

# Today

Change agency and opportunity spaces in:

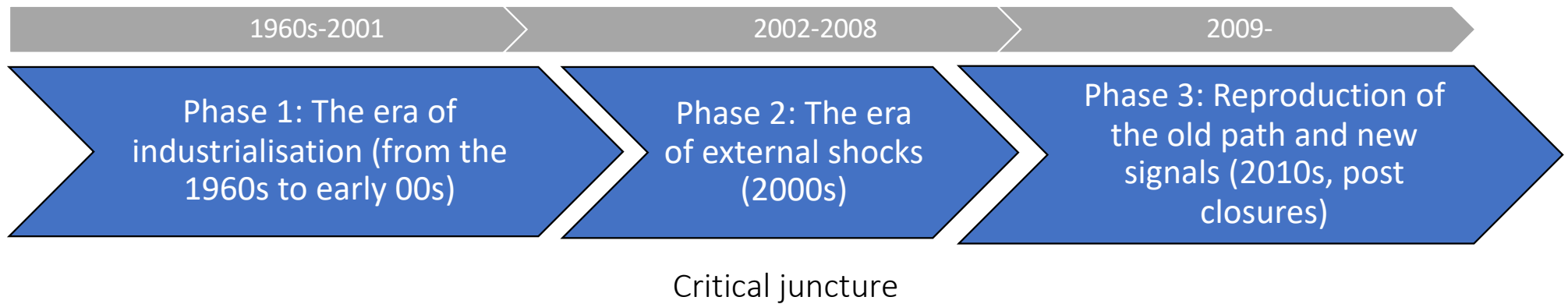
- Eastern Lapland
- Salo
- Nuuk, Greenland

## A Crisis - Eastern Lapland, Finland

- Population 14,000 people
  - Decreased by 52% from 1980
- Earlier pulp/paper industry and electronics manufacturing
  - Closure of Orion pharmaceuticals (2002), Salcomp electronics (2004) and Stora Enso (2008)
- Low number of SME's, growing tourism
- High unemployment rate



# Development trajectory



“Entrepreneurial spirit is missing, and people are used to having big employers. Now they are waiting for the Bioref to come ... when someone begins to plan entrepreneurship, the lack of capital is huge.

This place is not a region worth investing ... somehow, the atmosphere here is oppressive because of state dependency and the dependency on big projects. It's is just about waiting, and there is a lack of independent initiatives.”

(a local developer)

## The closure of Stora Enso's paper mill (2008)

Salcomp and Orion closed their plants earlier

"In print paper the market shrunk 7% a year in Europe... In regions where the demand drops, further investments are not profitable. And then the Russian wood tariffs and availability of Finnish wood... the purchase cost of lumber rose about 50-60% in six months... Altogether, the changes in the field of Stora Enso cost 16,000 jobs globally, of which 50% were in Finland."

(a company representative)

"The pulp mill fell, and it was incomprehensible because it was a unit that was making profits for the mother company, was energy self-sufficient and in the middle of growing raw material. State-ownership was 35% and the state did not even use its power to save the mill in this situation.

(a national level politician from the region)

## The closure of Stora Enso's paper mill (2008)

### Why Kemijärvi?

- Decreasing paper consumption
- Environmental activists' contradictory calculations and lobbying efforts pertaining to the sufficiency of northern wood
- A large Swedish owner of Stora Enso supported the closure of Finnish units, as opposed to those in Sweden.

### Defensive actions

- A social movement called 'Massaliike' ('Mass movement') to protest the changes
  - Led by the Chairman of the Municipal Board (a prominent formal place leader) and a few other leading actors
  - The core group also actively lobbied Stora Enso and Finnish ministers
- The Municipal Council of Kemijärvi offered to buy Stora Enso's facilities and machinery
- Abrupt structural change policy (ÄRM)



## Towards Forestin Eco-industry Park

- The municipalities began to find a way to establish a new biorefinery - Kemijärven Kehitys Ltd coordinated activities - > the main aim to create an industrial symbiosis
  - Close collaboration with investigators from Aalto University and the National Centre of Circular Economy
  - Mobilisation of local SMEs to prepare for new opportunities (not successful)
  - Attraction of companies to move from elsewhere to the eco-industry park
  - Negotiations with the state to electrify the rail connection
  - EU-funded project

- The lead champion of the new mill had previously held a position as a forestry advisor in the Finnish Forest Center.
- But, the local political atmosphere was seen as rather volatile
- Distrust for 'southern masters' and the state

"We are so far away here. We are in a way united, but concerning the 'Masters of Helsinki', we don't like them. And we have proof that this is the right attitude." (a retired mayor of a municipality)

"When facing threats, there has been a lot to do together. 'Train rebellion' and 'Mass movement' indicate that... when there is a threat or something else, people have come together." (a person involved in social movements)

The era of industrialisation  
From the 1960s to the early 2000s

The era of  
external shocks  
The 2000s

Reproduction of  
the old path and new openings  
2010s, post closures



Weak **place leadership**, local activities were fragmented and sporadic

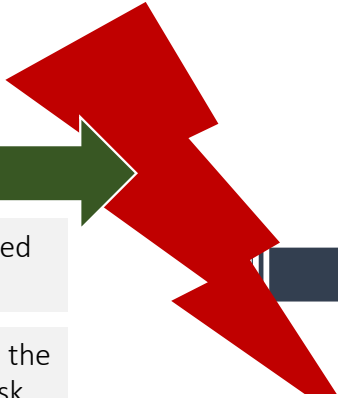
Supportive and proactive industrialising regional policy

Corporations willing to establish plants on state subsidies, local labour and resources



Reactive and responsive local government, assigned **place leadership**

No need for local **institutional entrepreneurship**, as the State and the corporations carried the financial risk, national level institution building  
**Innovative entrepreneurship** had no space (or any need) to grow, the major industrial companies forming the backbone of the local economy.



