

# Different forms of smart entrepreneurship and adjustment to new regulations in the Baltic Maritime Cluster – SMARTCOMP project

SMARTCOMP  
SMART COMPETITIVENESS FOR THE CENTRAL BALTIC REGION

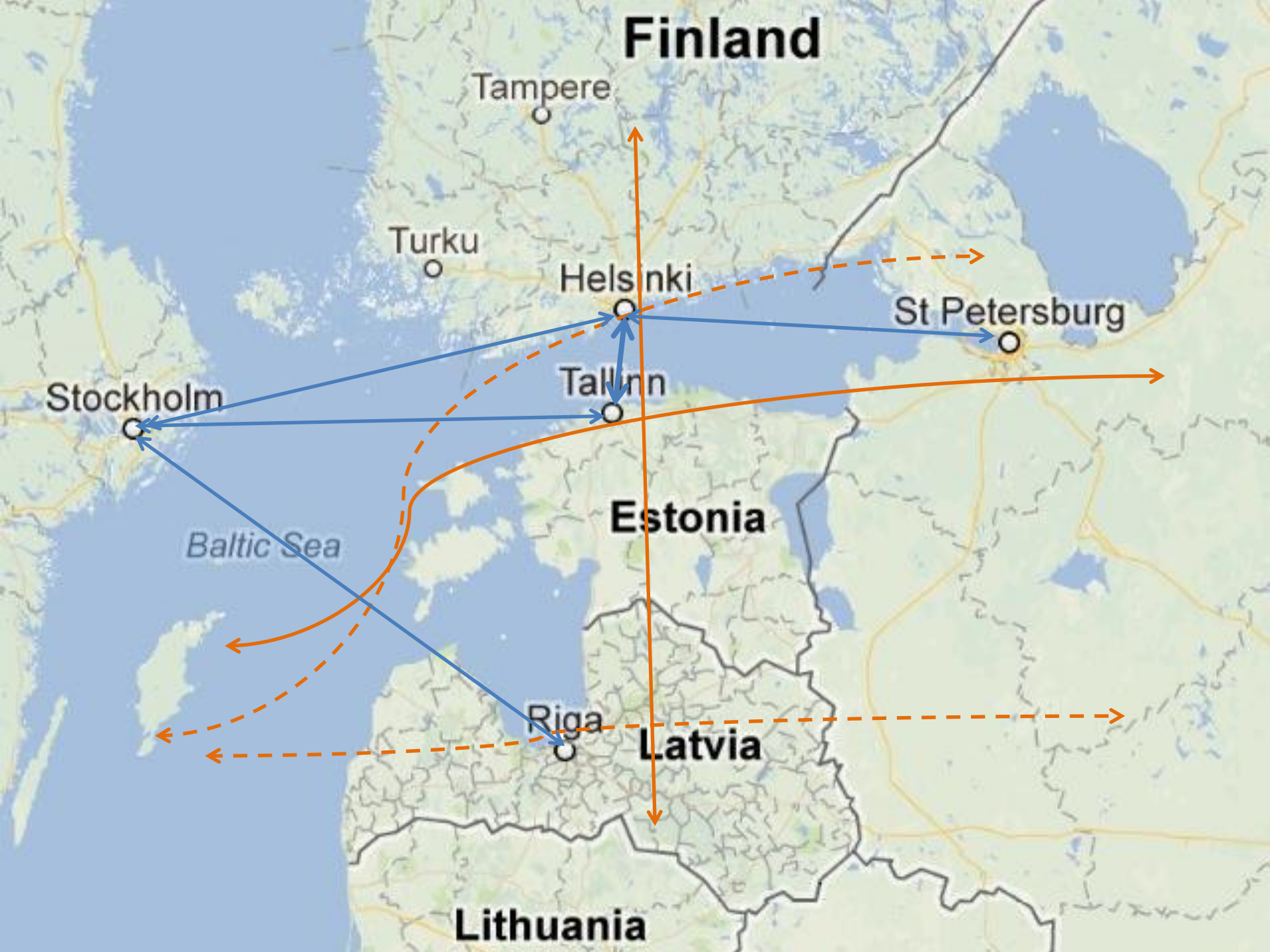
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# Agenda

- General remarks on the Baltic Sea region economies;
- About the project;
- Some results of analysis: Estonia;
- Some results of analysis: Finland;
- Some common issues.



**Finland**

Tampere

Turku

Helsinki

St Petersburg

Stockholm

Tallinn

Baltic Sea

**Estonia**

Riga

**Latvia**

**Lithuania**

# SMARTCOMP

SMART COMPETITIVENESS FOR THE CENTRAL BALTIC REGION

Country	Population, million, 01.01.2011	GDP, billion, at current prices, EUR, 2010	GDP per capita at current prices, EUR, 2010	GDP per capita on PPP basis, EUR, 2010
Germany	81.8	2496.2	30515	29000
Denmark	5.6	236.5	42232	31000
Finland	5.4	178.8	33111	28000
Norway	5.0	317.9	63580	44200
Sweden	9.5	349.9	36831	30400
Estonia	1.3	14.3	11000	15700
Latvia	2.0	18.0	9000	12600
Lithuania	3.0	27.6	9200	14100
Poland	38.5	354.6	9210	15300
Russia	143.0	1140.0	7972	12000
<i>St. Petersburg</i>	4.6	51		
<i>Leningrad region</i>	1.6	15		
<i>Kaliningrad region</i>	0.9	6		

