



ØRESUND: CREATING A BALTIC SEA WINNER REGION

An action agenda for business leaders

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**“You cannot expect any metropolis to be able to offer everything.
But the surrounding region must be able to offer it all.
The ability to cooperate with the surrounding metropolises in
order to create an attractive investment area makes
the difference between winners and losers now and in the future.”**

Uffe Ellemann-Jensen, Chairman of Baltic Development Forum,
Minister for Foreign Affairs of Denmark 1982-1993,
at the Business Forum of the Greater Copenhagen Authority,
October 21, 2003



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Executive summary

In the emerging global competitive landscape, regions are a key source of business competitiveness.

As the forces of globalisation accelerate, companies are splitting up and moving operations around the globe to those regions that provide the optimal conditions for growth and development. Regions and their business clusters make up the most immediate competitive environments for companies. This environment provides the local suppliers, competitors, employees, markets and knowledge input as well as values and mindsets, all of which are crucial to a company's ability to compete. A strong, competitive region with strong competitive business clusters therefore provides direct business benefits to its companies.

All around the world from South Australia to the Basque country in Spain, regions are exploring their unique competencies and sources of competitiveness to promote their regions as winners in the global competition. The most successful initiatives are often those driven by private sector business leaders recognising the importance of successful regions for the success of their own business as well as for the entire regional business community.

This new global competitive environment is a fact of life for the Øresund region – the cross-border region comprising eastern Denmark and southern Sweden. In recent years huge efforts have been devoted to cross-border integration and structural harmonisation, and a common foundation is now largely in place. A large number of cross-border facilitating institutions and networks have been created to promote collaboration within or between industries in the region. The bridge linking Denmark and Sweden has been in place for several years, and business and commuter traffic across the bridge is beginning to take off. Trade in the region is expanding.

But integration alone will not ensure competitive force for the Øresund region. At a time where global competition among companies, regions and nations is intensifying at an ever more rapid pace, the key challenge for Øresund, as for all regions around the world today, is to develop unique regional competencies and conditions enhancing and strengthening the regional business clusters to achieve world class.

In these endeavours, the Øresund region holds key strengths that may provide it with significant competitive edge if they are utilised proactively: Among these are well developed infrastructure, collaboration among universities and other higher education institutions, solid traditions of public-private partnerships, highly competitive leadership capabilities, as well as the vast potential for growth in markets and business relationships offered by the Øresund region's strategic location within the Baltic Sea rim.

However, the analysis in this project indicates that these competitive strengths currently seem to be undervalued – maybe even overlooked – by many regional businesses. For example, a survey carried out for this project indicates that the opportunities in the Baltic Sea area remain largely untapped by Øresund companies, and that the companies find partnership capabilities and business clusters to be less important factors in their competitiveness. And whereas public sector efforts have been pivotal in the first – integration – phase of Øresund regional development, businesses play a key role in driving the next phase focused on expansion and growth.

The project: Øresund – creating a Baltic Sea winner region

The project has been carried out by Monday Morning for the Baltic Development Forum in partnership with leading companies and organisations in the Øresund region: The Port of Copenhagen, Copenhagen Airports, Copenhagen Malmö Port, COWI, Danske Bank, DFDS, NCC Construction Denmark A/S, Scandlines AG, Sund & Bælt Holding A/S, the National Agency for Enterprise and Construction of the Danish Ministry of Economics and Business Affairs, and the Government of Sweden.

The purpose of the project is to explore and identify what it will take, and particularly how businesses can contribute, to create a winning region in Øresund – a region that will in turn promote winning companies. The resulting action agenda is not a “yellow pages” guide for companies to the Øresund region, although an overview of the many existing initiatives and resources for regional co-operation and development is given in appendix 1.

The project can be seen as a case study of how regions can become winners in the future – a study that Baltic Development Forum hopes may inspire other regions around the Baltic Sea in their growth aspirations.

The action agenda has been developed by project manager Lene Bjørn Serpa and project analyst Simon Mønsted Strange in close collaboration with project director Lars Jannick Johansen and editor-at-large Mikael Lindholm, Monday Morning and PR & project manager Kasper Elbjørn, Baltic Development Forum.

Therefore, this project seeks to set an agenda for business-led action to make Øresund a winner region in the Baltic Sea. It seeks to demonstrate why, what and how businesses can contribute to the growth and development of the Øresund region. The objective is to provide business leaders with a framework for action, and to inspire debate and new thinking among all key actors in the region. See box.

Three spheres of action: Communication, competitiveness and clusters

Building on new international research on regional and business competitiveness, as well as a company survey and analyses of the Øresund region, this project identifies three inter-linked spheres of action for business leaders to create a winning region in Øresund:

- **Communication:** First, the broad business community must be mobilised around the agenda of regional development as a necessary basis for action. This action agenda is itself part of the mobilisation effort. It has been developed in partnership with leading companies in the Øresund region who recognise that they have a powerful opportunity to shape their regional environment, and that this environment in turn has a profound impact on their own competitiveness in global markets.

However, a survey conducted for this project indicates that this mindset is not shared widely among business executives. Almost half the Øresund companies (43%) believe that it is first and foremost the responsibility of the politicians to develop the Øresund region. The link between regional and business competitiveness, and the specific ways business leaders can strengthen their own business by strengthening their region, is a message that should be communicated clearly and broadly throughout the Øresund business community.



- **Competitiveness:** Second, business leaders have a key role to play in developing regional strengths, and overcoming important regional weaknesses, in many of the new factors determining regional competitiveness. Regional competitiveness springs from a mix of growth conditions and drivers:

Fundamental framework structures, such as e.g. infrastructure, labour market regulation and fiscal policies, have been the traditional focus for public sector efforts to develop regional competitiveness. In this area, Øresund business leaders still point to the need for public authorities to increase their efforts in the areas of harmonisation of tax and labour market regulation – in spite of recent Danish and Swedish government initiatives in this area.

Innovation drivers, including human resources, knowledge production and use of information technologies, is a focus point for national and regional development efforts throughout the world today. In the Øresund region, private companies – in partnerships with public organisations - have important roles to play with regard to strengthening regional innovation drivers, in particular increasing their co-operation with academia on research and knowledge transfers, and promoting and targeting specialised competence development.

Cultural conditions, such as values and institutions, are based on history and geographical location. These are increasingly the source of the uniqueness of regions at a time where access to strong framework conditions, world-class human resources, etc., is offered around the globe. Businesses can specifically contribute to developing Øresund uniqueness by building on regional strengths such as business leadership and partnerships to support the Øresund identity and brand, and strengthening the orientation towards the Baltic Rim.

- **Clusters:** Third – and perhaps most important – co-ordinated business action can support the development of world-class business clusters in the Øresund region. It is co-operation in a strong business cluster that provides the key platform for innovation and competitiveness. Consequently, company efforts are pivotal to boost the region's potential as a centre of innovation and sustainable growth.

Best practice from other regions around the world provides a solid indication of the benefits of a cluster-focused approach to business and regional development. The efforts to promote and develop regional clusters must be carefully co-ordinated and prioritised, and the best results are achieved when there is a high level of business involvement in the development efforts – particularly when an independent organisation is charged with implementing the strategy.

There are many cluster initiatives to build on in Øresund, e.g. the Øresund Science Region which is driven by the regional universities and aims to promote the development of the food, biotech/medico, environment and IT industries. Similar initiatives are emerging in the maritime industry and in logistics. But there is clearly a need to combine the forces, ensure greater business leadership and involvement and develop cluster-based strategies encompassing the region as a whole.

A framework for action: Øresund Innovation Council

One opportunity to ensure the necessary co-ordination and prioritisation is via a regional co-operation forum for business leaders and other key stakeholders: a regional innovation council, established as an independent organisation charged with



developing a regional strategy and implementing a cluster-focused approach to growth and development. It should be a key priority for the council to capture and build on the best of the work that has already been done in the many networks and facilitating institutions in the Øresund region.

Experiences from other regions such as Yorkshire in the UK and Central Germany show that an innovation council is a good forum for dialogue between business and the public sector on evaluating and addressing key areas of regional competitiveness, as well as for co-ordinating existing and new efforts on cluster development. It also provides a strong communication platform and a forum for engaging and mobilising smaller and medium-sized companies.

Therefore, this agenda proposes the creation of an Øresund innovation council with a wide cross-border representation of business leaders from different sectors, large and small companies, industry associations, the public sector, research institutions, regional networking organisations, labour and societal organisations – all joining forces to provide strategic focus and organise the efforts to make Øresund a winner region.

Copenhagen, 9 November 2004

Erik Rasmussen
CEO and editor-in-chief
Monday Morning – Think Tank of News

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Outline of the action agenda

Step 1: Why? Promoting a shared mindset

The first step in the action agenda focuses on creating the basis for a common mindset and language. It outlines the strategic model of regional innovation and growth that explains *why* business performance and regional competitiveness are interlinked.

Step 2 – What? Identifying action priorities

The second step is to create a shared frame of reference on the strengths and weaknesses of the Øresund region. Building on the assessment of regional experts and Øresund companies, this section of the agenda provides an evaluation and a diagnosis of *what* new efforts are most urgently needed.

Step 3 – How? Creating a framework for action

Finally, step 3 provides a framework for future action, outlining *how* business leaders – in a regional innovation council – can move forward and create winner companies in a winning Øresund region.



STEP 1: PROMOTING A SHARED MINDSET

1. Successful regions make successful businesses

As a first step on the action agenda for business leaders in the Øresund region, this section aims to create the basis for a shared mindset in the regional business community. It highlights the intertwining of regional and business competitiveness within the context of accelerating globalisation, focusing on *why* regional development should be a high priority issue for business leaders.

