

## **Innovation Speech 2015**

Dear ministers, politicians, principals, business leaders, entrepreneurs, organizations, media and not least; the next generation innovators and agents of change!

In 2013 Gunn Ovesen introduced Norway's first innovation speech with the following words:

"I promise to give Norway one day every year where focusing on innovation is more important than everything else. The Prime Minister has his New Year speech. The Governor of the Norwegian Bank has his annual speech. I will hold the country's innovation speech, every year. I'm going to start by describing the situation as I see it, and point out some absolutely key challenges for Norway. I will submit my proposals to resolve some of the challenges we face. "

- And by this the Innovation Speech got established, an important heritage we bring forward.

The Prime Minister and the Governor of the Norwegian Bank expressed the same views in their annual speeches.

"Our country is going from "a unique position to restructuring". We must become better at creating. We must equip Norway for the future. The need for restructuring gives us an opportunity to create a better and greener societies. "And head of NHO put perspective in her annual conference:" The development of Norway is all about strengthening the company for the world championship, not local championships. "

Exactly!

Yes, the possibilities for Norway in the future are great, but if we want to create more and gearing Norway for the future, to lead - not only participate in future world championships, then it's time to enter a new gear now.

In 2014 came seriousness. Norway received a financial wake-up call. The oil and gas price was halved. This was also the year when the threat of climate change was taken seriously by most. President Obama and President Xi Jinping signed an historic agreement to reduce emissions. In a world that faces major social and environmental challenges, it also makes sense to

strengthen Norwegian industry's ability to provide solutions to these problems. Major challenges represent major markets.

2014 was also the year when the country realized how vulnerable the Norwegian economy, and the need for a green transition committed far beyond the classic environmentalist groups. But we must not forget the impact the oil has had on the development of Norway's position and prosperity the last forty years. We must be able to have two thoughts simultaneously, to accept co-existence, as it becomes the foundation for the new.

And we know we need to have more legs to stand on ahead; we must lead the classical economic growth into a more sustainable direction; we must reform our costly welfare schemes; we cannot take Norwegian living standards for granted or believe that the public continues to be funded by an inexhaustible money source. After 40 years of prosperity it is we, Norway, who must change focus ahead, everyone, from "this I what am entitled to" to "this I what can help with," "do without", or minimum, "not take for granted. "

And let me start by confirming one thing, after a nine month journey home and abroad, after hundreds of meetings with Norwegian entrepreneurs and growth companies: There is nothing wrong with Norwegian creativity or willingness to contribute to the restructuring. We've done it before and we will manage it this time also. And that is where one might "not believe that someone could create" - that the desire and will to create is greater.

For Norwegian value creation is the sum of what we make to on every headland, every yard, every city across the country. It is the sum of these efforts that make up our collective productivity. And here it becomes tempting to quote Gro: Everything is connected to everything. The international market, the world, is not concerned with our national focus on municipal boundaries. They think Norway, they think the Nordic countries - they think quality, integrity, green, technology, clean, democracy, a talented and knowledgeable people and stability.

But even we are still a little uncertain. Must we change gear just yet? Can we not just keep on a bit like before? For there is no crisis yet, right? Discussions on how long we can live off the oil, that fact that our country is not a crisis in a short run, it becomes secondary from an innovation perspective. We know we must create new jobs, revitalize existing industries, invest to encourage new industries and ensure a different

distribution of Norway's export revenues in the future. We must renew the public and ensure a greener growth. We can rest because we are not in acute crisis right now, it is a great opportunity to position our country for a new change we know is coming, worldwide.

The change, or mega trend, is often referred to as the "sixth development wave" in the world economy – a sustainability wave, following the information technology-wave and previous financial periods dominated by other technology-related innovations such as steam power, electricity and aerospace. Here Norway is very well positioned and this overarching mega trend should be a guiding principle for the development of Norwegian innovation policy going forward, and it is well described in the Dream Commitment report.

But it is time that we also talk about the many demanding faces of innovation. For shall we be able to innovate, we must also change what we do and how we do things. Innovation in its ultimate sense also represents destruction - of the established, of traditions and culture. This is about accepting that someone must go ahead to take bold and difficult choices in the short term, which we will look back on and be proud of. For when we historically summarize something that goes well, then it becomes 'we' who made the decision. It's about taking risks now, to lead in unfamiliar terrain, to question the established truths and power structures to establish new ones. It will not be easy, but it is absolutely necessary.