Locals faced a shock, patterns of agency learnt in the past found outdated  
Mobilisation of rallies to protest the decisions

The state used its limited arsenal  
External actors searched for and mobilised to contribute



Emerging **place leadership** enhancing **innovative and institutional entrepreneurship**

“Let’s think about this really, a billion-euro investment. If we can take this to the goal – *when we can get this to the goal*, totally penniless people have just launched this. The development company gave the first small investment to this company.

We are not talking about any basic pulp factory here. It is just the compulsory bad thing here that we need to have, so that we can access the real high-value products.”

(a development company representative)

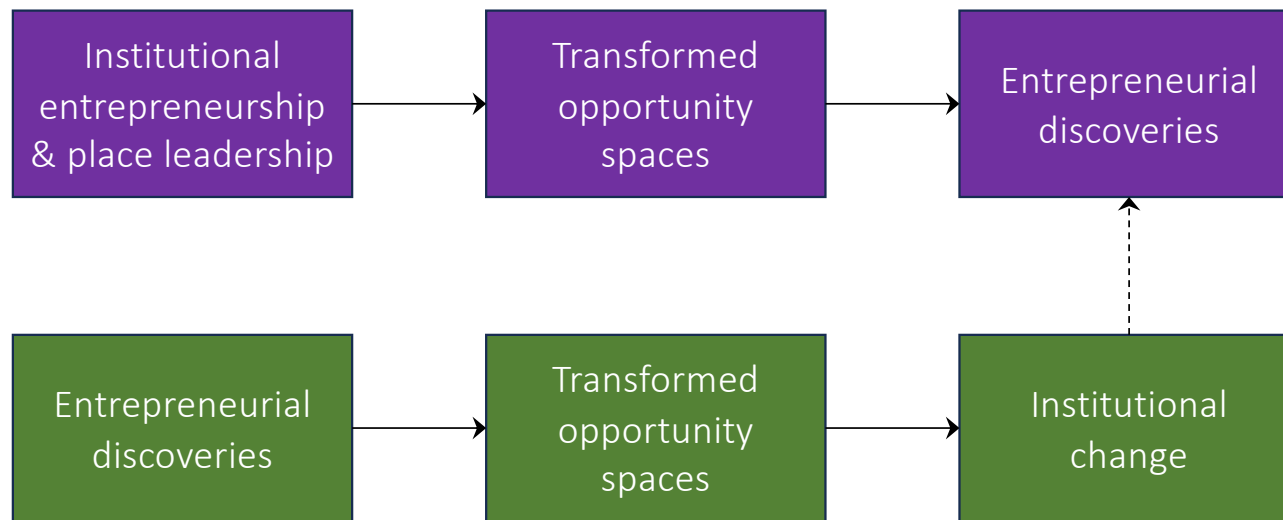
A Chinese state-owned company, Camce, backed by the Chinese National Investment Bank, was involved in negotiations, but eventually did not invest in Boreal Bioref.



	JAKOBSTAD	EASTERN LAPLAND
Place leadership	Shared and mutual Informally co-constructed Business community in the lead	Based on a few key organisations' and key individuals' visions Fragmented and sporadic
Mobilisation	Largely self-organising Occasional lack of coordination	A few key actors organise project-based development work
Strategic focus	Open: inclusive regional strategy	Focused: the forest industry, tourism second.
Mode of action	Proactive	Reactive
Perception of institutional change	Incremental: "doing things better" continuously	Abrupt: Pursuing radical changes
Spatial scale	Strong local activity and international orientation	Weak local activity, focus on national and international resources
Networking	Intensive local networks to reach international markets Strong international networks	Weak local networks

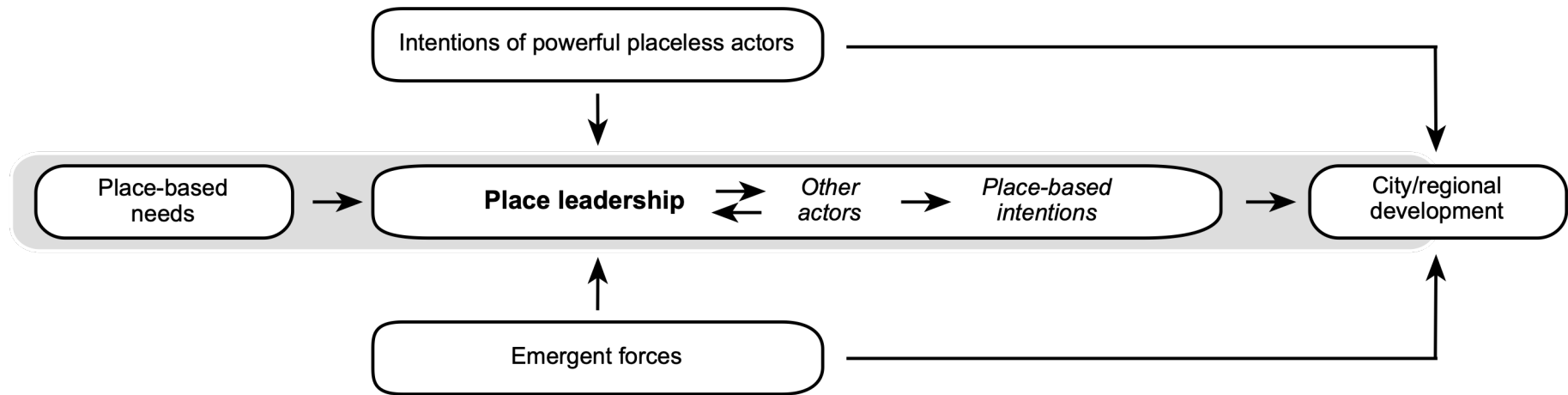
# Institutional change and entrepreneurial discovery