In the emerging global competitive landscape, regions are a key source of business competitiveness. Regions provide unique drivers of innovation force and growth potential that may allow a company to differentiate itself from its competitors in the global market. As the opportunities and conditions for innovation and growth are increasingly linked to regions, companies are splitting up and moving operations around the globe to those regions that provide the optimal conditions for growth and development. For example, production operations may be best located in a low-cost region such as South East Asia. Research & development activities may be best developed in Shanghai with potential access to the enormous Chinese market. Companies requiring high-tech investment capital might be drawn to Silicon Valley in California.

Increasingly, knowledge intensive companies are drawn to metropolitan regions that offer significant and concentrated access to resources such as highly qualified employees, university environments, efficient infrastructure and capital. Today, the competition to attract global companies is taking place between metropolitan regions across national borders. The Øresund region, for example, is not in competition with Jutland to attract biotech companies, but rather with other metropolitan regions such as London and Paris. Each region provides a unique mix of business conditions and competencies that is the basis for business competitiveness, growth in the economy and societal welfare, in the end determining which regions become winners, and which become losers, in the intensified global competition.

1.1 A new global division of labour is emerging

The globalisation of business activities has moved into a new phase in which not only labour-intensive work is moving to low-cost regions, but also knowledge intensive professional jobs are increasingly moving out of industrialised societies in the West through outsourcing or offshoring. See text box. Consulting firm Forrester Research estimates that United States employers alone will ship 588,000 white-collar service jobs abroad in 2004, up from 315,000 last year. These jobs range from software development and computer programming to accounting, legal paperwork, research, and development work.¹ Many of the jobs are going to India, one of the new knowledge powerhouses. India's second-largest software exporter, Infosys Technologies, recently announced that in order to meet the vigorous demand for outsourcing, the company hired 5,010 people during the second-quarter 2004. It plans to hire up to 4,500 more in the next six months.²

A new report by the UN Conference on Trade and Development (UNCTAD) emphasises that the trend towards offshoring of service work is still at an early stage. Among the world's 1,000 largest companies, some 70% have still not off-shored any business

1 The Boston Globe, *20% annual rise in offshoring seen*, 13 October 2004

2 Associated Press Newswires, *India's Infosys rides on 'offshoring megatrend'*, 12 October 2004



processes to lower cost countries. UNCTAD estimates that investment in offshore business processing will expand from USD 1.3 billion in 2002 to USD 24 billion by 2007. Not all of this investment is moving from North to South. For example, while India had attracted the most (60) new call centres in 2002 and 2003, Canada ranked a close second with 56, and Britain was third with 43. And according to the report, Ireland still leads the global market for offshore services related to information technology, with a 25% share of the market.³

Reuters' new global strategy

One example of the new global division of labour that is resulting from the strategies of global corporations is provided by Reuters. The global information group has opened a facility in Bangalore, starting a process that will eventually see nearly 10% of its workforce employed in the Indian city. The facility forms part of Reuters' efforts to transfer its global software development operations from 18 cities around the world to just four hubs, as part of the group's GBP 440m cost-saving programme. The group will add almost 1,200 people to the Bangalore facility's existing headcount of 340 within the next 18 months. The positions will include conventional data processors and data analysts - including doubling to 40 the number of journalists in its Bangalore newsroom, who will be covering news on United States companies from their Indian location.

Source: Financial Times, *Reuters starts offshoring move to India*, 8 October 2004

A few years ago, Western economies believed that they would be able to compete on their high levels of education and knowledge, but with these new trends it is clear that world-class knowledge is no longer a competitive advantage in itself – it is fast becoming no more than a basic prerequisite for even being in the game. For companies and regions, competition now centres on acquiring and using knowledge faster than the competition. In other words it centres on innovation.

With the increasing importance of innovation for business competitiveness, corporate and regional strategists are focusing their attention on the innovation environment. The proactive companies realise that to be at the forefront of global competition, they must locate their activities in regions where they can be part of a dynamic, specialised innovation environment, constantly producing new frontrunner knowledge.

1.2 The new winning conditions are culturally defined

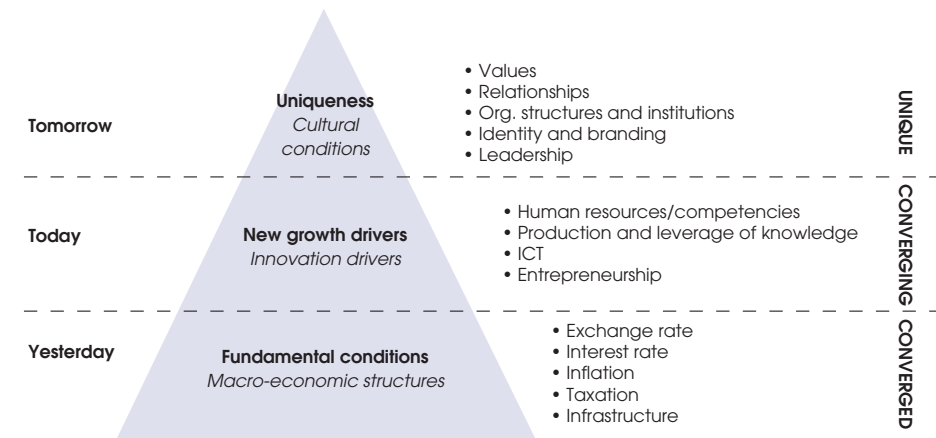
The winning regions of the future are those that can provide companies a unique competitive force. Figure 1.1, adapted from a model developed by the Danish Innovation Council, illustrates the new winning regional strategy in the context of an analytical framework distinguishing between fundamental structures, innovative drivers and cultural conditions. To be globally successful all three levels of the pyramid have to be world-class.

In the past, economic growth policies only focused on creating strong macroeconomic framework conditions for business. Fundamental macroeconomic structures, such as exchange rates and fiscal policies, obviously still play a part in business competitiveness, but as the basis of competition in business has moved from costs/productivity

3 The Globe and Mail, *Offshoring of jobs big benefit for Canada*, 23 September 2004; Agence France Presse, *World on brink of surge in offshore provision of services*, 22 September 2004



Figure 1.1: Foundations of regional competitiveness



Source: Monday Morning, adapted from Innovationsrådet (Danish Innovation Council), 2004

to knowledge, and now increasingly to innovation, the macroeconomic framework only ensures a basic foundation for competition.

As the importance of knowledge intensive service industries in Western economies has grown, regional and national growth strategies in recent years have targeted conditions in the business environment that specifically drive innovative capacity. These new growth drivers include human resources/competencies, production and leverage of knowledge, information and communication technologies and entrepreneurship. But with the growth in offshoring of knowledge intensive work, these conditions are also converging in regions around the world. Companies will increasingly be able to get the same level of competencies and technologies in regions all around the world, and innovation drivers alone no longer determine which regions become winners.

Increasingly, the winning framework conditions are culturally defined. These are the conditions that cannot easily be copied or transferred to other regions – the ones that can provide unique and longer lasting competitive advantages for companies. They are culturally unique core competencies that are expressed in local customs, values and identity, and in relationships and corporate and social institutions built up over time.

Business research is only just beginning to examine the importance of these culturally defined competitive advantages. Researchers are recognising that regional cultural competencies deliver competitive advantages to local businesses in very fundamental ways. Even the basic concept of what constitutes a firm differs according to the historical and cultural context of different regions. Classic economic theory holds that there is one optimal (economically rational) way of organising a firm. Modern organisational and business theory, however, is now recognising that the transaction-economic understanding of the firm as a hierarchical coordination mechanism has its roots in North American culture, values and institutions. In other cultures, for example Japan, Central Europe and Scandinavia, other organisational forms have developed, adapted to the particular traditions and institutions of these regions.⁴

Another example of the link between culture, business strategy and economic growth can be found in the work of Richard Florida,⁵ who has demonstrated that creative and

4 Richard Whitley & Peer Hull Kristensen (eds.), *The Changing European Firm - Limits to Convergence*, 1996
5 Richard Florida, *The rise of the creative class*, 2002

entrepreneurial people – the ones who contribute most to economic growth – prefer to live in cities and regions with an open and tolerant culture. The cities in the United States that have the most tolerant cultures also have the most citizens with high incomes, the widest use of new technology, and the largest production of cultural output in the form of music, theatre and art. The opposite is true for those regions where the culture is more insular and intolerant. These areas have a higher concentration of industrial and service workers, with significantly lower incomes and lower technology use.

Increasingly, companies are drawn to those regions where the new “creative class” has chosen to live, because these are the employees the companies want to attract in the corporate battle for the best talent. Although other regions may offer lower costs or lower taxes, companies are choosing to be closer to their most important competitive resource.

In this regard it may be noted that several new European growth regions, such as Valencia, Bilbao, Barcelona, Sevilla, Lyon and Birmingham, have been triggered by corporate cultural efforts in close partnership with the regional authorities. In all these cases, large cultural events or architectural efforts have sparked high regional growth rates due to an increased international awareness and interest.

1.3 Clusters of innovation – the new strategic growth agenda

Summing up the pyramid model, the growth strategy for the future is to create world-class environments for innovation. To do so, each region must identify and focus narrowly on its unique, culturally defined core competencies and ensure the best possible framework conditions to support these competencies. New business research and experience from regions around the world show that this is best approached by developing clusters of innovation.

A number of regions around the world are already successfully adopting the new growth strategy. See text box. They are targeting the microeconomic framework conditions to promote their unique regional strengths in the development of regional clusters of innovation. The strategies are inspired by Michael Porter’s work on industrial clusters,⁶ which showed that growth and prosperity are closely linked to the development of specialised clusters of firms which, through internal rivalry, close collaboration and specific framework conditions, are able to develop solutions and products that are more sophisticated and competitive than other firms. Perhaps the best-known example is Silicon Valley, a cluster to which high-tech firms from around the world are drawn because of the advanced knowledge, superior employees, sophisticated customers and business partners.

