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EDC PARK NEEDS ASSESSMENT TOOL

Thesis

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<p>The function of this thesis was to apply a tool which aims to primarily collect and understand the needs of potential customers who show an interest in joining the EDC Park in Kajaani, which in turn allows the identification of service gaps. Secondly, the tool operates as a method of marketing the project to potential customers. The research was commissioned by the EDC Park project and coordinated by Kainuun Etu Ltd.</p> <p>The theoretical background comprises of two topics; firstly cluster theory which examines the basics regarding the inception and development of cluster formations, also investigating examples of pre-existing cluster formations within Finland. The second, regional competitiveness highlights two models; the first explores a region's value proposition to prospective customers, the following model looking at basic conditions that influence a firm's decision to relocate. In combination, the two topics allow realistic recommendations to be added for the positive development of the EDC park cluster based upon identified customer needs.</p> <p>The culmination of the thesis was a successfully deployed tool, which effectively mapped target customer needs through primary data collection and the results showed Kainuu could support a majority of the needs. The service gaps that appeared include a lack in the region of niche and relocation services for employees, limited choice of business intelligence services and a gap of students who graduate with specializations based upon the IT field. All of the service gaps can in some way be rectified and repaired by actors within Kainuu through practical recommendations as part of a developmental process.</p>	
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PREFACE

This thesis was commissioned by Kainuun Etu Ltd where I completed my practical training as part of my degree programme. I wish to offer my gratitude to the company for the opportunity to work within such a challenging project and I am privileged to be part of a movement that will positively affect the region of Kainuu. The training place enabled me to apply theory into a real-time scenario while also fine tuning my soft skills.

I would like to thank the EDC Park project team for their support and providing me with an excellent learning platform throughout my training and guidance role during the thesis process. Special thanks belong to Kati Haverinen, my project supervisor for her supportive role and encouragement.

I wish to thank my supervisor Anas Al Natsheh, who has pushed me in a positive manner to create a thesis to be truly proud of.

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CONTENTS

1 INTRODUCTION	1
1.1 Research problem	2
1.1.1 Sub-problems	2
1.2 Structure of the thesis	4
2 CLUSTER THEORY	6
2.1 Modelling successful cluster initiatives in achieving growth and development	7
2.2 EDC Park	10
2.3 Clusters in Finland	12
3 REGIONAL COMPETITIVENESS	17
3.1 Regional competitive advantage	17
3.2 Location of the firm	19
4 METHODOLOGY	22
4.1 Target customers	22
4.2 Needs assessment tool	23
4.2.1 Meeting design	24
4.2.2 Data collection protocol	25
4.2.3 Data analysis and reporting	26
4.2.4 Validity and Reliability	26
5 RESULTS AND RECCOMENDATIONS	27
5.1 Sub-analysis of firms operating within the IT industry	38
6 CONCLUSION	39
SOURCES	41
APPENDICES	

1 INTRODUCTION

The Ecological Data Center Park project, herein referred to as EDC Park is a project introduced by Kainuun Etu Ltd, a regional development company, to guide, establish and develop a business, education and research cluster formation centred around the recently announced Data Center being built and operated by CSC Ltd in Renforsin Ranta business park in Kajaani.

This thesis was commissioned by the EDC Park Project and coordinated by Kainuun Etu Ltd, where the author also worked as part of the degree programme's practical training period requirement in summer 2011. The creation of such research derived from the project's need to acquire primary data to understand customer requirements in the event of relocating to the EDC Park- in other words "how, why, when and what" do companies need in order to make relocation to the Kainuu region an attractive proposition.

The desired culmination of this thesis is the EDC Park Need assessment tool, an end-to-end process which aims firstly to collect the inherent needs of potential customers to the EDC Park in Kainuu, secondly to offer recommendations on how to meet such needs and thirdly, to identify any potential service gaps. The thesis also examines companies who have successfully relocated to Kainuu in order to compare initial needs against the reality of the region in the light of the attraction process.

The Need assessment tool is an internal project tool to allow the direct transfer of primary data regarding potential customer's needs to the EDC Park project team, and thus the thesis takes the form of an applied research. The result of the thesis hopes to influence future project decisions to maintain an attractive proposition for companies considering relocation. In conjunction with its primary role, the need assessment tool also acts as a marketing tool that successfully spreads the word about the EDC Park.

1.1 Research problem

The main and all encompassing research aim of the thesis involves identifying, understanding and catering for the needs of potential customers who may be interested in relocating to the EDC Park in Kajaani. The need for such a research stems from the EDC Park project requiring current, reliable and valid primary information directly from potential customers regarding their requirements for joining the EDC Park. With this information the project team can utilise the data to formulate various strategies and decisions based upon newly found customer requirements to increase general regional attractiveness and thus stimulate economic growth and development.

1.1.1 Sub-problems

The main research problem hopes to highlight the main congregated issues regarding the needs of potential customers, which contains various steps in order to come to an overall developmental issue. The research comprises of four sub problems which work in tandem and are individually explained below.

1. Potential customer needs

The initial aim of the research is to collect and understand a wide spectrum of potential customer needs, which have been categorised into subgroups based on common denominators and key areas of interest for the EDC Park project.

Local area and service related needs

This sub problem looks to identify a potential customer's needs in the scope of geographic terms as well as business level service related needs unique to the region. Typically these can include infrastructure and contain transportation (road, air and rail networks), utilities (power, water, and sewage) and unique service level needs.

Employee related needs

The workforce is pivotal in any organization, therefore the employment related needs of potential customers is to be mapped, and this includes the demographics of employees sought, skill and quality level, for example. In addition, the needs of the employee's are required to ascertain the suitability of Kainuu as an attractive location to work and live.

Business level and market related needs

Potential customers may require certain competitive needs which create an attractive business case to relocate, including such areas as business goals (short and long term), strategic planning, customer proximity and local market structures. These needs look into the operations of the organisation and try to map inherent requirements which contribute to the company's competitive advantage. This category also includes potential monetary and financial related needs.

Education, research and cooperative related needs

Particular focus will be to establish requirements for education and research linkages, established/future cluster needs and other collaborative needs. The aim is to assess the depth needed and required benefits sought in the event of becoming a fully fledged member of the EDC Park within this realm of needs.

2. Translating customer needs into deliverables and guarantees

When an accurate spectrum of potential customer needs has been collected, the proceeding problem is to sort the data into groups and map similarities or differences. Once the data is sorted, the task is to suggest and offer practical, realistic and effective recommendations to meet the collected needs of potential customers. These recommendations will be based upon facts and resources available to the region of Kainuu, Kainuun Etu or other influencers in the EDC Park project. The recommendations will be formulated using theory, personal knowledge and experience within the project.

3. Service gaps and challenges of the project based upon the needs of customers

In conjunction with recommendations for turning needs into deliverables and guarantees for potential customers in the previous problem, certain needs may not be reached or guaranteed; in this case service gaps become apparent and diminish the attractiveness of relocation.

This sub problem requires correctly identifying in adequate detail the service gaps that arise from potential customers need assessment. In reality companies require highly demanding operating conditions to relocate, when certain needs cannot be met it is important to understand the service gap as a form of future risk management.

4. Successfully relocated organization's needs v reality

This sub problem is a corroborative stage, whereby opinions of companies that have successfully relocated to Kainuu will be used to understand pre-existing service gaps or challenges. The idea is to compare the needs of potential customers to those who have relocated, and to add a further dimension of practical ways to eradicate or dampen any service gaps or relocation issues.

1.2 Structure of the thesis

The initial section includes an introductory scene setting and statement of research problems. The following section contains two chapters that examine literature based upon the research problem: cluster theory and regional competitiveness. Cluster theory explores various terms and conditions of clusters, also analysing the EDC Park Project and case study examples of existing cluster formations in Finland, to aid in highlighting developmental issues and best practices which can be applied in the form of recommendations to the EDC Park need assessment tool. The second, regional competitiveness dissects models that describe ways in which a region can attain or capture a competitive advantage and thus can succeed in marketing its attractiveness to businesses with the aim of stimulating growth and regional development, something which the EDC Park hopes to achieve in its infancy stage.

On the other end of the scale, a model exploring the fundamentals that influence a firm's decision to relocate will be examined; this gives the viewpoint of a business and how their needs match a certain location.

The fourth chapter highlights the chosen method of research, including target customer, Needs assessment tool, meeting design, meeting protocol and chosen data analysis method. The fifth chapter presents the results following the order set out in the research problem section as well as a discussion, also included a sub-analysis of results of firms operating within the IT industry. The sixth and final chapter presents a conclusion to the research, limitations and suggestions for continuation studies or natural progression topics related to this thesis.

2 CLUSTER THEORY

Clusters take many shapes, sizes and forms and are derived from the concept of economic agglomeration, which are the benefits or drawbacks that arise when firms and people locate in close proximity to one another. (Glaeser 2010, 1.) Many experts agree with Michael Porter's popularisation and definition that clusters are geographic concentrations of interconnected companies and institutions working within a specialised field. Typically, clusters promote both cooperation and competition, with rival companies constantly setting new precedents for attaining innovation, while simultaneously exercising cooperation particularly in a vertical direction, involving local education, research and enterprise. (Porter 1998.) Clusters come to existence through many circumstances, although many are established around pre-existing regional factor endowments, such as natural resources whereas others have come to fruition through proximity to research institutions or anchor tenants that deliver, or promote a competitive advantage through the specialised use of human resources. (Samii 2004, 14.)

Clusters extend beyond classical agglomeration in the fact they are not static; the dynamic nature means change is constant and this also influences and moves the boundaries of the cluster, thus deeming it difficult to define the exact shape or stage of the cluster. (OECD 2005, 28-29.)

A cluster (development) initiative is an organised effort to increase the growth and competitiveness of clusters within a region, involving cluster firms, government and/or the research community. Statistically, most Cluster Initiatives seek six common objectives: **Research and networking, policy action, commercial cooperation, education and training, innovation and technology** and finally **cluster expansion**. These goals are rolling targets and require full cooperation between all the involved parties. (Sölvell, Lindqvist & Ketels 2003, 15.)

Cluster Initiatives follow a process model, which begins at the **initiation and planning phase**, whether created by a defining event or government level policy makers. This stage involves an individual or single organisation becoming the leader of such an effort. The following stage is **governance and financing**, whether industry or government driven the

cluster requires a solid governing body with stable financing methods. **Scope of membership**, the third stage sets the requirements and precedent for current and future members of the cluster, whether limited by geographic location, tier level in the supply chain or other determinants. Fourthly, **resources and facilitator** which set up a governing board comprising of various stakeholders who collectively hold the positive growth of the cluster as the main motivation. As clusters grow, so does the opportunity to increase the resource base at the disposal of the members. The fifth process is **framework and consensus**, from the early stages a vision, set of targets and performance indicators should be created to give direction for all involved members. Building a strong consensus from both internal and external organisations is crucial; this process can be tedious but is essential to ensure motivation towards the growth and development of the cluster is aligned. The final process step is **momentum**; this involves analysis into the workings and dependencies of the cluster, such as the ability for the cluster to sustain external shocks or strength to proceed in the event a member was to leave. (Sölvell, Lindqvist & Ketels 2003, 15.) The EDC Park in Kajaani is not only a newborn cluster, but also a cluster initiative where a high level of planning, assistance and analysis is required to promote development and growth in the region.

2.1 Modelling successful cluster initiatives in achieving growth and development

The Cluster Initiative Greenbook (2003) by Sölvell, Lindqvist & Ketels presents survey results of over 143 cluster initiatives around the world with the aim of trending best practices and common ways of developing both the cluster and the region in which it operates. From the results of the survey, two models have been developed to pinpoint initiatives that should be employed to reach a higher degree of cluster performance, which if done successfully, can translate into positive cluster and regional development.

The blueprint of each individual cluster is unique and formulated based upon the geographic setting, objectives, structure and process model although three fundamental goals are sought to achieve increased performance: competitiveness, growth and achieving the cluster's goals.

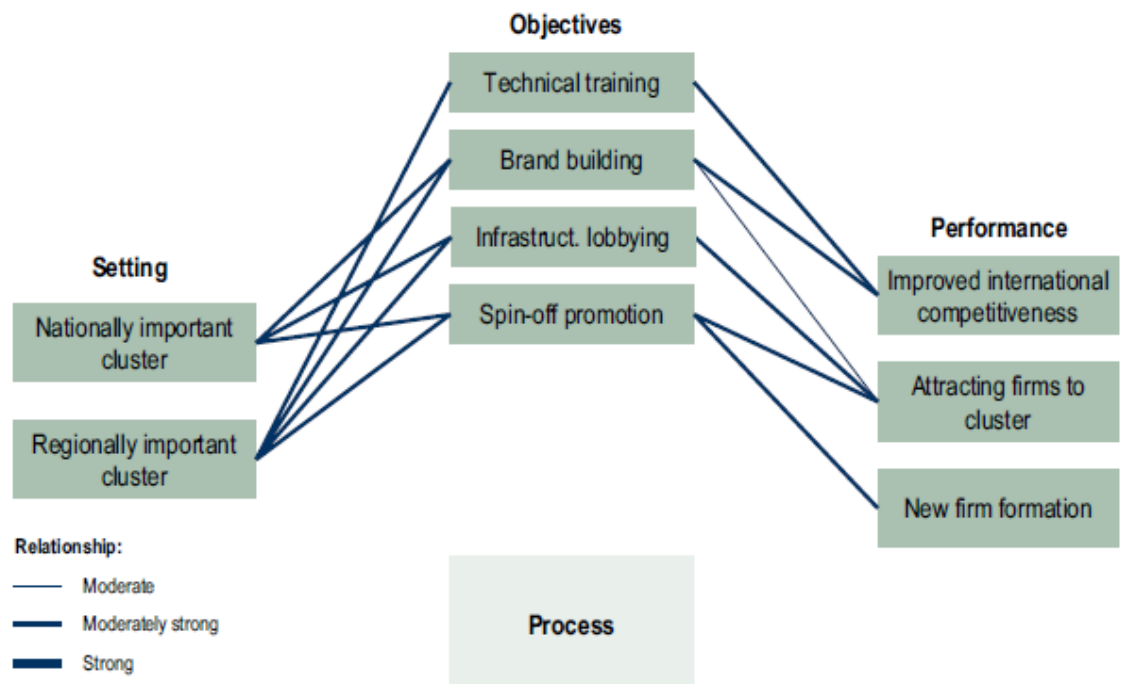


Figure 1. Relationship between cluster importance and objectives, and objectives and performance. (GCIS 2003.)

