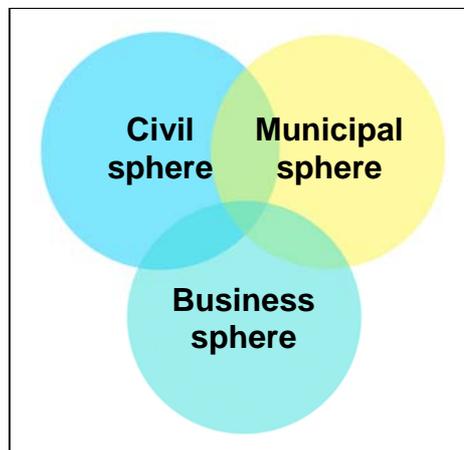


# Innovations in the Nordic Periphery



*Edited by Nils Aarsæther*



First published in 2004 by Nordregio.  
PO Box 1658, SE-111 86 Stockholm, Sweden  
Tel. +46 8 463 54 00, fax: +46 8 463 54 01  
e-mail: nordregio@nordregio.se  
website: www.nordregio.se

Innovations in the Nordic Periphery. Edited by Nils Aarsæther. Stockholm:  
Nordregio 2004 (Nordregio Report 2004:3)

ISSN 1403-2503  
ISBN 91-89332-42-3

### **Nordic co-operation**

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

### **The Nordic Council**

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

### **The Nordic Council of Ministers**

is a forum for co-operation between the Nordic governments. The Nordic Council of Ministers implements Nordic co-operation. The prime ministers have the overall responsibility. Its activities are co-ordinated by the Nordic ministers for co-operation, the Nordic Committee for co-operation and portfolio ministers. Founded in 1971.

Stockholm, Sweden  
2004

## **Preface**

This report is a comparative in depth-study of the innovative processes taking place at the local community level in the northern Nordic peripheries. Professor Nils Aarsæther from the University of Tromsø has coordinated the project team 'Institutions and Innovations' consisting of researchers from the University of Iceland (Reykjavik), the Research Centre on Local and Regional Development (Klaksvik, Faroe Islands), the Roskilde University Centre, the Swedish Agricultural University (Uppsala), Lapland University (Finland), Bodø University College and the University of Tromsø. The report explores innovative practices as well as the political contexts in which these practices thrive.

The project is part of the second phase of the Nordic research programme *Future Challenges and Institutional Preconditions for Regional Development Policy*. The programme was commissioned by the Nordic Council of Ministers / Nordic Senior Officials Committee for regional Policy (NERP). The pilot phase of the project was reported in 2000. The first phase of the programme (2000-2002) was reported through eight published studies in 2002. The reports from six separate projects in the second phase (2003-2004) of the programme will be published successively through the autumn of 2004 together with a summary of the programme.

Nordregio wishes to thank the project team as well as the members of the Programme Steering Committee: Bue Nielsen (Denmark), Janne Antikainen (Finland), Kristin Nakken (Norway), Nicklas Liss-Larsson (Sweden), Kjartan Kristiansen (Faroe Islands), Bjarne Lindström (Åland Islands) and Hallgeir Aalbu (Nordregio).

Stockholm, August 2004



## **Author's preface**

This report is a collective, Nordic endeavour in applied social research. A total of 14 researchers from Iceland, The Faroe Islands, Denmark, Norway, Sweden and Finland have collaborated to design and implement this study of innovations in Nordic municipalities. During the project period, the research team have conducted three workshops (in Roskilde, in Rovaniemi, and in Enontekiö) to standardize the research and to discuss and compare preliminary findings.

Politicians, administrators and innovators from 21 Nordic municipalities have reserved time for interviews and discussions. To them, we are most thankful. Without their help and willingness, such a study would have been impossible to accomplish. We hope that the dissemination of the results, in two planned user – researcher workshops autumn 2004, will give something back in the form of learning across municipal, national and professional borders.

At the Tromsø secretariat, Brynhild Granås competently replaced Jochen Peters, who administered the project in the first phase. Brynhild, together with Nils Aarsæther, and assisted by Thomas Hasvold and Mary Jones have had the challenging job of turning six individual chapter drafts into a common language format, while at the same time allowing for substantial variations in their contents. Maps have been prepared by Einar Hamnvik.

The material collected and the analyses provided have a richness that can only partially be presented in the attempt at synthesizing in the final chapter. The 62 stories of successful innovations and the conceptual approach of this study will no doubt generate more scientific elaboration in the future. And we hope that the collaboration in the research network and the researcher – user connection established will be useful to regional scientists, Nordic policy-makers and the practitioners in the municipalities.

Tromsø, August 2004



# Contents

<b>1. Innovations and Institutions in the North</b> .....	9
– <i>Nils Aarsæther and Lena Suopajärvi</i>	
<b>2. Institutions and Innovations</b> .....	37
– <i>Martha Mýri and Olga Biskopstø</i>	
<b>3. The Role of Municipalities in Innovation</b> .....	63
– <i>Unnur Dís Skaptadóttir and Gunnar Þór Jóhannesson</i>	
<b>4. Innovative Approaches and Global Constraints</b> .....	89
– <i>Asbjørn Røiseland and Brynhild Granås</i>	
<b>5. From Inland to Coast</b> .....	121
– <i>Cecilia Waldenström</i>	
<b>6. Creating the North by Innovations</b> .....	169
– <i>Seppo Aho, Tarja Saarelainen and Leena Suopajärvi</i>	
<b>7. Innovations in Ethnic Landscapes</b> .....	219
– <i>Torill Nyseth and Nils Aarsæther</i>	
<b>8. The Innovative Nordic Periphery</b> .....	247
– <i>Nils Aarsæther</i>	
<b>Contributors</b> .....	264



# Chapter 1

## Innovations and Institutions in the North

*Nils Aarsæther and Leena Suopajarvi*

### Introduction

The aim of this project is to study the relationship between the *municipal institution* and recent *innovations* in the Nordic periphery. The reasons for undertaking such a study are fairly obvious: nowadays, it has become the norm to highlight a region's innovative capacities as a crucial element in strategies for its development. In the Nordic periphery, local government has acquired a strong position in society, so there is a definite interest in studying the relation between innovative processes and the operation of the municipal institution.

A total of 21 Nordic municipalities have been studied in this project. In many respects, the area covered by the municipalities in this study may be characterized as part of the extreme periphery of Finland, Sweden, Norway, the Faroe Islands and Iceland, respectively. In this introductory chapter, we shall present and discuss the objectives of the research as well as its theoretical foundations and methods.

### *Innovation for survival*

Innovative capacities and their prerequisites are by no means evenly spread throughout nations and regions. In the resource-based communities of the Nordic periphery, where a lack of formal skills and problems of market access represent grave problems, one would expect to find a smaller number of innovative practices, compared to cities and regional centres. But despite their many handicaps, it is hard to imagine that places in the periphery could survive today without at least some space for innovative activity. In a situation where industrial restructuring and a reduction in the number of central government transfers have occurred, people, firms and institutions in the periphery now have to respond in increasingly innovative ways to the challenges of the post-industrial era. In order for places and municipalities in the periphery to survive, innovative practices<sup>1</sup> should thus be regarded as indispensable.

---

<sup>1</sup> See section 1.2 of this chapter for a definition of this term.

Sometimes the question is raised as to why people should inhabit places in the extreme periphery. One obvious answer is that some people choose to live there by their own accord, whilst others move to live elsewhere. Easy access to the natural environment and a favourable social atmosphere are the reasons often cited by inhabitants, as well as by young people.<sup>2</sup> In addition, the localities in the peripheral regions are linked to the utilization of valuable natural resources; however, this increasingly takes the form of landscapes for tourist consumption.

Innovative activities always relate to social and political institutions of some kind. Over the past decade or so, the municipality has become a dominant institution in the Nordic periphery. This is due both to the geographical extension of welfare state services provided at local government level and to the municipality's growth in relative importance, in a situation where setbacks in the traditional manufacturing industries have occurred. Furthermore, the municipality of today is more than an umbrella institution covering a series of targeted welfare services, and it is certainly not just a bureaucratic structure introduced into a rural and sparsely populated area. Although its average size and the type of mandate it is granted by national government and legislation may vary, the Nordic type of municipality is an institution that assumes a broad responsibility for the well-being of the people in its area, with the securing of local employment opportunities as an ever-present task on its agenda.<sup>3</sup>

However, the municipality is not the sole provider of solutions to local problems. Employment and welfare state development in the periphery may, in principle, be secured by central government agencies (including EU policies) and by the relocation of central government agencies. In some instances, an expansion of decentralized central government services has compensated, to a certain extent, for a loss of jobs in manufacturing industries.<sup>4</sup> This is not the case in the regions we have studied, however. There are central government agencies, as well as EU-based programmes and programmes administered at a regional level, that may sometimes bypass the municipality in order to assist new private enterprises and people engaged in local problem-solving effectively. Nevertheless, it is very hard to imagine the majority of local innovative activities operating without at least some reference to the municipal institution. The present study is, to a certain extent, built on the results of

---

<sup>2</sup> Bjørndal & Aarsæther 2000.

<sup>3</sup> Cf. Lidström 1996:18.

<sup>4</sup> The former steel works dominated municipality Mo i Rana (Norway) is an example of this, cf. Hansen & Selstad 1999:162.

the Nordregio project, 'Social Capital and Coping Strategies in the Nordic peripheries', reported in Bærenholdt 2002.<sup>5</sup> This project's point of departure was to study processes of local development in Finland, Sweden, the Faroe Islands, Iceland and Greenland (Norway was not included). One of the findings of this project was that *the role of the municipality was important in the majority of the development projects studied* (ibid: 49).

This leads us to four research questions:

- To what extent can we find innovative activities in the extreme Nordic periphery? How are innovations distributed in kind and among the municipalities covered by this study?
- To what extent is the municipality a productive actor in stimulating and managing innovative activities within its territorial boundaries?
- What are the conditions for innovative activities to intersect with the practices of the municipality, in such a way that positive local development – measured, for example, by population stability or growth – results from this interactive process?
- What can different levels of government – local, regional and central – learn from studies of initiating and implementing innovations? What forms of policy may be conducive to stimulating innovative activities in the periphery?

To answer these questions we first need a conceptual clarification of what is meant by 'innovation' and how to deal with the municipality, both as an area and as an institution. We shall then discuss what conditions and factors are conducive to a successful integration of municipal and innovative actions, and how knowledge produced that relates to this subject may be disseminated and used by policy-makers.

An empirical research design will be developed for conducting the study. Here we have chosen a case-study approach, with a large number of cases. A survey technique can hardly satisfy validity requirements when studying processes. In this project, we approach the empirical field in an open-minded, 'bottom-up' way, by starting with a tentative mapping of innovations, in a broad sense, regarding municipalities in the first instance as the *area* delimited by geographical boundaries. This

---

<sup>5</sup> Bærenholdt, Jørgen Ole: Coping Strategies and Regional Policies – Social Capital in the Nordic Peripheries (Nordregio Report 2002:4)

broad approach means that we may, in principle, find some local level innovations bearing only a slight, or even no, relation to the municipal *institution*. And we may have municipal *areas* in which very few, if any, innovations are to be found.

Building on this insight, the present study should be of considerable interest, not only to social scientists, but also to practitioners, because the municipal institution may be regarded as a useful instrument of policy development. It has proved effective in extending the Nordic welfare state to rural and peripheral areas in the North. The present study should stimulate a discussion concerning the municipalities' potential to function additionally as an instrument in a regional policy to stimulate innovative practices. In this respect, the present study may have much of value to contribute to regional policy-making in the Nordic countries when it comes to the question of how to deal with the problems of the extreme periphery in the North.

### ***Interdisciplinary approach***

In the present study, we want to examine in greater depth the *processes* involving the local government system itself, in order to study the relation between a municipal institution and local innovation. Innovation studies and local government studies are often thought of as two separate veins of knowledge production. Innovation studies are often undertaken by economists and by geographers, while studies of local government have traditionally been the domain of political scientists. Since regional policies have become a field of scientific inquiry, researchers from different disciplinary backgrounds have had to co-operate, because regional policies have transcended the classical public sector approach, and have also rendered too narrow classical economic theories. Knowledge pertaining to an understanding of the cultural and spatial terrain, policy instruments and institutional dynamics, and commercial actors has to be integrated, in order to produce studies that can capture the very complex processes of understanding and managing regional and local development.

There seems, however, to be another shift in the organization of knowledge production: regional policies have changed, from a paradigm of regional distribution and equalization measures to a paradigm of stimulating innovations, by focusing on technology, knowledge centres and economic growth (NordREFO 1994:3). Again, we may observe a split, this time in the production of knowledge, to the extent that local government is thought of solely as a public service provider, as in the New Public Management usage. On the other hand, innovations are often thought of as something that is driven by technological developments,

which must therefore be understood to be linked to the leading scientific institutions in metropolitan and regional centres. In the knowledge-based information society, professionals in the science and technology sectors occupy a key position. The OECD Committee for Scientific and Technological Policy stresses the importance of the mobility of science and technology workers between public and private sectors in terms of economic development.<sup>6</sup> As a complementary approach to this perspective, the present study is an attempt to re-link studies of innovations with studies of local government and locality development. Hence, the present study is of an explicitly cross-disciplinary nature.

We have stated the need for a clarification of central concepts that we shall use in the analysis. Firstly, we shall present a broad concept of innovation; secondly, we shall discuss how to analyse the municipal institution's involvement in the process of innovation.

### **A broad concept of 'innovation'**

Traditionally, the concept of innovation has referred to new technical ideas and new marketable products. Nowadays, however, the concept has been widened and also refers to process innovations in production, supply and service, and learning new ways of organizing work in companies. Furthermore, the concept is no longer applied in the private sector alone, as new modes of action are also demanded in the public sector.<sup>7</sup> In network analysis it has been recognized that innovations are not just the result of scientific and technological advances; even technological innovations may be regarded as social constructs. The development of innovative knowledge production is the result of science and technology development, economic development, social changes and institutional factors, as well as mental frameworks.<sup>8</sup>

To conceptualize this broad terrain of innovative activities, we have chosen a classical *institutional* approach of viewing society as made up of distinct spheres or activity fields, each of them following their own 'logic' or rationality:

- *The business sphere*, where market processes prevail.
- *The public sphere*, with democratic and bureaucratic governance.
- *The civil society sphere*, in which cultural activities and the formation of opinions, values and meanings take place in open

---

<sup>6</sup> OECD 1999:5.

<sup>7</sup> Hautamäki 1998:89.

<sup>8</sup> Gilbert et al. 2001:2,3.

daily-life discourses, including the field of voluntary organizations.

In our concept of innovations, these may occur within each of these spheres, not only in business, and not only in public sector set-ups, but also outside the formalities of market and public services, in what is called 'the civil society'. Most people are by now used to thinking of innovations in both business and public service sectors as something rather obvious, but when the civil society is brought into a discussion of innovations, it is most likely to be conceived of as a social environment, in which innovations are implemented. Often, the civil society will be thought of as the recipient of various business and public sector innovations. It may respond to innovations in the business and public sector, but it is not conceived of as a potentially innovative field or as an actor in its own right. In this study, however, this is exactly what we want to highlight: what we perceive as the civil society's potential to create new practices. In principle we shall treat the three fields equally in respect of their potential to produce innovations in a specific local context.

A typical 'civil society innovation' may be the result of people coming together to discuss the creation of a new summer event for the municipality – to highlight, for example, an aspect of the region's historical heritage. Now, such a civil society initiative may get linked to the municipality's cultural policies and be supported by public funding. In the implementation process, it may engage local businesses in providing logistics and selling the event as a tourist magnet for commercial purposes. Thus, it will sometimes be hard to distinguish between real business, public or civil innovations. So even if we find distinct business, public sector and civil society innovations, we shall also find instances of innovations that combine elements from two or three of these fields (see Fig. 1.1). In some cases it may be difficult to categorize an innovation as belonging to just one of the types mentioned.

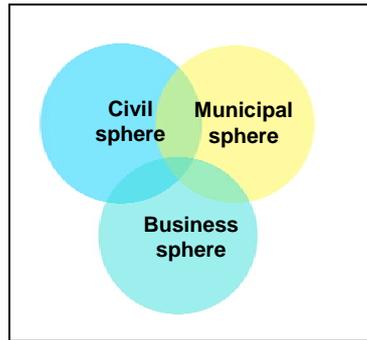


Figure 1.1

Nevertheless, the innovations we are looking for are, as far as possible, selected to represent (at least at their point of departure) three theoretically distinct, but also potentially overlapping social fields:

- Innovations in the business field, where we have the ‘traditional’ innovation discourse.
- Innovations in the public sphere, within public service sectors or as a result of democratic participation.
- Innovations in the civil society, beyond the formal scope of both politics and the market.

Social/cultural, public sector and business innovations have been elaborated separately in the research plan, but of course one important task in the study is to look for elements of all three fields in the analysis of the selected innovations. In the everyday life of people living in small places these three fields are interlinked. It is also important to observe that the three fields will always have extensions that stretch far beyond the municipal borders. Local innovations are not ‘local’, but invariably have aspects of a multi-local or trans-local form.<sup>9</sup> One way of analysing overlapping and extended activities of this kind is to acknowledge that a new idea is at the core of the innovation, but its successful exploitation demands *networking*. In Gilbert et al. (2001,1.2.), innovation networks are defined as ‘...*evolving from the dynamic and contingent linkage of heterogeneous units, each possessing different bundles of knowledge and skill*’. Hence, in order to put an innovative idea into practice, a network is

---

<sup>9</sup> Neil & Tykkuläinen 1998:6.

needed to overcome institutional or traditional limits, and to combine the efforts of actors from different societal fields.<sup>10</sup> Thus, our approach to innovations will be the following:

By innovation we understand the process of bringing *new* solutions to *local* problems, as responses to the challenges presented by the transformation of an increasingly *globalising* and *knowledge-based* economy. Innovations are new *practices* creating better conditions for living, employment and economic activity in the localities.

Most often, innovations are not only the result of actions by local inhabitants: they materialize in networks in which local and non-local actors and institutions are brought into relations with one another, often across sector boundaries as well. Our criterion for including an innovation is that it makes a difference locally, i.e. that it enhances the welfare of at least some of the people living in the locality (in addition to those people close to the person(s) responsible for the innovation). We are looking for more than future plans and projects in the making. To merit our attention, the innovations we wish to select for analysis must have materialized and had a positive effect at a local or municipal level. In all cases, we shall make an assessment of the societal effects of the innovations, since we know that many of them are established on a project basis, and are terminated when the project funding ceases. By our definition, an innovation is something other, something more than a project, since an innovation is expected to produce a result, more or less tangible or more or less direct, of benefit to the people living in the municipality. Nevertheless, the effect of participating in a process may also be perceived as beneficial (learning, building networks, social capital) and will, in this respect, be regarded as tangible, in the same way as other aspects of the innovation.

The types of innovations may differ between new commercial products, income sources, learning practices, marketing networks and events that contribute to identity construction, or most likely a combination of some or all of these.

### ***Transformative innovations?***

Innovations will vary in their radical or 'transformative' character. An innovation will qualify as *transformative* if it is a process/practice that contributes significantly to the creation of new ways of sustaining livelihood in Nordic periphery localities. In such cases, innovations 'produce new places' for local people in an *increasingly knowledge-based* economy, which means that the innovations contribute to the

---

<sup>10</sup> Cf. Aarsaether & Baerenholdt 2001: 25.

creation of a post-industrial or post-Fordist local setting. Thus, transformative innovations involve the emergence and productive use of new connections, networks, meeting places, etc. Not all innovations are transformative, however – some may achieve success by applying new technology to produce or market well-known products. Also, innovations, as we define them, need not be genuinely new: It is the ‘new here’ or new application of a known process, creatively, in a local setting, that matters. Establishing a chain outlet in fast food is not an innovation in itself, but the marketing of local niche products within a chain store might qualify as such.

Some examples of innovations that we consider to have a transforming potential:

- Cultural economy innovations: new forms of tourism (including festivals, markets, heritage and history projects, etc.)<sup>11</sup>
- ‘Soft’, social, welfare facilities (for locals, but also for visitors)
- High quality niche/unique products (foods, crafts, etc.)
- ICT-based productions and connections (including image projects and distance booking offices)
- Technology development and testing, using climatic conditions as an asset (car testing, etc.)
- Infrastructures and environments for business development (incubators, business parks, funding networks)

To get some idea of which innovations have been implemented in the municipalities selected for the study, we designed a research process in three stages:

- Firstly, a group interview was held with political and administrative leaders to draw up an inventory of innovations, on the basis of the suggestions from members of the group. This phase of the research produced more than 300 suggested innovations in the 21 municipalities (see table 1.1).
- Secondly, we selected one innovation – preferably one with transformative potential – within each of the three fields. In municipalities where it might be problematic to select a single innovation within, for example, the business field, we have

---

<sup>11</sup> Priority has been given to having at least one cultural economy innovation case in every municipality, if possible.

allowed for one additional innovation to be selected. A maximum of four innovations have thus been selected in each of the 21 municipalities, and these will make up the data material of a total of more than 70 innovations for closer scrutiny (see table 8.1).

- Thirdly, we have tried to analyse, by means of a ‘snowballing technique’,<sup>12</sup> the process – a combination of actors and relations – that may be linked to each selected innovation. In this process, the innovator’s contact with the municipality is explicitly studied (see Chapters 2-7).

In principle, we may be unable to come up with any examples, if there have been very few innovative activities in a specific municipality, or if there have been many plans and innovative projects, but none of them have been realized. By analysing as many as 21 different municipal environments, we expect by our approach to generate a sufficient number of cases that may be compared, with an aim of discerning patterns or underlying dynamics that may further our understanding of innovative activities in the Nordic periphery, and the role of the municipality in these processes.

In this way, the main thrust of this study has been devoted to ‘rolling up’ the selected innovative processes relating to the selected innovations in more detail. The informants approached have been the persons most frequently mentioned in the focus group interviews as being associated with each innovation. Some of these may be located outside the municipality’s borders, and thus we have approached them by telephone or e-mail for informal interviews. In this phase, the ‘how’ question has been the main focus, and critical phases in the innovation process have been identified as:

- Initiative – whose idea was this?
- Process (support, barriers, implementation, continuity)
- Networking aspects of the innovation – outreach
- The role of the municipality in the process
- Local effects – direct and indirect

The actors involved were asked explicitly to make an assessment of the role of the municipality in the innovation process, so that we could

---

<sup>12</sup> This technique involves asking an interviewee to recommend other people to talk to.

analyse the same process from both outside and inside the municipal organization.

### **The role of the municipality**

From earlier studies, also documented in several NordRefo/NordRegio publications,<sup>13</sup> we know that municipalities in the Nordic periphery have been active in supporting *industrial* development for a long time. Parallel with having a strong engagement in the development of modern welfare state arrangements within education, health services, etc., municipalities in the Nordic countries have, through a series of measures, been active in creating new employment opportunities for their citizens. In the phase of industrialization, the employment-creating strategies were spurred by the need to replace jobs lost within traditional agriculture, herding, forestry and fisheries with work in decentralized, often small-scale, manufacturing industries. Also, by lobbying for improved transportation facilities (roads, bridges, tunnels, airports), municipal leaders in the periphery have worked to facilitate commuting to the growing regional centres – a viable alternative for many who prefer to remain in the outlying villages and towns.

Today, the industrial strategy is no longer an option in the Nordic high-cost labour markets, and we have selected municipalities located beyond daily commuting range to the regional centres of the North.<sup>14</sup> This means that the municipalities are left with two welfare development options: either to persist in lobbying for compensatory measures for being ‘locked in’, or to develop strategies that try to exploit the new possibilities created in a globalized economy, e.g. by means of the transformation options presented in the preceding section of this chapter.

### ***Roles related to innovations***

Our primary focus is on the municipality in its capacity as ‘local developer’. This role may be performed in a variety of ways, as it is not a mandatory task for the municipal leadership. At any rate, the processes of local development within business and civil society are not at the core of a municipality’s formal responsibilities. Passivity in matters of development may, in theory, reflect a municipality minding its own business in the delivery of public services, e.g. in a local environment made up of a well-functioning commercial sector and a vibrant civic community. However, in the regions we are studying, much evidence

---

<sup>13</sup> Cf. NordREFO 1988, NordREFO 1988:2, NordREFO 1990:5.

<sup>14</sup> Depending, of course, on whether or not Kiruna and Torino/Haparanda are defined as regional centres.

may be presented to underline the importance of the municipal institution in enabling local development to take place in commercial and civil life.

In this study, we approach the municipalities by taking a bottom-up approach, which means that we start by tracing the role of the municipality in relation to an inventory of innovations in the municipal area, and we progress by discussing the selection of cases in interviews and in focus group sessions. From our interviews, we are thus also able to discuss the role(s) taken on by the municipality in dealing with innovations. Such roles (ranging from the least to the greatest involvement) may involve the municipality acting as follows:

- *Inaccessible* – no role, or a negligible relation: At least theoretically, and maybe often in large municipalities, there may be important market innovations and civil society innovations that do not involve the municipality at all. One example might be village-based innovations that obtain funding from regional, state or EU sources, bypassing the municipal level; or, the municipal level may be involved only in handling routine formalities, ratifications, etc.
- *Obstacle* – a negative responding role: The municipality may have been approached, but with no positive, or even with a negative response as a result. The innovation may nevertheless have been set in train with the help of other sources. Negative responses may be related to problematic personal relations in small settings, for example. However, a municipality may have good reasons for not supporting an innovative project, if high risks are involved, together with a need for funding from the municipal budget.
- *Audience or supporter* – a positive responding role, but without obligations. One might query whether a merely symbolic expression of support (the mayor's presence, etc.) qualifies alone as 'positive', or whether such support is really 'no role'.
- *Facilitator* – the municipality as 'door opener', 'financier' or 'midwife': The municipality is informed, or is asked to come up with support for an innovation, and responds by mobilizing parts of its organizational, economic or networking resources.
- *Partner* – actors from outside the municipal organization and representatives from the municipality come together to work out plans or strategies for a project that, in turn, is realized as

a local innovation. In such cases it may be hard to locate THE initiator.

- *Initiator* – innovations are initiated from within the municipal organization, by administrators and/or politicians, for example by partisan initiatives from field administrators' experiences, from idea-mobilizing planning sessions and the like. The problem with this role is that it may be related to just the first phase in a process, and we need another category to describe the municipality if it is also running the innovative process on its own.
- *Coordinator* – the municipality is in charge, initiating and implementing the process of innovation (mainly) by itself. This will be the normal role in public sector innovations.

There are three points that we have to make in presenting this role repertoire. Firstly, innovations are processes, and during an innovative 'run', the role of the municipality may change, perhaps starting as 'inaccessible' but developing into 'partner', etc. Secondly, we should be aware that the role of one municipality may vary in its handling of different cases. And thirdly, the municipality's co-ordinating role will be evident, by definition, in almost all public welfare innovations, while there will be much more variance in the role the municipality may adopt when dealing with business and civil society-type innovations.

Although the role of a municipality may change and demonstrate some inconsistency, we have also tried to elicit some general conceptions of each municipality's capacities in initiating or supporting innovations. We have done this partly by means of focus group interview sessions, where the respondents have been asked some broad questions about their perceptions of the municipality's capacities. We have also tried to map the policies and policy instruments of the municipality that are relevant in dealing with innovations. In this part of the research, the aim is to arrive at a characterization of the municipal organization's general attitude, and its capacities for dealing with innovative activities. In addition to the interviews, development ('strategic') plans and formal arrangements (e.g. funding arrangements, personnel allocated to development activities) have been registered. We have checked the relevance of this information in the follow-up studies of specific innovations.

By means of this research effort, we hope to be able to show how a municipality relates to, and co-operates with, local and outside actors, and how a democratic institution like that of a municipality handles the dynamic leadership challenges (entrepreneurial activities) that are typical

of innovative processes. We also hope to illustrate the results obtained by specific municipal arrangements, or by policies for stimulating local development. What we are *not* in position to do, in the present study, is to make an assessment of how the municipal organization itself and the democratic processes have been affected by the municipality's involvement in innovation processes.

Local level processes and paths of development are very much contingent on specific local settings, histories and events, but by looking into a relatively large number of cases – both innovations and municipalities – we hope to be able to identify some patterns and mechanisms operating across municipalities and across national borders. We shall return to this discussion in the last chapter, which will analyse the conditions for a successful integration of innovations and municipal activities.

### **Conditions for successful innovation/municipality integration**

As stated, we perceive the municipal institution as having developed a central position in peripheral areas; even though other institutions and organizations may have a role to play, we would expect the municipality to play a leading role in dealing with the problems caused by restructuring processes within businesses, as well as within welfare state sectors. Due to the problem created by the disciplinary division of labour within the social sciences, the role of the municipality may be almost invisible in studies of innovations and local-level economic restructuring.<sup>15</sup> The point of departure for our study, however, is the central role that Nordic municipalities may have in stimulating local-level innovations, and our central research question is:

*To what extent are today's municipalities effective institutions in creating new opportunities for people and firms in the Nordic periphery, in a post-industrial era?*

To answer this question, we need to specify a framework within which the municipal institution is placed. We are convinced that structural conditions (size, location, occupational and demographic structures), institutional conditions (e.g. the policy means available, central-local relations), and the specific local capacities (leadership, entrepreneurship, networking capacities) all influence the level of activity and the outcome of the activities. On the basis of this reasoning, a simple

---

<sup>15</sup> Cf. Neil & Tykkuläinen 1998.

model for studying the conditions for successful innovative practices may be set out as follows (Fig. 1.2):

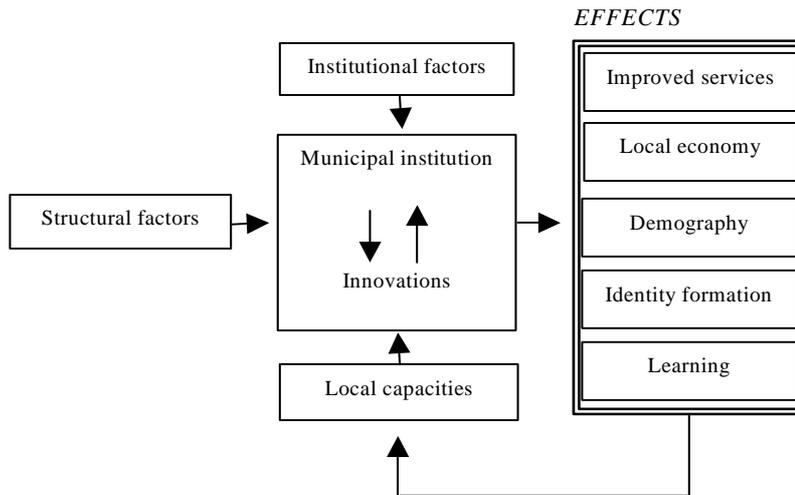


Figure 1.2

This model is drawn to illustrate the interplay between the municipal institution and local innovative practices, and how this is conditioned by structural, institutional and local capacity factors. In addition, the effects (and those affected) are on the right hand side, including both substantial improvements within employment and services, and the less tangible aspects, such as local identity formation and learning capacities. Finally, a backwards loop is sketched, implying that local learning from municipality/innovation practices may enhance local capacities and have a potential impact on institutional factors. To elaborate the reasoning underlying the model, we shall take a closer look at the factors and dynamics surrounding the innovative practices in the peripheral municipalities.

**Structural conditions**

The first question to be answered is, what are the *structural conditions* for a municipality to work proactively and take part in the processes of economic and social innovation? Municipalities serve areas with demographic and economic structures that may differ widely, relating to

the challenges of the post-industrial society. Today it may be harder for an industrialized municipality to cope with these challenges than a municipality based on small-scale businesses. The educational level of the workforce may vary, as well as the proportion of pensioners, children and people of employment age.

As for structural conditions, two factors are often mentioned as being decisive concerning a municipality's ability to offer a good environment for innovative activities: its size and its location. In the selection of municipalities for the present study, all are located in the periphery, and most of them are small in population terms (fewer than 5,000 people). Nevertheless, we expect to find innovative activities taking place in these areas. Firstly, because in small-scale settings, the advantages of cross-cutting borders between the commercial, public and civil fields are easier to exploit. In larger urban municipalities, we expect innovators to be more likely to operate in a specialized mode within one specific field, without having to take into consideration the potential gains of linking up with other fields and sectors. In smaller areas, however, there will be a constant intersection of business, public sector and informal, daily-life practices. The critical mass for specialization to be successful is scarcely likely to be reached, and the practitioner in each societal field will have to choose between operating with very few immediate colleagues within the specialist field, or relating to actors whose identity and competence lie in other fields. In itself, the latter mode of action will be conducive to innovative behaviour, because new ideas and practices normally occur when it is perceived that elements from different fields may be combined for new purposes.

In this respect, furthermore, there may be more than one side to the question of long distances and a peripheral location. Without easy access to services and commodities, people in distant places will have to improvise when challenged with problems that need immediate solutions, when spare parts are difficult to get hold of, for instance. A competence in meeting and solving problems in a variety of ways is almost mandatory in firms as well as in public services in the peripheral municipalities.

Thus, smallness of size and a peripheral location do not necessarily preclude innovative practices in a municipality. These handicaps may lead to stagnation, of course, but in principle the cross-cutting between social fields and the self-reliance linked to a competence in improved problem-solving, typical of social life in these settings, are elements that lie at the core of the concept of innovation.

In discussing the specific and often contingent factors behind the success stories, one should consider two general factors that seem to underpin a development against the centralization tidal wave:

- Firstly, the availability of modern communication technology, rendering physical location somewhat irrelevant (in certain instances). ‘New economy’ innovations are typical of this trend.
- Secondly, the possibility of ‘re-inventing’ natural and cultural resources, in the form of tourism-oriented ‘landscaping’ and niche products for export. This entails the use of exclusive, place-bound assets and artefacts, thus attracting people and activities to a particular location.

### ***Institutional conditions***

We know that institutional conditions are important, and these vary in several ways, within the politico-administrative environment offered by each Nordic country, for example, even though we often speak of a ‘Nordic model’. Sweden and Finland adhere to EU-type regional policies, while Norway, Iceland and the Faroe Islands have other arrangements for regional development. The level of support offered by central government for local development purposes also varies between the Nordic countries. Some municipalities have developed their own policies concerning personnel and funding arrangements for local business development; others rely more on private initiatives and the possibility of linking private initiatives to funding arrangements at regional and central level (including the EU).

Hence, a task for the social scientist is to map the social space where actors and groups of actors are defined by their relative positions within this space.<sup>16</sup> This basic starting-point, the study of networks, i.e. relations and agents’ positions in the field, may be operationalized as an actor’s *political opportunity structure*. The concept of political opportunity structure<sup>17</sup> is a concept developed in the field of research into social movements.<sup>18</sup> Although the role of the centralized state-order is changing, it is not withering away. Hence, in comparative research, it is important to study the state, not as a homogeneous totality, but as a result of an interplay between several political arenas, including the global one.

---

<sup>16</sup> Bourdieu 1985:196.

<sup>17</sup>The concept ‘political’ refers not just to politics, but rather to the idea of policy making, which also includes social and cultural aspects in the coping strategies of the agent.

<sup>18</sup> Kriesi et al. 1995.

The role of the state is changing, but formal governmental institutions are still important from a local point of view. They provide access to a stable pool of resources, professional talent and linkage to a wider decision-making process. Everyday politics finds its way through the routinization of the practices, and hence informal procedures and prevailing strategies also have a role to play when considering a local actor's opportunities for successful policy-making.<sup>19</sup>

### ***Local capacities***

Municipalities have, to varying degrees, developed *capacities for action* due, for example, to political and administrative leadership cultures, learning potentials, networking capacities and turnover problems. Since at least some small localities seem to prosper, including a number that are beyond commuting distance to the regional centres, this means that some people prefer to live there, and they are by no means 'locked in' in today's mobile world. To understand this, a concept of identity may be applied at both an individual and a group level. At the individual level, this refers to an understanding of oneself as a member of a community that is part of something larger: ultimately, the global society. A subjective identity is, in this respect, not a static entity but a process of continuous choice and change.<sup>20</sup>

At the collective level, the construction of a group or a community is an achievement in itself – whatever the basis for the construction of a shared identity. A widely-shared idea is that collective identity is a relational concept: it refers to a group of people who have something in common with each other that significantly distinguishes them from the 'others'. Identity is a political concept, in the sense that it places individuals in a certain position in relation to the world around them. For example, by defining a northern locality as part of the periphery, we construct a paradigm of centre-periphery relations, in which the ideas of the centre rule and the locality is perceived as a powerless agent trying to adapt to the situation.

Identities are never constructed in a vacuum. Kriesi et al. (1995:xiv), in their study of social movements, point out that in every country there are traditional political conflicts, rooted in social and cultural cleavages. According to their research, there are four traditional cleavages that influence the formation of an actor's identity and position: the centre-periphery cleavage, the urban-rural cleavage, religious

---

<sup>19</sup> *ibid.* 26-35.

<sup>20</sup> Hall 1992:277.

cleavage and class cleavages.<sup>21</sup> *Their hypothesis is that traditional cleavages have to break down, before there can be room for the construction of new identities.* When we study specific localities, we would expect cleavages to form part of the local setting; however, instead of just highlighting them, we are interested in how they are handled in daily life and in developmental *practices that demand co-operation.* A shared identity is the result of communication, reciprocal relations and trust. In this sense, the concept of collective identity is connected to the idea of social capital, usually understood as networks, trust and norms of reciprocity.<sup>22</sup>

Social capital studies indicate that if the horizontal ties between the members of a community are strong and reciprocal, information spreads without barriers and people can trust each other. Robert Putnam has argued that social capital is a necessary condition for economic development (Putnam 1993:169). There are opinions for and against Putnam's argument,<sup>23</sup> which basically relates the concept of social capital to the economic sphere of life. Nevertheless, research on social capital will guide us to study the social construction of the locality in a broader sense. In this respect it is important to remember that the northern localities in question are quite small, and that *the role of the key actors* in innovation processes at a local level is crucial. Every member of the community brings also his/her personal cultural or human capital to the group, and people who have relations with decision-makers outside the community, for example, may be irreplaceable.<sup>24</sup>

The model presented here is not intended to provide a framework for testing specific hypotheses; rather, it is a way of structuring the arguments concerning relations between municipalities and innovation processes, studied by means of a case approach that takes into account the impulses from, and linkages to, outside factors. In this respect, the model bears a strong resemblance to Neil & Tykkuläinen's *multicausal theory on local economic development.*<sup>25</sup> Their approach differs from the one we have developed, due to the broad definition of innovations in the present study (not only in the economic sphere, in other words), and because of the focal role we have given to the municipality in studies of innovation at a local level.

---

<sup>21</sup> Kriesi et al. 1995:3-19.

<sup>22</sup> Putnam 1993, Warner 1999:373.

<sup>23</sup> Cf. Hjerpe 1998, Helliwell 1996.

<sup>24</sup> Aarsaether & Baerenholdt 2001:24.

<sup>25</sup> Neil & Tykkuläinen 1998:349 ff.

## Research design and the process of mapping innovations

### *Successes, not failures*

Methodically, we have focused on the (relative) successes, rather than describing ambitious projects that are at present in a planning phase (there are several of these) or innovative projects that have failed (there are several of these as well!). This means that we have refrained from trying to map all the innovative *projects* in the municipalities: we have concentrated on descriptions and analyses of a limited number of successful ones in each municipality. On the other hand, we have not selected outstandingly ‘innovative municipalities’ in our study; the approach we have chosen will, in principle, allow for a comparison of municipalities, as well as of innovative processes.

As to size, most of the selected municipalities are quite small, reflecting the span in average municipality size within the Nordic countries. Some of the Swedish ones are larger in terms of population numbers (Kiruna and Kalix), as is Finnish Tornio, while Røst (Norway) and Leirvikar (the Faroe Islands) have fewer than 1,000 inhabitants. Thus, we are able to discuss the effects of *municipal size* (structural), to the extent that we encounter differences in how municipalities relate to local innovations.

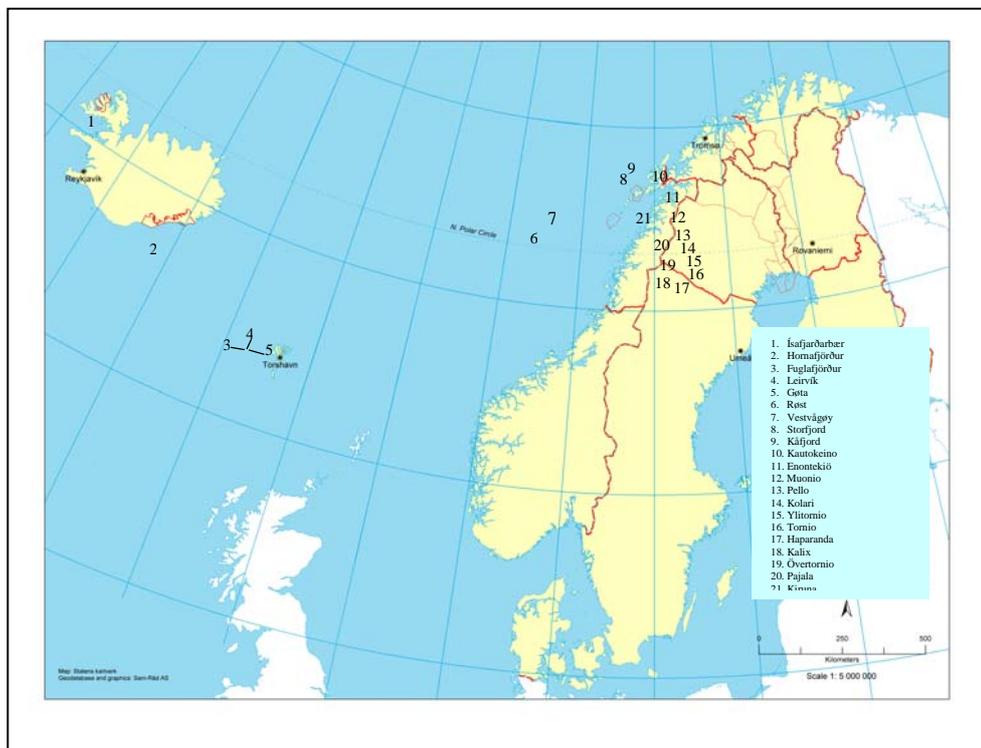
Underlying the selection of municipalities is the observation that in the Nordic periphery, the question of whether its context is coastal/fisheries related, or related to an agriculture-forestry/industrial environment, is of considerable relevance.<sup>26</sup> The latter context is to be found in the Tornedalen region (plus the municipality of Kalix in Sweden), whilst a coastal context is provided by the selected municipalities from the Lofoten region of Norway, and from Iceland and the Faroe Islands. The municipalities are thus grouped into ‘Eastern’ and ‘Western’ sections. The Eastern section comprises the thirteen municipalities covered by the Tornedalen regional co-operation, plus Kalix in Sweden. The Western section comprises fishery-related municipalities in the Norwegian Lofoten region, the Faroe Islands and Iceland.

---

<sup>26</sup> Cf. Bærenholdt 2002:34-35.

Table 1.1: Overview of Western and Eastern section municipalities included in the research project

<b>Western section</b> <b>Coastal/fisheries contexts</b> <b>7 municipalities</b>		
<b>Iceland</b> Ísafjarðarbær Hornafjörður	<b>The Faroe Islands</b> Fuglafjarðar Leirvíkar Gøta	<b>Norway (west)</b> Røst Vestvågøy
<b>Eastern section</b> <b>Agriculture forestry/manufacturing industry contexts</b> <b>14 municipalities</b>		
<b>Sweden</b> Kiruna Pajala Övertorneå Haparanda Kalix (not Tornedalsråd member)	<b>Finland</b> Enontekiö Muonio Kolari Pello Ylitornio Tornio	<b>Norway (east)</b> Storfjord Kåfjord Kautokeino



The Nordic countries, showing municipalities included in the research project.

The research has been carried out by six sub-teams. A total of fifteen researchers, from six Nordic countries, have been involved in the project (see Table 1.2).

*Table 1.2: Researchers involved, their institutions and the research teams*

<p><b><i>Finnish team</i></b> Leena Suopajarvi, Tarja Saarelainen and Seppo Aho, University of Lapland</p>	<p><b><i>Swedish team</i></b> Cecilia Waldenstöm, Karin Beland Lindahl and Emil Sandström, Swedish University of Agricultural Sciences</p>
<p><b><i>Norwegian team (east)</i></b> Torill Nyseth and Nils Aarsæther, University of Tromsø</p>	<p><b><i>Icelandic team</i></b> Gunnar Thór Jóhannesson and Unnur Dís Skaptadóttir, University of Iceland</p>
<p><b><i>Faroese team</i></b> Martha Mýri and Olga Biskopstø, Center for Local and Regional Development</p>	<p><b><i>Norwegian team (west)</i></b> Asbjørn Røiseland, Bodø University College Brynhild Granås, University of Tromsø</p>

The timescale of the study is limited to projects initiated in the 1990s, and we have selected innovations that have materialized in such a way that they are still running, or were still having a positive effect at the time of the study (2003-2004). But since our focus is on innovations, rather than on firms, festivals, etc. in themselves, we shall analyse innovations taking place in units that may, in some instances, have been started a long time ago.

In order to collect data, a number of semi-structured interviews with focus groups and with individual key informants in each of the 21 municipalities were implemented during the summer and autumn of 2003. In the first round of interviews with focus groups, a total of 311 innovations were mapped (see Table 1.3 below).

Table 1.3: Mapping innovations in 21 Nordic municipalities. Data from group interviews.

		Municipality	Popul. 2004	Pop. change 1995-2000	Areal km <sup>2</sup>	Business innovations	Public innovations	Civil innovations	Innovations total
Eastern region	Finland	<b>Tornio</b>	22155	-2,33 %	1227	6	4	3	13
		<b>Ylitornio</b>	5330	-8,19 %	2207	5	7	5	17
		<b>Kolari</b>	3911	-11,26 %	2618	5	5	6	16
		<b>Pello</b>	4625	-10,89 %	1866	6	4	4	14
		<b>Enontekiö</b>	2073	-11,11 %	8464	7	5	5	17
		<b>Muonio</b>	2460	-6,89 %	1820	7	4	2	13
	Sweden	<b>Kiruna</b>	23407	-5,85 %	19 447	7	10	3	20
		<b>Pajala</b>	7053	-7,87 %	7 866	8	8	2	18
		<b>Övertorneå</b>	5331	-7,60 %	2 374	8	14	2	24
		<b>Haparanda</b>	10341	-4,09 %	919	4	7	1	12
		<b>Kalix</b>	17702	-5,10 %	1 799	2	9	2	13
	Norway	<b>Storfjord</b>	1911	-3,46 %	1538	6	4	3	13
		<b>Kåfjord</b>	2340	-11,51 %	997	4	7	4	15
		<b>Kautokeino</b>	3007	-2,32 %	9704	5	8	1	14
		<b>Røst</b>	623	-3,90 %	11	4	3	4	11
<b>Vestvågøy</b>		10811	-0,38 %	421	4	4	3	11	
Western region	Iceland	<b>Ísafjarðarbær</b>	4153	-8,45 %	2416	8	8	1	17
		<b>Hornafjörður</b>	2332	-3,27	6317	8	6	1	15
	Faroese	<b>Leirvíkar</b>	884	11,07 %	11	3	3	4	10
		<b>Gøta</b>	1043	11,25 %	31	3	3	6	12
		<b>Fuglafjarðar</b>	1591	8,95 %	23	4	6	6	16
	<b>SUM</b>		<b>133083</b>			<b>114</b>	<b>129</b>	<b>68</b>	<b>311</b>

The project is based on case methodology, but includes a rather large number of cases, something that may facilitate an analysis of trends and structures in the data material. Some key figures relating to size and population development are presented in the table, together with the results of an inventory of innovations from the focus group interviews. The numbers in this section represent summarized suggestions from municipal leaders, who were asked to come up with examples of recent, successful innovations within the fields of business, the public sector and civil society.

As to population development in the selected municipalities, most of them have experienced a decline in numbers of inhabitants during the

period 1995-2000. In the following chapters, the differences between the municipalities within each region will be presented in more detail; updated population statistics (for the years 2003, 2004) show, in fact, that since 2000 there has been an overall tendency towards a stabilization in population numbers.

From the table, we can see that the number of suggested innovations does not differ very much between the municipalities. The 'best' one, in this respect, is Swedish Övertorneå, with 24 cases, while Faroese Leirvikar has the lowest score, with ten cases. We may also observe that the difference between the largest and the smallest municipalities is not very great with respect to suggested innovations. Kiruna (population 23,000) has twenty suggestions, while there are eleven in Røst (population 600). This does not mean that innovative activities are more commonplace in small municipal settings: it would be more correct to say that the scope of a 2-3 hour group interview probably does not allow for more than about twenty suggestions. In a place such as Kiruna, there must be a number of initiatives and innovations that we have not been able to register in the course of one group interview.

The main result of the mapping, however, is the total number of 311 innovations, and their fairly even distribution between the business, public and civil society sectors.

When asked about examples of innovations that have emerged during the last decade or so, i.e. innovations that have produced positive results, the local leaders have come up with an average of fifteen innovations in these periphery municipalities. We find this to be of great interest, as it shows that municipal officers and politicians are aware of what is going on in the business and civil society fields as well, and that they have no problem in dealing with the term 'innovation' in a broad sense. We may therefore conclude that in every municipality we have visited, municipal leaders have taken an active part in discussions concerning the most successful innovations in their locality.

This result may not surprise people who are acquainted with the practices of municipal leaders in the Nordic periphery. Most people in the Nordic countries live far away from the regions we have studied, however, and there are certainly myths and conceptions of the North that describe the northern population as being dependent on traditional ways of living, in addition to receiving central government subsidies. Hence, the scope of the innovative activities reported implies a strong refutation of conceptions of the northern periphery as backward-looking and passive. We may safely conclude that even outside the urban regions of the North, innovative activities are awarded a great deal of attention.

The distribution between the three sectors is interesting – we have registered the largest number of innovations to have taken place in the public sector, closely followed by the business sector, whereas there have been fewer innovations outside the business and public sectors. In some of the municipalities, only one innovation was suggested within the civil society field. This may be explained by a traditional perception of the term ‘innovation’: that this has something to do with the business sector, and that it is not usual to speak of innovation in the civil society sphere.

The selection of innovations for a follow-up study in a snowballing mode produced 76 processes of innovation for closer scrutiny; in each municipality one innovation was selected within the business sector and one within the public sector, as well as one civil society innovation (see Table 8.1).<sup>27</sup> It would have been very difficult, and almost meaningless, to standardize an approach to the ‘snowballing’ phase of the research. The research teams have been careful to stop at the moment of data saturation, if the additional interview does not add more information, and have also set a limit in cases where there was literally no end to the networking connections.

In the following chapters (Chapters 2-7) the researchers engaged in the project will present studies of innovations in the respective regions covered, starting with the Western section (Iceland, the Faroe Islands, and the Lofoten region of Norway), and moving on to the Eastern section (the Swedish, Finnish and Norwegian *Tornedalsråd* members, plus Kalix in Sweden). Finally, in Chapter 8, we shall try to present an overall summary of the results, and we shall discuss the potential use of this study in terms of regional and local government policy development.

---

<sup>27</sup> The term ‘within’ is a little deceptive here, because in fact many innovations turn out to have mixed origins, and almost all of them involve partnerships, networking and effects that involve the business and public sectors, and civil society. In most cases, however, it is possible to identify a leaning towards one of the three societal sectors.

## References, Chapter 1

- Aarsaether Nils & Baerenholdt, Jørgen Ole (eds.). (2001). *The Reflexive North*. Nord 2001:10. Copenhagen: Nordic Council of Ministers.
- Bjørndal, Cato & Aarsæther, Nils. (2000). *Young Voices*. Paris: UNESCO.
- Baerenholdt, Jørgen Ole. (2002). *Coping Strategies and Regional Policies – Social Capital in the Nordic Peripheries*. Stockholm: NordREGIO R2002:4.
- Bourdieu, Pierre. (1985). *The Social Space and the Genesis of the Groups*. Social Science Information. London: SAGE, 241-258.
- Bourdieu, Pierre. (1998). *Järjen käytännöllisyys: toiminnan teorian lähtökohtia*. Vastapaino, Tampere.
- Coates, Kenneth. (1994). 'The Discovery of the North: Towards a Conceptual Framework for the Study of Northern/Remote Regions'. *The Northern Review* 12/13. 15-43.
- Cohen, Anthony P. (1985). *The Symbolic Construction of Community*. Chichester: Ellis Horwood.
- Gilbert, Nigel & Pyka, Anders & Arhweiler, Petra. (2001). 'Innovation Networks – A Simulation Approach.' *Journal of Artificial Societies and Social Simulation*. Vol. 4, no. 3. ([www.soc.surrey.ac.uk/JASSS/4/3/8.html](http://www.soc.surrey.ac.uk/JASSS/4/3/8.html))
- Hall, Stuart. (1992). *Kulttuurin ja politiikan murroksia*. Vastapaino, Tampere.
- Hansen, Jens Chr. & Selstad, Tor. (1999). *Regional omstilling – strukturbestemt eller styrbar?* Oslo: Universitetsforlaget.
- Hautamäki, Antti. (1998). 'Innovaatiot ja sosiaalinen pääoma'. In Kajanoja Jouko & Simpura Jussi (eds.). *Sosiaalinen pääoma*. Helsinki: Government Institute for Economic Research.
- Helliwell, John F. (1996). *Do Borders Matter for Social Capital? Economic Growth and Civic Culture in U.S. States and Canadian Provinces*. Working Paper. Cambridge: National Bureau of Economic Research, Inc.
- Hjerpe, Reino. (1998). *Social Capital and Economic Growth*. Helsinki: Government Institute of Economic Research.
- Kriesi, Hanspeter & Koopmans, Ruud & Duyvendak, Jan Willem & Giugni, Marco C. (1995). *New Social Movements in Western Europe. A Comparative Analysis*. Printed in USA: UCL Press.
- Lidström, Anders. (1996). *Kommunesystem i Europa*. Stockholm: Publica.

- 'Mobilising Human Resources for Innovation'. *Proceedings from the OECD Workshop on Science and Technology Labour Markets*. 1999. Paris: OECD Working Papers. Vol. VII, no 93.
- Neil, Cecily & Tykkuläinen, Markku. (1998). *Local Economic Development: A Geographical Comparison of Rural Restructuring*. Tokyo – New York – Paris: United Nations University Press.
- NordREFO (1994) *Staten og den regionale teknologipolitik*. Vol. 3.
- Pierre, Jon & Peters B. Guy. (2000). *Governance, Politics and the State*. New York: St Martin's Press.
- Putnam, Robert D. (1993). *Making Democracy Work. Civic Traditions in Modern Italy*. Princeton (N.J.): Princeton University Press.
- Rokkan, Stein & Urwin, Derek. (1983). *Economy, Territory, Identity. Politics of West European peripheries*. London: SAGE.
- Warner, Mildred. (1999). 'Social Capital Construction and the Role of the Local State'. *Rural Sociology*, vol. 64, no 3. 373-393.



## Chapter 2

### **Institutions and Innovations**

The case of three municipalities in the Faroe Islands

*Martha Mýri and Olga Biskopstø*

#### **Introduction**

The economic crisis in the early 1990s demonstrated the cost of being completely dependent on fisheries and the fishing industry. Unemployment increased to around 25% and the Faroese population experienced a decline of more than 10% (Apostle et al., 2002, p.14). The central administration soon realized that there was a need for a policy of innovations, to make it possible for a more varied business structure to emerge. The intensity and success of that policy may be questioned; however, this project does not focus on innovation policies at a central level, but at a municipal level. On the basis of qualitative data, the extent to which institutional factors stimulate or inhibit innovation at a local level will be discussed.

The focus here is not on business innovations alone, because innovations in other areas are important for the wellbeing and stability of a small peripheral society, and may also have a spill-over effect on the success and innovative nature of the business sector.

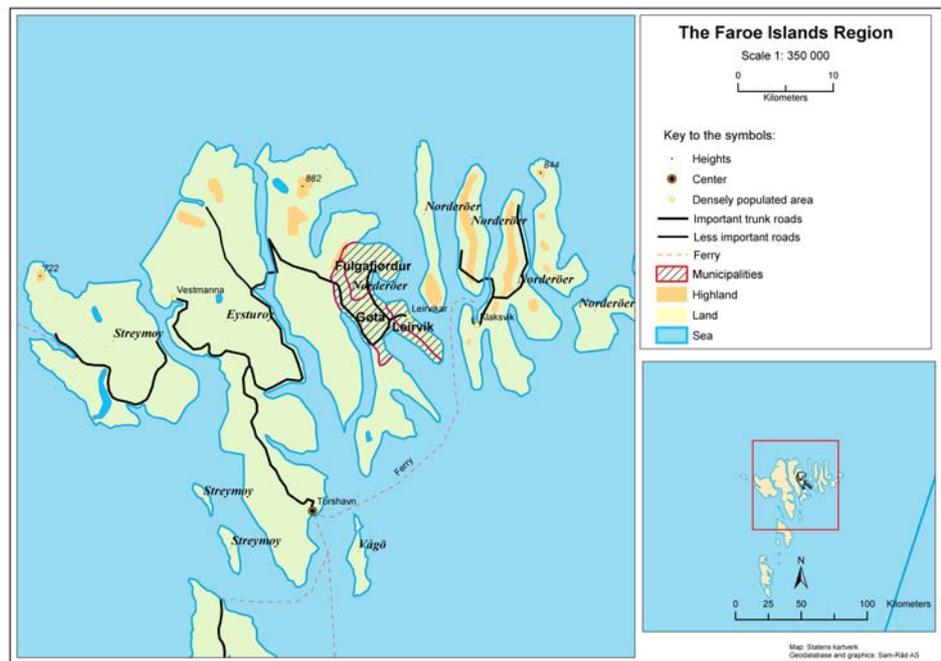
In this study, the Faroe Islands are seen as a periphery in a Nordic context. Therefore, the three selected municipalities may be perceived as peripheral municipalities, although they are not viewed as such in a Faroese context. They were selected because they are in the same regional area and are perceived as innovative in all three fields that are being explored.

This paper is primarily a descriptive investigation of nine innovations in three Faroese municipalities. Firstly, there will be a brief description of the municipal structure in the Faroes and a comparative description of the selected municipalities. The focus is mainly on their developmental history over the past twenty years or so. Next, the innovation process of the selected innovations will be analysed. Finally, there will be a comparative evaluation of the municipal institutions and their role in local innovations.

The analysis of the Faroese case will frequently use terms applied to the roles of the municipalities and types of innovations described in the introductory chapter.

### ***The Municipal Structure of the Faroe Islands***

When comparing the innovative capacity of Faroese municipalities to that of other municipalities in larger Nordic countries, it is important to recognize the significance of the municipal structure of the Faroe Islands as a whole. The Faroe Islands currently consist of 48 municipalities,<sup>1</sup> varying in size from only 20 inhabitants to around 18,500 inhabitants. The municipalities are spread over the country. The three selected municipalities in this project are highlighted in the map below.



*The Northern parts of the Faroe Islands, indicating the localisation of Fuglafjørður, Gøta and Leirvík.*

<sup>1</sup> Since the 2000 municipal elections, several municipalities have amalgamated voluntarily. Therefore, the number of municipalities in the 2004 municipal elections decreased to approx. 35 municipalities.

The table below further emphasizes the small size of the Faroese municipalities: 29 of the 48 municipalities have fewer than 500 inhabitants.

Table 2.1: Population by size groups, 2003. Source: Hagstovan Føroyar.

<b>Population</b>	<b>Number of municipalities</b>
20-199	17
200-499	12
500-999	8
1.000-1.999	8
2.000-4.999	2
< 5.000	1

The Faroese municipalities are also small in a Nordic context, as table 2.2 (below) shows.

Table 2.2: Size of Municipalities in the Nordic Countries.

Source: Statistics Faroe Islands, 2001 in Holm and Mortensen, Forthcoming.

	<b>Number of inhabitants</b>	<b>Number of municipalities</b>	<b>Mean population in the municipalities*</b>
<b>Denmark</b>	5.3 mill	275	19.000*
<b>Finland</b>	5.2 mill	452	11.000*
<b>Norway</b>	4.5 mill	435	10.000*
<b>Sweden</b>	8.9 mill	288	31.000*
<b>Iceland</b>	280.000	124	2.300*
<b>Faroe Islands</b>	46.000	48	1000*

\*Approximations to the nearest 000. All figures are from 1999, except the Faroese figures, which are from 2000.

The positive side of this is that there are easy channels of communication between the municipal authorities and the local people. However, this also means that the financial and administrative capacities are very limited. In turn, many municipalities complain about the unclear division of responsibilities between the central administration and the municipal institution. Below some of the most important areas that the Faroese municipalities are responsible for according to law are listed.

*Protection services:* fire fighting service and consumer protection (food control).

*Environmental services:* environmental control, local roads and planning.

*Personal services:* child- and daycare, housing/planning and certain areas of the education, health and social services.

*Recreational services:* sports facilities, museums, libraries and other cultural facilities.