Supporting the development of regional clusters of innovation strengthens the existing companies in the cluster, attracts new investments, and increases the potentials for new companies to be created. In this way, cluster development policies help to strengthen the regional innovation capacity as a whole.

While cluster thinking has been around for a number of years, business research is only just now beginning to yield more insight into the workings of clusters, their characteristics and keys to success. See text box on page 15. It is now clear, for example, that cluster strategies should not be perceived as a question of focusing on

6 Michael Porter, *The Competitive Advantage of Nations*, 1990



picking high-tech winners. A cluster has the highest chance of being successful when it is built on regional core competencies, giving it a uniqueness and therefore greater competitiveness compared to the rest of the world.

Regional cluster strategies in practice

The Basque country in Spain: This region has gone from being an economic disaster area in the 1980s to a modern European growth centre, and one of the richest regions in Spain. The strategy revolved around a partnership between local politicians and business leaders to identify local business clusters. One of them was the production of airplanes and helicopters. The local government, businesses, universities and other organisations formed a close partnership to develop the cluster. Ten years later, revenues had grown from DKK 850m to DKK 4.9bn. Exports have grown from DKK 560m to DKK 4.1bn, and employment in the cluster has quadrupled from 1,300 employees to 4,200. Investments in R&D have tripled. The Basque country now intends to use its cluster experience to become one of the leading innovation centres for biotechnology.

South Australia: In 1995 companies, universities and organisations came together to create the South Australian Business Vision 2010. As in the Basque country, the goal was to use Porter's cluster model to create new growth through existing and new business clusters. The partners identified 10 potential clusters, formulating a project and budget for each (with no government support). A recent evaluation of the project showed that two of the clusters did not have the expected potential, and these have subsequently been dropped. Two others – water and defence – were more dynamic than expected, and the rest are still under the development. The evaluation also showed that the investments in cluster development have resulted in a profit ratio of 1:30.

Sources: Christian Ketels, "European Clusters" in *Structural Change in Europe 3 – Innovative City and Business Regions*, 2004; Ugebrevet Mandag Morgen, *Danmark går glip af ny vækstmodel*, 16 August 2004

1.4 Businesses shape their own competitive environment

The success of regions such as South Australia and the Basque country in developing regional clusters of innovation is very much due to the close involvement of regional business leaders in developing and implementing the strategies. Cluster initiatives present the opportunity to redefine the roles of the private and public sector in economic policy. In the past, the roles were clearly separated, with governments setting the framework conditions and businesses operating within this given context. Today, companies are increasingly realising that they can have an impact on shaping their business environment, and that this environment in turn has a profound impact on the companies' competitiveness in global markets.⁷

One example of this growing recognition among business leaders is the National Innovation Initiative in the United States, a partnership of hundreds of leaders and scholars from universities, corporations, professional societies, industry associations and government agencies that has set as its goal devising a plan of action to ensure America's continued leadership in the field of innovation. Sam Palmisano of IBM is the principal co-chair of the Initiative, which also includes General Motors, American Airlines, Morgan Stanley, Harvard University, Columbia Business School, Merck, DuPont and many others. The Initiative is currently working on a National Innovation

Key characteristics of business clusters of innovation

New research into the characteristics of business clusters is providing insights into their importance for business competitiveness as well as for regional development and growth. An extensive study at the Harvard Business School of 833 business clusters from 49 countries has resulted in a profile of the innovation centres for the future. Among the results are:

- Business clusters are typically **either small or large**, but rarely mid-size. Almost half – 42% – include less than 100 companies, while 25% include more than 600 companies.
- The clusters are typically geographically determined, and **concentrated around urban areas**.
- Clusters are not static, but are constantly evolving to different stages of development and competitiveness. New clusters are also **constantly evolving**. There is no direct connection between age and strength – some of the oldest clusters are among the fastest growing and most competitive.
- In the most competitive clusters, the most important **determinants of growth** are quality of human resources, access to technology and research, capital and infrastructure. Conversely, those clusters that do not perform well are typically only strong in access to raw material input, and where there is no local business rivalry.

Source: Claas van der Linde, *Findings from the Cluster Meta-Study*, October 4 2002

Agenda that will lay out an integrated strategy on innovation, identifying how the different stakeholders – private sector, academia, labour and government – can participate.⁸ In Denmark a similar innovation council, Innovationsrådet, has been set up with strong business representation.⁹

Creating a winning region requires the active involvement of regional business leaders. The winning framework conditions are no longer external to companies, but are rooted in internal company strategies and processes – for e.g. innovation, branding, partnership strategies and leadership. This means that regional growth strategies cannot succeed unless companies recognise the advantages that regional clusters have to offer them, and see the direct link between regional growth and welfare and company performance. Private and public sector leaders should work together, taking responsibility for those framework conditions they have most influence over.

8 National Innovation Initiative Interim Report, *Innovative America*, 23 July 2004
9 www.innovationsraadet.dk

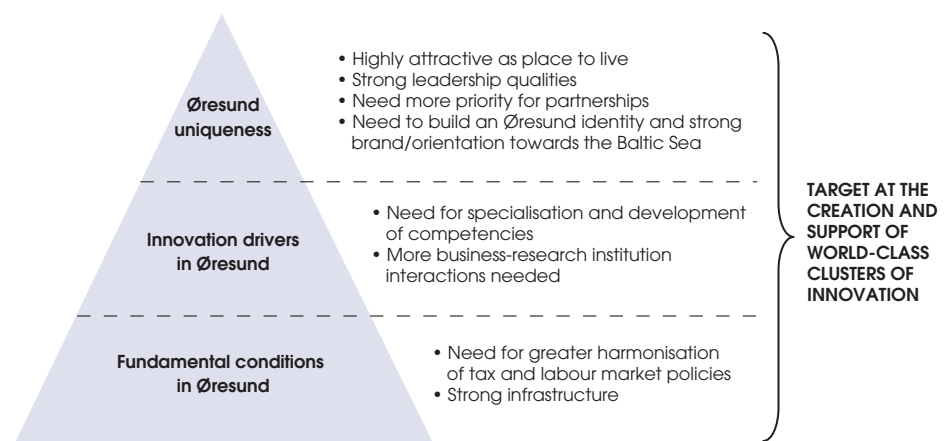


STEP 2: IDENTIFYING ACTION PRIORITIES

2. The state of regional competitiveness in Øresund

As for all regions around the world, the challenge for the Øresund region is clear: To develop world-class clusters of innovation concentrated on unique, culturally defined competencies supported by a world-class business environment. The second step on the action agenda aims to create a platform for focusing and prioritising the efforts needed to live up to this challenge. The following section evaluates the region's current competitive potential, based on the assessments of regional experts, frontrunner companies and an illustrative survey of 350 Øresund companies. The assessment is structured around the areas illustrated in figure 2.1.

Figure 2.1: Foundations of competitiveness in the Øresund region



Source: Monday Morning

Years of effort to integrate the Danish Swedish border region of Øresund are beginning to pay off. The foundations that are now in place in Øresund include the infrastructure; facilitating institutions providing information and advice for companies and individuals; cross-border collaboration between regional authorities on issues such as education, unemployment services and more, as well as a host of other collaborations and partnerships among business, educational institutions and organisations. This foundation is of great value to the region, but by itself it is not enough to develop and position the Øresund region as a winner in today's global competition.

2.1 Fundamental structures in Øresund

The Øresund region is the biggest and most densely populated metropolitan area in Scandinavia, with approximately 3.5 million inhabitants, 2/3 living on the Danish side and 1/3 living on the Swedish side of the Sound. The Øresund region consists of Skåne on the Swedish side of the Sound, and of the islands Zealand, Lolland, Falster and Bornholm on the Danish side.

Because it cuts across national borders, an important fundamental business condition in the Øresund region is the harmonisation and integration of the regulatory business environment. The other important element is the infrastructure binding the region together – with the Øresund bridge as the most notable physical and symbolic link.

Infrastructure: Strong competitive position

Øresund's strategic importance, the OECD points out, is crucially linked to its accessibility – linking Sweden with its largest trade partner Germany and the rest of the EU, and as a gateway to the Baltic Sea.¹⁰ An important factor in providing accessibility is the infrastructural framework, which is a key strength in the region. Important elements of the region's infrastructure are:

- Copenhagen Airport, a North European hub and the most important airport in the region.
- Ports with significant rail, trailer and container traffic – Copenhagen-Malmö Port, the Port of Trelleborg and the Port of Helsingborg. Copenhagen is also a popular cruise destination
- The fixed link – the bridge and related infrastructure investments, including rail and motorway, between Denmark and Sweden which were opened in 2000,– has significantly strengthened the internal connections in the region. While traffic across the bridge is increasing, the debate over the toll price continues.

The regulatory environment: Obstacles in tax and labour policies

Compared to other cross-border initiatives in Europe, the Øresund region is further ahead in the formation of a steering committee, the signature of fiscal agreements,

Øresund scores slightly higher on overall integration – but business activities are slowing

The annual business index, “Erhvervslivets Øresundsindeks 2004” rates the level of integration in the Øresund region at 60 on a scale of 100, based on a survey of businesses in the region. This is a small improvement over last year's score of 57, but actually covers a drop in the indicator for trade and collaboration across the Sound. The number of businesses that expect to increase their activities across Øresund within the next 3-5 years fell for the third year in a row 47% of Danish companies (1% less than in 2003), and 38% of Swedish companies (15% less than 2003) expect to increase activities across the Øresund.