# GDP and Exports of the Baltic Sea Region Countries

Country	GDP, bln EUR	Ex, bln EUR	Exports to the Baltic Sea region as % of total				
			Germany	Nordic	Baltics and Poland	Russia	Exports to the Baltic Sea region
Germany	2496.2	1173.3	-	4.2	3.5	2.3	10.0
Denmark	235.6	118.6	10.1	17.3	2.0	1.0	30.4
Finland	178.8	50.3	7.3	12.8	4.7	6.5	31.3
Norway	315.2	129.7	9.1	12.0	1.7	0.7	23.5
Sweden	355.0	173.2	7.6	17.3	3.0	1.4	29.3
Estonia	14.3	11.4	5.2	38.5	15.5	9.7	68.9
Latvia	18.0	9.7	8.1	14.8	32.2	15.3	70.4
Lithuania	27.6	18.8	9.9	10.3	22.1	15.6	57.9
Poland	354.6	149.8	26.0	6.9	2.1	4.3	39.3
Russia	1141.0	216.7	6.3	4.0	5.8	-	16.1



# The Smart Comp Project (1)

- The Smart Comp project is partly financed by the Central Baltic Interreg IVA programme 2007-2013;
- The project aims to support smart, environmentally sustainable development, growth, competition and cooperation between maritime clusters, cities and universities in the Central Blati Region (CBR).

## The Smart Comp Project (2)

- The project covers Estonia, Latvia, Finland and Sweden;
- The maritime cluster consists: shipbuilding, Offshore industry, shipping companies, suppliers of marine industry, ports and port operators, interest groups and associations.

Sources of location related competitive advantage (combined form Porter 1990, 2000a, Porter et al. 2008), from SMARTCOMP midterm report

## Context for firm strategy and rivalry

A local context and rules that encourage investment and sustained upgrading

A context of open and vigorous competition among locally based suppliers

## Factor (input) conditions

The quality of inputs available to firms

Inputs: natural and human resources, capital, infrastructure, R&D

## Demand conditions

The presence of demanding local customers

Unusual local demand in specialized segments that can be served globally

## Related and supporting industries

Access to capable, locally based suppliers and firms in related fields; Presence of competitive related industries



## Steps

- Overview of national clusters;
- Ideas about the CBR;
- Public awareness on sea related issues, business self-identification and branding

## Summary: Estonian maritime cluster (1)

- Shipbuilding industry:

Challenges: fluctuating demand for niche products, increase of costs, limited number of qualified labour force;

Opportunities: a good quality-cost ratio in shipbuilding, successful production of specialized ships for clients, strong financial position (limited amount of loans, reinvestment of profits);

- Shipping companies:

Challenges:inflation, level of interest rates, price of fuel , changes in laws and regulations, environmental regulation (Sulphur directive);

Opportunityias: a dominating market position on the CBR, modern ships, good products, especially in passengers transportation

## Summary: Estonian maritime cluster (2)

- Suppliers of marine industry

Challenges: narrow customer base

Opportunities: geographical closeness to Finland, similarity of languages (FDI and customer base related issue)

- Other related business

Challenges: substantial amount of services are integrated into group (issue of vertical integration)

Opportunities: a reasonable demand of major industries for services, a good quality-cost ratio;

- Ports and port operators

Challenges: dependence on international transit channels, influence of political relationships between the countries, capacity of other infrastructure, eg. railway connections as a bottleneck, diversification of cargo flows and increase of products, need for distribution centres and further manufacturing

Opportunities: the use of logistics and IT knowledge in new areas.

# Summary: Finnish maritime cluster (1)

- Shipbuilding industry:

Challenges: high cost structure, price competition, dependence on few customers/segments, lack of investments by Korean owner

Opportunities: innovation regarding energy efficiency, environmental friendliness and passenger experience, closer cooperation and co-creation with subcontractors and customers, increasing activities and finding new customers in offshore segment, expanding services over the life-cycle of the product

- Offshore industry:

Challenges: foreign ownership hinders own R&D activities, SMEs have difficulties in winning bids in large-scale offshore projects, lack of workforce with special know-how, state reduced support for industry/ development, no possibilities for proce competition with Asian markets

Opportunities: reputation of excellent project management as well as reliable and good quality services and products, demand for excellent quality as well as special niche know-how and technology, for example, related to the Arctic conditions

## Summary: Finnish maritime cluster (2)

- Shipping companies

Challenges: poor profitability, aging fleet which does not meet new environmental regulations, rising costs for industry which threaten future material flows, lack of cooperation within field, dependence on few customers

Opportunities: innovations regarding energy efficiency, environmental friendliness and other smart solutions, closer cooperation and co-creation, new material flows such as mining

- Suppliers of marine industry

Challenges: high costs, dependence on local shipyard, financing

Opportunities: innovation regarding energy efficiency, environmental friendliness and functionality, new areas like offshore or renewable energy segment.

## Summary: Finnish maritime cluster (3)

- Ports and port operators

Challenges: changes in material flows, increasing competition, financing, tightening environmental regulations, road and rail connections and the fluency of traffic, sensitivity to strikes, availability of skilled workforce

Opportunities: increasing specialization, developing new services and infrastructure, innovations related to environmentally sustainable solutions, increasing networking with other ports and shipping companies.



# Other common issues

- Associations;
- Trade unions;
- Human resource development, R&D and education;
- Public industrial, environmental, social and tax policy;
- International relations with neighbouring countries.

Thank you!