The above figure highlights the link between the cluster setting, objectives and performance goals. Isolating the model in the view of a regionally important cluster, four objectives are required: **Technical training**, **brand building**, **infrastructure lobbying** and **spin-off promotion**. The initial objective technical training requires cluster initiatives to provide and facilitate training development in the field of the cluster; this requires intense networking between government, research and local companies. The performance goal is to achieve regional and ultimately international competitiveness in the offering of technical ability, for all resources employed within the cluster. Secondly, clusters must objectify the clusters brand building ability, which is a combined ability for the cluster and its members to successfully translate its benefits to prospective members. By successfully building the cluster's brand image, it can lead to meeting two performance indicators: improved international competitiveness and attraction of firms to the cluster. Infrastructure lobbying and spin off promotion are equally as important, this requires local actors to actively seek to improve the region's and cluster's ability to utilise existing and future infrastructure with the aim of attracting prospective companies, while also increasing the emergence of start up companies.

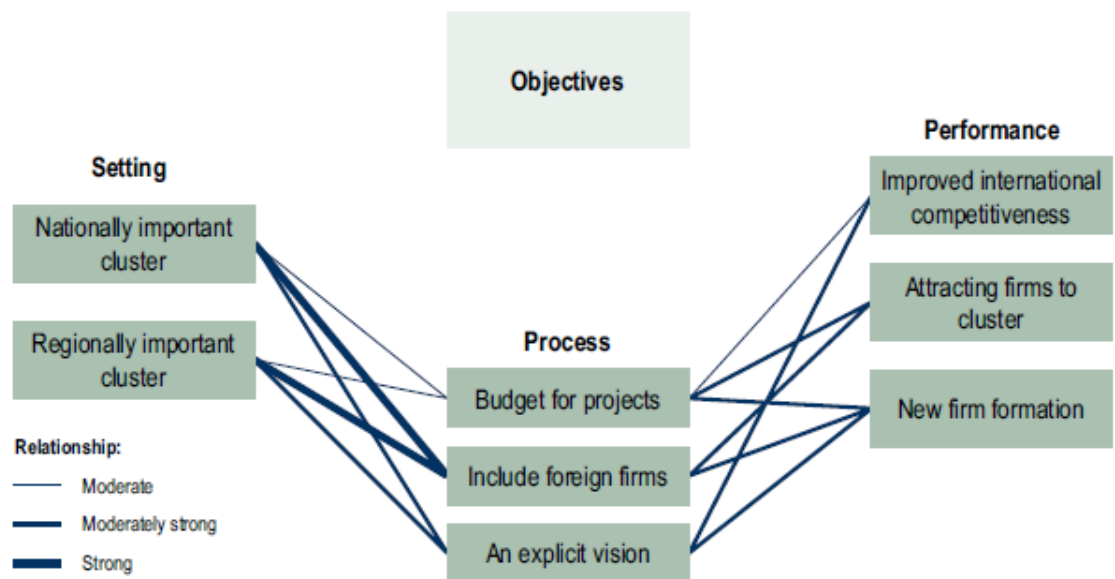


Figure 2. Relationship between cluster importance and processes, and processes and performance. (GCIS 2003.)

The second model stresses the association between the importance of the cluster's setting, processes and performance targets. Focusing on a regionally important cluster, the three main cluster processes include **budget for projects**, **include foreign firms** and **an explicit vision**. Larger or well established clusters tend to have a higher collective budget, thus can internally fund new projects that are exponential in the aim of achieving all three of the performance indicators, with more significance in attracting new firms and inducing more start up companies. Smaller clusters may be required to seek funding externally which may inhibit the ability to exercise full control in developmental cluster projects. The inclusions of foreign firms are of high importance, the research suggests excluding foreign firms leads to a lack of performance, especially within the goal of increasing the cluster's international competitiveness. The final process, of which stronger cluster initiatives complied with, was an explicit version of the cluster model, this creates less confusion and framework should be based upon the cluster's inherent strengths and comparative advantage in order to guide growth.

In conclusion the above models allow newly established clusters to identify, understand and implement key processes that are currently being employed by strong and competitive clusters, as a means of attaining positive growth for the region and the cluster itself. It must be noted that clusters follow different targets and visions, although the fundamental pillars

for growth and development in most cases, are detailed above. (Sölvell, Lindqvist & Ketels 2003, 45-58.)

2.2 EDC Park

The press announcement for the initiation of the creation of the EDC Park:

On 21 September 2010 CSC Ltd, a non profit company administered by the Ministry of Education, Science and Culture announced it was to establish one of the world's most efficient data center's in Renforsin Ranta business park in Kajaani, the site of the former UPM paper mill. The data-center is a joint construction venture between CSC and UPM and is due for completion in the early 2012 and will create an optimum environment for supercomputing, data storage and demanding IT needs. The function of the data center is to provide CSC a cost effective data storage facility to provide services for higher education and research institutes, CERN, academic library systems, the European Organization for Nuclear Research and other clients. The site was chosen for its unparalleled ability to match the data center's high energy and cooling requirements through Kajaani's hydroelectric power plant and cooling water from the nearby Kajaani river thus utilising locally produced sustainable and green power. (CSC — IT Center for Science Ltd 2010.)

Confirmation of the construction of a data center at Renforsin Ranta Business Park:

UPM and CSC - IT Center for Science Ltd. have entered into a binding agreement to build a data center in the Renforsin Ranta business area in Kajaani. For the needs of CSC's modular Data Park a 3,000 m² area is reserved, in which the capacity of the first lot will be enough for thousands of servers and power output will be approximately 4MW. The CSC data center will be in production use in early September 2012. At first, CSC's next supercomputer and other CSC's customer systems will be placed in Kajaani. The data park is easy to be expanded in the future. Renforsin Ranta has played an important role in the technical groundwork. Competitively priced electricity and cooling solutions are essential in operating a data center. Renforsin Ranta owns the premises, develops them and provides a competitive infrastructure in the mill area. (CSC — IT Center for Science Ltd 2011.)

Kainuun Etu Oy is a municipality-owned regional development company with the objective to support the key economic sectors in the region of Kainuu on both international and national level. The company offers guidance and support services to key sector companies in the quest of developing know-how in business operations, competitiveness, growth and cooperation as well as to improve key clusters and their condition of activities. Four key sectors are served by the company: ICT, Electronics & Metal Industry, Experience Production & Food Industry, Wood Sector and Stone & Mining Sector. (Kainuun Etu Oy 2011.) The EDC Park project falls within the ICT sector of the company.

The EDC Park Project was initiated on 21/09/2010 by Kainuun Etu Oy, in order to create a knowledge intensive data center cluster in Kajaani with the pivotal tasks of creating new permanent jobs, businesses and overall growth for the region. The definition of a data center cluster as defined by the project is a business oriented combination of eco-efficient physical data center and knowledge intensive cluster based on the data center activities, customers, research, education and other areas. In other words the EDC Park is a unified combination of a data center, business park and science/research park. Currently there is no direct competition within the national level with data center business and science parks, although there is fierce competition with more traditional industry clusters, business parks and sciences parks. (Kainuun Etu Oy 2011.)

The key objectives of the EDC Park project are to:

- I** Initiate a new industry in Finland based on eco-efficient data centers; by promoting research in energy efficiency and certified exportable solutions.
- II** Ensure active data center customer presence in Kajaani data center cluster.
- III** Build an attractive knowledge center (EDC Park) concept in co-operation with data center customers and other collaborators.
- IV** Attract foreign and domestic businesses, research programs and organisations.
- V** Expedite the needs of data center customers and liaison with local educational assets and corporate instances

VI create growth leading to new profitable companies and sustainable jobs, relevant education and research programs

VII Increase knowledge and know-how in data center related issues for example Sustainability in today's green and eco-efficient data centers

- Cloud Computing Solutions as part of green ICT
- Improve the educational programs in these fields
- Data reserves

The EDC Park project is financed jointly by public and private funding. 80% of the financing is provided by Kajaani development fund, with the remaining 20% coming from two private companies and Kainuun Etu Ltd. (Kainuun Etu Oy, 2011.)

One of project priorities is building the network with potential collaborators, thus a comprehensive results and feedback collection is necessary. A gap in direct primary data from potential customers existed and thus the author proposed that the practical training and thesis would focus on the creation of a Needs assessment tool to firstly market the EDC Park to potential collaborators, but more importantly to map the needs of potential customers to the EDC Park.

2.3 Clusters in Finland

The EDC Park has no direct competition within Finland; therefore three closely related cluster formations have been examined to provide a benchmark and comparison of cluster development and sources of attraction for enterprise and growth.

Otaniemi Technology Hub

Located in the west of Espoo, southern Finland, approximately 8km from central Helsinki, Otaniemi Technology hub claims to be the largest technology, innovation and business hub in Finland and in Northern Europe. In terms of people, Otaniemi houses 16000 students,

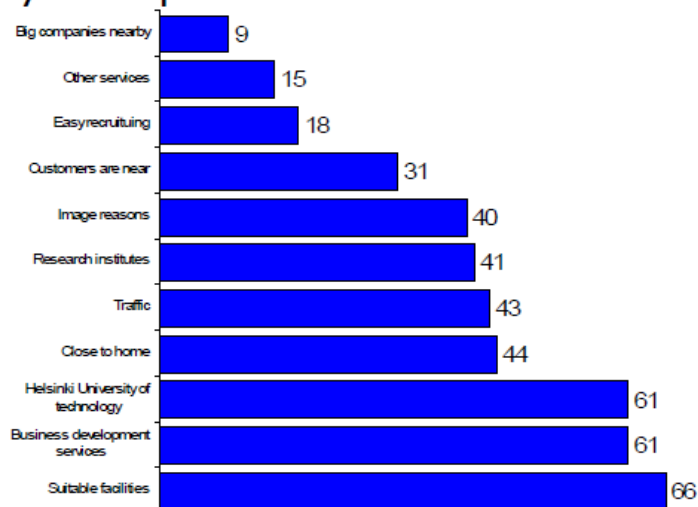
16000 technology experts and over 800 companies all within a perimeter of 4 km. By 2030, the Hub aims to create 15,000 additional jobs as well as increasing the commercial floor space capacity by 300,000m². (Otaniemi 2010.)

According to Pekka Front, marketing manager of Otaniemi Marketing Limited, Otaniemi is an innovation ecosystem that brings together research and development, startups, business incubators and services as well as large global companies in a campus area that is unique in Finland. (Otaniemi 2009, 10.)

Otaniemi technology hub came to fruition during the 1970's after the Helsinki University of Technology (TKK) opened its main site in Otaniemi, soon after the progressive nature of the IT industry and linkage between research, business and education caused a multiplier effect to create its present day structure. Otaniemi boasts world class education with the following institutes feeding the cluster: Helsinki University of Technology, Dipoli Lifelong Learning Institute, EVTEK and Laurea University of Applied Sciences. In terms of research and innovation, Otaniemi hosts the following: VTT, KCL, GSF, CSC and MIKES. (Otaniemi 2010.)

The question remains as to why companies are drawn to locate to Otaniemi, as this translates to fundamental resources the business hub contains and potential future benefits for prospective businesses.

Why companies locate in Otaniemi?



Successful Commercialization Requires Active Anchor Participation

Figure 3. Why companies locate in Otaniemi. (Otaniemi Marketing 2006.)

From the above figure, the top three reasons for relocation include firstly, suitability of the site matched to company needs, secondly the offering of business development services, and thirdly proximity to Helsinki University of Technology.

In terms of growth, in 2006 Otaniemi housed 609 companies with nearly 75% comprising of technology and service companies, although there was need to increase the number of International anchor firms to further the multiplier effect. In 2011, the number of companies present increased to over 800 with a stronger presence of International companies, such as Samsung Electronics, Sun Microsystems, and Cisco Systems amongst others. (Harden 2006.) Otaniemi business Hub is the closest competition to the EDC Park within Finland and much can be learnt in order to facilitate and develop the project, especially in the area of customer needs and requirements. Otaniemi Marketing founded in 2004, is a public-private non profit organization owned by a consortium of mainly public institutes operating in the Otaniemi vicinity. The company has set out a mission statement in which includes increasing networking activities, international promotion of education, research and high tech expertise and finally to organize and take part in a range of events in the Otaniemi district. (Harden 2006.) The structure and activities of Otaniemi marketing closely mimic the role of Kainuun Etu and operational comparisons can be made.