*Commercial and promotional services:* the physical infrastructure and local economic affairs.

Source: Holm and Mortensen, forthcoming.

These services are financed through municipal taxes and limited loans from the central authority. Municipalities with fewer than 500 inhabitants are not obliged to fulfil all the municipal functions set out in municipal law. This means that many municipalities do not provide all the services for their inhabitants. These services are then either provided by the central administration, by larger neighbouring municipalities or in co-operation with other municipalities.

It is also important to mention their small administrative capacity. Data from 1997 shows that fourteen of the 48 municipalities do not employ a secretary, and many of the 48 municipality offices are open for only a few hours a week.<sup>2</sup> This changed with the 2000 municipal law, which demands that mayors in municipalities with more than 500 inhabitants be employed as mayors on a half- or full-time basis.

Of the three selected municipalities for this project, Fuglafjørður is the largest. The administration in Fuglafjørður consists of eight full-time staff. In Leirvík there are four full-time staff. In Gøta there is just the mayor, working part-time, and two full-time staff.

### **Three municipalities in profile**

Fuglafjørður, Gøta and Leirvík are all neighbouring municipalities, situated on the eastern side of Eysturoy. As shown in the map (above), Fuglafjørður is the municipality to the north, Gøta is the one inbetween, and Leirvík is furthest to the south. Fuglafjørður is almost twice the size of Gøta and Leirvík separately, but together they are larger than Fuglafjørður, which makes for a good balance of co-operation between the three villages.

---

<sup>2</sup> Holm and Mortensen, forthcoming.

The small size of Gøta and Leirvík has meant that they have had to co-operate with other municipalities in order to meet the needs of all their inhabitants. There has therefore been co-operation between these three municipalities in various matters, e.g. the secondary school in Fuglafjørður and the sports hall in Kambsdalur (a small village in Fuglafjørður).

Leirvík consists only of one village, whereas the other two municipalities each have several settlements.

There will now be a closer look at the developmental history of these three municipalities over the past twenty years or so. Here, changes in population and unemployment rates, policy changes and business structure will be explored.

### ***Population growth***

Fuglafjørður is considerably larger than the other two municipalities. Fuglafjørður has approx. 1,600 inhabitants, while Gøta and Leirvík today consist of approx. 1,000 and 900 inhabitants respectively. The economic crisis that hit the whole of the Faroe Islands in the early 1990s was also experienced in these municipalities. In Fuglafjørður the population decline was steeper than in Gøta and Leirvík. However, the past eight years have been positive for these three municipalities: they have all experienced a continuous increase in the population, and for Fuglafjørður this means that it has almost reached the population level it had in the mid-1980s.

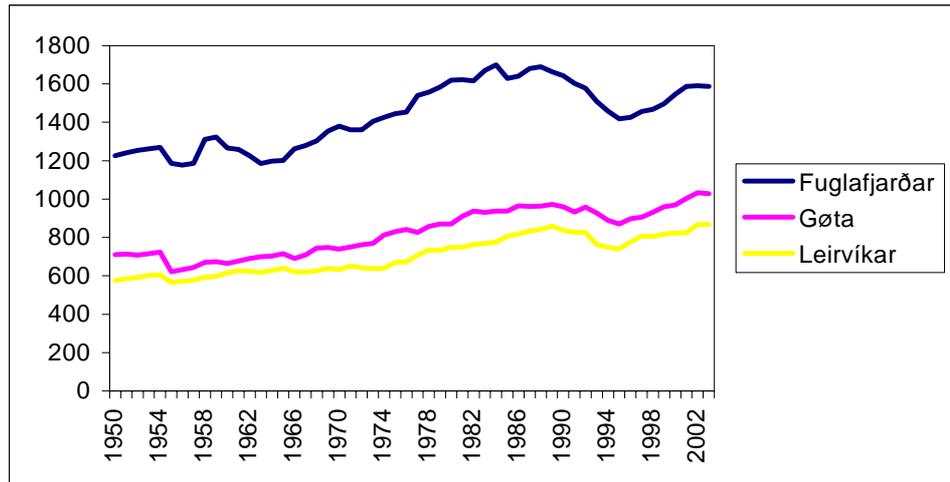


Figure 2.1: Population growth in Fuglafjarðar, Leirvík and Gøta, 1950 –2003.  
Source: Hagstova Føroya

What is also significant for these three municipalities is that young people tend to stay longer compared with young people in other municipalities, who leave early in order to obtain further education. One explanation for this, of course, is the upper secondary school and business school (at upper secondary level) in Kambsdalur (in Fuglafjarðar), which means that the young people are able to stay and receive further education in the area.

The prospects for population stability and growth are good. Though there are some problems with housing facilities, there are good childcare services. The work opportunities are also relatively good, and will become even better for women when the old people's homes in Gøta and Leirvík open in 2004. The area is well located geographically, which means that there are good travel opportunities (one hour by car) to the capital Tórshavn, where most of the public sector administration is located. The area also provides good leisure opportunities, with relatively good indoor and outdoor sports facilities, an arts centre, a sports hall, two swimming pools, three football pitches, several sports organizations, scouts, choirs, music bands, churches, etc.

## Unemployment

There is no data on unemployment rates for the municipalities before 1993. However, unemployment as a concept was not common in the Faroes prior to 1990. The Faroese factories even had to import a workforce in the 1980s. The effects of the economic crisis in the 1990s are very visible when looking at unemployment levels. As shown in Figure 2.2 (below), unemployment in these municipalities peaked in December 1993, and then gradually decreased, leaving virtually no unemployment in these three municipalities. However, it is not known what impact the current crises within the salmon farming industry will have on the level of unemployment.

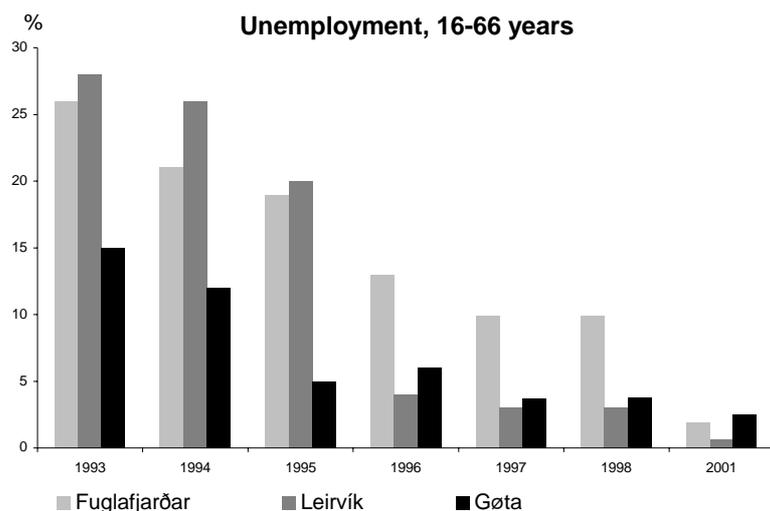


Figure 2.2: Unemployment in Fuglafjørður, Gøta and Leirvík, 1993-2001. Source: Hagstova Føroya

The changes in the unemployment level of these three municipalities reflect the situation in the Faroe Islands as a whole. Figure 2.2 shows that the effects of the economic crisis were not as dramatic in Gøta as in Fuglafjørð and Leirvík, partly due to a more varied business structure in Gøta. The relatively short-term effects of the economic crisis are primarily the result of good fish catches in the late 1990s, but they also reflect flexibility and an ability to adapt to new circumstances.

The flexibility of the Faroese workforce may be illustrated by an example from Gøta. Like the rest of the Faroes, the economic crisis hit the construction sector in Gøta especially hard. In this case, however, a

few unemployed carpenters and electricians joined some well-known fishermen and bought a trawler. In this way, they created their own jobs and went fishing for a number of years. Thus, instead of staying unemployed at home, they became active in creating economic growth, and when conditions on land had improved many of them sold their shares at ten times the original price and returned to their old jobs.

### ***Business structure***

Fisheries and the fishing industry play a crucial part in the primary, secondary and tertiary sectors of these municipalities. This varies from catching fish to processing fish, as well as the provision of services and equipment for the fishing industry.

Traditionally, Fuglafjörður has been an industrial town. However, the industry is becoming more advanced, i.e. producing more advanced fish products. The business sector is also becoming more service-orientated, producing equipment for the fishing industry. Fish farming has also been important to the area, especially the companies Havsbrún, which produces fish feed, and Vónin, which produces primarily trawls, but also cages for the fish-farming industry.

Leirvík has traditionally been dominated by coastal fishing, and to a certain extent it still is. Fish processing has become most important to the economy of the village, however, and the village has four fish processing plants. New vessels are currently replacing the village fishing fleet.

Because fishermen in Gøta had to travel a long distance to reach the fishing banks, coastal fishing never became important there. Long distance fishing has been of immense importance to the municipality, on the other hand, and this is still the case. Compared to Leirvík, the villages in the municipality of Gøta have a more varied business structure. This spans fish-processing factories, a knitwear factory, a printing house, a window manufacturer, a transport company and a company that produces equipment for the fishing and building industries.

In recent years, all three municipalities have experienced new businesses starting up within the building sector and in consultation services. Tourism also seems to have gained more attention from the municipal authorities. Nevertheless, the importance of these is limited compared to fish-related businesses, and they are to some extent dependent on the success of the fishing industry. Fish farming strengthened the economy, but has proven to be fragile with regard to fluctuations in the global market and fish sickness.

The flexibility of the business sector and the ability of the labour market to adapt to changing circumstances in the global market, as well

as fluctuations in fish stocks, has been an important strength in this area. Industry in this area is becoming increasingly more professional, which means that there are some job opportunities for educated people, including those with a higher education. However, the business structure is still very dependent on the fishing industry. The economies of these three municipalities therefore remain very fragile with regard to global and natural fluctuations.

### ***Policy changes***

The Faroese municipalities have traditionally focused particularly on, and allocated tax income to, hard common goods, e.g. harbours, roads and creating spaces for houses and business companies. Now there has been a change towards spending tax income on soft common goods, e.g. child-care, old people's homes and facilities for social activities. There are a number of reasons for this shift in policy priorities. Firstly, there has been an increasing demand from inhabitants for these facilities and secondly, these services have been neglected by the central authorities. This trend is also true of these three municipalities. Nurseries, old people's homes and facilities for social activities have been built within the last ten years, or are in the process of being built. These are all innovations within the sphere of public services, for which the municipal institution has taken responsibility. The provision of old people's homes, however, is in reality the responsibility of central government.

### ***The research and findings***

These municipalities have been selected because this is a dynamic area where many new things are happening. It is interesting, therefore, to explore innovations in the area, and how they have developed. In our view, the area has high levels of cultural, human and social capital characterized by high levels of reciprocity, trust, friendship and networks within the community. This is also reflected in a relatively stable population growth, low unemployment levels and a strong business sector.

Nevertheless, as in many small communities, we would expect the rule of nepotism to apply, making it difficult for newcomers to become innovators. Nepotism is controlled by an informal power structure, where it is important to be a member of a particular family or religious network in order to gain the respect and trust of the authorities and of investors. This can cause obstacles to innovation within the municipal authorities and within local communities.

In the first round of interviews, the representatives of the municipal authorities were asked to state all the new innovations in the municipality over the past ten years or so. On the basis of the first round of interviews,

nine innovations were selected and grouped according to the types mentioned in Chapter 1. These are listed in Table 2.3 (below).

Table 2.3: The selected innovations grouped.

<i>Types of innovations</i>			
	<b>Business sector</b>	<b>Public service sector</b>	<b>Civil society sector</b>
<b>Fuglafjørður</b>	Viking fish protein	Bus route	Arts centre
<b>Gøta</b>	Normek	Old people's home	Grót
<b>Leirvík</b>	Faroe Marine Products	Old people's home	Old school

Three innovations were selected from each village, representing the three sectors. Within the business sector, we selected two advanced fish processing companies and one service-orientated company. Within the public sector, the old people's homes in Gøta and Leirvík were selected, as well as the bus route between Kambsdal and Fuglafjørð. In the civil society sector, the innovations selected are all within the sphere of the cultural economy.

These innovations have not necessarily been chosen because they are the most important, but because they represent all three sectors, and because they are new and represent qualitative changes in the civic, public and business sectors. Therefore, although some of the innovations may appear small or trivial to the reader, they demonstrate how changes and improvements in a municipality are realized. A closer analysis of the chosen innovations within each municipality will be outlined below.

### ***Fuglafjørður***

At a political level, the municipal institution has been characterized for the past four years by a coalition between all the elected members. There is no political opposition, which is something new in this area. The authorities believe that it is better to focus on what can be done for the municipality than to focus on what divides in local politics.

As in the Faroe Islands in general, religion is important. The Lutheran State Church is dominant in Fuglafjørður. However, there is also a strong Brethren community.

Culturally, Fuglafjørður is well-known for the quality of its musicians and artists. The arts centre is important, not only for Fuglafjørður

but for the whole region, and is the only arts centre that is comparable with the Nordic House in Tórshavn.

Fuglafjørður has a strong business sector, creating employment for unskilled as well as highly-educated people. However, one of its main weaknesses is its geographical limitations: there is too little land to allow for the expansion of housing and industry. Havsbrún is one of the largest companies in the Faroes, Vónin is among the largest trawl producers in the North Atlantic, and J. T. Electric is one of the leading companies in the world producing and selling underwater lights and cameras for aquaculture.

The municipal authorities are also interested in local businesses. This is shown in their extensive work in creating good facilities for business and co-operating with them in innovations. One example of this is the cold storeroom for the fishing industry, which is built in an excavated mountainside. The authorities also work actively to unite the business sector, illustrated for example by a breakfast meeting where the municipality invited representatives from all local businesses. The purpose of this meeting was to link them together so that they could exchange information and advice on how to cope with economic developments. We were invited to attend one of these informal business meetings and it was a very positive experience. Meetings like these may create important networks, which may in turn facilitate new innovations.

#### *Viking Fish Protein*

Viking Fish Protein, which started operations in October 2003, is a modern factory producing surimi from pelagic fish. This is a high-quality fish product aimed mainly at the EU market.

An entrepreneur has worked on this idea for approximately the past fifteen years. During this time he has gained experience in selling and promoting surimi in Europe, where he obtained good contacts, as well as knowledge in areas that are valuable and necessary when starting up a new firm.

The entrepreneur has managed to build up a wide network over the years. He has good contacts in Europe, Asia and USA, and in the Faroes he made contacts with important business leaders who later became partners in this business.

The partnership with these business leaders was important in order to obtain finance from the Faroese banks for this project. The business leaders had a good reputation, one of them being the leader of United Seafood, the largest fish processor in the country, and another the leader of one of the most successful Faroese companies, Havsbrún (situated in Fuglafjørður). Each of these large companies now holds one-third of Vi-

king Fish Protein shares. The entrepreneur and a selected team from USA hold the remaining third.

Viking Fish Protein was located in Fuglafjörður, since this provided the best conditions for the factory to operate. These conditions were based primarily on the fact that the company Havsbrún was there in the first place, and that the trawlers that would supply raw material for the surimi were already coming to Fuglafjörður. In addition, the municipal authority was very positive towards the business sector and offered to secure the factory's water supplies, for which there is a heavy demand in the processing procedure. The municipal authority acted primarily as a facilitator for this innovation. The positive attitude towards business makes access for newcomers relatively easy.

The business means more work opportunities for the local inhabitants, and may in turn attract more people and businesses to the area.

#### *Bus Route*

This is an innovation within the sphere of soft social services. It is the result of a local demand in Kambsdalur for better and safer travel services between Kambsdalur and Fuglafjörður.

Kambsdalur is a small village approximately 3 km outside Fuglafjörður. Since the sports hall is in Kambsdalur and the primary school is in Fuglafjörður, there is a lot of travelling between the two communities. The demand for better services came primarily from parents who were not satisfied with the bus services offered by the public sector. The parents were concerned about the safety of their children, because the bus stops only on the main road, which is approximately a kilometre away from the village.

The initiator is unknown, since the initiation started at an informal local community level amongst the parents, who identified a common problem. The local people approached the bus operator individually, on several occasions, but no notice was taken. In 1998, the parents organized themselves and wrote a letter to the authorities in Fuglafjörður, in which they asked for a bus route to run between Kambsdalur and Fuglafjörður. The municipal organization declined, on the grounds that this would not be profitable.

A member of the Kambsdalur community then nominated another member for local election in November 2000. The latter was elected and managed to obtain the full consensus of the municipal authority that a bus route to Kambsdalur was necessary. The bus service to Kambsdalur commenced in April 2001.

The local community network has been vital to this innovation. After the November 2000 local election, links with the municipal authorities proved decisive for the outcome of the demand.

The municipal authorities have had two different roles in this innovation, which shows the importance of individuals within the municipal authorities. To begin with, the municipal authority was an obstacle, preventing the innovation. Later, though, changes of personality within the municipal authority made it a facilitator of the innovation, in response to local demand.

The effects of the innovation are clear. Although the bus route, which runs on an hourly basis from morning to evening, is not profitable, it has made the area more attractive in settlement terms, and has tied Kambsdal closer to Fuglafjørður.

#### *Arts Centre*

The arts centre in Fuglafjørður, which opened in 2001, is one of the distinctive features of the town, offering a broad selection of cultural events. This is an innovation within the cultural economy: it is the first of its kind in the Faroes, and was based on local initiative.

The local drama society initiated the construction of the centre. The idea of an arts centre goes back to the 1950s and is based on a previous desire for a local theatre. However, there has been a lack of organization, a lack of money and a lack of belief in the idea. The internal conflicts, and the conflicts between the drama society, the religious community and the municipal authorities, have delayed the project. A turning point was a committee that in 1989 transformed the original idea of a theatre into one of a modern arts centre. Nevertheless, there were still several challenges to confront.

After several years of negotiation regarding the scope and cost of the building, the local drama society and the national cultural fund reached a financial agreement concerning the centre in February 1993. The construction of the centre started immediately, but was delayed for several years, due to financial problems. When it opened in August 2001 it had become three times as expensive as the agreement outlined in 1993.

The drama society has been the initiator of this innovation. They are a part of a complex local network that was often in conflict, mainly on moral grounds; this delayed the project for fifty years. One of the conflicts was over changing the concept of the centre, from a 'theatre' to an 'arts centre'. However, in the end it was the local community network, the links to the municipal authorities, the centrally-administered national fund and external funds that allowed the project to be realized. They

managed to work together positively in the course of changes of personality and attitude toward the concept of the building.

The role of the municipal authorities has changed dramatically, from being inaccessible, to that of an obstacle and, recently, to being a partner. This demonstrates that much comes down to personalities. Previous councils did not support the idea, but the latest municipal council, from 2000 onwards, has been very supportive and has given DKK 1.8 million in funding. It has also agreed to pay another DKK 5 million of the final DKK 6 million needed to complete the centre. In addition, the local council has agreed to do all the work in the centre, and to create a small arena to host outdoor activities.

The cultural house not only has a cultural importance for the town and the region, but is also seen as a social and financial asset to the municipality. It makes the area more attractive in settlement and visitor terms. It is a good 'ambassador' for the town, and has had a local, regional, national and international 'bridging effect'.

### *Summary*

The three innovations above highlight the importance of local and international networks and acceptance from civil society and the local authorities, i.e. the importance of social capital. In each case, the initiation came from below the institutional level. The business initiator was an external entrepreneur, while the initiators of the civic and public innovations were local.

When analysing the innovations, it became clear that it is difficult to separate the civic and public sphere when it comes to innovations. In Chapter 1, the three spheres are sketched as three inter-related circles. In the civil society and public sector cases, the initiation came from below, but they were realized by the municipal institution.

The cases above also illustrate that the role of the municipal institution changes over time. It is therefore difficult to attach one role to the institution. However, we might describe it as a facilitator and a partner. The interview with representatives from the municipal authority suggests that the municipal institution in Fuglafjörður sees itself as being in a partnership with local businesses and the civil society sector.

### ***Gøta***

Strategically, Gøta is situated between two power centres in Eysturoy: Fuglafjörður and Runavík. The municipality includes four villages, which may in certain circumstances hamper innovations initiated at a municipal level.

The municipal administration has been very small compared to its responsibilities. The civil society is characterized by a strong local identity, history and a very popular local football team.

Gøta has a strong and varied business structure, where local entrepreneurs have played a vital role in the innovations.

#### *Normek*

Normek is a mechanical workshop offering a fairly broad range of repair and maintenance services for e.g. ships and heavy goods vehicles, cranes and equipment for the fish farming industry.

Two entrepreneurs, each holding a 50% share in the firm, started this mechanical workshop in 1997. The workshop is in the same building as a previous mechanical workshop, which had specialized in the maintenance and repair of small marine engines, prior to its closure as a result of the economic crisis. This new mechanical workshop is seen as an innovation, since the services offered are more extensive and their workforce is shared with other companies in the region, illustrating the flexibility of the Faroese business sector in coping with change. The workshop has made a profit over the past few years, and has expanded its activities to involve a broader range of repair and maintenance services.

The two entrepreneurs are part of the local network. Prior to the economic crisis, one of them had worked at the previous workshop and the other one worked for another service company. They therefore had good connections with other regional and local companies. There is also extensive co-operation between the companies in the region. They not only carry out work for one another, they also borrow labour, which keeps the workforce small and makes it more stable. The local and regional networks are therefore crucial for the provision of a stable workforce.

The municipal authority had no role at the initiating stage, but has since acted as a traditional facilitator in this innovation, providing a physical infrastructure for the expansion of the company.

The company is very important since it can provide repair and maintenance services and equipment for modern high-technology equipment in the local community. It is therefore an important factor in the development of the local community.

#### *Old People's Home*

The old people's home in Gøta is a similar project to that in Leirvík, except that the innovation is a part of a wider, long-term project for the elderly on the part of the municipality in Gøta. The first stage in the project is an old people's home accommodating sixteen people. On the ground floor of the home there will be a day centre for the elderly, where they

can meet for activities (they currently meet elsewhere). The second stage will involve building sheltered housing for elderly people in the same area. There is currently no money for this latter project, but the old people's home is due to open in the summer of 2004.

The municipal authorities started the project in 1998, with a contribution of DKK 500,000. There was a doctor on the local council at the time who was influential in the matter. As in Leirvík, there had been a demand from the local people, in the form of a very active local association for older people, led by a retired nurse, as well as a demand from local nurses, care assistants and the regional manager of care for the elderly. One reason why the society for older people was very active in demanding an old people's home was their interest in moving their daily activities onto the ground floor of the new old people's home.

The state provides standard funding on a per room basis. The project has also received large private financial donations. The project is carried out in close co-operation with local nurses and the regional manager of care for the elderly. The municipal authorities have also sought advice and guidance from other municipalities that have built similar old people's homes.

The network around this innovation is identical to that in Leirvík.

The municipal authority has primarily acted as a facilitator in response to a local demand. However, the municipal institution is a co-ordinator of plans to expand the project to include sheltered housing.

The importance and consequences of the project are the same as in Leirvík. However, it is a larger project that will, when finished, create better circumstances for old people in Gøta. This will make the municipality more attractive to many people, including young families, since it will provide more job opportunities for women.

### *Grót*

Grót is a musical association founded in October 1998. The purpose of the association is to organize musicians and groups better, and to provide practice facilities and an environment that will help and stimulate their music. The association also aims to organize music activities so that the musicians have a better chance of promoting their music.

The idea of such an association originated from one entrepreneur who developed it while working at a fish factory in Gøta. He then contacted a fellow musician and they talked about the subject on an informal level. The idea became formalized when they arranged a meeting in October 1998, attended by forty people, and they founded the music association Grót (this translates as Rock). The membership today is approx. 100

young musicians and people interested in music, from all over the Faroes, though most members come from within the region.

Their activities vary from small activities to large festivals. G-festival was held for the first time two years ago, with a budget of approx. DKK 80,000. By the summer of 2003 the budget had expanded to around DKK 1.2 million and 300 voluntary helpers were involved.

It was the network among musicians who share a common interest that was the drive behind this innovation. It finally became formalized through the initiator, who realized the need for such an association. He was inspired by the function of sports associations that help and support young talents.

Grót found it difficult to get any financial support to begin with, although they managed to raise approx. DKK 20-40,000 on an annual basis. They have found that if you work hard and prove yourself it becomes easier to gain funding both nationally and outside the national borders.

Grót has had an effect on the area and status of music; it has enriched the cultural life and increased musical activity in the municipality. Several musicians who have been connected to this environment have been very successful both nationally and internationally. It has also changed people's minds about music, as they now perceive music to be an asset to the municipality. Support from the local community and local authorities has also increased, as Grót has proved itself. Funding from the municipality has increased, from DKK 5,000 to DKK 130,000.

The municipal authority had no role at the initiating stage, but soon became a financial facilitator, though in a very limited way. However, its role as a facilitator has grown as the successes of the association have increased.

Grót has also had an important local, regional, national and international bridging effect, creating important networks. Activities that have demanded extensive voluntary work have had an important bonding effect within the local community and have also created networks between local, national and international musicians. It has also inspired people in other areas in the Faroes to start up similar associations and festivals.

#### *Summary*

These cases further emphasize the importance of social capital, especially in the cultural field where there is not much financial capital in the first place.

In each case, the initiators came from below the institutional level and were local in origin.

The municipal authority has had a limited role at the initiating stage of each innovation. However, it fulfilled the traditional supportive

and facilitating role in the realization of each innovation, once that innovation gained public support.

### ***Leirvík***

Leirvík is the smallest of the three municipalities. Geographically, it is an important link between the Northern Islands and the mainland. A tunnel is currently being drilled and is scheduled to open in August 2006;<sup>3</sup> it is believed that this could have a positive effect on Leirvík.

Leirvík has a strong business sector, both on land and sea. However, business is very fisheries-dependent and therefore the municipality was especially badly hit by the economic crisis in the 1990s.

Leirvík was one of the municipalities with the highest level of debt in the Faroes after the economic crisis in early 1990s. This has had an effect on how active the municipal authority has been in local innovations.

### ***Faroe Marine Products***

In September 2001 the modern fish processing plant, Faroe Marine Products, started operations. The company producing dried fish heads for the African market. This is a new market and a new, high-quality product for the Faroese fishing industry.

The initiators are two (non-local) Faroese entrepreneurs, who had the idea of producing dried fish heads when presenting a project on marine bio products in Iceland. They linked up with an Icelandic firm that was selling dried fish heads to Africa. The result was that the Icelandic company became interested in producing dried fish heads in the Faroes. They later came to Leirvík to see the facilities and decided, together with the Faroese entrepreneurs, to start up a factory producing dried fish heads. Now the Faroese entrepreneurs and the Icelandic firm each own 45% of the company, and two other individuals each hold a 5% share.

The network-building between the Faroese entrepreneurs and the Icelandic company happened almost by chance. This network is crucial to the innovation, and through the Icelandic company they establish contacts in the African market. Faroe Marine Products utilizes waste heat from the incinerator, which is crucial in maintaining low production costs, and is one of the reasons why production has been so successful. It means that burning garbage can help to optimize the usage and value of the raw materials from fish.

---

<sup>3</sup> The tunnel will run under the fjord, connecting Leirvík to Klaksvík, the Faroes' second largest town with approx. 4,800 inhabitants.

The company placed their production in Leirvík because there was a plant available, which had formerly produced fish oil, and the incinerator would supply heat at a relatively low cost. The municipal authorities have had two roles in this innovation. Firstly, they have been facilitators but secondly, they have been an obstacle in the expansion of this business. The company has plans to expand the business, but in their interview they referred to a lack of co-operation on the part of the municipal authorities.

Faroe Marine Products is not only important for local employment and its effects, it is also very important for the Faroese fishing industry, since this is one way of making the fishing industry more varied and dependent on different markets. Since the Faroe Islands are very dependent on fisheries and the fishing industry, a plurality and dependence on several different markets is vital for the flexibility and strength of this industry.

#### *Old People's Home*

This is an innovation within a new area of soft social services, for which many Faroese municipalities have taken responsibility, even though it is technically the central government's responsibility; this is in response to increased local demands, which the central authorities have not managed to meet. The purpose is to secure the necessary care for elderly people within their local community. The home is due to open in April 2004.

In the early 1990s, local nurses saw the opportunity of buying a large house and using it as an old people's home. Although the municipality was positive and showed interest, it was in such great debt at the time that it decided it was impossible to make any investment. Nurses, the local organization for older people and individual citizens approached members of the municipal organization on several occasions, demanding an old people's home. This pressure produced results in 1998, when the municipal organization eventually decided to build a home and organized a group of people to be responsible for the design project. The project has been carried out in close co-operation with the nurses and the regional manager for care of the elderly who are connected to the home.

This innovation is a result of a complex network between:

- The elderly and their families, friends and nurses, who perceive their need.
- Those who try to influence the municipal authorities.
- The local community network, consisting of individuals and the local association for older people.

- Nurses, care assistants and the regional manager for care of the elderly.
- Networks built between the municipal authorities and other municipal authorities that have carried out similar projects.
- Links between the municipalities and central government. The government grants a standard provision on a per room basis, and pays the wages of the day nurses. The municipality has to pay nightshift costs.

At the initial stage the municipal authority was an obstacle, since it was tied up by financial debt. However, since 1998 the municipal authority has become a facilitator of the project, and has worked in close cooperation with local nurses and the regional manager for care of the elderly, who have acted as advisors on practical matters.

The innovation has had a local and regional bonding and bridging effect, and has generated social capital within the community. The old people's home will undoubtedly provide better services and quality of life for elderly people in the area. It is also important to mention the increased work opportunities for women.

#### *Restoring the Old School*

This is a project that, at the time of the interviews, had not been formalized into an organization; its purpose was solely to restore the old school in the village and prevent it from deteriorating. However, on 22<sup>nd</sup> September 2003 one of the four innovators arranged a meeting, which became the founding date for the archaeological association Fornminnafelagið in Leirvík. The aim of this society is to work as an umbrella organization for other local organizations that will operate to preserve and promote historical and cultural values in Leirvík.

The initiator of the project organized four other people at an informal level. He deliberately selected four people from the community who had different capacities and represented different sections within the local community. This was done in order to secure competence and prevent resistance from the local community. These five individuals bought the old neglected school for a minimum fee from another organization in December 1999.

Until September 2003, not much happened to the restoration of the old school. They applied for funding from local firms and were partially successful. Interestingly, the municipal authorities were never asked to join the project, the reason being that they viewed the municipal authorities as 'inaccessible' because of financial problems.

However, the opposite proved to be the case, due to an informal meeting in which the municipal authority showed an interest in the project and wanted it to become a part of a bigger project, involving and linking all the historical treasures of the village, aimed at the tourist industry. Nevertheless, the municipality did not commit itself to anything in connection with this innovation.

From the beginning, the original initiator created links with various sections of the local community by selecting four people from the community. One of these was a museum technician, who is now the president of the archaeological association in Leirvík and leader of the project. He has links with the archaeological environment in the capital, Tórshavn, and links with the municipal authorities. The archaeological association has now become an umbrella organization for several other cultural activities in Leirvík.

The municipality had no initial role, and was perceived as 'inaccessible'. Now it has presented itself as a facilitator, but has given sole responsibility for the project to the archaeological association, so in reality it acts as a 'Fan Club', demonstrating its support for the idea without taking any responsibility.

As it turns out, the innovation has a potential importance, not only for the local community and cultural identity in providing a community-building effect in issues such as culture, history, identity and local roots: it has also created more social capital, which in turn has had a generating effect. This is important for tourism and makes the area more attractive for visitors, since it highlights the cultural treasures of the village.

#### *Summary*

As in Fuglafjørður the cases highlight the importance of social capital in realizing these innovations.

In all cases, the initiators came from below the institutional level.

In the business sphere, the initiator was external, whilst in the civic and public spheres the initiators were local.

The municipal authority has fulfilled different roles in different instances, but these have all been rather passive.

### **Concluding remarks on innovations and local authorities**

The idea behind this project is that territorial innovations do not happen randomly, but that they are stimulated by factors at civil society and institutional levels. Here, the focus has been on the role of the municipal institution in the Faroe Islands.

From the data, it is evident that the role of the municipalities in the selected innovations is very limited at the first stage of initiation. How-

ever, the role of the municipalities is more important when it comes to acknowledgement and support of the innovation. The Faroese municipalities therefore act primarily as facilitators for local innovations. This is also confirmed in other research on the role of Faroese municipalities in local innovations (Hovgaard, 2000).

In each case, the idea behind the innovation was developed from below the level of the municipal institution. Since the municipal authorities have no formal innovation policies, innovations within the public service sector are all dependent on the 'political will' of the municipal institutions. Therefore, the individuals within the municipal authorities are the determining factor for whether ideas presented by the inhabitants are realized or not. Public sector innovation is therefore mainly dependent on the inhabitants who, by association, influence and elect politicians in the municipal authority to carry out the will of the local inhabitants. This is confirmed in all three innovations within the public sector in this paper. This means that when it comes to innovations within the sphere of public services, the 'political will' and individuals within the municipal authority largely determine the role of the municipal authority.

Innovations within the business sector seem to bypass the municipal institution to some extent. One reason for this is, firstly, the lack of innovation policies from the municipal authorities and, secondly, that the municipal authorities are not allowed to become directly involved in private investment. On the other hand, there are national funds that provide finance for innovative business. From the second round of interviews we found that innovators generally thought that the municipalities were good at supporting innovations, but relatively passive in initiating innovations. We also found that most of the participants did not expect municipal institutions to have an initiating role, but rather a supportive role. Thus, the business sector expects the municipal institution to be a facilitator, creating the best facilities for the business sector to operate in. From the first round of interviews with the local authorities, we found that the municipal institutions also viewed their role as facilitators as a very important one.

Innovations within the civil society sector were also clearly stimulated below the level of the municipal institution. Again, the municipal institutions had no role in the initiating stage, but as the importance of the innovations increased in the local community, the role of the municipal institutions became more important. In one case it changed from no role to a 'Fan Club', in another case from no role to 'Facilitator', and in a third case from no role to a 'Partner'. Resistance from the local community seems to be the important barrier to cross for innovations within the

civil society. The municipal authorities also seem to reflect resistance from the local community. When we are concerned with the topic of 'innovations' this usually means that we are dealing with something that is unconventional, in a local setting. Therefore, entrepreneurs are often seen as disruptive of the conventional norms and networks within the local community. In the second round of interviews, several participants stressed that they did not think it was easy to be innovative, because 'you had to prove yourself' to the whole community before gaining support from the municipal organization. These participants stressed that once you had 'proven yourself', the authorities had been very supportive. This again reflects the importance of the 'political will' that is embedded in the will of the majority of the local people.

So is the municipal institution *the node* (Bukve, 2002) in local development? The answer to this is 'yes and no'. 'No', since most innovations bypass institutions at the first stage. The main reason for this is a lack of innovation policy at institutional level. From the second round of interviews we found that innovators stressed that the municipal institutions did not directly invite them to be innovative, or to come forward with suggestions and ideas. The attitude of the municipal authorities in Leirvík and Gøta also pointed towards the 'no' answer. Here, the authorities did not believe that it was their responsibility to stimulate innovation, but rather their responsibility to create a supportive environment if there was a good innovative project. In both cases, we found that the lack of personnel and financial capacity within the municipal organizations played an important role in a lack of innovation policy. The municipalities played no role in linking initiators to partners or external networks. In Leirvík, the authorities and the local people stressed that it was very difficult for the authorities to run an innovative policy because of their financial debt. We also got the impression that people did not approach the municipal authorities for funding because they believed it to be impossible to obtain this in any case.

However, the answer is also 'yes', since the political will of the institutions is in many cases vital for the realization and durability of the innovations. In Fuglafjörður, we noticed that the municipal authorities believed it was their responsibility to stimulate innovation in the community. Nevertheless, they did not have a specific innovation policy, except for funding various cultural and sports activities. In the first round of interviews they claimed that they stimulated innovations indirectly, by securing a good environment (i.e. by offering good hard and soft facilities). Notwithstanding, as a relatively new idea, the municipal institution has arranged coffee mornings to which representatives from all businesses of

the municipality are invited. Meetings like these may be important in stimulating more innovations in the area.

It is not yet appropriate to describe institutions as the *node* in local development, although their importance should not be underestimated. Municipal institutions, as well as the local community, may act as a barrier to innovation. Innovations may also be stimulated at a local, as well as an institutional level. The above cases confirm that innovations are primarily dependent on persons, politics and localities, and therefore the role of the municipal institutions remains secondary. However, the business coffee mornings arranged by the municipal institution in Fuglafjørður could be an important move in changing the role of municipal institutions, by becoming an important *node* in local development. The current developments within the municipal structure of the Faroe Islands, where we are witnessing amalgamations into larger entities, could also represent an important move in this direction, since this will strengthen the financial and administrative capacity of the municipalities.

## References, Chapter 2

- Apostle, R. et al. (2000). *The Restructuration of the Faroese Economy – the Significance of the Inner Periphery*. Denmark: Samfundslitteratur Press.
- Bukve, O. (2002). *Lokale utviklingenettverk*. Bergen: Universitet i Bergen, Institutt for Organisasjons- og administrasjonsvitenskap.
- Fuglafjarðar bygðaráð. (1989). *Brot úr Fuglafjarðar søgu*, Dimmalætting. Hagstova Føroya: *Hagtíðindi*. Vol. 1993-2001.
- Hagstova Føroya: *Statistical Yearbook of the Faroe Islands*, Føroya skúlabókagrunnur, Tórshavn, 2002.
- Hovgaard, Gestur. (2000). *Globalisation, Embeddedness and Local Coping Strategies – a comparative and qualitative study of local dynamics in contemporary social change*. Roskilde University: PhD Thesis.
- Holm, Dennis and Mortensen, Bjarni. Forthcoming. “A Critical Appraisal of Local Government Planning Capacity: The Case of Faeroe” in Byron and Jenkins: *Regional Development on the North Atlantic Margin: Selected Contributions to the Sixteenth International Seminar on Marginal Regions*.

Home Pages:

[www.fuglakomm.fo](http://www.fuglakomm.fo)

[www.leirvik.fo](http://www.leirvik.fo)

## Data collection

For this study, we used quantitative data from the Faroese statistical office, ‘Hagstova Føroya’, to support our developmental analysis of the area. We used qualitative data for the main part of the study. The data collection was organized in two rounds of indepth semi-structured interviews with twenty representatives from the municipal institutions and the local communities.

The first round of interviews consisted of group interviews, where representatives of the political authorities as well as the municipal administrations were present. The second round of interviews took place on an individual basis in all but one case: the group interview was with two nurses who were involved with the elderly care homes in Gøta and Leirvík. Due to holidays, and for the sake of convenience, some of the interviews were made by telephone.



## Chapter 3

### **The Role of Municipalities in Innovation**

Innovations in three sectors of society in two municipalities in Iceland

*Unnur Dís Skaptadóttir and Gunnar Þór Jóhannesson*

#### **Introduction**

Over the past decades, important changes have been taking place in the resource-based villages and farming areas around the coast of Iceland. Changing policies in the fishery and agricultural sectors, the withdrawal of state subsidies and the devolution of growing numbers of tasks to a municipal level have had an important impact locally. Municipal governance has adapted to growing responsibilities, e.g. primary schools, services to the elderly and handicapped, and childcare centres, as well as other types of amalgamation. In most areas of Iceland, villages and rural farming areas have been merged into geographically larger and economically more diverse municipal entities that are better able to provide services for their inhabitants. Moreover, municipal authorities have come up with new solutions to delivering services and have had to change their role to some extent. In earlier times, municipalities in Iceland commonly invested in local industries such as the fisheries, and often assisted in securing loans to companies. This is no longer the case, and in fact in 1998 the laws regarding municipalities were changed in such a way that municipalities can no longer guarantee loans for local firms, and strict rules were established concerning business financial support (Alþingi 1998).

To cope with this economic restructuring, people living in the municipalities have engaged in diverse innovations. As we shall see in the following discussion of innovations in the areas of this study, the role of the municipality in each innovation project is varied. Generally, however, they have focused more on broad policies, rather than direct intervention as in the past, aiming to improve the overall environment for innovation instead of offering support to specific projects.

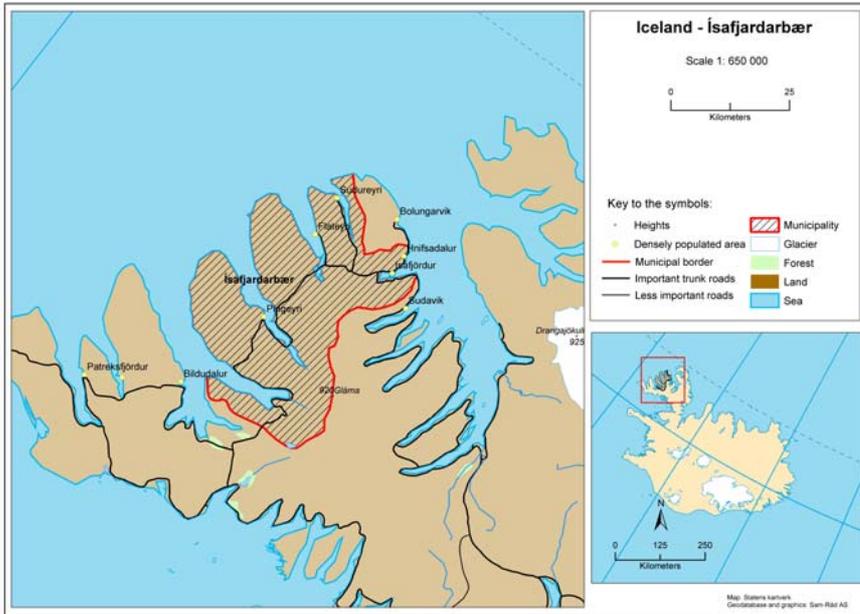
In this chapter we examine six innovations in the economic and social sectors of two municipalities. We describe their initiation, implementation and, where possible, their outcomes. In addition, we explore the extent to which the municipal authorities have stimulated or inhibited

these innovations. The report begins with short background description of the two municipalities, and a description of how the research was carried out and the cases of innovation selected. Next, we give a short introduction to the municipalities, followed by a few points about their perceived strengths and weaknesses. There then follows a description and analysis of the innovations that were chosen for further examination. The chapter concludes with a discussion and comparison of the role the municipalities have played in the innovation processes.

### **The two municipalities: Ísafjarðarbær and Hornafjörður**

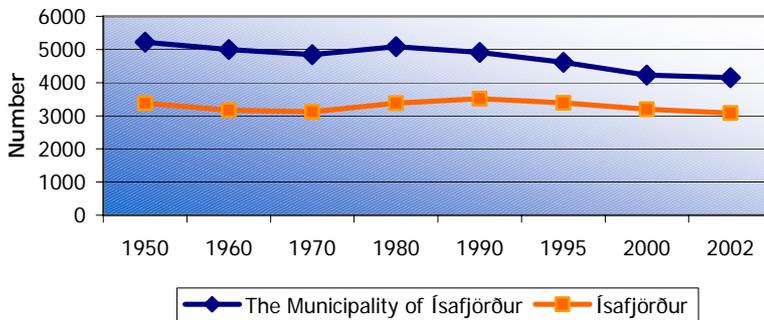
The two municipalities chosen for this study, Ísafjarðarbær and Hornafjörður, are located far apart on different sides of Iceland. They are similar in some respects and different in others. Both of these municipalities are the result of amalgamation in the 1990s, and both have rather large municipal centres that provide various services to smaller villages and rural areas within the municipality. Although small compared to municipalities in other Nordic countries, they are rather large municipalities by Icelandic standards. They are, however, both peripheral in Iceland, as are most municipalities outside the south-west part of the country, where the largest part of the population is concentrated. Even though Hornafjörður and Ísafjarðarbær have different development histories in some important respects, the municipal authorities have adopted a similar stance towards coping strategies in the face of societal changes. They both emphasize innovation.

The municipality of Ísafjarðarbær is located in the north-western part of Iceland, in the West Fjords peninsula. The largest town in the municipality is Ísafjörður, which is the administration centre for the whole region of West Fjords. The municipality is the result of an amalgamation of the town of Ísafjörður, three smaller villages and two districts, which took place in 1996 (Bendiktsson & Skaptadóttir, 2002).



*The municipality of Ísafjarðarbær*

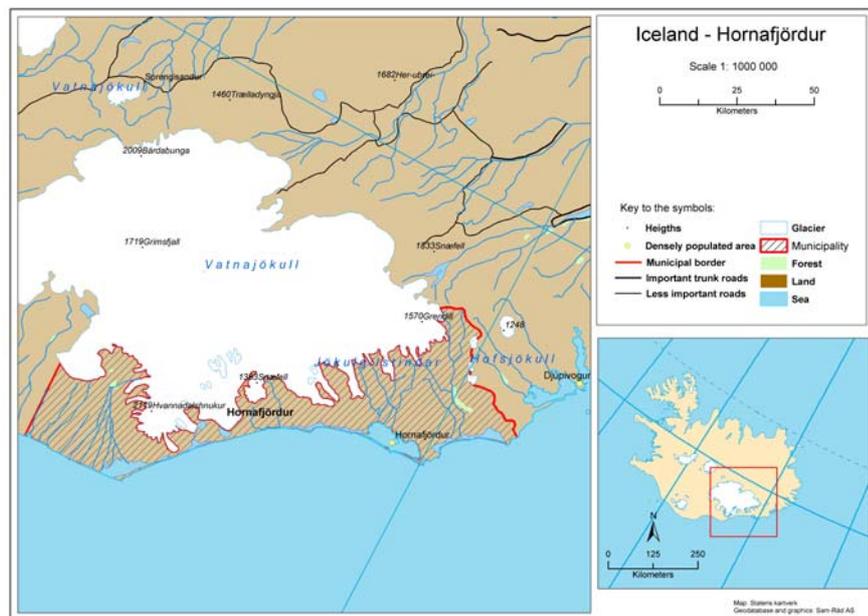
As at 1 December 2002, there were 4,153 inhabitants in the municipality, of which approx. 3,200 live in Ísafjörður (Statistics Iceland, 2002a; Ísafjarðarbær, 2003b). The population in the villages of Flateyri and Suðureyri is approx. 300 in each, and approx. 350 in Þingeyri. The remaining people in the municipality live on farms in the rural areas (Ísafjarðarbær, 2003b). The area of the municipality is 2416 km<sup>2</sup>.



*Figure 3.1: The population development in the municipality of Ísafjarðarbær and Ísafjörður town 1950 – 2002 (Statistics Iceland, 1997, 2002b).*

Figure 3.1 shows that since the mid-1980s the population of the villages in the municipality has generally been declining. The population of Ísafjörður has been more stable, but since the mid-1990s it has experienced a slow but steady decline (Bendiktsson & Skaptadóttir, 2002; Statistics Iceland, 2002a).

The municipality of Hornafjörður is the result of an amalgamation of five rural communities with the town of Höfn. It has a population of 2,332 (as at 1 December 2002), of which 1,763 live in the town of Höfn (Statistics Iceland, 2002). The Municipality stretches from Lón in the east to Örafi in the west, covering a 200 km strip of land on the south-east side of the ice cap of Vatnajökull (see map below). The municipality is thus geographically very large, covering an area of 6,317 km<sup>2</sup>. Administratively, it belongs to the East Fjords region, but does not play such a central role in this region as Ísafjarðarbær plays in the West Fjords region.



*The municipality of Hornafjörður*

Apart from the town of Höfn, the municipal region has been an agricultural area. In many ways it lags behind in economic terms, largely because of difficult natural conditions. A number of glacial rivers divide the area into sections, and before these were hemmed in by barriers and

bridged all transportation was very difficult. The last river was bridged in 1974 and with it the road encircling Iceland was finished.

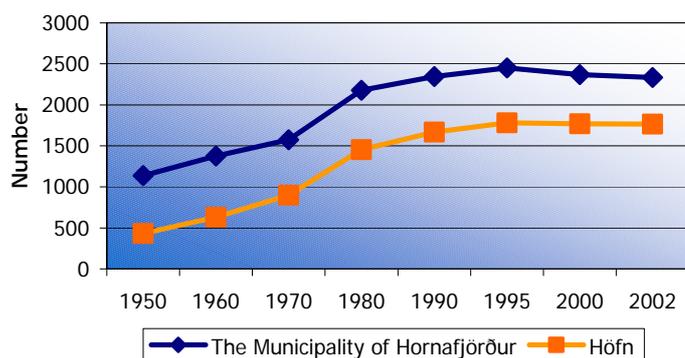


Figure 3.2: The population development in the municipality of Hornafjörður and in the town of Höfn (Statistics Iceland, 1997, 2002).

As Figure 3.2 shows, the population development for Hornafjörður has been somewhat different from that of Ísafjarðarbær. The town of Höfn is a relatively young settlement in Iceland and for most of the twentieth century it has been growing steadily (Gunnarsson, 2002). Höfn and the whole Hornafjörður municipality have been one of few growth areas in rural Iceland. In 1997, the population curve dipped downwards a little, a fact that provoked concern among the local politicians and the population in general.

In spite of the economic transformations taking place in these municipalities, very little unemployment is to be found. Proportionally, unemployment has been below 3% in both municipalities during the period 2000-2003. This may be a result of the fact that people look for jobs elsewhere in Iceland; although there has been net out-migration in Ísafjarðarbær, people have also been moving there to work. A substantial number of the people moving to the municipalities are immigrants coming to work in the fisheries. Many of those moving away are young people. The municipal authorities in Ísafjarðarbær have taken action to find out why young people move away. A study (Eiríksson 2003) shows that most move for reasons of higher education, and that many would think seriously of moving back if they could find employment suitable to their education and wage demands.

## **The research work and the selection of innovations**

Interviews were used primarily to collect data for this study. The first round of interviews was carried out in May-June 2003. Two days were spent in each municipality. Round-table or focus group interviews were conducted with the central leadership in each municipality.<sup>1</sup> Five interviews were conducted in Ísafjarðarbær with representatives of firms and institutions. In Hornafjörður, four interviews were conducted with actors other than the central authorities. The gender composition of the informants was fairly even. In Ísafjarðarbær we interviewed five men and six women, and in Hornafjörður the number was even: four and four.

Regarding the selection process, we asked our informants at the end of the interviews if there were any projects they would like us to explore further. Together with a tentative analysis of all the interviews conducted in the first round, these answers formed the basis of specific case selection. Often people mentioned the same innovations, so the selection process was fairly straightforward. It helped that, because of earlier research projects in the areas, we already had a reasonably good insight into the innovations of the municipalities. Thus, in the first round, we talked to some of the 'innovators' we anticipated would be mentioned by the municipal authorities and whom we thought it would be interesting to talk to. Even though we didn't select any cases until after the first round, the central leadership and other informants mostly confirmed what we thought would be the most prominent innovations. The cases from the business sectors in both Ísafjarðarbær and Hornafjörður form an exception to selecting the most frequently mentioned cases of innovation. The reason why we decided to study different firms from those most often mentioned by our informants is that they had already been studied in a Nordregio project carried out by Unnur Dís Skaptadóttir and Karl Benediktsson (2002). We wanted to focus on other examples of interesting innovations.

### **Municipality A: Ísafjarðarbær**

Fisheries have been the backbone of the towns and villages of the West Fjords, and the town of Ísafjörður and villages that make up the municipi-

---

<sup>1</sup> In Ísafjörður the group consisted of the mayor, the chairman of the cultural committee, the CEO of the School and Family Office, a representative from the political minority and the development officer of the municipality. In Hornafjörður the group consisted of the chairman of the employment committee, the CEO of administration, a representative from the political minority and a member of the town council.

pality of Ísafjarðarbær are no exception. Their inhabitants have had to cope with wide-ranging transformation in the fisheries sector in Iceland. The changes are the result of various factors, such as a market-oriented quota system and new production technologies.<sup>2</sup> The West Fjords have lost a proportionally greater part of the quota than has any other region in Iceland, a fact that often comes up in discussion with local people when talking about the strengths and weaknesses of the region (Bendiktsson & Skaptadóttir, 2002; Haraldsson, 2001).

Nevertheless, fisheries and fisheries-related industries continue to this day to be the single most important sector in the local economy, even though nowadays the town of Ísafjörður comes across as more of a service centre than a fishing town. One large fishing firm is located in Ísafjörður but the catch is landed and processed at other localities within the municipality, e.g. the neighbouring villages of Flateyri and Hnífsdalur. There is no freezing plant in the town today, but only a few years ago there were three. Being both a commercial and an administrative centre for the region, the labour market is fairly diverse within the municipality of Ísafjarðarbær. The service sector of the economy is growing with regard to both private and public services. In the town of Ísafjörður most of the kinds of services people need in their daily lives are to be found, such as shops, a shopping centre, banks, insurance companies, garages, car rental, four guesthouses, restaurants and cafés, and several firms serving tourists. The number of tourists coming to the area is growing and the municipality, along with local firms, has systematically promoted the region as the *Pearl of the West Fjords*. Many are looking to increase tourism as a possible pillar for the local economy.

Most of the public institutions and municipal offices are located in the town of Ísafjörður. The municipality runs five childcare centres, four primary schools and one high school (serving ages 16-20). There is a vivid cultural life in the municipality. There are several music schools and cultural centres in Ísafjörður and the villages. The local drama club stages a play every year and concerts are frequently held in the town. Culture and cultural activities are recognized as important strengths in Ísafjarðarbær. The municipality also takes an active role in immigrant affairs and the West Fjords Multicultural and Information Centre, discussed below, is an important aspect of this. Immigrants form a larger percentage of the population than in most other municipalities in Iceland.

The municipality of Ísafjarðarbær has made strategic policies for different sectors of society (for economic development, educational mat-

---

<sup>2</sup> The ITQ system was first introduced in 1984 and has remained much the same since 1996 (Haraldsson, 2001).

ters and issues of gender equality.) In the case of economic development, emphasis is placed on research and development activities in the municipality, especially in the field of fisheries and related industries. The goal is to make Ísafjarðarbær a centre for marine research in Iceland. In relation to this, the municipality seeks to improve educational facilities and provide efficient services for the population. These include schools, potential university education and the possibility of “lifelong learning” or vocational training programmes. There is already a possibility of long-distance educational programmes in co-operation with the University of Akureyri, the University of Iceland and the Iceland University of Education. Overall, it is clear that the municipal authorities are consciously seeking to enhance innovation practices.

The municipality does not provide economic support for innovations in business, as it abides by the laws against this that date from 1998. Its role in relation to the economic sector is thus mostly one of administrative and moral support. In many ways the municipality serves as a leading actor in discussions about innovations in society, especially with regard to cultural and educational matters. In these sectors it has also been able to support projects directly. The municipality has reflected upon its role and set itself the goal of creating a motivating and encouraging environment for innovation (Atvinnuþróunarfélag Vestfjarða hf & Iðntæknistofnun, 1999). In other words, an emphasis is placed on the infrastructure of the administration and general strategies, instead of giving financial support to specific projects or companies. The Westfjord Development Centre and The Westfjord Development Agency are examples of municipal support for local and economic development of this kind. (Bendiktsson & Skaptadóttir, 2002).

### ***Strengths and weaknesses***

The informants stressed some common factors, which they regarded as the main strengths and weaknesses of Ísafjarðarbær. This is not a complete list of all the strengths and weaknesses that people talked about, only the ones most often mentioned.

First, a few of the basic strengths:

- The accumulated knowledge and experience of fisheries in the community. This was mentioned both by the central leadership and by other informants, and is regarded as an important base for research and development activities in the fishery sector.

- Short information channels from the administration to the wider society, and good access to the municipal administration for different actors.
- The cultural life and human capital. Those interviewed maintained that Ísafjarðarbær is a relatively well-educated society and may thus be viewed as a motivating environment for various innovations. A substantial sector of the population has immigrated to the area from other parts of Iceland and from abroad, and many point to the diverse composition of the population as one of the main strengths with regard to innovation.

Then if we turn to few of the basic weaknesses or barriers that people mentioned:

- Geographical isolation and poor transportation, both within the area and to other areas of the country, were mentioned very often.
- Steady depopulation. Even though the current out-migration is not so great that it can be proven to affect the economic situation directly, people noted it had an immense emotional effect on the community.
- The mentality of the inhabitants. Many mentioned that some sectors of the population in Ísafjarðarbær are stuck in the past, still seeing fisheries and quota as the only ‘real’ coping strategy.
- The image of the area. Our informants said that the bleak image that many had of the West Fjords was negative and basically wrong.
- Single-track economy. Even though Ísafjarðarbær has different kinds of jobs, it was maintained that there are too few in each sector. The scope of jobs is seen as especially narrow for people with higher education.
- The need for a ‘trawler’. Ísafjarðarbær needs some kind of ballast in the local economy, something that can support economic development in general. The fisheries have been this kind of ‘trawler’, but since they are decreasing in both scale and importance the area needs something else on which to rely.

### *Innovations in Ísafjarðarbær*

In Ísafjarðarbær, seventeen firms and projects were mentioned in one way or another as innovations.<sup>3</sup> Approximately six of them may be grouped in the business sector, one in the public service sector and two in the cultural sector. The remaining projects/firms may be grouped in two or all of the sectors.<sup>4</sup> The projects/firms that were chosen in Ísafjarðarbær are diverse. They are: Snerpa, a computer and Internet service; the School and Family Office of the municipality of Ísafjarðarbær; and the West Fjords Multicultural and Information Centre.

#### *Business sector: Snerpa, a computer and Internet service*

Snerpa is the oldest innovation discussed here, but in our view it is a firm that has proven itself in a tough market environment, and which is working on very interesting innovation projects. It was founded in 1994 by two local entrepreneurs. The first idea was to establish a regional e-mail service. The owners applied for support from a broadly-defined development project directed towards the West Fjords (Vestfjarðaaðstoðin), but they received no assistance. In spite of this they carried on by themselves and, supported by teachers in the region, managed to 'sell' the idea of the firm to the Ministry of Industrial Affairs, from which they received a start-up grant.

When the e-mail service was set up it mattered greatly to the users that it should be regionally based, as at this time it was more expensive to make telephone calls out of the region than inside it. Since then the technical and economic environment has changed dramatically. The cost of telephone calls is the same over the whole country and Snerpa competes with other firms in this business on equal grounds. At the time of the study, Snerpa had a good share of the Internet service market in the West Fjords. It also has a share of the market in the south, where it has bought up a small Internet service. Snerpa now focuses on providing a general Internet service as well as specific ICT products, based on their research and development work. Most notable of these ICT innovations are the Infilter (a porn-filter) and Inmobile, a multi-client web-mail system designed to service fishing vessels ([www.snerpa.is](http://www.snerpa.is)).

---

<sup>3</sup> People were not asked to list all innovations that they could think of, only the ones they thought of as important or promising for the municipality. Appendix 1 provides a list of all the innovations mentioned.

<sup>4</sup> Three projects/firms may be said to be a mixture of culture and business, a further three are a mixture of culture and public service sector and two are in-between the public service and business sectors.

In the beginning Snerpa received no direct support from the municipality, but there were no barriers from them either. The municipality has supported Snerpa indirectly by buying services from them, but that is only because the price is reasonable. The role of the municipality may be described as being an 'Audience'. In addition, Snerpa has received support for some of the innovation projects, e.g. from the Icelandic Research Council.

Snerpa has engaged in various projects; some have been successful, others not. The main problem has been access to capital. The small size of the local market has been a problem in some cases. For example, Snerpa used to run a computer shop but has recently quit, as it was not profitable. It was not able to compete with the prices offered by firms in Reykjavík and did not want to lower standards of service.

Marketing can also be difficult for such a small firm. Networking has played an important part in marketing Snerpa products. Snerpa has taken part in CeBIT<sup>5</sup> twice, which has paid off with regard to the marketing of the Infilter system, and has co-operated with a firm in Reykjavík that specialises in ICT services to the fisheries, in order to market the Inmobile web-mail system. More personal and/or informal networks are also important, for example in relations with the municipality. One of the founders of Snerpa is a member of the employment committee of the municipality, and thereby has a direct connection with the municipal administration.

In the owners' view, the municipality has been supportive of innovations in general; it has engaged in general adjustments to improve the environment for entrepreneurs and innovation. According to them, the foundation of the Westfjord Development Agency is a very positive example of this. The municipality is not pro-active, but it is supportive when it comes to innovations, and therefore a positive rather than a negative actor in the innovation network of Snerpa.

Snerpa provides jobs that require higher education, which is important for the municipality. It is, moreover, important for the municipality and the community as a whole to have a firm that provides an ICT service locally. It is also important that Snerpa has been a leading actor in various developments with regard to ICT and its use, not least when it comes to the specific needs of "peripheral" areas, as was the case with the original idea of an e-mail service.

---

<sup>5</sup> CeBIT is the largest and most comprehensive ICT tradeshow in the world, playing host to over 6,000 exhibitors and 560,000 attendees in 27 exhibition halls

*Public service sector: The School and Family Office of the municipality of Ísafjarðarbær*

The School and Family Office was established within the municipal administration or public service system in the year 2000. It manages all the school and social welfare services in the municipality and sells specialist services in different fields to other neighbouring municipalities. Different institutes provided these services before, so the merger involved a great deal of administrative restructuring. It revolves around the education services (kindergarten and primary schools) and social welfare services for all age groups. When the office was formally started, only one manager was hired, but today it has more than nine employees, some of whom hold part-time jobs.