The index covers four areas:

- *Labour market*: Between 2003 and 2004 this index increased from 34 to 42, making it the least integrated area.
- *Traffic*: The index increased from 59 to 67 in 2004. The increase is particularly due to the new tax agreement.
- *Trade & collaboration*: This area saw a drop in the index rating from 50 to 47. It was particularly driven by a drop in Danish companies' importation of goods and services from Skåne, and lower general levels of economic activity. Collaboration between companies across Øresund is at a high level (76) and improving a little, but utilisation of resources (e.g. research, training) is falling, and is generally at the very low level of 24.
- *Business costs*: This is the most integrated index, with a value of 86 (about the same level as in 2003).

These results would seem to underline the need to secure stronger business involvement if the winning potential of the Øresund region is to be fulfilled.

Source: Copenhagen Economics for Øresund Industri & Handelskammare, *Erhvervslivets Øresundsindeks 2004*



and the cooperation of higher education institutions.¹¹ However, all reports indicate that there is still some way to go before the region can be considered cohesive and fully integrated. See text box on page 17. Some of the fundamental conditions that need to be strengthened are in the area of taxation and other regulatory obstacles in the labour market.

In the survey conducted for this project (see text box), Øresund companies were asked to rate various regions around the Baltic Sea on a range of framework conditions. The companies generally give their home region good ratings on all framework conditions. While this may be interpreted as positive for Øresund, it could also be a reflection of the companies' almost complete lack of knowledge about conditions anywhere else in the Baltic Sea, most notably in the case of St. Petersburg, Helsinki and Warsaw. See the tables in appendix 2. The percentage of "don't know" answers is very high, ranging from 29 to 59%. It seems that the majority of the companies simply do not have knowledge of the conditions in Baltic Sea areas outside the Øresund region.

Two conditions do stand out by not getting high marks in Øresund: these are taxation and access to capital. The companies do not rate other Baltic Sea regions higher in these two areas, indicating that while they are not sure they could find better conditions elsewhere in the Baltic Sea area, they at least are not satisfied with these conditions in their home region.

About the survey of Øresund executives

The survey that was carried out for this project was conducted for Monday Morning by Zapera A/S in the period 11-18 August 2004. 960 executives from private and public companies with a minimum of 21 employees in the Øresund region were invited to fill out an online questionnaire dealing with four themes:

- The company's activities in different regions of the Baltic Sea area
- Rating of framework conditions in different regions of the Baltic Sea area
- Prioritisation of framework conditions to strengthen in the Øresund region
- The role of business in developing the Øresund region.

351 executives completed the survey, 301 of whom were from Danish companies and 50 from Swedish companies.

- 45% of the companies are in service industries (including IT and software, financial and consulting services), 29% in production industries (including pharmaceutical and healthcare). 16% are public authorities and organisations.
- 33% of the companies have fewer than 100 employees. 32% have between 100 and 1000 employees, and 29% have more than 1000 employees.
- 27% of the respondents are CEOs or members of the executive board. 66% are middle management.

The survey is not representative of the Øresund business community at large. However, it does provide some interesting indicators of the attitudes of business leaders towards Øresund and Baltic Sea regional development.

The questionnaire (in Danish) can be viewed at www.mm.dk

The results concerning taxation are not surprising as this is the most often cited barrier to achieving the potential of the Øresund region as a regional growth centre. Although the recent cross-border tax agreement has made life easier for those people who live and work on opposite sides of the Øresund, different tax systems and regulations still seem to be perceived as a problem by regional companies. One recent survey, Øresund Konjunkturbarometer, found that 70% of business leaders in the region are not satisfied with the tax regulations in the region.¹² The same survey also found that business leaders generally gave high marks to framework conditions in the region – with the exception of labour market and tax policies.

Labour market policies are often cited as a key business advantage in Denmark in terms of attracting foreign investment, because they are highly flexible, making it relatively easy to hire and fire employees, and because employers do not have to cover social expenses that are handled under the general tax system. This advantage does not easily transfer to the Swedish side, however, where different rules apply.

A large majority (73%) of the companies in the survey believe that more effort needs to be put into the harmonisation of legislation within the region. Equally, many indicate that is important to strengthen the infrastructure within the region.

2.2 Innovation drivers in Øresund

As global competition intensifies, and production factors are increasingly standardised throughout the world, the winning companies and regions will be those with the ability to continuously reinvent themselves, tapping into pools of creativity and innovation, and developing new competitive resources through local partnerships.

Two of the key factors determining innovation capacity in the Øresund region are the production and leverage of knowledge, and the quality of human resources/competencies in the area. Studies indicate a mixed performance within the region in these fields. One study found that Øresund only performs at a mediocre level compared to other European metropolitan regions in the area of innovation, entrepreneurship and human resources.¹³ The Danish side of Øresund performed particularly badly compared to Skåne, which generally got higher ratings in the study.

Production and leverage of knowledge:

Weak relations between business and research institutions

Numerous reports have documented that the Øresund region is weak in the area of relations between commercial business and universities and other research institutions.¹⁴ Cross-border interactions between companies and research institutions are particularly underdeveloped. This means that while the overall quality and level of research in the region may be world-class, Øresund companies are less good at commercialising the results by patenting them and developing them into business operations, jobs and welfare. Improving collaboration and exchanges would be an important and valuable asset for businesses in the whole region.

In the benchmark study of Øresund compared to other European metropolitan regions, the Danish side in particular scored relatively low on indicators for number of patent

12 Ugebrevet Mandag Morgen, Erhvervsledere: *Skattebureaukrati bremser Øresundsregionen*, 14 June 2004

13 Økonomi- og Erhvervsministeriet, *Vækstredøgørelse 03 – analyser*, 2003

14 Medicon Valley Academy, *From Bioscience to New Jobs in Medicon Valley*, 2004; OECD, *Metropolitan Review of Øresund*, January 2003



applications, the size of high-tech export and the number of employees in high tech sectors. Skåne, on the other hand, performed well on these indicators.¹⁵

Skåne also has a lot to teach the Danish part of Øresund when it comes to relations between the business and research communities. Denmark gets the lowest score in this area, while Skåne is second only to Helsinki. Denmark scores low because the other regions in the benchmark study have devoted more state and regional funds to co-financing R&D collaborations between research institutions and business. Collaboration is also organised better in Skåne, Helsinki, Stockholm and Amsterdam, using joint research centres with significant budgets and active boards, including business leaders and representatives from the research institutions. The best regions have created companies and foundations specifically to invest in collaborative research projects, e.g. *Teknikbrostiftelserne* in Sweden. Skåne and other regions are also better at commercialising research results, using specific organisations created for this purpose. The Danish government has started pilot projects intending to improve relations and the commercialisation of research.¹⁶

On the Danish side, there is a stronger tradition for customer-driven innovation and close relationships with customers and markets.¹⁷ Studies show that this is a particular strength for Danish companies, which might complement the more research driven innovation profile of Swedish companies. Nevertheless, it is important that the Øresund region as a whole is able to capitalise on the combined research strengths within the region.

Another significant problem for Danish companies, however, may lie in their internal innovative capacity. A recent survey showed that less than half (43%) of Danish manufacturing companies are developing new products – compared with 53% in a similar survey 7 years ago. Almost 4 out of 10 companies say they are doing fine without innovation, and do not need to develop new products. They see innovation as being a drain on resources and too risky. In 1997, almost all companies were collaborating on product development with external partners such as customers, suppliers, competitors or research institutions. Today, that is only the case for about 2/3 of companies. These results indicate that it may not be enough to open research institutions to the business world – companies also have to be better at receiving and taking advantage of new knowledge.¹⁸

Human resources/competencies: Further development and specialisation needed

According to the OECD, the level of education is relatively high in the Øresund region. The region encompasses 20 universities and other higher education institutions, and a total of 130,000 enrolled students.¹⁹ There is strong cooperation between the institutions, formalised in 1997 with the creation of the Øresund University – a collaboration of 14 universities in the region. The University has been a leading actor in creating institutions to promote more informal networking activity and knowledge development.

The companies in our Øresund survey confirm this positive view: The framework condition that gets the highest marks in Øresund is access to competent employees. This

15 Økonomi- og Erhvervsministeriet, *Vækstredøgørelse 03 – analyser*, 2003
16 Økonomi- og Erhvervsministeriet, *Vækstredøgørelse 03 – analyser*, 2003
17 Innovationsrådet, *Danmark i det globale videnssamfund – forslag til en strategi*, 2004
18 Ugebrevet Mandag Morgen, *Danske virksomheder: Vi klarer os uden innovation*, 9 August 2004
19 OECD, *Metropolitan Review of Øresund*, January 2003

is also rated as the most important framework condition to strengthen in Øresund in the future. 76% of companies indicate this as important/very important, no doubt showing that companies believe this to be the most important competitive factor for them.

When compared with other metropolitan regions in Europe, however, the region as a whole only gets a mediocre score in terms of the quantity of highly educated employees.²⁰ The Danish side has a relatively high supply of highly educated employees, including researchers and engineers, when compared with Skåne. This would indicate that there is still a need to work on competence development and specialisation, taking advantage of the opportunities for complementarities within the region.

2.3 Cultural conditions – Øresund uniqueness

The winning conditions in the Øresund region, the ones that make the region unique, are the “soft” cultural conditions such as freedom, welfare, environment, quality living with a rich culture and attractions for a creative and highly talented work-force. This can be concluded from numerous reports, as well as from our interviews and survey.

Øresund culture and values: Attractive to the best global talent

Companies need to attract – globally – the most talented employees. And employees do not just want a place to work, but a place to live. They want to live in a region that is attractive for raising a family, for providing cultural entertainment and/or an attractive physical environment, and in particular one with an image that employees can identify with. Our interviews and survey indicate that being an attractive place to live with a high quality of life is one of the essential strengths of the Øresund region.

It is particularly middle-size companies with up to 1,000 employees that indicate that assuring the Øresund region’s attractiveness as a place to live is important to strengthen in the future. 73% of mid-size companies give this response, as opposed to 61% of the smallest and 59% of the largest companies.