A simplified illustration of two pathways



# Place leadership as a nexus

Nexus = connection or series of connections linking two or more things



The town of Salo, Nokia and Microsoft as a case in point



## Development trajectory in Salo / the main phases

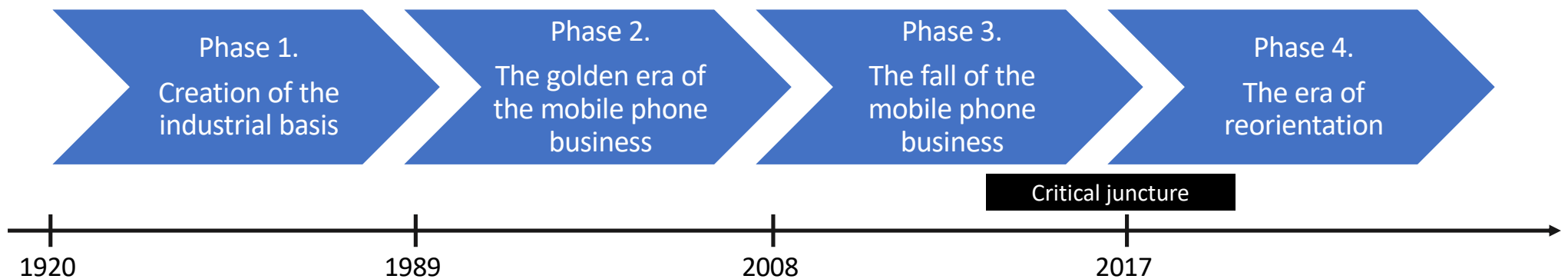
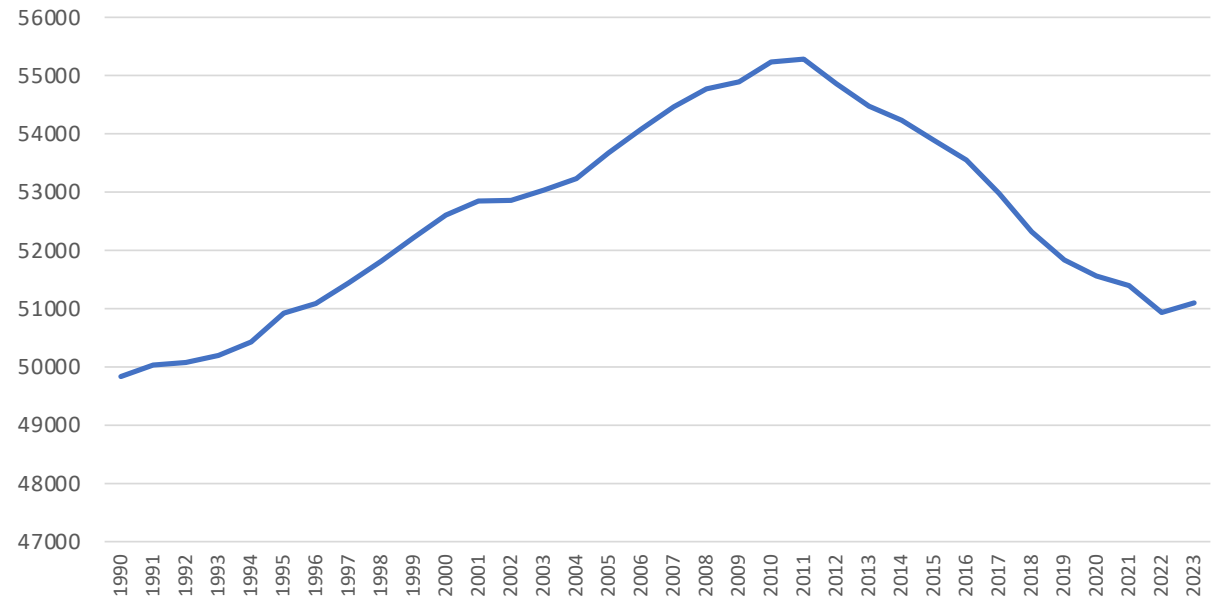
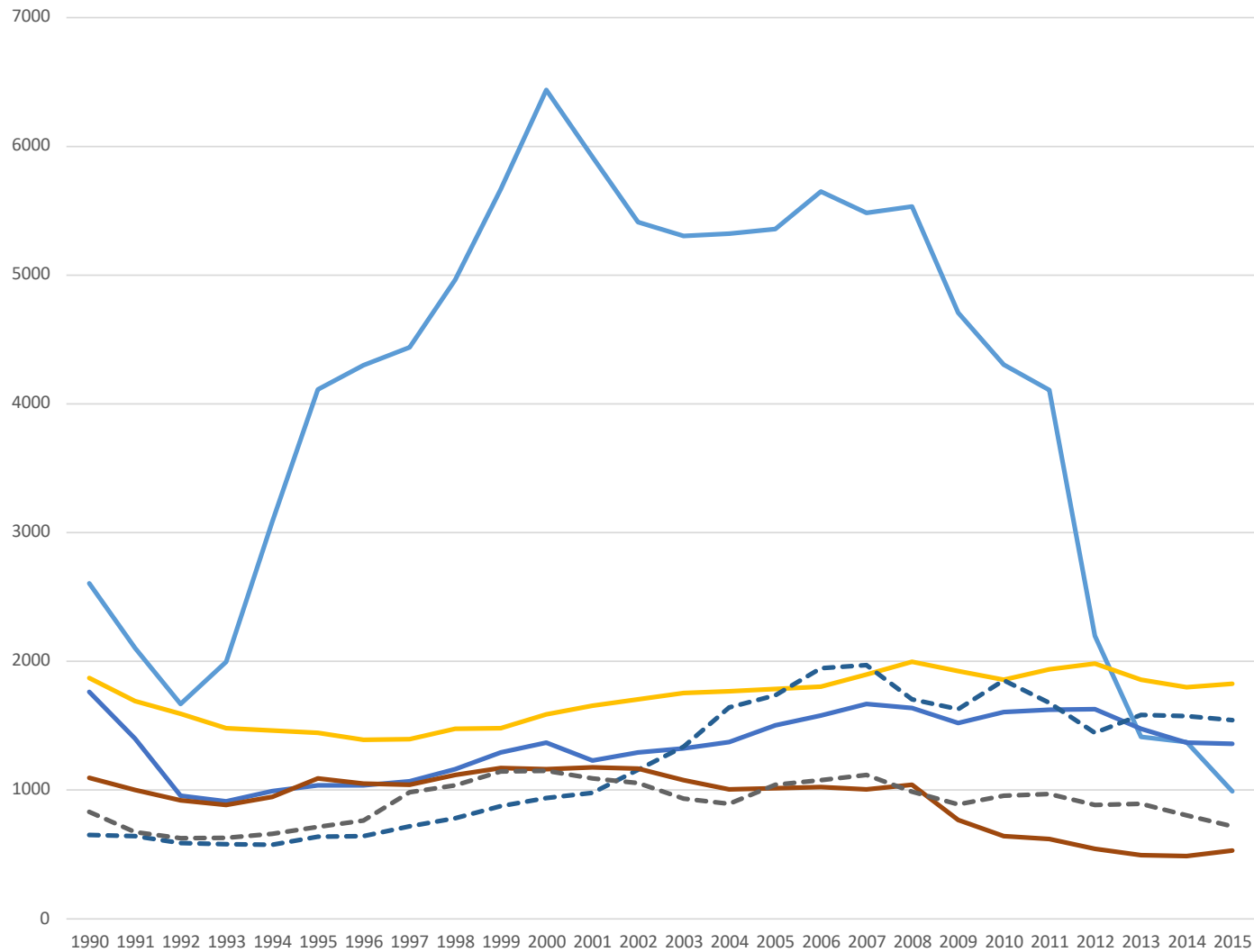


