



TOIMIALARAPORTIT

Prerequisites of Successful Cluster Concept

Ministry of Trade and Industry, Business Sector Services

Service for TE-Centres and other financing organizations

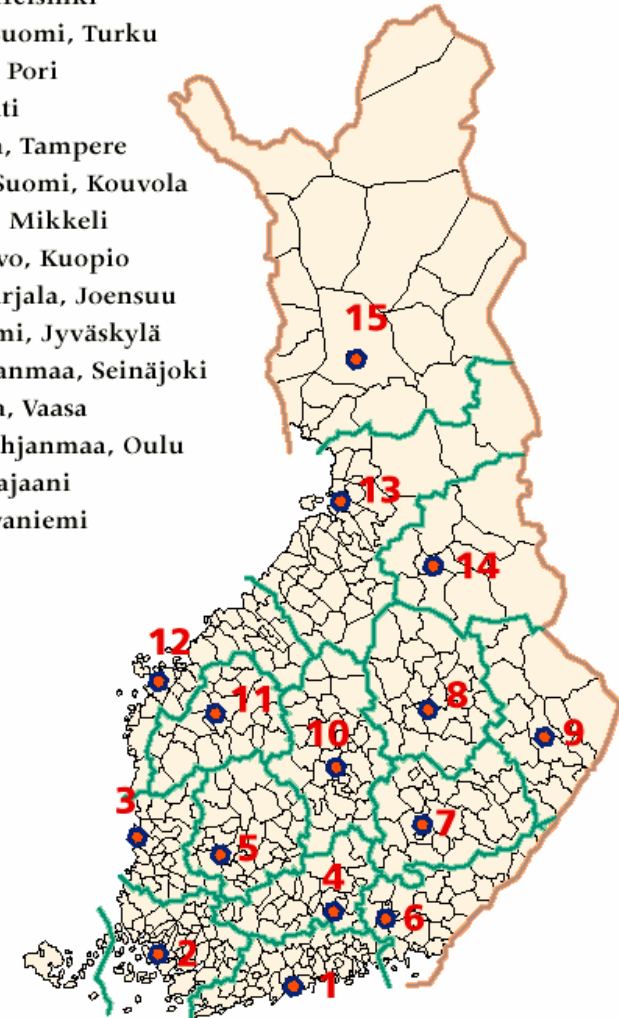
- Follow up the situation and the development on selected sectors (Furniture production, Prefabricated wooden houses, Joinery products ...)
- Sector reports (www.toimialaraportit.fi)
- Financing guidelines
- Sector days with seminars and visits to companies
- Workshops for business analysts
- Statements of big investments funded by TE-Centres
- ToimialaOnline, statistics system

TE-Centres

Areal municipalities of the Finnish state to support the regional development

- Funds from EU and from the Finnish state
- Divisions
 - Agricultural
 - Employment
 - Technology (Tekes)
 - Business

1. Uusimaa, Helsinki
2. Varsinais-Suomi, Turku
3. Satakunta, Pori
4. Häme, Lahti
5. Pirkanmaa, Tampere
6. Kaakkois-Suomi, Kouvola
7. Etelä-Savo, Mikkeli
8. Pohjois-Savo, Kuopio
9. Pohjois-Karjala, Joensuu
10. Keski-Suomi, Jyväskylä
11. Etelä-Pohjanmaa, Seinäjoki
12. Pohjanmaa, Vaasa
13. Pohjois-Pohjanmaa, Oulu
14. Kainuu, Kajaani
15. Lappi, Rovaniemi



Arto Vallin

Sector Manager, Woodworking Business Analyst

Daily work as a Business Analyst (TE-Centre)

- To help SMEs with their development projects
 - Investments
 - Product and Production
 - Management and Marketing
 - Going International

Sector Manager (Ministry of Trade and Industry)

- Furniture manufacturing
- Manufacturing of prefabricated wooden houses, joinery products as windows, doors...