Business Oulu

Oulu is a City in Northern Finland approximately 190km northwest of Kajaani, with a population of over 137,000 people and is currently experiencing the fastest regional population growth in Finland. Oulu is renowned for its high tech industry which employs around 10,000 people and currently houses two science parks: Technopolis PLC and Medipolis Ltd. (City of Oulu 2011.)

Oulu is marketed as a Technology city, although mobile and wireless technology is where it excels. As with other clusters in Finland, Oulu too combines a rich combination of research, enterprise and education institutes, but unlike Otaniemi Technology Hub which is bounded geographically, Oulu combines various locations which are not geographically restricted to create a regional cluster formation. Similar to other clusters, a defining event occurred in 1973 which instigated its inception, Nokia moved its radio transmitter production unit to

Oulu. Today, Oulu's cluster provides around 18,000 jobs in roughly 700 high tech companies, ranging from start-ups to global conglomerates. (Invest in Oulu 2010.)

A key advantage of Oulu for attraction purposes, according to Chartier the CEO of local business Codenomicon Oy, is the cooperation between the University, research institutes, the City of Oulu and stakeholders such as Oulu Innovation and other companies in the area who have been one of the key drivers in building up international business. (Invest in Oulu 2010.) Another business level pull factor of Oulu according to Impiö at Teleca Oy is the need to be close to customers, and the ability to keep track of developments within the industry. (Invest in Oulu 2010) According to Invest in Oulu it is worth noticing that many essential prices, for example real estate prices and rents are lower in Oulu than in Helsinki and its outlying districts. (Invest in Oulu 2011).

Oulu has a direct stream of highly skilled employees from local education institutes such as the multidiscipline University of Oulu and was the pivotal factor for Transtech Ltd relocating to Oulu in 1985. (Transtech 2010.) Additionally to entice foreign skilled labor, the City of Oulu has established Expatriate Family Adjustment, a service designed to offer help to expatriate families during the pre-departure, arrival and adjustment stages, by utilizing the already existing resources in Oulu. (City of Oulu 2006.) These additional services which fall out of the business level spectrum help Oulu's business cluster to offer an attractive end to end proposition of relocation to businesses and their workforce.

To differentiate Oulu from other regions in Finland, most notably Helsinki, development agencies focus also on the closeness of nature surrounding the City, for example in winter residents can ski to his/her workplace. (Invest in Oulu 2010.) Oulu's distance to Kajaani makes it an excellent benchmark to perform cross-referencing and will help suggest developmental issues based upon customer requirements.

Kuopio Region Centre of Expertise

Kuopio, the eighth largest town in Finland with a population of around 90000, sits in the Lakeland area of Eastern Finland. Kuopio has excellent transport links to every corner of the country; the distance to Helsinki is approximately 400km. The main industry focus of the region is Technology. (City of Kuopio 2011.)

Kuopio Innovation, with majority Ownership by City of Kuopio, minority by Technopolis Plc, is a company established in 2008 to help local technology enterprises develop domestic and international business activity. In addition, it promotes cooperation between business and research, the main focus of operation centers on the fields of health, environment and wellbeing. The Kuopio region of Expertise is one of 13 regions of expertise in Finland established and guided by the Ministry of employment and the economy, and specializes in Food development, HealthBIO, Health and Wellbeing and Cleantech cluster programmes. (Kuopio Innovation 2011.)

Kuopio houses a science park which as well as the above mentioned industries, is backed up by a thriving IT and sensory technology industry. The science park combines the fundamental elements including education, research and enterprise with a total of 19,000 employed or studying within the park. There are over 200 enterprises operating within the vast array of industries and the park offers many providers of business level services. For Education institutes, the park contains the internationally renowned University of Kuopio and Savonia University of Applied Sciences. The science park hosts an impressive range of research institutes, including Biocenter Kuopio, Kuopio welfare research center and various national research institutes including Finnish Meteorological Institute, VTT and Finnish Food Safety Authority. (Kuopio Innovation 2011.)

Fuko Pharma Ltd's CEO explains the crucial choice of locating in the Kuopio Science Park, Ahoilta explains, “when you have to deal with practical problems, it’s so convenient to have so many partners close at hand. The Science Park offers good facilities and opportunities for a growing business – and these can be crucial in the commercialization of an innovative idea.” (Ahoilta 2010, 8) Additionally R&D and education linkages in Kuopio Science Park are being used to great commercial effect, according to Medeia Therapeutics Ltd's CEO Milla Koistinaho, - “We have partially outsourced our research & development to University of Kuopio since there is top-quality know-how available within this field. In addition, it is easy to communicate with our partners here in Kuopio”. (Kuopio Innovation 2009, 11)

It is important to ensure the region’s available resources are put to use in a productive manner, and the Kuopio Region Centre of Expertise can provide the EDC Park examples of operating and developing a cluster based upon customer requirements and feedback.

3 REGIONAL COMPETITIVENESS

Many nations across the globe are experiencing effects from the trends of globalisation, progression and economic integration, and therefore the economic, social and political benefits that prevail from integrating within this new dynamic create fierce regional competitiveness. The definition of regional competition, according to Peter, Batey & Friedrich in its most primitive form is the competition between economic units and related special activities between two unique geographic locations. (Peter, Batey & Friedrich 2000, 3-5.)

3.1 Regional competitive advantage

Porter's diamond of national advantage (1990) is a strategic model that can help understand the comparative position of a nation in global competition which can also be applied for geographic regions in national competition. The model can be used to analyze a firm's ability to operate in a particular region and also the ability of the region's market to compete on a national level, in the scope of this research, the model will explain a region's attractiveness to a business. Within the framework are four unique components: factor endowment, Related and Supporting Industries, Demand Conditions, Strategy, Structure, and Rivalry. The factors in combination describe the quality of the regions business environment, in other words the microeconomic competitiveness, where competitiveness is the productivity of a region to use its human, capital and natural resources. (Porter 1990) Next, each pillar will be examined in greater detail.

Factor endowment, based upon standard economic theory factors of production, such as labor, land, capital, infrastructure and natural resources will dictate the direction of trade. A region with a high abundance of well endowed factors will export those goods. Porter disagrees with such an incomplete hypothesis, and adds the utilization rate and efficiency of which factors are conceived, developed and employed within the designated industry are more important. For high tech or knowledge based industries, factors are not endowed; instead they are created, such as high skilled labor, or scientific advancement. A cluster can create a competitive advantage by firstly creating specialized factors, and secondly vigorous resources to develop them. Additionally, regions with a comparative disadvantage in factors of production can be prompted to innovate and thus lead to a comparative advantage.

(Porter 1998, 189.) A fitting example is Japan, whose lack of raw materials has led to innovations within miniaturization and less waste production techniques. (Grant 2005, 418.)

Related and supporting industries, the second pillar of Porter's model examines regional attractiveness in terms of similar industries within the region that are internationally competitive extending both upstream and downstream. Nationally competitive regional suppliers can offer cost efficient, rapid and stable inputs to local business, but also offer a further dimension of innovation and evolution, all of which is accelerated by close communication, fast transfer of information, exchange of ideas and innovative techniques. Not all suppliers need to be located on a regional level; the development of global trade allows firms to source various resources from abroad with little disruption to their competitiveness. (Porter 1998. 192-194.) Silicon Valley, a cluster of software, hardware, research and venture capital creates an effective environment for an internationally competitive high technology enterprise. (Johnson, Scholes, Whittington 2008, 301.)

Demand conditions are the sophistication of local customers and their inherent needs, whether price, quality or standards. The more demanding the home market is, the greater the ability of the firm to create a competitive advantage, as in effect the demand pressures companies to innovate with speed and offer unique competitive advantages compared to the competition. Regions with lower demand expectations lead to less motivation on the company to meet tough challenges and leads to reduction in efficiency and thus lack of competitiveness. (Porter 1998.)

Strategy, Structure, and Rivalry, is a relatively ambiguous factor where national standards, business codes of conduct and rituals in combination with level of localised rivalry add to the competitiveness of a region. Included are managerial styles which range dramatically, although in certain nations, competitive industries tend to converge into following similar managerial systems as past evidence has proved its operational worth. Porter stresses domestic rivalry plays a key in role developing competitive advantages, and arguably more so than other factors within his diamond model due to its all encompassing effect. Rivalry and industry structure go hand in hand, often many national strategic industries, are heavily

guided and secured from foreign competition by their respective governments. (Porter 1998, 194-198.)

Two additional factors are included in the complete version of Porter's model (1990), chance and government.

Chance are events that fall outside the scope of the firm, such as technological breakthroughs, wars, inventions and external political developments. These are factors that companies cannot control do occur and must be considered as they can cause a shift in the region's competitiveness in both positive and negative directions. (Onkvist, Shaw 2009, 44.)

Government, on one side are seen as a pivotal helper of a region by implementing policies and guidelines to positively influence the competitive performance, although critics argue that a free market economy should determine the future of region, rather than being propped up by government funding. Porter suggests both arguments are flawed, and a government should act as both catalyst and challenger, and it must be stressed that governments cannot create competitive industries, only companies can. In order to achieve competitive industries governments should actively take a supportive role in promoting regional competitiveness by encouraging change, promoting rivalry and stimulating innovation. (Porter 1998, 200-202.)

In conclusion, the model supports the claim that regional prosperity is created, never inherited. The competitiveness of a region spawns from the ability of the local industry to evolve and innovate. (Porter 1998, 171.) The individual factors of the national diamond can either promote or inhibit an industry's ability to compete on a national level, also the analysis of a location can reveal opportunities for companies to relocate and obtain a unique competitive advantage.

3.2 Location of the firm

Karlsson suggests a basic three step model that explores a firm's decision to locate in a particular region based on its attractiveness compared to other locations, it also includes the decision to remain in the current location. (Karlsson 2008, 41.)

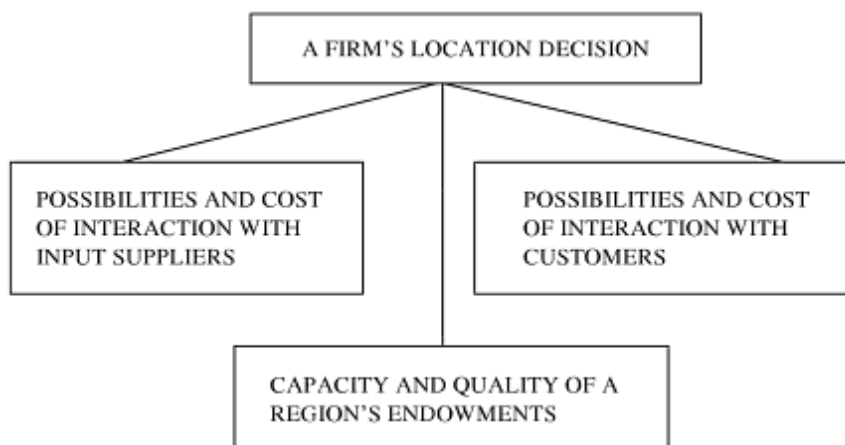


Figure 4. Basic conditions that influence a firm's decision to relocate (Karlsson 2008.)

The first condition explores the **cost and possibilities of interaction with input suppliers**, those who provide the business with resources to produce products and services, as the cost of this factor can fluctuate between locations. It also includes availability and cost of R&D related initiatives that are available in a particular location. Within this factor distance to supplier is also closely examined, as for any business in static terms, increasing profit is achieved by reducing input cost to minimal levels, therefore distance to suppliers should be at an optimum level in terms of transport costs. (Karlsson 2008, 41-43.)

The second factor looks at the **cost and possibilities of interaction with customers**, which indicates the cost association with customers, in certain locations customers are located in close proximity which can minimize output costs. In the opposite direction, regions may be located away from customers that may induce a detrimental effect upon transportation and transaction costs. (Karlsson 2008, 42-43.) Where customers are located on national or even international level, it may be of strategic importance to locate in an epicentral location in order to balance transaction costs.

The final aspect in Karlsson's model which is also included in Porter's diamond of national advantage is **capacity and attractiveness of a region's endowments**. Each region has unique resources within their possession such as infrastructure, natural, human and capital resources. An agreement with Porter is made where existing resources do not constitute an immediate source of competitiveness for a region, although these endowments whether positively or negatively, effect the development and attractiveness of a region. Additionally

the size of region can also be classified as an endowment, larger areas may contain a bigger collection of agents, thus linking back to the first factor of lower distance to suppliers and customers and in turn reducing input/output costs. (Karlsson 2008, 45-46.) According to Cheshire & Magrini (2005) it is noted that infrastructure and factors concerning consumption such as housing, and private services provide a large pull factor for firms and more importantly people who may move to a region.

The simplified model by Karlsson provides an analysis of a region's competitiveness in the eyes of the firm, who ultimately have control of any relocation decisions. The three fundamentals provide a broad criterion required by a firm for the competitiveness of a region, Karlsson tends to examine basic supply chain and resource based view whereas Porter's diamond of national advantage is a more holistic model and in addition to above he explains the externalities and influencers of a region's competitiveness. These models are necessary to be used as a reference point when identifying a firm's needs of relocation and also to offer recommendations based upon prior theory.