Chart Title

## Population change in Salo

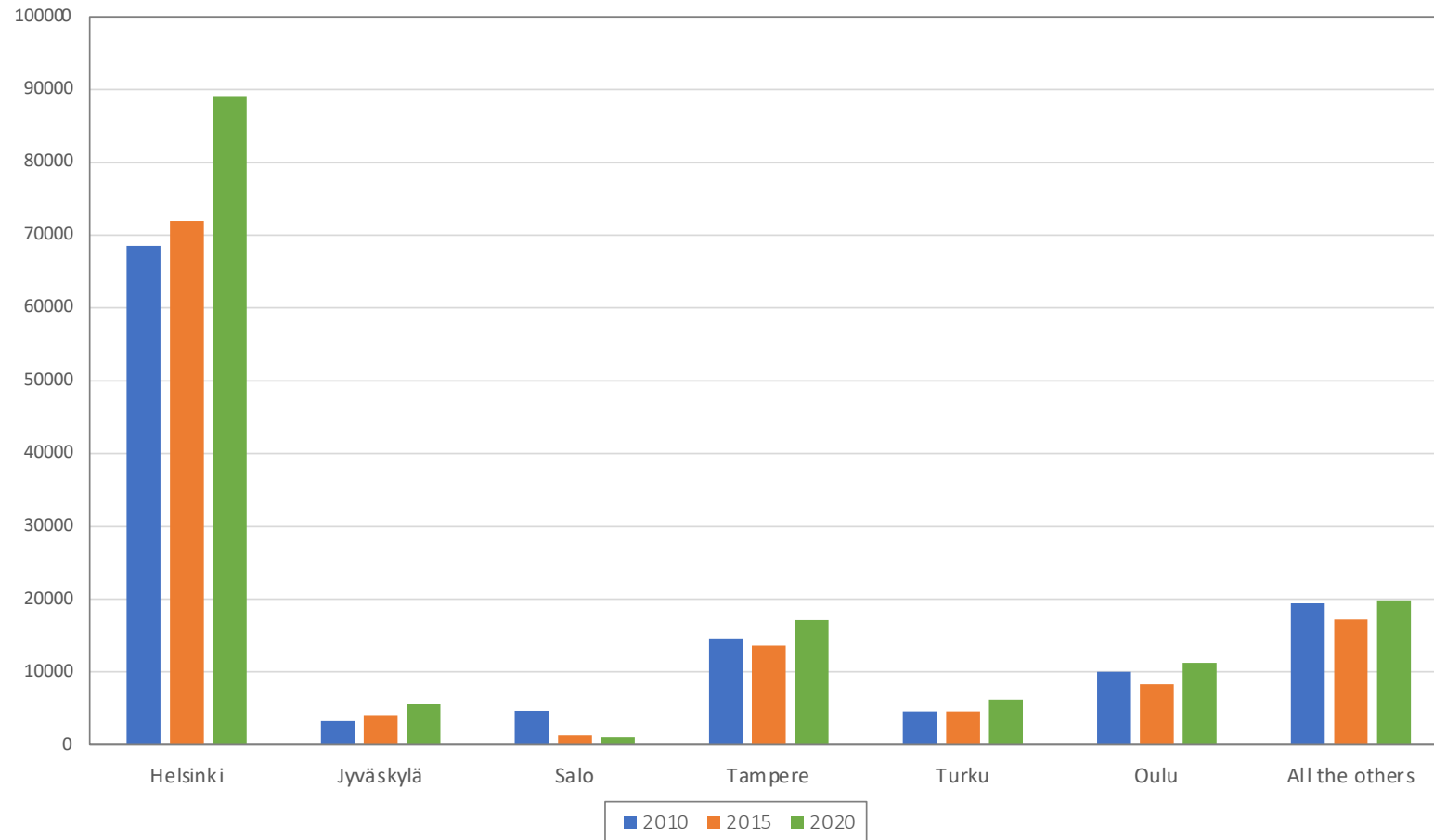


# Industrial dynamics

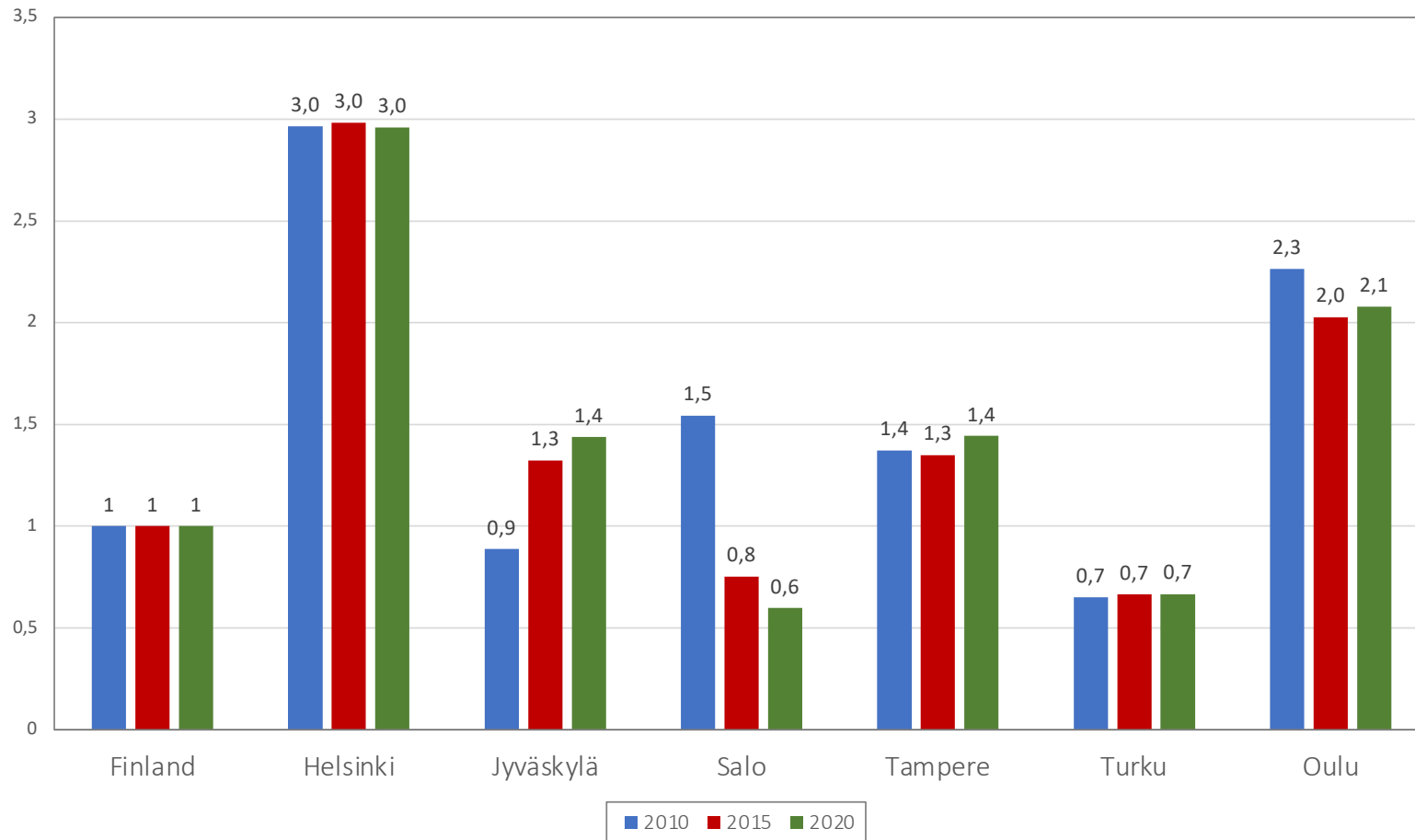


- Manufacture of radio, television and communication equipment and apparatus
- Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
- Construction
- - - Other business activities
- Manufacture of machinery and equipment n.e.c.
- - - Manufacture of fabricated metal products, except machinery and equipment

## The most ICT specialised sub-regions in Finland, employment



## The most ICT specialised sub-regions in Finland (Location Quotients)



$$LQ = \frac{e_i/e}{E_i/E}$$

Where:

$e_i$  = Local employment in industry i

$e$  = Total local employment

$E_i$  = Reference area employment in industry i

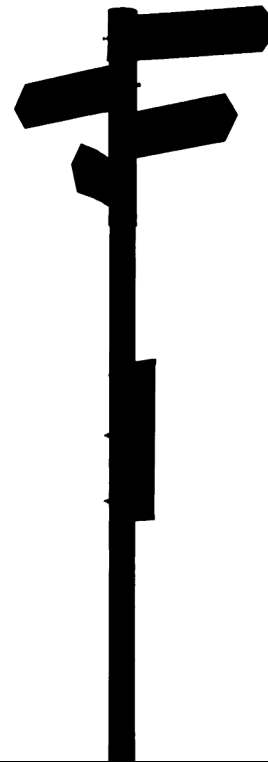
$E$  = Total reference area employment

It is assumed that the base year is identical in all of the above variables.

