. Learning by doing (researchers who evaluate and guide us, network for clusterinitiatives..)

Let me briefly share some of our experiences along this road:

Wish list: (from a cluster analysis in 2002)

- Help to find the funding agencies
- Help for recruiting
- Informal trade meetings
- Help for start-ups
- Marketing services
- Seminars

We started to do this, but it did not work. To be honest – this list had the same quality as my 4 years old granddaughters list of dreams for Santa Clause for Christmas. Those who undertook the survey had forgotten to ask: What wants your businesses so much that you are willing to spend time and money on it? I can understand that my granddaughter to not ask for the willingness to pay, but we must do it.

We can not help someone who does not want help / get involved:

Obvious? The history of the first years for Tretorget shows that it is not so. Without corporate commitment - no cluster development. Ask our politicians and different public actors. They had for several years tried to establish something like Tretorget, but with no success. No wonder since they had not been in a dialog with the businesses.

Anchoring of measures:

The model is taken from our good colleagues in the cluster The Paper Province in Karlstad, Sweden. It tells that it is important to choose the right idea to work with and that it is businesses - not the public actors – that is the first source for ideas.

Critical mass of activities and people

Cluster development is not a solo performance. I believe that many initiatives on cluster development is too small and lasts too short. The results – or more precise: the lack of such results - reflects this.

Context:

Imitate, but find "your way". What is right for each cluster, network, agglomeration depends on many factors. Some factors such as "hairy" target, firm commitment, enthusiasts, and sufficient resources are general, but the actions and sequence of these I will say that depending on local conditions. Don not try to copy – stick to imitateting.

Competence is needed:

In relation to new businesses we often ask for "competent capital" – money linked with knowledge. We felt that through the ARENA program we gained access to money for cluster development, but we felt that we got few advices for how to do things. The solution for me was to get more education. In 2005-2006 I studied part-time for a master of innovation at the University of Karlstad in Sweden. Where, among a lot of other knowledge, I learned to know the model of different knowledge bases who has been established by professor Aasheim and his colleges at Lund University. A model which has been essential for understanding our situation at Tretorget. A model I will recommend you to study and get inspiration from.

On the basis of theories about idea-management the activities in Tretorget can be described as will be shown in this picture. We group our task in:

- Idea driving measures (For example organizing projects where new groups of people meet)
- Idea supportive measures (For example to refer to other actors business incubators. Our period with our own business incubator was long enough to learn that managing such a business is a own profession).
- To mute the inhibitory elements (For example to arrange training to increase competence in the companies out there)

We do this with two perspectives:

- Measures to increase "local buzz" (For example organizing projects and meeting places)
- Measures to provide more "global pipelines" (For example guest speakers and study trips – generally activities to avoid "lock-in".)

It shall be possible to put all activities organized by Tretorget into this grid.

Tretorget is still 100% funded by projects. We are living without basic funding from the government or the businesses we are working for. We think it more or less will remain this way. It can be tiring, but it forces us all the time to focus on just delivering what the businesses request. We feel that we manage this better day by day, and we see that the amount of projects that are directly funded by companies and with little or no public funding is increasing. We are considering to expand the geographical area for our work and we are also involved in other industries than those who are forest based. We are also considering to create a membership organization to finance public tasks which the industries want us to take care of. These are all steps on our way further - a life with reduced public funding – but not a life entirely without governmental funding.

As it was explained earlier today: Clustering is not a project – it is a process. Tretorget will be in the clustering business as long as we help businesses to reach their goals more efficient than they could without us.

Thank you for your attention.