4 METHODOLOGY

The EDC Park Need assessment tool is an end to end project tool which addresses the problem of capturing and understanding potential customer needs, explained in detail below is the methodological process of this applied research.

4.1 Target customers

The EDC Park project has a predetermined target customer, predominantly targeting firms within the IT industry, with a key interest and increased suitability for organisations operating within the gaming, software, data storage providers/operators, hardware, measurement and sensory sub-industries. Private and profit driven companies are preferred for target customers and the research aims more towards the needs of their requirements, although public organisations are also considered and the need assessment tool will allow such organisations to be incorporated if necessary. Additionally, larger multinational corporations who have large internal IT related functions are targeted due to their suitability to the EDC Park.

In terms of location, only organisations within the Uusimaa region (Helsinki, Espoo, and Vantaa) and surrounding main cities in Southern Finland (Lahti, Porvoo, Kouvola) are targeted due to the author living in Helsinki. Furthermore, the author was strategically placed in the capital region for the duration of the practical training placement due to it being the largest economic hub in Finland and containing a high concentration of businesses that fit the target customer profile.

Target companies are compiled in a centralised database, carefully selected using metrics such as industry, number of personnel, profit, turnover and rank in company performance lists by professional publications. The database is created in close cooperation with the EDC Park project team and is of rolling nature, to allow additions or removals based upon recent developments.

Due to time and financial constraints a realistic sample size has been agreed to ensure maximum effectiveness of results. The total size of the population of targeted customer

database is approximately 200, therefore to achieve a 5% sample size, 10 firms have been chosen to complete the Needs assessment tool. Although, due to the nature of the research, customer needs can be highly unique, the idea is not to use a sample to apply the results in terms of the full population, but to gain deeper and more detail about the needs of a select few, well chosen potential customers.

4.2 Needs assessment tool

The EDC Park Needs assessment tool is combination of many separate deliverables, and when combined give the resources needed to conduct interviews effectively. The individual components of the tool include:

1. Semi-structured questionnaire for potential customers
2. Marketing material in the form of a brochure
3. Centralised database holding customer details and contact persons.

The EDC Park needs assessment questionnaire is a dual purpose tool, used both by this research and the EDC Park as part of the practical training placement; therefore only a segment of the results that are linked to the research problems will be used in this research, certain unrelated questions are omitted. The questionnaire was created in conjunction with the EDC Park project team in order to capture relevant information.

The EDC Park Marketing material found in the appendix, is a summarised and sales oriented document aimed at educating potential clients the benefits and vision of the project in its entirety, it also serves as a stimulus for customers to base their answers to the questionnaire on the EDC Park's overall offering.

Finally the centralised database is a two part resource, firstly holding the data regarding the population of target customers of the Needs assessment tool, including company details such as location, size, industry and metrics related to financial performance. The second function holds the results of the companies interviewed, the database acts as the analytical tool to interpret and present results based on customer needs.

4.2.1 Meeting design

With the tools in place the first step of design is meeting generation and are arranged using three sources;

1. Appointments arranged by the EDC Park project team
2. Appointments arranged by IIK and FDI Rakennus Muutos project team
3. Self generation of appointments – Referrals are a key area to acquire new contacts.

The meeting venue was typically at the company's premises when agreed, although an option to use Kainuun Etu Oy's office in Central Helsinki was available. The benefit of using the company premises not only reduces cost on Kainuun Etu's side, it also reduces the downtime for the interviewee and reduces any fatigue effects, as according to Brace, few structured interviews can retain the interest of any respondent for as long as 90 minutes, and realistically fatigue will set in after about 30 minutes. (Brace, 2008, 17.) Therefore to avoid the possibility of potential fatigue the questionnaire length is approximately 20-60 minutes. The mean time of meeting duration was 35 minutes.

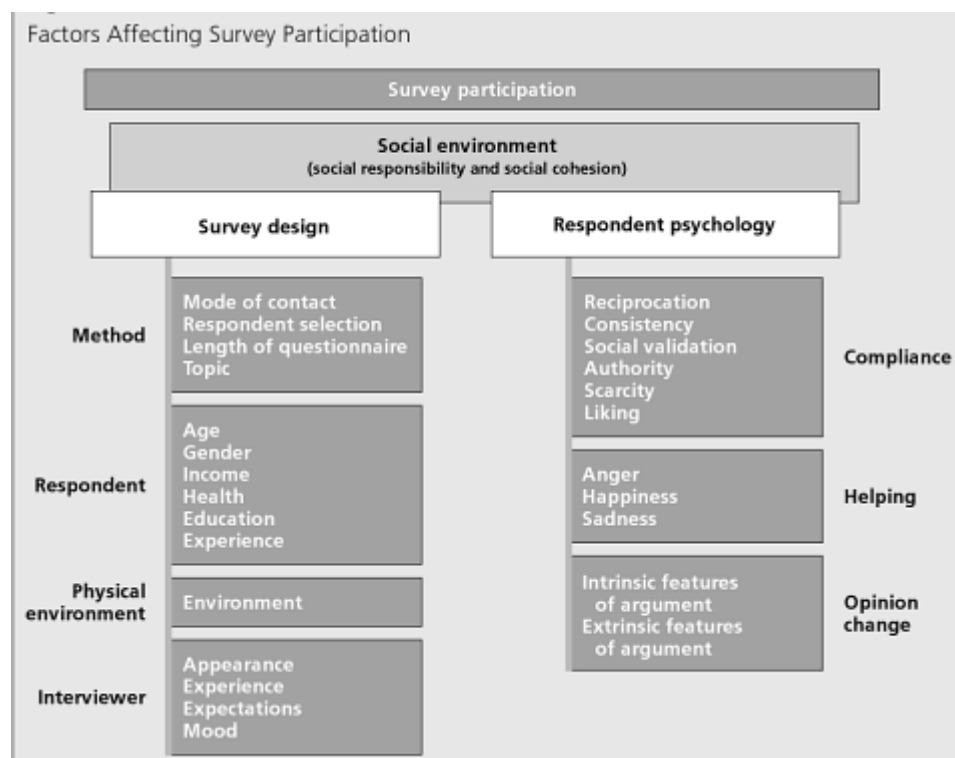


Figure 5. Factors affecting survey participation (Iarossi)

The above model shows the vast range of factors that ultimately affect the survey and overall meeting effectiveness and was used religiously as a prompt and guide when undertaking each meeting in order to ensure maximum effectiveness.

4.2.2 Data collection protocol

Once a meeting has been confirmed, the meeting protocol design must be considered and carefully sculpted to create an effective process to generate results.

Pre approach

Made via a phone call/email or personally visiting company premises to establish date and venue of the meeting and a brief introduction to show willingness and competence. The idea was create a positive image and atmosphere prior to the meeting, also to stress the intention of not being intrusive and simply acting as listener and collector of data

First encounter (Meeting)

Firstly, the offering of the EDC Marketing material explaining the premise of the EDC Park in order to educate the interviewee on the content of the meeting. The semi-structured questionnaire will be completed during the meeting; with answers being audio recorded by the interviewee to avoid any information not recorded to be filled in at a later stage to increase accuracy.

Closing

Once the questionnaire and meeting has concluded an explanation is offered on how to commence if they require further technical information, for example. Also using the opportunity to gain new leads by asking open ended probing questions such as “thank you for your time, do you have any referrals that may be interested by this opportunity”. The closing is designed in order to create a stepping stone point of contact to the rest of the EDC Park project team as well as creating new leads.

4.2.3 Data analysis and reporting

The semi-structured questionnaire is used to ascertain customer needs, and includes both qualitative and quantitative research. Due to a relatively modest number of respondents, the qualitative analysis will seek to categorise trends between the respondent's answers, according to Merriam, when designing categories, they should be responsive to the purpose of the research, and in other words the categories are answers to the questions. (Merriam 2009, 185.) Therefore categorising common words or phrases from the results according to the original research problems will be used as the primary data analysis method of qualitative data.

For the quantitative research simple statistical analysis using MS excel will be used due to its reliable functionality and ability to present results in a simple yet effective manner, coupled with simplicity of the data acquired, basic statistical interpretation is required in the form of graphical figures. The main needs of the companies who completed the Needs assessment tool will be reported with an attached evaluation of the results, including a comparison with the ability of the EDC Park and or Kainuu to match said needs, with a classification of when a service gap is presented.

4.2.4 Validity and Reliability

Ensuring the validity and reliability of the data collected through the questionnaire is of paramount importance as potentially the data will act as key information for the project team to rely on and influence future decisions within the project itself.

To increase validity and accuracy of data retrieved through the meetings it is important to target high level employees, such as management tier staff who are eligible to answer the questions and the person who has the authority to direct other respondents to participate. (Groves, Cialdini and Couper 1992.) To ensure validity it will be stressed that when generating meetings to ensure high level staff members who have a holistic view and knowledge base of the business are targeted, for example any position in senior, data or IT related management; business advisors and high level specialists are accepted as valid interviewees.

5 RESULTS AND RECCOMENDATIONS

To improve the clarity and flow of reporting, the original sub problems will be used to base the order of results and combined discussion. The names of the companies are coded (a-j) due to a confidentiality agreement in effect, although this does not affect the quality of the results or reporting in any way.

The needs assessment tool was fully completed by ten different companies in the Uusimaa region of Finland, of which five were based in Helsinki, two in Espoo, two in Vantaa and one in London. General data gathered includes all of the interviewed companies were privately owned, apart from one public organisation. 50% of the companies operated within the IT industry, 20% in retail and the remaining in healthcare, construction and service industries. Using the European commission's 2003/361/EC (2005) classification of business size, 80% of the companies interviewed were large businesses with over 250 employees. The remaining 20% were classed as small to medium sized businesses. 90% of the businesses' customers were located internationally (including Finland), with Sweden, Russia and Baltic countries being most popular. Another general need is that 50% of the companies communicated the need for additional office space within the near future, and 80% of the companies have in the past relocated functions to secondary locations, of those 80%, half have relocated in Finland. This need of requiring additional office space is of course a requirement the EDC Park can cater for. Next a reporting of the data and associated recommendations captured within the sub categories based upon the research problems.

Local area and service related needs

The first of the unstructured questions posed in the questionnaire asks *"What additional service requirements would the company require in order to relocate to the EDC Park in Kajaani?"* of which tries to establish key needs of the interviewed that would make Kainuu an attractive proposition for relocation. Four main needs were trended through the questionnaire including **clientel/customers** (4), **infrastructure** (4), **costs associated to operations** (3), and **labour** (2). Delving deeper into these needs, for clientel/customers this translates for the need of a pre-existing customer base, as well as the necessity to have contracts in place to make relocation worthwhile purely on a business level sense. This need tended to be more apparent within the sales function of the companies, and exponential to another need

of firms to **expand within Finland** (7 instances). To meet this need an increase in local demand or the ability to interact with customers is required to attract new businesses. This need necessitates that the local economy of Kainuu must grow and successfully attract more businesses and individuals as a prerequisite for relocation, which in turn creates a predicament, as of recent years the economy of Kainuu has struggled to reach national average economic growth levels. This is a struggle that many regional development agencies face in quest for growth; a practical recommendation is for Kainuun Etu to increase their marketing presence not only for the EDC Park project, but also other initiatives to bolster the reputation of the region. It must be noted that this need does not extend to the relocation of internal functional departments, as their demand is derived internally and new locations are generally based upon cost and input factor principles.

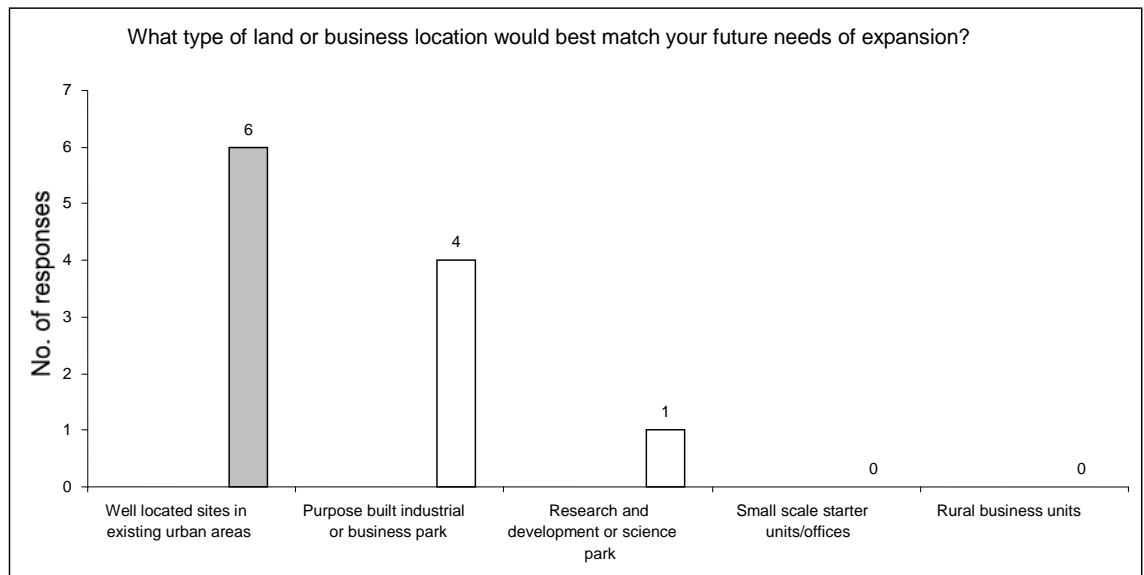


Figure 6. What type of land or business location would best match your future needs of expansion?