The municipality here acts as the 'coordinator' of the project; it initiated it, implemented it and manages it entirely. The aim of the municipality in establishing the office was to create a more efficient body of services in the municipality. The innovation of the School and Family Office lies in the fact that it creates common ground for people from different fields to work closely together on shared objectives. School psychologists, social workers and educational consultants can deal jointly with common problems, for example. Thus, the manager noted in an interview that instead of constant 'fire fighting' in each corner, people working in these fields are now able to work on preventative strategies.

A minority in the municipal council contested the establishment of the office from a political point of view. According to the manager, much has changed since then and now most people, both within the political arena and in the municipality in general, have a positive attitude towards the office and the work done there. On the practical side, there was some opposition to the merging of the education sphere and the social services sphere by the schools in the municipality. Some people were afraid that all the resources would be spent on social welfare and that the education service would be left out. This has not happened, and in fact the growth of the office stems primarily from an increase in education services by the municipality.

The office has grown fast and, as its manager said, the service does not cost less than before the merger. Compared to before, the spectrum of service has expanded. The manager highlighted three points when asked what changes the office has brought about for people in the municipality. Firstly, it makes the education and social welfare service more easily accessible. The mere fact that these different but closely related institutes are under the same roof makes it easier for people to drop by and seek information or service. The office has seen an increase in visits by people

coming on their own initiative to seek assistance and/or information. Secondly, the establishment of the office has strengthened the professionalism of the service provided. It employs well-educated staff with a broad background, who can assist one another in dealing with complicated issues. Thirdly, the service is more efficient than before. The office tries its best to apply the administrative rules regarding the time taken to process the cases it receives, but at the same time it seeks to make the work transparent for its clients.

The School and Family Office has proven itself as a service institute and will probably develop further in the future. The manager noted that it would probably not be long before the office takes over these services for the closest neighbouring municipalities. It is already servicing them in some cases and this has been positive experience. Smaller municipalities cannot provide such a broad service as the School and Family Office does and the small scale of these communities has proven to be a barrier for people needing assistance. The School and Family Office is thus of great importance for the general population in the area, and the manager pointed out that it is also of significance for the municipal authorities. Other municipalities in Iceland have looked to see how Ísafjarðarbær has dealt with its education and social welfare services and some are going the same direction, using the office as a prime example of how to do this. This positive attitude towards the model Ísafjarðarbær has implemented strengthens the role of the municipality on a national level.

*Cultural sector: the West Fjords Multicultural and Information Centre*

The West Fjords Multicultural and Information Centre is a trial project financed mostly by the state, which also received substantial support from the municipality of Ísafjarðarbær in its initial stages. It was founded in 2001 and its establishment fits well with the municipal authorities' claim to be in the forefront when it comes to immigrant affairs. It serves as an information centre for immigrants and is intended to work on various cultural issues with the aim of enhancing knowledge concerning a multicultural society. One person works full-time as a manager for the centre and there are also a few part-time employees.

The municipality and individuals in Ísafjarðarbær had the initiative of locating the centre in Ísafjörður. The Ministry of Social Affairs funds the centre, for the most part. The centre has been active in initiating projects and has received financial support from funds and other formal networks on a national level. Its manager noted that the centre has the goodwill of the municipal institutes and society in general. However, its services are expensive to run and it has very ambitious aims, and thus requires more capital to grow in accordance with this need.

Most things have gone well in its implementation process. It takes time to win the trust of potential clients, but immigrants are beginning to use its services more and more. The centre has worked with various municipal institutes and firms, and this co-operation has been successful. Most actors, both in the private and public sector, are willing to look into the possibility of taking part in developing projects, e.g. language teaching.

In the beginning, the centre was established as a trial project for three years. The Ministry of Social Affairs has organized a committee with representatives from various institutions (among others the West Fjords Multicultural and Information Centre) to shape future policy in immigrant affairs. Thus, the centre still works in accordance with the original plan from 2000, but the ministry has increased its financial support. The plan is to strengthen this in the future and the committee will soon deliver its proposals. The manager noted that decision-making is fairly easy on a municipal level and it is important that the municipal authorities are close to the field that the centre is working in. She has easy access to the municipal authorities. Overall, the manager of the centre has had a good experience of the municipality, although there are always some things that might be better. She underlined the risk that immigrant affairs will become isolated in the centre and not be dealt with by all the institutes in the municipality. She claimed that it is positive and worth noting that Ísafjarðarbær aims to take a leading role among the municipalities of Iceland in immigrant affairs.

### **Municipality B: Hornafjörður**

The districts around Höfn, the largest town in Hornafjörður municipality, have traditionally relied on agriculture. Höfn was established as a merchant centre for the region and in spite of difficult harbour conditions it is the best available in the area. Agriculture is still a very significant source of income in the rural districts but fisheries are today the most important industry for the municipality, especially in the town of Höfn. The fisheries are more diversified than in most other fishery-based towns in Iceland. A large proportion of the lobster catch is landed in Höfn and the town is actually using this creature to promote itself, for example with a 'lobster festival' held each summer. A characteristic of the fisheries in Höfn is that this is not done by trawlers but by smaller vessels that change fishing gear according to season.

With the introduction of the ITQ-system, a process of restructuring in the fisheries began, with various consequences for fishery towns such as Höfn. The people in Höfn have, in many respects, coped successfully with these changes, at least judging by the population development. Since

the process of amalgamation with the neighbouring districts, the role of Höfn as the commercial and administrative centre of the region has strengthened. The service sector is becoming more significant and is now larger than the agricultural sector (Sveitarfélagið Hornafjörður et al., 2002). There is still one large fishing firm located in the town; tourism is also gaining in importance and is now a major economic sector in the region.

The municipality has clear policies for different sectors of society, for example in the fields of rural affairs, information technology and education, and in economic fields, including social services and environmental affairs. When it comes to economic development, emphasis is placed on innovation, knowledge and a professional administration environment (<http://www.hornafjordur.is>). In order to boost innovation, research and development activities are particularly emphasized, especially in the fisheries, knowledge-intense businesses (ICT) and industry. The municipality also looks to an increase in tourism, as Hornafjörður has some of the best-known natural attractions in Iceland. The national park of Skaftafell is located in Örafi, one of Hornafjörður's districts, and Vatnajökull, the largest glacier in Europe, is a tourist attraction in itself. Cultural tourism is also increasing and some projects in that regard have been initiated in recent years.

As stated above, the town of Höfn is the commercial and administrative centre of the region. Hornafjörður has been in the forefront of municipalities in taking over some basic functions that were formerly in the hands of the state, such as health care and primary education. There is a high school in the municipality, located in Höfn, and a University Centre located in the same building. Cultural life is vivid and the drama club puts on a play every year, like the drama club in Ísafjarðarbær. The richness of cultural life is often mentioned as one of the characteristics of the municipality.

Generally speaking, the municipality is considered to be active in both initiating and supporting innovative firms and projects. Some of the people interviewed said that various forms of moral support, e.g. leading the discourse and spreading innovative ideas, were important in their own right. As in other municipalities, the support of the municipality has changed markedly since the early 1990s. The municipality can no longer guarantee loans for companies or support them economically. The municipality has changed its strategies both because of bad experiences and because of the new laws already mentioned above against municipal economic business support. The municipality is currently more active in initiating and supporting economically various cultural innovations, such as

the Cultural Centre of Hornafjörður, one of the cases discussed below. Instead of supporting specific companies, the municipality has focused more on general strategies, aiming at improving the environment for innovation and economic development. The municipality has been a member of the Economic Development Fund for East Iceland and the Business and Regional Development Centre for East Iceland. The most interesting strategy in the municipality is the building of Nýheimar, one of the innovations discussed below. With this building, and the environment that the municipal authorities hope to create within it, the aim is to strengthen the local economy and its development in the long term. All in all, it is clear that Hornafjörður municipality is active with regard to innovations.

### ***Strengths and weaknesses***

As in Ísafjarðarbær, informants were asked to mention some of the main strengths and weaknesses of the municipality in general. Some of the main strengths mentioned were:

- The ‘do-it-yourself’ mentality. This was often mentioned as a characteristic of people in the municipality, especially in the town of Höfn. Some linked this mentality to the geographical isolation of the town. The next villages are 100 km to the east and 200 km to the west. They maintain that people in Höfn are used to being self-reliant and that is why they have this innovative or entrepreneurial spirit.
- The composition of the community. Höfn is a young town that had been growing until the last few years. There are not many inhabitants who are ‘originally’ from Höfn and many noted that this is one of the reasons why Höfn is a dynamic community, especially in terms of innovation.
- Nature and landscape. This is a resource that people in Hornafjörður have used successfully in tourism development, for example to market the landscape as a background for movies and other entertainment productions.
- Successful cross-political co-operation. Even though some changes have occurred in municipal government over the past decade, some people mentioned that politicians have been able to work well together on all the larger issues.

Similarly, people mentioned various basic barriers:

- Isolation was probably the weakness most often mentioned in one way or another. Even though transportation is generally good, especially the road connection to the capital, the dis-

tance is long (approx. 450 km). The flight connection has worsened.

- Small market. It is hard for private businesses to ‘make a living’ in such a small market environment and it makes all public services more expensive.
- The need for a ‘factory’. In a similar way to Ísafjarðarbær (where the ‘factory’ was called a ‘trawler’), people noted that the economy needed stabilization. One big company that does not have the seasonal fluctuation of the fisheries is required to balance the economy.
- The downside of the entrepreneurial spirit is a weakness some people mentioned, that it can be hard to mobilize people to work towards a common goal.
- The lack of education on the part of the population and the lack of educational possibilities in the municipality.
- The harbour conditions. The harbour is a huge barrier for the development of tourism in the area, as it cannot be used by the bigger cruise ships.

### ***Innovations in Hornafjörður***

In Hornafjörður, fifteen innovations were mentioned that are either in operation or in preparation. Eight may be grouped in the business sector, two in the cultural sector and one in the public service sector. The others may be grouped in two or more sectors. The projects chosen from Hornafjörður are: Galdur ehf., Nýheimar and the Cultural Centre of Hornafjörður.

#### ***Business sector: Galdur ehf.***

In the business sector we chose a firm called Galdur (this translates as Magic). Galdur is a young firm, founded by two entrepreneurs in January 2002. Both of them had been working for Skjávarpið, an ICT firm that went bankrupt in 1999. They wanted to carry on living in Höfn, working in the same sort of business as before. Galdur started out as an ICT firm, with most of the work involving the design of Web-pages and other graphic design projects. The firm was inaugurated with support from the Entrepreneurial Centre, part of the Nýheimar project discussed below, which is supposed to support innovators. At the time, the Entrepreneurial Centre was not formally established, so Galdur was a kind of a trial project in that context. By means of this support, inexpensive office premises were obtained for the first few months. In January 2002 Galdur was founded on a formal basis, and in the spring of 2003 it moved out of the Entrepreneurial Centre; at the same time, a new dimension was added to

the business with the purchase of the local weekly newspaper. Today, Galdur runs a local information Web-page where people can post advertisements and read the local newspaper, and has recently begun to offer photo services.

Galdur was the first firm to receive direct support from the Entrepreneurial Centre. At the time, the Entrepreneurial Centre was located in a rented house in Höfn since the new building, Nýheimar, was not ready. Galdur was to some extent caught up in a difficult transition period when the Entrepreneurial Centre moved. Nobody knew how high the rent would be in the new place, but at the same time the move had to be made. This situation was very inconvenient and was part of the reason why the firm moved out of the centre. One of the owners of Galdur nevertheless noted that the centre's support was very important to them when they started the business. The main barrier to their innovation has been obtaining investment capital. Banks and loan institutions usually require estate guarantees, which many firms that are starting up do not have. Thus, although the local environment is in many ways innovation-friendly, the situation is not the same at a national level, especially for firms based outside the capital.

Galdur's innovation is multi-faceted. It is not the only computer firm in Höfn, but it is unique in its combination of work. Galdur both creates Web-pages for clients all over the country and services them, and at the same time it runs the local information and news agency, both on the Internet and through the local newspaper. This has worked out so far but one of the founders has said that it will be a long time before they can hire more employees. The two men work for Galdur and their wives also work for the firm, but the latter's work is more intermittent. Even though the Entrepreneurial Centre has supported Galdur, the municipality has not directed its business or purchase power in this sector towards Galdur.

The business relies on a mixture of local and national networks. Galdur is now located in a premises with another ICT company and it is felt to be very important for both of them to have this micro 'in-house' network. As mentioned above, most of the clients are from other parts of the country, while the information and news service is the most local aspect of the business. The network or links with the municipal authorities could be improved.

Galdur's experience of the municipality has been both good and bad. Nevertheless, the municipality cannot be said to have been an obstacle, rather it has moved from the role of being a facilitator to that of an audience. The municipality acted as a facilitator when they were starting up, but Galdur was then caught in the middle when the Entrepreneurial

Centre was established on a formal basis. The municipality was to a great extent responsible for the delay in starting the new Entrepreneurial Centre. One of the owners interviewed says that, overall, Icelandic municipalities are too slow and everything takes too long, especially with regard to small innovative firms that both want and need to move fast.

*The public service sector: Nýheimar*

In the public service sector we chose Nýheimar. Even though Nýheimar could be grouped within all the sectors, it is first and foremost a public service project. It is meant to offer systematic general support to innovative firms and entrepreneurs, and to serve as a centre for research and development in the municipality. The idea of Nýheimar first came up in 1995 and it was formally founded in the summer of 2003. It is the single largest municipal project that is directed towards improving the administration of economic development. The building of Nýheimar houses the local high school/ further education college, the largest library in the municipality, the Entrepreneurial Centre and a branch of the University of Iceland. In 1995, the idea of establishing a research and development centre/science park came up in relation to plans for the construction of a new building for the high school/further education college. At the time there was a discussion going on in the municipality about how it should support the economy and enhance innovation. Nýheimar has been through a long process since then. One of the first steps was to establish links with the University of Iceland, which now has a University Centre based in Nýheimar. The idea then developed and in 2002 a new building was ready that currently houses five institutes/centres: the Entrepreneurial Centre, the high school/further education college (FAS), the University Centre, the municipal library and the Cultural Centre of the municipality of Hornafjörður. More research institutes will be located there in the future. One interesting aspect of the story is that it was not until the high school/further education college was associated with the idea of Nýheimar that the Ministry of Education was willing to give financial support to the building of a new high school/further education college.

The municipal authorities, as Nýheimar's co-ordinators, have supported the project from the beginning, and the public in Hornafjörður has generally supported the building of this new centre of research, education and development. The municipal authorities view Nýheimar as beneficial to the economy and as an important step towards a more innovation-friendly environment in the municipality. It has more or less ended all its specific strategies for supporting individual firms. The building of Nýheimar has been very expensive and the municipality has not obtained the support from state funds and loan funds, such as the Icelandic Re-

gional Institute, for which it had hoped. The building of Nýheimar has contributed to the municipality's growing debt.

The high school, the library and the University Centre moved into the new building of Nýheimar in 2002. The Entrepreneurial Centre was formally established in the summer of 2003, but before that the municipality ran a smaller version of the same model (see above). The new Entrepreneurial Centre is run in co-operation with the Ministry of Industry, the Icelandic Regional Institute, the New Business Venture Fund, the Business and Regional Development Centre of East Iceland, IceTec, and private firms and businesses in East Iceland. The Entrepreneurial Centre was the final part of Nýheimar to become established in the Nýheimar building, with a manager hired in June 2003. The Nýheimar project still needs time to prove itself, but it seems to have the potential to function well. Municipal authorities are optimistic that the building of Nýheimar will prove to be a significant support to innovation and development in Hornafjörður, and that this could be a model that other municipalities will use in their own coping strategies.

The continuity of the high school, the library and the cultural centre is quite secure for the foreseeable future. The University Centre will develop and it may take some time to establish it firmly, mainly because of a lack of research funds (there is no shortage of research projects). The Entrepreneurial Centre is still an interesting experiment, but it remains to be seen whether it will become more than that. It may depend upon the patience of the municipal authorities and the general public. Some of our informants noted that people are beginning to long for concrete results, perhaps not realizing that it may take a long time before the innovations begin to pay off.

Nýheimar is designed to optimize the 'internal' networks of the people working in the building. The establishment of Nýheimar has to some extent depended on harnessing networks with local politicians, and between municipal authorities and the state administration. The idea of Nýheimar has also been 'sold' to the local community, as may be seen by the general support for the project.

*Cultural sector: Menningarmiðstöð Hornafjarðar (Hornafjarðar Cultural Centre)*

In the cultural/civic sector we chose the Cultural Centre of Hornafjörður. This was founded in 2001, when all the museums and cultural institutes in the municipality were merged into one. Its roles are diverse: they range from running the museums and libraries to managing cultural events in the municipality. The cultural sector is growing in importance in the local economy and the establishment of the Cultural Centre is the clearest ex-

ample of this. In 1990 a decision was made to integrate all the cultural institutes in the then separate municipalities that later amalgamated into Hornafjörður municipality. This institute was called Sýslusafn Austur-Skaftafellssýslu and employed the equivalent of one full-time unit. The Cultural Centre of the municipality of Hornafjörður was then established in 2001. Today the centre has eight employees and runs five museums in the municipality. Its role is also to manage all kinds of cultural events, e.g. promoting concerts, publishing printed materials and organizing exhibitions.

The Cultural Centre has obtained diverse support. It is financed mostly by the municipality, but is required to cover 25% of the running costs on its own. The manager of the centre said in an interview that this has not been a problem. New funding possibilities have opened up in recent years and the centre has been successful in getting grants and other financial support for specific projects. He noted that Hornafjörður is not a 'cultural' community, i.e. there is not much of a tradition in terms of cultural activities, and some people in the community think that the centre is too expensive for the municipality. The public view is therefore the main barrier for the Cultural Centre. At the same time, he said that many have begun to realise that culture-related activities could provide jobs in the community and bring money into the town.

The municipality may be said to have acted as both an initiator and, to some extent, a co-ordinator in this case. Ever since the centre was established, it has engaged in projects that enhance the cultural life of the municipality, promoting what exists in the way of culture in Hornafjörður to both the local population and extra-local actors. One aspect of this promotion of the cultural heritage in Hornafjörður is free admission to all museums, and the main library in Höfn has greatly increased its book loans by means of another project.

Since the main library, and with it the office of the Cultural Centre, moved into the new Nýheimar building, there do not seem to have been any problems concerning the continuity of this project. Overall, people seem to be happy about the change, though of course it is a matter of concern that there is not a single arts centre in the municipality, but that this operates in a number of places in the municipality. Generally speaking, establishing the Cultural Centre has resulted in a better service to the public.

The Cultural Centre exists in close co-operation with the municipal authorities, as well as the high school. Since it is located in Nýheimar, there are good possibilities for co-operation with other institutes. The manager of the Cultural Centre has been involved in the development of

Nýheimar and has also become part of the municipal government. The Centre has good connections with the Cultural Council of East Iceland, which is a fund for cultural activities, as well as with other funds and networks in East-Iceland. The municipality has supported the Centre since it was established and has improved the level of municipal service in this sector. It has also changed its attitude towards culture and cultural activities, making this more positive.

### **Summary and discussion**

We have presented diverse innovation projects from two municipalities in Iceland: the municipality of Ísafjarðarbær and the municipality of Hornafjörður. Both of these are municipalities that have been resource-based until recently: Ísafjarðarbær was built around the fisheries and Hornafjörður municipality on agriculture and the fisheries. Today, these municipalities have to cope with a restructuring of the fisheries and agricultural sectors. They still base their existence primarily on these sectors, but have had to search for more diverse economic activities. In both municipalities the service sector has been growing, and in both we find that innovations relating to fisheries and the labour market are becoming more diverse. In addition, the authorities in both municipalities have set out clear policies for different sectors of society.

In Ísafjarðarbær, the strategy of the municipality has been to place an emphasis on growing research development, especially in relation to the fisheries and related industries. The authorities are consciously seeking to enhance innovative practices and are paving the way without being direct participants themselves, except to a very limited extent. The municipality is more active in the cultural and public service sectors than in the field of business. Overall, it is safe to say that the municipal authorities of Ísafjarðarbær are conscious of their role as supporting actors to innovations and they are working systematically to improve the environment for various innovations.

In Hornafjörður, the strategy has been similar, i.e. a focus on knowledge-based industries and research and development activities to boost innovations. The municipality also places great emphasis on the growing development of tourism in the region. In recent years, municipal authorities in Hornafjörður have moved away from the direct economic support of specific firms towards emphasizing general strategies that are aimed at improving the environment for innovative activities. As in Ísafjarðarbær, the municipality has taken a more active role in the cultural and public service sector, as the examples of Nýheimar and the Cultural Centre clearly demonstrate.

We selected three cases of innovations in each municipality, which were grouped respectively in the economic sector, the public service sector and the cultural sector. While the municipality's role may vary with each innovation, a general pattern of involvement can be detected. The municipalities have loose relations with the economic sector and seem, to some extent, to be placing more emphasis on the public service sector and the cultural sector than before. No doubt the laws concerning the municipalities that were passed in 1998 have had an impact in this direction. The general discourse in Iceland, and in an overall Nordic context, concerning innovation and regional policies also points in this direction (e.g. Byggðastofnun, 1999). The so-called new regional policy emphasizes research and development, innovative activity by local people and the role of the municipalities as facilitators of economic development (Byggðastofnun, 1999; 2001).

The active, more initiating and co-ordinating role of the municipalities in the sectors of public service and culture demonstrates a partly-changing attitude towards these 'softer' sectors of society, as may be seen in the case of the Cultural Centre of Hornafjörður. People are beginning to appreciate the economic importance to society of such institutions, rather than simply perceiving them as a burden on local funds. This also shows that ideas concerning innovation that are held by municipal authorities are not of a purely economic nature.

A common weakness in the municipalities, according to our informants from the central authorities, is the lack of ballast in the local economy. In Ísafjarðarbær people said they missed a 'trawler' in the local economy, whilst in Hornafjörður the metaphor of a 'factory' was used. The way in which both municipalities have played a role in innovation processes may be seen as a means of facilitating the emergence of such a 'factory/trawler' from local resources, in the form of knowledge and human capital. Altogether, this highlights the understanding that working on creating a viable environment for innovations, and improving general living conditions for the inhabitants, are part and parcel of the same process or, better, the same coping strategy.

### References, Chapter 3

- Alþingi. (1998). *Sveitarstjórnarlög*. Lagasafn, Nr. 45.
- Atvinnuþróunarfélag Vestfjarða hf., & Iðntæknistofnun. (1999). *Stefnumótun Ísafjarðarbæjar í atvinnumálum 1999-2003*. Ísafjarðarbær.
- Byggðastofnun. (1999). *Byggðir á Íslandi: Aðgerðir í byggðamálum*.: Sauðárkrókur: Byggðastofnun.
- Byggðastofnun. (2001). *Atvinnuþróun og stoðkerfi atvinnulífs á landsbyggðinni*: Sauðárkrókur: Byggðastofnun.
- Benediktsson, K., & Skaptadóttir, U. D. (2002). *Coping Strategies and Regional Policies – Social Capital in the Nordic Peripheries – Iceland* (WP 2002:5). Stockholm: Nordregio.
- Eiríksson, Ó. Ö. (2000). *Börnin heim til Vestfjarða: Viðhorfskönnun á meðal brottfluttra Vestfirðinga sem útskrifuðust úr grunnskólum á norðanverðum Vestfjörðum á árunum 1980-1995*. Ísafjörður: Atvinnuþróunarfélag Vestfjarða og Svæðisvinnumiðlun Vestfjarða.
- Gunnarsson, A. ó. 2002. *Ágrip af sögu Hafnar*. Sveitarfélagið Hornafjörður. Available: <http://hornafjordur.is/stjornsysla/inngangur/agripafsogu> [2003, 28.07.03].
- Haraldsson, H. L. (2001). *Sjávarútvegur og byggðapróun á Íslandi*. Útgáfustað vantar: Byggðastofnun.
- Ísafjarðarbær. 2003a. [Internet]. Available: <http://www.isafjordur.is/index.phtml> [2003, 18.07].
- Ísafjarðarbær. 2003b. *Um Ísafjarðarbæ*., [Internet] [2003, 18.07].
- Statistics Iceland. (1997). *Landshagir: Statistical yearbook of Iceland 1997*. ( Hagskýrslur Íslands III 47). Reykjavík: Statistics Iceland.
- Statistics Iceland. 2002a. *Landshagir 2002: Hagskýrslur Íslands III 88*. Reykjavík: Statistics Iceland.
- Statistics Iceland. 2002b. *Mannfjöldi 1. desember 2002 eftir pósthúsum*. Statistics Iceland. Available: <http://hagstofa.is/template25.asp?pageid=219> [2003, 28.07.03].
- Sveitarfélög á Vestfjörðum. 2002. *Byggðaáætlun fyrir Vestfirði*. Ísafjarðarbær.
- Sveitarfélagið Hornafjörður, Þróunarstofa Austurlands, & Iðntæknistofnun. (2002). *Stefna Hornafjarðar í atvinnumálum: Framtíðarsýn til ársins 2007 og leiðir til árangurs*. Sveitarfélagið Hornafjörður.
- Þróunarstofa Austurlands. (2002). *Íbúar af erlendum uppruna á Austurlandi: Stöðugreining og tillögur til úrbóta*. Egilsstaðir.

## Appendix 1

A list of all the innovations mentioned in the interviews.

### *Ísafjarðarbær*

Sindraberg: an old shrimp factory, now used for the production of fresh sushi dishes.

3X-Stál: manufacturer of seafood and shrimp-processing equipment.

Póls: manufacturer of computerized weighing machines.

Cod farming: the cod farming itself takes place in other municipalities, but some people from Ísafjarðarbær are involved.

The School and Family Office: discussed above.

The Westfjord Development Agency: a regional development office.

The Westfjord Development Centre: a place/forum where different firms and institutes are located.

Educational Centre: a state-run project aimed at improving possibilities for lifelong learning.

Snerpa: discussed above.

Destination Viking – Gísli Saga Súrssonar: a cultural tourism project.

Vigur: tourist development.

Distance learning projects.

Group for craftsmanship.

Cultural projects: the building of arts centres.

The West Fjords during the Middle Ages: research into this era, for both applied and academic purposes.

The fisheries: different projects of product development.

The West Fjords Multicultural and Information Centre: discussed above.

### *Hornafjörður*

Norðurís: uses biotechnology in the processing of marine products.

The Glacial Centre: a planned centre for both academic and public purposes.

Nýheimar: discussed above.

The Cultural Centre of Hornafjörður: discussed above.

Jökulsárlón: tourist development around the glacial lagoon in Öräfi.

Þórbergisstofa: a tourist development and research project based on the life of Þórbergur Þórðarson, a writer who was born in Öräfi.

Arctic char farming: located on a few farms in the municipality.

The fish market.

Galdur: discussed above.

The national park of Vatnajökull: this project is on hold at the moment, because of unresolved issues regarding the ownership of the highlands.

Bird-watching centre: located at Höfn.

Lónsöræfi: this is an area east of Höfn. It is being developed as a hiking paradise and all vehicular traffic is forbidden.

The building of a gym at Höfn.

Moviemaking: the landscape in Hornafjörður is popular as a background for music videos, commercials and movies.

Trial projects in public service: the municipality of Hornafjörður has been active in taking part in trial projects where municipalities have taken over some of aspects of service that the state used to provide.

## Chapter 4

### **Innovative Approaches and Global Constraints**

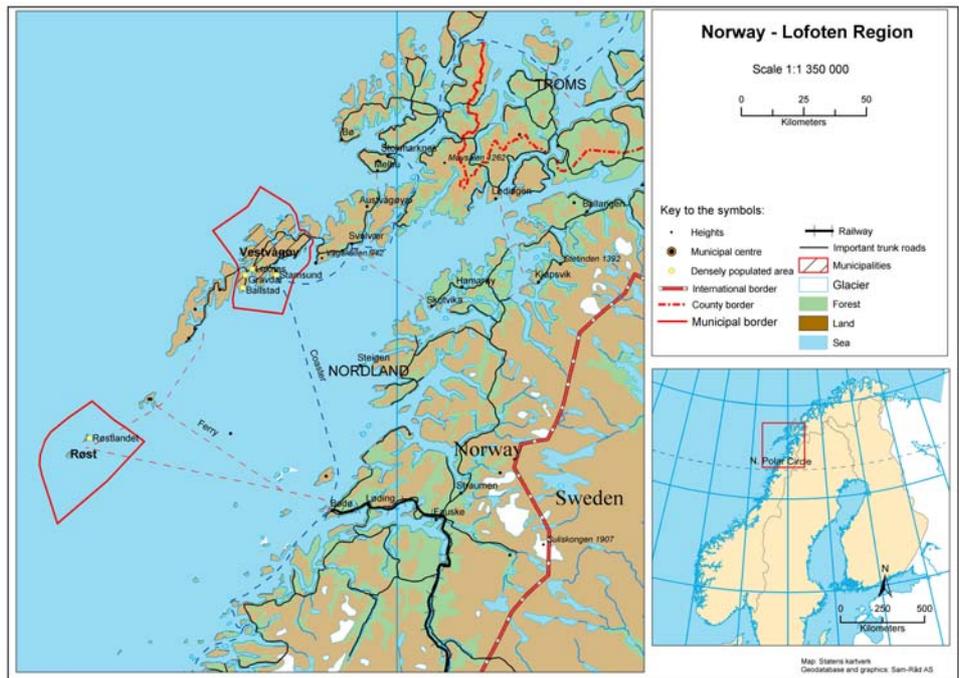
The case of two Lofoten municipalities

*Asbjørn Røiseland and Brynhild Granås*

#### **Introduction: The Lofoten municipalities of Røst and Vestvågøy**

The very small island of Røst (11 km<sup>2</sup>) is located in the south of the Lofoten islands. The island and its small population are, in some respects, isolated from the world outside. It takes three hours to travel to the neighbouring island to the north-east by ferry, and six hours to reach the mainland and the county centre of Bodø. In other respects, Røst is centrally located in the middle of some of the most important Norwegian fishing fields, and daily flights from the airport connect the community with the mainland. The current 617 inhabitants of Røst are mostly employed within one of the six local fish processing companies that constitute Røst Producers' Association. The members of the association have a total annual turnover of 350-500 million NOK, mainly based exporting dry cod to Italy. These activities have been going on for more than a thousand years.

Further north, on the Lofoten island of Vestvågøy (421 km<sup>2</sup>), we find the municipality of Vestvågøy, with a total population of more than 10,000. The main road (E10) runs through the whole island, connecting Vestvågøy to neighbouring islands in the east and west. The western road connects Vestvågøy to Bodø by ferry. The Hurtigrute (coastal steamer) arrives twice a day. There are also daily air connections to Bodø. Tall mountains, so characteristic of the Lofoten region, dominate the south-west and north-east parts of the island. Inbetween, extensive agricultural production takes place in a broad valley, ending in the south at the municipal centre of Leknes. This is one of the largest villages of Vestvågøy, together with Stamsund, Ballstad and Gravidal; all four are situated on the southern coast of the island.



*The Lofoten Region and the surrounding area, indicating the localisation of Røst and Vestvågøy*

### ***Similarities and Differences in Challenges***

While Vestvågøy has become the largest of the six Lofoten municipalities, in terms of the number of inhabitants, Røst is the smallest. Common factors between the two are their dependence on the fish industry, their constant struggle to secure welfare state services and employment for their inhabitants, and their long-term politicking to maintain and improve communications and secure the welfare of their inhabitants.

Table 4.1: Selected statistical data about Røst and Vestvågøy. Source: Statistics Norway.

		Røst	Vestvågøy
Population 2004		617	10 813
0-17 years, population %		25 %	25 %
Employed, 16-74 years, population %		74 %	66 %
Gross income per capita (17 years and above)		NOK 228.200	NOK 201.400
Employment according to industry, %	Primary industry	23.1%	13.7%
	Secondary industry	29.3%	15.5%
	Service industry	47.7%	70.8%

However, the two municipalities also face different challenges. The homogenous structure of the industry on Røst, where more than half the employed population is linked to primary and secondary industry (mainly fishing and fish processing) differs from that of Vestvågøy. Vestvågøy has a more heterogeneous economic structure that also includes agricultural industry, and more than 70% of the population is employed in the service industries, mainly in the public sector.

All in all, the municipality of Røst is *even more* vulnerable to external processes, due to national and international fishery policies and changes relating to the markets and technology.

The sense of identification with the Lofoten region is strong within Vestvågøy, though the community is also involved in the well-known internal competition between the municipalities of the region, with the aim of gaining a larger share of economic resources, amongst others the growing tourist trade. For Røst, the geographical context implies a stronger connection to the mainland, rather than to Lofoten; this is related to the dominance of car and aircraft communications, and to the organization and commercialization of public transport.

The municipality of Vestvågøy has recently been re-organized, levelling the administrative structure and replacing the former position of 'chief executive officer of trade and industry' with a more general 'development unit' and its leader. This unit, together with the chief municipal executive and his assistant, has a responsibility for the municipal management of industrial development.

The much smaller administrative staff at the municipality of Røst consists of less specialized job positions, with the mayor and the chief municipal executive as main actors in the management of industrial development. Røst has for a long time been a relatively rich municipality.

At the beginning of the 1990s they still saw the need for better control of expenses that were ever-expanding at that time. A restructuring of the municipality into today's organizational model was implemented in 1995, on the advice of external consultants. The same consultancy company is involved in a new process of restructuring, taking place in 2004. The economy of the municipality has been satisfactory for the last few years, but capital stocks are reduced, at the same time as national basic transfers to Røst are constantly getting lower, and consequently a need is perceived for the further control of municipal expenditure.

*Table 4.2: Røst and Vestvågøy's population over the past twenty years. Figures from Statistics Norway.*

<i>Population</i>	<i>Røst</i>	<i>Vestvågøy</i>
1980	813	11,111
1985	743	10,846
1990	631	10,547
1995	693	10,791
2000	666	10,750
2004	617	10,813

Over the past twenty years the number of inhabitants has been fairly stable within both municipalities. Table 4.2, above, shows how the two populations have developed over the past 24 years. The population of Røst has declined from 813 in 1980 to 617 at present, a decline of no less than 24%. The population of Vestvågøy has been more stable over the years, declining no more than 2.7% from 1980 until today.

As may be seen in Table 4.3, below, the unemployment rate is still high in Vestvågøy compared to the national and regional (Nordland) rate. While the unemployment rate for Norway in 2001 was 3.7%, the rates for Røst and Vestvågøy were 2.8% and 7.0% respectively. Employment increased by 3.1% (Røst) and 4.5% (Vestvågøy) between 1994 and 1999, but this increase should be regarded as moderate, compared to the national level (14.5%).

*Table 4.3: Unemployment in Røst and Vestvågøy. Source: Hanell, Aalbu and Neubauer 2002.*

	Unemployment rate (%), average 1998-2000	Unemployment rate (%), April 2001	Change in employment (%), 1994-1999
Røst	4.3	2.8	3.1
Vestvågøy	5.9	7.0	4.5
Nordland County	4.5	4.7	4.8
Norway	3.5	3.7	14.5

### *Procedures in data collection*

This study is based on information collected from group interviews, individual interviews, statistics, documents and literature. Most interviews were carried out face-to-face during the course of two visits to Røst and Vestvågøy in the autumn of 2003. Some were made by telephone during the winter of 2004. All together, nine people (including two women) were interviewed at Røst and nine people (including one woman) in Vestvågøy. A snowballing technique was used to select informants, starting with a focus group interview of the administrative and political leadership of the municipalities.

The interviews began with questions about the general situation in the municipality and the main challenges faced by the municipality and the locality. The second phase of the interview included questions concerning what the respondents regarded as important innovations over the past ten years.

The group interviews produced a number of innovations, from which the selection of innovations to be followed up was made (see Table 4.4). Probably none of these innovations belongs to just one category in the scheme below. We believe most of them to be a mixture, containing business, public and civil elements. The main criterion used for categorization in Table 4.4 was the sector in which the first initiative was taken.

*Table 4.4: Number of innovations, distributed over three sectors, within Røst and Vestvågøy. Data gathered from group interviews with the administrative and political leadership of each municipality.*

	<b>Business</b>	<b>Public</b>	<b>Civil</b>	<b>Total</b>
<b>Røst</b>	4	3	4	11
<b>Vestvågøy</b>	4	5	2	11

In these settings, we shall shortly examine how factors concerning the representation of different social categories may influence the data collection. Examples of relevant social categories in this case are gender, age/generation and class. Starting with a focus group made up of members of the municipal leadership implies that the perspectives of this group give direction to the master sample of innovation and subsequent snowballing. To give an example: on Røst two of the nine informants are women, none is below 30 years of age and none represents any category other than the municipal leadership and members of the Producers' Association. As for Vestvågøy, one of the nine informants is female,

none is below 30 years of age and only people occupying leading positions within the municipality and industry have been interviewed. Therefore, this data does not reflect how other social groups, e.g. the younger generation, ordinary employees within the municipality or fisheries, or young mothers in Røst and Vestvågøy may perceive their community and its important innovative elements differently. On the one hand, this reflection clarifies the limitations regarding aspects of the communities that may and may not be discussed, based on this data collection. On the other hand, the methodological approach may nevertheless be justified, since it reflects a *de facto* composition of municipal and industrial leadership regarding the social categories mentioned.

*Selecting innovations: Transformative processes with global aspects*

Six innovation processes, three within each municipality (see Table 4.5), will be analysed further here. All six innovations have been chosen on the basis of their transformative qualities; they may be seen as processes interacting with processes that have a global range, but at the same time they constitute a transformative logic within the locality where they take place. The selection is made in accordance with the delimitation of the innovation concept developed within the comparative research project, of which this research is part, describing innovations as ‘...the process of *new* solutions to *local* problems, as responses to the transformation of a *globalising* and *increasingly knowledge-based* economy’. By ‘processes with a global range’, we refer to the phenomenon of ‘... the interconnectedness of the world as a whole...’ (Robertson 2001: 461). Among the processes referred to are global changes within economy, technology, political management regimes, knowledge and culture.

Further, innovations are here described as “...new *practices* creating better conditions for living/new jobs/economic activity in the localities selected.” The selection is also adjusted to take into account the importance of the innovations expressed in the group interviews, a criterion underpinning a bottom-up approach to the research project as a whole.

Table 4.5: Innovations selected for follow-up studies, based on the priorities expressed in group interviews with the political and administrative leadership of each municipality.

	Røst	Vestvågøy
<b>Business</b>	Cod farming	Poseidon
	New hotel	Lofoten Products
<b>Public</b>		Viking Museum
<b>Civil</b>	Sandrigo	

During the analysis of the six innovations, we shall show that the categorization of the innovations within certain sectors is a simplification, because there are strong connections between public sector and civil society, as we shall see in the cases of the Sandrigo co-operation and the Viking Museum. Due to the ‘transformative’ criterion, only two innovations outside the business sector were selected. However, the public sector and civil society innovations, which were scanned in the first phase of the study, did not fully meet this criterion.

An extensive presentation will be given of each innovation process, stressing its history and the actors and networks involved, both locally and externally, together with the role of the municipality. Finally a discussion will follow, pointing to the different strategies pursued while coping with challenges within the municipalities. Our analysis suggests a relationship between specific contextual explanatory factors framing the setting of the innovation process, on the one hand and, on the other hand, the role of the municipality in this process.

### ***Vestvågøy: High-Tech industry, viking history and marine food production***

#### *Poseidon – Computer-based maritime training systems*

##### *The process and its networking aspects*

Poseidon, located at Leknes, is an *ICT production innovation*, producing computer-based training systems for the maritime sector. At the beginning of the 1980s a former naval officer, then teaching at a maritime school in the south of Norway, had the idea of developing a simple computer-based training package (CBT) to support navigation instruction. With the use of simple, self-educated programming he developed a CBT. A teacher at the maritime school in Vestvågøy took an interest in the product and invited him to Vestvågøy. Together they established the Poseidon firm at Leknes in 1988.

A subsidy of 150.000 NOK towards start-up costs from the national fund for the economic support of development projects in the Norwegian periphery, Distriktenes utbyggingsfond, was not enough to get the company going. In 1989 Poseidon started a co-operation with consultant Bjarne Pedersen at Nordland Consulting Services. Pedersen had recently returned to Vestvågøy, trying to make a living in a locality that offered very few jobs for academically skilled persons. Today the founders of Poseidon have both left the business. Pedersen has been the managing director since 1994 and sole owner of the company since 1998.

Pedersen brought competence in marketing and business thinking to the project, while the newly-arrived teacher was the entrepreneur and had the pedagogic skills. During the first years Poseidon had to base several priorities for a future market on many unpredictable premises that were dependent on the global development of technology within the sector. Having started with radar instruments, the company was now looking for network solutions (i.e. multi-player modus). They also altered their market strategy, heading for the international market with this relatively niche characteristic product. Another priority was to opt for a then-controversial but now universal PC-based system. In 1992 the first version of Poseidon's product was ready. In 1995 the company decided to develop radio/communication simulators, which differ from radar simulators, to make the product even more competitive on the global market and prepare for a future global satellite/radio-based emergency system.

Another important challenge was to bring financing to the project through further public funding sources. Pedersen gives credit to NT-programmet (Nyskappings- og teknologiprogrammet i Nord-Norge), a public programme for innovation and technology development in Northern Norway. NT has supported Poseidon on several occasions and has acted as an 'intelligent' partner with highly qualified personnel who have made demands on Poseidon, but at the same time given the company access to a network of know-how and expertise of great strategic importance for the development of their activities. In addition to this, Poseidon has benefited from the competence environment connected to the local coastal radio in Vågan, the neighbouring Lofoten municipality.

Throughout, Poseidon has been highly dependent on decisions made at a national level, as access to the global market has been dependent on national approval of their educational product. On several occasions they have been in conflict with governmental certifying authorities. Pedersen has the impression that these authorities were prejudiced about the competence of this peripherally-located company

and he maintains in addition that the central authorities supported the interests of a powerful competitor in the south of Norway. In spite of these obstacles, however, the case went in Poseidon's favour. Pedersen describes their life within a global competition market as a 'guerrilla war', with Poseidon fighting against three giant companies: the Norwegian company mentioned above, a Russian company and a German company.

Several sources claim that the main factor motivating this business within Vestvågøy has been to create interesting jobs for academically skilled persons outside the public sector. Though it may be said that Vestvågøy has many advantages, they are not necessarily advantages when it comes to running a business like this. Other sources also stress the distant market relations as a principal challenge for companies like Poseidon: businesses that relate to non-regional markets, which are also open for long-term global competitive and economically lucrative business. It has been a challenge to find qualified programmers who are willing to live and work in Vestvågøy. For strategic reasons, the company is dependent on having a certain core competence located there. Although one might say that Poseidon is located in Vestvågøy by chance, the region constitutes a cultural context, with its long tradition within the maritime sector, including the tradition of recruiting young men as seamen in international navigation. However, the fishery school at Vestvågøy is not reckoned to have been of any specific importance in developing Poseidon, as distinct from the maritime college in Tromsø, which has been an extremely important prop and mainstay for years.

In order to strengthen the solidity of Poseidon, another strategy has been to support related activities regionally, as a way of securing the access of competence and sub-contractors to the region. This strategy has been realized through an involvement in the development of an industrial co-location project in Vestvågøy, and through other nodes of similar co-locations within the region. All in all, Pedersen perceives the need for an increased participation and interest from the municipality in developing competence and knowledge-based activities in order to meet the future challenges of the region. This is one reason why Poseidon is also engaged in an adult learning project in Vestvågøy, a company that Pedersen describes as "the most important one for the Lofoten region" and, in the future, a possible 'University of Lofoten'.

#### *The role of the municipality*

The managing director describes the role of the municipality in the development of the company as being of small importance. At an early stage, Poseidon was granted a loan of 100.000 NOK, but otherwise the

municipality has not played the role of door-opener or supporter. During its first years in business, Poseidon used its own networks when negotiating with national authorities, according to Pedersen. Other sources reveal several financial contributions from the municipality during the first years, but the detailed facts concerning this relationship are not easily obtainable and would require a further, in-depth study of the process. Pedersen's general impression is nevertheless that the interest of the municipality has been in supporting the development of local primary industry, and later secondary industry, whilst activities such as Poseidon's are beyond the range of their interest and competence. One episode, confirmed by several informants, concerns the negative relationship that developed between the municipality and the company when, according to Pedersen, the municipality prioritized the interests of another local company when selling the offices where Poseidon is situated. Similarly, we were told that the municipality has thwarted Poseidon's interests in the development of a co-location arena for local industries. Nevertheless, informants claim that the relationship has become more positive recently; this is also reflected by the fact that the municipality now makes use of the services of Poseidon Consulting, a subsidiary of the Poseidon company.

#### *Outcomes*

Over the past ten years Poseidon has become a leading supplier of PC-based GMDSS networked simulators and educational materials, and now employs 27 key personnel (23 based in Norway and four in the Philippines) in their wholly-owned companies. The total annual turnover is approx. 35 million NOK. In addition to selling simulator solutions, the company runs centers for maritime training, with one subsidiary company in Manila and a joint venture project in Jakarta. These are organized by a number of subsidiary companies, with out-sourced staffing, developmental and management functions. They include a consulting company and a company producing related educational textbooks.

#### *Lofoten products – Marine food production*

##### *The process and its networking aspects*

In the late 1980s, the *high quality production innovation* Lofoten Delicacies, later to become Lofoten Products, was established. This was a difficult period for the fishery industry. The then executive officer at the municipality (now at Poseidon) was tired of what he refers to as 'endless speeches' at the municipal office about the importance of establishing fish processing activities in a consumer-ready form, thereby adding value to the local fishing industry. He initiated a co-operation with Lofoten

Chefs (Lofotkokene), a group of high-profile chefs at the local fishery school, branded under the Lofoten label. With the great benefit of their competence, network and reputation, a long period of product development culminated in an assortment of six delicacy products, all new to the market. The strategy for the new company was to sell products of high culinary value to a Nordic market. The development of the business was long-winded and bumpy during the first half of the 1990s. The main stages in this development included two bankruptcies, three changes of location, and changes of product profile, ownership structure and name.

The municipality held the majority of the shares to begin with, but withdrew as owners as the business became more stable. Public labour market grants were obtained for different projects in the start-up phase, at a financially 'generous' period of Norwegian labour market policy. The ownership structure evolved into a group of locally and regionally rooted shareholders. Since Tine (the giant within Norwegian dairy industry) bought up shares in Lofoten Products, today's managing director has had hopes of facilitating new segments and channels within the market. So far this has not happened, partly due to reluctance on the part of the board to meet the demand from Tine for majority ownership. This has made Tine more of a financial than a strategic owner. According to the managing director, today's ownership balances well between financial and strategic investors, and is well rooted locally and within the industry.

Two different perspectives were presented to us concerning the change of ownership structure. One of them points to the negative effects of the development, claiming that it led to a turn-around of the product profile that was negative in itself. The product changed from delicacies to traditional fish products of high quality, i.e. products with a high consistency of raw materials, and the name was changed to Lofoten Products. This is explained by local and regional investors tending to think more traditionally, and a reluctance to tackle non-regional markets with new products or take any interest in long-term investments that might deliver a better payoff. Another perspective concerning these changes describes a situation where the marketing section was under considerable pressure at one point and its sales section was expensive to run. The first bankruptcy may be explained as a consequence of failed attempts to introduce new delicacies to the market. This second perspective stresses the positive consequences of local ownership in keeping the business within the municipality and depicts the change of product profile as positive, in the sense that it gave easier access to the

local/regional market, which was important in the phase of establishing a business of this kind.

#### *The role of the municipality*

Our informants describe an 'industry-friendly' environment at the municipality office during the period of establishment and the first years of business, i.e. the late 1980s and early 1990s. The municipality played an important role in the start-up of the business, when it held the majority of the shares. Their role was also of great importance during the company's first years. One important example was when the company took over a bigger production plant that had gone bankrupt, and the turnover of 7-8 million NOK increased to 30 million NOK within a short time. This growth called for capital and the municipality granted a very important loan. The then chief executive officer played an important part in this process, together with the mayor. As the new managing director was his son, the mayor could not be very active in the process; this was said to be 'quite a tricky situation'.

The withdrawal of the municipality as a majority shareholder was welcomed by the managing director, who perceived the municipality as a strategic owner and felt it was 'a bit unnatural' for the municipality to hold on to owner shares within an established business. Nevertheless, in his opinion there has been a negative change of attitude and priorities within the municipality during the 1990s. The municipality seems to be more interested in internal affairs, and his guess is that they would not play the same role as they did for Lofoten Products if another, similar business were to be established. Others have also described a change of heart on the part of the municipal administration during this period. Lofoten Products no longer sees the municipality as a supporter when facing financial challenges. A preferred strategy for the municipality would be to concentrate on becoming an intermediary or door-opener between the public funding system and local private business, according to the managing director. He also disagrees with the municipal priority given to start-up activities, and recommends instead a stronger involvement in businesses that are already established.

#### *Outcomes*

Having re-established the business after several bankruptcies and re-locations, the company today has an annual turnover of approx. 50 million NOK. There are 29 people employed at their offices at Leknes, of whom 22 are within production. For a long time the company continued to make use of the brand names Lofoten Delicacies and Lofoten Chefs when marketing their products. Lofoten Products recently changed their sales concept and visual profile, and now makes use of the brand Lofoten,

with new package and labels. This has been a great success in terms of increased turnover, though it has not created any profit yet. The redesign is the result of a long process involving a design bureau, made possible through financial support from SND, the governmental fund for industry development within the periphery, who gave a grant of 300-400.000 NOK. Although the brand name Lofoten is used, not all the products are produced within the Lofoten region. The managing director comments upon this and defends such a strategy with their principal aim of being a total supplier, saying that not all the products are available within the region. At the same time, it is important for the business to make sure that the majority of products are produced locally, to ensure that they do not undermine the Lofoten brand.

#### *Lofotr – the Viking Museum at Borg*

##### *The Process, its Networking Aspects and the Role of the Municipality*

The story behind the *cultural economy innovation* ‘Lofotr – the Viking Museum at Borg’ started in the spring of 1983, when a local man, ploughing his fields at Borg, Vestvågøy, was surprised to find several extraordinary items in the soil. He contacted a local amateur archaeologist, who immediately understood the range of the findings and contacted archaeologists at the University of Tromsø. Searches during the 1980s unveiled an archaeological sensation. Slowly, a Viking chieftain's farm dating from approx. 500 AD was unveiled, probably the biggest house of the Viking Age that has been discovered to date, according to the museum's Web presentation.

In the 1980s, archaeological researchers from all Nordic countries came to the fields in Borg to join the work, led by researchers at the University of Tromsø. During this period a considerable local enthusiasm surrounded the project. Reflecting the ideology of many archaeological milieux, local inhabitants were invited on guided tours and seminars were arranged jointly with members of the local history association, with the local amateur archaeologist as an important driving power.

It is not clear exactly when or by whom the initiative was taken to establish the Viking museum. Some say that the idea of a museum and the reconstruction of the chieftain's farm came from members of the local history association and other people from the local area surrounding the excavation fields at Borg. Others claim that this idea came up in discussions at the municipal hall. But the idea and initiative were local in many senses. In addition to this, the engagement of the municipality, which had occurred by the end of the 1980s, must be seen in the light of the fact that Vestvågøy's municipal agenda already included the aim of strengthening the local tourist industry. Another aspect of the municipal

engagement is also the fact that it is partly a formal responsibility of the municipal authorities to preserve cultural monuments of this kind.

An important step was taken in 1991, when the mayor, chief executive and executive committee realized the need to give the project a better structure and appointed a steering committee for 'Lofotr – the Viking Museum at Borg'. The committee was dominated by municipal officers, but also included one politician, one architect and one archaeologist. In 1992 the next mayor and a new executive officer began a close co-operation with the steering committee, working out a project description and taking the first steps towards funding the museum.

In 1992, the local council made a quite sensational and unanimous decision to give 7 million NOK to the project. It has been claimed that this economic priority reflects a certain quality of political life in Vestvågøy, characterized by a heterogeneous political structure that calls for compromises and joint decisions. Further funding from the county was assured by lobbying at this level, also partly by paid consultants. History was repeated at county council level, where a unanimous decision produced an additional 7 million NOK for the realization of the Viking museum.

The response of the Ministry of Culture was rather tepid at first. Our impression is that the work carried out by a whole group of politicians representing Nordland County within the Norwegian Parliament was a decisive influence at a national level, when the national assembly granted their first 1 million NOK in 1991 and decided to categorize the museum as a 'national culture pillar'. But this was a process that involved many people and it is not clear who facilitated the eventual national funding of the project to the tune of millions. One event along the way was the visit by the King and Queen, in 1991, to lay the foundation stone of the museum. It should also be mentioned that the first mission of the steering committee in Vestvågøy was to reconstruct a Viking ship included in the archaeological findings. The ship was built, involving both local and external competence, and a 'friendship association' was responsible for running it. Following a rather difficult history concerning this friendship association and the boat itself (at one point the boat cracked in two and sank), the ship has now been installed in a boathouse at the museum. The Minister of Culture was invited to christen the ship, once it had been mended, and this became an opportunity to make a positive impression on the minister. It was later in that same year that the Norwegian Parliament reached a decision concerning the museum, mentioned above.

In tandem with the work of rebuilding the ship, the steering committee started making plans for the reconstruction of the Viking chieftain's farm. They visited similar Viking tourist sites in Denmark and England, and Danish expertise was hired to develop a model. An architectural competition was launched for the planning of the museum as a whole, with offices, cafeterias, etc. We were told that the model chosen was inspired by similar projects in Denmark, but also by the Viking attraction in York, being the best-known of its kind in Europe. Craftsmen with special competence in traditional crafts were commissioned from other areas of Norway and from abroad. As many local craftsmen as possible were also used, however, according to one informant. But some claim that local expertise could have been used to a much greater extent in the construction phase of the project. The museum is now part of an international network for professionals within the museum field. This network was established through the visits to Denmark and York in the planning phase of the project and through participation in several EU-supported projects, with additional contacts in Iceland and Ireland.

Different sources describe a shift in the process when, at the beginning of the 1990s, a project co-ordinator was engaged from outside the region. The project became more professional and bureaucratic, with less involvement on the part of local inhabitants who had been there from the beginning (Sletvold 2001: 101, in Viken). However, a supporters' association for the museum has been established recently, and the impression seems to be that the pendulum is swinging back. A severe conflict concerning the establishment of the museum has also formed part of this history, a situation that may have contributed to reduced local engagement. The conflict was an instance of the well-known tug of war between historical/archaeological scientific interests and commercial interests. From the beginning, the municipality has been the spokesman for what they describe as a 'visitor-friendly' concept, instead of a static and 'boring' museum. The archaeologists at the University of Tromsø have insisted throughout on scientific leadership of the museum. We have chosen not to become further involved in analysing this conflict in our description of Lofotr. Nevertheless, one important matter is the way in which the political and administrative leadership have changed their view in favour of archaeological interests after a joint effort by the authorities at county level and the University Museum in Tromsø, who have controlled the archaeological findings.

### *Outcomes*

At its opening day, the museum was almost entirely financed by the municipality (20%), the county (30%) and the ministry (50%). The steering group did not succeed in their attempts to obtain funding from private sector industry. Today the municipality is sole owner, but all the activities are closely linked to, dependent on and under the supervision of the scientific community at the University of Tromsø.

Between 50,000 and 60,000 people visit the Viking museum at Borg every year; 50% of them are Norwegian, the majority non-local. The annual turnover is approx. 15 million NOK, including 1.5 million NOK of public funding from the municipality, the county and the ministry. The museum has eight permanent positions, half of these being specialists within the field. In the course of one year, approx. 80 people appear on the payroll. As far as possible, archaeology students are recruited as guides. Both the managing director and the curator are archaeologists educated at the University of Tromsø.

Local industry has only been involved in the development of the museum to a small extent. This is partly due to the fact that small-scale businesses constitute the local tourist industry, with fragmented actors, but it may also reflect the absence of local engagement in the project. No new companies have so far been established as a consequence of the museum's existence.

The museum runs its own farm, with cows, sheep, pigs and goats, in co-operation with local farmers, in a reciprocal arrangement of hiring out land and fields to develop organic farming. It is the museum's intention to run their activities organically, a profile that is perceived as the most authentic with reference to the Viking Age. There is a co-operation with the local school as well, on the basis of a Viking-themed school camp, which has been a great success. In addition, an archaeological field school is arranged at Borg every summer, jointly financed by the museum and by the University of Tromsø.

### ***Røst: Glefisk Cod Farming, the Island's First Hotel, and the Italian Friendship Town***

#### *Glefisk Cod Farming*

##### *The process and its networking aspects*

Cod farming is a *technology development innovation*, making use of a well-known technology for the production of the equally well-known codfish, which is, however, new in this context. Behind the establishment of the cod farming company Glefisk, in 1998, stand two of the most central dry cod producers on Røst, the family firm Glea and the former

salmon producer Røst Seafood (Røst sjømat). Glea, established in 1936, is one of the main companies in dry cod production. During its early years the shares were distributed among various well-known fishing industry families in other parts of Lofoten, but a local businessman became sole owner in 1961. He died in 1969 and his three sons took over the business. A grandson recently returned to the island and now manages the family's involvement in cod farming. The other family firm, Røst Seafood, which also owns and runs the hotel, used to be one of the biggest companies in salmon farming, but sold its licence after seventeen years in the business. Despite a clause in the contract that the licence was not to be sold, nor leave the island, it was later resold and the entire salmon production on Røst was shut down. Cod farming therefore represents the only fish farming production on the island today.

The production takes place at the former salmon farming plant and is based on the farming of cod spawn (as distinct from the farming of ring net, 2-kilo fish that are caught alive). Røst is said to have especially good natural conditions for fish farming, due to its clean water and stable water temperature. Cod fish produced through farming is destined for the white (fresh) fish market only and is not suitable for dry cod production, which otherwise constitutes the dominant activity within the Røst fisheries. The production plant of Glefisk has a capacity of 600-700 tons per year. The first harvesting of 20 tons of white fish was completed by the autumn of 2002 and sold as white fish to the Italian market. The quality was considered to be very good, and autumn is also a propitious time with regard to demand and the market price. The first harvesting was entirely managed by Røst Seafood, as this production plant had the capacity needed at the time.

Cod farming has been tried out at many plants in Norway and other countries over the past few years, including commercial projects such as Glefisk. Nevertheless, cod farming is considered a risky industry by investors and banks. The producers on Røst criticize the banks for their reluctance to finance cod farming, and express a belief in this production form as a potentially profitable business in the future.

One intention behind an involvement in cod farming has been to help prolong the season at the many fishery production plants on the island. The Producers' Association has an agreement to distribute the harvested cod from the farming plant between the production plants. The main season for the cod fisheries is January to April. Today, general fish production on the island is concentrated in the first three months of the year and it is difficult to offer employment within the industry all year round.

The two companies involved have former experience in the fish farming industry. Glea has an ownership involvement in the cod spawn production company Lofilab in Vestvågøy. Glea's relationship with Lofilab has given their new cod farming company, Glefisk, access to cod spawn below market price. Røst Seafood is involved in cod production on the mainland, a production that is based on the farming of 2-kilo fish caught by ring net. Their investment in Glefisk has also been in the form of using equipment from their former salmon farming plant.

Even though the producers on Røst are financially strong, much of their capital is invested in production plants on the island. The whole production plant for cod farming was established without any public funding. The producers looked for funding opportunities within SND, the governmental fund for industry development in peripheral regions. However, SND no longer funds activities within fish farming. One of the producers considers this to be a mistake and sees the SND system as too narrow-minded and business-focused.

#### *The role of the municipality*

The municipality has not contributed financially to the establishment of cod farming at Røst and the producers have never applied for such support. The producers recognize municipal efforts to make arrangements for their establishment in other ways, e.g. the swift processing of the development plan, when the area's range of use was to be changed from salmon to cod.

Our impression is that the actors within the fish industry consider the municipality's most important role to be its ability to provide an infrastructure for industrial activities on Røst. Arrangements of this kind include ferry and plane communication and general external conditions for running the business. It is also our impression that today's municipal leadership has been criticized to a certain extent for insufficient intervention in national political processes.

#### *Outcomes*

Cod farming has had a very limited effect on the employment situation. A first harvesting of 20 tons is very small compared with, for example, the 1,700 tons of dry cod that Røst Seafood alone handles during the course of a season, and much lower than the actual capacity of the production plant. The very low production was partly due to the high death rate of the cod spawn. In addition to this, many of the cod spawn fled the plant; the reason for this is not obvious, but it could have been due to a hole in a net. Limited capital access, as described above, is another explanation for low production to date. It takes two years before the cod spawn can be slaughtered. The price of one spawn is 12-13 NOK, reflecting the degree

of capital invested in this venture and the vulnerable character of cod farming. As at spring 2004, all the cod have been slaughtered and the production plant is closed.