Some of the important factors in ensuring the region’s attractiveness are:

- Social stability and high levels of public services (e.g. good kindergartens and schools)
- An attractive physical environment with low levels of pollution
- A wide variety of culture and entertainment as a magnet for the creative elite.

Danish and Swedish societies are generally viewed as cultures with a relatively high level of tolerance, but in recent years, particularly Denmark is increasingly becoming known for being closed-off to foreigners, with immigration policies to match. This could pose a major challenge for the Øresund region when it comes to attracting the most qualified employees.

Øresund relationships and leadership: An overlooked key strength?

The Scandinavian organisational structures and management model that dominates companies around the Øresund may be an important source of uniqueness and competitiveness for companies in the region, and Scandinavian countries continue to top

²⁰ Økonomi- og Erhvervsministeriet, *Vækstredøgørelse 03 – analyser*, 2003



the rankings of national competitiveness (for e.g. The Competitiveness Yearbook and the Global Competitiveness Report). According to several Scandinavian CEOs, an important - but often overlooked - contributing factor to these impressive results may be the Scandinavian management model:

- Waldemar Schmidt, chairman of numerous boards, former CEO of ISS, and a scholar of Scandinavian management at IMD: “There is a Scandinavian management model, and it builds on a positive view of individuals and their ability to make a difference. Interestingly, this model provides superior numbers on the bottom line.”
- Jan Carlzon, chairman of Ledstiernan and former CEO of SAS: “We have a Scandinavian management model, but we’re not much aware of it – it’s difficult to leverage a strength you’re unaware of. I’ve wondered why it’s always the American management experts that study the Scandinavian management model as something extraordinary, while we ourselves do not pay much attention to it.”²¹

The flat, democratic and open model that characterises the management style of many Scandinavian/Nordic companies is praised by management experts as the way forward in the networked knowledge economy. The Scandinavian way of organising production and work derives from deeply rooted common values, such as respect for the individual regardless of social stature and respect for society at large. It appears that these values have facilitated an often unique partnership between management and labour, as well as between business and society, forging strong relations based on trust and respect that unleashes the creative human resources that are now regarded as paramount for competing in the marketplace.

One of the distinctive features of Scandinavian leadership is prioritising dialogue and partnership over confrontation and struggle. A survey of Danish and Swedish CEOs found that more than half of the companies have formal or informal relations to grass-roots organisations and NGOs. They also have strong relations with local authorities, consumer organisations and unions, and with other companies.²²

In our survey, however, this partnership strength – at least as it relates to external stakeholders – is not emphasised, and perhaps even overlooked, as an important quality: Almost half (41%) of the Øresund companies believe that collaboration with stakeholders is less or not important at all as a factor to strengthen in the future, indicating that companies do not give this area high priority as a factor in their competitiveness.

Øresund identity and branding: Strong potential – weak position

Viewed in isolation, the Øresund region is not big enough or interesting enough to attract major global companies. The population is too small, and the portfolio of competencies is too narrow. One study by Copenhagen Capacity of where the 100 largest international companies have located activities in Europe concludes that although Øresund hosts marginally more regional Northern headquarters, when it comes to choosing European HQs and centres of R&D, London, Paris or Amsterdam are much preferred. The Øresund region is seen as peripheral to European markets.

21 Monday Morning, *The Scandinavian Leader*, 2004
22 Monday Morning, *The Scandinavian Leader*, 2004

Within the Scandinavian region, surveys show a close race between Stockholm and the Øresund region in attracting the most foreign companies in recent years. However, it has to be taken into account that Stockholm was badly hit by the IT-bubble bursting in 2001.

Øresund: A metropolis in the Baltic Sea

As the countries of Eastern Europe join the European Union, Øresund has a particular opportunity to reassert its historical position as the link between the East and West of northern Europe by positioning and branding itself as a centre for growth in the Baltic Rim – a meta-region of 10 countries, 103 million people and 67 universities. Øresund needs a larger context, and the Baltic Sea area is an obvious choice of a number of reasons:

- Geographical proximity and accessibility, including well-developed maritime and air transport links, make the Baltic Sea a natural platform and meta-region for Øresund.
- The dynamic nature of European growth is shifting east from London/Paris towards the Baltic Sea region, and the region's significance is increasing after the enlargement of the EU.²³
- There is a broad palette of competencies in the region. The Baltic Sea Region has much to offer: Knowledge-intensive business clusters are being created; education levels are relatively high; public administration is more effective, and business-oriented, than in most Western countries, including Denmark; there are globally competitive suppliers (in terms of quality, price, time and stability) with exceptional feedstock relations; and the region can offer a highly productive and motivated work-force, as well as political stability in most parts of the region.²⁴ Foreign investments are currently booming, with high growth rates as a result.
- The Baltic Sea also needs Øresund as a flagship and engine of growth, and to take advantage of the resources and competencies of the whole region.

Our survey tested this potential among companies in the Øresund region. There is widespread support for the overarching idea of the Øresund region as a Baltic Sea metropolis. Experts, frontrunner companies, and 80% of the Danish and Swedish companies in the survey agree that Øresund has a significant potential to become a leading growth centre in the Baltic Sea area.

Unfortunately, it is also clear that most of the excellent Baltic Sea qualities are completely unknown to most companies in the survey. In fact, the survey suggests that Øresund companies in general are not interested in the Baltic Sea area. See figure 2.2. Their business focus is primarily on Øresund; they have few activities in, and know almost nothing about, other regions in the Baltic Rim. St. Petersburg and Warsaw are the most “foreign” regions to Øresund companies – even the largest companies have relatively little activity here.

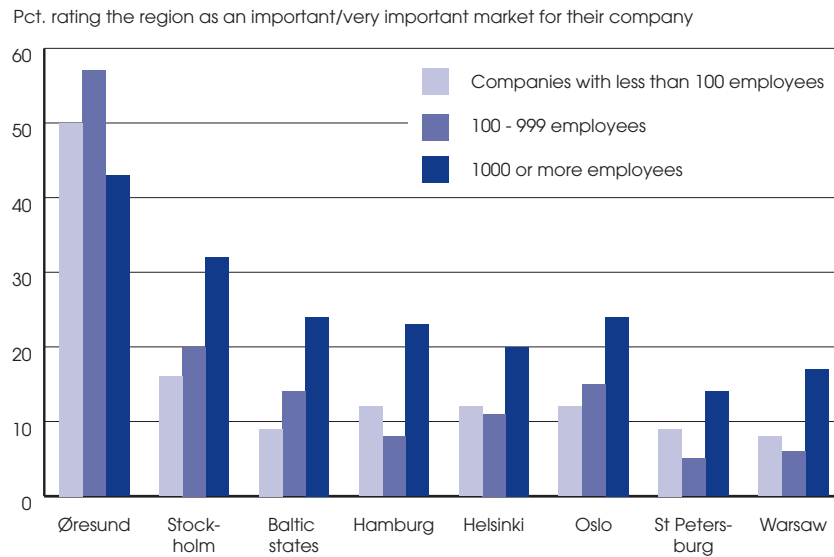
There do not seem to be any immediate prospects for improvement in companies' knowledge about the Baltic Sea. Although 27% of the companies plan to increase activities in the Baltic Sea region outside Øresund, 36% are not planning further Baltic Sea activities.

23 OECD, *Metropolitan Review of Øresund*, January 2003

24 Interview with Klaus E. Meyer, CBS; Baltic Development Forum, *State of the Region Report*, 2004



Figure 2.2: Business activities in regional Baltic Sea markets



Source: Survey of Øresund companies by Zapera for Monday Morning, August 2004

More companies plan to use the Baltic Sea as an area to find business partners – e.g. suppliers and research partners – than as a market or a production area. 39% believe that the Baltic Sea will become more important to their companies as a source of business partners in the next two years, although almost as many companies – 37% – disagree. 35% of companies agree that the Baltic Sea area will become a more important market for them in the next two years, while 40% disagree. Only 20% agree that the Baltic Sea will become more important as a production area, while more than half – 55% – disagree.

The larger companies in the survey show a greater recognition of the potentials within the Baltic Sea region. This is confirmed in our interviews with the large frontrunner companies. However, it is also clear that there is no common picture of the Baltic Rim – each company defines it individually in their strategic planning and operations.

According to research professor Klaus Meyer at the Copenhagen Business School, the complexity of the Baltic Sea region may be seen as its strength. With specialisation and division of labour within the region, it would be possible to gain from the broad palette of qualities offered in the Baltic Sea region. The eastern countries of the Baltic Sea constitute an enormous market as well as a resource pool of human capital, logistic capability and competitive sub-contractors, with excellent raw material connections due to their former Soviet relationships.

Hamburg, Stockholm, Helsinki and St. Petersburg are among the strong regions that are in tough competition with Øresund to become the “preferred” metropolis for businesses, investors and employees. A specialised division of labour across the regions, making optimal use of each region’s unique competencies and ensuring strong corporate integration throughout the Baltic Sea region, would give the entire region greater global competitive force. Associate professor Lise Lyck, Copenhagen Business School, believes such a modern Baltic Sea region would have the potential to replace or complement the “Blue Banana” region of central Europe, which has traditionally been a strong magnet to global industry.

According to our survey, however, Øresund companies have generally not picked up on the opportunities for specialisation within the Baltic Sea area. Only 27% locate activities in the Baltic Sea area based on an evaluation of the strengths and weaknesses of each region, while as many as 46% do not.

A common Øresund identity has not yet evolved

Regional experts, the OECD, the EU and business leaders all believe the Øresund region to be unique. Unique because of its common culture, interrelated history, long-term relations in trade and politics and because of its kindred languages. Seen from outside Europe, Scandinavia is regarded as a single entity, a region with a unique way of living and thinking. Scandinavia is mostly characterised as a welfare society with a relaxed and cosy atmosphere, social and political security, an open-minded and intelligent population – a place ideal for living and working. The official brand for the Øresund region, aiming to unite the qualities and values of the region, is *The Human Capital*.