Norway is a small country with a limited number of heads and market. We cannot do everything or believe that the market will make the right choices for us. Choose not to choose, you also made a choice. We have become accustomed to believe that we can be best in class in almost anything. We want to be most environmentally friendly, most district friendly, have the best working conditions, the best welfare system, the shortest working hours, the longest holiday and the best lunch. Will it automatically be so for future generations? No, then we need to prioritize and we need to let our politicians make priority for us. And they must have the courage to challenge us. The courage to challenge the notion that we can be the best in everything at all times. We're going into a real transitional phase in the country now, it is demanding.

Therefore it is so important that our leaders believe and dare to carry out the measures needed to create restructuring. Innovation Norway is optimistic on behalf of Norwegian industry. Norwegian workers are well educated and creative, we have many innovative companies, strong

clusters, a well-developed welfare system, an advanced support system, peace and social stability. What we need to have in place now, is a clear strategy and direction for where we want to go, what it will cost us and how we will achieve the goals we set ourselves.

We believe that Norwegian industry, generally speaking, is innovative in the sense that companies show great ability to do things in new ways to reach the goals they set themselves. We know that there is innovation statistics that can be interpreted in a different direction. This applies especially to the European Commission's Innovation Union Scoreboard, one composite indicator that in 2015 edition still ranks Norway as no. 17 in Europe. SSB, NIFU and others have shown that this indicator does not capture the real Norwegian innovation capability.

Innovation Norway is already working well with Statistics Norway, the Norwegian Research Council and relevant research communities on the further development of the Norwegian innovation statistics. We will initiate a process where we can find new ways to provide a more comprehensive presentation of Norwegian innovation - even compared with other countries.

Understanding our own assumptions and premises for innovation, having the same worldview, to set the correct 'diagnosis', is the foundation when we choose the right 'medicine' forward.

So what does it take? Here are our six recommendations:

1. We must **prioritize**. We have a great need to build new national teams where Norway already has a comparative advantage internationally. In more and more countries, the innovations policy is set toward major challenges they have conditions to meet. We must get there. EU does it with its mammoth program Horizon 2020. Denmark makes it through its innovation strategy. We should also concentrate on areas where Norway has the skills needed to make a difference. We are well equipped to be an important supplier of solutions on the seven social challenges the EU has defined, which will include health, sustainable food production, clean energy, and efficient use of resources.

For there is no conflict between the generally favorable framework conditions and targeted instruments. The long-term plan for research identifies five thematic priorities, it should also be reflected when and if we want to commercialize our research results, which is all about translating

new knowledge into new businesses, jobs and industries.

We need to invest more, but perhaps most importantly; innovate more within the current framework conditions to make our traditional industries green and renewable, and to attract international investment to Norway.

And we must start with our international reputation that emphasize sustainable and environmental conditions. This applies to our position in the maritime sector. Yes, and we have the skills necessary to provide the world with clean energy. We have the best conditions for the agricultural- and marine sector to successfully position itself into the new bioeconomy. We can build new industries around welfare technology, medicine, finance and education technology.

2. Yes, we must invest in start-ups and never before has the entrepreneurial desire in Norway been greater!

The proportion who believe entrepreneurship gives high status has risen from 59 to 83% in the period 2003-2014. Restructuring Situations are often equivalent to Klondike conditions for entrepreneurs. But we must also help the existing companies - and the major. We have few of the large, but they are important locomotive for the small and represent export income and jobs with great growth potential. We must do both: **to develop the major and establishing more small**, while we get more of the small to grow.

Our biggest challenge – the establishment of too many one-man companies with no growth potential or ambitions other than to cover their salaries. We will also have room for these, but we must have more growth potential companies in this country, strengthen our established clusters and creating new clusters, across industries, to professionalize and realize growth potential in industries consisting of many small players. Collaboration is the new competitive edge.

3. We must **innovate and adapt more in the public sector**. The public procurement power represents around 400 billion annually. It can be used to innovate in cooperation with private contractors. We have an urgent need to restructure and innovate our public services. According to the national accounts the proportion of public sector FTEs increased from under 17 percent in 1970 to almost 29 percent in 2013, in sheer numbers from 250,000 to 700,000 FTEs.