The actors involved are ambivalent about the investment made and the future of this model of cod farming on the island. Cod farming is said to be still in an experimental phase and its prospects for the future are uncertain. The two families are considering farming 2-kilo fish caught alive by ring net as a preferable alternative to the farming of cod spawn. Those involved are open to the possibility that the production plant was established too early and that they might have benefited more by waiting for a further try-out of cod farming within the industry as a whole, and for a better capital access at a later stage. "At Røst we have time to wait", one of them told us (i.e. because the natural conditions are so good for this production). Although the companies thus far perceive cod farming as a pilot project, they have great expectations for a potentially considerable pay-off for this business in the future.

#### *Røst Seaside Hotel*

##### *The process and its networking aspects*

In May 2000 the first ever hotel on the island was opened. Røst Seaside Hotel (Røst bryggehotell) is a *cultural economy innovation* and at the same time represents the type of *innovation that supplements the business infrastructure* of the island. Located on the western part of the island, the traditional fisherman's lodging-place of Havly is its closest neighbour. The owner and managing director was born and raised on Røst. She married a non-local man and, with no background within the industry, the family has developed what some describe as a model company for other fish industry establishments, even in Røst terms. The family, including their two sons, ran a salmon farming plant for many years. After the sudden death of the husband in an accident at the production plant in 1998, the family sold their two salmon production quotas for a very good price. The spouse used to run a local restaurant that she started up during the 1980s and later sold for a good price.

The crisis within the fishery industry also manifested itself on Røst during the period 1989-1991 (see Table 4.1 for details of the number of inhabitants and the rate of unemployment during this period). Several popular meetings were held to initiate ideas for future strategies that might strengthen the Røst community. In this process, the quest for a hotel on the island came up. For many years, the family mentioned had had plans to establish a hotel. Several factors held up the process, among them difficulties in purchasing the site in which the family was interested. It was only after the father of the family had died that his widow took up

the hotel idea and planned its construction on the site, which had now become available.

The family applied to SND for public funding on several occasions. To begin with, SND concluded that there was no market for a hotel establishment on Røst. On the occasion of the family's third visit to SND, the Mayor of Røst came with them. SND then granted 1.4 million NOK to the project. The family members did the project work themselves, with the construction firm Moelven Kirkenes, located in Finnmark County, as suppliers.

Røst Seaside Hotel is a relatively small hotel, with sixteen rooms, but it has been constructed to allow further enlargement of the building. Part of the business strategy has been to take small steps in the development of the hotel. The owners are satisfied with the running of the business so far, with some ups and downs from season to season. SND has already approved further funding to enlarge the hotel, and this time the owner succeeded on her first attempt.

From the beginning, the hotel established a co-operation with Destination Lofoten on the marketing side. Unsatisfied with this collaboration, they have now changed to Destination Bodø, in spite of the higher costs. The hotel also attends the annual Norwegian tourist industry fair in Oslo and advertises its business at the three biggest airports in Northern Norway. In addition, they have started a booking co-operation with a company in Bodø and another one further south, near Trondheim.

One of the sons in the family is the leader of the local tourist industry association. According to the owner, he has 'breathed life into' this association. Both sons are also active in local political life. The family firm also offers lodging at fisherman's shacks, which are located next to their fishery production plant.

#### *The role of the municipality*

The hotel has never received any financial support from the municipality. According to the owner and managing director, they have never asked for such support, as they have not considered it necessary. The municipality has a business development fund, but the managing director's impression of its priorities is that an application there will not be passed for as long as she receives funding from SND. It is also her impression that the business development fund mainly serves the fishery industry. More to the point, the managing director describes a culture among the business participants on the island that expects businesses to be run independently, rather than making economic requests of the municipality.

Issues relating to the further development of tourism include bigger aeroplanes, a connection by air to the rest of the Lofoten region and improved ferry services to both Bodø and Lofoten. The municipality plays an important role as agitator in these matters.

From the municipal side, we are told that their only contribution to the establishment of the hotel came through a swift processing of the development plan. But we also note that the municipal leadership circa 1990 is given credit for their efforts to motivate the inhabitants during a phase of depression – it was as part of this process that the idea of a hotel came up, according to some. The municipality's general involvement in tourism has been limited so far, but an impression was given on the municipal side that this is about to change. Today's mayor expresses high expectations for the future development of tourism; the municipality has granted money for the development of tourist attractions; they run the tourist information office; they handle the secretariat for the tourist board; and they spend a certain amount of money on tourist industry fairs. In addition to this, money is set aside for location development projects. Together with volunteers, the municipality has put some effort into the restoration of old wharf buildings, as one example of a development project that is also planned as a tourist attraction. For the time being, the municipality is also working with the Lofoten Regional Board to develop a regional tourism strategy that also includes Røst.

#### *Outcomes*

In addition to deep-sea fishing and dry codfish culture, tourists have been attracted by the exceptional nature and bird-life of Røst. From the municipal side, and from those involved in the fish industry, we are told that the hotel has had a considerable impact on the tourist industry in general on the island. Before the hotel was established there were already several lodging places on Røst, e.g. the traditional lodgings in fisherman's shacks at Havly, and two deep-sea fishing camping sites. One intention behind Røst Seaside Hotel has therefore been to offer visitors something new and different in terms of quality food and drink.

Today the hotel has six employees, making up four full-time jobs, with sixteen twin-bedded rooms, a restaurant and a bar. The hotel guests have so far been mostly Norwegian travelling salesmen, Italian businessmen within the fisheries industry and visitors connected to the Sandrigo co-operative links (see below). The owner also claims that the hotel, which offers a new lodging concept on the island, attracts new groups of tourists. So far Røst has not gained any very considerable share of the tourist traffic to the Lofoten region. This may partly be explained

by communications and location – Røst is not, for example, a feasible alternative for car-campers, who dominate the tourist market in Lofoten.

*Sandrigo – the Italian twin town*

*The process, its networking aspects and the role of the municipality*

The co-operation between Røst and its Italian twin town, Sandrigo, is a *cultural economy innovation* that involves aspects of marketing, tourism and cultural exchange. The little town of Sandrigo is situated north of Venice. Every other year they arrange a dry cod festival. Life is turned upside down in the town, which is crowded with visitors. One of the first people from Røst to visit the festival was a member of the Glea family of dry cod exporters. He visited the festival for the first time in 1983, at which time Glea had an Italian agent in Sandrigo. Until then, the festival had been a cultural festival, but gradually the dry cod business had started to dominate. To date, five men from Røst are honoured with membership in the ‘The Brotherhood’, the dry cod association of Sandrigo, an arena for people who are ‘interested in and dedicated to dry cod’. Their members are from within and outside the fish industry and their activities are mainly of a social networking type. Another important association in Sandrigo is ProSandrigo, a local Italian association of private actors within the fisheries industry.

Røst has a long tradition of exporting dry cod to Italy, mainly to the markets in the south of Italy. Nevertheless Sandrigo, situated in the north, has been given priority, at the expense of other dry cod festivals in the south. This reflects a strategic marketing move by the Røst producers. The northern market, with its strong requirement and willingness to pay for quality, suited the Røst producers in their strategy of strengthening their quality profile. Dry cod is an altogether overtly traditional affair, both for Italians and for the people of Røst. The Italians mostly handle the secondary processing of the fish themselves, partly in their own private kitchens, but also by the importers at their production plants, where the fish are watered, limed, filleted, ‘crushed’ and ‘burst’, all according to Italian tradition.



*When the boats have returned from sea, the work starts for those who work ashore. These women and men at Røst are preparing the fish for hanging to dry cod. Photo and copyright: Raymond Wardenær.*

When importers sell the fish for the Italian market it is packaged as ‘stoccofisco’, the Italian word for dry cod, with the label of the importer on it. This labelling has lately been a topic of discussion within the Producers’ Association. In order to protect their own marketing interests, they are now working to change their practice and label the products with the name of the Norwegian export company. The work is done in co-operation with the former Norwegian Dry Cod Exporters Union, now known as the Marketing Union for Dry Cod Industry (Tørrfisknæringens markedsføringselskap), as well as Norwegian Seafood (Eksportutvalget for fisk) and the National Union for Fishery Industry (Norsk fiskerinærings landsforening).

In 1989, the then mayor (also principal of the local school) and his wife were invited to Sandrigo by the Røst Producers’ Association and the National Union for the Fishery Industry. The mayor became a driving force in developing contacts between Sandrigo and Røst while the Producers’ Association was putting money into the co-operation. Today this former mayor is an honoured member of ‘The Brotherhood’. His invitation in 1989 was also due to the ability he had already demonstrated as a regional and national spokesman for the fishery industry and for development within fishery-dependent communities in peripheral regions.

Today he holds the position of Secretary of State at the Ministry of Communication. This constitutes an important part of the network with governmental and political milieux for the dry cod producers on Røst, and for the Røst municipality in general. Still engaged in the Sandrigo co-operation, the former mayor visited the festival in the autumn of 2003, together with a delegation of forty people representing the industry, banks and the Ministry of Fisheries.

One incident reflecting the level of current co-operation between Røst and Sandrigo occurred when the municipality of Vestvågøy was also invited to Sandrigo at one point, but Vestvågøy did not follow up this contact. According to the former mayor, this may be explained by the size of this Lofoten municipality, being too big to take the necessary initiative, i.e. developing networks within the very important 'Brotherhood'. Correspondingly, Røst did not succeed in its earlier attempts to establish a friendship agreement with the Italian city Venice, the native district of Pietro Querini<sup>1</sup> and a much bigger city than Sandrigo.

The work of today's Mayor of Røst has also been important in terms of co-operation with Sandrigo. He signed a formal friendship union in 2001 and visited the festival in the same year, together with several members of the local council. On several occasions, beginning in 1990, groups of people from Sandrigo have returned these visits. The arrangements for and welcoming of these return visits have been a co-operative effort between the Producers' Association and the municipality of Røst, who also co-financed the events.

Another driving force in the Sandrigo co-operation has been the Norwegian consul of Namibia, who lives in Milan and originally came from the south of Norway. He was drawn in to the work at an early stage when meeting representatives from Røst at the Sandrigo festival. He is said to have made a considerable contribution to communications between the Italians and the Norwegians (including his language skills), and to have contributed to the general development of the co-operation, including visits to Røst by the Italians.

#### *Outcomes*

The Sandrigo festival is of increasing importance for the marketing of dry cod from Røst and the Producers' Association is sponsoring the festival.

---

<sup>1</sup> A shipwreck off the coasts of Lofoten led the Venetian and Italian sailor Pietro Querini and his crew to the shores of Røst in 1432. Querini and his men spent months on the island waiting to be rescued and wrote down their observations of daily life on Røst. The writings constitute important historical documents for Røst and for the Lofoten region.

The Italians who have visited Røst so far are mainly politicians and interested parties within the fish industry, in addition to ‘the dry cod lovers of “The Brotherhood”’. We have been told that the Sandrigo co-operation has raised the consciousness of the producers on Røst about the possibility of the further processing of dry cod on Røst. So far there are no concrete plans to start up such a processing operation and the producers have told us that such a process is not going to happen, referring to previous, unsuccessful attempts and to the strong Italian food culture and Italian traditions of processing dry cod.

The importance of the festival for the marketing of Røst as a tourist destination is also increasing. For example, the co-operation led to the biggest Italian TV company broadcasting a premier league football match with Røst as the ‘cultural wrapping’ of the programme, seen by 7-8 million Italian viewers. Some see a potential for a considerable increase in the number of Italian tourists, through the marketing of Røst that follows as a result of the co-operation. The new hotel constitutes an important development of infrastructure in preparing for this increase. Our impression is that the people at Røst picture the island as a destination mainly for people with special interest in dry cod culture and bird-watching.

While the engagement of other local inhabitants has been limited, there was a certain local enthusiasm when a decision was taken to finance a sculpture on the Røst islet of Isola de Sandrigo. The islet and the sculpture were a symbolic gift from Røst to Sandrigo. Likewise, Sandrigo has named a street ‘Røst’. However, we are told that there is also scepticism among the inhabitants of Røst towards the municipal eagerness to spend money on the co-operation. The former mayor has had plans to involve other sections of the community in the co-operation. These plans were not realized until recently, when the municipality and the Producers' Association, with a grant of 25.000 NOK from the Minister of Fisheries, initiated an exchange of school classes. There are also plans to invite Italians to the annual local summer festival on Røst. Such forms of contact may constitute a more important part of future co-operation with Sandrigo. So far, however, the interests of the dry cod industry predominate, just as they dominate the Røst community in general, with its 650 inhabitants, and a Producers' Association of six companies with a total annual turnover of 350-500 million NOK.

### ***Conclusion: Developmental strategies in Lofoten***

The region of Lofoten is grounded in a traditional economy, based on fisheries and agriculture. The events related in this chapter show how this economy is changing, but it is not obvious how and in what direction.

Some of the examples selected are geared towards culture and tradition, others towards hi-tech and IT. There are good reasons for asking whether they all relate to a single process of development, or whether they point to different developmental strategies that may conflict to a certain extent. This is the main question we want to deal with at the end of this chapter.

#### *Strategies of development*

In our view, it is meaningful to discuss the regional development in Lofoten in terms of the well-known, though not very precise (and, among sociologists, much-discussed) concepts of *traditional*, *modern* and *post-modern*. These concepts may be developed into developmental strategies. The *traditional strategy*, as applied in Lofoten, refers to developing the fish catch and agriculture. As we know, these activities have taken place for more than a thousand years and, as such, it is not meaningful to label the strategy *innovative*. This is more like a 'point of departure'. A *modernistic strategy* will involve competence and (mass) production, where some typical products in Lofoten relate to genetic and information technology. The third strategy, the *post-modern*, takes as its starting point the fact that a large share of consumption, in a wealthy society where most basic needs are satisfied, will involve signs and symbols.

Through the process of modernization, many local areas in Norway have been transformed from fishery and agricultural societies into industrial societies. In Lofoten this process has been weaker. Of course, industrial companies are to be found in Lofoten, but to a visitor the traditional traits are still very visible. Small boats, carrying two or three fishermen, dominate the local fishery fleet; the settlement structure is scattered and agricultural production is comprehensive. This is not to say that the traditional economy of Lofoten has been based on local markets. In many respects, the economy of Lofoten has been highly global, exporting dried cod to Italy and Spain for almost a thousand years and, for a hundred years, to Africa and South America as well. However, when this traditional economy is challenged, partly in response to a global economy, two options present themselves. The region may be transformed in a modernistic direction or, alternatively, in the direction of a post-modern economy.

One possible interpretation, based on the six examples above, is that both strategies are present in Lofoten. *Cod farming* on Røst is an example of how a traditional fishery can be transformed and become an industry with clear modernistic traits. By contrast, there has also been an attempt to transform the traditional production of dry cod on Røst in a post-modern direction, making links between production/sale and culture/festival, i.e. the *festival of Sandrigo*. The same strategy may be

assigned to the new *hotel* on Røst, where the owner's ambitions include the development of some kind of adventure tourism based on the hotel.

While the three selected examples from Røst all develop from something that seems to be quite traditional, the starting point in Vestvågøy is more mixed. The Viking Museum *Lofotr* may be interpreted as being post-modern at heart, with its ambition to produce and sell adventures and images to tourists and the local audience. Quite the opposite is true of the company *Poseidon*, which may be classified as something modern, highlighting technology and expert knowledge. And the final example from Vestvågøy, *Lofoten Products*, originates in traditional fish processing, but ends with the post-modern ambition of selling Lofoten as a trademark.

Table 4.6: Listing innovations, innovation strategies, and the role of the municipalities

	"Modern"	"Traditional"	"Post-modern"
<b>Characteristics</b>	Competence/ industry	Hunting/ harvesting	Symbols/signs/ experiences
<b>Røst</b>	Audience	Audience	Partner
<b>Vestvågøy</b>	Audience?	Partner/initiator	Co-ordinator

Generally speaking, the municipality of Vestvågøy seems to be more actively and directly involved in innovative processes than the municipality of Røst. From our selected examples this is demonstrated by the fact that the municipality of Vestvågøy was an initiator for the Viking museum, and the municipality has also been an initiator and an important shareholder in *Lofoten Products*. The municipality of Røst, on the other hand, seems to be involved more indirectly, working with central government for a better fisheries policy, better ferry and air transport services, etc. In our view, the municipality of Røst plays a role close to what is defined in Chapter 1 as an audience, performing a positive responding role, but without obligations and not directly involved in

innovative processes.<sup>2</sup> One obvious exception is the festival in *Sandrigo*, where the municipality is a partner through its mayor (a relatively strong role). Regarding the *Røst Seaside Hotel*, we have the impression that the municipality plays a strong role, but this role is strong only indirectly, to the extent that the municipality has lately made several initiatives to strengthen tourist activities. These efforts are made within an alliance with the tourism industry, where all parties interact in mutually beneficial ways. The municipality of Vestvågøy is more directly involved in the innovation studies, as a co-ordinator in the *Viking museum* (quite a strong role), and formerly as a partner/initiator in *Lofoten Products* (also a relatively strong role). Regarding the company *Poseidon*, we have heard different accounts, pointing towards the idea of the municipality being an obstacle, an audience and a facilitator. It seems that each version depends on one's viewpoint. We are not able to make a final conclusion about the role of the municipality in this innovation.

Taking these differences into consideration, local involvement also varies across the three developmental strategies. First and foremost, the traditional and post-modern strategy seems to motivate public actions in the two municipalities. One possible hypothesis is that the transformation from traditional to post-modern is perceived to be more gradual, demanding fewer dramatic changes. If so, this observation indicates how networks of innovation are influenced by tradition and conceptions of the past. In the words of Håkansson and Lundgren, there may be '...path dependence in the development of relationships and networks. The actor of the network structure will have some discretion in certain areas and at the same time be entirely locked into others' (1997:122). This is not to say that networks will develop in a deterministic way, but networks of business relationships will be, to some extent, both prisoners of the past and tools for the future (Andersen and Karlsen 2004, Håkansson and Snehota 1995:42).

In line with this, one obvious research task for the future, in the case of innovations in Lofoten, will be to explore how different norms and beliefs are spread throughout networks (Bogason 2000), and how the past and present influence beliefs about the future. However, that exceeds the scope of this project.

#### *Oil activity in Lofoten?*

The three developmental strategies formulated above may also help us to sort out different perspectives in the dispute over future oil activities in Lofoten. Large deposits of oil are known to be located close to the

---

<sup>2</sup> See Chapter 1 for a definition of municipal roles in innovative processes.

coastline of Lofoten, and actors and institutions at both national, regional and local level, as well as the oil companies themselves, are arguing in favour of future oil production close to the coastline. On the other hand, the political majority in the municipalities of both Røst and Vestvågøy are opposed to this plan. In the spring of 2004, the Norwegian government made a decision to allow oil drilling in the Barents Sea, but not in Lofoten. This decision is still controversial and the government's parliamentary position is weak; the dispute over oil activities in Lofoten will probably continue for years to come.

If we apply the three strategies to the question of oil activity, the answers will differ depending on the strategy. Based on a traditional strategy, oil activity is a question of oil spill and pollution risk, both at sea and on land. If damage is done, the consequences may be catastrophic, since Lofoten is a spawning area for cod in the Barents Sea. Given a modernistic strategy, however, oil activity is a question of new markets and the provision of technology and expertise. Under the conditions of an acceptable risk, which may be realized by the present plans for drilling from the land, oil activity will be positive for the region. This attitude is not consistent with a post-modern strategy, however. According to this strategy, the most important resource of Lofoten is the generally widespread perception of Lofoten as a beautiful landscape, clean nature and old traditions. Anything that renders this picture weaker or unclear, e.g. oil activity, will reduce the value of the resource, making it harder to utilize 'Lofoten' as a symbol and brand name.

#### *Transformative aspects*

Transformative aspects of the Røst and Vestvågøy municipalities are reflected in the innovation processes studied. The innovations also contribute directly to such transformations of the municipalities. By transformative, we mean changes that contribute to a transformation of basic structures within the localities, e.g. the local industry structure, the structure of basic practices that constitute an industry, the structures of other types of social and cultural practices, etc.

The Sandrigo co-operation is part of a process where fishery producers on Røst are changing their priorities, intensifying the marketing efforts of their business involvement through branding initiatives, networking and cultural exchange. The new hotel at Røst reflects this intensified marketing strategy from the fishery industry. In addition, the hotel constitutes a spearhead in general and a more systematic approach to the development of tourism on Røst, including fishery-related tourism. Similar transformations are seen in Vestvågøy, where the marine food production company, Lofoten Products, produces

traditional fish products of a high quality and adds value to their products through systematic branding, using the Lofoten label. Glefisk Cod Farming reflects another side of a restructuring process within the fisheries on Røst, transferring from coastal fisheries to fish farming. The development of the tourist attraction Lofotr is taking place in the same way, as one of the municipal initiatives for tourism and location development. Poseidon is part of the restructuring of a former primary, production-dependent local industry. It represents a new practice within this structure, based on high competence and high tech, with global linkages and production for a global market.

The different innovations constitute and contribute to local transformations differently. In the case of Poseidon, Glefisk Cod Farming and a number of the tourist-related activities, innovations constitute local transformation through the changing basic structure of local industry, as well as cultural and social practices. These are changes that directly affect the daily practices of many people. In the case of Lofoten Products, and aspects of the Sandrigo co-operation, the transformative elements are found within an established industry: less visible, and less directly transforming the localities, but nevertheless a means of restructuring basic practices, e.g. intensified marketing efforts, branding initiatives, etc.

#### *Local/global interplay in transformative processes*

The structural transformations seen within the localities studied interact with processes ranging far beyond the Lofoten islands. The intensified marketing efforts within the region's fishery industry, and the extensive initiatives within the tourist industry, reflect the global phenomenon of the development of a 'symbol economy' and mobility (Lash and Urry 1994). The fishery industry is itself already highly globalized (Neis 2005) and dependent on national and international policy-making, aspects of environmental development and development within global markets; restructuring within the fishery industry of Lofoten must be seen in relation to such processes. Related changes, affecting localities globally, include the changing conditions for primary industry in general, following by the global phenomenon of a neo-liberal economic doctrine. The restructuring of the fishery industry in Lofoten, as seen in the case of both Glefisk Cod Farming and Lofoten Products, may be understood as local responses to such changes, as can Poseidon, the newcomer within Lofoten industry. The possibilities offered by new technology in the restructuring of local industry (e.g. in the case of Poseidon) into new, maritime-related businesses based on this technology, which operate in a global market, is of great interest.

### *Premises for preferred municipal priorities*

Within this study, it is relevant to draw a line between globally related transformative qualities and the role of the municipalities of Røst and Vestvågøy. The acknowledgement of the constraints and possibilities offered by global-range transformative processes also establishes premises for what are considered to be preferred municipal priority strategies for stimulating innovative action. This points towards the role of the municipality as an intermediary between local actors and the outside world, i.e. the relevant processes and practices at national and international levels. An intermediary role such as this is multi-faceted, including the role of mediator of local perspectives at higher levels of decision-making, the role of network facilitator with regard to national and international actors, and the role of 'knowledge well' for local actors concerning the development of policies and practices on a national and international basis. The importance of a municipality with an additional knowledge and understanding of the relevant global premises and possibilities is evident. Aspiring to manifest these qualities, the municipality can strengthen its ability to perform a crucial role in the development of its community.

### *Final remarks*

International links in Lofoten have long historical roots. What is important here is not to see globalization as a new condition for development, but to see the conformity and changes in local and global transformation processes. Transformative Lofoten communities must be understood in the light of constraints and possibilities offered by the global setting within which they operate. In just a few words: In Lofoten there is a link between global and local, as there is a line from past to present.

## References, Chapter 4

- Andersen, O. J. og Karlsen, A. (2004) "Skomaker bli ved din lest": *Kunnskapsutvikling i spenningsfeltet mellom perfektjonering og diversifikasjon*. Paper for a seminar in April 2004. Bodø: Høgskolen i Bodø/Nordlandsforskning.
- Bogason, P. (2000) *Public policy and local governance. Institutions in postmodern society*. Cheltenham, UK: Edward Elgar.
- Bærenholdt, J. O. and Aarsæther, N. (eds). (2001) *Transforming the local*. Nord 2001:25. Copenhagen: The Nordic Council.
- Hanell, T., Aalbu, H. and Neubauer, J. (2002) *Regional Development in the Nordic Countries 2002*. Nordregio Report 2002:2. Stockholm: Nordregio.
- Holm, Erling D. og Meyer, S. (2001) *Varene tar makten*. Oslo: Gyldendal.
- Håkansson, H. and Lundgren, A. (1997) "Paths in Time and Space – Path Dependence in Industrial Networks" in Magnusson and Ottoson (eds): *Evolutionary Economics and Path Dependence*. Cheltenham, UK : Edward Elgar.
- Håkansson, H. and Snehota, I. (eds). (1995) *Developing Relationships in Business Networks*. London: Routledge.
- Korneliusson, T. and Panozzo, F. (2003) 'From Nature to Economy and Culture: How Stockfish Travels and Constructs an Action Net' in B. Czarniawska og G. Sevón (eds), *Global Ideas*. Forthcoming.
- Lash, Scott and Urry, John. (1994) 'Economies of Signs and Space', in the series *Theory, Culture and Society*. London: Sage.
- Magnusson, L. and Ottosson, J. (1997) *Evolutionary Economics and Path Dependence*. Cheltenham, UK: Edward Elgar.
- Neis, Barbara. (2005) 'Introduction' in Neis, B., Binkley, M., Gerrard, S. and Manesch, C.: *Globally Fishy Business: Gender, Globalization and the Fisheries*. Forthcoming 2005. Fernwood and Zed Books.
- Robertson, R. (2001) 'Globalization Theory 2000+: Major Problematics', in G. Ritzer and B. Smart (eds), *Handbook of Social Theory*. London: Sage.
- Slettvold, Ola (2001) 'Vikingene i norsk turismeutvikling', in A. Viken (ed.): *Turisme. Tradisjoner og trender*. Oslo: Gyldendal.

## Chapter 5

### From Inland to Coast

The municipalities across the Swedish North

*Cecilia Waldenström*

#### Introduction

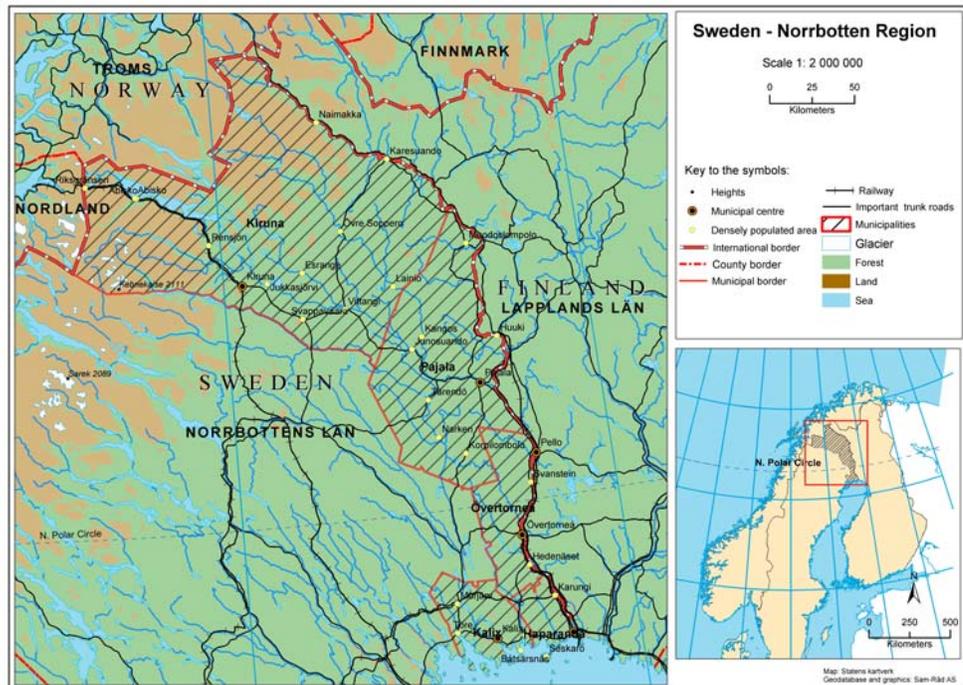
This chapter focuses on the roles of municipalities in innovative local development from the Swedish Torne Valley municipalities (Kiruna, Pajala, Övertorneå and Haparanda) and from the municipality of Kalix. The map below shows the county of Norrbotten, and the location of the municipalities. Kiruna, by the Norwegian and the Finnish border, is by far the largest municipality in the study. Going towards the Baltic along the Finnish border, and also in decreasing size, the next municipality is Pajala, followed by Övertorneå, and Haparanda by the Baltic Sea. Immediately west of Haparanda is the municipality of Kalix.

Norrbotten county covers 24 % of Sweden, but has with a population of 250 000 only 2,9 % of the population. The coastal region is more populated than the inland and half of the population of the county live in the southeastern municipalities of Boden, Luleå and Piteå. The administrative county centre is Luleå with a population of 45 000 – also the largest city in the county.

Before the industrialisation starting in the 19<sup>th</sup> century the Torne Valley was characterised by Sámi reindeer herding, by farm based occupational pluralism, and especially in the lower parts of the region, by commerce. When the border between Sweden and Finland was drawn along the Torne and Muonio rivers in 1809, the main part of the population on the Swedish side became a Finnish speaking minority within Sweden. Especially during the 20<sup>th</sup> century, there was a strong movement of ‘swedification’ and for some decades it was forbidden to speak Meän Kieli (the Torne Valley Finnish) in schools. Today, Meän Kieli is a recognised minority language and there is presently a cultural revival based on the legacy of the Torne Valley

culture. Ethno-political formations are part of this and the denominations ‘Kven’ or ‘Lantalaiset’ are increasingly used in this context.

The Sámi population in the municipalities in the study, is largest in Kiruna, counting about 2 300. In Pajala there are around 50 Sámi, and the number decreases further towards the Baltic Sea (Stoor 2004). Especially in the eastern parts of Kiruna municipality, the Lantalaiset cultural revival is partly in conflict with Sámi quests for recognition. The discussions in Sweden on the ILO Convention 169 on indigenous rights to land have triggered this, according to interviews. Who will be considered ‘indigenous’ and thus have rights to the land? How will ‘rights’ be interpreted? Hunting and fishing are, for many, important leisure activities and contribute to the household economy. And – not least, rights to land may have consequences for the control over vast areas where tourism is seen as a potential future.



*The county of Norrbotten, indicating the localisation of the five municipalities included in the research project.*

### ***Overall changes in economy and population***

During the last decades of the 19<sup>th</sup> and most of the 20<sup>th</sup> century, industrial development led to a substantial increase in population in these municipalities. According to Lundgren (2000), the Swedish growth from 1870-1970 can only be compared with that of Japan and Finland. Yet, the county Norrbotten was even more expansive. Mining and forestry were central, and the inland regions provided natural resource based simple commodities (e.g. iron ore, timber, agricultural produce) increasingly refined by the coast, elsewhere in Sweden or abroad. The dependency on industries which have been heavily rationalised during the last decades of the 20<sup>th</sup> century, combined with a marked decrease in public employment in the 1990s, have had serious implications for the whole region, but especially so for the inland municipalities. The overall changes are illustrated in the following statistics. Figure 5.2 summarises the population change over the last 23 years. The inland municipalities Kiruna and Pajala have lost approx. 20 % of the population. By the coast, Kalix has lost proportionally less (7.5%), and Haparanda has had population growth. This is partly explained by migration of retired Finnish immigrants from other parts of Sweden to Haparanda.

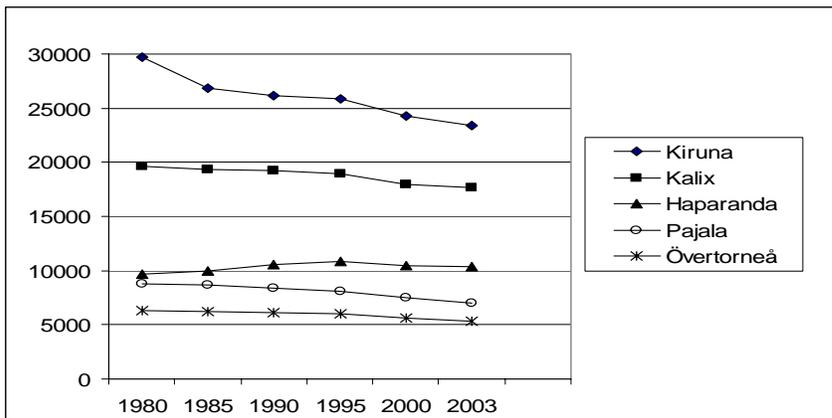


Figure 5.1: Population development 1980-2003. Source: SCB.

The figure above hides, of course, a dynamic in which in migration and births cannot make up for out migration and deaths. The general picture is that young people, especially women, move out, while those who move in

tend to be older, resulting in less women in fertile ages. Predictions also point to severe decreases in the labour active ages (16-64) in the period 2000-2012, especially in the inland (Wikner & Svensson 2003). The general problem of an aging European population and low birth rates is thus accentuated in these areas. The age structure contributes to the educational levels being lower than the national average. Other explanations are that the traditional occupations did not demand further education and long schooling has not been part of the culture. To recruit competent labour is therefore a growing problem in these municipalities. Simultaneously, unemployment is an inherent part of the effects of the transformation of the regional economy. Table 5.1 below presents the unemployment statistics from the last part of the 1990s. These figures are adjusted to render comparison with the other countries in this report possible and deviate therefore from the official Swedish statistics. The eastern parts of Kiruna (the Torne Valley parts) are probably similar to the situation in Pajala (see also Falck 2003).

*Table 5.1: Unemployment rates %, average 1998-2000, April 2001, and changes 1994-1999 (Source: Hanell et al 2002)*

Municipality	Average unemployment rate %		Change % 1994-1999
	1998 – 2000	April 2001	
Kiruna	13.9	9.2	-9.1
Pajala	21.2	15.8	-13.3
Övertorneå	17.5	13.6	-1.8
Haparanda	18.8	15.7	-7.4
Kalix	12.8	9.1	-4.6
Sweden	7.4	4.9	4.2

### ***Economic challenges lead to cooperation***

In Sweden, the municipalities are the main providers of the welfare state services such as primary and secondary schools, social services, including the care of children and elderly, physical planning, and environmental, health and fire security. These assignments are regulated by law and delegated to the municipalities by the state. Culture, recreation and business development are parts of a more general competence not formally regulated. The main municipal incomes were, in 2001, municipal income taxes (67 %), fees (8 %)

and state support (14%) (Svenska Kommunförbundet 2004). Municipal incomes thus depend on population size and general economic development, while expenses may increase as economy goes down and with an aging population. This makes many municipalities economically vulnerable and a majority of the Swedish municipalities have currently economic difficulties, not least those with a marked decrease in population.

How then can the municipalities counter these problems? In the current public debate, merging municipalities has been proposed as a solution to the frail economy and recruitment problems. The Swedish municipalities were merged in two stages in the 20<sup>th</sup> century, latest in 1962-74. The mergers were guided by the principle that municipal authority should be clearly delimited to a territory large enough for economical provision of services. Democratic salience and rational organisation were important arguments. That the last merger not yet has resulted in people identifying with the 'new' municipality was mentioned in interviews in all the municipalities in this study. The mergers were partly meant to replace cooperation between municipalities. Today, however, municipal cooperation is rapidly increasing, a process facilitated by changes in the Swedish legislation. Gossas (2003) sees this as a 'hidden' ongoing municipal reform. The municipalities in this study co-operate for different purposes with many other municipalities. Several cases include such collaborations and a frequently mentioned collaboration will be LKF (Lapplands KommunalFörbund) in which Kiruna, Gällivare, Jokkmokk and Pajala municipalities collaborate in identifying the needs for, and in arranging, higher education locally. 'Högskoleförbundet Östra Norrbotten' is a similar collaboration between Kalix, Övertorneå and Haparanda, which includes a research school with projects associated to local business developments.

The municipalities interact with several other actors, from different sectors in society and levels of policy. In all the municipalities, municipal business development is organised by development companies, managed in cooperation with local business organisations. The county administrative board in Luleå is an important actor, essential in handling, for instance, EU supports and the Regional Growth Programmes. These programmes are parts of the regional policy in Sweden, based on regional partnerships jointly staking out the regional development course. Luleå University of Technology (LTU) and the university in Umeå are important in the municipalities' efforts to arrange university educations and research locally. Other actors, frequently

mentioned in the interviews, were the County Labour Board (LAN) and the local employment offices. These handle the national labour market and employment policies.

### **The presentations of the municipalities and the choice of cases**

The present study can be seen as a snapshot, probing into processes of reorientation and transformation, related to profound changes in the economy and in policy making. It is based on interviews mainly with representatives from the municipal organisation and on following up three cases of innovative activities in each municipality, representing innovations in the private, public and civil sectors. In the following sections, each municipality is first briefly presented. Then the problems and opportunities mentioned in the interviews with the municipal representatives are presented. The description of problems and opportunities thus depict the perceptions elaborated on in the interviews with municipal representatives. Interviews with people outside the municipal organisation were also made. The perceptions of these actors on the role of the municipality are drawn upon in the last section of this chapter.

The relatively constant number of innovations that emerged from the interviews (see table 1.3, Ch. 1) probably reflects the method used. Comparisons are however, also thwarted by the different levels of abstractness that the answers were formulated in. All the cases chosen for the follow up study were mentioned as innovations in the interviews and all were recommended for the follow up stage. This implies that the municipal leaders perceived the selected cases *as innovative, promising and presentable*. This of course gives a bias, but it also indicates the contextual understanding of what is considered innovative. In line with the qualitative and explorative stance in the study, the choice of cases was made to capture a variation. This variation was in relation to the kinds opportunities or challenges addressed, pointing to the *content* aspect of the innovations. The cases were also chosen to capture a variation in networking and organisational processes. This was in an attempt to come closer to the underlying questions of *learning contexts* and *innovative processes* in localities not characterised by the qualities usually attributed to innovative regions: clustering, triple helix opportunities, large regional centres and diversified labour markets etc.

Table 5.1 gives an overview over the cases and the kind of opportunity/problem they address or organising/networking processes they illustrate.

Some of the cases are perhaps so new that we cannot be assured that they are successful. This is further discussed in the separate case descriptions.

Table 5.2: The cases in the study.

	Public sector	Private sector	Civil sector
Kalix	<b>UniverCity</b> Municipal initiative on adult education to counter low educational levels, problems of recruitment and to enhance business development. Networking with local business life and providers of education all over Sweden	<b>Evonet</b> Industrial partnership to get benefits of scale and to work with common issues such as quality work, marketing, and recruitment	<b>Service Centrum Övre Bygden</b> Cooperative including 20 villages. Has secured local services and local employment partly by how they organise activities, network with external actors and spur local dialogue
Haparanda	<b>Barents Road</b> Municipal project to facilitate transportation within the Barents region by cooperating with municipalities and transportation corporations along the road from Bodø to Murmansk	<b>Seskarö Framtid AB</b> Business incubator to stimulate business development and generate local capital for community development on Seskarö	<b>The Community Feast</b> Annual cultural 'happening' organised and produced by village groups, local associations and especially the local association of Sweden's Nation Wide Theatre. Networks among amateurs and professionals; artists and local associations
Övertorneå	<b>Expedition Övertorneå</b> Two year project aiming to involve the population in visionary development processes. Councils for all every 6 months and working groups to develop suggestions between councils	<b>Outinen's Polar Potatis</b> Flourishing potato processing business and a local business 'locomotive' adding value in the agricultural sector	<b>The Arctic Circle March A</b> 140km march organised by a local sports club engaging 11 villages in Sweden and Finland. Strengthens local tourism and taps into a global movement of marches
Pajala	<b>The Step</b> Municipal over-the-border cooperation with focus on networking on many levels around the care of disabled. Development of tourism adapted to the needs of disabled persons	<b>MikroMakarna</b> Establishment of relations between an electronic industry in Pajala and a company in Murmansk. Led to a project supporting development of such contacts	<b>Village Life in the Torne Valley</b> Village development project turned into a cooperative developing tourism on Torne Valley culture and village life. Quality work and networking in the tourist sector
Kiruna	<b>MRI</b> Project which furthered environment and space research in Kiruna. Extended municipal networking important in the initiation and extensive networking effects for researchers. MRI contributed to later developments of university education in Kiruna	<b>Kristallen Stenslip AB</b> Private centre offering courses in precious metal work and stone cutting, attracting resources and people to the remote village Lannavaara. Tourist activities grow but lack capacity as yet	<b>Sámi Development Centre</b> Project run by Sámi organisations in cooperation with the municipality. Capacity building and development planning has led to Sámi economic development and a deepened collaboration with the municipality

### ***Kiruna***

Covering 19 447 km<sup>2</sup>, Kiruna is by far the largest municipality in this study. About  $\frac{3}{4}$  of the population of 23 407 live in, or in the vicinity of, the municipal centre. As already mentioned, the preconditions for developments in the vicinity of Kiruna town and the rural areas differ significantly. Large national parks with high natural and tourist values dominate the mountainous western parts. Reindeer husbandry is important in rural areas and nine reindeer herding communities cover the municipality. The history of the region is intimately linked with the mining industry, which expanded in the 19<sup>th</sup> century and led to substantial population growth.

The mining industry grew until the 1980s. Then iron ore prices fell and LKAB, the state owned mining company, reduced the labour force by more than 50%. This initiated a continuous population decrease in the municipality. Today the only mine still in operation is located in the town of Kiruna and this mine is the backbone to overall municipal economy. The 1980s crises led to awareness of the needs to diversify the economy and efforts to support business development were initiated. Developments of the then already present space and environment research institutions, were also perceived as important for diversification. In collaboration mainly with Umeå University and Luleå University of technology (LTU), Kiruna today has research institutes and university educations in subjects which may attract students and researchers to Kiruna (e.g. space physics, ozone, climate and environmental research). Development of activities for which the northern location is a comparative advantage has also led to ventures in cold state studies, car testing and recently in facilities for testing aircrafts. Tourism in Kiruna has long been based on the national parks and wildlife experiences. Today the Ice Hotel in Jukkasjärvi is the major new initiative in the tourism sector.

#### *Problems and opportunities mentioned in interviews*

The weaknesses and problems mentioned in Kiruna are primarily linked to the interrelated problems of the *decreasing population*, the *municipal economy* and *to recruit competent people*. Both local actors in Eastern Kiruna and in the municipal organisation claim that *the national and regional development and labour market politics* partly lack a long-term development perspective. The deregulation of *infrastructure policies* and the effects on transportation and travelling are also mentioned as problems. The preconditions for enterprises are unfavourable, due to the *location and long distances*, especially for commodity production, and to the *lack of risk capital*. *Lack of entrepreneurial spirits* is seen as a problem

for SME development. There are also *growing ethno-political conflicts* between Swedish, Lantlaiset and Sámi cultural groups.

However, there are also strengths and opportunities. Kiruna is seen as an attractive and interesting place due to the combination of contrasting resources: *the rich natural resources* (the landscape, national parks, forests, the mine, the changing seasons, the ‘untouched’ quality and silence), *the advanced technology and competence* related to the mine and the space industries, and *the cultural diversity* in a society building on three cultures, with a *rich cultural life* in Kiruna town. *The technological development* of the mining industry is an asset, and there are opportunities in the development of *businesses related to the mining and space activities*. *Tourism* represents an opportunity for further development, for example Sámi cultural tourism or space related tourism. *Education and research* in subjects where Kiruna has advantages continue to be important as strengths and opportunities. The educational activities have spin-off effects for other activities, and students contribute to Kiruna in many ways. *The competence of the municipal staff* was spoken of as an asset. Innovative thinking is spurred by the need to find solutions for both the ‘extreme periphery’ and the densely populated areas. Opportunities were also seen in the *co-operation between different actors* and in the role municipality may have in such cooperation.

#### *The Kiruna cases*

The private sector case chosen is the Kristallen Stenslip, located in Eastern Kiruna. The public sector case is MRI, a project that has enhanced environment and space research. The civil society case is the Sámi Development Centre.

#### *Kristallen Stenslip AB – a stone cutting centre in the periphery*

Kristallen Stenslip AB is a private educational centre for stone cutting and precious metal work, which also arranges tourist activities related to stones, gold washing and small game hunting. As an innovation Kristallen Stenslip has developed a particular niche, building a business environment and mobilising resources to a remote village in the far North.

In 1980, Agne and Barbro Söderström, moved to Lannavaara to realise their dream of making a living picking and cutting stones, and taking tourists to search for stones and wash gold. In 1986, Agne held the first labour market vocational course in stone cutting. Since then, these courses have been a backbone in developing an educational centre. The interest in stones and minerals led the Söderström family all over the world. Guiding tours and surveying for stones and minerals in Africa,

Latin America and Australia provided stones for the activities in Lannavaara and led to a worldwide network with people interested in stones and minerals. In 1997, Jenny Söderström and her brother Hans took over the company and 19 years old, Jenny became CEO in 1999. An important recent development is the vocational college courses, offered since 2003 in collaboration with Luleå University of Technology (LTU).

Teaching is mediated by ICT, and *the extension of broadband to Lannavaara was crucial for this*. The idea to give courses open for all was interrelated with plans for a new building combining accommodation with a larger workshop. These ideas developed in projects building networks with the municipal department for development, LKF, LTU, the University College for Arts and Craft in Stockholm, the County Labour Board among others. When vocational college courses were introduced in Sweden, LTU saw the opportunity for Lannavaara. The governmental delegation for regional collaboration between public institutions and the universities secured funding. LTU as well as the mayor of Kiruna were behind the application.

The planned 'Workshop Building' is a solution both to the problems in accommodating course participants and tourists, and to problems in recruiting competent teachers. Offering the staff, as well as others, to work as artisans in the new workshop, is part of a vision to develop Lannavaara into an international centre for stone cutting and as a tourist attraction. Support for this project was gained from a former Norrbotten governor, then minister of industry, who promised to cover 80% of the building costs if they got the college courses. The plan is to start construction work by June 2004.

Apart from the international *networks* within minerals and stones, Kristallen Stenslip has well developed networks within Sweden. The employment office in Karesuando recruits the Swedish participants to the labour market courses and evaluates these courses continuously. There are also contracts with the Norwegian labour market authorities. Steering groups for education and for the Workshop Building project have been organised with local and regional actors. These groups, Jenny Söderström says, have increased the mutual understanding of contexts and perspectives. Jenny herself is in on the boards of the local, regional as well as the national business organisation. *The contact with the municipality* has become increasingly important. Municipal support contributed to funding the projects in which the ideas on new courses and the new building were developed. Support in infrastructure (the broad band) and the moral support and advice from LKF and the municipal department for development have been important. The municipality has been an active *facilitator*. In

terms of *outcome*, Kristallen Stenslip has probably contributed to the increase of population in Lannavaara. Presently nine people work at the centre and ten former students have decided to stay permanently. In the beginning the attitude in the village was ambivalent, Jenny Söderström says, but the fact that the village has been able to keep both the shop and the post office has probably contributed to the increasingly positive attitude.

*MRI: the establishment of the Environment and Space Research Institute*  
Miljö- och Rymdforskningsinstitutet (MRI) was a five-year project (1995-2000) aimed at furthering research on environment, space, and related business developments in Kiruna. As an innovation it can be seen as a response to the increasingly knowledge-based economy, by seeking to diversify the economy and the labour market.

MRI was initiated through several processes. One was that Prof. Arne Jernelöv saw the possibility, if Sweden entered the EU, that regional development funding could be used to establish a research institute for environmental studies. Eventually, he was assigned to investigate this opportunity by the Ministry of Education and Science. An establishment needed to be located in an 'objective 6 region' and Kiruna was selected because the Space Research Institute in Kiruna and a research station in Abisko provided favourable contexts. At the same time, a centre for developing technology and analysis of satellite images for environmental surveys and analysis (MDC) had materialised. The idea emerged originally in a brainstorming session initiated by the municipality in 1991. Moreover, when the possibilities for a EU funded research institute in Sweden were known in the municipal organisation in 1993, this led to mobilisation and networking with strategic actors on national level, in which Östen Bucht, at the municipal planning department was an active part. When Kiruna had been chosen as a location in Jernelöv's investigation, the municipality began to support and facilitate the process in several ways; by funding investigatory studies, by networking with strategic actors and by preparing suitable localities.

After negotiations with a wide range of actors (from the EU, the Swedish ministries of Education and Sciences, Environment and of Industry, the county administration, possible collaborating universities etc) four programmes emerged to constitute MRI: the Atmospheric Research Programme (AFP), the Climate Impacts Research Centre (CIRC), the Spatial Modelling Centre (SMC) and Miljödatacentrum (MDC), later renamed Satellus. The three former were research institutions, the latter a company mainly for development of applications of satellite image analysis. In the negotiations, the balance between research and development

had been an issue, with actors within the county and the EU predominantly favouring development and commercialisation rather than research. In contrast to the others, SMC was a social science (human geography) programme, deliberately included to broaden the scope of disciplines in Kiruna. In principle the idea was to strengthen existing research and to integrate the activities so that an academic community would emerge. Geographically CIRC was located in Abisko, the others in the town of Kiruna. Of the 186 Mill SEK funded, Satellus/MDC received 72,6; CIRC received 48,4; SMC received 28,7 and AFP received 25,5 Mill SEK. A further 5 Mill SEK were aimed at commercialisation of the activities.

Academically, MRI was successful. However, at the end of the five-year period, the activities could not continue on the same scale. The funding shrank substantially and the remaining activities were reorganised. The former collaboration between several Swedish universities in the programmes more or less ended. SMC and CIRC are now parts of Umeå University, AFP is part of the Space Research Institute in Kiruna. Satellus/MDC has closed down and parts have been reorganised into the national authority for real estate and land use in Stockholm, however, with some employees still in Kiruna. Of the commercialisation efforts 2 MRI-related companies remain 2004. The educational activities, however, were substantially expanded and were reorganised into Campus Kiruna, a collaboration between LTU and Umeå university set up in 2001.

Arne Jernelöv, as well as interviewed researchers in AFP and SMC, point to that the time was too short to build research groups that could be funded from research councils and alike in competition with established universities. For that purpose, it would have been better to use the money over a longer time period. In hindsight also, the fast recruitment of researchers without connection to Kiruna, implied that as funding shrank, these sought to develop their research elsewhere. Furthermore, the organisation for MRI was set up to draw on competence from universities elsewhere. Thus the leaders of research groups were in-coming professors whose interest in Kiruna dropped when specific funding was no more available, suggests Jernelöv.

The *networking* in this case has two facets. One is the extensive networking by the municipality to bring MRI to Kiruna. The other is the networking MRI generated and created for the researchers which also was extensive. *The role of the municipality* was as an *initiator* and *facilitator* especially in the first stages. In terms of *outcomes* MRI did not have all the effects hoped for. However, it has strengthened research in Kiruna.

Municipal calculations point to 31 people employed in the original research programmes and in the remainder of MDC in Kiruna, in spring 2004. In broad terms one can say that about one third of what MRI created in this respect remained. Also, of the two companies related to MRI that remain, one has got national attention for its freeze dredging technique.

*Sámi Development Centre: Sámi community development on the municipal agenda*

The Sámi Development Centre in Kiruna and Karesuando was a project that ran 1999-2003, initiated and owned by the National Union of the Swedish Sámi (SSR). As an innovation the case includes several of the suggested categories: cultural economy, identity, high quality products and business support.

This project emerged from SSR's work in Norrbotten in the mid 1990s on developing leadership and project management competence in Sámi reindeer herding communities. Together with a previous municipal project and ideas from local Sámi associations, this led on to the EU 'Objective 1' project 'Sámi Development Centre in Kiruna and Karesuando'. Nine Sámi reindeer herding communities, three Sámi associations, SSR, and Pajala and Kiruna municipalities were project partners. The project was owned and administered by SSR, but coordinated from within the Kiruna municipal administration. The municipality financed a part time position in the project and Jan Unga, who held the position, was placed in the municipal department for development. This was important for its success, says Anders Stoor, who was project leader. Sámi questions became an integral part of the everyday work in the municipal organisation. And avoiding making Sámi issues into a party political question has been crucial, claims Stoor.

A central part of the project was to continue the capacity building within the Sámi community. In an 'Activity and Creativity School', several project and process leaders were trained. These pursued their own projects and business ideas and some later also facilitated development planning in Sámi reindeer herding communities. In Kiruna, 8 of the 9 communities made such plans. The plans built on an thorough analysis of reindeer husbandry and land use, but also issues such as the organisation of the community, educational needs, occupational pluralism etc (Nätverk S@pmi, 2002). In a subsequent project SSR supported 35 Sámi villages in other parts of Sweden in making development plans. The focus on *processes* has been essential, Stoor says, adding that the organisation of Sámi reindeer herding communities, being flat and with active participation of its members facilitated the process. Mobilising efforts in rural

development, where people neither have a common production focus, nor the Sámi community ways of making decisions, is more difficult according to his experience.

The development plans belong to the individual Sámi reindeer herding communities and are tools for their internal work. The development of the *Strategy for 'Growth': Sector Programmes for Sámi Culture and Business* was therefore a means to lay an official platform for further development. The programmes focus on reindeer husbandry, Sámi tourism and handicraft. Sámi cultural issues are also included. The municipality as well as several other local and regional actors use the programmes. The universities in Luleå and Umeå were contacted in order to develop university educations better adapted to the needs in sparsely populated areas. This resulted in a project within LKF: 'The Learning Meeting Place for Sámi and Regional Development'. The objective is to reach out to people and offer educational opportunities.

Sámi Development Centre has *networked* and cooperated, in varying degrees, and in different projects with at least 22 local, regional and national actors. The *role of the municipality* was both as a *facilitator* and as a *partner*. An essential *outcome* of the project is that Sámi perspectives are brought in earlier in the municipal administrative processes. Not all Sámi would agree that the municipality has progressed as conflicts still remain, but in Kiruna municipality they really try to do something, Stoor says. Other outcomes are activities in Sámi reindeer herding communities and in other Sámi businesses, as the tourist project 'Guossi Sámis-Guest in Sámi Country' and 17 Sámi tourist businesses that have emerged during the project time. It has also inspired two new municipal projects: a general rural development programme and a project that attempts to work with all minorities in the municipality.

### ***Pajala***

Pajala is also a large municipality, covering 7 866 km<sup>2</sup>. Five unregulated rivers flow through its great forests. Pajala has a scattered population and many villages, of which several are known for their activity in local development. Only 25 % of the population of 7053 live in the municipal centre. The majority of the population live in four larger and ca 80 smaller villages. Small enterprises in farming and forestry dominated earlier in Pajala, although the iron works in Kengis, established 1646 was intermittently active until 1879. The industrialisation of the forest sector and the development of the mines further inland were important for population growth, and the municipality was severely hit by the rationalisations in these industries.

Pajala is also the municipality in the county that lost most public sector employment in the 1990s; almost 38% were lost while the county average loss was 26% (Peterson 2002). These losses led to efforts to stimulate diversification. In the 1980s this was focused on local mobilisation and on supporting SME development. Recent efforts have been to organise university education locally through LKF, to support the establishment of electronic and computer industries and to get an airport. Forestry and wood related businesses are still important in Pajala, but computer and electronic industries have grown and are important today. Small manufacturing industries, transportation, food and clothes related businesses are other sectors. However, about 50 % of the labour are employed in, the now mainly municipal, public services. The cultural sector has grown in Pajala. The Tornedal Theatre is located here, and several authors of national renown come from Pajala. Torne Valley cultural revival is topical and Pajala was the first municipality in which Meän Kieli was taught in school. The coming film on Mikael Niemis book 'Popular music from Vittula' is seen as an occasion for celebration and attracting tourists to Pajala. The Sámi population is, as already mentioned, much smaller than in Kiruna. Pajala municipality participated in the Sámi Development Centre, and Anders Stoor emphasised their commitment.

*Problems and opportunities mentioned in interviews*

The main problems and weaknesses mentioned in Pajala were related to the *population development and population structure*. For the municipality it becomes increasingly difficult to balance the budget. *Long distances and a scattered population* pose problems and increases costs. Some villages have lost 75% of their population within a generation and together with the low childbirths and the out migration of the young people, this is said to have *negative and paralysing psychological effects* on people. A local problem in municipal politics is '*village politics*'; because the municipal merger in the 1970s has not resulted in people's identification with the municipality as a whole. In the municipality, the perception was that *national regional policy is not concerned* with the challenges confronting the municipality. General policies that support economic restructuring and development in these areas are lacking, according to the interviews. Another problem, related to national policies, are the *unclear funding and the admittance system for university courses*, and that *labour market courses are not integrated in long term local development* perspectives. For the entrepreneurs, the *lack of capital* is an important problem. Local property is not attributed any value by banks, so it is 'impossible' even for established companies to get bank loans. This hampers investments and makes the municipality important in supporting funding.

The high proportion of *national ownership of forest* through 'Sveaskog' is also seen as a problem for local forest related industries. Timber is brought out of the municipality to Sveaskog's plants elsewhere. ICT facilities and broadband connections are being developed, the problems with *infrastructure* is mainly that some roads are in a 'deplorable' state. The airport is an important asset, even mentioned as an innovation, but to really be useful in the development of tourism, it needs to be enlarged.

Important opportunities in Pajala are, however, the *nature and the cultural heritage* and the potentials in developing tourism building on these. This demands changes in entrepreneurial thinking, service mindedness, and cooperation. For salmon fishing, which is an important possibility, protection of salmon reproduction is needed. The *closeness to Russia* is another opportunity, both as a market and as a source of immigration of people used to the climate. *Cooperation* is seen as an opportunity with other Swedish and Finnish municipalities but also with other actors. The relatively *many SMEs* in Pajala is an asset. Disregarding the organisational problems, the *local educational facilities* are assets as are the local developments of flexible educational methods. The cultural revival has created a *cultural self-confidence* that is important in the face of today's adverse development. The Tornedal Theatre, the authors and local people who work in music industry, contribute to cultural work being valued in a new way.

#### *The Pajala cases*

The private sector case chosen in Pajala is the development of the electronic industry MikroMakarna's contacts in Russia. The public case is a municipal over the border cooperation developing the care of disabled, and the civil sector case is a village cooperative developing Torne Valley culture tourism.

#### *MikroMakarna – establishing business relationships in Murmansk*

On an overarching level this case illustrates the development of business organisations in the face of the increasingly globalised economy. On a regional level it illustrates the development of economic networks within the Barents region.

MikroMakarna produces electronic components, from designing prototypes to mass production. Bengt Storvall, who is still the CEO and owner, founded it in 1987. With two colleagues he began on a small scale assembling electronic products manually. The company grew quickly, but in 2002, a crisis in the whole sector hit them hard. The turnover decreased from 65 to 40 Million SEK. Today there are 30 employees in the company and the economy is on its way up again. MikroMakarna would

never have survived, Bengt Storvall claims, if he had not established a working relationship with a company in Murmansk already in 1995. Moreover, in electronics today, companies that do not have access to low cost production are often not even asked to submit tenders. MikroMakarna was early in outsourcing electronic production. Russia was chosen both because it is close, and Bengt Storvall says, as Russia always has fascinated him.

In 1994, Bengt Storvall went to a fair in Murmansk with a signpost announcing that he searched for business contacts. After many journeys and letters, he finally settled for a Techmorgeo, a public company producing seismic instruments. At that time, he remembers almost no one spoke English, telephone connections were unreliable and e-mail non-existent. He had an interpreter whom he trusted, something he had been advised to find. Her cultural competence and bold interventions into the negotiations was crucial for the establishment of trust between him and the manager of Techmorgeo.

They began with small volumes and by introducing serial production to Techmorgeo. The main problem at first was the customs control; it took at least two weeks to get the goods across the border. This has changed completely and MikroMakarna is today certified to make most of the custom services themselves. As the production is integrated, the undertaking of the goods transportations in both directions has been important. The Haparanda customs was an essential actor facilitating this development. In 2000, half of Techmorgeo's production was sub-contracted by MikroMakarna. Then a complex process began, on Bengt Storvall's suggestion, to form a separate private company of the sub-contracted parts. In 2001, MicroTech, a company for sub-contracted electronic production, was established. This is owned mainly by Bengt Storvall but also by the former manager and the former head of production at Techmorgeo. The interpreter who played a crucial role in 1995 owns a few percent.

Bengt Storvall is impressed by the enormous change Murmansk has gone through in only 10 years. To make his experiences available to others, the Pajala development company and the municipality have initiated the project 'Sampro Murmansk' which helps entrepreneurs in the two northernmost Swedish counties and in northern Finland to set up collaborations with partners in northeast Russia. *The networking aspects* of this case therefore extend beyond MikroMakarna's contacts in Russia and their collaboration with the customs. The municipality had no role in MikroMakarna's development of business contacts with Russia. *The role of the municipality* for MikroMakarna has been in their supporting the

company in various other ways: building localities for MikroMakarna to rent, helping with funding when the crises hit and with their good will in the negotiations with banks and others. On one level, *the outcome* of this case is the survival of MikroMakarna and the establishment of Micro-Tech as parts of the transformations within the whole electronic industry. However, the choice to seek partners in the northeast and the establishment of Sampro Murmansk has also enhanced business cooperation and networking within the Barents region.