Seen from inside the region, however, it is clear that national identities still predominate. While business and commuter traffic across the bridge is starting to escalate, there are clearly still important cultural and legal barriers that keep the region's inhabitants and business leaders from identifying themselves as living/working/operating in Øresund, rather than in Denmark or Sweden.

Our interviews with frontrunner companies and experts indicate that it is a big problem for the region that it does not yet have the common identity it needs to brand and market itself in the world.²⁵

A separate, recent survey of business leaders in the Øresund region similarly indicated that the region's image and branding left a lot to be desired. Although the region has great potential, business leaders believe that it is not communicated well enough. There is no brand strategy and no joint marketing organisation tasked with the specific goal of marketing and communicating the Øresund region. Many separate marketing organisations exist, however, for Copenhagen and Skåne. An "Øresund logo" was developed a few years ago, but has never caught on since each organisation prefers to use its own logo.²⁶

In the OECD's review of the Øresund region, the development of cross-border social capital is highlighted as a challenge for further development. Regional integration is lacking because there are few developed links between societal organisations. Such links would help to establish a feeling of a common identity among citizens in the region, and give them a sense of the region's relevance for their daily life. This in turn would reinforce business links.

2.4 Øresund clusters of innovation

The most competitive regions in the world are the ones that master the art of cluster development by harnessing creative and innovative forces to develop targeted clusters of innovation.

²⁵ Project roundtable meeting, 11 August 2004. See appendix 3 for participants' list.

²⁶ Ugebrevet Mandag Morgen, *Erhvervsledere: Skattebureaukrati bremses Øresundsregionen*, 14 June 2004



Øresund has a strong business foundation for cluster development within such areas as medicine/health, IT, food products and environmental energy. All four areas are currently promoted under the “Øresund Science Region”. Other important and potentially winning industries are cultural industries, logistics, transportation, tourism and traditional manufacturing. However, the region may be weak in the linkages and processes needed to translate these business potentials into true clusters of innovation:

- This is evident in the weak relations and collaboration between research centres and the business community.
- According to the OECD, it is a particular problem for the region that cross-border public/private partnerships are not well developed.
- The existing business networks in Øresund have been criticised for being too compartmentalised, with little interaction across sectors, opinions and perspectives. This lowers the potential for innovation.²⁷
- International studies indicate that Denmark in particular is not very good at developing the clusters of innovation that are the key to competitiveness in the future. In the Global Competitiveness Report 2002/03, both Denmark and Sweden rank relatively highly on overall microeconomic conditions – scoring a rank of 8 and 6 respectively (out of 75 countries) –, but while Sweden ranks 9 on state of cluster development, Denmark only gets a rank of 22.²⁸

The companies in our survey give low marks to their home Øresund region in the area of collaboration and competition in business clusters. Clusters are also the factor given the lowest priority by Øresund companies: 42% find that collaboration and competition in clusters is less or not important to strengthen in the future.

27 Professor Björn Bjerke in Nyhedsbrev Øresundsbron, November 2003

28 Christian Ketels, “European Clusters” in *Structural Change in Europe 3 – Innovative City and Business Regions*, 2004

STEP 3: CREATING A FRAMEWORK FOR FUTURE ACTION

3. A regional innovation council to take the lead

The final step in the action agenda focuses on how to create a winning region in Øresund providing an overall framework for future action. The development of the Øresund region so far is the result of political commitment on both sides of the Sound. Accounts of the history of the region stress the underlying political ideas and goals – the vision of improved economic growth and welfare resulting from a larger and stronger region. It is not surprising that the most visible results right now are the proliferation of committees, institutions, networks and associations that have arisen out of the political commitments to implement the ideas in practice. An overview of the current initiatives is shown in appendix 1.

The Øresund region has the potential to become a winner region, if it succeeds in proactively utilising its key strengths – particularly the latent strengths in its Baltic Sea orientation, and its partnership and leadership competencies – and in developing world-class clusters of innovation around areas of unique regional competencies. The region must also overcome its key weaknesses – particularly in terms of developing a clear regional identity; promoting greater specialisation and development of its human capital, and strengthening the ties between research institutions and the business community to improve research driven innovation capacity. While the public sector and the universities also have important roles to play, it is clear that developing strengths and overcoming weaknesses in all areas hinges on a broad business commitment and involvement in these efforts. Securing this business commitment is therefore another vital link in the development of the winning Øresund region.

To take the lead, provide strategic focus and organisation, this agenda proposes the creation of a regional innovation council for Øresund with a wide cross-border representation of business leaders from different business sectors, large and small companies, industry associations, the public sector, research institutions, regional networking organisations, labour and societal organisations.²⁹

It should be a key priority for the council to capture and build on the best of the work that has already been done in the many networks and facilitating institutions in the Øresund region. To ensure a broad business commitment to action, the council should be a business driven initiative, with private sector leaders closely involved in the council's leadership. The council should also offer a distinctive new approach by having a more broad membership base – in particular stressing the engagement of smaller and medium sized companies – and in the scope of its regional ambition to develop the Øresund region in the context of the Baltic Sea. Finally, the strategy development of the council should be narrowly targeted, focusing specifically on addressing the key regional strengths and weaknesses and on nurturing the uniqueness of Øresund within a world-class cluster strategy.

Our survey indicates that the companies of the Øresund region would support a new approach to developing the region. The initiatives that have so far been put in place only partly meet the needs of regional businesses. The survey indicates that Øresund companies are not very satisfied with the current efforts: Only 4% agree completely that current efforts match the needs of the business community, while 36% partially



agree. Almost as many companies (38%) disagree partially or completely. The largest companies are a little less satisfied with these efforts than the others.

Three interlinked spheres of action can be identified as a framework for the work to be carried out by the regional innovation council:

- Communication – realigning the corporate mindset in the region.
- Competitiveness – strengthening the business environment.
- Clusters – developing world-class clusters of innovation.

3.1 Communication - realigning the corporate mindset

The involvement of business leaders is crucial to the success of cluster driven regional development strategies. It is a necessary precondition that business leaders recognize the importance of location to competitive advantage, take an active role in a multi-stakeholder partnership to improve their competitive environment, and see their cluster as a competitive asset. Our survey indicates, however, that business leaders in the Øresund region do not yet broadly share this mindset.

On the positive side, as shown in figure 3.1, almost $\frac{3}{4}$ of the companies in the survey agree they should play a more active role in developing and marketing the Øresund region. They would prefer to do so in partnerships, either through industry associations, networks or other forms of cooperation. They are least willing to give financial support.

A significant number of companies (31%) intend to incorporate regional development goals into their long-term strategic planning. See figure 3.2. This may be seen as a particularly encouraging result, since it indicates that almost a third of companies recognise the link between regional development and their own competitiveness.

At the same time, however, 43% of the companies say that it is first and foremost the responsibility of politicians to develop the Øresund region. Almost half the companies in the Øresund region are thereby holding on to a traditional mindset, saying that regional development is not their responsibility – despite agreeing that companies should be more involved.

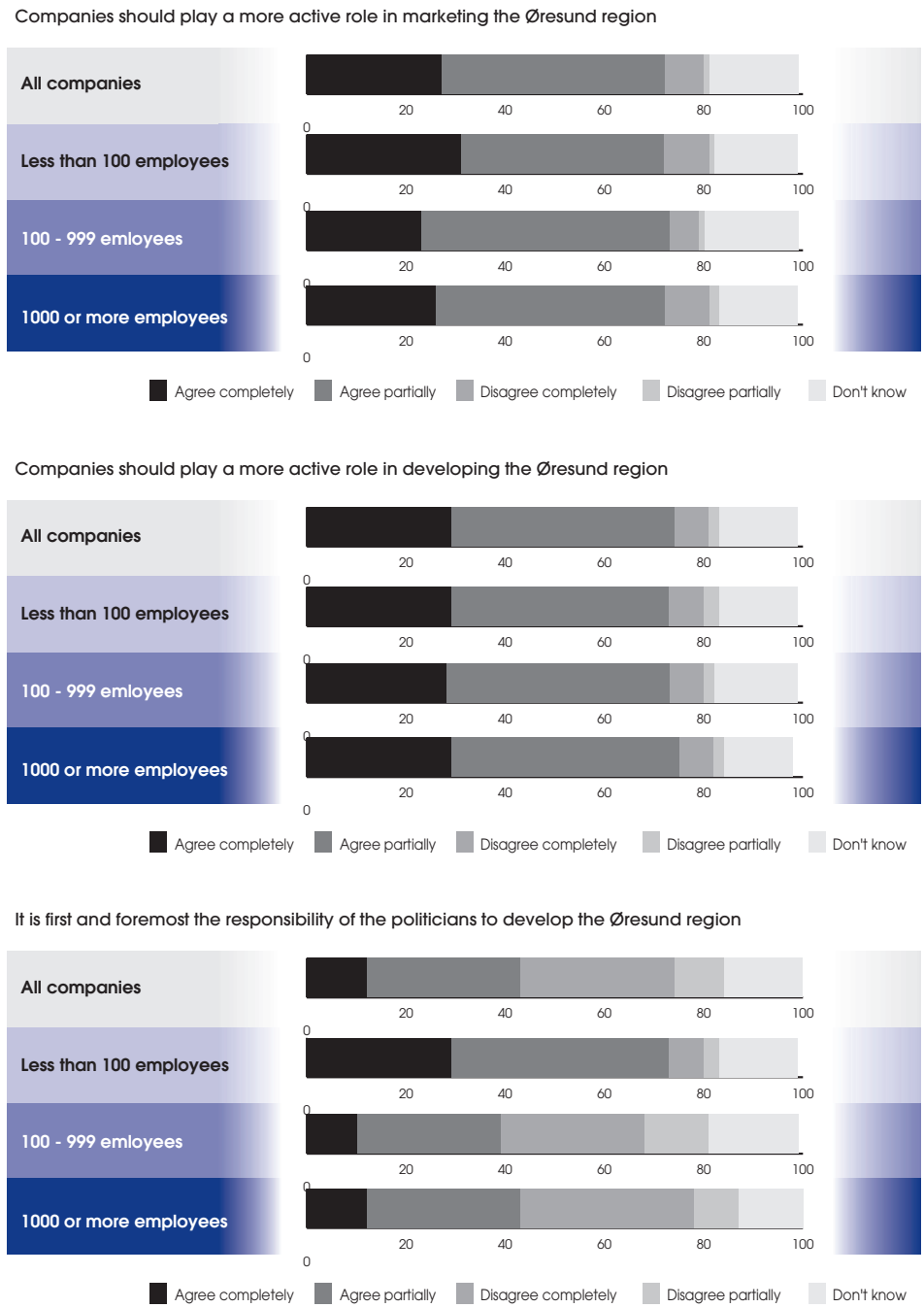
The biggest barrier: Short-term approach to regional development