What can be concluded from the above question is a large majority of the companies require locations in **existing urban areas**, which includes premises located near or close to the epicenter of an urban development. Reasons supporting this location need are that 70% of the companies regarded locating near to **customers** as important, and 90% requiring a close proximity to existing **infrastructure** (including transport, utilities and urban centers). The second highest response included purpose built industrial or science parks. Kainuu can cater for this need and offers many options for both of these location needs, firstly there is an abundance of space and availability of premises in urban areas of Kajaani for relocation

options such as city centre locations. Secondly, Kainuu offers purpose built locations such as Snowpolis in Vuokatti, Renforsin Ranta Business Park and Technology Park in Kajaani.

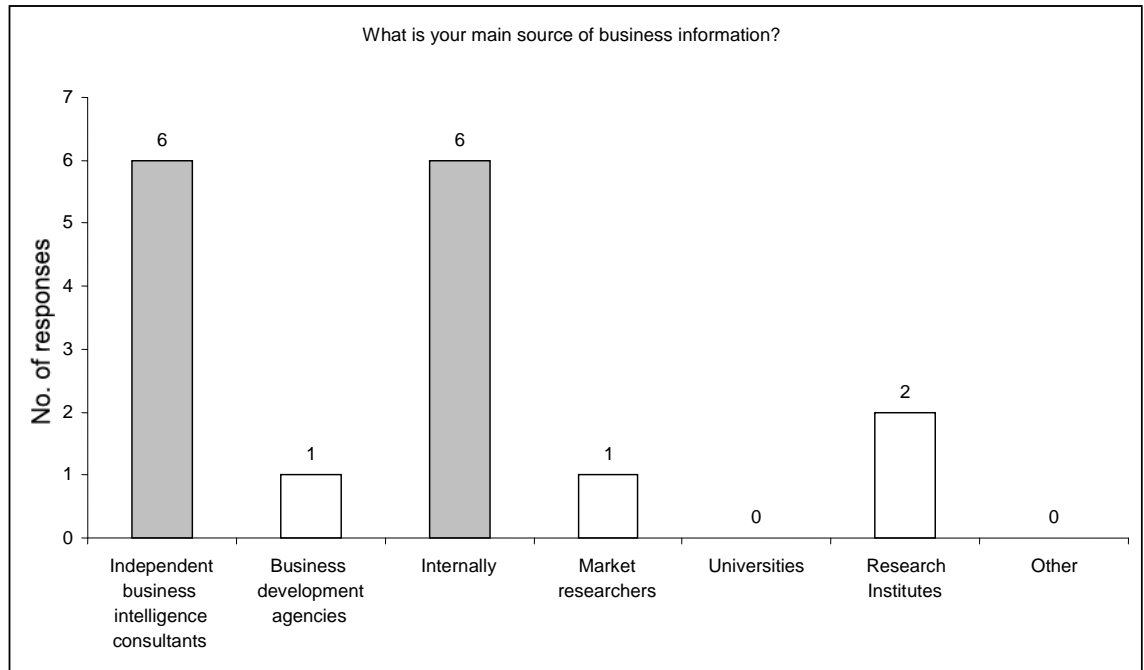


Figure 7. What is your main source of business information

Of the companies interviewed the main source of business intelligence came from two sources, firstly **internally** of which has little influence on a new location. Secondly, the companies relied on **independent business intelligence consultancies**, this is a service level need of the region and Kainuu currently houses a few companies who specialize particularly in start ups such as Intotalo Ltd. Kainuun Etu Ltd also acts as an agent to outsource business intelligence depending on specialization. There is a need and an opportunity for more companies specializing in larger scale business intelligence and this may act as an inhibiting factor for relocation, and as a recommendation Kainuun Etu could look to increase their network of suppliers in related and supporting industries, thus to provide a improvement in the regions ability to innovate an evolve through cost efficient and stable inputs to local businesses.

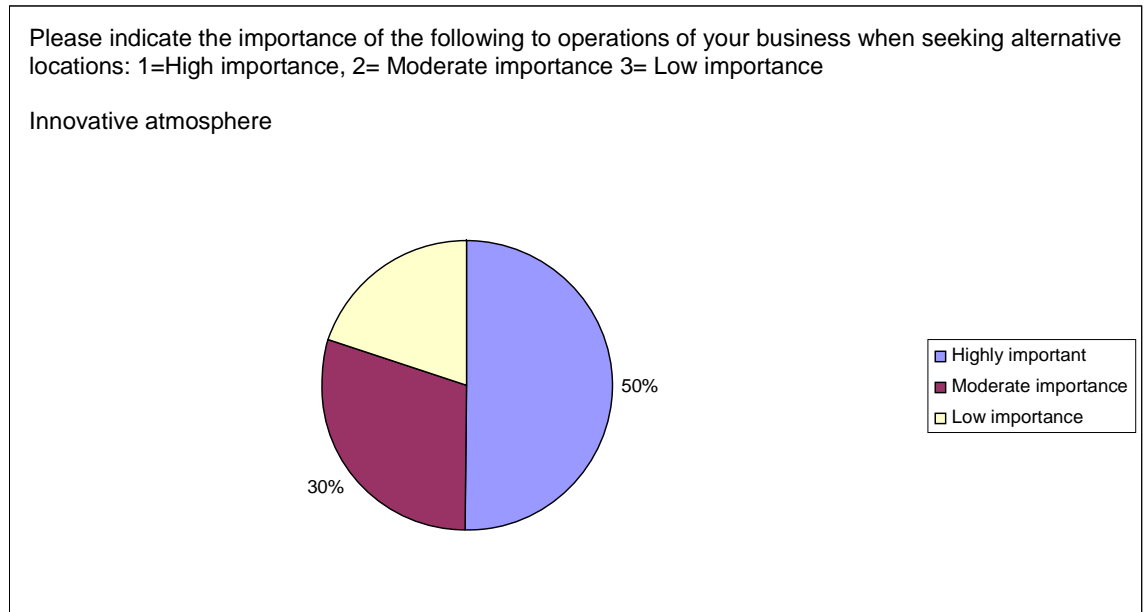


Figure 8. Importance of an innovative atmosphere for future locations

Of the companies interviewed, clearly when choosing future business locations the innovativeness of the region as a whole is placed with high importance. 80% required the local area to possess an innovative atmosphere. For further discussion this need usually leads to both increased knowledge sharing and collaboration, but also an increased amount of regional rivalry which can lead to sources of competitive advantage. Kainuu does currently offer innovative industries of which the target companies operate, for example the IT Pooli which comprises of over 20 local firms. Although a recommendation to further stimulate an innovative atmosphere would be to actively consolidate more local players to increase the size of local industry and provide conditions or mediation to accelerate cooperation between enterprise, education and research.

Employee related needs

The second open ended question, *“What services would the employees of the business require should the business relocate or expand to the EDC Park in Kajaani?”* was posed to the interviewees. This question was aimed to identify the needs of the employees of the respective companies, and should not be taken entirely for face value due to the potential subjectivity of the answer and level of parity between employee needs. Although due to the higher tier management level of the interviewees and knowledge of their employees, a certain degree of relevance can be taken from the following needs. The keywords and phrases reported most were **incentive**

support packages (4), **cost of living** (3), **general housing needs** (3), and **free time services** (3). Starting with support packages, this refers to incentives for relocation, including monetary and financial supportive needs, for example a provision for local government to help employees with relocation, of which there is no public service catering for this need in Kajaani at present and thus a service gap. As for recommendations, schemes similar to the aforementioned Oulu Expat Family adjustment service would make transition to Kajaani an easy and stress free occasion. Secondly cost of living, generally speaking the price of goods and services, which tend to follow the consumer price index on a national level and show little variation throughout the country; this is not a controllable function of the project. Although it could be said due to the location of Kajaani certain products and services may incur higher costs due to extended logistics required compared to the capital region as well as a less fluid supply and demand situation. The phenomena are out of the hands of any actors within the Kainuu region and follow the national and even European economic lifecycle. The third factor is general housing needs; the interviewees required a need for available and cheaper housing compared to the capital region to increase the attractiveness of relocation.

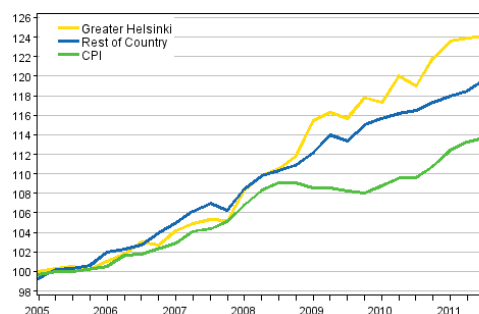


Figure 9. The development of rents and consumer prices in Finland (Statistics Finland 2011)

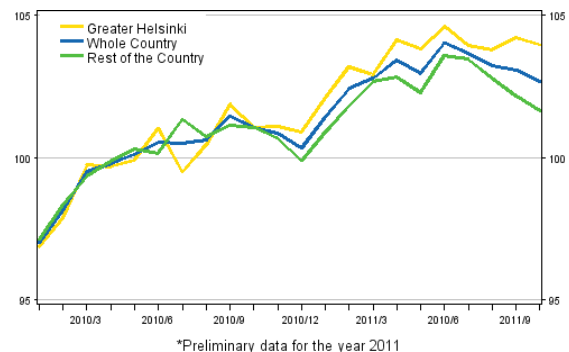


Figure 10. The development prices of old dwellings in Finland (Statistics Finland 2011)

From the above statistics of both rental and housing costs, it is apparent that the greater Helsinki region holds higher housing costs compared to the rest of Finland, including Kainuu. For rental costs, the capital region is approximately 4 percentage points higher than other regions and for price of housing around 2 percentage points. Therefore the need of cheaper housing for employees is fulfilled within the region of Kainuu, this alone does not make staff more likely to relocate, but is a crucial factor in the attraction process. The final need within this open ended question included free time services for employees and their

families; many families require a vast range of options in their free time, ranging from retail services to restaurants and activities, for example. To compare needs versus reality, one of the companies interviewed had an existing sales location in Kajaani where the interviewee had experience of working, and divulged an issue of the region was the lack of niche or specialized free time services for individuals and families. To meet the need of offering a wide range of services, including niche services, it is a difficult task as creating such services requires an adequate existing or increasing demand base with sophisticated customers, Kainuu due its size has less demand expectations compared to the capital region. Therefore to instigate more sophistication the population needs to either increase, or change the demand preferences to stimulate companies to innovate and meet such unique needs. In reality a service gap does exist for this need in comparison to larger urban areas such as Oulu, Kuopio and Helsinki who hold a higher degree of customer sophistication, and to eradicate or overcome such needs revolves around two factors; firstly entrepreneurs willing to take a risk in the region and establish niche businesses, secondly clever marketing of the region's unique services to the existing local population to stimulate growth and demand of such services.

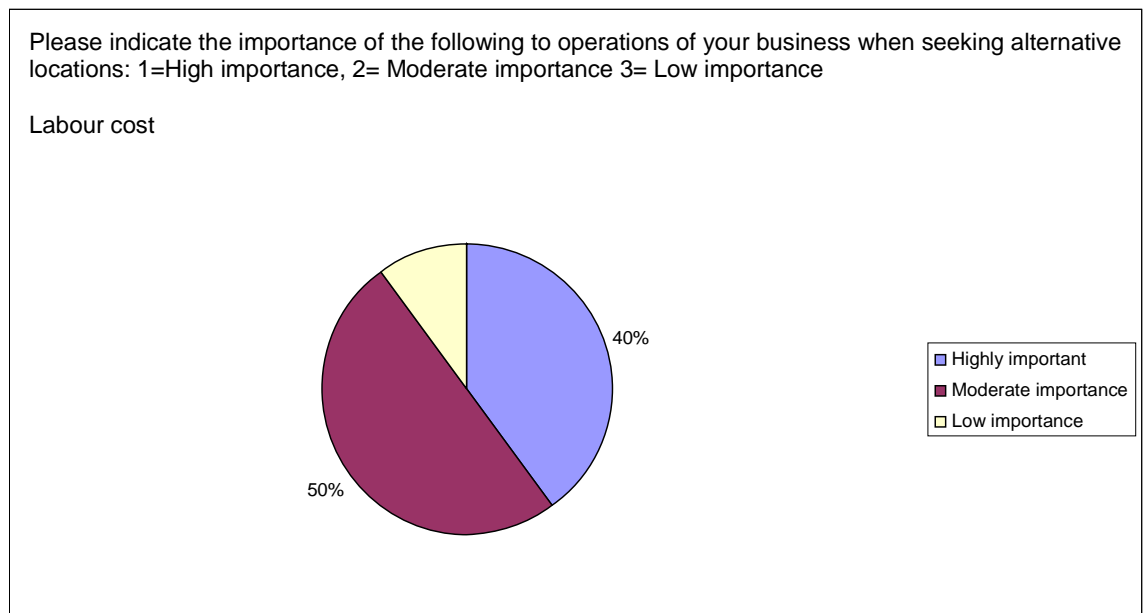


Figure 11. Importance of labour cost for future locations

The above chart shows the importance of local labour cost when considering future locations, 50% of the companies placed this need as moderately important, while 40% held this need as highly important. The reality expressed by the companies is that generally

speaking Finland as a whole has high labour costs in comparison to other countries and is a fact they must face when operating within the country. Regional parity of labour costs do exist, and favorably in the eyes of employers, Kainuu offers cheaper labour costs compared to the capital region. Figures from Statistics Finland (2009) show the Uusimaa region's mean monthly earnings were EUR 3285, compared to EUR 2699 for the region of Kainuu. This is of course an attraction in terms of labour needs for potential customers to the region of Kainuu and the EDC Park. One of the EDC Park's main targets is to create new permanent jobs; as a recommendation this positive differential in labour costs should be communicated to potential customers by the EDC Park project as a factor endowment of the region to increase its attractiveness.