*The Step – an over-the-border municipal cooperation in the care of disabled*

This case is within the welfare and social care sector. The innovativeness is in the over-the-border collaboration, the focus on networking and in the development of new ways of working with disabled. The idea to develop tourism for disabled persons is also innovative, although that part of the Step is as yet a pilot study. The main part is an EU InterReg project aiming at developing work with disabled in ways that support the clients to 'take steps' toward physical and psychological independence. A basic philosophy has been that 'if we do not value the work with disabled ourselves, how can we ever attract people to do it?' the project manager, Mervi Kostet says.

As many projects, the Step emerged from the experiences and networks from previous projects. In this case, Kolari and Pajala municipalities had earlier jointly developed leisure activities for mentally disabled people. Experiences from that project, as well as changes in the Swedish legislation emphasising clients' participation, made the Swedish partners see opportunities to further enhance their clients' own resources and quality of life. An application to a Swedish fund was denied as something similar went on in southern Sweden. The earlier partners in Kolari were then contacted and the guiding idea for the joint project emerged: to develop and establish new methods for every day practical work with disabled. Self-determination, participation and networking were central concepts. A funding of 328 000 € over three years was secured for the first part of the project, the tourist part got 160 000 SEK to develop a further application. The partners in the project are the municipalities of Pajala and Kolari, and Kolpeni, a resource centre for the municipalities in Finnish Lapland for the care of disabled, situated in Rovaniemi.

Educational activities are the core of the whole project. These are managed in collaboration by two enterprises in Norrbotten and by the Vocational College in Rovaniemi. Contents and methods have been developed in interaction with the approx. 100 staff, working with disabled in Pajala and Kolari municipalities, who also is the main target group in

the project. Other target groups are the disabled themselves, their personal networks and, the lately added group, politicians. The universities in Luleå and Rovaniemi were invited as evaluators, but the researchers saw potentials for further studies. Two research students now follow the project focusing on the capacity of the project to secure 'the client's voice' in the interaction between clients and staff. As the supervisor for the Swedish student comes from the university in Bodø this has led to contacts between the three universities. Another unexpected outcome is that the Finnish - Swedish collaboration in designing the educational input has led to plans for coordinating practice periods in the regular basic educations for working with disabled. This may contribute to enlarge the labour market for this work.

The project has thus established *networks* between actors on different levels: around the clients, between the staff, the educators, the researchers and the partners in the project. The differences between the Swedish and Finnish ways of organising and working with disabled are explored through the project. *The municipality's role* has been as *initiator, coordinator and partner*. *The outcome* as yet is that it has mediated networking and generated new joint activities for the educators and research. The long-term consequences for the disabled, for quality of work and recruitment are in the making.

*'Village life in the Torne Valley': Cooperative tour operators in cultural tourism*

'Village life in the Torne Valley' is a co-operative in Kangos, a village with approximately 330 inhabitants in North-eastern Pajala. The innovativeness of this case is in the development of a local cooperative tourist operator activity for 'Torne Valley culture and village life' tourism.

Kangos is known for its many development activities and entrepreneurs. 'It really all began when the mine in Kiruna fired a lot of people in the mid 80s' says Gunnel Mörtlund, one of the two project leaders in 'Village life in the Torne Valley'. Then many people in the same age and with children moved back to Kangos, where there was no childcare and where the school was threatened. By 1994, not only a nursery existed in Kangos, one cooperative had taken over the school, another managed the new 'All purpose building' which contained a new school gym, an assembly space, a cafeteria, a book station connected to the central library in the municipality, and a nursing home for elderly. Kangos became well known. Busloads of visitors came to be inspired by their example.

In 1997 Gunnel and her friends Maj-Britt Nykäinen and Kerstin Krukka began to discuss how to make the visitors stay longer and how to develop new ways of earning one's living in Kangos. In a pilot study,

they developed their ideas and made an inventory over resources and potential tourist attractions in Kangos. This led to a larger EU-funded project aiming to develop a centre for culture and creativity in Kangos, which could offer facilities for tourists. The project started in 2001. During a first stage they learnt more about the tourist sector and how to organise events for tourists. The project was also organised into a cooperative open to other actors. In the current, second, stage, the aim has been reformulated into developing a cooperative tour operator activity, focusing on 'Torne Valley culture and village life'. A village development project thus became a tour operator cooperative. Presently there are 13 members. These are entrepreneurs as well as interested individuals. Education, quality certification of collaborating tourist entrepreneurs and trying out offers has been central up to now. Marketing is the coming step. The target groups are to begin with people from Stockholm with an origin in the Torne Valley, those interested in the Kven culture in Finland and Norway, Finn-Swedes in Europe and other minority groups in Europe. A later target group is the association for Finn-Swedes in the USA.



*Tourist offer in the 'Village Life in the Torne Valley' case: Maya Rao learns about arctic herbs. Photo and copyright: Mikael Kangas.*

The total budget is 4.2 Mill SEK, of which Pajala municipality contributes 258 000 SEK. Initially, the project group felt it controversial

to the village that they got so much money, especially as they were three women. Another problem was to convey the visions from the pilot study to new members, and find a new common objectives and visions. Both these issues seem now to be resolved. The project was developed through joint reflection within the group but also with representatives from the municipality, county administration, and the employment office. *Networking activities* are, apart from these early contacts, primarily in the tourist sector in the Swedish Torne Valley, in Kolari and Muonio municipalities in Finland, but also in the rest of Norrbotten and the Northern Calotte. They also mediate networking among tourist entrepreneurs. *The role of the municipality* in this project has been that of a *facilitator*. Municipal leaders regard Kangos as a good example, and it is talked of as a model project. The previous mayor chairs the project steering group. Gunnel Mörtlund herself has been active in the municipal politics and knows the context. The tourist activities are, in terms of *outcome*, expected to be economically profitable in three to four years time. The project has already contributed to quality work and collaboration among tourist entrepreneurs, and it lays a foundation for small-scale entrepreneurs' networking and for a more professional tourist sector.

### **Övertorneå**

Övertorneå is smaller than Pajala with its 2 374 km<sup>2</sup> and the population, of 5 331 is more concentrated. About 2000 live in the Övertorneå town. The remaining population live in the 35 villages of which the largest are situated along the road running through the municipality along the Torne river. The conditions for agriculture are relatively good. As with Pajala, Övertorneå was severely struck by rationalisations in forestry and agriculture, followed by severe losses in public employment the 1990s (Pettersson 2003). Today, especially public, but also private services dominate. Small industrial manufacturing enterprises make up about 13 % of employment.

Övertorneå municipality declared itself an ecological municipality in 1983. This contributed to municipal strategies on heating, transportation, education and installations and perhaps also to the ecological focus in some of the manufacturing industries' technological development. Since 2001 public transportation is free of charge. A centre for vocational education, Utbildning Nord, is a collaboration between Finland, Norway and Sweden which brings 300 pupils per year and is an assets also for the vocational programmes in the secondary school in Övertorneå. The Tornedal High School is another institution which brings students to Övertorneå. Cultural revival is important also in Övertorneå and the 'Nordkalottens Kultur- och Forskningscentrum' is a centre for

documenting and integrating knowledge on the Torne Valley and North Calotte cultural heritage. Finnish - Swedish bilinguality has become an asset and contributed to recent establishments of Norwegian tele service companies. Other recent projects, drawing on the northern location, are plans for large scale egg and chicken production for the continental market and the 'Polar Wild Water Centre', an all year indoor stream and tourist attraction.

*Problems and opportunities mentioned in interviews*

The combination of a weak *labour market*, *the population development and the population structure* leads to adaptation problems for *municipal economy*. It is *difficult to recruit* people with higher education to Övertorneå. It is difficult to find work for spouses as well, and for younger singles there are not many of the same age to socialise with. The *cultural life and recreational facilities* in Övertorneå are not much developed, and the *national water line protection regulations* make it difficult to build in attractive locations. *Municipal cooperation* with Finland is an opportunity, but this is quenched by different legislation and organisational structures. *Successful entrepreneurs tend to move closer to their markets*. As in Pajala, the *proportionally high national ownership of forest* through Sveaskog is seen as a hindrance to local value adding in forest related industries. Another problem is the *lack of entrepreneurial mentality and lack of service mindedness in the tourist sector*. The lack of control over salmon fishing in the Baltic hinders salmon fishing tourism which otherwise may be lucrative. Finally, the problem with *risk capital* is emphasised also in Övertorneå.

There are however opportunities and strengths in being a small municipality. It is *easier to make changes* and there is *continuity in employment*. *Services are close by*, it is a *safe and secure environment with little stress*. *The social control* is a drawback for teenagers, but an asset for parents. Övertorneå is seen as a good place to live in. The private economy is usually stable as *living costs are low* and hunting, fishing and berry picking contribute to keeping costs down. Being *bilingual* and the *closeness to Finland* are also assets. For business development the *low costs for living and localities* also assets. *Natural resources, the landscape and the river* offer opportunities to develop *tourism*. The northern location has advantages for developing high quality *agricultural and horticultural produce*. New developments for the use of forest products also constitute opportunities.

### *The Övertorneå cases*

The private sector case chosen in Övertorneå is Outinen Polar Potatoes, representing the opportunities in local value adding in primary production. The public case is Expedition Övertorneå, a municipal project to involve the population in local development processes. The civil sector case is the Arctic Circle March, a march organised by a local sports association, which brings tourists to Övertorneå.

#### *Outinen's Polar Potatoes – a value adding potato 'locomotive'*

This case is about an innovative entrepreneur processing potatoes. Having developed a niche production it also contributes to the local business environment.

In 1987, Karl-Johan Outinen started a company with the main idea to buy, process and sell potatoes. His parents wanted already in the 1960s to complement their farming with processing potatoes, but funding had failed. In 1991, Karl-Johan took over the farming business as well. When he recently sold the potato cultivation company, it was the largest cultivation of food potatoes in northern Sweden, covering 75 hectares potatoes. The reason for selling off the cultivation was to finance developments in, and to focus on, the potato processing, which had grown in the meantime. In 1995, he had started to vacuum pack and preboil potatoes cut for different cooking purposes. He was among the first on the Swedish market and being so early was a mistake, Karl-Johan Outinen says. It took a long time for the market, mainly restaurants and large scale kitchens, to get going. The volumes began really to grow in 2002. Now, the companies 'Outinens Potatis', selling washed potatoes, and 'Polar Potatis Industri' selling the preboiled potatoes, have a turnover of 19 Million SEK and Karl-Johan Outinen sees a lot of development potential. He employs 8 people, and has 9 cultivators on contract, who together cultivate 200 hectares. Almost 60 % of the potatoes come from within 70 km of his plant. He has one of the most advanced equipments for sorting and packing potatoes in Sweden, but the processing lines need to be changed, something he is planning for. The main market reaches as far as Sundsvall, but recent contracts with a Finnish food company make Karl-Johan look east rather than south for further development of the market. This implies buying potatoes from Finland, where the prices are lower than in Sweden. Otherwise, he will not be able to compete with the prices in Finland.

Outinen has a working board in his own company which brings *networking* advantages. The board includes a former responsible for the potato section of a large Finnish food company, the former CEO of the food company 'BOB industrier' and an adviser from the Agricultural Society in Norrbotten. Together with the two last mentioned members of his

own board, he is himself on the board of 'Arctic Circle Farm'. This is a farm in a neighbouring village recently formed through four farmers' merging and planning to build a stable for 200 dairy cows. Outinen seems to have been an inspirational support in the formation of the company, and in their selling shares locally to secure bank loans. Potato peels from his company will be used as fodder free of charge. Two ex-employees have started companies as spin-off effects of Outinen's companies. One bought the cultivation company and another took over a transportation company Outinen had a few years. Activity related and business related networking, interlinked with personal networks, seemed central in these developments. *The role of the municipality* was that of a *facilitator* in the first phase. He got help with calculations and contacts he needed. Since then, the municipality has not been involved in his activities until lately. Karl Johan Outinen has considered moving the company to Haparanda to come closer to his main future market, to establish himself in a place where buildings are attributed with some value, and lately also because his waste water is polluting and a cleaning plant is needed. The municipality decided to build a cleaning plant, providing he changes the peeling technology, something they denied him loans for. Karl-Johan has decided to stay in Övertorneå. Selling off the cultivation contributes to finance both the new peeling equipment and the new processing line. He does not see that the municipality could do much more than they have done. 'They do what they can', he says. In terms of *outcome*, Outinen's Potatoes may be seen as a kind of local locomotive company in the sense that it spurs the development of other enterprises in the sector, buying production on contract and leading to the establishment of new enterprises.

*Expedition Övertorneå – a participatory project for visionary and strategic planning*

Expedition Övertorneå was a two-years project that aimed at furthering local involvement and responsibility in developmental processes. As an innovation it does not easily fit into the types suggested in chapter 1, although questions of business environment, cultural economy and welfare and identity facilities have been important parts of the process. 'Changes in attitudes have been focal', says project leader Linda Ylivainio, 'and the understanding that we need to work together for the future of Övertorneå, building on the resources we already have'.

In 2001, two sawmills and a dairy closed in the municipality. This led to a sense of urgency and a two-years position for strategic development, co-financed by the county and the municipality was established. Linda Ylivainio, then political secretary in the EU parliament, who previously had worked in Övertorneå, got the job. She was inspired by the par-

ticipatory work in Örnsköldsvik municipality, she had learnt about in Brussels. On her suggestion, strategic planning was shaped into a participatory visionary process which aimed at laying a foundation for future long term development processes by spurring awareness, contacts and a shared local sense of responsibility for the future. The process in 'Expedition Övertorneå' was organised in four councils to which all interested were invited. All households in Övertorneå municipality received postal invitations. The first council, was held in the town Övertorneå in November 2002, consisted of an analysis of challenges, discussions on what to do and the formation of working groups under three headings: *The Entrepreneurial Municipality*, *Education for the Future* and *The Good Life*. During 2003, two councils, in the northern and southern parts of the municipality respectively, continued the processes and the groups could present and check out their work. In spring 2004, the final council laid the ground for how suggestions are to be followed up. People have been able to join in the councils, in working groups, take part in the discussions on a web site or contact Linda directly. To broaden the involvement, Linda Ylivainio held meetings with villagers, in schools and with other actors. Participation has been higher than expected, but has varied over time. The group on education finalised most of their own suggestions during the project time. In that group, the participating actors were more or less the same during the two years. In the other groups, new people tended to join in when meetings were held in their part of the municipality.

The project has enhanced *networking* within the municipality. For instance, the contacts between local business life and local schools have deepened and actors have found new areas in which to work for common goals or support one another. Hans Mörtlund, who was contact person for the group on the Entrepreneurial Municipality, also points to the importance of mentoring contacts between business actors. Expedition Övertorneå has fed into the municipal local growth programme, but the idea was not primarily to gather ideas for the municipality's work. *The role of the municipality* was to initiate synergy and developmental activities within the municipality as a whole. In this it has been initiator, coordinator and, in some parts of the expedition, also a partner. *Outcomes* are both on a concrete level, as the Hanhinvittikko shieling, which was put in order with animals and hosts and had 1 500 visitors in the summer 2003, and less concretely, in the hopefully long-term effects of changes of perceptions and new networks. That the Övertorneå members in a collaboration for entrepreneurship, between Övertorneå, Överkalix and Pajala municipalities, seem 'a bit ahead' in their processes is, for instance, attributed Expedition Övertorneå.

### *The Arctic Circle March*

This case is about a march, initiated and run by a sports association. As an innovation it is a tourist event that contributes to the development and capacity building of the local tourist sector. The idea to start a march based in the village of Rantajärvi was born when Sven Kostenius came home and showed his photos from having walked the Nijmegen March in 1995. Sven Kostenius, who is an active politician and a well-known local actor, then worked for the UN in Macedonia, and had accompanied Finnish friends to this military peace march. During the walk, several participants asked Sven Kostenius if there were marches where he came from. He learnt that there is quite a movement of people travelling to marches and that there are organisations, catalogues and travel organisers for them. In Europe, there are about 20 Mill. organised walkers and 6 400 marches are announced through a European organisation.

These marches attract middle-aged people demanding relatively high quality arrangements. The business potential for local tourist entrepreneurs was central in the decision to establish the march in Rantajärvi. In 1996, the local sports club, Sjöarnas Allsportklubb, arranged the first march and the 20 participants tried out their model: the *Arctic Circle March*. The first years the number of participants doubled each year. Now there are 150-200 participants from 10 nations. The midnight sun and crossing the Arctic Circle as well as the Finnish Swedish border are main attractions. The walk is 140 km and divided in four sections that are walked at different hours of day and night. It begins the Sunday before midsummer, prolonging the season for the involved entrepreneurs by one week. The march requires a lot of local organisation: participants are transported to each start and fetched at the end of each stretch, resting places are moved to the track in question and equipped with facilities to eat and drink and to wash one's feet. Signs have been posted along the way to indicate distances, interesting sights and alternative route. Members of local sports clubs and associations provide all these services on a voluntary basis. The march has a potential to attract more participants, but not with the present organisation. A change this year is that the 11 villages along the track will take care of the resting places. The involvement of these seems to have been unproblematic. The plan is also to develop the march within an EU InterReg project, and to prepare an application they have received support from the county. The objectives are to have 4 000 participants within 10 years, and to make it into a local 'thing to do'. The main problem is not perceived to be in marketing, as such channels exist already through the organisations for walkers, but in the capacity to accommodate and develop facilities for the participants. It has

to grow at a moderate pace to retain quality. It is also important to design a long-term organisation less dependent on voluntary input.

The Finnish partners are sports clubs, village associations, and the municipalities Yliortne and Pello. The *networking* in this case is local and over the border, among villages, sports clubs, the local voluntary military organisation, tourist entrepreneurs, as well as international, being part of the international walkers' associations. *The role of the municipality* has been mainly as a fan club and as a *facilitator*. Many from the municipality have walked the march. The last years they have also received 9 000 SEK per year for the arrangements from the municipality. *The outcomes* of this project lie in the networking and capacity building of the tourist sector. Already it attracts tourists, of whom many combine the walk with an extended stay in the North.

### ***Haparanda***

Haparanda is the smallest Swedish municipality in the study covering 919 km<sup>2</sup>. 60% of the population of 10 346 live in the regional centre that however also is within commuting distance from the whole municipality. The rural areas were previously dominated by farming and forestry. Apart from sawmills, predominantly on the island of Seskarö, the municipality was little industrialised in the 19<sup>th</sup> and 20<sup>th</sup> century. Haparanda town was originally established as an administrative, commercial and educational centre partly to make up for Sweden having lost Tornio. These activities still characterise the town, which has several educational institutions, as for instance a folk high school and a language school where all children begin with 3 and can study up to 8 languages. Almost 40 % are employed in the public sector. A well-known industry in Haparanda is Polarica, which specialises in frozen berries, reindeer and game. Call centre establishments have been important and smaller manufacturing industries and enterprises in graphic production are also part of Haparanda's business structure. One of the sawmills on Seskarö remains today. Finnish is becoming a more frequent language. This is partly due to immigration from Finland but mainly because of retired Finnish immigrants already in Sweden move to Haparanda. When the interviewed in Haparanda spoke of three cultures they referred to Swedish, Finnish and Torne Valley culture. Municipal activities are increasingly integrated with Tornio (see case description in chapter 6). This collaboration is probably the most developed municipal over-the-border collaboration in Europe. The closeness to Tornio and its industrial developments affects Haparanda town in several ways, with the urban area in reality encompassing the two cities.

### *Problems and opportunities mentioned in interviews*

Problems and weaknesses mentioned in Haparanda were the *low birth rates* and the *problematic municipal economy*. The *difficulty to attract competent specialised staff* to the municipal workplaces is also a drawback. People often have to work with many tasks and cannot deepen or draw on their specialisation. *Democratic participation is low* in Haparanda. Only 50% voted in the last national election, whereas the Swedish average is close to 80%. Difficulties to make the citizens feel concerned about municipal issues may depend on the Finnish immigrants who have moved to Haparanda but do not 'identify' with local issues, according to the focus interview. Compared with other rural municipalities *criminality* is rather high, which may depend on the major border crossing location. That '*village politics*' is present also in Haparanda was also mentioned as a problem. The rural areas have lost much population, although the municipality as a whole has not. It is difficult to uphold services in the rural areas, and centralisation to the town of Haparanda creates hostility between villages and between villages and the municipal centre.

The *closeness to and continued collaboration with Torneo* is seen as an important opportunity. Haparanda and Torneo may become a centre and a meeting place for culture, competence, trade, innovations in the *Bottnic Arc area*, in which 500 000 people already live and work. The *increasing internationalisation* implies possibilities, and borders between nations and municipalities will not be so important to people in the future. Haparanda can thus become a Swedish node in the Barents Region developments. Haparanda is already good at inter-municipal co-operation. In Haparanda there are good possibilities for an *increase in population*. To explore and draw on the possibilities in living with *three cultures* is an opportunity to develop.

### *The Haparanda Cases*

The private sector case from Haparanda is the attempt to establish a business incubator on Seskarö. The public sector case, the Barents Road project, relates to the over-the-border collaborations in Haparanda. The civil society case, the Community Feast, is a yearly cultural manifestation organised by the village associations, the local Nation Wide Theatre association and other local groups.

### *Seskarö Framtid AB – a business incubator for local development?*

Seskarö Framtid AB (Seskarö Future Ltd) is an attempt to simultaneously support the development of local businesses and produce local capital for

the development of Seskarö. It is a new business environment linked to overall community development objectives.

In the face of a steadily decreasing population and the dependency on a single sawmill and the public sector for employment, the association 'Seskarö Hembygdsförening' was founded in 1996 to work for local community development. A meeting with other local actors about the future of Seskarö resulted in a process that led on to a local development plan, which was used as a basis for applications for EU funded projects. The overarching aim of the plan was to turn the negative trend within ten years time and to initiate a continuous process of local development. The development process was to be a three-stage process: Establishment (1998-2000), Growth (2001- June 2003) and Consolidation (2004-2007). The two first stages aimed at social mobilisation and economic development, with financial support through projects funded by the municipality and the EU. The third stage was to consolidate activities and deepen local democracy. The overarching community development project was called Seskarö Framtid.

During the first stage, the idea emerged to establish a local development company to spur local business life and to generate capital for other kinds of local developmental activities. Seskarö Framtid AB, owned by 165 shareholders from the island was established for this purpose. The municipality owned a run down Business Park on Seskarö, which they planned to tear down. Seskarö Future AB bought the park for 1 SEK and used a market value of 2.5 Million SEK as national input into the application for stage 2. This was granted and gave the financial means to renovate the localities. The idea was to fill the localities with enterprises that to begin with would pay a reduced rent, but later the incomes from managing the facilities would generate local developmental capital. A self-financing business incubator was also a central idea. Hans Fält, one of the initiators of the incubator model, and the manager of Seskarö Framtid AB, emphasises the importance of building in the momentum of the development process. Ideas were to be developed in enterprises at first partly owned by Seskarö Framtid AB. Later, ownership should be transferred to the entrepreneurs.

Five companies moved in and together with two of them, Seskarö Framtid AB initiated a new enterprise, Seskarö Bioenergy, making pellets from the left overs (wood chips and saw dust) from the sawmill. The second stage seemed an overall success at the evaluation in 2003 (Fredriksson 2003). Five new enterprises had been established on Seskarö, employment had increased by 17 new workplaces. Further new companies were planned and other parts of stage 2 had also been successfully ac-

completed. The evaluation mentions problems with lack of information and rumours being spread as something that needs to be handled. Further, female leaders ran none of the new enterprises. In spring 2004 the picture is different: Seskarö Bioenergy is bankrupt, the business park barely breaks even, the third stage did not receive project funding. Conflicts particularly over the control over Seskarö Bioenergy seem to have thwarted the development process. The conflict also points to the common difficulties of combining voluntary based development with profitable private enterprises, to how individual success or failure is perceived, and to the volatility of mobilising processes.

Until the conflicts surfaced, Seskarö Framtid AB contributed to strengthening community based *networking*. It also attracted entrepreneurs to Seskarö who increased networks to other actors. *The municipality's role* was to begin with facilitating but it has now stopped the financial support claiming that Seskarö has already received much funding. At Seskarö other reasons were discussed, as for instance that that no local politician seems to identify with the overall Seskarö Framtid project. Ideas on how to proceed with the third stage and deepen local democratic participation are, however, still developed on Seskarö. It remains to be seen if Seskarö Framtid and the Hembygdsförening prove to be platforms capable of handling the current crisis and if Seskarö Framtid AB continuous to develop. The long-term *outcome* is not evident. If Seskarö Framtid AB survives, Hans Fält says, it needs to be reorganised, separating voluntary and 'capitalist' parts, thus ensuring responsibilities for new activities.

#### *Barents Road – establishing the Barents region as a region*

Barents Road is a municipal initiative intended to strengthen the Barents region by enhancing contacts, transportation facilities and tourism from Bodø (Norway) to Murmansk (Russia). 'The aim is basically to change peoples' perceptions and attitudes', Bengt Westman says, president of the Barents Road Association, 'to strengthen the ties within the region, to look in an east-western direction, to look north and not in the usual southward direction, and to establish a concrete expression through the road itself'. As an innovation it is an initiative both in cultural economy and in constructing new business environment.

The discussions that eventually took form as the Barents Road project emerged already in the middle of the 1980s. In 1997, an association was formally established. All the municipalities along the road, except for Rovaniemi town, are members. This includes 3 Norwegian, 6 Swedish, 8 Finnish and 9 Russian municipalities. In Russia, Kovdor municipality, which is not on the road, but which was part in the initial stages of the project discussions, is also a member. Bus transportation companies

along the road are also members. All members, apart from the Russian municipalities, pay a yearly fee amounting totally to 200 000 SEK. With different kinds of project funding, the budget per year amounts to 2 million SEK. The project secretariat is in Haparanda and the part time position as project secretary presently held by Stig Kerttu, business developer in Haparanda municipality. The work in this partnership is complex, as there are cultural and language differences to handle. To organise meetings in Murmansk over the phone from Haparanda is for instance not always easy, Stig Kerttu says.

To make the road known as 'Barents Road' and to simplify travelling and delivery of goods are central objectives. Folders and guidebooks on sights along the roads have been produced and an art exhibition was arranged along the road one year. The association has acted to get signs marking the road as 'Barents Road' and to get Trans-European Transport Network standards for the Swedish parts that are not on the E4. However, it has been difficult to convince the relevant authorities. To make the road from Kandalaksja to the Finnish border part of the Russian federal road network and to persuade the Norwegian authorities to make a tunnel under Kjernfjell are other projects. An important achievement was, however, that the border between Finland and Russia at Salla opened for international transits in 2002. Already in 2003 almost 60% of all the traffic crossing the border in the region went through Salla. Bus schedules have been synchronised along the way, and it is possible to buy a single bus ticket from Murmansk to Bodø. Delivery of goods has increased and today bus companies deliver small goods from Murmansk to Luleå. Projects to stimulate collaboration among tourist entrepreneurs however have not been as successful.

*Networking activities* are both among the partners and in the attempts to up grade the road and to facilitate contacts along it. *Haparanda municipality* was one of the initiators to the Barents Road project and is also, at present, its main coordinator. The most successful *outcome*, as yet, seem to have been in coordinating and facilitating transportation and travelling. Yet, the cooperation over Barents Road has already mediated other activities. That the federations of municipalities in Swedish Norrbotten and in Finnish Lapland are currently assisting the municipalities in Murmansk Oblast to organise themselves in a similar way can partly be seen as such a result.

#### *The Community Feast – giving local cultural life place and space*

The Community Feast is a yearly cultural manifestation and 'happening' in Haparanda municipality. Being mainly an event for cultural expres-

sions, it is primarily an identity project, yet a part of the cultural economy.

The first Community Feast, arranged in 2002, was the result of several preceding events. One was that Sweden's Nation Wide Theatre had visited Haparanda in 2000 with a play by Peter Weiss on the trials after the second World War in which 40 local amateurs participated. To rehearse these, Helen Smitterberg, who later was essential in the development of the Community Feast, came to Haparanda. Through her contacts with the local Haparanda association of the Nation Wide Theatre several intentions could merge: The theatre wanted to produce something relating local culture to local development. This became the play 'The Good Person in Haparanda' that provided a frame for the Helen's participation in the Community Feast. At the same time the local association wanted to do something that would echo in the whole municipality.

The format of the Community Feast developed in the course of many meetings and discussions with village groups, youth associations, sports clubs, schools, local amateurs, choirs and other interested actors. Terttu Korpela, from the Haparanda association of the Nation Wide Theatre, emphasises the importance of groups being invited to participate with their own ideas and productions. She also points out that the professional artistic and inspirational support, mainly through Helen Smitterberg, was decisive. In addition to Helen, several professional performing artists organized workshops beforehand for participating amateurs. The final programme was a 6-day event with a day each in Kukkola, Seskarö, Vojakkala, Nikkala, Karungi and ending in Haparanda town centre. Each place had different programmes including, for instance, art exhibitions, theatre productions, concerts of various kinds, joint saunas, story telling, guided tours, dance performances, a renewal of a traditional salmon feast on an island in the Torne river. It culminated in the 'Town Battle' the last day. Playful competitions with teams from the coast, the river valley, the town, businesses etc and carnival marches mixed with opera, rock music and tango filled the town. About 400 people, aged 4 to 80 years, were involved in the preparations and at least 7 000 people visited the arrangements. In 2003, the Community Feast was arranged in a similar format, but without the artistic support from the Nation Wide Theatre, they relied on their own capacity. As in 2002, it was a success, and, Terttu Korpela says, it also led to local discussions on the importance of the artistic inspiration and quality. Finding funding is done year-by-year drawing on various sources and partners.

The Community Feast has primarily strengthened local *networks*: between local artists of different professions; amateurs and professionals;

and the organisations that participated. Tapio Salo, responsible for culture at *municipality*, was part of the network developing the Community Feast, but overall support from the municipality was limited. As the first Community Feast evolved it increased and the municipality has contributed some financial support. *The outcome* is partly that cultural life in Haparanda has become more visible, says Terttu Korpela. That a 'Night for all Arts', a night of local cultural manifestations, has been included in the yearly cultural week, may be seen as a continuation of the process enhancing local cultural life and making different forms of cultural manifestations more accessible to the public. The ability to draw on actors from the Nation Wide Theatre's performances for local workshops has developed concurrently and has also contributed to this process.

### ***Kalix***

Kalix municipality is with its 799 km<sup>2</sup> somewhat larger than Haparanda and has 17 800 inhabitants. Although the population also in Kalix has decreased this has not been as dramatic as in the inland municipalities. However, the inland rural areas have lost population. Today two thirds of the population live by the coast or by the Kalix River, mainly, in the regional centre, the town of Kalix, where 50% live. The rural areas in the municipality were previously dominated by farming and forestry. Industries related to forestry, mainly sawmills and paper pulp industries, were established by the coast in the 19<sup>th</sup> and 20<sup>th</sup> century. The town of Kalix developed in the beginning of the 20<sup>th</sup> century as a commercial and service centre for these industries. The closing down of some, and the rationalisation of all of these industries have led to municipal efforts to diversify local economy. These efforts focused early on collaborating with and stimulating local businesses. Support for educational input and the establishment of electronic and computer enterprises were important in this. Call centres were established early on also in Kalix. Kalix was hit by the problems in the computer industry, and networking and collaboration with local business life continue to be important municipal strategies for development. Through sector councils the municipality has continuous discussions with business representatives over strategic issues.

#### *Problems and opportunities mentioned in interviews*

The *population development* and the *municipal economy* is a problem also in Kalix. Nativity is the lowest in 22 years and mortality is high. So, population decreases although net migration is slightly positive. It is a problem that the *economy is so dependent on outside conditions* and on the fluctuations in the Swedish economy. It is difficult for the municipality to influence its income. The *low level of education*, especially among

men influences self-esteem and children's attitudes to education. The transportation infrastructure between the northern part of Sweden and the rest of the country is mentioned as a problem, as is the *lack of risk capital*.

However, there are opportunities in that *economic problems become forces for change* and for *collaboration*, locally as well as regionally. *Co-operation between municipalities* are opportunities, for many purposes. It makes, for instance, specialisation and professionalisation possible for the staff. There are also many possibilities in the *Bothnian Gulf* area, being a region with 500 000 inhabitants, with knowledge-intensive businesses as well as wild and beautiful nature. *Improved infrastructure*, and especially the building of a direct railroad from Umeå to Haparanda, connected to the Finnish rail system, is important. This 'Bottinia track' would integrate a larger labour market, facilitate commuting in the coastal area and could also make it possible to attract the transports from Russia to the European continent. Kalix has also many possibilities to develop into an attractive municipality, by focusing on what it is that creates '*a good life*'. For this *attractive housing* is important, but the protection of waterlines is a problem. *Village development* and 'The village power' was mentioned as a strength, important to create occupation and to provide services in rural areas.

#### *The Kalix Cases*

The private sector case from Kalix is the industrial partnership Evonet. The public case is UniverCity, a municipal centre for adult education. The civil sector example is Servicecentrum Övre Bygden, one of the most successful Swedish examples of village cooperatives organising local services.

#### *Evonet – an industrial partnership*

Evonet is an industrial partnership formed by six companies in the county of Norrbotten. One of these, HT Svarv, is situated in Kalix, and this partnership was mentioned as one of the most successful innovations in the private sector lately. The partnership office is however located in Luleå. The partnership began as a EU funded Objective 1 project, and Kalix municipality was one of four municipalities contributing to its funding. The project has ended, but Evonet continues as a commercially viable cooperative and is as an innovation a new type of business environment.

The idea to establish a partnership was conceived by Peter Norman, then CEO of Ferruform AB. The company had been a division of Scania but was reorganised into separate company. This led to that support from Scania diminished. Ferruform needed to find new ways to secure competitiveness. Peter Norman contacted among others Kjell Blom-

ster, who earlier had worked with industrial networks, to construct a network of companies complementary to Ferruform. Industrial networks, Kjell Blomster had learnt, need to be organised as ongoing activities with concrete consequences in the work processes and involve more than top management. Today the partnership includes six companies of different sizes. Ferruform is by far the largest, employing 750 persons in Norrbotten. The smallest is Tooltech with 12 employees. The companies formed a cooperative with one vote each. This was to secure the smaller companies' interest in the partnership. The stakes are in relation to the number of employees. Provisions from all business made among the partners contribute to finance Evonet. The business interactions within the partnership have grown to about 45 million SEK. Ferruform, purchasing services from the others, makes up the main part of this.

Evonet has introduced a system for organising production, World Class Process (WCP). This is a system with specific criteria to prompt continuous attention to orderliness, to effectiveness, to the appropriateness of routines and to the delegation of decisions to relevant levels. Groups of employees are formed to work for constant improvements. Introducing this was a thorough process for the partners. Key persons in that process were the WCP ambassadors at each company. These were deliberately chosen among the process operators. Evonet cuts cost by integrating the members' purchases and facilitates shorter times for calculating joint tenders. The partners can also use the joint trademark *Evonet Industrial Partners* and act as a larger unit with broader competence. Evonet has enhanced recruitment through a successful project with the employment office in Kalix. This had a salient purpose to attract women to industrial work. There is a joint need to recruit 40-60 employees each year. 'We need to change the attitudes toward industrial work', Kjell Blomster says, 'it will become difficult to fulfil our recruitment needs, and we want the best to choose industrial work'. Half of the labour force, nearly 500 people, needs training each year and Evonet recently got the assignment to develop that.

*Networking* in this case is mainly within the partnership. Through Evonet, however, projects as the one with the employment office, and joint exhibits at fairs and in marketing, has been mediated. Evonet can be seen as a tool for the partners to collaborate over joint issues with other actors, and reach out into new networks and markets. *The role of Kalix municipality* in the formation of the partnership was in facilitating the EU funding. Kjell Blomster claims also that there was an enthusiasm and support for the idea from Kalix municipality that was not so salient in the other municipalities involved. Apart from the economic *outcomes* for the

partners, Evonet may have had a positive effect on the continuity of two of the companies that have gone through ownership change. Another Evonet partner bought one. Peter Norman, who left Ferruform to run it instead, bought the other.

*UniverCity – a municipal adult education initiative*

UniverCity is a municipal initiative on adult education with the ambitions to counter the low educational levels among adults and to handle the growing problems of recruitment on the local labour market. It can thus be seen as a welfare initiative, with salient links to support the Kalix business environment.

In Kalix, adult education has a high priority on the municipal agenda and the organisation for adult education was completely revised when the project to initiate 'UniverCity' began in 2002. That the working committee of the municipal executive board is also the executive board for UniverCity and is an asset, the project manager Stefan Sandström says. Four of the five members are not only experienced politicians; they also have their professional backgrounds in education. The vision of UniverCity is to create a centre which links employers' needs for training their personnel, actors offering education, financing institutions and adults seeking supplementary or further education. To integrate all levels of adult education, from university studies to secondary school or vocational training, into one centre is an important objective. Flexibility, and allowing participants to study at their own pace and in their own space, is another important guideline. Supervisors are available and there are physical meetings, but much is organised through ICT which can be used in the UniverCity computer rooms or elsewhere. UniverCity is also a way to create continuity and secure the experiences gained in earlier programmes.

The project began by UniverCity moving into centrally placed People's House in Kalix<sup>1</sup>. Relatively cheaply the building was adapted for its new purpose. It contains the municipal library (as previously), lecture halls, group rooms, a theatre, computer studies and office space for the UniverCity staff (5 positions). Activities are still at building up stage. *Networks* and collaboration with local and regional actors who offer edu-

---

<sup>1</sup> The People's House Movement in Sweden emerged in the 1890ies, in connection with the labour movement, building meeting places and protecting local associational life. The activities have varied during the 20th century, with a revival in the 1970ies and 1980ies. There were controversies over UniverCity's localisation in Kalix.

cation has been established, partly in formal ways. To reach the employers has been more difficult, Stefan Sandström says. There are about 750 private companies in Kalix, today 15-20 of these have educational projects in which UniverCity has been involved. To reach out they have drawn on the municipality's seven councils for different kinds of sectors and industries, Electropolis (a network for electronic industries) and project run by the Swedish Municipal Workers' Union. The study counselors support individual adults seeking further education. Helping them to find what they seek, whether this is in the municipality or not, and finding ways to finance their studies, also demands networking. Stitching together different sources for funding the activities is often done in collaboration with the employment agency. Networking is thus one of the main tools for UniverCity. In this case *the municipality* has acted as an initiator developing a structure for coordinating actors and bringing about partnerships to increase educational levels and supply competence to employers, thus affording opportunities for employers and individual adults.

*Servicecentrum Övre Bygden: securing and developing local services and work*

This case is about the cooperative 'Servicecentrum Övre Bygden'. The innovativeness here lies in the development of a local institution mediating development, change and community spirit, mainly concerned, as yet, with social welfare facilities and local employment.

'Övre Bygden' is an area with 20 villages and about 350 inhabitants located mainly in the northern part of Kalix municipality, but partly also in Överkalix and Övertorneå municipalities. In 1995 the last shop in the area was closed and the school was threatened. The local interest association initiated several village meetings to explore ideas on what to do. The idea to open a shop combined with a service centre emerged, and the cooperative 'Service Centre Övre Bygden' was established. Overarching aims were to secure services and workplaces, diversify work opportunities, and to facilitate for people to do everyday errands in the locality, without having to go to Kalix. In November 1996, the shop re-opened including a service centre: a separate space with a mini library, an office space with internet, copying facilities, cafeteria and information from the employment office in Kalix and other relevant authorities. Home deliveries and possibilities for limited kinds of home services were also offered.

The opportunities for project funding that were afforded when Sweden joined the EU were important in the further developments. The cooperative has applied for, owned and managed 3 EU projects. These have been used to develop new activities, mobilise resources and develop competence. The first project aimed at integrating the activities of the

service centre. During this the idea emerged to take over the help services for elderly and disabled which the municipality ran in the area. The aim was to keep the workplaces in the area and to synchronise the help service activities with the other activities. They are viable only when integrated. A second EU funded project (1999-2001) was used to negotiate with the municipality and the labour union, to educate staff and to run the help services on probation. In 2001, the staff gave in their notice to the municipality and the cooperative employed them on a regular basis. In March 2001 they landed the third EU project and bought a closed down railway station building. The building has cultural and historic values, and is restored creating office space to facilitate working from the village and to get ICT based work places localised in the area. The plan is also to open a small tourist office. The cooperative has initiated or managed several other activities over the years, organised localities for young people, collaborated with and sold services to the school, been a 'pilot village' in the county for testing two-way satellite communication. They have also organised local garbage sorting facilities, thereby challenging the national regulations, which are badly adapted to sparsely populated areas.

Övre Bygden is a successful example of local actors' taking initiative over and managing local development processes. It has not been without conflict, and seems to have demanded a much patience, diplomacy and dedication from the central actors. It has been crucial to develop *networks* and good relations with the municipalities, the county administration and the employment office. The networks extend also in the private sector; running the shop and working to fill the new office space with employment involves such contacts. *The role of Kalix municipality* has been overall as a facilitator, in various ways. After initial apprehensiveness, the municipality became supportive, something which probably contributed to the county's guarantee for much needed loans. The municipality originally owned the shop localities and let the shop for some time at a reduced price, after which the cooperative bought the building. The overall municipal economic support has been limited, but was crucial in the initial stages. In the help service activities it seems that the municipality is almost becoming a partner, as flexible collaboration is essential. In other areas there have been some tensions between the cooperative and municipal representatives.

In terms of outcome, the cooperative's turnover was 6,2 million SEK and it employed 9 people in 2002. Two were part of the station renovation project; the other 7 were employed in the regular activities. However, in 2002, 28 additional persons were paid by the cooperative for having worked part time in it. Over the years the population in Övre

Bygden has increased slightly. To what extent the Service Centre has contributed to that is of course difficult to judge, but without the local services, without a shop, and the cooperative's attempts to secure work-places, Övre Bygden would probably be less attractive.

### **A learning perspective on the roles of municipalities for local innovation**

The study points to a wide range of innovative activities going on in all the municipalities. However, the preconditions in the region for innovative developments are not favourable and the ability of the municipalities to be conducive for the emergence and development of local innovations is an increasingly important question. In this concluding section, the roles of the municipalities will be discussed drawing on the learning processes and networking which characterise the innovations in the study.

That learning processes are important to development is generally recognised. The fact that 10 of the 15 cases included *organised* educational inputs and all the municipalities strived to arrange higher education locally and attract research, point to that education and knowledge production permeate the understanding of development processes. Furthermore, policies enhancing learning processes are increasingly called on for regional as well as rural development. Innovative development is often related to local or regional cooperation between entrepreneurs, contributing to 'localised learning' for regional economic growth (see for instance Maskell 2001). Particular assumptions about learning inspire also policy interventions such as the European Commission LEADER initiative in rural development. A recent Swedish example, suggesting learning based policies, is the proposal by the 'Growth Delegation' for inland municipalities in Mid-Sweden (Tillväxtdelegationen 2004). The learning processes suggested in these calls for learning in regional and rural development are, however, seldom related to research on learning.

This discussion aims at initiating an analysis of learning processes in development practises. It is grounded in an understanding of innovations as processes in which individual, as well as social, activity- and task-related learning is central. Individual key actors may be critical for innovations, yet how their ideas and activities are integrated into wider social and economic contexts are crucial for the further development. Both the emergence of innovative ideas and their development and integration may be seen as learning processes. Studies on individual and collective learning in organisational settings increasingly attend to how learning opportunities are embedded in the solving of everyday tasks. However, how individual actors, as well as groups, identify and draw on,

or even construct, contextual opportunities for learning and development in work, is crucial<sup>2</sup>. With this theoretical background, learning contexts that the cases indicate are explored in this discussion<sup>3</sup>. Actors' networking, the character of innovative activity, and the needs for collaborating with the municipality will be central.

### ***The roles of the municipality in the private and civil sector cases***

In terms of municipal roles proposed in chapter 1, the municipalities in the study have on whole been *facilitating* in the private cases, and *facilitating or partners* in the civil sector cases. The public cases display the municipalities as *initiators, coordinators and partners*. However, as the case descriptions previously in this chapter have shown, the roles of the municipalities were, in most cases not particularly problematised. Instead, the innovative activity was focal in most interviews. A more in-depth study would probably have uncovered more complex relations with the municipal organisation. Yet, it may also reflect that the roles of the municipalities may depend on the character of the activity, something that is elaborated on below. The focus on successful and 'positive' cases and the sampling of cases from suggestions by municipal representatives implied a bias that probably contributed to the overall positive view of the municipalities in the cases. Interviews with actors who were not involved in the cases or in the municipality, generally did not confirm this positive view. The critique these actors put forward is an important background against which the roles of the municipalities in the cases attain particular significance.

The more critical actors claimed, for instance, that municipal representatives in general believe that they have good relationships with local business life, but that these contacts usually are limited to 'a small clan of successful entrepreneurs' with which only the municipal leaders are familiar. For most entrepreneurs, some said, the municipal organisation is experienced as distant, not supporting or at worst as a hindrance<sup>4</sup>.

---

<sup>2</sup> See e.g. Dixon (1994) and Döös (1997, 2004) on learning processes in organisations and work life contexts.

<sup>3</sup>To specify, it draws on an understanding of learning in which task-directedness, intentionality, cultural mediation and joint contextualisation are focal in action related learning (Waldenström 2001). A central element of the framework is the contextual understanding of learning proposed in Löfberg and Ohlsson (1995).

<sup>4</sup> That the entrepreneurs in general do not perceive that the contacts with the municipality are close and helpful is also suggested by Pettersson (2002, 2003) and indicated by the ranking of the municipalities in a survey of entrepreneurial climate made by The Swedish Confederation of Enterprise (Svenskt Näringsliv 2004).

The differences between the decision-making contexts in business life and in political administration were mentioned as a source of discord. The sectoral organisation of municipalities was mentioned as a problem for both business and civil sector / village development. That the municipalities are enmeshed in handling their own budgets and responsibilities and have little capacity for development work was another viewpoint. More critical voices said that the municipalities have blind faith in initiatives and people from southern Sweden, or that a general brain drain in the region also affects the municipal organisation. For Norrbotten as a whole, political instability in some municipalities was seen as a problem hindering local long-term development strategies as well as important strategic municipal networking on regional and national levels. More positively, it was acknowledged that several municipalities have awakened to the needs to come closer to local innovative processes, private as well as civil. Pajala, Haparanda and Kalix were, for instance, particularly mentioned as having supported rural community development. The interviews made with municipal representatives in this study and also several of the cases studied give proof of this ambition and consciousness.

In the *private sector cases*, the municipalities mainly contributed by providing preconditions for business enterprise helping out with, for instance, infrastructure, localities, standing surety for capital or co-funding EU projects. The municipalities were not at all involved in the particular innovative activities in MikroMakarna and Outinen's Polar Potatoes. For Evonet and Seskarö Framtid AB, the respective municipality's role had been important for funding the innovative activity, and in the Seskarö case by 'selling' the business park localities. Yet, in the running of the business park or the Evonet partnership, the municipalities had no role. As a case Kristallen Stenslip is different. Apart from the support with project means and infrastructure, the networking and collaboration with actors in the municipality (as LKF and the department for development) and other public actors had been crucial for the development of the focal activities. The educational activities are carried out in collaboration with public actors and financed mainly by public means. The main activity in the enterprise is of different kind compared with the other private sector cases; a private company selling education to public institutions.

In the *civil sector cases*, the municipality was the key actor for funding and was a partner in activities related to local management of services the municipality have overarching responsibilities for. Municipal goodwill facilitated contacts with other important actors, and their role as an encouraging discussant was also mentioned as important. In Sámi Development Centre, the integration in the municipal administration was a

bearing idea. In Övre Bygden, the project leader spoke of the importance of good networks and relationships characterised by trust with those ‘who take decisions’. Both the Arctic Circle March and Village Life in the Torne Valley turned out to have project leaders who themselves were active as politicians and familiar with the municipal context. The Community Feast, seemed to have problems in municipal backing, perhaps dependent on, as one interviewed said, that culture is not a priority and gets little money. Another interviewed from the local theatre association pointed to that they only recently had begun to network with actors from other sectors and that the value of an active cultural life was beginning to grow. Even so, for the content of the activities they work with, the municipality is no resource. This can, for instance, be contrasted with Övre Bygden where the collaboration with the municipality in the help services implied joint coordinations of a central activity.

Both in Kangos (the village in which the ‘Village Life in the Torne Valley’ project is located) and in Övre Bygden, supportive relationships with the municipality had not been evident to begin with, but had developed over time. Sámi Development Centre seemed to be partly a strategic way for Sámi actors to come closer to the municipal organisation and a way for the municipality to handle a problematic situation vis-à-vis the Sámi minority. The comments about a problematic lack of political representatives grounded in the community development project on Seskarö may be seen in this context. Perhaps it is also reasonable to suspect that for the third stage at Seskarö, which aims at deepening local democracy, ‘good’ relationships are especially important, as this may be perceived of as infringing on the municipal domain and responsibilities.

### ***Learning contexts, the character of activities and networking***

Innovative activities that imply a need for collaborating with public actors, may well call for partnership relationships. This is regardless of whether the actors involved are private or civil sector actors. Yet, civil sector local development innovations are often closely related to the public domain and the municipality is often also a key actor for civil society actors to get funding. This makes them dependent on the municipality. However, it also implies that the municipality can contribute with opportunity structures to mediate and spur local innovative practices. It furthermore implies possible favourable preconditions for joint learning in the meeting between the municipal and the private or civil sector actors. At best this can encompass learning about their respective contexts and perspectives, as well as joint learning about how the activity may be organised and developed, finding locally adapted solutions. The Sámi Development Centre, Övre Bygden, Kristallen Stenslip and the develop-

ments in Kangos pointed to such joint learning processes. As in initiating new kinds community based management arrangements, it seems important for the outcome to perceive and set up such collaborations *as* joint learning processes (Sandström & Tivell 2004).

In all the cases, networks were drawn on to develop focal activities and to mobilise resources. As a concept 'network' may depict different kinds of relations and dynamics. Here the focus is on learning aspects related to how other actors were involved in the development of an innovative activity or for more general development purposes. In some cases specific activities were developed or coordinated. Examples of this, from the three sectors, are Evonet, The Step and Village Life in the Torne Valley. In these cases, learning was consciously attended to, facilitated and mediated by joint, more or less, formalised routines, education and certification. In other cases, learning opportunities and strategic networks were consciously framed into steering groups and boards, as for instance in Outinen's executive board, the steering groups in Kristallen Stenslip and in UniverCity.

In many cases, networking related to the focal activities was far reaching. Several drew on regional, national and international networks and contacts. In fact, of the 15 cases Expedition Övertorneå was the only case in which networking was mainly delimited to the municipality. This wide networking is of course an asset especially in the face of the peripheral location and the scarcity that characterises the local structural preconditions for innovation. Judging from these cases the peripheral North is hardly an isolated region. In sparsely populated areas, where clustering strategies may not be relevant, long distance partnerships and networking may be even more crucial for the development of 'local innovations' than in other locations. In contrast, local networking may be more problematic. Especially in the inland municipalities such cooperation and networking seems to falter. In a study on social capital and entrepreneurship, Rantakyrö points out that entrepreneurs in Pajala tend not to cooperate with one another, but with actors elsewhere. This was explained in terms of local culture, long distances and lack of local partners in the same sector to cooperate with (Rantakyrö 2001). MikroMakarna can be seen as an example of such an enterprise; focal cooperation is not within the municipality but with the partner in Murmansk. Through the project Sampro Murmansk, this strategy is made available for others and a learning context is constructed for their establishing contacts external to their local municipality. As Hans Mörtlund's comment, on his experiences in Expedition Övertorneå, about the value of mentoring, this points to, although the preconditions for cooperations related to production may falter, other

kinds of local learning processes among entrepreneurs. More problematic is the lack of cooperation between tourist entrepreneurs mentioned in interviews and also highlighted by Falck (2003) in a study on eastern Kiruna.

The importance of local cooperation in focal activities reasonably varies with the kinds of activities and business sector in question, but the lack of local networking may in the long run be detrimental; the locally embedded activities and place related motives seemed important for actors' staying in the region. However, all 5 civil sector cases, as well as Seskarö Framtid AB, Outinen's Polar Potatis and Expedition Övertorneå, seemed to contribute to, or aimed for, local level 'bonding'. All also contributed, albeit in varying degrees, to local economy outcomes and some also to support networking among local entrepreneurs.

### ***Learning local development***

An intriguing question is if it is possible to identify learning processes of a general kind in managing local development and what such processes may consist of in terms of individual and social learning. Some of the interviews and cases point to such possible processes. The increasingly project based funding of rural development and regional policy is, for instance, often criticized for being counterproductive for long term development strategies. It has also been criticized for favouring large institutions and projects, to the detriment of smaller and more local actors' initiatives. However, several cases in this study point to that successful 'small' local actors had not only mobilised and/or constructed resources in collaboration with external actors through being involved in projects. In several cases, regardless of sector, project means had been strategically used to develop and extend viable activities. In some interviews this was spoken about as a learning process in which patience, learning to handle applications, funding systems and projects, to discuss ideas and plans with relevant actors, and to find partners or supporting networks seemed essential parts. Funding systems entail limitations and restrictions yet in these cases they had been used as tools mediating and joint as well as individual learning. Furthermore, these actors constructed, in different ways, local institutions or platforms that ensured continuity over time.

The integration of non-profit community development and mobilisation, with commercially viable activities, in for instance Övre Bygden, Village Life in the Torne Valley and Seskarö Framtid AB, was also spoken of as a kind of necessary development of the local development processes. In these three cases this process had been challenged in different ways. The need for reflection on phenomena such as entrepreneurship, successfulness, greed, common interests, community belonging, percep-

tions of place, and finding local solutions seem crucial to handling these this. In several cases opportunities for joint reflection over development issues were arranged. At best such arrangements offer 'dialogical spaces' in which participants can try out alternative constructions of identity, relations to other actors; and constructions of the factual world and cultural knowledge (Andersson 1997, Waldenström 2001). Expedition Övertorneå is an example of a conscious attempt to construct such a space. Another example was a carefully prepared process in Övre Bydgen, which the cooperative had initiated for joint community reflection about the possibility to receive families seeking political asylum in Sweden. To offer and manage such processes may also be part of learning to manage local development.

### ***Towards learning based development policies***

The previous elaboration on learning processes may be seen as a preliminary attempt to explore innovative processes from a learning point of view, pointing to processes that may be conducive and thus strategic to make salient and support. On such a foundation, a learning based development policy may be formulated. However, the role of the municipal organisation for local innovativeness also needs to be seen in perspective of the municipalities being parts of a multi actor and complex development dynamic. Interviews demonstrated that perceptions differ on essential issues related to development. Municipal representatives were partly critical of national development policies and of regional public actors. Some maintained that national policies did not take heed neither of the problems nor of the potentials for development in the region, leading to policies not being grounded in prevalent preconditions. Instead national policies risked to further deplete the region. Several claimed, for instance, that labour market educations and the employment office's of ways of working, at times implied that resources were used in ways not at all conducive for, or even an detrimental for, long term strategies in local development (also in Falck 2003). If learning strategies are to be included in regional and rural development policy, such differences need to be taken heed of. The Swedish regional growth programmes may be seen as one arena for such learning, yet other arenas and structures are needed for integrating and embedding learning based policies in development work encompassing a multi level scale.

*Note on methods:* Focus interviews were made all municipalities apart from Kiruna where municipal representatives were interviewed individually or in pairs. Complementary telephone interviews were made with municipal rural developers in Kalix, Haparanda and Pajala. All the se-

lected innovations were visited, except the MRI. At least one main actor was interviewed in each case, but in half of the cases 2-5 people were interviewed, as were 9 other actors in the municipalities or in the county. Apart from the telephone interviews, interviews with municipal representatives and main case informants were taped. All case descriptions have been discussed with the main informants.

## References, Chapter 5

- Anderson, H. (1997) *Conversation, Language and Possibilities. A Post-modern Approach to Therapy*. Harper Collins: Basic Books.
- Dixon, N. (1994) *The Organisational Learning Cycle. How We Can Learn Collectively*. London: McGraw-Hill.
- Döös, M. (1997) *Den kvalificerande erfarenheten. Lärande vid störningar i automatiserad produktion*. Arbetslivsinstitutet, Solna: Doktoravhandling. *Arbete och Hälsa* 1997:10.
- Falk, M. (2003) *Turism i Östra Kiruna. Visioner möter verklighet*. Kulturgeografiska Institutionen, Umeå Universitet: C-uppsats.
- Fredriksson, M. (2003) 'Utvärdering av samhällsutvecklingsprojektet "Seskarö framtid" fas II" "Tillväxtfasen'. Luleå Tekniska Universitet: Forskningsrapport 2003:3.
- Gossas, M. (2003) *Kommunen som nätverksaktör. En kommunreform för 2000-talet*. Stockholm: Institutet för framtidsstudier.
- Hanell, T. Aalbu, H. & Neubauer, J. (2002) *Regional development in the Nordic Countries*. Stockholm: Nordregio Report 2002:2.
- Löfberg, A. & Ohlsson, J. (1995) (eds) *Miljöpedagogik och kunskapsbildning*. Stockholms Universitet: Pedagogiska Institutionen.
- Lundgren, N.-G. (2000) *1990-talets Norrbotten; Bokslut över industriepoken?* Luleå: Norrbottens Museums Årsbok 2000.
- Maskell, P (ed). (2001) *Innovation and learning for competitiveness and regional growth – a policy challenge*. Stockholm: Nordregio Report 2001:4.
- Nätverk S@pmi AB. (2002) Slutrapport. *Utvecklingsprogram för samebyarna*.
- Pettersson, B. (2002) *Framtiden för de 5 älvarnas bygd. Pajala kommun*. Report to the Swedish Ministry of Industry, Employment and Communication.
- Pettersson, B. (2003) *Framtid Övertorenå, från nedgång till uppgång*. Report to the Swedish Ministry of Industry, Employment and Communication.
- Rantakyro, L. (2000) *Pajala-sisu och Gnosjöanda. Det sociala kapitalets betydelse för företagandet*. Luleå Tekniska Universitet: Forskningsrapport 2001:3.
- Sandström, E. & Tivell, A. (2004) *Lokal naturresursförvaltning i Västerbottens län – En studie om förutsättningar och möjliga former*. Sveriges Lantbruksuniversitet/Länstyrelsen i Västerbottens Län: Remissutgåva 2004-04-02.
- Stoor, A. (2004) *Oral communication*.

- Svenska kommun- och landstingsförbundet (2004) *Fakta om kommuner, ekonomi och skatter*.  
<http://www.lf.svekom.se/artikel.asp?A=5029&C=2199>
- Svenskt Näringsliv (2004) *Förutsättningar för företagande 2004, Svenskt Näringslivs rankning av företagsklimatet i kommunerna*. Stockholm: Svenskt Näringsliv.
- Tillväxtdelegationen för delar av Bergslagen, Värmland och Dalsland. PM 2004-04-14.  
[http://www.sou.gov.se/tillvaxt/pdf/PM\\_Tillvaxtdelegationen.pdf](http://www.sou.gov.se/tillvaxt/pdf/PM_Tillvaxtdelegationen.pdf)
- Waldenström, C. (2001) *Constructing the World in Dialogue. Advisory situations in Swedish Agriculture*. Pedagogiska Institutionen, Stockholms Universitet: Doktorsavhandling.
- Wikner, G. & Svensson, I. (2003) *Kris i befolkningsfrågan, arbetskraftsutbud om tio år, kommun för kommun*. Stockholm: Svenskt Näringsliv.

## Chapter 6

### Creating the North by Innovations

#### Six municipalities in the Finnish Tornio Valley

*Seppo Aho, Tarja Saarelainen and Leena Suopajärvi*

#### **Regional and municipal development**

Finnish regional policy has undergone profound changes since the end of 1980s. Until then, the state played a leading role in regional development; the political aim was to create a welfare state based on regional equality. A law was brought into force that expressed this developmental intention by stating that all citizens should be offered the same services and opportunities, regardless of where they lived. Between 1975 and 1988 the state developed its own regional administration, supporting municipalities in their efforts to develop educational, social and health care services.<sup>1</sup>

Since the end of the 1980s, the state has shown less reluctance in dealing with the responsibilities of regional development. The main idea has been to encourage the regional authorities, municipalities and local residents to accept joint responsibility for regional development, especially since 1995, when Finland joined the European Union. Buzzwords for this new era of regional policy include innovation, participation, problem-focused programmes of development, partnership and a knowledge-based society.<sup>2</sup>

This change in regional policy has been more important in Lapland than in other areas of Finland, as the state has had a more important role here, compared to other areas, ever since the Second World War. There are several reasons for this: the region was razed to the ground during the last phases of the Second World War, and the state became a promoter in the reconstruction of the area. State-owned companies developed hydro electricity, forestry, mining and other industries, which brought employment and money to the area. After the reconstruction period, the building of a public service sector became important in Lapland. In spite of state

---

<sup>1</sup> Stähle Pirjo & Sotarauta Markku (2003): Alueellisen innovaatiotoiminnan tila, merkitys ja kehityshaasteet Suomessa. Eduskunnan kanslian julkaisu 3/2003, 46.

<sup>2</sup> Stähle Pirjo & Sotarauta Markku (2003): Alueellisen innovaatiotoiminnan tila, merkitys ja kehityshaasteet Suomessa. Eduskunnan kanslian julkaisu 3/2003, 46.

efforts, however, the region has been characterized by a continuous lack of private capital and entrepreneurship, and unemployment has been a constant problem.

