



InnoUrba
Business and market implications

summary May 5th / Jere Klami

A market research on construction and architectural companies about the challenges and markets in Nordic countries was carried out in January – February 2009. Municipality of Umeå prepared the questionnaire for the research. In Oulu and Skanderborg the questionnaire was completed in Internet. In Umeå the municipality arranged face to face discussions with entrepreneurs.

The questionnaire included questions on the following themes:

- Which are the most important factors on committing to expanding markets to other Nordic countries
- What is the effect of different standards, quality requirements and local traditions on setting up business in other Nordic countries
- What is the effect of distance and transportation possibilities on setting up business in other Nordic countries
- How important are the local contacts for success
- What is the most decisive factor for being successful in investing in other Nordic countries
- What could a city/municipality do in order to encourage and facilitate establishing business in other Nordic countries

According to the answers, the most important factors on committing to expanding markets to other Nordic countries include cost level, competitiveness, market-based demand, familiar network and workforce availability. Also the company's own capacity, the capacity utilization rate and the possibilities to increase production volume are important. The market should not be too small, since it costs as much to build awareness on a small market as on a big one. Establishment phase with authority treatment and understanding of language is also very important. An already existing strong network of relevant partners is critical if a company wants to enter a new market. For architect companies a competition can be the way to get in to a new market.

The effect of different standards, quality requirements and local traditions is considered by some respondents to have no relevance, or the legislation has already been compared and matched. It is beneficial to have local partners who are familiar with the national standards and traditions. The Nordic countries have for most parts similar culture and business legislation and are familiar with a functioning payment system. It is decisive to have a good awareness of requirements for being able to deliver, so that no risks need to be taken. However, some answers indicate that some of the information is discovered only when the projects proceed, and sometimes there are big challenges. For example for multi-storey wooden buildings the legislation is clearly limiting. Public co-operation with institutions in the Nordic countries for conformity would be for a great benefit for the companies so that they would dare to establish new activities.

Distance and transportation were considered to influence the project launch, organisation and implementation costs and cause the need for flexibility in schedules. On the other hand they were considered by some to have no relevance. Some products have a relatively low added value and are sensitive to high transport costs. Connections were considered in some answers to be bad, especially in Northern Scandinavia. Cost levels in transport are essentially more expensive per km than in Europe in general. Prices are determined by fixed times and frequencies. For planning work it is important to be located close to the customer, and long distances can make the planning too expensive.

Local contacts and local awareness were considered very important or decisive in almost all the answers. Local contacts are always essential, also in the home country. One has to know the culture, local techniques and ways of working. Local authority and implementation contacts are also important. In big projects it is decisive to have local co-operator partners. Language can also be a problem, especially Finnish which is very different from other Nordic languages. Customers are happy to have 'international stars' but they want to have also local delivery and access to the company that is used.

According to the answers, the most decisive factors for being successful include economic profitability, right timing and resources, right price level (a good mix of product – price), variety of customers and projects, investor deals and good planning and implementation organisation as a whole, being visible on the market, cooperation between the local and own workforce, fast acceptance from the new market and a clear strategy from the company's side combined with sustainability. The basic factors in setting up business that were mentioned in the survey include basic financing, a thorough analysis before establishment, service reliability and persistency. Also a positive vision and support from the home country are considered beneficial.

Maybe the most interesting question in relation according to InnoUrba project results concerned the measurements a city or municipality could take in order to encourage and facilitate establishing business in other Nordic countries.

According to the answers, the municipality could be a door opener and act as an intermediary to the potential clientele; express the positive willingness that such an establishment is good. A city should recommend the other cities an actor with a good reputation amongst through colleagues. Municipalities that work for bringing out fine reference places/buildings help to make exporting easier for companies. It is important to get support from municipalities on the home ground.

Inviting companies from all Nordic countries for information on the city's possibilities and establishment possibilities for new companies, "selling the city", would be a good way to help exporting. A permanent conference/fair could be created for the purpose. Inviting foreign companies to participate in architectural competitions and to start a business in the city is a good practice.

Border cities and the big cities of the regions could increase their mutual communication by getting cooperators and creating ready networks. Publishing the contract topics also in the other Nordic countries and requiring Nordic cooperation in projects of adequate size (in the limits of EU and national legislation) would be a concrete step forward.