## The collapse of Nokia's subcontracting cluster

### The closure of Nokia's mobile phone factory in 2012

- In 2007, Nokia and its subcontractors employed approximately 7,000 – 10,000 people in Salo
- The share of high-tech manufacturing of all employment was as high as 25%
- Nokia: 80% of local corporation taxes
- In the early 2000s, Salo's relative position in the 'Nokia cluster' began to weaken



- One by one, Nokia's subcontractors started to bankrupt or move away from Salo (-2000 jobs)
- In late 2009, the Ministry designated the Salo sub-region as an abrupt structural change region (ÄRM-policy)

“We can quietly prepare here when we see that we may hit the iceberg. We can begin to create something, but carefully.

We cannot do it publicly because of what might ensue. People would stop shopping; the supermarket enlargement would not happen.

We cannot do that. We would cause the disaster by ourselves”

During the golden era, Salo had become a self-sufficient and inward-looking small town in the shadow of a corporate giant

>>>

Identity crisis

## The closure of Microsoft's product development unit in 2015

- In September 2013, Microsoft acquired the mobile phone business division from Nokia
- In July 2015, Microsoft closed the product development in Salo (1,000 jobs)



- Appr. 80 start-up companies were established in Salo
- Former Nokia/Microsoft employees mobilised themselves and established a Smartsalo Association
- International marketing

## The place leaders adopted a double-pointed strategy

- They worked to ease the transition of people from Nokia/Microsoft to other firms (crisis management)
- They worked to attract firms and investments, explore local firms' growth potential, and support start-ups (place leadership for the future)

# The establishment of the Salo IoT Campus

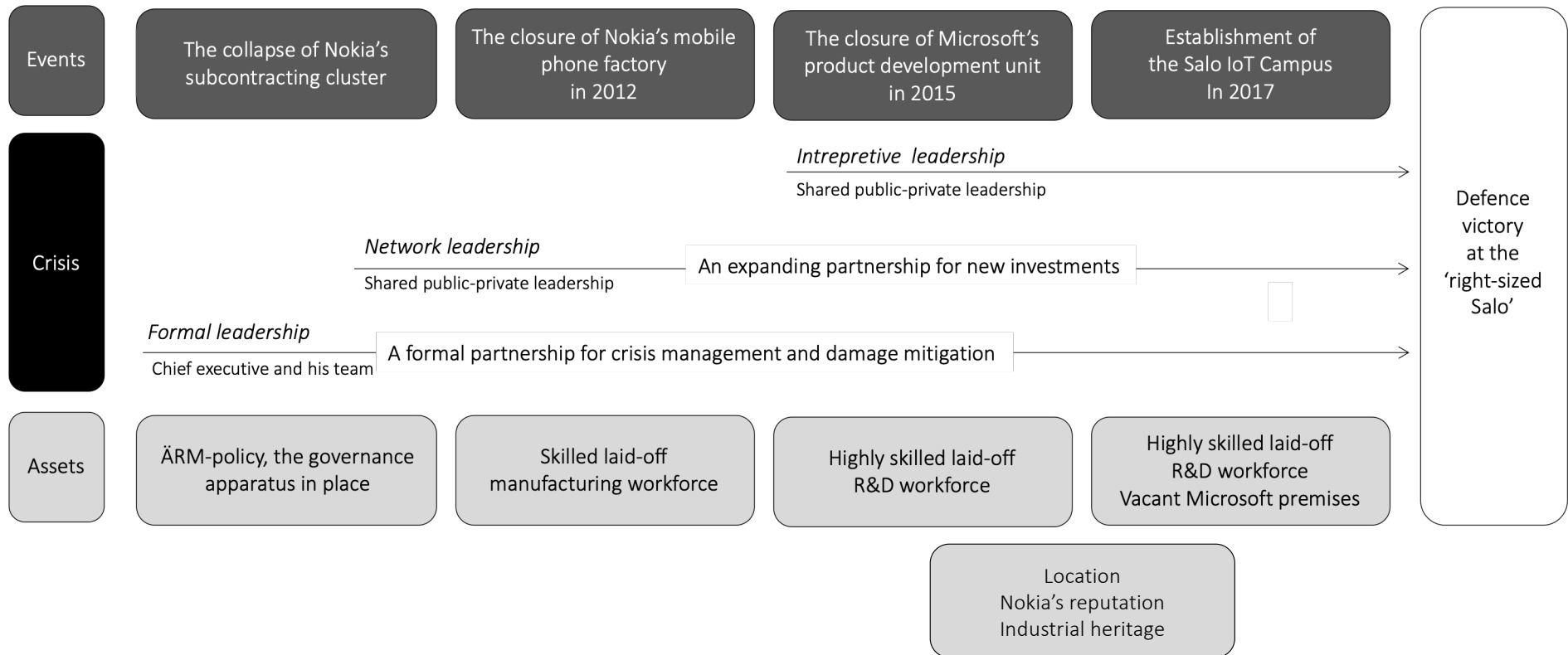
"We took the Town Board there - look, these are the premises that we are buying.

The Board members were stunned about the main square, like in New York or Silicon Valley or anywhere.

We did not know that we had something like that here."