The Finnish municipalities are responsible for a large number of public services. According to Finnish law, public services must be provided by the municipalities and supported economically by the state. Municipalities provide other facilities in addition to welfare services, e.g. land-use planning, road maintenance, the upkeep of municipal housing, the construction and maintenance of municipal buildings, and the support of business activities. Local governments may also set up business corporations to run utilities such as water, sewage, electricity, traffic control, harbours, the provision of rented accommodation, etc.<sup>3</sup> Finnish municipalities have the freedom to make their own decisions concerning the range of their service productions.

However, local government representatives often complain that the state prepares new tasks and standards without securing a sufficient financial basis on which to implement them. For various reasons, municipalities have difficulties in financing social, health and education services and investments. New solutions and innovations are therefore sought in delivering services to the population, e.g. by emphasizing co-operative arrangements with the business and civil sectors.

Furthermore, developing an industrial policy demands co-operation between different actors. The municipality has to treat individual companies equally, and direct financial support for an individual company is usually forbidden. However, municipalities may offer direct contributions to companies in support of specific issues such as employment and tourism infrastructure.<sup>4</sup>

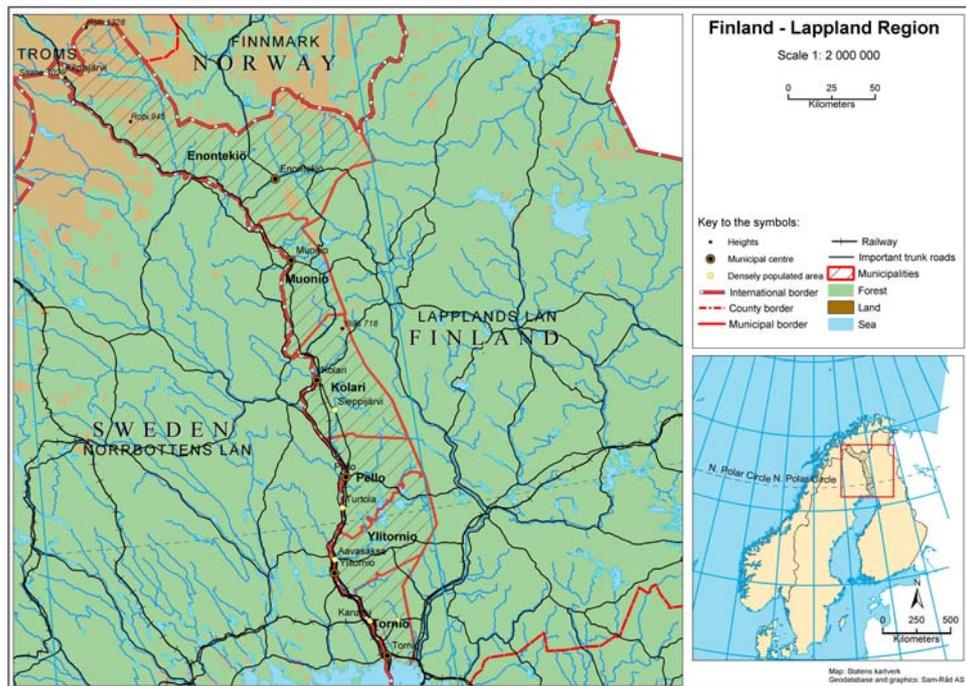
The municipalities studied in the Tornionjoki valley are affiliated to three different administrative regions. These regions try to promote public service delivery systems 'regardless of municipality borders'. In the Kemi-Tornio region, to which Tornio municipality belongs, 59% of the population works in public services. In the Tornio Valley region (Ylitornio and Pello municipalities), services account for almost 66% of employment, and in Fell Lapland (Kolari, Muonio and Enontekiö municipalities), the rate is 78%. Thus, the farther north we travel, the more important the public sector is in employment terms.

---

<sup>4</sup> Harjula, Heikki & Prättälä, Kari (2001): Kuntalaki – tausta ja tulkinnat. Kaup-pakaari, Lakimiesliiton kustannus, 90.

## Six municipalities in profile

The Finnish research area consists of six municipalities situated along the River Tornionjoki (see map below). The town of Tornio is located at the mouth of the River Tornionjoki. Tornio was founded in 1621 on the island of Suensaari. It is one of the oldest towns in the north, already known by explorers in the sixteenth century when Kustaa Vasa declared it a legal trading centre in 1531.<sup>5</sup> Tornio has a common border with the Swedish municipality of Haparanda; almost four million cars cross the border each year. In addition, sea traffic is increasing strongly and the harbour is open all year around. The infrastructure offers good facilities and Tornio has become an exceptionally industrialized town in Lapland. Avesta Polarit Stainless Oy has a global market. Oy Hartwall Ab Lapin Kulta, a 130-year-old brewery, is the oldest industrial plant in Lapland. Vogue Group Oy has a factory in Tornio producing women's socks and



*The Lapland Region and the surrounding area, indicating the localisation of the six Finnish municipalities included in the research project.*

<sup>5</sup> Vahtola, J. (2000) Tornio – vuosisatojen portti Lappiin ja länteen. www-dokumentti, <http://www.tornio.fi/museo>.

tights; this is the only factory in this field in Scandinavia. The unemployment rate in Tornio is approx. 15%, which is lower than in other parts of Lapland but which follows the general trend in Finland.<sup>6</sup>

Upriver to the north, the next municipality is Ylitornio, a medium-sized rural community in Lapland with 5,330 inhabitants. Public and private services are centred in the main village of Ylitornio, which is located by the river. The people of Ylitornio are older than those living in many other Lapland municipalities: more than one-fifth of the population is more than 65 years old. Primary production is still strong in Ylitornio: in 2001, almost 15% of jobs were within primary production, whereas the average in Lapland was about 6%. Approximately two-thirds of the population worked in civil services and 15% in manufacturing. The average unemployment rate in 2002 was almost 18%.

Pello is further to the north in the Tornio river valley. This may be described as a typical northern rural municipality. Its population at the end of 2003 was 4,586. Public and private services are mostly located in the municipal centre by the river, near a bridge connecting Finland and Sweden. A continuous out-migration has slowed down in the early years of this millennium. In addition, the problems of an ageing population have stabilized, due both to a greater number of births and to the immigration of younger families. In 2001 the production structure was as follows: primary sector 9.5%, secondary sector 18.6% and the service sector 67.8%. Unemployment rates have remained far above the average for Lapland, at 21.9% in the year 2000, 20.1% in 2001 and 18.3% in 2002. Pello became famous in European scientific circles as early as the 1730s, when Pierre-Louis de Maupertuis lived there for months with his expedition team, measuring the shape of the earth.

Kolari is another medium-sized municipality in West Lapland, neighbouring Pello to the south and Muonio to the north. It includes some of the highest mountains in Lapland (especially Iso-Ylläs), and large forests and wilderness. Its population in 2003 was 3,871 and there has been a trend towards a continuous decrease in population. Kolari has undergone a very severe transition process in its livelihood terms: approx. 400 people were still employed in mining activities in the 1980s, but all these jobs had disappeared by the early 1990s. Tourism has since taken the place of mining as the new main source of revenue and its development has been fairly dynamic. The proportion of service industries is therefore strong (73.1%) in Kolari, whilst the secondary sector accounts for 13.3% and the primary sector for 8.1% of jobs. However, unemployment rates have remained above the Lapland average: 24.1% in the year 2000,

---

<sup>6</sup> Municipal Strategy of Tornio, 2003.

23.4 % in 2001 and 20.6 % in 2002. The settlement structure of Kolari is bi-polar today: the old main centre by the Tornio River contains most of municipal and basic private services, while the mountainous centre of Ylläs is where the core of the tourist industry is situated, including restaurants, accommodation and various other modern services.

Muonio is one of the smallest rural municipalities in Lapland, covering an area of 1,820 square kilometres. A total of 2,460 people lived in Muonio at the end of 2002, hence it is more densely populated than other rural communities in Northern Lapland. There are several villages in the municipality, but the main private and public services are located in the municipality centre. The average unemployment rate was approx. 17% in 2002, but the employment situation has developed very positively in recent years. By the beginning of 2004 the unemployment rate was less than 10%, which is an exceptionally low rate in Finnish Lapland. The service sector has experienced continuous growth and its share of the total employment is very high at approx. 85% of all the jobs in the municipality.

Enontekiö is one of the most sparsely populated municipalities, extending over more than 8,400 square kilometres, inhabited by only 0.3 people per square kilometre, with long distances between the villages. For this reason, delivering public services is a challenge. However, Enontekiö has advantages that other municipalities do not have, because of its unusual nature. Approximately 60% of Finland's mountainous area is situated in this municipality and 75% of the land mass is classified as National Park territory. A significant number of Sami people live in Enontekiö and a nomadic lifestyle still forms their way of life.<sup>7</sup> Bartering and a nomadic economy retain strong connections with nature and the four seasons, which provide a value basis for the local economy. Interaction between Sami and Finnish people has created a multicultural inheritance. Enontekiö has suffered from high unemployment and migration. Well-educated people, especially, have moved out and over 50% of the work force is employed in the public sector. Trade, tourism and services offer additional work opportunities. The utilization of natural resources does not provide income for the whole year, thus increasing the need for income support from the municipality. Unemployment causes social problems, especially among men.

---

<sup>7</sup> Enontekiö's development plan of action for the years 2003-2008, written in 2003, 9.

### *Population development*

Developments with regard to population statistics in the six municipalities show the same negative trend: out-migration has increased since 1993. This has had a serious effect within these areas, especially as the younger generation, aged 15-35, is moving away, so that the average population in these areas is getting older as a result of this migration. Tornio, where the rate of deaths was higher than the rate of births in 2002, is an exception. Statistics Finland<sup>8</sup> has estimated that Ylitornio and Pello, for example, will lose approx. 15% of their population during the period 2000-2010. Enontekiö will lose almost 13%, and Muonio and Kolari approx. 10%. Even Tornio's population is expected to decrease by about 5% by 2010. These population changes have also generated new demands for services, which need to be directed more towards elderly people. The school system, on the other hand, also needs to be reorganized because there are fewer children, especially outside the municipal centres. The population in these areas is becoming more male-dominated among the younger generation as young women leave the area. Among the older generations, however, women are in the majority, due to a longer life expectancy.

### *Unemployment*

On the Finnish side of the Tornionjoki valley, the average unemployment rate has been over 20% throughout the 1990s. In the past few years, however, the situation has improved, but the average unemployment rate for the six municipalities in 2002, for example, was still 21.4%. The worst situation is in Enontekiö, with 28.3% unemployed. The rate was also over 20% in Kolari (24.1%) and Pello (21.9%), in 2002. In Tornio and Ylitornio, the unemployment rate was 17.3%, whilst in Muonio 19.7% were unemployed in 2002. The latest statistics indicate that the unemployment rate has been decreasing rapidly, especially in Muonio. Here, the rate had decreased to less than 10% by early 2004. The structure of employment may also be perceived in the rate of employment. In Tornio and Muonio, about 60% of the work force has been employed, whereas in the other municipalities the employment rate has been between 50% and 55%.

---

<sup>8</sup> Statistics used in the text are from Statistics Finland and Regional Council of Lapland, homepages <http://www.lapinliitto.fi>

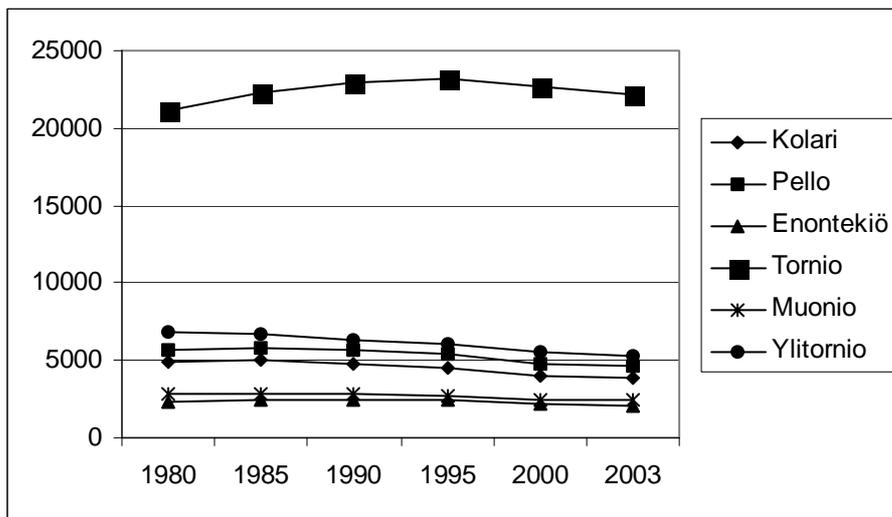


Figure 6.1: Population development in the six municipalities

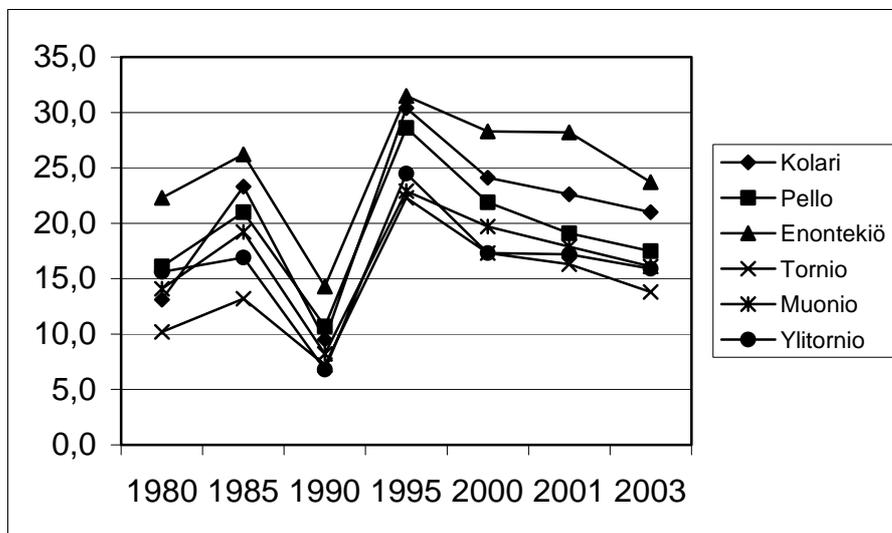


Figure 6.2: Unemployment rates in six municipalities

#### The business sector

The migration and unemployment figures for these areas are related to rapid changes in the economic structure of Lapland. Over the past few decades, Finnish Lapland has developed from a society based on small-scale farming and seasonal forest work to a service-based economy based mainly on tourism and public services. The industrial tradition in Lapland

is weak, except for the county's industrial centre in the Kemi-Tornio region, with its steel and paper industry. In Enontekiö, Kolari and Muonio, approx. 6-9% of the work force was employed in refining in 2001, while the proportion for Ylitornio was 15%, and for Pello 21.8%. In Pello, construction work is more important than in the other municipalities, accounting for almost 10% of employment. Primary production is more important in Ylitornio (14.5%) and Enontekiö (13.2%) than in the other municipalities. In Enontekiö, reindeer herding is still an important primary production activity. Services are the most important source of income in the region. The public sector was largest in Enontekiö (accounting for 45.3% of the work force in 2001) and Ylitornio (40.2%), whilst it was smallest in Tornio (28.2%). In other municipalities, about one-third of the work force was based in the public sector. In 2001, the private service sector was largest in Muonio, with almost half (48.9%) of the actively employed population working in private companies. In the same year, private sector services were smallest in Tornio (24.4%) and in Ylitornio (25.5%). In other municipalities, the proportion was 30-40% of the work force.

This short overview illustrates the serious challenges faced by the municipalities in the area. The municipalities are significant employers and service providers in these areas, but there are a decreasing number of taxpayers funding the services. In Enontekiö, Pello and Ylitornio, for example, there is one employed person for every two non-working inhabitants. Unemployment and migration are changing the population structure. It is estimated that between 15% and 26% of the inhabitants of these municipalities will be more than 65 years old in 2010.

With the grave problems of the Finnish section of Tornio Valley in mind, one is tempted to think that the region lacks an innovative potential. In the focus group interviews in these six municipalities, however, some 80 different innovations were mentioned, and a number of these are introduced in the pages that follow.

### ***Tornio***

The strength of Tornio is that it has a centuries-old history as a meeting place. Together with Kemi (the nearest municipality in Finland), Tornio forms an important export area, supported by good infrastructure and a well-developed steel industry. Tornio is the steel cluster in Europe after the Ruhr region in Germany and Northern Italy. In addition, border cooperation between the twin towns of Tornio and Haparanda provides the potential to reorganize public services in a way that serves not only the local inhabitants but also people from other municipalities. Tornio has

one of the most peaceful international borders in the world and is known as a safe town with a valued culture.<sup>9</sup>

One weakness, however, which is mentioned in the municipal strategy,<sup>10</sup> is that the 'Tornio identity' of the inhabitants is low-key and Tornio is not a well-known town. The centre of the town is dispersed, causing a tendency towards business stagnation. Small and medium-sized enterprises, in particular, have not been developed to their fullest potential, and efforts in the field of vocational adult education have not led to new jobs becoming available. Tornio has suffered from depopulation, as have the other municipalities in Lapland. One obstacle for the innovation processes in general, which was mentioned in the interviews, was inefficiency in prioritizing co-operative relations between the municipalities.

In addition to the Production Studio (upgrading stainless steel), the other selected cases – 'The Bothnian Market' and 'On The Border City' – have improved the image of Tornio. The Tornio-Haparanda co-operation, in particular, has been given a lot of attention as a pilot area within EU countries. At the same time, Tornio's enthusiasm about this co-operation than is greater than Haparanda's. A referendum arranged in 2002 to study willingness to build a common city centre, for example, resulted in a 'no' from Haparanda. While the referendum increased public discussion it also decelerated the process of building a shared centre. Nevertheless, Provincia Bothniensis is a significant actor in planning cross-border co-operation and bringing it to public attention within EU countries.

*Business sector innovation: Production studio for upgrading stainless steel*

The transformation of stainless steel production in Finland created the idea of Production Studio. This is an important innovation, because it both co-ordinates and upgrades the production of stainless steel in Finland, at the same time offering services to entrepreneurs for developing steel products at a local level. The Production Studio now has connections with other stainless steel centres in Europe.

The Production Studio promotes the development of steel products and operates as a new business park for small steel companies. The Studio collects expertise concerning the upgrading of stainless steel, and acquires high technology and expensive machinery for the use of various companies. With the help of the Studio, companies can maintain product development work without taking financial risks. This innovation is noteworthy in the way that it extends the business environment of new

---

<sup>9</sup> Budget and Economic Plan of Tornio for the years 2003-2005.

<sup>10</sup> Municipal Strategy of Tornio, 2003.

steel products. It also contributes to the development of new manufacturing methods, saving material or making products more resistant and thus supporting sustainable development.

The innovation process has been very long, with many different actors involved. Conflicts have occurred regarding financial issues, the location of the Studio and the selection of the co-ordinator. Nevertheless, after several pilot projects and rounds of negotiations, the Studio's work has begun.

One of the many actors involved in the process is Avesta Polarit Ltd., the largest European processor of hot-rolled stainless steel plates. Ever since Avesta Polarit Ltd. has been in Tornio, several projects have been implemented in order to explore alternative ways of upgrading steel production. Upgrading has been a strategic aim within the steel industry because it may create new jobs in Tornio. At least five different projects, dating back to the beginning of the 1970s, had been initiated before the Production Studio was established. In these previous projects, attempts were made within the steel production industry in Finland to match the transformations of the global market. To this end, actors from the town of Tornio formed a steering group to plan the Studio, together with representatives from the State Provincial Office of Lapland, Avesta Polarit Stainless Ltd., Corrotech Ltd., Polar Metalli Limited Partnership, Kemi-Tornio Development Centre, Team Botnia Ltd., Institute of Meri-Lappi and the State Technical Research Centre. Their initial objective was to establish a 'Stainless Steel Office', later developing into the concept of a stainless steel studio.<sup>11</sup>

Today, the Production Studio is an actor within the steel refiners' network, called 'The Northern Production Circle'. The Studio coordinates production and manages a network of specialized knowledge for production in Nivala, Ylivieska, Raahe, Oulu and Tornio. Within this network, knowledge is exchanged about the steel industry and steel production. The situation in the Finnish steel industry is fairly similar to that of Sweden. Mass production is not very profitable any more and new, small companies are created near big steelworks. Processing, production costs and labour costs are too high in the Nordic countries to be sustainable on the international market. The strategy in the steel industry has changed from the production of raw material towards high upgrading products. The Studio provides marketing counselling for the companies and they can use expensive machinery in the Studio that would not be affordable to an individual entrepreneur. In this way, the product devel-

---

<sup>11</sup> Kyröläinen, Antero 2003: Final Report of the Production Studio of Stainless Steel, 3.

opment costs are reduced for the individual entrepreneur. Afterwards, when the actual production is started, entrepreneurs have to pay the market price to use the services offered by the Studio. However, this threshold is lowered for new businesses just starting up.<sup>12</sup>

The municipality of Tornio has played an important role as a facilitator, and it also co-ordinated negotiations in the planning phase. For almost a year, the actors discussed who was to govern and manage the project. The municipality of Tornio did not have the resources to manage it, but finally the Trade Institute of West Lapland included the project within their administration. This was in their interest, since it added extra value to their function as providers of expertise.

The Studio started up in the spring of 2003 with six employees. The Studio has its own resources to support entrepreneurs in developing their products. The most important resource is a *protofactory*, which develops products and industrial procedures in close co-operation with the entrepreneurs. The Studio provides premises and it also offers educational programmes and skilled labour, as well as assisting entrepreneurs with finance and marketing. The Studio offers specialist knowledge in the field of industrial design and production. It develops manufacturing techniques, collects information, and develops and distributes the knowledge. The Production Studio co-ordinates a wider network concerned with transforming and developing the market for stainless steel in Finland and has close connections with other international development centres. When organizing and co-ordinating services, the Production Studio makes use of both its own resources and other resources within its networks, consisting of companies, research centres and training organizations.

New companies and jobs have already been created as a result of the Production Studio. The aim is to establish 220 new jobs and seven new companies by the end of 2006. The municipalities of Tornio and

---

<sup>12</sup> The Production Studio has been financed by payments made through EU funding sources *Euroopan aluekehitysrachasto* (EAKR) and *Euroopan sosiaalirahasto* (ESR), in euros, as follows:

EU funding: €2,297,526 (44%) via EAKR; €313,250 (35 %) via ESR

National organizations (state): €1,353,519 (25.9%) via EAKR; €223,750 (25%) via ESR

National organizations (municipalities): €1,044,250 (20 %) via EAKR; €89,500 (10 %) via ESR

Private financing: €22,105 (10%) via EAKR; €68,500 (30%) via ESR (in each case from 2003-2006).

The total finance will amount to €6,112,400 (Financial Plan documented in the State Provincial Office of Lapland).

Kemi finance some of the activities of the Studio through the West Lapland School Corporation. By financing the Studio, the municipalities have gained knowledge from which they can benefit in the education and training of metal industry employees. One thing that may be learned from this process is the need for patience during long-term negotiations, before satisfactory arrangements can be established.

*Public sector innovation: The 'On The Border' project*

The 'On The Border' project is exceptional in the way that it aims to develop connections between two towns in two different countries. According to a SWOT analysis [strengths, weaknesses, opportunities, threats],<sup>13</sup> residents in Tornio do not have a strong 'Tornio identity'. Tornio is not very well known, its centre is scattered and business locations are stagnant. A new town centre is expected to provide better services for local people and for visitors. It is also expected to ensure that certain specific public services are available in the northern area. Other objectives of the project are to strengthen local identity and improve the infrastructure of the town.

In a European context, Tornio has already received recognition for this project. The common city centre idea carries a very loaded symbolic meaning and provides an example of European co-operation in practice. Tornio's strength (and Haparanda's as well) is that the towns not only constitute a meeting point between two cultures, arts and languages, but also between trades. The one-hour time difference between the two towns forms another rare distinction.

The roots of this process may be traced back to 1809: 'what the Emperor once separated, the Commission of Border River reconnects'. Man-made borders cannot form obstacles to natural developments. This thought is emphasized in the vision of Tornio, which is an international twin town of unlimited possibilities in the area of the Bothnian Arc ('Tornio on Perämeren kaaren rajattomien mahdollisuuksien kansainvälinen kaksoiskaupunki.').<sup>14</sup> Historically, Tornio has always been an important trading centre in the Northern Nordic Region, especially during the eighteenth and nineteenth centuries, when Tornio formed a gateway to Russia. Nowadays, research shows that Tornio has lost approx. 60% of its purchasing power, to the advantage of other municipalities.<sup>15</sup>

---

<sup>13</sup> Tornio Municipal Strategy, 2003.

<sup>14</sup> Municipal Strategy of Tornio, 2003.

<sup>15</sup> Santasalo, Tuomas Ky 2002: Haaparannan ja Tornion keskustojen kaupalliset palvelut. Raja-alueen tarkennettu kaupallinen mitoitus ja vaikutukset kaupalliseen rakenteeseen.

After Finland and Sweden decided to join the EU, discussions about the idea of a common town centre intensified. The planning started in the Working Group for Municipal Engineering, Spatial Planning and Environment. At present, the name of the working group is 'On The Border', forming part of the collaboration of Provincia Bothniensis, organized by Tornio and Haparanda. Thus, it is impossible to pinpoint a specific initiator for this innovation. Every interviewee said that the 'On The Border' project has developed in a way that is common for this area, and that cross-border co-operation has strong historical roots.

The InterReg Programme financed the development stage of the project. From 1997 to 2000 EU financing amounted to 7,495,000 Swedish kroner (SEK) (47.2%). The municipalities' share was 2,570,000 SEK (20.4%) and the share contributed by other actors was 3,235,000 SEK (20.4 %). Other actors included, on the Swedish side, the Norbotten Provincial Council and the Northern Sweden road maintenance organization; on the Finnish side, the Regional Council of Lapland and the Lapland District road maintenance organization.

'On The Border' has at least two aims: firstly, it is expected to bring trade back to the Tornio-Haparanda area by attracting purchasing power to the area. The common town centre will serve both residents and tourists by improving the supply of goods. Secondly, the common town centre will create a clearer urban profile. The new centre will integrate the towns and bring new life to them. In Tornio today, for example, good residential buildings are absent from the centre and 'quality homes' are especially in demand.

The municipality of Tornio has played a crucial role as initiator, co-ordinator and facilitator in this innovation process. An architectural competition was arranged during the first phase, a development plan was prepared in the second phase and the actual building process started during the third phase. Officials from both towns have been the essential actors in the 'On The border' project. During the second phase, the road maintenance organizations from both countries started to build the physical infrastructure. Entrepreneurs and inhabitants have not been officially involved in the project. However, the project has been discussed with the local councils. Through their work within the steering group, political representatives have also accepted the project. Unanimity is a term that might have been used to describe the project until the summer of 2003, when a number of Swedish individuals and newspapers voiced quite strong criticism against the project. However, on the Finnish side it was said that there was just a rather small minority who usually criticized almost everything. The building of the common centre, which constitutes

the third phase of the process, started during the spring of 2003 with the construction of the road connection. The last phase of construction work in the city centre is due to be finished by 2012.

The role of the municipality has been to build the infrastructure for the centre and be responsible for engineering matters, i.e. the normal municipal function. The next task will be to sell the plots of land in the new common centre. The buyers will build in co-operation with the municipality in order to plan for the use of local materials, such as steel.

The common town centre will have a kind of legal centre where the residents from both countries can obtain the services of the police, public prosecutors, the law courts, customs offices, the national pensions institute, tax departments, etc. There will also be a Eurocity jobcentre. At the same time, the common public service centre will secure the availability of these services in the North.

Different architectural periods, from the seventeenth century up to the present, may be seen in the building structure of Tornio. The new centre will continue this trend. Vehicular traffic will be arranged according to the needs of pedestrians, with car parking under the houses, leaving more space for green areas and parks. The ratio of shops/offices to residential accommodation will be 50:50. Dense building is also an economic solution, making space for more residences and services within the area.

One social effect has been the increase in civic discussion concerning the issues of Tornio and Haparanda. The arenas for discussion have been very active, particularly during the second phase of the project. It could be said that citizens have played a significant role in the development of the towns, since this would not have been possible without the support and participation of the residents. It should be noted that the success of Tornio is based to a considerable extent on an expert knowledge of border co-operation and export industries. The joint organisation, Provincia Bothniensis, which is co-ordinating this co-operation between Tornio and Haparanda, promotes close contact between the civil servants of each town, e.g. through common planning activities.

#### *Civil society innovation: The Bothnian Market*

The Bothnian Market of Tornio is a big event, arranged by local inhabitants together with the local authorities. The most important group of actors involved in arrangements for this summer market have been the members of different local youth clubs and other associations. The market has now been held on three occasions. The event supports tourism and improves the quality of life for the local residents.

The head of the Cultural Centre, Anna-Maija Lauri, who visited the Medieval Market in Turku, had the idea for this innovation. She thought

that Tornio, as a historic trade centre, was very suited to the aim of re-awakening old traditions in the present day. People connected with the town's cultural centre, and various organizations such as an evening school and a provincial museum, developed the idea further.

In order to actualize the markets, it was very important to establish connections with the local theatre company, whose professional actors took part in the market play, and various youth clubs, who provided volunteers to act in the market area and serve a supper at the town hotel, in true eighteenth-century style. The museum's input was important in providing professional knowledge for making dresses and suits for the actors in the different plays. The local parish arranged morning worship and the local chamber of commerce organized a sale in the market place. Finally, the local cultural and regional planning associations were involved in planning and creating events, according to the spirit of 1700.

The Bothnian Market may be described as triangular in structure: at the market, craftsmen sell their products, in the style of the eighteenth century; actors perform in the area in costumes from the eighteenth and nineteenth centuries to dramatize the spirit of this period; the audience takes part in the play by watching it and talking with the actors. An author from Tornio wrote the first play and a group from the evening school wrote the manuscript for the play performed in 2003. They altered the setting from the eighteenth to the nineteenth century, presenting stories about real people and events.

The municipality plays an important role as initiator, co-ordinator and facilitator of this innovation process. The Cultural Centre of Tornio made a proposal to arrange the Bothnian Market, and the town council approved the project on 19 April 1999. The project was also included in an EU EAKR programme (2000-2006) and received 568,842 Finnish marks (FIM).<sup>16</sup> The municipality's contribution was 265,218 FIM and the Culture Fund of Lapland contributed 50,000 FIM. The total financing for the project, over three years, was 884,060 FIM.<sup>17</sup>

The project's effect on local life has been positive. Firstly, the publicity value has been noticeable. Approx. 25,000 people visited the market between 1999 and 2001, and it was referred to in newspapers and featured on TV on two occasions. According to research carried out at the market, approx. 90% of the people interviewed thought that the Bothnian Market had had a positive effect on the image of Tornio.<sup>18</sup>

---

<sup>16</sup> 1 Euro = 5,94 FIM (09.08.2004)

<sup>17</sup> Peräpohjolan Markkinat, EAKR-hankkeen 1999-2001 loppuraportti, 15.

<sup>18</sup> Häätylä, Saija & Rensfeldt, Maria (2000) Peräpohjolan Markkinat – Tornion vetovoimatekijä.

Secondly, the innovation process has created new practices among people who have taken part in the organization of the market. Actors in the play went on tour together during the autumn. Performing in the play also gave them new general appearance experience, which later helped them in their efforts to attain new work. Doing a play together has trained people by teaching them appearance experience, which in its turn has supported them in getting new jobs. For unemployed people, the market project has offered training in making a livelihood from handicrafts. One textile company has been established during the project. Amongst other things, the project has encouraged people to engage in entrepreneurial activities and many people have been engaged in voluntary work connected to the market event.

Thirdly, the Bothnian Market has promoted other activities, such as the 'Our Market' project. This is a training project for people who engage in different ways with the Bothnian Market, financed by the EU through its ESR programme. The training has focused on the manufacture of textile, ceramic, wood and silver products for the Bothnian Market.

This innovation process would not have been possible without the social capital that was created through previous projects in the civil society sector. One of the most important, in this sense, was the music theatre of Fire Arrow (Tulinuoli) in 1996, and the Evacuation Procession event before that. Both events were arranged through the co-operation of associations in the Tornio area, creating norms, values and competence that facilitated the co-operation required in the process of creating the Bothnian Market. People who have taken part in this process have confidence in other members of the community and trust the associations they know. They expect to get support, if they need it, and to provide support for others in the community.

### ***Ylitornio***

Ylitornio is still an agricultural community in many ways and almost 15% of employment is in primary production (2001). Public services are the biggest employers in the municipality, accounting for approx. 40% of all jobs. Private services employed approx. 25% and refining 15% of the work force in 2001. One specific feature of Ylitornio is that there are many relatively small enterprises in the municipality: almost 23% of employees are themselves entrepreneurs.

According to the municipal leadership, tourism is the most important business of the future. There are no big skiing centres in the municipality, but there are a few smaller tourist enterprises. The main strategy in Ylitornio is to develop nature-based tourism, especially in the summer, when the beautiful lake district and Tornio Valley's river environment

offer enjoyment for travellers. There is a famous viewing point at Aava-saksa, a beautiful hill a few kilometres north of the municipal centre, which was visited by foreign explorers in the seventeenth century and has attracted Finnish national painters since the mid-nineteenth century. In addition, the success of Tornio's steel industry gives grounds for optimism in the future; a number of immigrant employees have chosen Ylitornio as a more permanent place in which to live. The municipality is also active in trying to encourage people who have moved away to return, by organizing summer events, for example.

The level of municipal services is still quite good in Ylitornio and there are also many kinds of leisure activities. One important aspect in the development of services has been cross- border co-operation: Ylitornio and Swedish Övertorneå have pooled their resources in health care projects.

#### *Civil society innovation: Shooting Centre*

The small-scale hunting association, Jupon Erä, in the northern part of Ylitornio, decided in 1971 to build a shooting range in the village of Pesalompola. Since then, they have built several different kinds of ranges for different types of guns. They have also built a restaurant and office building (450 square metres), which includes accommodation for 35 people. Approx. 7 million FIM has been invested in the development of the area. Finally, the small-scale hunting association has built a shooting centre, where the Finnish Hunting Association has arranged seven national championships. Over the years approx. 30,000 competitive shooters and a total of 60-70,000 guests have visited the centre.

In the early 1970s, the association had between 30 and 40 members. Over the years the number has grown, despite the fact that people are moving out of the area and are getting older. Today, 330 people are members of the association and 125 of them take part in the elk hunt, a time-consuming activity that takes place in the autumn. In the early 1980s, when the association was first building its restaurant/office, 90 male volunteers were involved and the house was built in three days. In addition, all the competitions and other events have mobilized local villagers in voluntary work. However, executive manager Raimo Yrjänheikki says that nowadays it is more difficult to get people activated. They are now founding a new gunshot association to support the recruitment of new members and activate people in becoming involved in voluntary work.

The local hunting association has co-operated with the Finnish Hunting Association and other associations involved in hunting and shooting activities. Metsähallitus, a state enterprise that manages the area,

has also been supportive in renting out the area to the association. Metsähallitus and its Wild North Business Unit also use and market the association's services for tourist purposes. Southern executives visit the shooting centre every now and again when they want to enjoy hunting in Lapland. These contacts are useful when applying for money to develop the area. The construction of the shooting centre was partly achieved with the help of the National Employment and Economic Development Centre. Ylitornio municipality has not been very active in developing the shooting centre, but it did finance 10% of the final phase of construction.

The hunting association has ambitious plans for the future: they want to build an indoor shooting range and hope to develop accommodation facilities in the area. In the hope of developing a village complex around the shooting centre, they are trying to get companies and various hunting and shooting associations to build cottages in the area. Their plan is to concentrate on shooting, but also to make use of all the nature-based activities in the area, e.g. hunting, fishing and sailing, berry picking, and snowmobile and reindeer safaris. If the plan succeeds, tourists and the tourism industry will also require services, bringing more jobs to the area. This would make it possible to run tourist activities all year round, which would be a sustainable way of developing tourism in the area.

The association also wants to introduce local children to nature-based activities, in co-operation with the schools sector of the municipality of Ylitornio; the intention is to stimulate children to be proud of northern nature.

*Business sector innovation: Ylitornio Concrete Production (Ylitornion Betonituote, YBT)*

Ylitornion Betonituote produces concrete mass and concrete elements for industry and to build houses. The company was founded in 1992, which was a time of economic depression in Finland, but it was able to develop into a flourishing industry and has been one of the most successful companies in Lapland in recent years. YBT is a family company owned by three brothers. Their father had a smaller cement factory and his experience has been an important element in the development. The decision to found YBT was made by managing director Juha Alapuranen. Municipal manager Tuomo Karjalainen contacted Alapuranen in 1992 and asked him if he was interested in joining a company. The municipality, for their part, had received funding for a factory shed and planned to invest in such a project. Juha Alapuranen was trained as a building contractor and worked in concrete production in East Finland. He made a quick decision and, with the help of the municipal manager, they were granted additional

funding from the Ministry of Trade and Industry to establish the company.

Over ten years, the company has produced concrete elements for 600 buildings. Important customers come from the industry, but producers of semi-manufactured buildings also buy their products. The company turnover was €3.2 million (3.2 million euros) in 2003 and the company employs 30 people. Between 20% and 40% of production is exported, mainly to Sweden and Norway. YBT is a member of the Betonico cooperation between companies that offer concrete mass and elements throughout the whole North Calotte area.

Juha Alapuranen told us that the strategies of product development, customer trust and satisfied workers are the reasons for the company's success. Throughout, YBT has developed its products so that it can offer finished facade elements. They have also invested in an expansion of the factory, so that they can sell whole structures for larger buildings, i.e. frames, walls and roofs. YBT also collects customer feedback systematically, so that the whole business process is evaluated. Their workers are trained in concrete production and are involved in regular discussions about the development of their work in the company. The company also organizes free-time activities for the workers. YBT uses the ISO 9002 quality system to control its business.

Ylitornio municipality has been active in supporting the company. The initiative to start the business came from the municipality. They offered a cheap factory shed and helped to acquire the funding to start the business. Since then, the municipality has also funded aspects of the workers' training.

*Public service innovation: A gym for elderly people*

Ylitornio municipality started a gym for elderly people in 2003. All the equipment is arranged with older customers in mind: it is easy to use and the weights are light. The idea was the initiative of municipal physiotherapist employees, who themselves were interested in weight training. At the end of the 1990s they had read a research report maintaining that muscular strength training is a very useful and effective way of keeping older people fit. Problems that institutionalize the elderly often relate to their physical fitness. In Ylitornio the population is ageing rapidly and the aim is to try to help them to live at home for as long as possible. The problem in realizing the idea was a lack of funding, but luckily the municipality of Ylitornio received a legacy of several million FIM. This made it possible to purchase the special equipment required.

About 80 people, with an average age of more than 65 years, work out once or twice a week over a period of a couple of months. No more

than four people make up a training group, because the older clients need special help. Group training is important to these people, who may be living alone. The municipality also offers transport to the gym, which makes access easier.

The man behind this initiative is employed in the municipality's physiotherapy service. He said that at first there was some suspicion as to whether muscular training would do any good for the elderly. Now opinions have changed and the municipality is opening a new gym in the village of Meltosjärvi so that the facility is also offered to people in the northern part of the community.

*Business sector innovation: Kantele and guitar manufacture (Ylitornion Soitintuote Ky)*

Ylitornion Soitintuote Ky is one of the few manufacturers of the kantele, a Finnish version of the zither. The kantele is a traditional Finnish stringed instrument played by, for example, Väinämöinen, the main character in Finnish national epic *Kalevala*. Kantele production began in Ylitornio in 1983, when Pekka Lovikka and his partner wanted to try their skill in the instrument-making business. They made a good start, because the kantele had been gaining in popularity since the beginning of the 1980s. Prior to that, the kantele had become almost a forgotten instrument, so their starting point was practically zero. Now Pekka Lovikka runs a business with a turnover of €200,000 and has four employees.

'When we came to the business as young people, we started to develop the kantele as a modern and multiform instrument,' Pekka Lovikka told us. Ylitornion Soitintuote was the first company to produce an electro-acoustic kantele and developmental work is still going on. Now they produce eight different models, from the piccolo (the small five-string kantele) to the electronic 39-string concert kantele.

Besides kantele production they have also developed their own guitar models. The guitars were ready to be marketed in the winter of 2003-04. Lovikka's own guitar models, Odin and Freya, are unique in their design and sound. Musicians, instrument-makers and other professionals have also participated in product development. The Faculty of Arts at the University of Lapland was involved in the graphic planning stage, and the project was partly financed by the Employment and Economic Development Centre in Lapland.

Kantele- and guitar-making is the main branch of business at Ylitornion Soitintuote, but they also carry out subcontracted work, producing wooden parts for other companies. The reason for this is that the kantele market is quite small and their own guitar models are new prod-

ucts. The company sells its instruments to music shops and directly to musicians.

Making use of the Internet opened up a very important new marketing potential. Because the kantele is a unique instrument, it is easier to sell it through Net home pages on the global market, while guitars are sold in a more traditional fashion. Nowadays Ylitornion Soitintuote sells about 30-40% of its kanteles abroad, mainly to the United States, where the descendants of Finnish immigrants are now playing the instrument of their forefathers. The kantele is also exported to Japan and Germany.

The municipality has supported the company by building a production plant that Ylitornion Soitintuote later bought for a reasonable price. Otherwise, the company has survived on its own, progressing step by step in an independent fashion.

### ***Pello***

Pello is a small municipality south of Kolari, bordering the River Tornionjoki. The distance from its main centre to the provincial capital of Rovaniemi is 100 km, and it is 120 km from the former provincial capital of Tornio. Pello has a rural tradition, with no major industries or famous tourist destinations. The population has been decreasing for a long time; at the end of 2002 there were 4,625 inhabitants. Migration accounts for most of the decrease, but the natural population growth has also been negative. However, there has been a change in this lengthy trend, with a loss of only 23 people in 2002, compared to 128 people in the year 2000. The main factor behind this change has been a new balance of migration: the net loss was only six people in 2002. This change is thought to be due to a new municipal strategy that also includes an 'image improving policy' in Pello.

Although Pello hasn't been a strong tourist destination in the past, it has developed certain themes that have matured over the years to become significant elements of interest for the media and tourists. A mixture of third sector [civil sector] work, public contributions and private sector involvement has taken various forms relating to several specific projects in Pello. As far as the private sector and the livelihood of the local people are concerned, there has been a significant development since Pello became an important supplier of transport services for a wide area. The selected case studies include a joint public sector (municipal) innovation, a commercial success story and a voluntary and public partnership (VPP). In addition, we have chosen a case based on the history of science.

*Public sector innovation: 'Lively Life to Tornio Valley' – a municipal counteraction*

The municipal initiative 'Elävää elämää Tornionlaaksoon' ('lively life to Tornio Valley') started as a project in the autumn of 2001 and lasted until the summer of 2003. The main aims were (1) to improve the image of the area and (2) to implement various practical improvements facilitating positive development. The latter aim was split into four sub-themes:

- Initiating and supporting return-migration
- Promoting distance work
- Consolidating a local agro-food exhibition (every third year)
- Improving the general infrastructure for local events

It is agreed that the municipal project has succeeded rather well in its aims. As already noted above, the migration balance was almost achieved in 2002, partly due to a special campaign 'Kotipaikaksi Pello' ('take a homestead in Pello') associated with this project. A themed paper with this campaign title was published in May 2002 and included positive interviews with people who had moved to Pello. A special 'Muuttaisinko Pelloon' ('should I move to Pello?') clinic for potential 'returners', promoted on two occasions at the annual national tourism fair (MatkaMes-sut) in Helsinki, also facilitated return migration. In addition, a market place for real estate in Pello was created on the Internet ([www.Pello.fi](http://www.Pello.fi)).

A new concept of a local exhibition about agro-food [cultivated under controlled conditions] was developed under the title 'From Tradition to the Future'. The exhibition is organized every third year, in 1999, 2002, etc. The general infrastructure for various events has been improved, e.g. the floor of the skating hall has been paved for multiple uses.

The municipality has employed a project co-ordinator (Inka-Liisa Rundgren) for a period of less than two years for the main project 'Lively Life to Tornio Valley'. She has been regarded as a very good organizer and 'spirit creator'. In general, the administrative staffing level has been light. In conclusion, it may be noted that Pello has acquired several positive elements within its profile, thanks to the procedures described. The role of the public has been crucial in this, but some elements from both the private and civil sectors have been combined in its campaign, which has clearly been influential, both in changing the local attitude and constructing a better image of Pello.

*Business sector innovation: A flourishing village shop with broad wings*

A company formed around the village shop in Lankojärvi is a surprising and joyous example of what is possible in business, even in a small vil-

lage of less than 300 people, located 25 km from the municipal centre. In 1966 Heikki Rautio established a village shop in which he and his young wife were employed. He had already dealt in chainsaws for years and from 1964, when TV broadcasting was extended to the region, took on televisions as a new trading and servicing article. His trading principle from the beginning has always been a combination of selling and servicing: the product is delivered to the customer's home and installed, as well as being serviced later on. This principle of prompt service has become rare in modern times and works very much to his advantage.

It is a fact that a population of less than 300 people cannot sustain a village shop in the Finnish countryside. Another business idea on the part of Heikki Rautio Ky. (his company) has been to search for and combine business activities suitable for a group of core personnel consisting of Heikki Rautio and his wife, son and daughter-in-law. The main clientele in the chainsaw business has changed from professional forest workers to semi-professionals and cottage-owners. Another line of business is in operating lorries and trucks. The family company has two big lorries; these are used for the transportation of goods, but also for other sources of income. The two men in the company keep hundreds of kilometres of road clear of snow every winter with special snowplough equipment. The son has a business training, but he enjoys lorry driving as an alternative to the company paperwork. They also have special tractors for digging soil and loading sand.

For years, the backbone of the company's business has been a network of various joint ventures, together with good, trustworthy partners in different parts of Finland. These joint ventures take various *ad hoc* forms, but they all have one thing in common: a knowledge of and trust in suitable people.

One joint venture has been the import and sale of lawn mowers to a wide market in Finland. Large-scale advantageous purchases are made possible via a group of entrepreneurs. Each takes care of the delivery and service in an agreed area.

Another line of business has involved specializing in buying and selling used truck-lifters. This business started quite accidentally. A metal workshop in Kolari went bankrupt and Rautio, together with an acquaintance, decided to buy the machines and other equipment. His partner happened to know enough people to make the bargain a success. The contacts with those who needed this kind of equipment expanded rapidly. One potential buyer telephoned all the way from Hong Kong to confirm his bid. Three other buyers arrived (separately) in private aeroplanes to look at the machines. This new type of successful buying and selling op-

eration resulted in a similar new offer from another bankruptcy administration elsewhere in Finland. The company gained experience in a new line of business; this made it possible to take on, with a partner in southern Finland, importing second-hand truck-lifters as an extension to this new line of business. The truck-lifters were imported from Central Europe at first, but the partners soon noticed that the origin of their imports was usually Japan. To avoid unnecessary costs and stages in the delivery chain, imports in this line have been made directly from Japan for the past three years.

Siemens, a big international brand of household machinery, made a hesitant representation agreement with Heikki Rautio Ky in 2001. Their doubts were based on the company's remote location and scarce population base. Three years later, in March 2004, the Finnish representative was very satisfied with the sales results. On his visit, he was surprised to see that the prompt service principle of this village-based company had functioned much better than the limited 'onsite purchase' facilities of bigger suppliers.

Heikki Rautio's business philosophy includes a number of interesting elements. A personal touch and helpful service are his main principles. Operating as a shopkeeper together with various combined activities in a small village is a clear advantage when people understand that the shop alone would not survive. Success is necessary and to the benefit of everyone in the village. The role of publicity is vital: free (non-advertised) publicity is much more valuable for a village shop than paid advertisements. There must be genuine reasons for free publicity offers at suitable intervals: festivities, village shop days and other news. Even the annual seasons play an important role: 'wet and darkening autumn days diminish people's desire to buy – even tools that are necessary for the approaching winter. But when the day lengthens and the sun shines, people like to plan and buy ... they want to do more and get themselves equipped.'

*Civil sector innovation: 'Poikkinainti' – marrying across the river*

There is a long tradition in Tornio Valley of getting married across the river. For decades Sweden, even in the North, was much richer than Finland. It was very common for young Swedish men with new Volvos to attract Finnish girls and marry them. The newly-wedded couple would then usually move to the wealthier, Swedish side of the river and settle there. These 'international' couples are known locally as those who have 'married across'. Altogether, there are hundreds of such couples in Tornio Valley.

Finland gained wealth more rapidly than Sweden during the 1980s and 1990s, and the difference in the general standard of living has now been reduced. Today, therefore, the balance between those settling down on the Finnish side and those on the Swedish side of the river is rather better. The idea of developing this centuries-old practice into a special event in Pello was developed in the early 1980s. The first public 'Poikki-nainti' ('marrying across') celebration was organized in July 1982. It received very wide publicity, partly due to the fairly humorous title of the event (the true meaning of this familiar title remains a teasing puzzle to most Finns). This event soon developed into the best-known annual event in Pello. It is always held in July, starting on a Friday and ending on a Sunday. The marriage ceremony, the highlight of the event, takes place on the Saturday afternoon. The Friday is usually reserved for various sports activities and the Sunday for a church service and cultural presentations. The Saturday serves as a market day for local handicrafts and other products. There have been approx. 2,000 participants in the various events of a typical 'Poikkinainti' weekend.

The 'marrying across' celebration is a public event with free entry and some free catering for those who participate. It is organized by a specific local society of volunteers, 'Poikkinainti ry', which advertises, receives applications for and selects the new couple to be wedded. The main criteria for the couple are (1) that they originate from different sides of the river and (2) have local ties. The programme for the event includes performances, and sometimes exhibitions by local artists. The society also compiles a special event programme every summer and collects a lot of revenue from advertisements. This is the main source of income for the society. Members of the society are mainly local individuals, but companies and other societies are also involved. The municipality helps with arrangements for the event in two ways: by engaging an employee for five to six months before the event, and by sponsoring the arrangements. Most of the work for the event takes place on a voluntary basis, so this is a typical example of third sector activity.

This event is the best example of a local civil sector activity in Lapland that has made the name of the municipality widely known on the basis of a local practice and local traditions. The effects of image building have been very strong. In Pello's case, this has all been achieved with a minimal input of resources.

*Business sector innovation: History of science as a potential for innovation*

The background for this case study is a series of events based on a scientific expedition headed by the Frenchman Pierre-Louis de Maupertuis to

Tornio Valley in 1736-37. The reason for this trip was a scientific dispute between the President of the French Academy of Sciences and de Maupertuis about the shape of the Earth: whether it was a stretched ball, like a lemon, or a pressed ball, like a mandarin.

The empirical evidence required astronomical measurements near the North Pole and close to the Equator. Tornio Valley, between the town of Tornio and the village of Pello, was chosen as the northern working environment. A measurement line some 120 km in length was constructed along the river valley up to Pello and the empirical work was completed within one year. The measurements proved de Maupertuis right: the Earth was a slightly flattened at its poles – like a mandarin. His book ‘La figure de la terre’ was published in 1738 and it quickly made de Maupertuis the biggest scientific hero of his time. The expedition made Tornio Valley famous in contemporaneous scientific and cultural circles, partly due to the description of various vivid incidents in the books written and tales told about the expedition.

The idea of making something of this great scientific breakthrough has been developed ever since the mid-1980s. Pentik, a dynamic company with dealings in the pottery industry and tourism, based in Lapland, built a new, high profile tourist site named ‘Pellon Vihreä Pysäkki’ (‘The Green Stop of Pello’) just by the bridge between Finland and Sweden in Pello. The 250-year anniversary celebration of de Maupertuis’ expedition was organised in the autumn of 1987. The festivities took place at the same time as the inauguration of the new tourist attraction, including a stylishly designed building with a restaurant, premises for art exhibitions, tourist information and souvenir shops. The festivities were very well planned and high-spirited; the Swedish and French ambassadors participated in the events, as well as the Finnish Minister for Foreign Trade.

The event attracted wide attention in the regional and national media, since the historical background to the happening had not been well known prior to this. The festivities also improved the public image of Pello and likewise supported the local identity. The event also offered a good base for various associated projects in the form of souvenirs, festivities, etc. A French documentary film about de Maupertuis’ expedition was produced in 1999 and there are now guided tours for those interested. However, the potential of this scientific and historical event has still been only partly realized. A new wave of ‘informed tourism’ may help the various elements of this historical scientific breakthrough (and related incidents) to flourish again. The revelation of its specific potential as a good raw material for modern use is at the core of this innovation.

## ***Kolari***

Kolari is an extreme example of dramatic change in the production structures of Lapland. Until the early 1990s there were two mines employing some 400 people. Then mining activities ceased, giving rise to an unemployment rate within the municipality that peaked at approx. 24%. Having had a long and strong industrial tradition of mining work in Lapland, Kolari lost its main industrial base and became known as a municipality in crisis. A group of large mountains called Ylläs is located some 30-40 km east of the municipal centre in Kolari. Interest within the local administration in developing tourism was not very high for as long as the more traditional main industry offered sufficient employment.

A clear institutional orientation towards innovations as a source of development took place in the mid-1990s. Having joined the EU, Finland reorganized its regional development policies. Training was selected as the basic strategy to cope with this new situation. The Centre for Continuing Education at the University of Lapland organized a training project, 'Ytyä Kolariin', for the locals in Kolari. For their part, the latter held a specific innovation workshop ('Innopaja'), where new ideas concerning employment and production were developed. Amongst these was the idea of developing new types of tourist products, based on the large marshlands and plentiful turf that are to be found in Kolari. Later on, this idea was developed into a number of very successful practical applications. The first stage of institutional innovation in Kolari can therefore be identified in the training projects that were planned and executed within the EU programmes that were new at that time. Relevant EU programme frameworks have since provided a basic structure for various development projects in Kolari (as in most other municipalities).

In summary, Kolari now offers good examples of three main areas of institutional innovation:

- Public and private partnership (PPP) in tourist developments in the Ylläs mountain area
- Well-developed patterns of village activity
- Voluntary and public partnership (VPP) in ambitious cultural events.

Public and private partnership requires a co-operation between the public and private sectors, where the roles of each and everyone involved is clearly defined and of significance in projects that have common interests. In the development of tourist destinations, both sectors are usually essential. Master plans of the territory, water and drainage systems and certain safety issues are normally tasks for the municipality, while the

private sector usually takes care of the business operations. Major investments in real capital for tourist expansion (such as hotels) are often too major or risky for local (and other) entrepreneurs, and municipalities are therefore invited to be partners in a joint venture.

*Public sector innovation: a new municipal orientation – from minerals to modern tourism*

The dramatic closure of the mines in Kolari represented a very big challenge for the municipality. In this situation, tourism was chosen as the core aspect of the new development policies. However, progress was rather slow for the first few years. A long and deep recession hit Finland from the beginning of the 1990s, and there were also some tedious local disputes within the municipality. But the new orientation had become more evident by the end of the 1990s. This new approach, with all its associated practical applications, is the most significant municipal innovation to have taken place in Kolari.

There are now five main themes in Kolari municipal policy that may be defined as essential aspects of the municipal package of innovation. They all facilitate progress in the leading new means of livelihood, which is tourism:

- The Ylläs National Park project
- The landscape road on Ylläs Mountain
- Hotel Ylläs Saaga
- The marketing organization for the Ylläs area
- The railway services to and from Kolari.

Four of these five themes are associated with the Ylläs area, the main tourist destination in Kolari and one of the big, growing tourist destinations in Lapland. All five projects are intended to improve various types of infrastructure for tourism in Kolari. This orientation is very well suited to the general character and commonly accepted role of municipal policies, creating good living conditions for inhabitants, and offering jobs and services to enable their way of life to function well. The innovative process has been subject to normal administrative procedures. However, all five projects have also included significant amounts of co-operation and networking between partners, both public and private. The role of the municipality has been crucial; internal political disputes have, to some extent, underlined the value of success in networking of this type.

The active role of the municipality in creating good conditions for tourism has resulted in many practical innovations in Kolari. The Ylläs National Park is a very important infrastructure for the development of tourism in the region. The landscape road on Ylläs Mountain (work starts

during the summer of 2004) will link the two main villages in the Ylläs area and will benefit local people, companies and tourists. The functional idea of Hotel Ylläs Saaga was initiated and mainly developed by the municipal leaders, but the operative planning and business aspects were soon delegated to the commercial sector. The marketing organization for the Ylläs area was created and, at least to start with, indirectly operated by the municipality. Passenger trains to Kolari started in 1985 and have continued since then, even though the passenger railway network has been cut in many other areas of Finland. The passenger volume to Kolari has been about 70,000 per annum, covering the main tourist seasons and offering a very valuable basic infrastructure. The renovation of the railway station area was completed recently.

As a further example of innovative pursuits on the part of the municipality, it may be noted that there was a special 'espionage' group tour to East Finland in August 1986. The aim of the trip was to find new ideas for developing tourism in Kolari. After having seen an exhibition on ancient mythology in the cave premises of Retretti, Punkaharju, one member of the municipal group had the idea of creating an opera for Ylläs, which (as described later in this chapter) eventually came to fruition!

Municipal sector activity is by definition public, but tourism requires private partnership. In the case of Kolari, voluntary projects have also benefited considerably from municipal support of both a material and non-material type. As far as co-operation between the three sectors is concerned, all the main combinations are represented: PPP (public and private partnership), PVP (public and voluntary partnership) and PPVP (public, private and voluntary partnership).

*Business sector innovation: Ylläs Saaga – health through innovative hotel services in the wilderness*

The municipality of Kolari took the initiative to build a new modern 'health spa hotel' in the Ylläs area, which already had a few hotels. It also assembled the partners for this venture. The idea was to offer a new kind of rehabilitation service by making use of the area's natural environment. The hotel company was established, with a substantial municipal stake, a new modern building was constructed and the Ylläs Saaga Hotel opened in March 2003. The hotel and rehabilitation business is operated by Lomaliitto, a minority partner in the hotel company. Other partners include Finnish trade unions and local tourist businesses. The main aim has been to create a new type of health service in the Ylläs area and thereby extend the hotel's season year round. Ylläs Saga is now the only hotel in the area that operates in all seasons. It is still difficult to evaluate the economic

success of this project, but at any rate there are clearly innovative features in its concept.

Certain structural changes to Finnish society provide a more general background to this hotel project: working life in Finland has become more stressful and 'burn-out' (employees becoming tired and worn-out) is common as a result. People are increasingly more interested in their health and they also want to invest in it. The strong Finnish tradition of the rehabilitation of war veterans in spa hotels offers a particular background to this venture, though the number is diminishing together with the number of war veterans.

The hotel has 84 twin-bedded rooms (with an option of two extra beds in each room). The company wants to specialize in 'soft rehabilitation' instead of the much more expensive, 'heavy rehabilitation'. The innovative ideas are as follows:

- Incorporating nature into the rehabilitation process: this includes physical exercise, but a large number of the other therapies also take place outdoors in natural surroundings.
- A new pattern of offering short-term rehabilitation has been developed with experts in this field.
- The hotel's capacity is used in a flexible manner for both rehabilitation and normal tourism; peak seasons are utilized for well-paying tourist purposes and low tourist seasons are used mainly for rehabilitation.
- Trade unions (who are also owners) have been involved in designing and marketing the services of this hotel, as well as subsidising the cost of health programmes for their members.
- Unlike the common older Finnish pattern of rehabilitation, customers always have to pay some part of the costs here; this is also considered to guarantee a better commitment to the programme.

The concepts developed in this new hotel take skilful advantage of the changing needs of the welfare society, work life and the company's own ownership structure. The hotel project includes clearly innovative solutions in concept-building, networking and product development. This case predominantly represents the private sector, but it has created an innovative combination of private and public activity and finance. Except in the case of the trade unions, the voluntary sector has very little role to play here.

*Civil sector innovation: Kurtakko – the mirage village in a wet wilderness*

Kurtakko offers various examples of well-developed village activities. The village has some 200 inhabitants and is located 20 km from the municipal centre. The Village Society has developed several concrete examples of lively community activity. It is a pioneer of village projects using wide networks that extend to various sectors of administration and expertise. Several EU and national development programmes are used skilfully for the common good of the village.

The first and, to date, largest project is 'Telatie', a 20 km long log track, built in a traditional manner over the marshland between the villages of Kurtakko and Venejärvi. The idea for this project was developed in the late 1990s and includes the rebuilding of an old post route (dating from the time when there were very few roads) for tourist trekking in an exceptional environment, passing through a large swampland. The project has made use of the expertise and finances of several partners, including the department of employment administration, the department of the environment, the regional administration of Lapland, the University of Lapland, the state forestry commission and several EU programmes. The Village Society was established at the beginning of the project, and has had a key functional role in both the planning and control of this project. The Society is an important institutional innovation in its own right. Through its existence, the villagers really feel that they have created their own project, on their terms, but in the Society they also have a very useful framework for various networks outside the village. The specification of the project's aims, such as traditional design, construction materials and the use of labour, is largely local. The role of social capital in utilizing personal networks has been essential in finding the necessary links to external expertise and finance.