Business level and market needs



Figure 12. What areas of training do you seek to improve for your business?

The above questions highlights four main needs related to training; **customer relations** (6), **IT** (5), **idea generation/innovation** (4) and **supply chain** (4). Firstly customer relations which form a pivotal part in the customer attraction process within the target companies, the need was to strengthen the sales process and ability to attract and keep customers in this highly competitive industry. Secondly, due to the rapid rate of advancement of technology,

the companies require training within the core IT business, to ensure continuity and strive for competitive advantages. This need ties closely into idea generation/innovation where companies must stay competitive and develop new products and services to stay competitive. The EDC Park should understand that within the IT or high tech industry of the target customers, that factors leading to innovation are created not endowed, so the project should look at supporting the creation of these factors which include skilled labour, or technological advancement. To assist this need, The EDC Park should look to support innovation by providing linkages and collaboration opportunities with research and education institutes. Using this method a close bond can be achieved which benefits both parties, by offering training requirements to the companies, as well as employment in the fields of education and research for the region. The final need includes supply chain training improvements, a recommendation which has been discussed before, is for the EDC Park to increase the linkages and possibility of interactions with upstream and downstream suppliers, in order to reduce the cost of inputs for businesses and ultimately reduce costs. A previous study by Yli-Lontinen (2010) who developed the Investor Support Tool for Kainuun Etu Ltd which helps investors/companies locate local companies would also be an excellent tool for the EDC Park to have within its disposal for potential customers.

Another trend was 90% of the companies currently operate measures to be more ecologically friendly through its operations, with the most common method including **energy saving systems** (5), **waste reduction** (3) and **optimized asset life cycle management** (2). After further discussion it was determined that all of the companies realized the importance of ecological business and its pivotal role in the future, therefore the question *“In what ways would you expect to benefit from ecological business operations if the business were to relocate to the EDC Park in Kajaani?”* was posed to the interviewees. Two main requirements arose, **positive brand image** and **reduction in cost**. A recommendation is for the EDC Park to somehow classify in monetary terms the benefit or cost saving a company can achieve by locating within the EDC Park and operating under a unified policy regarding ecological business operations. For example, the EDC Park could advertise that company X has relocated to the EDC Park and due to performing ecologically friendly operations; the combined savings are Y per annum compared to their previous location. This would provide a business level case for relocation by incorporating ecologically friendly practices which the EDC Park strives to promote.

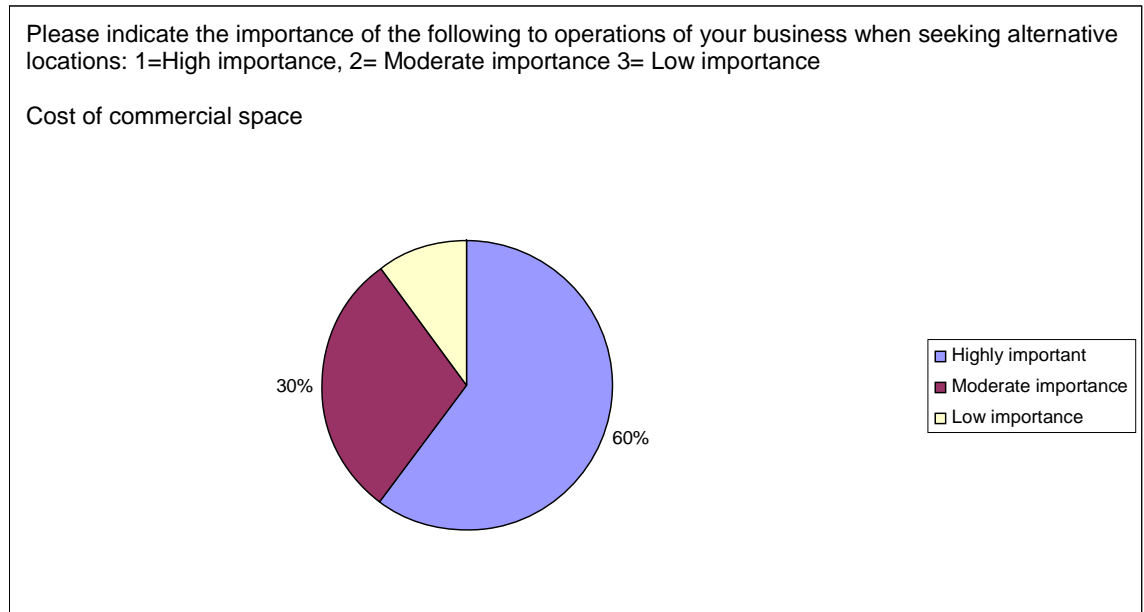


Figure 13. Importance of cost of commercial space for future locations

The above results confirm that when prospecting for future locations, companies regard commercial cost as highly important. The companies, who mostly operate from locations in Uusimaa, expressed future business locations were not limited in terms of availability in the current region but were associated with high rental or purchase costs. Therefore when prospecting for future locations cost of premises, whether rent or purchase, were high on the agenda. From Kainuun Etu's internal data, average monthly rent for office space for a prime city centre location in Kajaani is 9 euros per m² (Tili ja Kiinteistötoimisto Korhonen Oy 2011.) compared to 115 euros per m² in the Helsinki CBD (KTI 2011.), clearly office rents are favorable in the Kainuu region in terms of cost.. Therefore to attract businesses to the EDC Park, comparisons in real costs between the regions should be heavily marketed to provide a business case for relocation in terms of fixed cost cutting. Additionally the requirement of firms to expand their office size is limited within the central region due to overdevelopment and lack of space, Kajaani however has an abundance of existing office space and Greenfield opportunities.

Education, research and cooperative needs

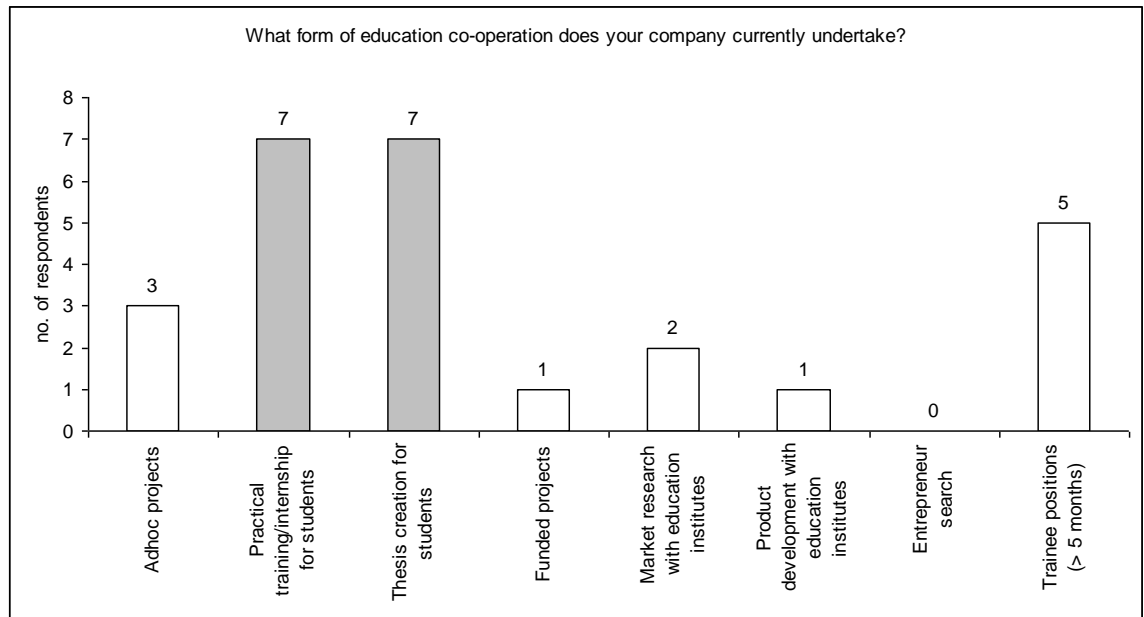


Figure 14. What form of education co-operation does your company currently undertake?

Most of the companies interviewed undertook co-operation with local education institutes, with **practical training** and **thesis creation** being utilized the most. Through more detailed discussions regarding co-operation it is also noted that companies see this form of co-operation as highly important to the operations of the business in more than one way. The main factor was the lower **cost associated with students** as part of the workforce, although equally important was the potential **future stream of employment** that education presents to a company. Another key finding was the fact that the companies operating within the IT industry found a **shortage of students with linked technical backgrounds** to their operations, such as the need for new courses to be established in the field of Data center operations, and niche fields within IT operations. The supply of such students in the capital region is very small as the education institutes do not provide such specialized courses, and it was noted that many of these specialized workers were sourced from abroad. Again another service gap currently exists for this need in Kajaani. To alleviate this EDC Park should cooperate with local education institutes and initiate specialized courses within certain degree programmes which aim to teach students theory and offer practice in the technical areas companies require. One example that was suggested by more than one interviewee was a data center management courses/degree programme.

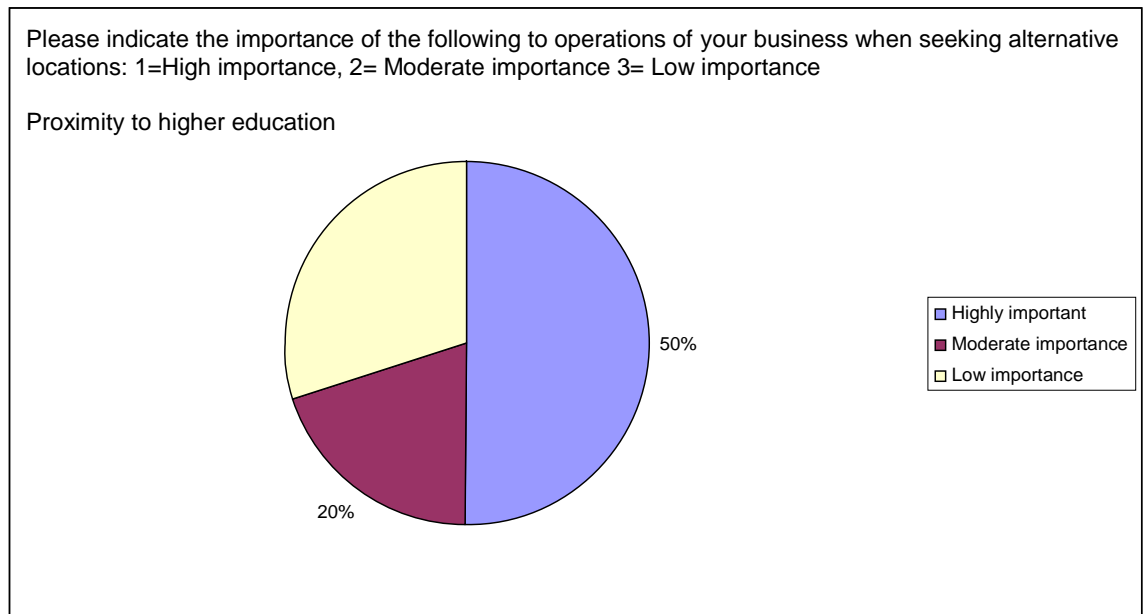


Figure 15. Importance of proximity to higher education for future locations

The above chart shows that a larger majority of the companies required future business locations to be in close proximity to higher education, coupled with previous result of a high demand for integration with research institutes. Kajaani houses the University of Applied Science, which is as an applied learning institution and aims to collaborate with local businesses by promoting students to learn through practice with local companies. The need of firms to locate near higher education in Kajaani is one in which can be offered. A recommendation is to continue the marketing of the university on an international scale to highlight the potential benefits a firm can gain by joining forces with students and hopefully lead to a stream of future talent which can increase attractiveness of the EDC Park.

Exactly 9 out of 10 of the interviewed companies were currently a formal member of an industry cluster, association, partnership or cooperation, with exception being the public sector company. It was noted that across the board there is a true benefit of becoming part of an association with **networking** being mentioned as the main benefit received by the company. Kainuu's IT Pooli association is an existing information technology industry association and caters for such needs only within the IT industry, therefore to increase attractiveness in terms of cooperative needs of companies, Kainuu should seek to incorporate a larger scale and tighter knit association combining various industries that can excel and collaborate with each other.