Background

- Engineer
- Industrial experience 17 years mainly in door factories

Presentation is based on

- Practical experience in follow-up of Clusterwork and co-operation projects in Finland and in Lahti region
 - Bestwood (furniture, doors, windows, logistics, woodworking machinery...)
 - Lahti Mecatronics Network (buses, woodworking machines, metal constructions...)
 - “Corn Cluster” (bakery, brewery, raw-material for breweries...)
 - Metal Cluster Forssa (refrigerators to shops, metal constructions...)
 - ProPuu (micro entrepreneurs/ wood, designers)
 - Furniture Clusters/Associations

- Is not based on
 - Scientific theory
 - Scientific studies

Simple Cluster definition

- Organised co-operation and development
- Companies have the same market interest (same customers), members usually come from different regions
 - Customers: Transport and logistics (producers: plywood factories)
- A big part of Clusters are regional. Companies from the same geographic area. Usually based on manufacturing aspects: co-operation in production, raw-materials, consulting, machines...
- (Nokia and Valtra are networks)

Successful Cluster

- The Cluster has a clear Vision and Target, in order to find new innovative solutions in all activities (business sector, sphere of activities...)
- The Cluster has enough resources
 - Public Funding can be useful
 - "Corn Cluster" has resources (invested by members), Furniture Clusters normally have lack of resources
- The enterprises are active to start a Cluster
- The enterprises are active board members
- All members have to pay for participation

The Cluster might have less power

- The Cluster is started by municipalities or other public organisations
 - Every Region runs a Cluster activity
 - Public organizations try to get public funding to run their daily work
 - Cluster is not operating business oriented, it works as long as the Public funding is involved
 - Organizations might continue academic Cluster-talk without meeting the daily needs of the enterprises
 - Simple, pragmatic projects are not popular

Successful Cluster

- Is market oriented
 - Activities are based on **customer demands**
 - Innovations are most often made on the distribution channel (70 % of innovations)

- The biggest market in Furniture Sector are home furniture
 - Retail chains are the customers for most of the producers
 - Retail chains decide the design and products
 - The Cluster operator should provide the members with market information "over chains", end-user research etc. (Bestwood)

The Cluster might have less power

- The participants are interested in totally different business sectors
- Customer demands are not known or are neglected by the project people

Successful Cluster

- A generally appreciated organisation runs the activities
 - Runs the activities with small overhead costs
 - Supports with neutral assistance personnel
 - Supports with neutral meeting arrangements
 - Provides general, useful market information

- Use your common power
 - To influence local schools, municipalities...
 - To arrange personnel education (Reach, Atex...) financed by ...

Successful Cluster

- The participants are active
 - It is possible to choose the moduls they are joining, they only have to pay for those activities
 - They feel that they can benefit
 - They can find some measurable benefits already in the beginning (Some companies join after 2 years' consideration)

- Start with some active companies
 - You might fail if you try to start co-operation with too many partners at a time (one meeting...)

Successful Cluster

- Workshops (meetings late afternoon – evening)
 - Examples of new ways to work
 - Experienced entrepreneurs presenting
 - If possible held in companies
 - Don't teach

- Board of directors
- Marketing
- Design
- Communication systems

Successful Cluster

- Start with companies/ managers who already know each other or have some (successful) co-operation earlier
- Invite new members, management learns to know other enterprises from the region, potential customers, sub-contractors...

The Cluster might have less power

- To create Networks was an earlier popular "ism" before Clusters (it was easy to get funding to create networks)
- Inviting a group of companies that have never co-operated before
- This mistake was done repeatedly

Successful Cluster

- Sufficient amount of Cluster members
 - 200 members?
 - Only part of them are active, the daily work takes its time
 - There hardly are subjects all members find interesting simultaneously

(Atex or similar orders from authorities can be such a subject.

Atex was a popular theme on newspapers and on direct newsletters to companies there were invitations to companies, still some companies told they have not heard about schooling...)

The Cluster might have less power

- Large companies do not join the Cluster
 - They have resources to proceed alone
 - The benefits are not equal, a good benefit for a small company is not enough for the larger one
- Too low quality level (management, production...) of some members
- The Cluster invests on machine park or test laboratory
Resources are pointed too much to the production instead of improving other skills (management, marketing...).
Most plants have been shut down within 5 – 8 years

Co-operation

- A strategic decision
 - It should not be a coincidence in which Cluster the company is participating. There is no reason to join the local Cluster because it is the only Cluster available...
 - Sometimes the company fails in co-operation (cluster work, sub-contract deals) because of the lack of clear strategy. The management is not able to operate...

30 % of Finnish furniture manufacturers have no co-operation, 8 % co-operate actively

Co-operation, works best when

- **Ownership, when the owner speaks...**
“The only way for good co-operation”
- Business for all partners
- The partners are of the same size
“they need you as much as you need them”
- All partners accept win-win principle
- Partners have open cost calculations