Among other thematic projects in Kurtakko, the recently introduced 'village house' is particularly important. This is a charming old, renovated building that originally served the villagers' needs. In its new form it also serves tourists and other travellers as a coffee house and handicraft shop. The new village house has a very stylish public room with cafeteria services, information about local programmes and other services, handicrafts and other little things to buy. The house is open daily and the local women's institute organizes the staffing. The village house is like a pearl in the midst of a wet wilderness area, and this is the second fulfilled innovation in Kurtakko.

There are other realistic aims on the Village Society's list: a village fence, purification of the local lake, etc. Kurtakko offers a really excellent

example of voluntary and public partnership (VPP), because the Village Society has been able to tie in many public organizations with its own activities. The role of the private sector is growing in the field of small-scale tourism, and this provides the basis for a VPPP definition as well. The significance of the Kurtakko innovations contributes to the general wellbeing of the villagers, not only as far as their identity and the quality of their social life is concerned, but also because they provide an infrastructure for increasing activities and the income from tourism.

*Civil sector innovation: 'Velho' – opera miracle in the mountains*

In a series of opera performances created by the Opera Society, 'Velho' is by far the most exciting and influential event that has taken place in this area for a very long time. It has been both an artistic and a cultural success, but it also served as a necessary means of prolonging the local tourist season. Most importantly, it was an example of incredible local self-reliance at a time of deep recession in Finland and Lapland. It has also generated a strong trust in local cultural initiatives over a wide area outside Kolari.

In Finland, like many other countries, a lot of voluntary work relates to cultural projects. Kolari has become very famous all over Finland for its 'opera in the mountains'. The idea of producing new and full-scale operas on a local basis was developed in Äkäslompolo, a small village some 30 km from the municipal centre of Kolari. The project started with a great number of volunteers participating in the artistic and practical arrangements. The opera choir alone comprised some 80 volunteers who travelled to weekly rehearsals from an area within a radius of 60 km. The performance premises were built in a location where a lake and a mountain formed a natural setting and background. The project comprised several new ideas of how to combine voluntary work with public support and private commercial input. It started with a completely new opera named 'Velho' ('The Witch'). Kalervo Uuttu, a dynamic local man widely known for the richness of his ideas, wrote the libretto on the basis of old tales from Lapland. The music was commissioned from Ilpo Saastamoinen, a well-known Finnish professional composer. This opera was performed over three summers. Following this a new opera called 'Riekkö' (a bird from Lapland) was produced, and again was performed for three years. Then there was 'Käärme' ('The Warm'), which ran for another three years. Finally, in the tenth summer of the project, all three operas were performed, and then the project was closed.

The key roles of artistic direction and performance were recruited by applying the principles of more or less any other job, while the majority of the performing staff did not receive any salary. Kalervo Uuttu –

together with Johannes Seppälä, a local carpenter – personified in many respects the local origin and character of this opera project. Another main initiator was the chairman of the Opera Society ‘Velho’, Hilja Liimatainen, who skilfully managed the project and co-ordinated contributions from a host of different partners and volunteers, both public and private.

The scale of this opera project may be understood on the basis of sold tickets: some 70,000 people paid to attend the opera performances over a period of ten years. As there were only about ten performances a year, each performance represented a big event in a village of some 250 inhabitants!

All three sectors, including significant publicity contributions from private sponsors, were absolutely indispensable to this massive project. This opera series is an excellent example of a functioning VPP combination. The volunteers have clearly been dominant, but the public has also been absolutely necessary. The role of the private (commercial) sector has been more ‘natural’, co-operating on the basis of its normal principles.

### ***Muonio***

Muonio is a service-based municipality where almost half the available jobs are in the private service sector. This is an exceptionally high rate for Lapland. The proportion of those employed in the public services was about 36% in 2001, which explains why a total of approx. 85% of the work force is employed in the service industries. Refining accounts for about 8% of jobs, and primary production for less than 5%.

In Muonio there are over 150 enterprises in different fields and the level of commercial service in the main village is good. Car testing is an important international service in Muonio, and the biggest enterprise in the municipality is in this sector. The number of jobs in car testing has trebled in less than ten years, and in 2001 almost 200 people worked on technical testing during the wintertime.

There are about twenty enterprises in the tourist industries. Tourist activities in Muonio are nature-based, e.g. cross-country skiing and tracking, because there are conservation areas in the municipality. Many enterprises are of quite long standing and are owned by local people. This is considered to be an advantage: people in the business sector are also committed to the general development of the region.

#### *Public sector innovation: Muonio’s mighty ski-tracks*

Since the early 1980s, Muonio has systematically developed its ski tracks for cross-country skiing and biathlon purposes. The idea arose from the fact that the local ski-centre, Olos, had a different profile from others in

Lapland: tourists coming to Olos were more interested in cross-country skiing than downhill skiing, even in the 1980's when downhill skiing became popular. The director of the Olos ski-centre was a former skier himself and a ski instructor; he had also been the leader of the municipality's sports sector. Together with other skiing enthusiasts, he made the first application for the department of employment administration to subsidize the construction of ski tracks.

Since then, about 10 million FIM have been spent on the construction of ski tracks, which connect different parts of the municipality, including tourist centres and hotels. There is a network of tracks totalling 60 km, of which 40 km have electric lighting. An important part of the skiing business is the so-called First Snow Track, which was built in the late 1980s. As the first of its kind in the Nordic countries, they used a snow-making system, which made it possible to start the skiing season as early as October. This track is now four kilometres long and receives heavy use, especially by professional athletes.

The municipality took a leading role in developing this innovation. It has received mainly public financing, since 70% of the funding came from the department of employment administration, 10% from the municipality and 20% from local enterprises. All the main tourist enterprises have helped to finance the project. In addition, shopkeepers located in the municipality's centre have contributed to the funding. The Finnish Skiing Association and The Finnish Biathlon Association have also been important co-partners: they have brought their skiers to Muonio in the early skiing season, because of the training facilities. They have voiced their needs and ideas to the local actors in order to develop the tracks and facilitate the skiers. One example of this is the shooting range of 31 targets, which has been built with all the necessary facilities to fulfill the demands of international competitions. Skiing business in Muonio has established international networks: Muonio has organized international skiing competitions in November that were accepted onto the skiing calendar of the FIS (International Ski Federation), and international biathlon competitions are held one week later. In 1989 Muonio organized the opening competition of the World Skiing Cup, which demanded a lot from local organizers in the small municipality. They enlisted about 300 people to organize the competition, most of whom were recruited locally. Over the years, professional knowledge has been developed, together with human and social capital in organizing sport competitions, which will also be used in the future. There is a plan to try to secure the opening competition of The World Biathlon Cup in a couple of years' time.

Besides all this, the development of skiing tracks and associated businesses includes the local high school and vocational school offering skiing exercise and training as a part of their wider educational curriculum. Because of this facility, students are attracted to the high school from all over Finland. Next autumn a new course for 'track masters' starts at the vocational school, where the students will learn the techniques of snow-making, and the building and up-keep of tracks. Good tracks for skiing, snowmobiles and husky-dog, reindeer and horse sledges are necessary for the local tourist industry.

The idea of concentrating on cross-country skiing instead of downhill skiing in the 1980s, funded by the public and private sectors, as well as recruiting local people to the skiing business, and the constant development of tracks and First Snow Track, have all helped Muonio to develop as a centre for cross-country skiing in Finnish Lapland. Usually about 400 national and international skiers arrive every year to train and, at best, 700 skiers and their teams are active users of the facilities. Because of the international and national first snow competitions, Muonio has received positive publicity in the media. Ordinary Finnish people, who generally prefer cross-country skiing, have bought cottages in the area and many of them spend several weeks in Muonio, since the skiing season here lasts from October to May. This explains why the winter tourist season is quite stable and lasts several weeks longer in Muonio than in many other places in Lapland.

*Business sector innovation: Harriniva holiday centre*

'We haven't organized a trip to the moon, yet' is a slogan of the managing director of Harriniva, Kyösti Pietikäinen. By this he means that success in the tourist business requires the constant development of new products. Kyösti Pietikäinen is known as 'Mr. No-problem' among his international partners, because creative madness and courage are needed when developing tourist attractions for the global market.

In 1973, Pietikäinen's parents rented a camping site from Metsähallitus (a state enterprise that managed the area) via the municipality. The contract was for one year at that time and business operated only in the summertime. Most of the tourists were families from Norway and Finland on car trips, staying just one night on the camping site. Later, the family Pietikäinen made a direct contract with Metsähallitus for several years and this made it possible to develop the camping site. In 1982 there were eighteen cabins when Kyösti Pietikäinen started as a full-time worker in the business. The camping site attracted its first winter tourists Easter 1982, but tourism did not provide a full-time income; he and his

family were making souvenirs from Lapland during the winter and selling them in the summer.

There was a need for tourist programmes and activities in this area, so Harriniva started to develop tourist products. In 1982 the first snowmobile safaris were organized for Finnish tourists coming to Muonio with their own snowmobiles. In 1985 Kyösti Pietikäinen bought his first rubber raft for trips on the River Tornionjoki, which flowed past the camping site. This may have been more of a hobby for the proprietor than a business, to begin with: during the first summer there were only 50 customers for the raft trips.

Tourist demands were growing and by the 1990s a mere cottage was not enough, so organized holiday activities became more important. This change became apparent by 1994, when approx. 24,000 guests tested their courage on the rapids of the River Tornionjoki using Harriniva's rubber raft. During the 1990s Harriniva began to organize husky sledge trips and these, too, became very popular. Now Harriniva organizes trips into the wilderness during the winter, using the 100 snowmobiles and 350 husky dogs that he owns. New accommodation facilities have been built to increase the capacity. At first a hotel with twelve rooms was built in 1992. Now there are 64 rooms and 20 summer cottages, with beds for a maximum 180 visitors. Another 37 rooms are available at Hotel Kittilä, situated in the neighbouring municipality of Kittilä.

In 1992, Harriniva began to be marketed internationally, and because of all the satisfied customers and good contacts with several different travel agencies in Europe, 99% of the visitors come from abroad during the wintertime, mainly from Central Europe. Now Harriniva is able to offer tourist services, e.g. nature-based activities with snowmobiles, huskies, reindeers and rubber boats, to tens of thousands of tourists who come to the area and stay with them or in hotels in the neighbourhood. The company is one of the biggest employers in the municipality, offering work to 80 people, most of whom are local.

In order to retain the work force, Harriniva and the municipality have founded a company that has built apartments partly for the employees and partly for other locals. The municipality has supported the business by constructing tracks for different kinds of activities as well as dealing with the permissions required. The department of employment administration, the Employment and Economic Development Centre, the state-owned financing company Finnvera and various banks have provided the funding to develop the business, but not the municipality itself.

Harriniva is a success story, showing that a capacity for innovation, hard work, bottom-up knowledge and interesting products based on local

possibilities, namely nature, result in satisfied customers and a good reputation within the international tourist industry.

*Civil sector innovation: Housewives of Lake Jerisjärvi*

'The Housewives of Lake Jerisjärvi' is an association founded by five housewives on International Women's Day (8 March) in 2002. The association acts in three villages around Lake Jerisjärvi. Their aim is to promote communal life in the area: to bring people together for social events. Some examples are ice-fishing competitions and dances, which are organised on a ferry built for this purpose. The most important joint effort has been a fishing evening in the autumn, where traditional seine-fishing on the lake was introduced. The association applied for funding for this event from the Employment and Economic Development Centre. In addition, the municipality and approx. 30 local enterprises supported the fishing event.

The association has succeeded in its goal of bringing people together: in the beginning there were fifteen members, but already there are about sixty members in the association. The activities are family-centred. The member who chairs the association has said that one important goal is to breathe new life into old traditions, so that younger generations, especially children, learn to appreciate their home area and understand the value of beautiful nature, peace and the local way of life. She also stressed that if you can share good days with people, it becomes easier to share the worse days and help one another when necessary.

***Enontekiö***

Most aspects of economic life in Enontekiö are connected to tourism in some way. Tourist attractions are based on the area's unique and diverse nature. Enontekiö is situated at the border with Norway and Sweden, a central location in the Arctic region of the Nordic countries, with a genuine multicultural environment. More than 400 Sami people live in Enontekiö (19% of the population). Natural sources of livelihood are still important to their way of life, forming the spiritual and material basis of Sami culture. There are two Reindeer Grazing Associations in Enontekiö, at Käsivarsi and Näkkälä, incorporating 167 and 172 reindeer owners respectively, of whom 191 are Sami.<sup>19</sup> Reindeer farming therefore has a significant meaning for the identity and culture of the community. Furthermore, public services have to be offered in both Finnish and Sami, and this places specific demands on the municipality.

---

<sup>19</sup> Enontekiö's development plan of action for the years 2003-2008, written in 2003, 10, 28.

This multicultural heritage may be both a strength and a weakness for the community. One of the weaknesses of Enontekiö is that there have been families, village committees and other interest groups who did not find a common way of developing the municipality until 2003, when a development strategy and programme of action was written. This developmental policy strengthens the layout of Hetta and Kilpisjärvi with new buildings for both local people and tourist purposes. The co-existence of Finnish and Sami cultures will be supported by the development of the 'Jyppyrä Culture Centre', which will facilitate the presentation of Sami culture and offer space for communal events.

Approx. 40 people are employed in trade across the border. In the retail business, 40% of the turnover comes from Norwegian customers, and the figure for Kilpisjärvi is almost 70%.<sup>20</sup> The benefits of border trade include not only retail businesses but also travel and other services. The demand for accommodation has been increasing, particularly in Kilpisjärvi, and future prospects for nature-oriented tourism seem promising. The Kilpisjärvi Holiday Camp has been selected as one innovation in this field.

*Business sector innovation: Kilpisjärvi Holiday Camp*

Nature is harnessed for tourism in Kilpisjärvi. The highest mountains in Finland, Halti and Saana, are situated in the Kilpisjärvi area. About twenty years ago, however, it was hard to find high-quality holiday accommodation with sauna facilities in Kilpisjärvi. In the peak season (spring and the beginning of the summer), especially, travellers used to look in vain for places to sleep.

Hilkka and Taisto Vanhapiha based their holiday camp on the idea that families with children could lodge in Kilpisjärvi comfortably and enjoy their holiday, even if the weather was bad. When they started their business in 1990 they had few customers, but nowadays 89 holiday-makers can stay in the cottages at any one time. They also have cottages, with a total of eighteen beds, in Kuttanen, about 130 km from Kilpisjärvi. In the Holiday Camp they provide 135 caravan places, with access to electricity. The usage of the caravan site is 120% (!) and 65% in the cottages. This is the only holiday accommodation in Kilpisjärvi that is open throughout the season. The two owners work in this family company, together with one person on reception and one carpenter. In addition, depending on the season, demand may require the six-month engagement of one additional employee.

---

<sup>20</sup> Enontekiö's development plan of action for the years 2003-2008, written in 2003, 30.

In this magnificent natural setting, with the added possibility of skiing in the summer, and local facilities for staying in the area, Norwegians, especially, enjoy spending their leisure time in Kilpisjärvi. The Holiday Camp has had positive effects on other businesses, as well as on the social and cultural life of the village. The company's main business idea has been to expand the season. Kilpisjärvi is a unique and special place in Finland, offering many opportunities for travellers. Numerous Norwegians spend their weekends here, partly because of the well-prepared ski tracks and snowmobile routes. They bring their caravans to the camp in the autumn and move them away in the summertime, when the company can rent the caravan places out to other travellers. It is by this means that the degree of usage in the caravan site reaches 120%.

Enontekiö is a large municipality with several centres (Hetta, Kilpisjärvi and Karesuvanto), in addition to the villages situated in the western part of the municipality. Village politics are said to have had a negative effect on the development of the municipality because scarce resources have been spread to each village equally. In a new municipal strategy for the years 2003-2008 a general understanding about the distribution of resources has been achieved, and Hetta and Kilpisjärvi will be promoted as centres of Enontekiö in the future. In addition, new plans for centres, land use and building activities should facilitate future development.

Innovation processes have not always been easy. Electricity, water and sewage systems, and other forms of infrastructure, are normal tasks for any municipality. Planning the layout of the municipality, however, is a process in which entrepreneurs and inhabitants must play a part. In one case, the municipality of Enontekiö has acted as an obstacle, at least from the entrepreneurs' point of view. An agreement regarding land use allows for the purchase of land in Kilpisjärvi. Building on the land inevitably involves issues of layout. After an agreement was signed, entrepreneurs started to plan new buildings and activities. Three companies in particular, Hotel-Olos, Kilpis-Halli (owned by shopkeeper Rousu) and Holiday Camp Kilpisjärvi, had plans involving new buildings and had bought land for this purpose. However, the municipal council regulated the payment for land use to a level that was higher than conventional prices. The municipal councillors did so because the municipality had invested in the development of Kilpisjärvi and felt it was reasonable to expect payments in return from the entrepreneurs. The entrepreneurs in question discussed this with the municipality and got the trade ombudsman involved, in an attempt to lower the payment. In the end the payment was halved, but this

took time and energy that could have been used for practical development work.

The Holiday Camp has a positive social and economic effect on local life. For Norwegians, the weekend travel to this location is regarded as an economically reasonable and pleasant leisure activity. They usually arrive at the caravans on a Friday, buy food and drink from the local shops, and enjoy each other's company. For the local shopkeepers the sales increase is remarkable.

*Public sector innovation: Distance education*

Distance education, an attempt to improve schooling provision in a rural area, was an important three-year pilot project that started in 1994. Two groups of lower secondary school pupils (four pupils in Kilpisjärvi, and fourteen in Helsinki) studied together by means of videoconference lessons. The pupils were separated by over 1,000 km but were linked by a telephone line. Since this project, distance education has become a normal practice in Enontekiö and the model has been exported to another municipality in Finland.

Enthusiastic parents initiated the innovation process. They asked whether the municipality could arrange secondary school facilities in the village of Kilpisjärvi. At that time, between seven and nine pupils from Kilpisjärvi had to travel to school in Hetta, 180 km away from home, and to stay there for weeks at a time in a school hostel. The municipal authority compared the accommodation costs with the other costs involved and as a result of this evaluation a school was established in Kilpisjärvi. The municipality found a partner in the University of Helsinki, which has a Biological Research Centre in Kilpisjärvi. One aspect of interest for the University was the chance to obtain knowledge about distance education for its teacher-training programme.<sup>21</sup>

The first issue to be solved was how to guarantee the quality of teaching in a situation of between one and three students per class. A pilot project with the university was planned, with the help of the Biological Research Centre, in which the facilities for distance education were arranged. Teaching in English, Swedish and mathematics is served using the distance facilities. In practical terms, this involves about one hour's schooling per day, and 30% of the teaching volume. Experiences from the pilot project have been good and nowadays distance teaching is taking place in other schools, and more subjects have been included in the schooling programme.

---

<sup>21</sup> Rönkä, Aarno (1999) Classroom-focused distance education in practice.

The municipality has been an initiator, facilitator and co-ordinator in developing distance education. The municipality has benefited from the possibility of obtaining financing for the education of ethnic minorities. Language teaching for ethnic minorities has received financing from the EU and the Ministry of Education also supports distance learning.

In order to achieve good results, the teachers' co-operation in the planning, carrying out and follow-up of distance lessons has been important. For pupils in Kilpisjärvi, distance education has led to isolation from pupils in Hetta of the same age, but these social relations have been replaced by Net-based relations with pupils in Helsinki. Learning results have been positively affected by distance education, compared with regular classroom teaching.

The effect on the families is positive. The children have been satisfied because they can live at home. The results of the children's learning have also improved. As a result, distance teaching has been applied to other subjects. In the school in the village of Peltovuoma, for example, special teaching for students with learning difficulties is organized from the municipality of Liperi, situated in East Finland. The teaching is 'free' because it is exchanged with Sami language teaching from Enontekiö. In Liperi Sami people can practice their native language, even though they live far away from their birthplace. Teaching efforts can be exchanged over long distances and free of charge by the use of information and computer technology (ICT) and by exchanging subjects. Liperi also offers teaching on orthodox religion.

Enontekiö has shown that distance learning of good quality is possible, with the help of ICT. Distance learning has also shown that ICT can provide a more versatile delivery of public services. In addition, ICT facilitates work in remote areas, which is viewed as an opportunity to entice new inhabitants to the municipality.

*Public sector innovation: 'Jyppyrä' nature, culture, exercise and information centre*

Local actors are usually the most important initiators and supporters in processes of innovation, because the interaction is intense and sufficient between local partnership structures. It seems true to say that the municipality, in its capacity for initiating or supporting innovations at a local level, has adopted a more conscious role. This is a common strategy in attempts made by local actors to develop the municipality and the region, and is the sign of a progressive and innovative atmosphere. The area of Jyppyrä in Hetta is mentioned in the strategic plan for 2003-2008 as a valuable location in which to develop nature and cultural services. Based on this strategy, a partnership project has been created between local pub-

lic actors (the municipality, Finnish Forest and Service Organization) and non-governmental actors (Johtti Sápmelacat).

The basic aim of this innovation is to develop a Nature Centre of Fell Lapland as an information centre and a meeting place for local people and tourists. Promoting this requires Sami people and other local inhabitants to unite their forces in common activity. The main idea of Jyppyrä Centre is that Sami culture and the local lifestyle should together face and discover new forms of innovation in order to enhance their quality of life. Because of this, the project may be included in the category of civil society innovations, even though it is public sector driven.

Creating Jyppyrä Centre is still an ongoing process. The project started in 2003 and will be completed by the end of 2005. The Nature Centre of Fell Lapland, with its exhibitions about the fell area and its plants and animals, client service and audio rooms, is situated at the foot of Jyppyrä. A nearby local area and Sami museum will be connected to the Jyppyrä Centre. Activities in these two buildings are being reorganized for the purposes of the new concept.

Jyppyrä, as an area, is divided into three sections that relate to the main activities in this plan. The first is a 'nature/fairyland', the second a 'ski land' and the third section is formed near outdoor recreation footpaths. There are no new buildings; instead, old ones are being integrated with one another. New activities are planned around them. The innovation process has included the development of paths, skiing areas and an all-year adventure park based on the story of 'Pessi and Illusia', written by local author Yrjö Kokko. The park displays methods of coping with nature for visitors.

The municipality has provided the facilities for the project. Building the centre around Jyppyrä has required town planning involvement because holiday accommodation in the area includes about 48 new building plots. The main actors in the process are the Finnish Forest and Services (Metsähallitus), the Employment and Economic Development Centre of Lapland, the State Provincial Office of Lapland and the municipality of Enontekiö.

One purpose of the culture centre is to support the creation of identity and culture for local inhabitants. In practical terms, this offers a place to accommodate music festivals, such as the Day of Maria festival, the Hetta music festival and other traditional events. The culture centre will be valuable for the community as a meeting place, and will serve both local people and tourists.

### *Civil society innovation: Ice fishing on Lake Kilpisjärvi*

The first ice fishing competition was arranged in Kilpisjärvi in 1986, with about 400 participants. Nowadays the event brings more than 6,000 visitors to Kilpisjärvi for two days over the first weekend after May Day. This type of event is arranged in many communities in Finland, e.g. in Tornio, and in Tuuri in the south of Finland. However, Kilpisjärvi seems to be the largest crowd-pleaser.

There is a playful event called 'Läskihiihdot' ('Fatso Skiing') before the ice fishing itself. When this event was due to be closed down a small group of villagers, led by a shopkeeper, came up with an event called Through Ice Fishing. A local fishing association, almost 100 members strong, organized the event (there are a total of 114 inhabitants in Kilpisjärvi, and every person who has worked for the grocery shop is a *de facto* member of the association). The sale of tickets brings in a direct income of €20,000 to the association. With this kind of revenue the association can buy generous prizes, which must be one of the reasons for the popularity of the event. Winners are selected by lot, and the number of fish caught is therefore unimportant.

The event has had a remarkable effect, not only on the association, but also on local people in general, from school pupils to the women's association, and especially for hotels, restaurants and holiday camps. Everybody get something out of this collaborative event. Extra accommodation is needed during the fishing competition; visitors are put up in a school building that sleeps about 80 people and pupils serve the food. In addition, the school pupils sell homemade products that increase their assets and the possibility of travelling and organizing school activities in other locations during the spring; on one occasion they went to Greece, and this year they travelled to Helsinki. Some of the revenue from renting the school goes to the municipality, which owns the school building.

To Finnish people, Kilpisjärvi is known for this fishing event and for Finland's highest mountains, Saana and Halti; to Norwegian people, it is known for its grocery shop, Kilpishalli. The fishing event does not bring any extra revenue to the shop, because the Norwegians have learned that this is not the time to come to Kilpisjärvi. The future seems promising for the main event and for new, small-scale innovations that have come about as a result.

### ***Concluding remarks on innovations and the role of the municipalities in Finnish Tornio Valley***

Finnish Tornio Valley has undergone a severe social change, with many serious problems such as unemployment, migration and an ageing population structure. Despite these problems, the atmosphere of innovation in

the municipalities seems quite progressive and active. The research team mapped a total of 80 innovations in the six municipalities, which are probably only the tip of the iceberg. It was evident that innovations are *processes, not single ideas*. Hence, what is counted as only one innovation is actually a process with several hidden 'sub-innovations' to sustain activity and development. This was true, for example, in the case of Production Studio in Tornio, which was the result of a long transformation of the steel industry from mass production to sophisticated and individual steel products made by local firms. Entrepreneurs carried out continual development work to find new markets for their products and services by responding to the need of their customers and/or by developing their products in new ways to save material or make a product more resistant.

It is also noted that a creative spirit may be the source of a good idea, but the follow-up process demands hard work. Defining aims, for example, seems to be a crucial factor in initiating innovative processes; a sufficient sense of challenge, reasonable ambitions and the acceptance of an idea by those needed in the process seem to be the features of the aims that result in innovation. This observation is also supported by the fact that innovations are not distributed evenly throughout the area. On the contrary, there seems to be a tendency towards a development having a cumulative effect: villages and companies that once succeed in creating an innovation often continue along this path. Therefore, again, it seems relevant to consider innovation as a process, rather than a series of separate events.

Our research stresses the importance of key local actors in innovative processes that take place in remote regions. Almost every innovation has had a clear core agent to manage the process. Very often this agent, initiator and 'engine' of the process has been a local person, who has committed him/herself to the development of a new idea. This is especially the case where innovations in the business sector and the third sector are concerned. The Harriniva Holiday Centre in Muonio, for example, was individualized to a great extent by its proprietor. In all third sector innovations there has been an initiator, who was able to recruit more activists to the project, and then supporters to the joint effort.

*Small scale and long distances are not insuperable barriers to innovations* in the remote and sparsely populated countryside. On a local level, the combined efforts of public, private and third sector actors are common. In small and remote localities, especially, this kind of co-operation appears to be both appropriate and often necessary for innovations to succeed.

Nevertheless, local co-operation is not usually enough; the creation and utilization of wider networks are inevitable. There is a good evidence of innovative success stories utilizing national and international resources and networks in all three sectors in a skilful manner. In Finland, the funding for an innovation is usually money from national state sources, distributed by regional authorities. In the business sector, 'local' is more and more 'global': tourism is an international business in Finnish Lapland, while steel produced in Tornio and concrete produced in Ylitornio are increasingly sold on the global market. Kanteles produced in Ylitornio are marketed on the Worldwide Web, which has proven to be a good market place for a unique product.

Innovation networks are focused on the development of knowledge, products or services. Innovations differ from one another both in properties and their social effects. *Product innovations* may create new markets and jobs for local people. *Process innovations* in the business sector are usually aimed at lowering costs or handling environmental effects, as was in the case with the Production Studio. Kurtakko village in Kolari is a good example of process innovation: they initially had one active, concrete project theme, but its progress gave seed and nourishment to new concrete plans that followed on. The same applies, though in a different way, to the Velho opera series.

Whatever the categorization of innovation processes, it is obvious that technological, social and organizational innovations nourish one another. Even the technological innovation of distance education has a social dimension, since it changes the mode of action in the community. Pupils no longer have to travel long distances in order to get to school. In the same way, social innovation, as a new mode of action, may create new demands for technological development in order to minimize harmful effects, or to expand the use of technological innovations in other fields.

The effect of innovations in local life is diverse. Public (usually municipal) innovations tend to extend the local infrastructure in one way or another: either in terms of more or less concrete infrastructures (e.g. building ski-tracks and roads, and making master plans for the purposes of tourism) or of mental infrastructures (e.g. the image and spirit of the place). Apart from their economic benefits, business innovations in the private sector often result in positive psychological spill-over effects, such as feelings of success, merit, improved self-reliance and a strengthened sense of local identity. The importance of the third sector innovations usually lies in their two main influences: a strengthened sense of local identity and an improved image of the place.

The main task of the Finnish municipalities is to take care of basic services such as health care, education, and the building and maintenance of a local infrastructure. Although municipalities have limited resources to support local business sectors, for example, *all six municipalities in the research have put effort into the support of entrepreneurs and the third sector in the area*. The role of the municipality is especially important in the situations where the private and third sectors are weak.

A general conclusion is that the municipalities used to be expected to have a responsibility for various activities in the area, but this situation has changed because of a tightening municipal economy. On the basis of the empirical study it seems important to emphasize the multiple role of municipalities in the innovation processes in the Tornio Valley. It may help to clarify matters by at least distinguishing between the following municipal roles: initiator, facilitator, partner and supporter.

Table 6.1: The main municipal roles.

Role of the municipality	Innovation	Municipality
SUPPORTER (i)Agent of public acceptance, (ii)Reflects local popularity, (iii)Provides necessary infrastructure for the environment to function (technical, legal, etc.)	Kilpisjärvi Holiday Camp	Enontekiö
	Ice fishing event	Enontekiö
	Kantele and guitar manufacture	Ylitornio
	Shooting Centre	Ylitornio
	"Marrying across the river"	Pello
	Kurtakko village activities	Kolari
	Housewives of Lake Jerisjärvi	Munio
	Harriniva Holiday Centre	Munio
FACILITATOR (i)Catalyst between those potentially interested, (ii)Midwife sparks the process of an idea into practice, (iii)Decision maker, causing the project to get off the ground	Bothnian Market	Tornio
	Steel Production Studio	Tornio
	Muonio's Mighty Ski-tracks	Muonio
	"Velho" Opera Miracle	Kolari
PARTNER (i)Deep sense of commitment to the innovation process (economic, spiritual, etc.), (ii)Risk-taking partner	Distance education	Enontekiö
	Jyppyrä Culture Centre	Enontekiö
	Gym for elderly people	Ylitornio
	History of science site	Pello
	Ylläs Saga Health Spa Hotel	Kolari
INITIATOR (i)The one who creates and nurtures the idea, (ii)Organizer of the preparatory process	"On the Border" project	Tornio
	Concrete production	Ylitornio
	"Lively Life to Tornio Valley"	Pello
	Tourism strategy	Kolari

In some cases the municipality initiates a new idea and innovation but, because of a shortage of resources, it may later withdraw from the main responsibility, and the maintenance of the innovation process is then transferred to third sector actors. In the case of some innovation processes in the business sector, the municipality may act as a catalysing *liaison* between potential partners, helping them to find each other and, as midwife, assisting at the birth of an innovation in a practical manner. The catalyst seems to be very important within the public sector.

At a later stage of an innovation process, municipalities mainly adopt the role of a supporter, providing much-needed infrastructure and giving assistance (e.g. information about financial possibilities) in developing a business idea or EU project, for example, whereas funding for the innovation usually comes from a regional and/or national level. The role

of a 'silent' supporter is important as well, especially in areas where the private sector is weak and there are few actors within the third sector. Very much depends on the knowledge, skills and networks of the municipalities' leading officials: can they contribute to the creation of an innovative atmosphere, and are they able to support innovations arising in the area? Another important municipal role is to create a local network among innovators and developers in the area, thereby linking up local resources.

Some municipal innovations are included in the normal services provided by the municipality, which is why they retain the role of innovation facilitator. The continual development of service production is a challenge for the future in northern municipalities, because of a decrease in tax income, and because state subsidizing organizations are tightening their budgets. This creates the demand that municipalities themselves should take good care of their innovative capacity and innovation processes, in order to secure services in the sparsely populated Finnish Lapland.

## References, Chapter 6

- Aho, Seppo and Ilola, Heli (2001) Kolme Lapin kylää tulevaisuuttaan hahmottamassa. Kylätoiminnan nykyvaihe ja kehityksen edellytykset Joutsijärvellä, Kurtakossa ja Tolvassa. Lapin yliopiston täydennyskoulutuskeskuksen Oppivat kylät –projektin julkaisu 3/2001
- Aho, Seppo (2002) 'Tourism as an impetus for local entrepreneurship and innovation.' In *Cultural Heritage, Man and Tourism*. Hanoi: Report of the Asia-Europe Seminar.
- Budget and Economic Plan of Tornio for the years 2003-2005.
- Enontekiö's development plan of action for the years 2003-2008, written in 2003.
- Financial Plan documented in the State provincial Office of Lapland.
- Harjula, Heikki and Prättälä, Kari (2001) 'Kuntalaki – tausta ja tulkinnat'. Kauppakaari, Lakimiesliiton kustannus
- Häätylä, Saija and Rensfeldt, Maria (2000) Peräpohjolan Markkinat – Tornion vetovoimatekijä. Kemi-Tornion ammattikorkeakoulun Talouden ja hallinnon koulutusohjelman opinnäytetyö
- Kaulanen, Kari (2002) Ajan rinki. Kertomus Velho-trilogiasta. Santa Claus Medias Oy. Raahе.
- Kyröläinen, Antero (2003) Final Report of the Production Studio of Stainless Steel.
- Municipal Strategy of Tornio (2003).
- Bothnian Market. The final report of EAKR-project for years 1999-2001. Presentation of Trade Institute of West Lapland.
- Rönkä, Aarno (1999) *Classroom-focused distance education in practice*. <http://www.helsinki.fi/kasv/nokol/projektit/kilpis/engkilp.html>
- Statistics. Regional Council of Lapland. <http://www.lapinliitto.fi>. Searched in May 2004.
- Ståhle Pirjo and Sotarauta Markku (2003) Alueellisen innovaatiotoiminnan tila, merkitys ja kehityshaasteet Suomessa. Eduskunnan kanslian julkaisu 3/2003.
- Susiluoto, I. and Loikkanen, H.A. (2001) Seutukuntien taloudellinen tehokkuus 1988-1999. Tutkimuksia 2001:9. Helsinki: Helsingin kaupungin tietokeskus.
- Tuomas Santasalo Ky (2002) Haaparannan ja Tornion keskustojen kaupalliset palvelut. Raja-alueen tarkennettu kaupallinen mitoitus ja vaikutukset kaupalliseen rakenteeseen. Selvitys Rajalla-projektille.
- Vahtola, J. (2000) Tornio – vuosisatojen portti Lappiin ja länteen. <http://www.tornio.fi/museo>.
- Ytyä Kolariin: yrittäjyydellä työllisyyttä. Loppuraportti. Lapin yliopiston täydennyskoulutuskeskus 1998.

*Municipality Web-pages:*

[www.enontekio.fi](http://www.enontekio.fi)

[www.kolari.fi](http://www.kolari.fi)

[www.muonio.fi](http://www.muonio.fi)

[www.pello.fi](http://www.pello.fi)

[www.tornio.fi](http://www.tornio.fi)

[www.ylitornio.fi](http://www.ylitornio.fi)

## Chapter 7

### Innovations in Ethnic Landscapes

A study of innovations in the municipalities of Storfjord,  
Kåfjord and Kautokeino

*Torill Nyseth and Nils Aarsæther*

#### Introduction

Local contexts influence innovative activities. By examining innovations in three ethnically mixed municipalities in Northern Norway, we shall study the extent to which ethnic contexts make a difference. Storfjord, Kåfjord and Kautokeino are the municipalities studied in this chapter. They are all participators in the trans-border co-operation of *Tornedalsrådet*. Kautokeino has a majority of Sami people, while Kåfjord and Storfjord have a mix of Sami, Kven (of Finnish origin) and ethnic Norwegian inhabitants.

Does an ethnic context in any way determine what kinds of innovations are possible in these localities? To what extent do the innovations carry an 'indigenous' label? Following Ash Amin, our point of departure is an institutional approach to innovation, where we see the 'economy as both an instituted process and a socially embedded activity' (Amin 1998). Our hypothesis regarding the relationship between local context and innovation is, following the institutionalist perspective, that innovations are context-specific.

Are there any reasons for believing that there should be any differences between ethnic Norwegian and Sami municipalities, as far as innovations are concerned? If we look at *institutions* that we know to be important incentives for innovative activities, there are differences. Firstly, the northern part of Troms and the whole of Finnmark County has been defined as a specific *economic region* by the state authorities, as a consequence of negative economic development and high rates of out-migration, with tax exemptions and extended welfare services granted to firms and people in order to make it easier to establish new businesses and attract competent personnel. In addition, the Sami areas also have their own *Sami Development Fund*, financed by the Sami Parliament, to stimulate new business initiatives.

Secondly, the business structure in the area is an important factor. Even though there is some diversity in the business structure, the private sector is dominated by industries that are dependent on natural resources, both on the coast and inland. These are industries that are characterized by natural fluctuations and by a high degree of state regulation. In consequence, we do not expect to find a strong entrepreneurial culture in the business sectors in this area. Thirdly, we are used to thinking about ethnic differences in terms of tradition, and the need to assert identity by linking up with historic events and practices, which is something very far removed from what we understand by 'innovations'.

We start by giving an overview of some basic characteristics of the municipalities, including descriptions of their geography and economic structure. The innovations selected for a follow-up study will be analysed, including the role of the municipalities in processes of innovation. We conclude by discussing the fruitfulness of the innovation concept in multi-ethnic contexts.

The analysis is based on data gathered during several visits to the three municipalities in the period June 2003 – March 2004. Some of the interviews were with individuals and some were group interviews with municipal authorities, both political leaders (a mayor and vice-mayor) and administrative leaders. During the follow-up visits we focused on the innovations themselves, the processes and the actors involved, using the snowballing technique. Altogether, 28 people have been interviewed in the three municipalities.

### **Storfjord, Kåfjord, Kautokeino: A multi-ethnic landscape**

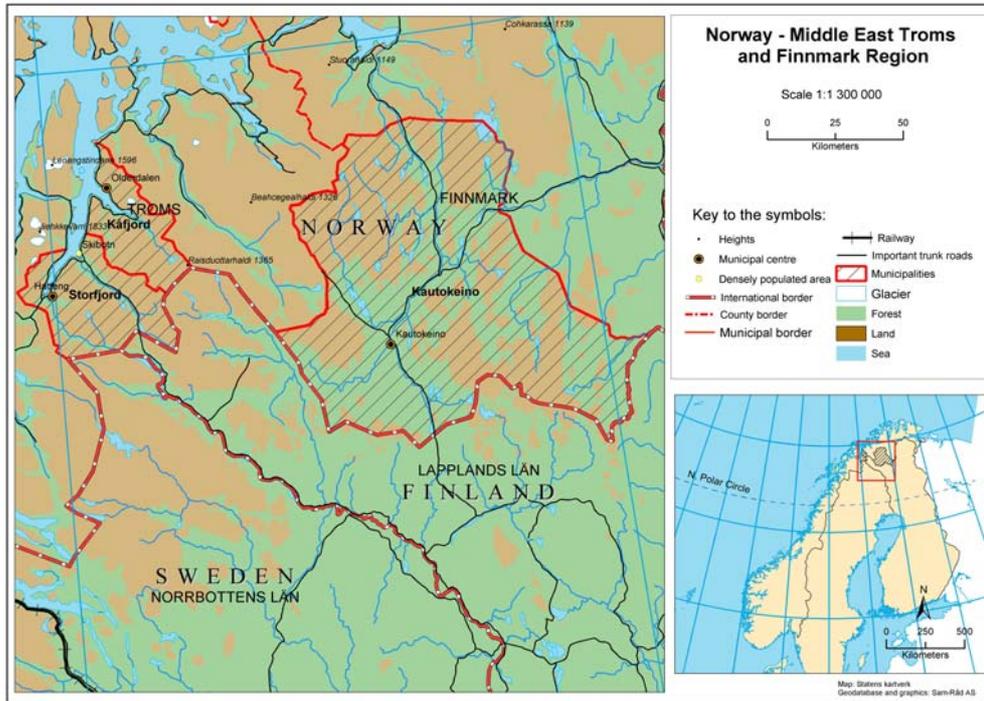
Following the trunk road (E6) north, you will drive through both Storfjord and Kåfjord in approximately one hour. Both municipalities are located in the northern part of Troms County. Storfjord and Kåfjord are both coastal or fjord communities, but they also have borders with Enontekiö (Finland) and, in the case of Storfjord, also with Kiruna (Sweden). The road to Finland is a historic trading route, used by the Kven people in Tornedalen, the Sami and the Norwegians.

Storfjord, although a small municipality, is geographically and politically split in two: the east side, with Skibotn as the municipality's largest settlement, and the west side, where the municipal administration is located. The distance between the two sections of Storfjord is approx. 30 km and to the urban centre of Tromsø is 100-130 km, or about two hours' drive by car.

Kåfjord has a decentralized settlement structure, with settlements stretching out along the Lyngen fjord. The main settlements are Olderdalen, which is the municipal centre, Birtavarre and Manddalen, the last two

consisting of scattered settlements in rather long valleys. Kåfjord may be characterized as a coastal Sami community, even though the two valleys, Kåfjordalen and Manddalen, stretch quite a long way towards the mountain plateau, thus becoming part of the Sami reindeer-herding area.

Kautokeino is one of the municipalities in the Sami core area in Finnmark County. Kautokeino is located 120 km south of Alta, the main city in Finnmark. The journey by car from Alta, following the Alta-Kautokeino River, is quite impressive. Kautokeino, together with the neighbouring municipality Karasjok, covers the Sami core area on the Inner Finnmark mountain plateau.



*The municipalities of Storfjord, Kåfjord and Kautokeino, and the surrounding area, indicating the localisation of the three municipalities within the Tornedalen Region.*

## Key statistics

Table 7.1: Size and changes in population for the municipalities in this study over the past 24 years.

Inhabitants	1980	1985	1990	1995	2000	2004	Change 1980-2004	Net migration*
<b>Storfjord</b>	1,904	1,915	1,836	1,939	1,872	1,911	+7	-22
<b>Kåfjord</b>	3,107	2,971	2,819	2,677	2,369	2,34	-767	-60
<b>Kautokeino</b>	2,855	2,925	2,953	3,141	3,068	3,007	+152	-31

\*in the year 2000

All three municipalities are quite small in population terms. The smallest one, Storfjord, has fewer than 2,000 inhabitants, while Kautokeino has approx. 3,000. Since 1980, Kåfjord has lost 767 inhabitants, or about 25% of its population. The demographic situation in Storfjord and Kautokeino is of especial interest, as they are among the very few small-scale municipalities in the Nordic periphery to have sustained their population level over the past decades, and at present (2004) are about to reach their highest population numbers ever. Kautokeino has a particularly young population, and since 1990 the population has been fairly stable at 3,000 inhabitants. Over the past decades, many people in the municipal area have moved into the municipal centre, even a large proportion of those connected with reindeer-herding activities. However, all three municipalities had negative migration figures in the year 2000.

Table 7.2: Economic structure by sector, and unemployment in the year 2000.

	<b>Business structure, in %</b>			<b>Unemployment, in %, 2001</b>
	<b>Agriculture, fishery, etc.*</b>	<b>Industry</b>	<b>Service</b>	
<b>Storfjord</b>	8	18	74	6.2
<b>Kåfjord</b>	20	15	65	8.0
<b>Kautokeino</b>	13	10	77	13.6

\*also includes forestry and reindeer herding

Agriculture and fishery are much more important in Kåfjord than in Storfjord or Kautokeino. Manufacturing industry is more important in Storfjord than in the other two municipalities. We also notice that the Sami core municipality, Kautokeino, has the largest share of people employed in the service sector, and that the unemployment rate is highest in

Kautokeino. This has a great deal to do with downsizing processes in the reindeer-herding economy.

### ***Ethnic mobilization since 1980***

Despite some similarities, the three municipalities differ in many ways when we dig deeper into the question of ethnicity. The inland Sami in Kautokeino have been able to assert their ethnic identity, which is underpinned by reindeer herding as a material expression of their culture. In this area the Sami are the majority population, and in Kautokeino 90% of the population speak Sami. Kåfjord, on the other hand, is a “new” coastal Sami community. There are coastal Sami people more or less all over the region, but only Kåfjord has so far obtained the status of a Sami municipality. There has been an ethnic mobilization going on in this community for about fifteen years.<sup>1</sup>

As part of the aftermath of the Alta conflict over a hydro-electric development project in 1979-80, the Sami movement was strengthened and the Norwegian state responded by creating a series of institutions in what came to be something like a nation-building process (parliament, theatre, college, media, etc.) Especially in Kautokeino, people have registered as voters for the Sami Parliament and the Sami population has become politically activated in a way that is quite different from before. Part of the Sami Parliament’s administration is located in Kautokeino, as are the Sami College, the Sami Theatre and the Nordic Sami Institute, a research institution co-financed by the Norwegian, Swedish and Finnish governments. These institutions have meant new jobs in the locality, but they are also symbols of a shift in the way that people express and define themselves in the communities. We are witnessing a cultural transformation.

Looking at the business structure, Kautokeino may still be classified as a reindeer-herding community. Despite the transformations in this sector, there are still several hundred people in this industry. An attempt was made to industrialize Kautokeino during the 1960s, but the mine (Biggjovagge Gruver) was closed down by 1973. Today, tourism and Sami handicrafts (*doudji*) are probably the most important industries aside from the reindeer-herding sector. Established by an in-migrating family in around 1960, a silver jewellery firm that exhibits art and jewellery now employs 10-15 people and is perhaps the main attraction for tourists visiting Kautokeino.

---

<sup>1</sup> Based on data from the national population census in 1930, Kåfjord appeared as the largest Sami municipality in the country. In the 1930 census, 1,233 people were registered as Sami, and of these 1,149 also spoke the Sami language.

Storfjord may be characterized as a multi-ethnic community, with a mix of Sami, Kven and ethnic Norwegians (Bjørklund 1985). Kåfjord and Storfjord have both been characterized as transitional areas, in which people were changing their language and way of life to the standard Norwegian mode as late as in the 1970s.<sup>2</sup> Kåfjord is, for the time being, more outspoken about its coastal Sami origins than the other municipalities in the region (Pedersen and Høgmo 2004). The Sami people on the coast have constituted a minority in the past, suffering more overt discrimination during the first decades after the Second World War (Eidheim 1971). The coastal Sami were not included in national ethnic policies until the ‘modern’ Sami coastal movement started in about 1980. Before this, they were in the process of disappearing as a distinct group of people (Høgmo 1986). Since about 1990 there has been a change. Several new institutions have been created as a consequence of the ethnic mobilization, among them the AJA, a Sami language centre in Kåfjord (located in Manndalen).

On the coast and in the fjords, farming, fishing and the use of other natural resources have traditionally been the foundation for Sami livelihoods, but also for ethnic Norwegians and Kven living in the same area (Nilsen 2003). There was a mining industry in the Kåfjord valley at the beginning of the twentieth century, but this was closed down in 1919. Since then, industrial development has been marginal. Characteristically, their enterprises have been small-scale, based on occupational pluralism, low capital investments and a sustainable exploitation of the local, natural resource base. Today, the business sector is not very well developed in any of the three municipalities and the public sector is the most important employer.

### *Challenges and opportunities*

A common challenge for the three municipalities is how to handle the situation of a ‘difficult’ municipal economy. In Kåfjord, the municipal economy is relatively healthy at the moment, compared to some years ago, but this is a consequence of cuts in the workforce, both in administration and in the welfare sector. In consequence, municipal leaders report an insufficient capacity to give relevant responses to people with ideas. Other challenges mentioned are a lack of jobs for competent people, a lack of capital for new investments and a lack of entrepreneurial spirit. In Kautokeino, finding new jobs for reindeer-herding families leav-

---

<sup>2</sup> Here, a transition from Sami/Kven to Norwegian communities (Eriksen and Niemi 1981).

ing the industry is a big problem. The state has run programs for the re-deployment of this group, but with few results.

Where do the municipalities perceive opportunities? In Kåfjord they pointed to a high community spirit and the fact that the recent focus on ethnicity has produced a positive image of the municipality. Some young people are moving back to the municipality after finishing their education, and tourism represents a new opportunity. In Kautokeino they pointed to the high incidence of music and other kinds of cultural activity. The Easter Festival is a big event, and they boast of having very high overall competence in the Sami language and culture within the administration, in research and in educational institutions. In Storfjord a generally high level of activity in the civil society was pointed to as something positive.

### ***Municipal development policies***

The municipal resources for locality development may be grouped into self-funding, access to external funding, personnel devoted to development work and development planning.

*Table 7.3: Municipal resources for business development.*

	<b>Storfjord</b>	<b>Kåfjord</b>	<b>Kautokeino</b>
<b>Business development fund</b>	Yes, and also one for farming and fishing	Yes, but empty	Yes, 4. million per year
<b>Business development agency</b>	Municipal business officer	Municipal business officer	Development company with two officers
<b>Mayor in full-time position</b>	Yes	Yes	Yes
<b>Access to the Sami Development Fund</b>	Yes	Yes	Yes
<b>Strategic business development plan</b>	Yes, but not revised	Yes, but not revised	Yes, and revised in 2003

In Storfjord they have been able to establish a funding arrangement to support the farming and fisheries industries. In the 1970s, a large hydro-electric development was planned in the Skibotn area by the regional public energy department. The municipal leadership was wise enough to make a case for negotiating compensations that were calibrated according to the financial resources of the developers. As part of the compensation packet, a publicly-owned laundry was set up in Storfjord to serve the region's hospitals and military installations, thus providing employment for almost 30 women. In addition, money for two funding arrangements (one

for private businesses in general, the other for agriculture and fisheries) was secured on an annual basis. The advantages of the trunk road, the laundry and the small-business funding have comprised an enduring platform for the municipality's developmental endeavours. In Kåfjord, the Sami Funding arrangement for new businesses and the development of existing business activities has been very important, especially in Mandalen and Birtavarre (Bjerkli 1995). These funds have made it possible to continue with the combined occupations that support the household economy and act as a platform from which new businesses can start. Young people have been able to buy new fishing boats and several farms have been able to modernize their production.

***Selecting innovations: the modernization of tradition***

In the first round of interviews we identified an almost identical number of innovations in the three municipalities, grouped in the three sectors like this:

*Table 7.4: Total number of innovations in each municipality, according to responses from the focus group interviews.*

	<b>Business</b>	<b>Public</b>	<b>Civil</b>	<b>Total</b>
<b>Storfjord</b>	6	4	3	13
<b>Kåfjord</b>	4	7	4	15
<b>Kautokeino</b>	5	8	1	14

From these 42 suggested innovations, we selected a total of eight for follow-up studies. In Storfjord we found no outstanding business innovation among the six suggested to us (cf. Table 7.4).

The innovations chosen from the list above are unique, partly because of their success and partly as a consequence of their importance on a broader basis, even as models or prototypes that may have an influence outside the municipality.

Table 7.5: Selection of innovations in each sector.

	<b>Storfjord</b>	<b>Kåfjord</b>	<b>Kautokeino</b>
<b>Business</b>	(None)	Tourism	Mobile phone service centre
<b>Public</b>	Production collective	Home-page	Residential planning
<b>Civil</b>	Market place	Festival	Music festival organization

In Kåfjord it should be noted that both the business and civil innovations are located in the same village, Manndalen. This is not accidental, but may be looked upon as an expression of different cultures in different parts of the community, both in the sense of ethnicity and also when we speak of entrepreneurial culture. In these two innovations, those elements are brought together in a powerful blend. In Storfjord, the meetings and interviews with the municipal political and administrative leaders revealed no outstanding examples of business innovations in the 1990s. On the other hand, the municipality leaders report that small-scale business people are constantly coming up with project proposals and several projects have received (modest) contributions from municipal funding to assist them in the planning and development of business ideas. These firms, mostly involved in handicraft and construction work, seem to be successful as they exploit a wider regional market in periods with low demand locally. A recent article in the regional newspaper carried the headline ‘Storfjorders full of ideas’,<sup>3</sup> and the article reported a list of applications for funding from people with small-scale business ideas, both in the traditional sector (e.g. firewood production) and the modern sector (e.g. mountain tourism). However, none of these arrangements may be compared, in terms of societal importance, to the bold moves taken by the municipality and other local leaders in the early 1970s, when the compensations for hydro-electric development were granted and brought into being a developmental strategy that resulted in rather big projects (the public laundry, three hotels), but also quite small ones (support for household-based innovations). On the other hand, both innovations from the 1990s have involved substantial segments of the local population in Storfjord, even though the number of work places created is very small.

---

<sup>3</sup> Nordlys 17 Feb 2004.

In Kautokeino, too, innovations were hard to find in the first round of interviews, especially within the business sector. Here we countered the problem of it being suggested that we should include a very interesting “business park” project at the time of our first visit, only to learn of its recent bankruptcy when we returned for the follow-up study...

## **Storfjord innovations: A revival of traditional marketplace and production collectives**

### ***Skibotn marketplace revival***

A longstanding tradition of an international market and religious gathering had waned in the early 1950s, when modern commerce, road links and permanent habitation replaced the seasonal market events to which Sami and Nordic people travelled by boat, horse and reindeer-driven transport. The location of Skibotn near the Swedish and Finnish borders made the place a perfect location for marketing traditional products and trading essential imported goods (cereals, etc.), and the market was strengthened as an institution when religious, Laestadian gatherings were organized alongside the commercial activities.

In the early 1980s, when the Cold War was about to come to an end, the leaders of the local businessmen’s association in Skibotn were informed that the border garrison located in that area was to be closed. The association organized themselves to enter into negotiations with representatives from the Norwegian military, to obtain some compensation for a local community that had in many respects, and for many years, benefited from the presence of the military. One suggestion or idea that materialized was the military’s co-financing of a community sports hall in Skibotn. The Skibotn Hall project succeeded in obtaining substantial contributions, not only from the Ministry of Defence but also from the national sports funding service and the sports hall project was implemented, even though it was said at first to be opposed by the municipality leadership (due to local geographical conflicts).

The hall and its surrounding area were ideal for a new seasonal market project, building on a tradition that had been lost in the 1950s. In the early 1990s the new market concept was tried out, with a now broader societal basis, as part of the ‘Skibotn village development association’. The local leaders have spent much energy in making contacts with travelling merchants and firms in Sweden and Finland, and more recently in Russia, so as to transform the market into an important North Calotte trans-national arena. Over the past few years the organizers have also tried to expand the cultural basis of the market, by including artists and lectures as part of the whole event and, to reach out to people interested

in sport, a relay race has been organized, starting in Sweden, progressing into Finland and ending at the Skibotn market.

Attendance at the market has gradually expanded in numbers and by 2003 it had reached a total of about 5,000 paying visitors – and some 500 (local) volunteers – in addition to cultural performers, and groups and firms offering their products. The religious dimension has not been included in the new marketplace concept, however, and religious gatherings in Skibotn are held at other times of the year. Part of the concept is to serve the Skibotn community at large, and in this respect catering and accommodation services are provided by local voluntary organizations, firms, even by school classes operating a café, for example, to finance their trip abroad.

The organizers have succeeded in obtaining a special VAT exemption for the market activities. We were told that the Skibotn market is one of only two market events in Norway that has made such an arrangement with the state.

*Entrepreneurial leadership:* the market event, although a very collective project, seems to have been very dependent on an entrepreneurial-minded leader who has fronted the project and has led the village committee in negotiations for decades. A former Social Democrat party member, with a far-reaching international network in business, politics and sports, this entrepreneur has represented one of the two village-based lists from Skibotn in the municipal council during recent election periods.

*The role of the municipality is almost missing in this innovation.* Its existence and relative success seem to be directly linked to the east/west conflict in the municipality. The market event may even be interpreted as the Skibotn people showing their superiority over the ‘west-siders’. In the way that they have organized the Skibotn market, they have demonstrated their ability to deal directly with the military, with central fiscal authorities, connecting with business organizations in Sweden and Finland, with the University of Tromsø, and so on; all this without (much) help from – or even bothering to inform – the municipal organization. The interviews indicate, however, that there is a close co-operation between the municipality’s officer for business development and the project leader for the Skibotn rural development project. Interestingly, the interviews have indicated some intra-bureaucratic tensions in the municipal administration, relating to this.

### ***The Valmuen production collective for handicapped adults***

In contrast to the Skibotn market, the Valmuen ('poppy flower') production collective for handicapped adults has emerged within the municipal sphere in Storfjord. Located close to the regional laundry, together with the 'ordinary' state-operated employment agency for the handicapped (ASVO), Valmuen serves 10-15 handicapped people by offering protected employment based on workshop production, services provisions and trade.

Two people – one administrative leader and one work organizer – are employed full time in this organization. Valmuen is part of the municipal organization and receives an annual budgetary sum just like the municipal schools, etc. The 'employees' receive their social security payments and are paid a small hourly rate for their work, which is organized as normal working hours in production, in services or attending the shop.

The production is mainly bakery products (there is no commercial bakery business in the municipal area), wooden products, sewing and knitting products, candles and metal products, mostly of a souvenir type. The school and technical departments also call on the services of Valmuen at times, for maintenance work. In addition, Valmuen runs a used items store, a kind of permanent flea market in Storfjord. Here, the leader of Valmuen points to the importance of advertising in the municipal information leaflet – also called 'Valmuen'<sup>4</sup> – which is produced by the cultural policies administrator on a monthly basis and distributed to every household in the municipality to advertise their products and shop items.

One innovative aspect of Valmuen is that it serves people with very different handicaps, people who 'belong' to different parts of the health and welfare system. In this respect, Valmuen is an integration of efforts to offer work training and create a meaningful everyday life for mentally retarded people, for drug abusers, for psychiatric clients and for the long-time unemployed. In a small municipality like Storfjord, serving these groups with an integrated project is an ideal solution. 'We are productive, but not effective', states the Valmuen leader. Also, the location of Valmuen is interesting, as it is situated in one of the buildings in the industrial site of Western Storfjord, adjacent to businesses that employ people with lesser handicaps (ASVO) and unskilled people (The Penguin Laundry).

---

<sup>4</sup> 'Valmuen', a special poppy flower, is the heraldic symbol of the Storfjord municipality. Its origin is as the flower (*papaver laestadianum*) that the preacher and botanist Lars Laestadius (1800-61) discovered in the Tornedalen region.

The leader of Valmuen has been recruited to an innovators' educational program that is run on a regional basis, administered by Innovation Norway's regional branch office. Here, her "student project" has involved utilizing the energy from the emissions of the nearby laundry for a herb-drying activity, to be run by Valmuen. Several people from the municipal leadership and the agricultural community are involved in the herb project and Valmuen has received some financial support from the municipal fund for business development to promote this project. We do not know whether the project will succeed, but it illustrates the innovative nature inherent in the Valmuen arrangement.

## **Kåfjord innovations: tourism, festival and home-page**

### ***Manndalen Sjøbuer***

Manndalen Sjøbuer is a fishing camp made up by the construction of eight 'fishermen's cabins', i.e. quite large cabins sleeping 4-6 people, located on a quay at the end of the fjord, giving immediate access to the sea. This tourist destination enjoys an ideal location close to, and visible from, the E6, the national trunk road passing through the village that is frequently used by car and bus tourists travelling to the far north. The main attraction for tourists stopping here will be fishing in the fjord, based on a concept that includes boat rent and all the other necessary equipment for fishing, as well as the fisherman's hut. The largest group of tourists comes for, the time being, from Germany. This type of fishery tourism is increasing in Norway these days, attracting especially tourists from the European continent (Borch et al. 2000). Manndalen Sjøbuer, however, was one of the early establishments in this part of northern Norway. The Lofoten Islands have been famous for this kind of tourism for a long time, but it has not yet been developed on a big scale in the two counties further north, Troms and Finnmark.

The municipal business officer is from the village of Manndalen himself and has of course played an important role in this process, not only by opening doors into the municipal system, but also locally, by developing the idea and making it operative. Back in the 1980s there was a process of local mobilization in Manndalen, which started locally, and later on they were included in a larger project of local mobilization for small villages, organized at county level. A lot of ideas were developed in this process. One of them was Manndalen Sjøbuer. However, the idea was nothing more than that until 1990-91. In that year, the executive officer studied project management in Trondheim. As a part of his thesis, he made sketches of a complete business plan for Manndalen Sjøbuer, including drawings of all the different parts of the project, a full investment

plan, the pier, etc. After some discussions with the community, a complete plan, including a model for how to finance the project, was worked out and then the idea was introduced to the municipality, the state funding institution SND and the Sami development fund (SU). The municipality's part of the project was the pier. The cottages were to be built on the pier itself, so the pier had to be built first.