5.1 Sub-analysis of firms operating within the IT industry

To add further depth to the results, from the sample the firms operating within the IT industry (50%) are sub analysed to provide interesting trends in the light of the research. Although all firms responding to the questionnaire were within the broad target customer segmentation, IT firms are the EDC Park's key target customer. When comparing the results of the entire sample and the isolated group of IT companies, it suggests a large majority of the needs closely follow the general trends, although a few irregularities exist. Firstly, all of the respondents operating within the IT industry required a new location to be innovative, in comparison to the whole sample whereby a few respondents didn't necessarily require this need.

Another key difference when comparing is the training requirements of IT firms, who require most importantly assistance to achieve idea/generation compared to customer relations for the entire sample. The need for IT firms requiring innovation training closely links to the industry whereby innovation is the key to gaining a comparatively advantageous position within the market. The third difference from the main results is that all of the IT companies required a close proximity to education, whereas in the general sample nearly a third didn't place this as a requirement.

By adding more depth into the needs of companies operating within the IT industry, the EDC Park can understand trends within trends and keep this in mind when marketing the cluster to potential customers.

6 CONCLUSION

The needs assessment tool came to fruition due to the EDC Park project requiring primary data regarding customer needs for relocation purposes. In the light of the research problem, the EDC Park Needs assessment tool has proved to be a successful project tool by adding new knowledge regarding target customer's requirements.

The results gained from the thesis and the tool have generally been positive for the EDC Park project in that many of the individual needs of companies can at present be matched or guaranteed. One of the aims of the research was to highlight potential service gaps that are apparent within the project or the region and offer practical solutions to prevent the shortfall from affecting the attractiveness of the region.

The initial service gap reveals the region requires more competition and service providers of larger scale business intelligence needs, as this is one of the pivotal sources of intelligence for the companies interviewed and is a key area of the business that ultimately leads to innovation and progression. The linking of other business intelligence service providers within neighbouring regions by the project can remove this barrier; increased competition will also lead to innovation.

The second service gap shows a limited amount of free time and niche services on offer for future employees within the region in comparison to larger urban areas of Finland. This provides an issue for families locating from larger urban areas to Kajaani who may not be satisfied comparatively with the service offering. To improve the attractiveness and remove this most problematic gap, the EDC should seek to promote competition within the area by stimulating entrepreneurial activity, as well as assisting with marketing existing service providers to stimulate demand sophistication and increase domestic rivalry.

The following service gap which is closely linked with the previous includes the current lack of services in the region to aide with the relocation process for future employees. To alleviate this service gap, The EDC Park can learn from existing clusters in Finland and introduce a regional service to support families relocating to the area

The final service gap includes the lack of education institutes in the region offering studies based upon specialisations within the IT related industries, particularly centred on data

center operations and management. The EDC Park can promote and guide local education to join forces with companies and establish new specialised study programmes.

One of the key limitations of the research is the inability to apply the results gained from the sample to the entire population. It must be noted that each of the respondent's inherent needs should be kept in isolation and treated on a case by case scenario, although within this research it was possible to combine and highlight trends of which the results fostered.

A suggested continuation of this research would involve a deeper study focusing on attracting people to live and work in the region of Kainuu to the benefit and growth of the EDC Park. This thesis suggests this is one of the pivotal challenges for the EDC Park project, as a stagnant population is directly linked to the contraction of the local economy. The study would look at underlying reasons as to why individuals and families find other locations in Finland more or less attractive to live and work. This research would be directly linked to the EDC Park, as the employees of businesses within and potentially joining the cluster must be satisfied with living in the region.

Due to the nature of the EDC Park project being in its introductory stage, previously very little was known about target customer requirements and subsequent service gaps. The completion of the EDC Park Needs assessment tool has given the project a reliable source of primary data of which can be used by Kainuun Etu Ltd to have a greater understanding on basic customer requirements and highlighted service gaps and hopefully can be continually used by the project in the future. The tool has also given the EDC Park project a hugely cost effective marketing tool.

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LIST OF APPENDICES

APPENDIX 1: EDC Park Needs assessment questionnaire

APPENDIX 2: EDC Park Needs assessment questionnaire confidentiality agreement

APPENDIX 3: EDC Park marketing guide



Ecological Data Center Park - needs assessment questionnaire

Confidentiality Statement

All information discussed within the questionnaire and the subsequent meeting will remain confidential. Kainuun Etu will not disclose such information to any unauthorised person or body but where appropriate will use such information in carrying out its various functions and services. The meeting may be audio recorded to aid the reporting phase. The data herein may also be used by the interviewer to formulate a thesis based on the project, to respect company secrecy the company name will not be disclosed in the published version of the thesis nor mentioned beyond Kainuu Etu Ltd.

Date:		Time:		Venue:	
-------	--	-------	--	--------	--

Interviewer: John Wideman, Intern Researcher Kainuun Etu Oy

Have you received the information pack about the EDC Park?

Have you reviewed the material? Feedback?

I Company Details

Company Name:

Address:

Company Representative:

Job title:

Contact number:	
Industry (Primary):	
Stage of business development:	
Number of employees:	

What are the most important external issues facing your business? Rank from 1-5 (1= highly important, 5 = not important).

Competition	
Attracting new customers	
Access to capital/financing	
Taxation	
Innovation/technology issues	
Economic situation and pressures	
Other	

What are the most important internal factors facing your business? Rank from 1-5 (1= highly important, 5 = not important).

Research and development	
Profitability	
Innovation/technology issues	
Staff issues	
Increased cost of production	
Growth (how to)	
Marketing	
Other	

Where are your customers located?

Locally	
Regionally	
Nationally	
Internationally	

How does your company create a competitive advantage? Choose up to three.

Differentiation	
Niche segmenting	
Price	
Quality	
Location	
Adapting to change	
Technological innovation	
Sustainable	
Efficiency	
Difficult to imitate	
Productivity	
Supply chain	
Other	

What percentage of your business operations are conducted electronically (i.e. via internet)?

0-10%	
11-20%	
21-30%	
31-40%	
41-50%	
51-60%	
61-70%	
71-80%	
81-90%	
91-100%	

II Company location

Current location

How long has the company occupied its current location?

Does the company own or lease the facilities?

If leased, when does it expire?

Approximate size of facilities (sq.m)?

Approximate rental cost (Euro/sq.m)?

In the near future will you require additional office space?

% or (sq.m)

Have you /relocated any business functions to secondary locations?

In Finland?

Abroad?

What was the company turnover for the financial year 2010:

Please rate the following factors in terms of satisfaction of the current business location:

Factor	Positive	Negative
Availability of land/premises		
Quality of site/premises		
Commercial property costs/rents		
Capabilities for future expansion		
Availability of labour locally		
Quality of skilled labour locally		
Labour costs		
Ability to retain existing workforce		
Living costs for workforce		
Proximity to customers		
Proximity to suppliers		
Availability of car parking		
Availability of local transport		
Proximity to higher education		
other		

Future business location factors

Please indicate the importance of the following to operations of your business when seeking alternative locations:

1=High importance, 2= Moderate importance 3= Low importance

Proximity to customer base	
Proximity to suppliers	
Infrastructure	
Education and training linkages	
Cost of commercial space	

Utility costs	
Innovative atmosphere	
Positive collaboration with partners	
Availability of local labour	
Quality of skilled labour locally	
Labour costs	
Proximity to higher education	
Other	

III Future business goals

In 12-36 months (short term) time, please rate the importance of the following for future physical business requirements (1= highly important, 5 = not important).

Growth	
Increase turnover	
Expand (national level)	
Expand (international level)	
Increase Market share	
Internationalise	
Increase R&D	
Business networking	
Supply chain optimisation	
Other	

In 3-10 (long term) years time, please rate the importance of the following for future physical business requirements:

Growth	
Increase turnover	
Expand (national level)	
Expand (international level)	
Increase Market share	

Internationalise	
Increase R&D	
Business networking	
Supply chain optimisation	
Other	

What type of land or business location would best match your future needs of expansion?

Well located sites in existing urban areas	
Purpose built industrial or business park	
Research and development or science parks	
Small scale starter units/offices	
Rural business units	
Other	

IV Service requirements

What additional service requirements would the company require in order to relocate to the EDC Park in Kajaani?

What services would the employees of the business require should the business relocate or expand to the EDC Park in Kajaani?

V Research and Development

Approximately how much does your company budget for R&D related initiatives?

Business intelligence

What is your main source of business information?

Independent business intelligence consultants

Business development agencies

Internally

Market researchers

Universities

Research Institutes

Other

Training

What areas of training do you seek to improve for your business?

Marketing

Customer relations

Funding

IT

Idea generation/ innovation

Ecologically friendly-business

Market research

Recruitment

Supply chain

other

Business Incubation

Does your business require any of the following incubation services for any area of operations?

If yes, which phase:

Pre incubator phase

--

Incubator phase
Accelerator phase

VI Research and Education co-operation

What form of education co-operation does your company currently undertake?

Adhoc projects
Practical training/internship for students
Thesis creation for students
Funded projects
Market research with education institutes
Product development with education institutes
Entrepreneur search
Trainee positions (> 5 months)

Would your organization be interested in cooperating with students and their advisor(s) at institutions of higher education to provide your organization with consulting services, research assistance or other project related assistance?

--

VII Business Cluster formation

Is the company currently a formal member of an industry cluster, association, partnership or co-operation?

If **yes**, where?

--

Total number of members?

Research and education support?

Performance indicators?

What benefits has the business directly received?

If No, what potential gains would the company hope to achieve in order to join an industry cluster?

Knowledge sharing	<input type="text"/>
Resource pooling	<input type="text"/>
Business intelligence	<input type="text"/>
Joint R&D	<input type="text"/>
Supply chain networks	<input type="text"/>
Partnerships	<input type="text"/>
Joint ventures	<input type="text"/>
Other	<input type="text"/>

If joining an industry cluster in Kajaani, what benefits would the company hope to achieve?

VIII Ecological Business

Has your company introduced measures to be more ecologically friendly through its operations?

If yes, please state the measures?

If No, does your business wish to incorporate an ecologically friendly business strategy as part of the business model?

In what ways would you expect to benefit from ecological business operations if the business were to relocate to the EDC Park in Kajaani?

IX Data services

Does your company have its own data center or similar data service provider?

If yes, where are they located?

If external, who is your data service provider?

Notes, additional requirements, queries?

The EDC Park Project team, on behalf of Kainuun Etu Oy, greatly appreciate your time and patience, your feedback is highly valuable and we hope to create a long lasting relationship with your company.

Interviewee signature, date

Interviewer signature, date

Please check the following box if you would like to receive a summary of the survey results ☐



Ecological Data Center Park -needs assessment questionnaire

Confidentiality Agreement

All information discussed within the questionnaire and the subsequent meeting will remain confidential. Kainuun Etu will not disclose such information to any unauthorised person or body but where appropriate will use such information in carrying out its various functions and services. The meeting may be audio recorded to aid the reporting phase. The data herein may also be used by the interviewer to formulate a thesis based on the project, to respect company secrecy the company name will not be disclosed in the published version of the thesis nor mentioned beyond Kainuu Etu Ltd.

Date:		Time:		Venue:	
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I Company Details

Company Name:

Address:

Company Representative:

Job title:

Contact number:

Industry (Primary):

The EDC Park Project team, on behalf of Kainuun Etu Oy, greatly appreciate your time and patience, your feedback is highly valuable and we hope to create a long lasting relationship with your company.

--

Interviewee signature, date

--

Interviewer signature, date

Please check the following box if you would like to receive a summary of the survey results ☐



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Kainuun Etu

Kainuun Etu is a municipality-owned regional development company. We house highly diverse, international and expert staff who are committed to provide the best service possible.

Kainuun Etu's overall objective is to aid in the development of the EDC Park in the region of Kainuu.

The following goals have been created by the EDC Park project:

- Establish a Business Park related to the Kajaani Data Center.
- To create growth leading to new companies and sustainable jobs, relevant education and research programs.
- Increase knowledge and know-how in data center related issues:
 - Sustainability
 - DC education and courses
 - Cloud computing
 - Data reserve

The Finnish Green Flagship Data Centre

CSC – IT center for science is building one of the most eco-efficient data centers in the world. Based upon a proven solution based upon technology, reliable existing infrastructure and state of the art ecological efficiency for data needs in research and development in both the public and private sector.



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EDC Park

The Ecological Data Center Park is a synergy of business, science and education in the Kainuu region.

The three pillars of the EDC Park create an optimal setting for innovation, sustainability, knowledge and success.

Data Center

The Data Center provides the geographic epicentre of the EDC Park. In September 2010, CSC Ltd, a government owned non profit organisation announced it will establish one the world's most eco-efficient data center at Renforsin Ranta in Kajaani, the former site of the UPM paper mill.

Business Park

The EDC Park is home to two purpose built business parks as well as other existing business locations. The Renforsin Ranta business park currently contains 30 companies employing over 500 people. Kajaani Technology Park houses several SME's with a common interest in technological driven business. The beauty of the EDC's business park is flexibility in terms of geographic location, companies can locate in all corners of the town or region, yet still be immersed in an effective and innovative business cluster.

Science Park

Is a congregation of the regions expert R&D, education and innovation institutes eager to join forces with local businesses in the quest for combining profitable business with innovation.

