

Innovation works best without researchers

- Global innovation experts think aloud about Norway's innovation capacity
- Norway's innovation focus is too narrow and too conservative
- It is in companies and not in universities that innovation happens
- Cluster policies and public innovation measures create few new businesses
- Food, tourism, research engines and architecture could be Norway's new growth areas.

Business in change

Icelandic cure can lift Norwegian innovation

International innovation experts point to research engines, architecture, satellite communication and fashion as potential future Norwegian growth areas. They think Norway and Norwegian businesses need to market themselves more aggressively, and they want to separate innovation and research policies.

Iceland called in a team of international innovation experts when the financial crisis set in and hit the country. This meant that Iceland had their eyes opened for possibilities that had been overlooked, businesses whose growth potential they had not seen, and marketing opportunities they had not thought about before (see text box page 9 and MandagMorgen no. 14, 2010). What would happen if Norway were to do a similar exercise? Mandag Morgen has challenged the team behind the

Icelandic innovation boost to think loud about Norway, innovation and growth engines.

The innovation experts are linked together through an international network called KIN, the Kellogg Innovation Network. They think Norway has good conditions for being successful in global competition. Even if you get away from the oil industry there are many other industries to pull the lever. But this requires that Norway do a number of things differently. The experts' input, based on many years of international work with innovation and globalization, and for several of them, good knowledge about the Norwegian condition, can be summarized into four bullets:

Tougher marketing: Innovation is half the job – marketing it is the other part. Successes have to be visible, Norway needs to stick out more and Norway as a nation should try to build a stronger brand which can support businesses as they compete internationally. Norway needs more friends, who know what Norway stands for, what we like and value.

More value-added: Norwegian businesses should find out what they are really good at, and build upon this insight to move up in the value chain and deliver products and services with higher added value. At the same time, Norwegian businesses should constantly try to develop new business models where established industry models and views are challenged.

New businesses: Norway should be open to the fact that it is not necessarily the known and established growth industry areas, which are the future. The experts see great potential in niche areas like research engines, fashion, satellite communication and architecture.

Real research: Research is important, but it is necessary to underline that business and not universities and research institutions, have to play the leading role in innovation. Businesses have to be better at linking their research agendas to their growth strategies. Ad hoc research seldom gives good results.

This requires courage

Even though Norway is far away from a crisis and or Iceland's situation, the discussion about what should we live of when the oil is finished, the ageing of society and the costs that this will incur, is still relevant. In various international surveys Norway, is a long from achieving its national goal of being among the world's most innovative countries. Many people are asking whether Norway is sufficiently innovative and how well business will survive when the oil and money from the North Sea dries out.

Jørn Bang Andersen, originally from Denmark, but having lived in Norway for the last three years, points out that radical innovation tends to flourish when the pressure comes on. For this reason the challenge of radical innovation is greater for countries that have not been severely impacted by the global financial crisis, than for those that have suffered severe setbacks.

- Radical innovation and new business models require much more courage to introduce when things are working well and successfully and when not in a crisis mode. There are countless examples of large established companies who stuck to what they were good at only to be surpassed, says Jørn Bang Andersen who has worked with innovation for 20 years, among other things as advisor to Nordic and Baltic governments. He thinks the question Norway and Norwegian businesses have to ask themselves, is whether they fulfill their potential? As an example he mentions the tourism industry.

- Norway which has the world's most beautiful fjords and natural scenery is also the world's most expensive country, but does it have the world's best service level and infrastructure to match? He thinks there is something to look at here. Marketing is another area where Norway is fairly much behind. And why are there only five Michelin stars in Oslo, whilst Copenhagen has 12? The tourism industry have to ask such questions, look at the conditions in a larger context and figure out how to make a better total package out of what is offered.

Businesses at the core

In Norway and many other countries universities and research institutions are often regarded as the engine for innovation. The Kellogg Network thinks new thinking is required and wants to separate innovation from research policy. The argument goes, that Innovation is first and foremost about value creation in the market place, where the customer is. You can innovate on product, customer experience, processes, organization, distribution channels or positioning in the market. Research plays a role too, but it is usually not the decisive factor for innovation.