Even though this is formally a type of shareholder company, with a board responsible for running the enterprise, the basic idea is a modification of the idea of co-operation on the *Siida* principle. The *Siida* is the old Sami way of sharing ownership and other responsibilities.<sup>5</sup> The eight huts were built as one unit, but are owned by seven different families. Each household, however, is responsible for the loans on one hut only, including the equipment in the huts and also the cleaning and maintenance, and the family also receives the income when it is rented. But for marketing purposes, all eight huts and the other facilities on the estate are presented as a single unit. A reciprocity contract is also built into this concept. If one of the seven families is no longer able to manage its obligation, for one reason or another, someone else in the *Siida* will take over. This has happened once, so now one family owns two cottages. A separate company administers the marketing, so the visitors do not 'see' the *Siida*, as they will normally only meet the people in charge on the days they are staying there.

In this way, the villagers gain at least three different kinds of advantages: 1) shared responsibility for managing the business, 2) a higher degree of legitimacy in an egalitarian-minded community – there is no "capitalist" involved, 3) using each other's competence in the community in a better way, and 4) increased income to several households, and therefore a better economy for the community as a whole. What this means is that the vulnerability of such projects has been reduced, and this may serve as a model. Manndalen Sjøbuer has been a success, but also because the model is embedded in the local culture and they have been able to reach a profitable market without too much effort. The model has now been introduced to several other communities within and outside the region; these are not in competition with Manndalen because the market for this kind of tourism is growing fast and is almost unlimited. New businesses are therefore welcomed.

---

<sup>5</sup> A *Siida* is defined as a bilateral kin system, i.e. one in which the transmission of property rights or descent occurs equally through both the male and female lines.

The networking of this innovation may be not so important, although the whole model rests on a strong local network and some of the users are defined as business partners, rather than merely as customers. No formal connection has been made with the local or regional tourist networks (Nord-Troms reiser and Destinasjon Tromsø). These networks would have been of little help, anyway. There is no point in sending out brochure materials to a potential market, says one of the leading figures behind Manndalen Sjøbuer. You have to meet personally with the head of the main travelling companies. 'What we did was to invite the representatives of English and German agencies to Manndalen, so that they could see for themselves what we had to offer. You have to make them your friend, and you have to make them want to come back.' This has led to contracts with a German agency, which today has bought a total of 150 days per annum. 'It would be possible to sell even more to the same company, but we have chosen to maintain some flexibility by not selling everything to one company alone. We have to be open for people stopping by, for special occasions, and so on.'

### ***The Riddu-Riddu indigenous peoples' festival***

created in 1995 as an annual international meeting-ground for indigenous peoples' cultural expressions; before that (1990-95) the festival was a more ordinary and local music festival. Since 1995 the Riddu Riddu festival has been organized as a four-day event in mid-July, located in the village of Manndalen in Kåfjord municipality, a village with coastal Sami traditions. Henrik Olsen, Riddu Riddu's full-time manager, has been a key figure.

Background: at Christmas time in 1990, Kåfjord Sami Association (created in 1977), together with the more recently-formed association Kåfjord Sami Youth, held a meeting to discuss future activities for promoting the interest in and interests of the Sami community in the municipality, and it was decided to organize a cultural festival in the summer of 1991, called 'Jeagi vai beavvi'. The scope of this arrangement was rather limited. But it was followed up each year until 1995, when the festival took on a more ambitious role as an international meeting ground for the indigenous peoples of the North.

The name was changed to Riddu Riddu and a voluntary organization of the same name was created. By 2003 the Riddu Riddu organization had about 180 members, of whom about 100-120 have paid the annual membership fee. Some 30 people, mainly from the locality of Manndalen, attend the annual meeting held regularly during the first weekend in September. The organization has one full-time manager, currently Henrik Olsen, whose background – among other things – is as a

student of Planning & Community Studies at the University of Tromsø. Olsen is responsible for the Riddu Riddu festival and, in addition, the organization pays a part-time accountant and employs some secretarial help at festival time. Performers and guests may number some 200 people each year. To do the practical work of the festival there is a voluntary staff of 60 (local) people, who are organized in groups and meet regularly all year to plan the next festival. In addition, up to 300 volunteers may be engaged for security duties. A total of 3,000 people have attended the festival over the past few years, and as many as 80 journalists and media people have covered the festival. A sixteen-page leaflet markets the Riddu Riddu 2003 festival, and the festival organization is on the Internet.

The Riddu Riddu festival may be characterized as a spin-off from the state's decision to include the Kåfjord municipality among the municipalities within the Sami Language Act. In order to secure the functioning of Kåfjord municipality as a bi-lingual institution, the state has granted money for language training, as well as for the development of Sami culture in a community that until recently was very 'Norwegian'. The expansion of the small-scale festival into Riddu Riddu was made possible by the use of money that came to the municipality with the Sami Language Act in the early 1990s. This coincided with the rise of the coastal Sami movement and the Sami Youth organization.

In addition, outside sponsors have been approached successfully. The Troms County municipality had flagged the promotion of 'Troms culture' in its four-year plan, and naturally found support for Riddu Riddu to be a way of implementing its cultural policy. The Sami Parliament has also sponsored the festival, along with the Nordic Sami council, the Nordic cultural fund, the regional savings bank, the local hydro-electric company, the municipality of Kåfjord and others. Several local activists have co-operated to make Riddu Riddu possible.

AJA, the coastal Sami centre located in Manndalen, is of course very important and the festival is arranged with the AJA as a physical centre. The co-operation with AJA is mainly in the field of catering as, traditionally, this is one of AJA's most important activities. The handicraft organization of Manndalen, which has a sales shop, also co-operates with Riddu Riddu. DAVINOR – an Arctic youth camp – has been organized every year since 1999, taking place just before the Riddu Riddu festival. In the locality, the municipal school has also co-operated in helping to make the festival possible. The head master of the school is a former mayor of Kåfjord. Riddu Riddu's own facilities are rather sparse; the or-

ganization rents an AJA office, and owns an outdoor festival stage with facilities and some traditional tents.

The regional savings bank was the main sponsor of the festival in 2003. This had been facilitated by the regional newspaper *Nordlys*, which invited some selected “young Northern Norwegian voices”, among them Lena Hansen from Riddu Riddu, to a dinner with political and business leaders during the winter of 2003. Informal talks on that occasion are said to have led to a sponsorship contract, which was important in securing this year’s festival. Due to various circumstances, last year’s festival produced a deficit of about 800.000 NOK, as the need for a new outdoor stage and other facilities had cost almost 1 million NOK. But by the start of this year’s event, the debt had been reduced to one-sixth of what it was after last year’s festival.

The relationship with the municipality has been ‘both positive and negative’, according to Henrik Olsen. There have been supporters and adversaries within both the political and the administrative segment of the Kåfjord municipality. As far as funding from the state, ear-marked for the promotion of Sami culture, is concerned, the matter is unproblematic. But the involvement of municipal funding – in the form of support from the business development fund – has been far more problematic. In the spring of 2003, the municipality’s executive council voted against a request for modest funding, while the municipal council reversed this decision and, by ten votes to seven, decided to support this year’s festival. Part of this story relates to an event in last year’s festival that resulted in the police fining the festival for having allowed the performance of a form of Siberian sheep slaughtering that violated Norwegian regulations. In October 2003 the situation was turned around and the council decided to support the festival after all, with a relatively small funding allocation.

The critical attitude on the part of sections of the municipal organization is welcomed by Henrik Olsen, who maintains that this makes Riddu Riddu people more attentive and alert to local sentiment – and the debate creates engagement as well. The main problems for the festival seem to be linked to the lack of infrastructure, both locally and relating to airport distance – both these matters relate to the accommodation of incoming artists and guests. There are no hotels in the municipality, only camping cottages, Manndalen Sjøbuer and private accommodation. Two camps for tents and trailers are provided for the festival people, in addition to the ordinary camping sites.

The Riddu Riddu festival and organization is definitely a networking success, in which elements of civil society, local government, regional government, central government and international relations have

been activated, together with the media and higher education institutions. The location aspect also seems to make a difference. The Manndalen locality has been the centre of the regional coastal Sami consciousness. Overlapping local ties and strong extra-local connections have been combined so as to produce almost the prototype of a social capital process. Nobody from the outside world would have thought of Manndalen, with its peripheral location and fewer than 1,000 inhabitants, as a place for national and international activities.

### ***Municipal home-page***

Most of the Norwegian municipalities have developed their own home-page over the past five years. The development is happening fast right now, although it was very slow at the beginning of the "Age of the Web". In Kåfjord this happened nearly overnight, suddenly and almost by accident. Even though this was the case with the home-page, Kåfjord has a history of being in the forefront of using new technology. Some years ago they had a 'computers for people' project, where every household was offered a home computer at a reasonable price, negotiated by the municipality. As a result, the computer density per inhabitant is very high in this community. Computers were also installed in all the villages for public use: in schools, for inhabitants to use during the evenings, or in the village hall. The municipality is now working hard to deliver advanced, fast connections to each household as a part of the county's plan to integrate villages in the county. To sum up, Kåfjord might be characterized as entrepreneurial in this area.

A good home-page is dependent on a set of variables: on competent Web design personnel; on creative people to develop the page in a way that is attractive for both the local inhabitant and also outside visitors of different kinds; also on capacity and resources to update and maintain the Web page on a day-to-day basis. Not all of these factors were in place when this project was started. There were creative people, who had competence in the technology, but they did not have Web-design competence. What happened was that two young men who were both starting to develop a business in Web-design solutions contacted the municipality. Both of them had been born in Kåfjord, but had moved out some years earlier. They had registered that Kåfjord had no home-page at that time, so they offered the municipality a deal. As a business in its infancy, they needed practice from the 'real world' in Web-design. They had developed a prototype-model that they needed to test to see if it worked in a local context before they were able to sell the model on a broader basis in the market. This was one way for them to learn and develop their product, on their way to a more professional business concept. They did not them-

selves design the home-page, but the more technical solutions behind it. So the municipality paid only a nominal price for their engagement. The home-page was created by four or five people in the municipal administration, in collaboration with these two professionals. The central personnel in the municipal Web-group were the municipal planner, the IKT-consultant, the head of the technical department, the cultural officer and the head of the new public services office. These five people were enthusiastic about the idea from the start and were also able to motivate their own departments. However, most of the material was produced and delivered by these five people. The planner became the leader of the group. During the first year the group met on a regular basis to decide upon and produce the most important information for publication on the Web-site. The group also functioned as editors of the material that other members of staff produced. Fifteen of the thirty employees in the town hall produced material for the home-page during the first month. The home-page was produced in a very short period, December 2000/January 2001, and was operative from 1 February 2001. Most of the work was actually carried out during the Christmas holidays.

The hard work did pay off in several ways. In June 2001, only six months after the page was put on the Web, the municipality won a competition prize for the best municipal home-page in an open class. The competition was organized by *Kommunal rapport*, a national newspaper for the municipal sector. They were rewarded for the home-page's Sami profile and the fact that they also had a chatroom for young people. Today, three years later, the home-page is still probably one of the best, at least in the municipal sector in northern Norway. Looking at the statistics of the number of visitors it attracts, it seems obvious that the page is popular.<sup>6</sup>

The page offers two chatrooms for discussion: besides the youth chatroom, there is also a general page where everyone can bring their own comments. This has been very popular, so popular that politicians have several times tried to close it down, due to some rude comments and rather arbitrary statements, etc., concerning the Sami question, which have been periodically quite intense, and also concerning the question of whether or not an asylum centre should be developed in the municipality. The page has played an important role in stimulating public debate in the community. This has also been the argument from the editor each time efforts have been made to shut it down. However, the discussion page actually was shut down in February 2004, for reasons already mentioned.

---

<sup>6</sup> <http://kafjord.siden.as/stats/>

### ***The role of the municipality***

The role of the municipality in these innovations: in the case of Manddalen Sjøbuer, the development officer has been very much involved (even owning one of the cottages himself), and of course the creation of the municipal home-page has mobilized a large sector of the administrative staff. Most interesting, perhaps, is the rather touchy relationship between festival activists and the municipality – touchy because there is conflict about how strongly the newly-acquired coastal Sami status should be expressed. Riddu Riddu is in itself an overtly strong expression of minority status, and the funding amounts the municipality has come up with have been modest and conditional.

### **Kautokeino innovations: Residential planning model, festival organization and mobile phone service centre**

#### ***Residential planning adapted for reindeer herding***

For decades, Sami reindeer-herding families have located their activities and homes in small and scattered settlements in the vast Kautokeino area. With the rise of the service and information society, this traditional way of life was challenged. Housewives were educated women with employment potential in the expanding public service sectors, and children wanted to live near schools and playmates. In many places this challenge led to a marginalization of traditional area-demanding occupations. Not so in Kautokeino. Here, the professionals at the municipal technical department, together with politicians, developed a residential planning scheme that allowed reindeer-herding families to live in the centre of the municipality. This was done by reserving the outlying sites in the new residential areas for reindeer-herding families – providing direct access to the countryside and, by making these sites much larger than ordinary ones, allowing for both extended family expansion and sufficient space for activities related to reindeer herding. This scheme was implemented during the 1990s and one of the professionals at the municipal planning office wrote a doctoral thesis on this strategy (Skålnes 2003). This innovation in residential planning has been successful, as many reindeer-herding families now operate with the Kautokeino municipal centre as a basis for their activities (when not on the move), whilst at the same time the more stationary household members have easier access to educational and employment facilities in the municipal centre.

Networking activity relating to this innovation has not been particularly strong. An in-migrant architect and her fellow professionals, who had a Kautokeino background, developed the project. Local politicians have been discussion partners, together with ordinary people attend-

ing open meetings to discuss proposed plans. In the doctoral thesis, there is not much material that answers the question of how this innovation came about – it seems that it just emerged from the close integration between local people and the professional municipal planners. One reason for this, Skålnes maintains, was a common understanding of Kautokeino as a village rather than a town, now and in the future, which had to be reflected in the residential planning (Skålnes 2003:60).

The role of the municipality in this project was expressed clearly, but one interesting aspect is the integration of professional competence (planning & architecture) with local values and local knowledge. The outcome of this innovation has been the facilitating of a substantial increase in the number of new dwellings in the 1990s – about 300 new dwellings were built during this decade, also in response to the demand for new houses for the many employees within the nation-building Sami process that was taking place at that time in Kautokeino's municipal centre. Another outcome has been the development of competence within the technical department of the municipality. The integration of formal and informal knowledge is of potentially great importance in the further development of the Sami capitals (Kautokeino and Karasjok), and the communication with an academic public by means of a doctoral thesis on this type of planning may also have a wider effect.

### ***The music festival organization***

There are lots of cultural activities of many different types in Kautokeino: music, theatre, art and Sami handicraft. In music, the most important event is perhaps the development of the Sami song tradition, the *joik*. Every Easter there is a large cultural festival. As a forty-year-old tradition, the Easter Festival was until recently a rather fragmented assembling of various religious, sporting and cultural activities at Easter time. Demands for a more professional approach to funding, logistics and public relations coincided with the establishment of a permanent Sami theatre. This, we were told, led to an informal coming-together of key personnel from the municipality, the voluntary sector and the Sami Theatre. After some informal talks, it was decided to start the process of formalizing the music festival organization in around 2000. The theatre people provided professional skills, the voluntary organization had its volunteers, and the municipality provided funding and some manpower resources. The music festival organization then applied for money to be able to hire full-time, competent staff in the months preceding Easter, and succeeded in obtaining money from the Sami Parliament; at present they also have a sponsorship contract with the Post Office.

This festival has led to a revival of Sami music in both new and traditional forms. Today the Sami Music Festival is a co-ordinating arrangement for music and arts festivals and concerts throughout the year in Kautokeino. It is a formalized partnership between the Kautokeino Sami Servi (the voluntary organization for the Sami people), the State-funded Beivvas Sami Theatre and the municipality. A board of representatives elected from the various partners involved governs it, but 'the production group' performs the most important activities. This group takes responsibility for several musical events during the year, but first and foremost they plan the musical element of the Easter Festival.

Today, the financial contribution from the Sami Parliament is the most important one, and it makes it possible to hire a full-time person to work out the program and contract the artists. The activities of the cultural and educational sectors in the municipality lubricate the festival, which includes a Sami Grand Prix song competition, reindeer racing, a film festival, evening concerts, religious services and art exhibitions. A total of 13,000 tickets are sold during the festival, but the music festival organization has a responsibility for only part of all the festival activities.

The Sami Music Festival is in itself a networking project with an inner core of institutions, but it also has contacts with other organizations and plays and a co-ordinating role vis-à-vis arranging the latter's specific events (fixing the overall time schedule and sharing the event marketing); the festival also has contacts with tourist businesses and shop owners who have their heyday at Easter time. Some professional assistance and media interest are facilitated by network contacts, but so far the festival organization has few outside links with other festivals in the region. The festival operates rather in parallel with the religious and business communities. These are not directly involved and there is some discontent expressed by activists about the unwillingness of the local business community to sponsor the festival, whilst at the same time businesses are profiting from the extra visitors coming to the Easter festival.

The role of the municipality has been that of a partner type in setting up and running the music festival organization. At Easter time the municipality even provides some 'extras' in terms of informal assistance from the technical department, for example. This innovation has had the effect of making festival arrangements more professional, but at the same time the festival has kept its voluntary and '*dugnad*' (traditional) image. The all-year-round activities of the musical festival organization have strengthened musical life and contributed to a richer cultural scene for the inhabitants of Kautokeino.

### ***Mobile phone service centre: the location of Chess***

During our first interview with the then mayor in June 2003, he mentioned that the municipality was in the process of contacting the Southern Norway-based Chess mobile telephone company to discuss the establishment of a service department for mobile phone users in Kautokeino. In our March 2004 interview with the leader of the development company, we were informed that the establishment has been successful and that about ten local people were already working at the Chess centre in Kautokeino. Serving mobile telephone customers can hardly be regarded as an innovation in itself, but the out-location of this Chess department is a new event for this municipality, and the process in itself has some interesting traits.

According to the development officer, a private consultant, who had become aware of Chess' out-location policy, approached the municipality. As Kautokeino (like Kåfjord and Storfjord) enjoys an exemption from the employment pensions taxation scheme, firms can save up to 15% of their wage costs by relocating to somewhere like Kautokeino. Firms operating on a footloose basis, relying 100% on modern communications technology, are likely to be particularly interested in this means of cutting costs in the very competitive market of selling mobile phone services. The consultant bluntly asked the municipality for 100.000 NOK to make a pitch for Chess. The politicians took a chance, accepted his offer and they succeeded: Chess was now willing to discuss setting up their service department in the municipality. Then the consultant offered an extension of his services – now at a substantially higher price – to implement the relocation. Not surprisingly, he obtained this follow-up contract from the municipality – and again he delivered, in the form of the establishment of the Chess centre, with the additional help of the employment authorities to cover training costs for the personnel – all of them local people.

We do not know how long-lasting this business will be – things can change overnight in this industry, and it is a very recent event – but it is one of the few examples from Kautokeino of attracting an outside firm to consider this very peripheral location for a section of its activities. The business idea seems sound, however, in the way that there are no extra costs for a firm of this type operating 'up in the air' and taking advantage of the tax exemptions granted to the region. It is also likely that they will have a stable staff, as there are few employment alternatives in Kautokeino. Why the mayor and the development officer placed their trust in this particular venture, among the twenty other more or less serious ap-

proaches by consultants, we do not know – it may be a case of the so-called ‘hunch’ that experienced people possess.

The outcome has been successful so far, already showing some pay-off in the increased employment at the local postal office, because there is a physical handling of SIM cards that involves the postal service.

## Conclusion

Summing up the innovations in these three municipalities, we are struck by the integration of activities in the outside world with the formal authority structure of the municipality. But the performance of this integration has been different in each of the municipalities. In Kautokeino the Sami culture and traditional way of living and working exist alongside modern planning and working with new technology. In Kåfjord, the innovations were very much grounded in the locality’s new status as a Sami municipality. This is even the case with the Municipal home-page that won a prize for its Sami profile. In Storfjord, the innovations had more to do with a change of attitude concerning what comprises an innovation than with the innovations themselves, for instance by defining welfare policies as a business development policy.

Table 7.6

<i>Type of innovation</i>	<i>Outcomes</i>				
	<b>Municipal roles</b>	<b>New jobs</b>	<b>Trans-formative</b>	<b>New practices</b>	<b>New solutions to local problems</b>
<b>Skibotn Market Place</b>	Inaccessible	Some	No	Yes	No
<b>Valmuen Production Collective</b>	Co-ordinator	Some	No	Yes	Yes
<b>Manndalen Sjøbuer</b>	Partner	Some	Yes	Yes	Yes
<b>Riddu Riddu Festival</b>	Audience	Some	Yes	Yes	Yes
<b>Municipal home-page</b>	Co-ordinator	No	Yes	Yes	Yes
<b>Residential planning</b>	Co-ordinator	No	No	Yes	Yes
<b>Mobile phone service centre</b>	Facilitator	Yes	No	No	Yes

In Table 7.6 (above) we have organized our main conclusions on each

innovation as to municipal roles and the outcomes. As presented in the table, the roles of the municipalities are manifold. In the case of some of the innovations, the municipalities have played rather a passive role, e.g. Riddu Riddu, where they have been more or less an audience, even though the council has (modestly) sponsored the festival. In the case of the Skibotn Marketplace revival, the municipality of Storfjord seems to have played no role at all. Even in the case of the municipal home-page (Kåfjord), the idea came from outside. In the process of implementation, however, the municipal administration took the leading role as a co-ordinator. In the process of locating the Chess centre in Kautokeino, the role that best fits the actions of the municipal actors is that of 'facilitator'. The municipality most closely involved with an innovation is Storfjord municipality in the initiation and co-ordination of the Valmuen production collective.

In some instances, the municipalities expressed rather clearly how they perceived the role of the municipality to be in terms of innovations. In Kåfjord, for instance, the leaders did not regard it as a municipal role to initiate innovations, but rather to be responsive to people with new ideas. This sentiment was also expressed in Storfjord. Their role has been more that of the professional adviser, as in the case of Manndalen Sjøbuer and, of course, helping with the financing, primarily from public sources such as the Sami development fund and Innovation Norway.

The institutions that play the most important role in innovative activities in these localities are perhaps not the municipalities themselves. When it comes to funding new businesses, the Sami development fund has been very important, especially in Kåfjord. In all resource-based economies, there are strong regulations enforced by the state. The transition from a reindeer-herding economy towards a more diversified business structure in Kautokeino is strongly linked to national policies regarding the reindeer economy. Local autonomy is therefore limited, which might be one of the reasons why local opposition to laws and regulations concerning their use of natural resources is so strong in the Kautokeino community. New, more innovative and sustainable modes of productions may be the only way out of the troubled waters that some of these communities have found themselves in for too long.

What about outcomes? None of the innovations studied are outstanding, if we by that mean bringing brand new ideas into practice. They have not produced new jobs in the community, except for the ten workers in the Chess mobile service centre. But some of the innovation processes are quite extraordinary. The local networking on the part of local actors to persuade the mobile service centre to locate in Kautokeino was remark-

able: in the way that they responded to this initiative from outside, in the way that they qualified their decision, including risk-taking and timing, and finally in the way that they mobilized the political community. The Riddu Riddu festival is also outstanding, both in its outcome and its transforming capacity. By outcome, we do not mean so much new permanent jobs. Instead, we should like to point to the logistics competence that they have built up in order to be able to arrange such an event, and at the same time be able to embed an international festival of this kind in the local culture and tradition – ‘from a barbeque party to an international festival’. The festival represents a ‘showcase’ to the World, where the coastal Sami identity is made visible, for instance, in the way they now choose to wear traditional Sami costume. By becoming visible in this way, the Sami identity in the community has been transformed ‘from shame to pride’. In the case of the reindeer-herding residential planning, the success has had to do with combining formal professional competence with local traditions so as to create really innovative solutions to the problems of daily life.

Storfjord is in many ways a special case. As far as business innovations are concerned, these are definitely small-scale. There is an interesting paradox in the fact that strong geographical conflict and other conflict patterns related to religion, politics, etc. seem not to have repressed initiatives or creativity: on the contrary, there seems to be a healthy element of internal competition involved. Seen from a research point of view, Storfjord has changed from being an object of study to being a partner in development research, as well as developing the local community. The municipality is today definitely one of the most successful municipalities in terms of offering an income and good living conditions in the Nordic periphery, but this is also the consequence of the easy access that people in Storfjord have to the regional centre of Tromsø, about one hour’s driving distance away.

Innovations in this area can definitely be related to both municipal actions and the cultural distinctiveness of the inhabitants, underlining their feeling of being at the very centre of the Sami ‘nation’ (Kautokeino), of the coastal Sami ‘people’ (Kåfjord) or of the ‘meeting ground of the three tribes’ (Storfjord). In this respect, innovation networks profit from this transformation of placing oneself at the centre, rather than taking on the status of the uttermost periphery of the Norwegian state. ‘State dependency’ has been a rather negative characteristic of these areas, meaning a lack of ability to succeed in self-sustained growth and therefore, over time, becoming dependent on state subsidies (Eriksen 1996). It might be said that in this respect the region has not been exposed to the

contemporary 'market therapy' to the same extent as other regions in the Age of Neo-Liberalism. Nevertheless, innovative activities are going on in all three ethnic landscapes and some of their innovations are both successful locally and of a character that may serve as models for rural development in other peripheral regions as well.

## References, Chapter 7

- Amin, A. (1998) 'An institutionalist perspective on regional economic development.' Paper presented at the economic Geography Research Group Seminar, July 1998, London: Dept. of Geography UCL.
- Aure, M. (2001) 'Innovative Traditions?' in Aarsæther & Bærenholdt (eds.) *The Reflexive North*, Copenhagen: Nordic Council of Ministers.
- Bjerkli, B. (1995) 'Bygdeutvikling i samiske bosettingsområder', in *Kunnskap, politikk og ressursforvaltning* – nr. 3. Tromsø: Senter for samiske studier, Universitetet i Tromsø.
- Bjørklund, I. (1985) *Fjordfolket i Kvænangen*. Universitetsforlaget, Oslo.
- Borch, T. Ellingsen, M.-B. & Midtgard; M. R. (2000) *Fisketurisme i Nord-Norge: bedriftsutvikling og kompetanseheving*. Notat, NORUT samfunnsforskning; SN 2000-1. Tromsø: NORUT samfunnsforskning.
- Eidheim, H. (1990) *Aspects of the lappish minority situation*. Oslo occasional papers in social anthropology; no. 14. Oslo: University of Oslo.
- Eriksen, K. E. & Niemi, E. (1981) *Den finske fare*. Oslo: Universitetsforlaget.
- Eriksen, E.O. (ed.). (1996) *Det nye Nord-Norge. Avhengighet og modernisering i nord*. Oslo: Fagbokforlaget.
- Kleven, T. (ed.). (1994) *Seks krøniker om kommunal fornyelse*. NIBR-report 1994:12. Oslo: NIBR.
- Høgmo, A. (1986) "Det tredje alternativ. Barn læring av identitetsforvaltning i samisk-norske samfunn preget av identitetsskifte." *Tidsskrift for samfunnsforskning*. 27, pp.395-416 1986.
- Nilsen, R. (2003) 'From Norwegianization to Coastal Sami Uprising.' In: S. Jentoft, H. Minde and R. Nilsen (eds): *Indigenous peoples*. Delft. Eburon.
- Pedersen, P. og A. Høgmo (2004) *Kamp, krise og forsoning. Evaluering av samepolitiske tiltak i Kåfjord*. Tromsø: Norut Samfunnsforskning.
- Skålnes, S. (2003) *Bustad og beiteland*. Dr.ing. dissertation 2003:51. Trondheim: NTNU.
- [www.kafjord.siden.as/stat](http://www.kafjord.siden.as/stat)

## Chapter 8

### The Innovative Nordic Periphery

*Nils Aarsæther*

#### Introduction

This concluding chapter will summarize and analyse the contribution of the six research sub-teams (Chapters 2-7). A total of 66 processes of innovation have been included from the 21 municipalities covered by this study (Table 8.1). It is scarcely possible for this large volume of information to be analysed thoroughly in the present report, but we shall attempt to see whether any distinct patterns emerge when taking a comparative view of the material.<sup>1</sup>

Firstly, we shall discuss what may be learned from an overview of the selected innovation processes. In this overview analysis we shall deal with the three types of innovations, outlined in Chapter 1: business innovations, public sector innovations and civil society-type innovations.

The next step is to see, from the reports of the sub-teams, what we can learn about the role of the municipality in these processes, and to what extent our conceptual scheme, presented in Chapter 1, captures the roles of the municipalities as actually performed in the innovation processes we have studied.

We shall then try to identify the effects of the innovation processes with respect to substantial outcomes, learning and identity formation, and the transformative potential of the innovations for the municipalities and localities involved.

Finally, we shall address three questions: to what extent do we see the contours of a 'new' periphery in the post-industrial age? What are the implications of this study for regional policy development, and what concrete recommendations can be made?

---

<sup>1</sup> I am very grateful for valuable comments on an earlier version of this chapter from Jørgen Ole Bærenholdt, Cecilia Waldenström, Marta Myhri and Brynhild Granås.

## **An overview of 66 innovations**

In Chapter 1 we reported a large number of innovations that were suggested to us in the group interviews with municipality leaders (Table 1.1). From an average of approximately fifteen suggestions made by each municipality, the research sub-teams selected one example from each of the three sectors (business, public and civil), plus an optional fourth case to compensate for the rigidity of the selection procedure. This has produced a total of 66 cases or processes (see Table 8.1 below). The selected innovations have been ‘snowballed’ by the members of the six research sub-teams in order to obtain additional information, and information from more than one source, relating to vital aspects of each innovation, such as initiatives, events during the process, networking aspects, links with the municipality and effects upon the locality (Chapters 2-7).

It is important to state that the selection of cases for further scrutiny and the management of the snowballing processes have both been influenced by the capacity and orientation of each research sub-team, as well as the specific local setting. The empirical chapters (Chapters 2-7) have been written in different styles, although the research process has been based on close co-operation between the participating research teams. In the case of some of the municipalities, there have been discussions with local informants about which innovations should be prioritised for further scrutiny. In all cases, however, the researchers from the team in question made the final choice. Again, we would stress that the data material is based on a deliberate selection of cases: they are not stochastically drawn from the universe of the 311 innovations suggested to us, and thus statistical tests would be inappropriate in this analysis.

This summary table shows that, with a few exceptions, researchers have been able to select one innovation from each category in the municipalities. Together with the ‘other’ category, in total 66 innovations have been selected from the total 311 suggested in the group interviews. By dividing the ‘other’ category cases by innovation type, the distribution of innovations selected emerges as follows: 24 business innovations, 23 public sector innovations, and 19 civil society innovations. As we explicitly asked for all three categories to be represented by one example from each municipality, this near-equal distribution signifies that the research design worked and that our broad concept of ‘innovation’ made sense to local leaders.

Table 8.1: Presentation of the selected innovations, grouped by municipality and sector.

	Sector				
	Business	Public	Civil	Other	Total
<b>Tornio</b>	Steel Studio	Border City	Bothnian Market	-	3
<b>Ylitornio</b>	Concrete products	Elderly Gym	Shooting Centre	Kantele instruments (B)	4
<b>Pello</b>	Long Winged' village shop	Lively Life mun. plan	Across river marriages	Science history site (B)	4
<b>Kolari</b>	Health Hotel	Tourism strategy	Village house	Mountain Opera (C)	4
<b>Muonio</b>	Holiday Centre	Ski trails	Houswives organisation	-	3
<b>Enontekiö</b>	Holiday Camp	Distance education	Ice fishing event	Sámi Culture Centre (P)	4
<b>Kiruna</b>	Stone cutting centre	MRI Space and Env.	Sámi Dev. Centre	-	3
<b>Pajala</b>	Electronic industry	Care of Disabled	Village tourism	-	3
<b>Övertorneå</b>	Potato processing	Strategic mobilisation	Arctic march	-	3
<b>Haparanda</b>	Business incubator	Barents Road	Community feast	-	3
<b>Kalix</b>	Evonet industrial partners	UniverCity	Villages cooperation	-	3
<b>Storfjord</b>	-	Disabled employment	Market event revival	-	2
<b>Kåfjord</b>	Coastal tourism	Homepage	Indigenous festival	-	3
<b>Kautokeino</b>	Mobile phones centre	Planning and herding	Music organization	-	3
<b>Røst</b>	Cod farming	-	Italian friendship town	New hotel (B)	3
<b>Vestvågøy</b>	High-tech sea navigation	Viking museum	-	Food production (B)	3
<b>Isafjördur</b>	Snerpa Internet	School-family office	-	Multicultural centre	3
<b>Hornafjördur</b>	Galdur Internet	Nyheimar Centre	-	Arts Centre (P)	3
<b>Leirvikar</b>	Marine products	Old people's home	Cultural house	-	3
<b>Göta</b>	Normek	Old people's home	Musical association	-	3
<b>Fuglafjördur</b>	Fish protein	Bus route	Cultural house	-	3
<b>Total</b>	20	20	18	8	66

## **Business innovations**

In all, 24 business innovations are included by means of the selection process used by the six research sub-teams. These may be grouped into six tourism initiatives, a group of five high-tech or 'modern economy' innovations and a group of eleven more classical 'modern' or 'industrial'-type innovations. Two of the larger municipalities in this study (the twin towns Tornio and Haparanda) have established business-based infrastructures to support further business developments. It is interesting to note that an almost equal number of 'modern' and 'postmodern' business initiatives – to use the categories cited by the Lofoten sub-team in Chapter 4 – have emerged.

Combining local natural resources or local cultural traditions with the use and development of modern technologies seems to be a common denominator for most of the business innovations. In this respect, business innovations in these municipalities may be said to have hit the mark. There seems to be a move away from the classical industrial mode, but almost all the selected business innovations profit from a close link with more traditional aspects of the local environment. The marketing of locally-based, physical products, and the sale of local nature experiences are in some ways two sides of the same coin: business innovations that strengthen the economic base of the locality or municipality in question, attracting customers from a larger region, even globally.

In some cases, business innovations come about as the result of individual entrepreneurship. A typical entrepreneur is the owner of an established local firm, discovering opportunities in the form of new markets or product development, and almost invariably supported by modern technology. Processes of this kind are to some extent the normal development of any business nowadays, and one interesting aspect is that they seem to be viable even in very peripheral locations. Of course, this may also be explained by the fact that the owner is embedded in an environment that may represent a handicap in terms of size and distance but which may, on the other hand, offer definite advantages in the running of the enterprise.

In other cases however, business innovations have emerged as the result of seemingly contingent events: the decisive telephone call from the municipal administrator, the community meeting, or the formalized advice offered by local or regional authorities for would-be entrepreneurs in these municipalities. Networks are central to initiatives of this kind, as is the capital (social, cultural and physical) present at a local level.

The role of the municipality in business innovation may vary from being decisive to almost non-existent. Two of the Swedish innovations

(MikroMakerna and Polar Potatoes) and some of the Norwegian (Lofoten) ones, for example, were implemented without much help from the municipalities in question, but in most of the cases we have studied, the municipality has provided an infrastructure and has acted as a go-between in obtaining funding at national and EU levels.

### **Public sector innovations**

Public sector innovations are almost by nature ‘municipal’: they are initiated and implemented by the municipality itself and divide into two types. Firstly, innovative ways of delivering specific public services, such as the long-distance teaching between Enontekiö and Helsinki; the ‘Elderly gym’; the ‘Valmuen production collective’; ‘The Step’; or the old people’s homes. This type of innovation constitutes the majority (twelve cases) but, however, also includes the three cultural centres in this study.

Secondly, there are new ways of creating an infrastructure that may benefit people in general, including businesses (ten cases). These include the ‘Nyheimar centre’ (Hornafjörður), the municipal interactive homepage (Kåfjord) and the skiing trails in Muonio. The Barents Road and UniverCity projects may also be seen as new opportunity structures provided by the municipalities. Within this category we include the municipalities’ innovation policies that take the form of strategic and mobilized planning covering a number of areas within the municipality.

Networking is essential in all these cases, both in the case of working in the traditional public sector, involving agencies at regional and national level, and in the formation of formal and informal partnerships with civil society associations. The development of public sector services in the area covered by this study often involves an innovative local adaptation of what are generally thought of as standardized welfare services and regulations. Residential planning, adapted to the needs of reindeer-herding families, is one challenge that has been resolved successfully in Kautokeino (Norway).

### **Civil society innovations**

In the research process we expected ‘civil society innovations’ to be a risky concept, because innovations are normally thought of as primarily involving the business field, and only involving public service deliveries incidentally. The civil society concept is a bit tricky, and in the group interviews we used the concepts of ‘third sector’, ‘daily-life practices’ and ‘voluntary sector’ to guide people in the direction of how we wanted people to interpret the term ‘civil society’. Not unexpectedly, fewer suggestions came up in the group interviews that could be listed within the civil society category (a total of 68 suggestions, as against 114 business

sector innovations and 129 public sector innovations, see Table 1.1). In the selection phase, the teams came up with one such innovation in 18 out of the 21 municipalities, plus one extra (the Mountain Opera in Kolari). With a total of nineteen civil society innovations we reached critical mass, allowing us to extract some tentative patterns from this part of the data material.

About half of the selected civil society innovations – nine out of nineteen – consist of new or repeated annual festivals or other events. A second category consists of the ‘village house’ or ‘village co-operation’ type of project, where local people have organized a multi-purpose arena for cultural activities, socializing and common problem-solving activities, such as the local management of social services or local economic development. A third group consists of more targeted activities, organized on a voluntary basis, such as new musical organizations, a shooting centre and the mountain opera.

The civil society innovations are impressive in their ability to mobilize and reach out. As many of these are annual events, they do not surface for most of the year, but preparations for the forthcoming event will typically be handled by local voluntary working groups, working months before the actual event, and organizing the logistics as well as developing the artistic programme for the coming event. Both the municipality and local businesses are involved in supporting these festivals, and the support comes in the form of both cash and direct material contributions. The audiences for these events are in the thousands in some cases (e.g. the Kilpisjärvi fishing competition) and the hundreds in case of other, minor events (e.g. ‘Brides across the river’).

We got the impression that events of this type are highly dependent on both informal networks and the Internet for their successful mobilization of an audience. Not least, they often thrive on interested out-migrants who use this event as an occasion to come back and socialize with old friends and keep up family ties. For the locals, these events seem to be an important way of re-thinking the status of the locality and confirming their responsibility for its future. Pride in one’s own locality may be linked to such events, as the festival names may become almost synonymous with, or closely linked to, the name of the locality. In addition, the nature of festivals in smaller locations is such that most or all social groups participate. Everyone can go ice-fishing, even young people may participate in rifle-shooting events, and in locations of this kind most types of music tend to have young as well as older audiences.

Festivals and summer events are nothing new, of course. But celebrating re-born ethnic identities, cross-border co-operation, and the pos-

sibility of staging a summer opera in the Kolari Mountains are innovations with a transformative potential, as are the ideas of reviving older, lost meeting places and meeting types. 'Entrepreneurship without its profits'<sup>2</sup> typifies the way in which these events are initiated and organized. One problem may emerge, however: when the festivals turn out to be of a certain economic scope, the tension between village traditions and business interests may easily surface, and this may sometimes lead to conflict at a local level.<sup>3</sup>

### **Innovations across sectoral borders**

The present study, though it covers a number of innovative processes, cannot provide scientifically grounded explanations for the potential relation between innovations and factors such as municipal size, distance, economic structure, organizational properties and local entrepreneurial atmosphere (cf. Figure 1.2 in Chapter 1). We have analysed some selected cases of innovative behaviour in the Nordic periphery, and as to the existence of innovative efforts, we may safely conclude that, irrespective of country, municipal size, variation in transport facilities and distance from the nearest regional centre, we have had no problem in identifying a multitude of successful innovations during the past decade or so.

Our interpretation of the information collected is that municipal leaders and local people, faced with problems of economic restructuring and public finance, have responded in several cases by creating innovative solutions of various types, in a variety of ways. This is happening in spite of the fact that many people with ideas and initiative have definitely moved to the south or to bigger places. As far as we can see, not a few of the people in the Nordic periphery are proud to live where they do. They can point to recent and successful innovations within the business sector, often linking nature and elements of the local culture to hyper-modern ICT applications, and they can see their municipality becoming orientated towards new types of problem-solving in its provision of educational and other welfare state services, and also in taking on a broad responsibility through its engagement in local development projects outside its mandated task area.

Finally, local identities are being both strengthened and challenged by the messages (including in some cases, meta-type messages concern-

---

<sup>2</sup> Paine, in Barth (ed.) 1972

<sup>3</sup> Since the data collection was completed, we have read in the newspaper *Nordlys* that the Storfjord annual 'Skibotn market' ran into just this type of problem, resulting in two separate and competing markets being organized in June 2004.

ing ethnicity) that are emanating from civil society innovations, especially the annual festivals and local museums. These messages typically highlight the historical heritage of the place; they may strengthen the identity orientation of some people – and enhance the identity *re*-orientation of others. In maintaining the stock of social capital, the organization and consumption of festival events seem to have a significant positive effect, because social relations and networks are not only reaffirmed but also expanded in the process of planning and implementation.

The differences between the Nordic West and the Nordic East produce a useful dichotomy. Our present analysis has produced results very much in line with what was reported in the previous Nordregio project.<sup>4</sup> In the western Nordic localities, people's activities are often linked to their coastal environment, and fishery products from the northern seas are today marketed actively all over the world. Private entrepreneurship may be profitable, even without the support of regional policies and municipal actions. In the Nordic East, the economic restructuring has been more profound, and the opportunities are not exactly lying there on the doorstep. On the other hand, people in the periphery of the Nordic East have access to more instruments of regional policy, and for the purpose of attracting tourists it helps considerably that these places are accessible by car.

At the outset, we had not regarded gender differences as decisive in the process of innovating activities, although the traditional way of life in the areas studied has been described as male-dominated, with their traditions of the fisheries, forestry and mining industries. Comparing innovations in all three fields, we often found descriptions of male innovators in the business sphere. However, we imagine that this male dominance in business innovations has to do with asking about business innovations that have had a significant local impact. Female-dominated business innovations are smaller in scale and family firm-based, so the impact of any one innovation of this kind will naturally be limited. In consequence, innovations of this type have not been selected for analysis in the present study. Thus we admit to having reproduced a male bias in business innovation type. Not so, however, in the other two sectors. In the public sector, an increasing number of female leaders reflect female participation in developing services across sectoral borders, bringing them closer to users and clients. The 'Valmuen' workshop for the handicapped (Storfjord) and Step (Pajala) provide good examples of female leadership in public sector innovation. In the case of civil society-type innovations, female and male leadership are equally common.

---

<sup>4</sup> Bærenholdt 2002.

As we expected, institutional borders between what is commercial, what is political and what constitutes daily-life practice are almost systematically transcended in the innovation processes we have studied. Processes that started off as distinctly commercial, or as civil society projects, have more often than not integrated elements from other sectors. The interdisciplinary composition of the research team has been a definite advantage in this respect. Problems and cases have been discussed from more than one angle and this has increased the quality of our research effort. Of course, our research design implies that several disciplinary discourses could have been more thoroughly developed, for instance with respect to ethnicity, local governance, and the economic restructuring process, but this is the price one has to pay for conducting interdisciplinary research.

### **The roles of the municipality**

In public sector innovations, the role of the municipality is obvious and decisive. Public sector innovations seem to proliferate in the municipalities studied, largely as the result of a competent and dedicated administrative and political leadership, but also because networking and mobilizing resources from outside have become well-known methods. Reorganization schemes have lowered the internal borders and divisions of municipal organizations, allowing innovative activities to take place between units that formerly concentrated on performing their own specific tasks. In the following discussion of the roles of the municipality, however, we shall deal primarily with processes of innovation within the fields of business and civil society. As a starting point for this discussion, we cite a comment from the chapter on Swedish municipalities:

‘... the pre-conditions in the region for innovative developments are not favourable and the municipalities’ ability to be conducive to the emergence and development of local innovations is an increasingly important question’ (Chapter 5)

The role of the municipality should be regarded as being of crucial importance to local innovation, even though we have found some instances of very successful innovations with weak links to the municipal institution. The presence of the municipality in innovative processes is not, we feel, a direct outcome of our research design; however, it may be a weakness that we approached the political and administrative leaders of the municipalities first. In the group interviews, these leaders were nevertheless able to provide a lot of information concerning innovative activi-

ties outside the public sector, including processes with little or no municipal involvement.

It is interesting to note that the centrality of municipal institutions to innovations is so clearly expressed in municipalities that vary considerably in size. At one extreme there is the Swedish situation, where the size of the municipalities is far larger than in the other Nordic countries. Here, one might expect the distance from a local innovator to the 'town hall' to be excessive, so that innovations would, to a great extent, take place without reference to the municipality. This is not the case, however. At the other extreme we have the Faroese municipalities, which are very small and almost without the staff and instruments to support innovative initiatives. In our study, a municipality's size – measured in km<sup>2</sup> or by the number of inhabitants – seems not to have a big effect in its own right. What matters seems to be just what the micro-municipalities in the Faroes are lacking, namely developmental capacities and financial instruments available to support innovative actions. The Norwegian micro-municipality of Røst manages rather well in this respect, even though it is smaller than the Faroese ones in this study.

Municipality size varies between 600 and 24,000 inhabitants in our study, and of course this greatly affects how integrated the municipal institution is in local daily life. One implication of this is what we observe in the largest municipalities, namely a tendency for municipal involvement in business innovations to be of a co-ordinating or arena-creating type. In the smaller municipal settings, the links between municipalities and specific business innovations are more evident.

Issues of scale and distance are, in several cases, handled competently by utilizing and establishing links with outside partners – as seen in Enontekiö, where parts of the educational service are run in co-operation with a Helsinki institution. In Hornafjörður, links with the university in Reykjavik form part of the Nyheimar Centre concept.

From a policy analysis point of view, it is very interesting to discuss what may be extracted from our overview of municipal responses and initiatives. What we can see from the material is, firstly, that resources available for development activities (human resources, funding arrangements) make a difference, though this is hardly surprising. It is more interesting to see whether the typology of response, as set out in Chapter 1 (Section 1.3) captures the innovation policy process. The answer here is that the categories we have listed capture aspects of what is going on, but we cannot conclude that any of the 21 municipalities pursue one specific policy in their involvement in innovative processes.

A very central point to be made in this respect is that the nature of the innovation seems to determine what kind of municipal action is likely to occur. This means that the municipalities are not contributing a standardized response to people's ideas and projects. The specification of each project has been highlighted in most of our interviews, while 'the roles of the municipalities were, in most cases, not particularly problematized' (Chapter 5). This indicates that there has been flexibility in the responses on behalf of the municipality, and we may safely conclude that this is needed in order to match the complexities of the innovative landscapes with which the municipalities are brought into contact.

For as long as 'decentralized industrial development' was the standard solution to most developmental problems in the periphery, it might have made sense to develop a standard municipal response to local entrepreneurs. But in the post-industrial age, the complexities relating to innovation type, and the type of people doing the initiating, are almost overwhelming. Thus, a municipality that has developed a standardized response programme to innovations is less likely to succeed.

The flexibility of the municipality is particularly highlighted in the Finnish study, where the Finnish team has shown that the municipality may take on different roles in all three fields of innovative activity (Chapter 6). The municipality may even come up with a private business idea, for instance, in a situation where it has erected buildings for production activities, but where there is no immediate demand for them. The volatile business field served by a flexible municipality may be expressed as a policy blueprint, but it can hardly be presented as a standardized way of handling innovation challenges.

The ability to plan, as well as the ability to be flexible and adapt to new types of innovations, are competencies needed within the municipal institution. We observe examples of innovative and strategic municipal planning for village development (Pello and Kolari in Finland) and for households (Kautokeino in Norway). Handling the tension between planning and flexibility is not an easy task (cf. Storfjord in Norway), but often a kind of solution is found by balancing political and administrative capacities within a municipality. A change in political leadership may occur every third or fourth year, after local elections have taken place. Political changes may be conducive to innovation and flexibility in municipal institutions, but such changes may also mean that long-term strategies and plans are overturned or neglected by a new regime. Increased flexibility has its cost, in the form of a reduced predictability of what the municipal response will be, or whether there will be one at all.

Going through the 66 innovations, we found a wide range of role types, corresponding to the ones laid out in the introductory chapter. We found instances of the municipality being perceived as irrelevant and as an obstacle, as well as fulfilling proactive roles such as facilitator, partner, supporter, co-ordinator and initiator in dealing with innovations. If certain role types are to be highlighted, they must be those of ‘facilitator’ and ‘supporter’. This leads us in the direction of the well-known discourse in the social sciences on ‘the strength of weak ties’ (Granovetter 1985). The municipalities, in this respect, do not try to control or monitor innovation processes initiated in the business and civil spheres. Relations between the municipal leadership and the innovators should rather be understood on the basis of a *network concept* – dependent on personal relations to a certain extent, but an overall involvement that is flexible and open-ended. This mode of action is essential for the exchange of key information on matters such as who to contact next in order to bring an idea to its realization. The municipal leaders themselves express a preference for providing the relevant infrastructure for innovations to take place and develop, but also for responding to and supporting specific innovations that they assess as viable, or at least promising. Again, the role of the municipality is to a large extent dependent on the character of a specific idea and on whether the municipality has the capacity, and can mobilize the relevant contacts, to assist its realization.

### **Transforming the Northern landscape?**

The 21 municipalities covered in this study are certainly not at the centre of the ‘innovation heartland’ of their respective countries. On the contrary, the majority are places where conventional regional development reasoning would predict few innovative activities. Taking three plausible preconditions for innovations to occur – ‘talents, tolerance, technology’<sup>5</sup> – most of the places covered by this study are definitely not endowed with them. As far as talent is concerned, we know that young people have chosen for decades to move out of these areas, that only a minor proportion of those have returned, and that personnel within the competence-demanding sectors in these locations often move in and out. As for tolerance, we know that small places are in themselves more conducive to strict social control than a liberal-minded acceptance of new practices. In addition, the strong presence of religion in most of these locations will tend to strengthen social conformity. Furthermore, these locations are by no means centres of development for new technology. Modern ICT connections, such as broadband, often arrive last at places on the periphery,

---

<sup>5</sup> Florida 2002.

and at the moment there is an ongoing struggle to obtain a sufficient capacity of Internet access.

The absence of what are presented as decisive factors in stimulating innovative practices is not the only problem, however: some would-be innovators also have to live with aspects of their social environment that are highly problematical. Firstly, with out-migration and unemployment as ever-present realities in most of these locations, a feeling of being left-over or second-rate citizens may create a psychological environment of pessimism that adversely affects the development of an innovative and entrepreneurial atmosphere.

Secondly, one tricky aspect of a problem-ridden situation, experienced in many peripheral locations, is that it may pay to fail. Places and municipalities with high unemployment rates and low per capita incomes are likely to be compensated by the Nordic welfare state regimes in various ways, which may result in a type of state dependency.<sup>6</sup> Even though compensation policies have, to a certain extent, been replaced over the past decades by policies that stimulate innovation and entrepreneurship, it may still be the case that failure leads to central government intervention.

Thirdly, the psychological heritage of the industrial age has by no means been erased completely. As a solution to their problems, some people may be convinced that middle-sized or even large-scale industrial development should still be an option, and those people may find support for their ideas by pointing to the large-scale oil and gas developments along the coasts of Northern Norway and North-West Russia. It is, however, less than likely that this will open the way to an industrial comeback in the North.

So the local innovators have to cope locally with a certain amount of pessimism in some of the locations that have state-dependency orientations and visions of industry returning to the Northern periphery. Nevertheless, the research reported here indicates the presence of an optimism required to initiate and implement innovation, at the same time as many people in these places may feel deprived by public services retrenchment and a loss of work as the result of transformations in the traditional and industrial sectors. Thus, we may suppose that the people fronting innovative processes are likely to have a tough job relating to sections of their immediate social environment.

What we have documented in this study, however, is that in all these municipalities there is a significant move towards innovation, not only in terms of plans and ideas, but also in terms of the practical experience of projects that have materialized during the 1990s and up to the

---

<sup>6</sup> Cf. Eriksen 1996.

present. The very existence of these innovations and their networks, involving both the municipality and outside actors helps to counter the argument that welfare state aid to the periphery has undermined its innovative capacity. On the contrary, it is now possible to maintain that the compensatory measures that have been expanding since the end of the Second World War have been preconditions for these places to become, if not downright competitive, then at least participants in the innovative direction of regional development. The development of welfare state arrangements and the provision of technical infrastructures have led to an expansion of capital stocks – in the broadest sense of the term – in these locations.

The demographic ‘test’ of our arguments is more or less pending. As seen in the population statistics (Table 1.1) and the empirical chapters, there has been a tendency for population development to stabilize in many of the municipalities, after decades of decline.

We do not know whether or not this is a long-term trend, but we are confident that innovative action will become a necessary condition for these locations to exist and prosper in years to come. Along this line of reasoning, it is not difficult to see the contours of a new Northern periphery emerging, created as the result of a potentially productive tension, with post-industrial and mobile elements on one side, and fixed and nature-based elements on the other.

### **Policy recommendations**

Provided that improving work and living conditions in the vast areas of the Northern periphery is a political objective of the Nordic governments, today’s regional policies should be informed by the potential for innovation strategies at the level of the municipality. In this report we have focused on places and localities outside the Northern urban regions, and by means of comparative research we have shown that a variety of innovations is possible, as well as functions at a municipal level that contribute substantially to the innovative capacity of localities in the Nordic periphery. We have found strong similarities in the way that municipalities belonging to different Nordic countries manage their challenges; a Nordic-level discussion on regional policy, informed at a local level, as well as by scientific knowledge, could be an important contribution to the development of regional policies more attuned to the problems of the extreme North.

In the following section, some short recommendations for policy improvements are made, on the basis of the research carried out in this project. These recommendations are of a very general nature, and they do

not address specific instruments and policies currently functioning in the Nordic countries.

### ***Strengthened local government***

Regional and higher-level policy centres could stimulate and strengthen the municipalities' potential by implementing a targeted programme to empower 'flexible development' at a municipal level. Both politicians and administrative personnel could enhance their competence by creating an innovative atmosphere to support the development of viable innovations within their territory. A vibrant local self-government system seems to be important in itself, both in order for ideas to materialize and for their successful integration into daily-life practice. It is interesting to note that innovative activities are carried out in much the same way in municipalities of very varying sizes, but the larger municipalities tend to provide more general and less company-specific support for business development, compared to the smaller municipalities. It is essential that the smaller municipalities should also have policy instruments and competent leaders, to be able to provide support for innovators. Whether this can be accomplished within the framework of the existing administrative structure or not is, however, a political question.

### ***Empowering the innovators and supporting innovative activities***

For the innovators, networking and competence are essential elements, and these may be strengthened by, for example, regional-level educational courses, for would-be entrepreneurs and innovators to develop their ideas and projects as part of the course, at the same time profiting from the experience of other 'colleagues'. It is essential that such courses be set up with equal opportunities for women and men to participate, and that these educational efforts should not be directed towards business innovation alone. People working on business, public and civil society innovations would definitely profit from being brought together for joint learning. Localized innovative development needs to be grounded in local contextual preconditions, yet have the ability to transcend them in order to contribute to local societal development. In order to develop tools for locally adapted innovation processes, inventories of the experience, strategies and tools used by successful local innovators could be an important input. These, however, need to be combined with more generalized knowledge and experience in other contexts. A challenge for policy makers is to develop ways of using the means to empower innovators, both for their long-term development and to enhance local cohesion. To that end, communicative planning strategies may be fruitful.

### ***Building links and communication infrastructures***

In order for local innovation to be successful, out-reaching mobility must be underpinned, both physically and electronically. More of the export activity from these locations is likely to be linked to tourism in the future, so access from the outside will be as important as out-going links and networks. At the same time, problems of per capita costs are real and should be countered by innovative ways of providing adequate transport and mobility systems. In all the countries studied we have observed cases of direct links between local innovators and municipalities on the one hand, and universities and research institutions on the other. This tendency will be essential to the periphery in the future. It is stimulated by a number of factors, including the university training that competent personnel in the municipalities are receiving, and the possibility of conducting field research in co-operation with local people, i.e. acknowledging the value of local knowledge.

The suggestions stated here are not meant to replace current policy at a regional level with a strategy at municipal level; rather, it seems to be a question of including targeted means and instruments of empowerment at a municipal level, as well as the practices of innovators in daily life, into the overall strategies and policies of regional development. In order to be effective, regional policies must be concerned with, and address, not only problems on a regional scale but also problems and potential at the level of the local firm, and innovative individuals within the public and civil spheres of activity. These policies should facilitate the combination of markets, technologies, nature, and human and social capital in innovative ways, to secure viability at both a community and a municipal level in the extreme North.

### ***A broad concept of innovation***

We began this report with the presentation of an innovation concept covering both public sector and civil society initiatives, thereby extending the concept of traditional business innovation. This broad definition has proven very useful, not only because it illustrates innovative practice outside the commercial sector, but also because it provides a platform for studying the interplay between commercial, public, and civil society elements in various innovations. The usefulness of a broad innovation concept is one important contribution on the part of this study to informed policy-making.

## References, Chapter 8

- Barth, Fredrik (ed.) (1972) *The Role of the Entrepreneur in Social Change in Northern Norway*. Bergen: Universitetsforlaget.
- Eriksen, Erik-Oddvar (red) (1996). *Det nye Nord-Norge*. Bergen: Fagbokforlaget.
- Florida, Richard (2002) *The rise of the creative class: and how it's transforming work, leisure, community and everyday life*. New York: Basic Books.
- Granovetter, M. (1985) 'Economic Action and Social Structure: the Problem of Embeddedness' *American Journal of Sociology* 93 (3): 481-510.
- Paine, Robert (1963) 'Entrepreneurial Activities without its Profits', in Barth, F. (ed.). *The Role of the Entrepreneur in Social Change in Northern Norway*. Bergen: Universitetsforlaget.

## Contributors

*Aarsæther, Nils*, Professor, Department of Planning and Community Studies, Faculty of Social Science, University of Tromsø, N-9037 Tromsø. nilsaa@sv.uit.no.

*Aho, Seppo*, Professor, Department of Social Studies, Lapland University, FIN-96101, Rovaniemi, Finland. seppo.aho@urova.fi.

*Biskopstø, Olga*, researcher, Center for Local and Regional Development, FR-700, Klaksvik, The Faeroe Islands. olga@region.fo.

*Granås, Brynhild*, researcher, Department of Planning and Community Studies, Faculty of Social Science, University of Tromsø, N-9037 Tromsø. bgranaas@sv.uit.no.

*Jóhannesson, Gunnar Þór*, PhD-student, Department of Geography and International Development Studies, Roskilde University, DK-4000 Roskilde. gunnarjo@ruc.dk.

*Mýri, Martha*, researcher, Center for Local and Regional Development, FR-700, Klaksvik, The Faroe Islands. martha@region.fo.

*Nyseth, Torill*, Dr., Department of Planning and Community Studies, Faculty of Social Science, University of Tromsø, N-9037 Tromsø. torilln@sv.uit.no.

*Røiseland, Asbjørn*, Dr., Department of Social Sciences, Bodø Regional University, N-8049, Bodø. asbjoern.roeiseland@hibo.no.

*Saarelainen, Tarja*, Dr., Department of Social Studies, Lapland University, FIN-96101, Rovaniemi, Finland. tarja.saarelainen@urova.fi.

*Skaptadóttir, Unnur Dís*, Dr., Department of Anthropology, Faculty of Social Science, University of Iceland, S-101, Reykjavik, Iceland. unnurd@hi.is.

*Suopajarvi, Leena*, Dr., Department of Social Studies, Lapland University, FIN-96101, Rovaniemi, Finland. leena.suopajarvi@ulapland.fi.

*Waldenström, Cecilia*, Dr., Department of Rural Development Studies, Swedish University of Agricultural Sciences, S-75 147, Uppsala, Sweden. Cecilia.Waldenstrom@omv.slu.se.

# Nordregio

## The Nordic Centre for Spatial Development

*An Independent Centre for Research, Documentation and Information Dissemination*

Established in July 1997 by the Nordic Council of Ministers on behalf of the governments of the five Nordic countries, Nordregio serves as an independent research centre on questions concerning spatial planning and regional development. Our staff come from all the Nordic countries, as well as from other European countries. Located in Stockholm, Sweden, the Centre applies a Nordic and comparative European perspective in its investigations, which include:

- ◆ initiating and carrying out research projects and analyses where the comparative perspective is central;
- ◆ offering internationally attractive educational programmes, where the sharing of experience provides new angles of approach to national issues and activities;
- ◆ disseminating experience and contributing to the professional discussion on spatial analyses, planning and policies.

### *A Young Institution with 30 Years of History*

Nordregio grew out of the consolidation of three former Nordic institutions: *NordREFO* (The Nordic Institute for Regional Policy Research, established 1967), *Nordplan* (The Nordic Institute for Studies in Urban and Regional Planning, established 1968) and *NOGRAN* (The Nordic Group for Regional Analysis, established 1979).

The legacy of these institutions includes a widespread network of researchers and civil servants in all the Nordic countries as well as in Europe, a network which has been incorporated in Nordregio and upon whose experience Nordregio will continue to build.

Read more about Nordregio on the website [www.nordregio.se](http://www.nordregio.se).