Apr. 83,600 square meters of vacant space



## Pre-crisis and post-crisis opportunity spaces in Salo

	Pre-crisis opportunity space	Post-crisis opportunity space
<i>Region specificity</i>	Embedded, long-evolved local expertise in electronics	Weakened as local expertise disseminated
<i>Agency specificity</i>	Rapidly expanding opportunities relying on Nokia	Relying on individuals' and small groups' expertise in IoT-related technologies
<i>Time specificity</i>	Expanding global markets in mobile phones	Introduction of iPhones and Android closed the former window of locational opportunities; IoT potentially opening new windows

The place leadership questions	Answers – Salo
<i>Who exercised place leadership through formal authority (position)</i>	The Chief Executive of the Town Council with the core group's capacity to mobilise public resources to mitigate the damage
<i>Who exercised place leadership through informal authority (person)?</i>	Ex Nokia/Microsoft employees mobilised themselves and set up a SmartSalo Association to utilise their professional networks and their capabilities to generate novel business activities in Salo.
<i>What kind of place leadership style was adopted and what influence strategies were used (process)</i>	First formal leadership, which quickly evolved to network leadership, and finally to search for a vision and new identity (interpretive leadership)
<i>Where did place leadership take place (place and institutional context)?</i>	A small sub-region in Finland, with a unitary governance system, strong central government accompanied with municipalities. Fairly good location in Southern Finland.
<i>Why was place leadership exercised (purpose)?</i>	To save Salo, to mitigate a severe crisis, and to construct a vision and strategies for the future.
<i>What was achieved by place leadership (outcome)?</i>	A defensive victory, a right-sized town.

## Salo - conclusions

- The governance system is necessary but not sufficient for coping with a crisis
- Formal and assigned leadership is dependent on tapping into powers and capabilities beyond the reach of its sphere of action;
  - The capacity to create a vision, source knowledge, and mobilise assets being in the hands of other actors.
- We should be open to effective place leadership assuming varied forms in different places

# Constructive and destructive agency, regional path development and critical junctures

The case of cruise tourism in Nuuk, Greenland

- Actors may deliberately try to create a new development path
- Other actors' activities may result in unintentional path development outcomes.
- Deliberate attempts to shape path development may fail.

Agency may be constructive or destructive



**Table 1.** Numbers of passengers, ships and mean number of passengers per cruise ship calling at Nuuk, Greenland.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Passengers	7626	8337	10,570	14,838	16,586	22584	0	0	25,435	53,600
Ships	21	24	31	29	32	37	0	0	43	78
Mean passengers per ship	363	347	341	512	518	610	0	0	592	687

The opportunity space has been expanding,

- A new airport in Nuuk, enable direct international flights.
- Nuuk may become a ‘turnaround’ destination – the port at which cruise ships start or end their voyage – passengers typically spend one or two extra days

but...

- The limited capacity of the harbour and the local tourism industry
- Increased awareness of the negative impacts of cruise tourism
- Awakened fears in Greenland about over-tourism

Differences in how different stakeholders perceive the regional opportunity space

# Varying perspectives

## Continuation

- Path extension with a focus on conventional cruise ships
- Advocates: large tour operators (competition between themselves)
- Strategy: improving the physical environment and coordinating the arrival of cruise passengers

## Transformation

- Path transformation with a focus on tailor-made packages
- Advocates: Visit Greenland, the International Association of Expedition Cruise Operators (AECO) and some smaller local tour operators
- Strategy: From mass tourism to tailor-made packages

## Varying perspectives

### Decline and disappearance

- Path decline by focusing on land-based forms of tourism or fishing
- Advocates: some citizens and local business owners
- Strategy: engagement in political and media debates over the future of cruise tourism

Cruise tourism in Nuuk is characterised by conflicting interests and is at a potentially critical juncture.

**Table 2.** Cruise tourism path development goals and agency in relation to system function of local stakeholders in Nuuk, Greenland.