When asked about the most important barriers to increased company involvement in developing the region, the majority of companies reply that they do not feel the results will be worth the effort. 42% indicate this as important/very important. Other important barriers are a lack of time (38%), a lack of money (31%), and a lack of knowledge (29%). See figure 3.3.

With almost half the companies believing that the results of getting more involved would not be worth the effort, it is a strong indication that the companies do not recognise the impact of regional development on business competitiveness – or at least that they are adopting a very short-term approach to regional development. Perhaps regional development activities are seen as a too long-term investment, with no direct impact on short-term profit.

This mindset is quite different from that of the frontrunner companies, which recognise the direct link between developing the region and developing their markets.

Figure 3.1: Who is responsible for regional development



Note: Some numbers do not add up to 100 because those without an answer are not included.
Source: Survey of Øresund companies by Zapera for Monday Morning, August 2004

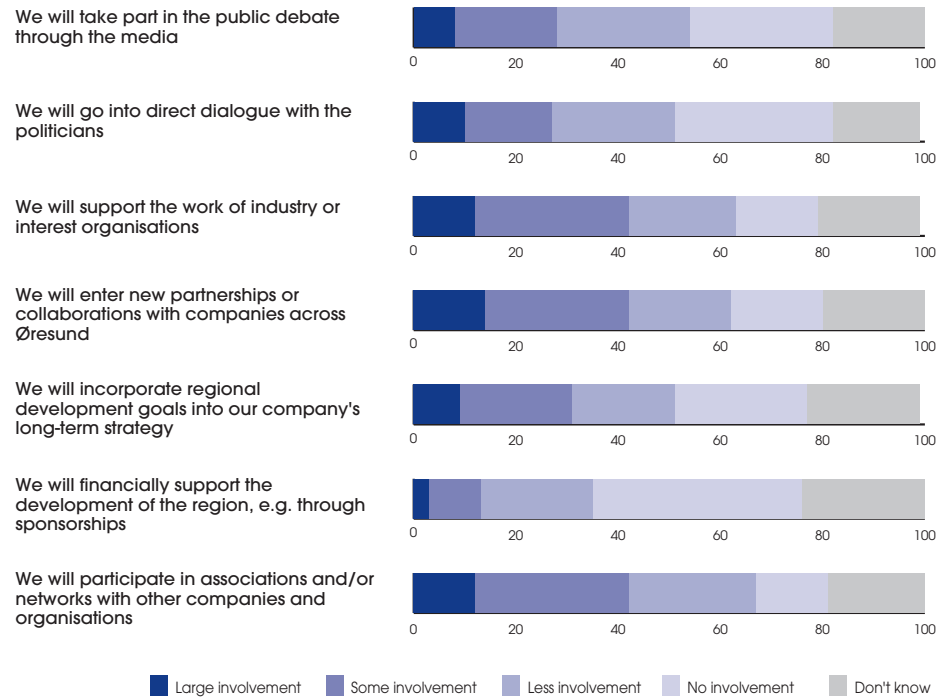
The larger, frontrunner companies are convinced of the link between their region and their competitive advantages, and are willing to contribute to improving the region.

As a necessary basis for action, the regional innovation council must direct its efforts at developing a shared mindset in the business community in order to mobilise the broad business community in Øresund around the agenda of regional development. The council provides a forum for engaging smaller and medium size companies in



Figure 3.2: Planned business involvement in developing the Øresund region

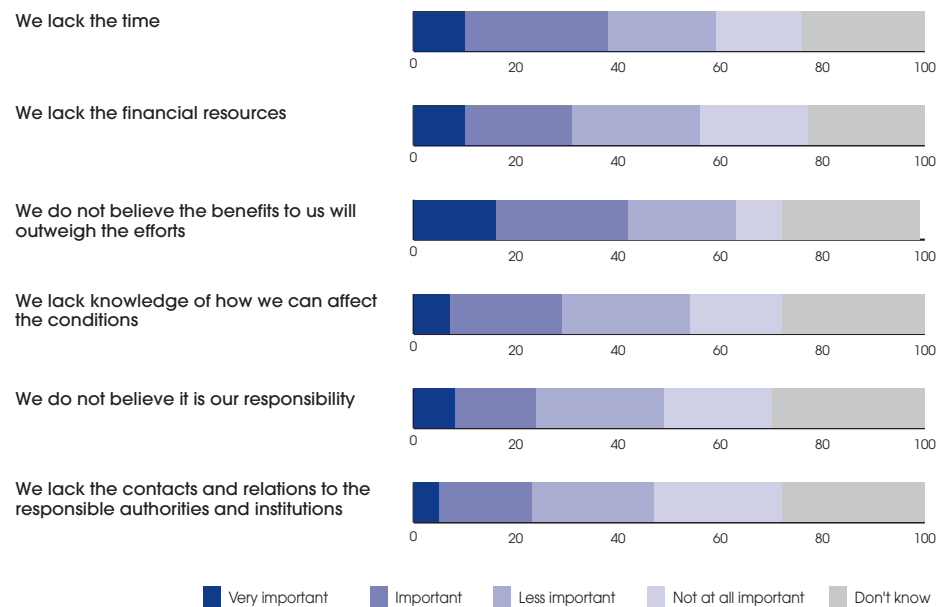
To what degree do you expect your company to become involved in the following activities to strengthen the development of the Øresund region within the next two years? (percent)



Note: Some numbers do not add up to 100 because those without an answer are not included.
Source: Survey of Øresund companies by Zapera for Monday Morning, August 2004

Figure 3.3: Barriers to business involvement in developing the Øresund region

Which of the following barriers are most important to your company's involvement in developing the Øresund region - and which are least important? (percent)



Note: Some numbers do not add up to 100 because those without an answer are not included.
Source: Survey of Øresund companies by Zapera for Monday Morning, August 2004

these efforts, and for promoting the more proactive, long-term mindset of the front-runner companies to a wider circle. This message will have greater credibility coming from the leaders of larger, well known companies than from public sector leaders.

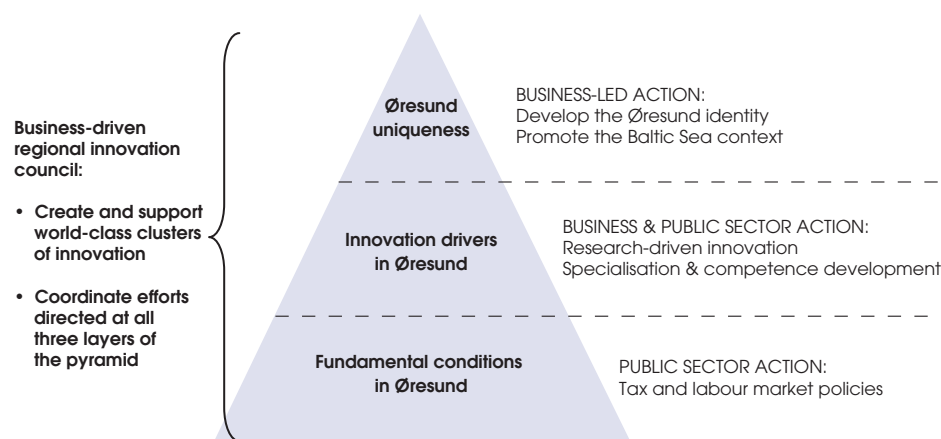
Among the smaller companies in our survey, it is not surprising that lack of both time and money are seen as major barriers to involvement in regional development. Despite all the efforts and resources that have been devoted to the facilitating institutions in the region, smaller companies still point to a greater need for knowledge and contacts to get involved in developing the Øresund region. This indicates a need to evaluate the work done by the public sector and the regional networking and facilitating institutions to make sure that their information reaches their target audiences.

3.2 Competitiveness - strengthening the business environment

Although the survey shows strong support for the potential of the Øresund region to be a growth centre in the Baltic Sea, there is equally wide agreement that it will not happen by itself. The survey indicates that companies see a great need to strengthen efforts to integrate as well as to market the Øresund region internationally.

Summing up the assessment of the region's competitiveness in section 2, figure 3.4 below illustrates the multi-stakeholder efforts that are needed to improve the foundations of competitiveness in the Øresund region.

Figure 3.4: The action agenda – addressing the challenges to create a winner region



Source: Monday Morning

Fundamental structures – a public sector priority

On the level of the fundamental structures, the assessment was that there are still some outstanding cross-border obstacles that need to be worked on by public authorities. These are regulatory issues - most notably tax and labour market regulation - that business leaders do not have direct control over, although they must continue to voice their needs and demands. The regional innovation council will provide a suitable forum for dialogue between business and the public sector.