Developments in public FTEs are characterized by certain care work previously carried out by family members, have increasingly been taken

over by municipal services. In addition, the age structure and medical advances has led to an increased need for care and hospital services. The future development within public sector depends mainly on whether the large increase within these services will continue, and not least how innovative we are in the development of these services.

Here comes the need for a big boost of digital competence. The role of technology in the development of the innovation level of public services in the future must not be underestimated - and it must not be equated with the purchase of new technological solutions when talking about digitization in public - it is first and foremost about understanding the requirements for change and innovation in existing work processes, collaborative culture and the competence need to be relevant to its customers and users.

4. We must make visible, accessible and not least **simplify everything we already have** of public services to those who want to create and modify (and there are a lot, from municipalities first service to business parks, incubators, establishing scholarships, tax refund), and, we need to talk the same language. NFD is already doing this work. And it is absolutely necessary.

Also, we must stop believing that the solution to everything is more supply of capital alone. It's more about reallocating and alignment of already available capital and regulatory framework in Norway, to support the business community that builds the jobs we want and to live the future. And it is about a cultural change in which our pride not only goes on to investigate forward good ideas, winning awards for outstanding ideas - we also need to build a bigger pride around the ability to capitalize on the wise heads, to compete internationally, with Norwegian solutions, knowledge and products.

And - we must become more market-oriented. We have a tendency to develop products and solutions that it turns out that not viable when the product is finally completed, or well enough, and the pursuit of customer begins. Then it is too late. The demanding customer must be involved from day 1. The main reason for that startup companies going bankrupt, both at home and abroad, is primarily the lack of customers, lack of income and market.

5. We must make use of **all capacity for work in the country**.

Unemployment rate is still low, but it increases and will increase. We must get more of those falling off back into work. Increased understanding and commitment to social entrepreneurship is part of this solution. Social entrepreneurship is in an overlapping field between public, voluntary and

private sectors. These founders or extrapreneurs as they are also called, addressing unsolved problems in areas such as school (children and youth), health and welfare services (untapped resources, those falling outside, sick, elderly), but also for environmental protection and culture. Sustainability and scalability are equally important here as in purely commercial business establishments, and they have the same potential for international growth.

And for the next generation of entrepreneurs it's not just about making a short-term 'cool'. We see a clear trend and the emergence of social entrepreneurs, who looks and is run by an unresolved problem or a vulnerable target, in its field, in their municipality, in their region and decides to become an active part of the solution. We need more such entrepreneurs in meeting the social and environmental problems we face right now. Innovation Norway has only rarely devoted to this area of attention, and increased power will be very important both for society and for business development. We will therefore in 2015 look to how we can establish a clearer commitment to support social entrepreneurship.

6. The restructuring we are facing primarily requires **courageous leadership** among our politicians, business leaders, collaborators - with all the people. The head of NHO said the following in her annual speech "danger by mixing reason and emotion is that we fail to implement the things we really agree on. We need to let politicians administer the trust we have given them at the polls - even if it means cutting through for the common good. " And that means taking unpopular choices, to let our politicians compromise more than we are used to – it is needed.

Today we present the results of mobilization work in the Dream Commitment. Here we will pass hundreds of suggestions and proposals from over 80 different events from all industries at home and abroad that politicians can assess and debate forward. We will present our analysis of the current situation in our country. We will share the results of our own process of change that is about to rig us best against tomorrow's tasks and our customers clear needs. And we have made a tribute to our forefathers and mothers, and summarize 150 years of history, not to forget the importance of Norwegian support system in the development of Norwegian working life and business. We have started the journey, you will get to measure us every year. We have an ambition: to become an invaluable player in the effort to go from “a unique position to restructuring”.

Innovation Norway has submitted a new gear. We promise to help with

everything we can, everything we are and will be for Norwegian industry going forward. Norway has the expertise and assumptions needed to manage the restructuring, to make a difference, even beyond its own borders - and we are there all the way! We will cheer loudly for our customers, for they represent the little percentage of the Norwegian population who dare to go ahead, that are so naive that they think they can change the world with their products and solutions.