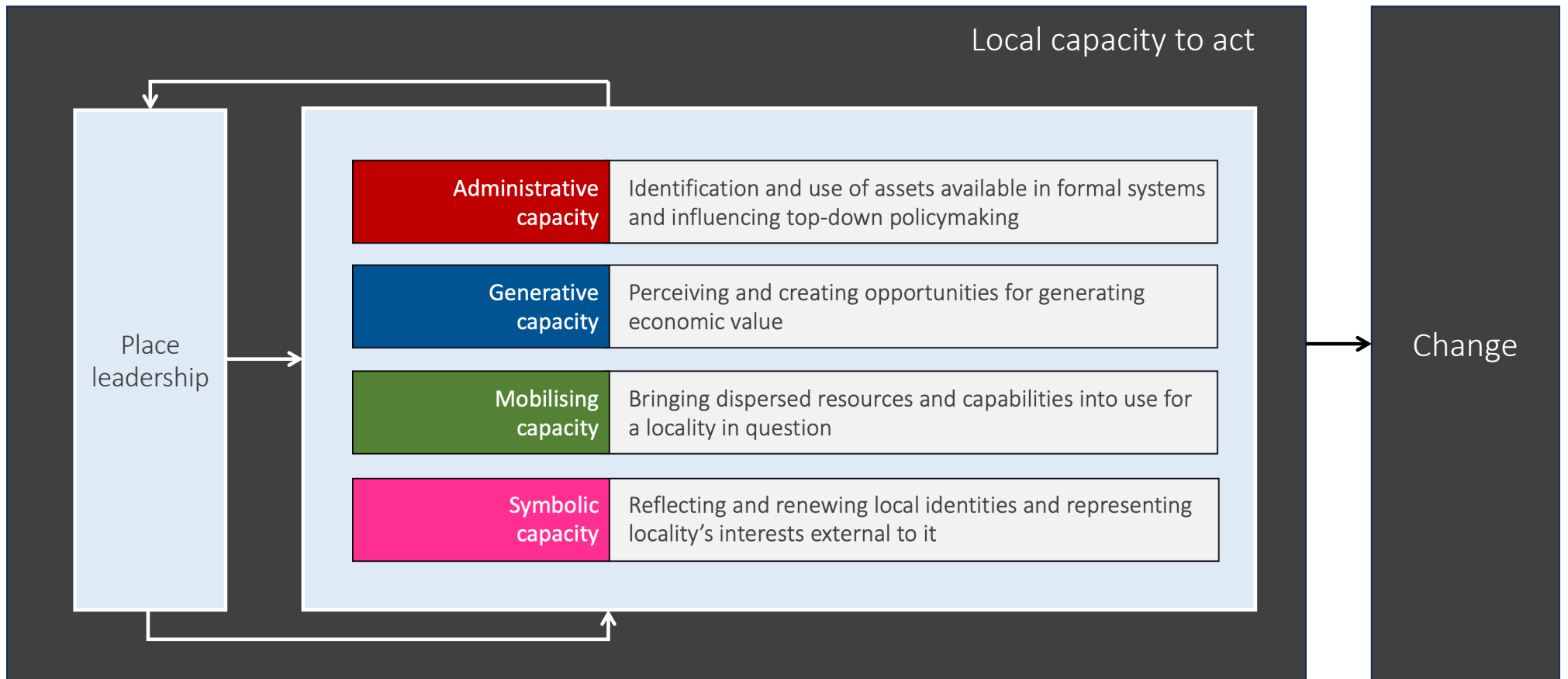
	<b>Continuation</b>	<b>Transformation</b>	<b>Decline</b>	<b>Destruction</b>
Key stakeholders	<ul style="list-style-type: none"> <li>Larger tour operators, local businesses, port agents, cruise lines</li> </ul>	<ul style="list-style-type: none"> <li>Visit Greenland, Association of Expedition Cruise Operators (AECO), smaller tour operators, residents, local media</li> </ul>	<ul style="list-style-type: none"> <li>Fishing industry, residents</li> </ul>	<ul style="list-style-type: none"> <li>Hunters, residents</li> </ul>
Knowledge development and diffusion	<ul style="list-style-type: none"> <li>Local network-building and collaboration between public and private actors involved in cruise tourism</li> </ul>	<ul style="list-style-type: none"> <li>Review of cruise taxation and regulation</li> <li>Sharing knowledge about good cruise practices</li> </ul>	<ul style="list-style-type: none"> <li>Studies of impacts of cruise tourism on wildlife</li> </ul>	n.a.
Entrepreneurial experimentation	<ul style="list-style-type: none"> <li>Incremental innovation and improvement of collaboration between operators on existing products</li> </ul>	<ul style="list-style-type: none"> <li>Development of new luxury and adventure cruise tourism products</li> </ul>	<ul style="list-style-type: none"> <li>Development of products aimed at land-based tourist such as longer tours and overnight stays</li> </ul>	n.a.
Resource mobilisation and asset modification	<ul style="list-style-type: none"> <li>Improvements to harbour facilities and tourism infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Investment in upgrading boats, improvements to harbour facilities and tourism infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Investment in assets linked to land-based tourism, especially accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Use (or destruction) of assets valued by tourism sector, e.g., fishing boats, hunting of whales and other wildlife</li> </ul>
Market formation	<ul style="list-style-type: none"> <li>Continued marketing and product development with conventional cruise lines</li> </ul>	<ul style="list-style-type: none"> <li>Marketing to new segments, cessation of marketing to conventional cruise lines, branding Greenland as adventure destination</li> </ul>	n.a.	n.a.
Direction of search	<ul style="list-style-type: none"> <li>Continued conventional cruise itineraries</li> <li>Increasing demand for Arctic cruise products from conventional cruise tourists</li> </ul>	<ul style="list-style-type: none"> <li>Development of local guidelines for cruise tourism</li> </ul>	n.a.	n.a.
(De)legitimation	<ul style="list-style-type: none"> <li>Contributions to public debates and consultations</li> <li>Emphasis on economic benefits of conventional mass cruise</li> </ul>	<ul style="list-style-type: none"> <li>Contributions to public debates and consultations. Newspaper articles, media interviews and press releases</li> <li>Emphasis on negative impacts of conventional cruise on social, economic and environmental sustainability. Expedition cruise tourism legitimated through community guidelines and marketing</li> </ul>	<ul style="list-style-type: none"> <li>Contributions to public debates and consultations. Lobbying for higher taxes and cap on number of cruise calls.</li> <li>Emphasise importance of land-based tourism</li> </ul>	<ul style="list-style-type: none"> <li>Lobbying for prioritisation of fishing</li> <li>Emphasise the negative environmental impacts of cruise tourism and its interference with traditional hunting</li> </ul>

Source: Visit Greenland.

- Case Nuuk underlined the importance of examining agency during critical junctures
  - The stakes for future development are heightened and paths are more likely to turn in new directions.
- Path development goals are pursued in specific opportunity spaces
  - Political, economic, environmental, and infrastructural
  - It is therefore also important to analyse local stakeholders' perceptions of these in times of a critical juncture



# Place leadership as a cause, consequence and element of institutionalised capacity to act



## Conclusions – we found cases

- Where **local conventions** are supportive for picking up new opportunities and taking risks –  
> institutional entrepreneurship is not called for
  - Where **institutional entrepreneurship** provided the grounds for mobilizing across actor groups and pooling resources (place-based leadership), leading to improved regional preconditions for stimulating innovative entrepreneurship
- 
- Where **innovative entrepreneurs** succeeded in a market niche and engaged in developing the resources required in the region for further growth (place-based leadership)
    - This often called for a change in cognitive–cultural institutions (institutional entrepreneurship) to legitimize a new industrial path in a region