To base a policy on making the universities innovation incubators is a wrong way of approaching innovation. This is not where the majority of new businesses come from, nor will it be in the future, and such a strategy happens at the cost of basic research which the universities should prioritize, Jørn Bang Andersen says.

Patrick Crehan, director of the Belgian consulting company Crehan, Kusano & Associates, points out that Iceland had to abandon public support for business development. This was simply because in the current circumstances, there was no money for it. He thinks a similar starting point could be useful to most other countries.

- Most innovation reports boil down to suggestions that the public should spend more money, especially on research. Twenty years ago, this would have been on ICT and the Internet, now it would also be on life sciences, Cleantech and renewable energies. All this is important. But for Iceland there was no alternative, the kitty was simply empty.

- As such the avenue was open for new approaches and new businesses. While you those working on innovation tend to talk about clusters and national innovation systems, in Iceland it was necessary to go down to the level of individual businesses.

The greatest weakness with an approach which puts national innovation systems at the centre is that you get a bias towards the role of the public sector for innovation.

You start with the universities and then you go to the businesses and encourage them to talk to the researchers. “In my opinion, innovation is business, and businesses are the main actors. This is where we have to start, and that’s what we did in Iceland”, Crehan says.

The Kellogg team emphasizes that this does not imply that research is not important for business. But research has to be managed by businesses. They should use research deliberately, and their efforts must be focused and anchored to their overall strategy.

- About a year ago I read a report from a larger Norwegian company, where the CEO or president wrote “whether we like or not, we must invest in research”. This is actually a quite alarming statement. What is said in this way, tells me, that this company probably has a culture, which doesn’t value research. I guess that research within this company is an area floating around with no guidance. They invest a fixed sum, but they are not sure why. Everybody else does it, so they do too, says Crehan.

- Crehan says that support for cooperation with local research institutions and universities, in line with the thinking behind clusters and national innovation systems, is of importance. But it is not always the case that home-grown solutions are best. A national innovation system can easily become too narrow.

- In Iceland they have a really good health care system, but no higher education in medicine. The country is too small for that. That’s why they send their young people abroad, and the result is that they have top educated experts from Harvard and the best educational institutions from around the world. As such they probably have a workforce in medicine which have better contacts and are more qualified than would have been the case if Iceland were to educate its own.

Networks outside a nation’s borders are by and large a central message of the Kellogg experts’ recommendations. Simon Jones, former director at MIT’s Media Lab in Dublin and advisor to among other things, Singapore’s government, emphasizes that good international connections at all levels are crucial.

- Norway is not the USA, which has several hundred million inhabitants. You have to do things in partnership, link yourself up with international innovation networks. This also means that you need to have something to offer, otherwise nobody will want to cooperate with you, and you need to be able to both receive and utilize innovations, he says.

Have to be better known

The innovation experts underline that marketing is an important and often overlooked part of the innovation process. Innovation has to both address a need and be market oriented and it has to be known.

- Basically you can say that when a business secures a customer, it is about marketing. What it does to keep that customer is innovation. In both respects we have a lot to learn from the American attitude. They have a far more aggressive branding and marketing approach, says Jørn Bang Andersen.

- The branding guru Simon Anholt, the founder of the concept of 'nation branding' once said that the Europeans ought to be 15% more American. Bang Andersen supports this view. He thinks it tells something about Norway that the biggest companies choose not to use their Norwegian heritage in their marketing.

- In Sweden the companies use the nation as part of their brand. In Norway they feel the national brand is not a special asset or a help – they have their own brand which they think is stronger.

Belgian Patrick Crehan gives the following portrait of Norway as seen from Central Europe.

- My general impression of Norway, and this is my gut feeling, is that it is a well managed oil nation which does a lot of things well. But outside its borders there are few who know you. Norwegian food, Norwegian products? Everybody has stories about China, India, the USA, France, Great Britain, Ireland even about Finland. If France were to disappear overnight, it would cause a panic. Where would the champagne and the tasty cheeses come from? But who would care about Norway?

- When the crisis hit Iceland, the online gaming company CCP, which is a world leader within the sector, received a flood of emails from its 300,000 people customer group. They were worried about the Icelandic people.