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Ecological Business

The relatively modest building in the background is of huge importance for the region of Kainuu; the hydro-power station harnesses one of the most important resources, renewable energy.

Ecological business is very real in Kainuu with constant, reliable, green and most importantly sustainable energy.

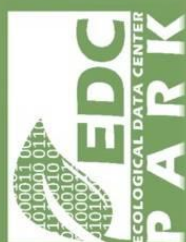
Kajaani offers an ecological business competitive advantage by providing energy needs at lower cost. The infrastructure is established, including efficient pipelines, water plants and power grid.



The Green Grid is a non-profit, open industry consortium of end-users, policy-makers, technology providers, facility architects, and utility companies collaborating to improve the resource efficiency of data centers and business computing ecosystems. With more than 175 member companies around the world, The Green Grid seeks to unite global industry efforts, create a common set of metrics, and develop technical resources and educational tools to further its goals.

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Research

Kainuu as a region strives for innovation and hosts a wide range of research centres to join forces with partners to develop and profit through innovation in the future.

Centre for measurement and information systems

CEMIS

Technical research centre of Finland



Centre for metrology and accreditation



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Established IT sector



Working together, creates a competitive advantage

IT-Pooli located around Kainuu, is a 20 member strong ICT industry association with the focus of promoting networking and strategic development to aid the overall growth of the Industry within Finland.

Tasks of the association include joint marketing, resource sharing, market research, supply chain management amongst others.

EDC Park creates an optimal venue for maximising networking and business alliances, creating global pipelines and adding to the competitiveness of the businesses within the knowledge intensive cluster.

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Business services

Whether you are a growing startup and require business incubation services, or a matured business seeking a new venture and require market intelligence services, Kainuu can offer highly professional services to meet every need.

Need a helping hand?

The region of Kainuu has full backing and assistance from various institutes and bodies to aid the development of economic activity.



ENTERPRISE FINLAND

The aim of Enterprise Finland is to provide a portal for assistance available to companies or entrepreneurs for establishing and developing their business. All stages of business are addressed with relevant links to over 130 services.



A public funded expert organisation for financing research, development and innovation in Finland. Tekes works closely with top innovative companies and each year finances around 1500 projects.



Centre for Economic Development,
Transport and the Environment

The objective of the various ministries is to provide companies in Finland with the world's best operating environment. Tools used include financing, networking and development of businesses and industries.

transport
catering
strategic
maintenance
operational
financing
utilities

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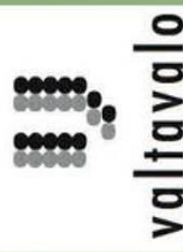


Recent additions



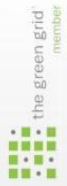
Supercell, an exciting gaming company founded in 2010 and headquartered in Helsinki, have recently announced it is to set up a northern office in Kajaani town center. The decision and inception came to fruition after the CEO visited KAJAK game studio at Kajaani University of Applied Sciences and was so impressed with the setup and supply of expert graduate talent and collaborative opportunities. The addition of Supercell to Kainuu will strengthen the region's technology industry in Finland.

In 2010, Finnish cooperative Suomen Osuuskauppa (SOK) established a flagship service center in Renforsin Ranta business park. The task of the center is to provide financial services to all subsidiaries of the S-Group in Finland and abroad.



Valtavallo are a leading lighting supplier based in Oulu, and have recently moved production and office functions to 700m² of floor space in Renforsin Ranta business park. The motivating attraction for the relocation was the excellent spectrum of services on offer in Kajaani and the abundance of useable space in Renforsin Ranta.

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Recent additions



Sweco is one of the largest consulting engineering companies in Europe, with subsidiaries in 10 countries. Sweco has offices covering all corners of Finland including Renforsin Ranta Business Park in Kajaani. Sweco Industry, based in Finland, is the Group's central industrial engineering resource and has an international home market.

Ymon, established in 2003 offers products and services covering all areas of data networks. Currently employing around 15 experts with over 20 years of experience within the industry. The company strives for competence, reliability and quality. Ymon operate from two locations, Vantaa and Renforsin Ranta Business Park in Kajaani.



Protacon Group is a Finnish engineering and consulting company that offers dependable, efficient and flexible solutions for all of your production, maintenance and project needs. The company employs around 180 professionals, with key customers in the energy, forest and mechanical industry. Protacon has 10 offices in Finland including Renforsin Ranta Business Park.

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Kajaani University of Applied Sciences

The best University of Applied Sciences in Finland (Talouselämä 3/2011)

Kajaani is home to a higher level education institute housing over 2000 students. The university offers a wide range of courses taught in both English and Finnish to cement its ethos in internationalisation.

The university takes a leading and pro active role in project based initiatives, working closely with businesses in the local region to strengthen the local economy and boost the competitiveness of the region.



Young entrepreneurs are being fostered through KAJAK game development lab, an intensive course allowing students to innovate in the gaming industry using cutting edge technology and knowledge.

Key facts

Specialist fields:

Data center technology
Gaming

Traditional fields:

Business
Tourism
Sports and wellbeing
Technology
Engineering

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Prime locations



RENFOR SIN RANTA
YRITYSALUE - KAJAANI

Renforsin Ranta business park

Located a stones throw away from the crystal clear Oulujärvi lake, and just under one kilometre east of Kajaani town centre it provides an excellent location for those requiring scalable space requirements.

Renforsin ranta is currently occupied by around 20 companies employing in the region of 500 people. Its equidistant location between the city center and nature provides an ideal spot for businesses who require a haven for innovation, while being in close reach to local services and transport networks.

Snowpolis




SNOWPOLIS
VUOKATTI FINLAND

Snowpolis Vuokatti is a unique, international Technology Park, located in the midst of unspoiled nature and the most versatile recreation and holiday center to be found in Finland. Snowpolis specializes in wellness, sports and all-year winter.


At Snowpolis, there are currently 27 companies, including the Department of Sports Technology of the University of Jyväskylä, Department of Sports Measurements of the University of Oulu of the Measurement and Sensor laboratory, the Center for Wireless Communication (CWC) of the University of Oulu, the Department of Travel and Tourism of Kainuu Vocational College and Intotalo.

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Prime locations



Kajaani technology park

Situated approximately 3km from the town centre, the Technology center combines high growth technology companies, research unit from the University of Oulu and in-house business support services.

The park provides a sanctuary for businesses with a common interest in technology to immerse in a highly knowledge driven and collaborative cluster formation.



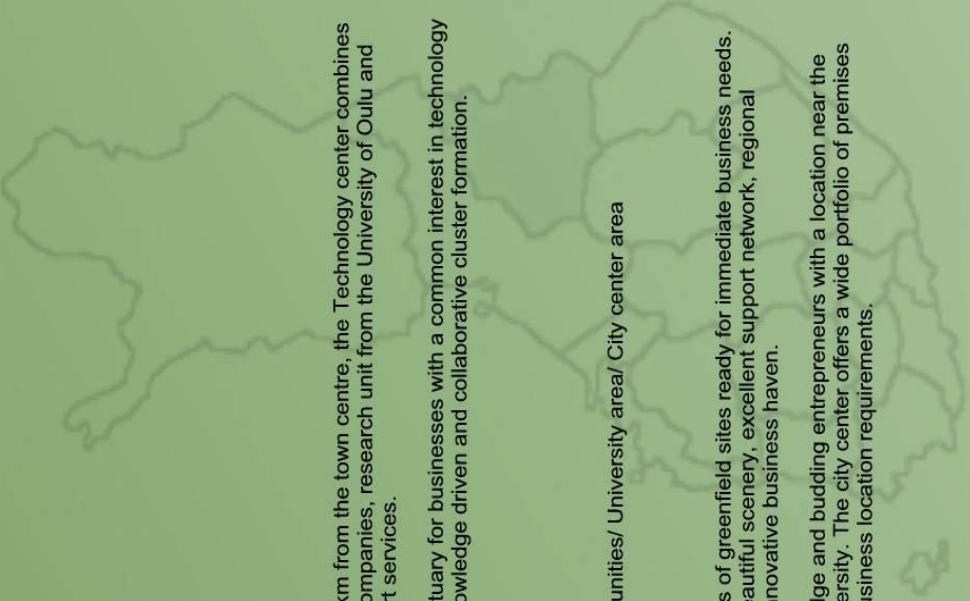
University area




Greenfield sites

Endless greenfield opportunities/ University area/ City center area

Kainuu has vast expanses of greenfield sites ready for immediate business needs. Take advantage of the beautiful scenery, excellent support network, regional assistance to create an innovative business haven.

Get close to new knowledge and budding entrepreneurs with a location near the nationally acclaimed university. The city center offers a wide portfolio of premises catering for all types of business location requirements.





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Kajaani - the town of creativity, expertise and easy living

An idyllic and beautiful town located in Eastern Finland.

Kainuu sits right across the waistband of Finland, literally where East meets West, the impressive lake Oulujärvi, visible from satellite forms an impressive backdrop to an emerging tourism destination, the aesthetics' of which the very finest of Disney designers would have been proud of; the scenery is the 'real deal' here, nothing is constructed, the vast lake Oulujärvi (70 square Kilometres) of fresh water lake, surrounded by sandy beaches and the pine forest surrounded Ski hills have a 'big country' feel to them.

The region of Kainuu has been going through a major structural change. In years gone by, the region's trade has been centred on agriculture and wood, as a rural region; recently however, high technology, mineral extraction and tourism have seen a strong growth pattern.



Regional facts

Population:
Kajaani - 38,000
Kainuu - 83,000

Density:
3.4 people/km²

Self governing region

Distance to (km):

Helsinki - 549
Oulu - 177
Tampere - 455
Kuopio - 170
Lahti - 449
Russian border - 126



Kajaani Airport, located 10km from the city center with daily flights to other regions of Finland.



Kajaani Railway station, 1km from the city center with high speed trains to every corner of Finland.



E63 main route to the south of Finland, route 22 direct to Oulu.



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Free time services

Kajaani provides a vast range of excellent leisure services catering for all ages, and allows one to quickly alternate between untouched nature and a lively social scene.

Unwind in the picturesque nature of region, enjoying free time without interruption, noise, pollution and the hustle of larger cities.

Should you wish to jump into a more lively setting, enjoy the various shops, restaurants and leisure centers in Kainuu.

Achieving a balanced work-free time equilibrium is within easy reach in Kainuu.

Popular leisure locations:



Lake Oulujärvi



Vuokatti ski resort



Kalevala Spirit



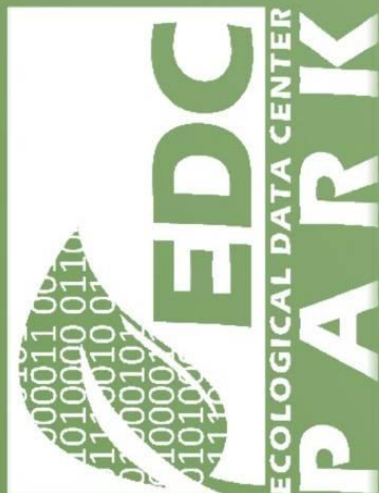
Ukkohalla



Holiday club Katinkulta

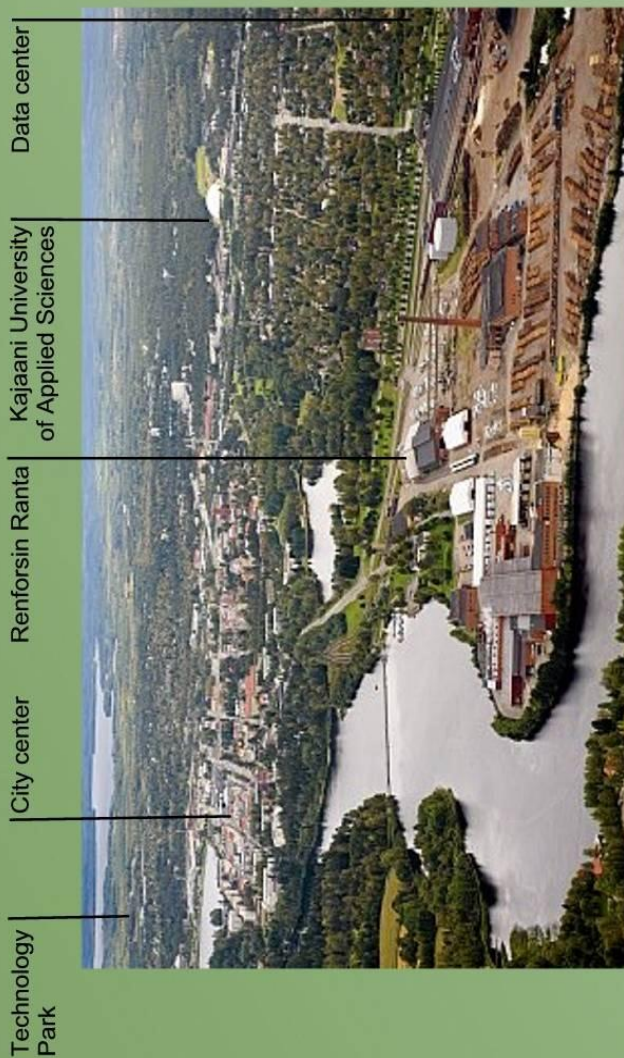
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