- CCP had managed to develop relationships with customers that gives them 'friends' all over the world. This is of great value to the country, and makes it more attractive to foreign investors, that is to have people in other parts of the world who care about you and are willing to stand up for you. So the question is: Where does Norway stand? Is Norway just a slightly more friendly version of Saudi-Arabia? Crehan asks.

New businesses

The innovation network would not select Norway's future growth industries, but they have thoughts about what could be worthwhile taking a closer at.

- When the talk is about innovation, one often thinks about Silicon Valley and high-tech up-start companies. But that is not what it is about. It is about covering a need that people have every day, make them better, about foreseeing what people want in the future, Simon Jones says. He points out that Norway is associated with environmentally friendliness and sustainability among other things linked with food, fashion, life style products and architecture. Here there are growth potentials, he thinks.

- In addition, you have strong competences in engineering. You have experience in building large and complicated structures under tough conditions in the North Sea, and these are experiences you can take with you and use in other fields.

Jørn Bang Andersen points to the possibilities that are within satellite communication and at Kongsberg Satellite Service with SvalSat at Svalbard as a central earth

station for all of the world's satellite communications. The unique competence acquired might be applicable in other commercial service areas. It might be relevant for international insurance companies which have increasing need for speedy information in relation to natural disasters and flooding. He also mentions that Norway has a leading eco-environment for the development of search engines and video conference equipment.

Patrick Crehan points to diverse industries such as hotel management, alternative energy, solar energy and the company REC, but also to the oil sector. All are sectors where Norway has a strong position, he says. But he would have been pleased to see Norwegian companies stick their necks out more.

- During the crisis in the Mexican Gulf I was sitting waiting for a Norwegian company to pop up and tell the world 'we can fix this'. And I was a bit disappointed when there seemed to be no Norwegian Red Adair to take on the case. I don't know if well-closing is precisely what Norwegian oil companies are good at, but the point is that we did not hear about them. It is not good enough to do things well you also have to tell people about it. You have to better at telling how good you are. Perhaps part of the problem is that you are not ambitious enough, Crehan says.

The fact that Norwegian companies were present in the Gulf, and were actively helping in collecting the oil spill using some of the world's most advanced booms, highlights Crehan's point, unless he is the only foreigner who didn't learn about Norwegian efforts.

In Iceland sits Hallgrimur Jonasson, the manager of Rannis, Iceland's Research Council and he is working on the follow-up to the Kellogg network's input. About Norway and Norwegian innovation he has a lot of positive things to say. He emphasizes innovative measures within the fishery industry. And he envies Norway the policy measure called the Tax-Refund Measure. But he also has the impression that innovation is not evenly distributed across all industries.

- My impression is that you work hard with innovation at areas such as biotech and software, but I see less development projects within creative industries like design and music and within tourism. You are probably more traditional than for instance the Danes and the Fins, Hallgrimur Jonasson says.

Iceland back from the brink

The conditions in Iceland in the aftermath of the financial collapse meant that the team of innovation experts from Kellogg Innovation Network (KIN) had a fairly unusual task when they traveled to the Saga island. They had to work with the constraint that their recommendations should not cost the authorities or taxpayers anything. The Innovation experts should also not occupy their minds with incremental innovation measures. Radical innovation was required and their recommendations should have a high potential impact on business within the foreseeable future. In addition, it was a precondition that their recommendations should enhance the international brand value of Iceland – especially in view of the widely known repulsive behavior of the financial wizards'.

Unsurprisingly, the recommendations that came out of the process were very different from what the Icelanders had expected, and the five growth platforms they identified, were different from those that were expected. The innovation experts pointed out, among other things, online gaming as a business area with a huge potential. They proposed that Iceland should establish the world's first department of the bio-economy, to help transform traditional farms into laboratories for enzyme production and other knowledge intensive products. They suggested new approaches to geothermal energy, as well as for server parks, health and wellness tourism and the testing ground for hydrogen technology as a replacement for fossil fuels.

Kellogg Innovation Network has its origins at the acclaimed Kellogg School of Management. It is a gathering point for innovators from all over the world, and the network has innovation experts and representatives from academia, business and government.