For their part, the Danish and Swedish governments are currently working on an action plan for the development of Øresund. The preliminary goals, as outlined by the Danish



government in 2003, include a significant reduction in fundamental barriers to integration in the Øresund region within the next two years.³⁰

Innovation drivers – multi-stakeholder action required

Both public and private sector leaders have an important role to play in strengthening the growth drivers and environment for innovation in the Øresund region. The innovation council provides a forum for coordinating and evaluating the efforts.

Competence development and increased labour force specialisation are a constant requirement for the Øresund region as the “Human Capital”. The development of more specialised competencies is in part a task for the public education system. Here, the focus and attention of business leaders are pivotal in recognising and voicing competence demands for educational institutions. Also, company HR management, training and recruitment play an important part in promoting the development of specialised competencies. Efforts to monitor and increase awareness of regional requirements and resources in terms of competence development needs to be continuously strengthened by both public and private sector institutions.

The analysis also showed a need to strengthen the relations between businesses and research institutions. This is a field of particular relevance for the Øresund region due to its corporate structure – few large companies and many small and medium sized businesses. One example of the benefits that can be realised from improved relations can be found in the Katrinebjerg IT-cluster in Århus. See box. To promote more research driven innovation, research institutions should improve their efforts at commercialisation, but companies also need to recognise their need for research input, and develop their capacities to handle innovation processes. Again, continuously strengthening and co-ordinating regional initiatives to facilitate co-operation – not least between academia and small businesses – is necessary.

Katrinebjerg: Strong relationships build international success

An emerging IT cluster in the Danish city of Århus has developed out of a model for knowledge sharing between research and business. Katrinebjerg’s greatest strength is the close collaboration between business, politicians, universities and research institutes. It builds on the particular Danish (cultural) competence of being good at working across sectors, combining knowledge in new ways and creating new insights. While other research parks and innovation environments are less good at sharing knowledge in practice, this is a key element in the success of Katrinebjerg, which also has a strong foundation in the city’s competencies in IT research. The creation of the Center for IT Research, a collaboration between universities, and physically located in Århus, meant that Katrinebjerg came to be synonymous with the concept of pervasive computing. The cluster specialises in pervasive health care, i.e. IT within health care. A special institute, the Alexandra Institute, has responsibility for matchmaking and developing partnerships between researchers and companies.

The Katrinebjerg cluster is also notable for its success in marketing itself internationally. In 2003 the magazine *ComputerSweden* rated Katrinebjerg as one of the 10 most exciting IT environments in the world.

Source: Monday Morning, *Katrinebjerg*, 2004

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Økonomi- og Erhvervsministeriet, *Vækstredøgørelse 03 – analyser*, 2003

The importance of competence development, research and knowledge dissemination is largely recognised by the leading actors in the Øresund region. For example, it is one of the Danish government's stated objectives for the development of the Øresund region to improve the quality of the framework conditions for innovation, entrepreneurship and competence development in the region, to put it on a level with the best regions in Northern Europe.³¹

Øresund uniqueness – businesses must take the lead

It is in the area of creating the uniqueness of the Øresund region – the new winning conditions – that business leaders have a distinct role to play, supported by public sector and societal organisations. Among the key weaknesses noted in the assessment of the region in section 2 were a weak regional identity, and a lack of interest in the potentials for developing and branding the Øresund region in the context of the Baltic Sea. Again, the regional innovation council is a very suitable forum for developing, targeting and coordinating efforts in these areas between the relevant stakeholders.

Developing the Øresund identity

Companies have the opportunity to develop and promote the Øresund identity and brand in several ways, e.g.:

- By “using” the region more proactively, companies generally support the evolution of an Øresund identity – e.g. by engaging more widely in business networking throughout the region, and by using the entire region actively in all kinds of business activities – for marketing, suppliers, recruitment, even sports or other employee activities.
- Companies can develop the Øresund identity and brand by using it directly in their own marketing and branding efforts. A joint business effort to promote a global brand will improve the business prospects for all regional companies. In our survey, a very large majority of the companies (72%) confirmed that companies should play a more active role in marketing the region.
- Companies can actively support the work of public sector and societal organisations in cultural activities that develop an identity and brand for the region. By branding the region culturally, efforts to attract world-class human competencies are also strengthened.

It is important that the public sector supports the efforts of private companies. The Danish government goals for Øresund envisage a more co-ordinated and powerful information and marketing effort through already existing channels, e.g. Øresund Direkt, Øresund Network and Øresundsguiden.³² It might be worthwhile to focus more on securing the involvement of private companies in these marketing efforts.

Societal organisations have a responsibility in this area too. The OECD review of Øresund points out that apart from labour unions, civil society organisations have had very little involvement in cross-Øresund activities. This reinforces the image of a top-down integration process, which ordinary citizens do not find relevant to their daily lives. In response to this, the public sector Øresund Committee has said that they will provide DKK 25,000 support for organisations that wish to build contacts with sister organisations across the Øresund.³³

³¹ Økonomi- og Erhvervsministeriet, *Vækstredøgørelse 03 – analyser*, 2003

³² Økonomi- og Erhvervsministeriet, *Vækstredøgørelse 03 – analyser*, 2003

³³ Københavns Amt & Region Skåne, *Nøglen til et integreret erhvervsliv i Øresundsregionen*, December 2003



Developing Øresund in the context of the Baltic Sea

Developing and strengthening the Øresund region's orientation and position in the Baltic Sea is an area that requires action. The survey indicated a widespread lack of knowledge among Øresund companies about the potentials for business activities in the Baltic Sea area. To kick start the relations between Øresund and other Baltic Sea regions, public sector institutions can help greatly by providing companies with information and networking opportunities. In the end, however, it is up to the Øresund companies themselves to take advantage of the opportunities presented in the Baltic Sea area. They have the opportunity to gain access to both markets and competencies by strengthening their involvement in the Baltic Sea area, notably through networks and partnerships. See text box. Maritime logistics is a notable example of a regional business growth potential that directly links to opportunities in the Baltic Sea area. In buying up the Danish IT group Mærsk Data, global software giant IBM has seen a potential to develop a globally competitive industry around the strong regional competencies in sustainable, environment friendly transport and logistics. The Baltic Sea figures plainly in this strategy. With 350 ports, and 570 million tons of annual freight, maritime transport holds great potential as a vehicle for business and societal development in the Baltic Sea region.

Scanbalt – a platform for improved biotech co-operation in the Baltic Sea

Scanbalt Bioregion is an example of an initiative aiming to take advantage of the potentials in the Baltic Sea meta-region, the idea being that regional businesses can only compete globally if they work together, combining strengths in the region. Scanbalt aims to develop existing and future clusters, networks, and cooperation between countries with regard to research, education, public services and innovation related to biotechnology. Some specific areas of cooperation are the development of Ph.D. programmes for companies, and joint applications for EU-funding of research proposals. Scanbalt also functions as a platform for developing public-private partnerships within the Baltic Sea region.

Source: www.scanbalt.org

3.3 Clusters - developing world-class clusters of innovation

Within the framework of the innovation council, business leaders have the opportunity to take the lead in developing world-class clusters of innovation in the Øresund region. The experiences of frontrunner regions such as Yorkshire, the Basque country and South Australia show that the best results are achieved where the operational responsibilities are placed outside the political system, and an independent institution is given the responsibility for co-ordinating, targeting and driving strategy and implementation. See box.

The cluster initiatives in these and other frontrunner regions around the world also provide inspiration for a step-by-step action plan for developing world-class clusters of innovation in the Øresund region, which could include at least the following elements:

Business-driven regional cluster strategies

Yorkshire, UK: This region is now enjoying its lowest level of unemployment in 30 years – down from a massive level of unemployment in the 1980s. Yorkshire’s development strategy was based on an identification of regional core competencies and potential clusters of innovation. Universities, businesses, schools and authorities came together to support the development of the clusters. In 2000, this collaboration was formalised in the creation of the Yorkshire Forward organisation, which has the responsibility for developing regional strategies and action plans. The board of the organisation has strong business representation. It has an annual budget of DKK 3bn to invest in cluster development, and ambitions are high: The goal is to deliver 150,000 new jobs by 2010, double the number of new company start-ups, increase the competence levels of three million people, triple investments and decrease by half the number of people socially marginalised. Over the long term, the region aims to create economic growth well above the EU average.

Central German Regional Marketing Initiative: Germany presents an example of a clustering initiative specifically driven by business leaders. The initiative brings together players from central Germany to boost the regional innovation process and consequently the competitiveness of the region by deliberately fostering cooperation. Company executives in the region launched an effort to strengthen the public profile and quality of their region, organising the work around 7 selected clusters and cross-cutting regional issues. The business leaders took action to develop the clusters on a cross-border level (in this case between German states), because the public authorities were unable to coordinate and target the efforts across the three states and three cities that have a stake in the region. From the perspective of car manufacturer BMW, for example, the cross-regional approach is the only one that makes sense, as the car industry is positioned globally, and the whole of eastern Germany is the smallest possible business unit for BMW. According to cluster expert Christian Ketels, with the private sector taking the lead, it was much easier for the public sector representatives to follow and support this effort.

Sources: www.yorkshire-forward.com; Christian Ketels, “European Clusters”, in *Structural Change in Europe 3 – Innovative City and Business Regions*, 2004; www.mitteldeutschland.com

Identification of business clusters with the highest potential.

- Build on the work done by the Øresund Science Region, which is driven by similar cluster thinking but focuses more narrowly on industry (rather than cultural) competencies.
- Implement projects to explore the cultural uniqueness of the Øresund region as a basis for cluster activities.
- Implement projects to explore Baltic Sea competencies and relations that may strengthen the competitiveness of Øresund clusters of innovations.

Identification of specific goals and action points for cluster development.

- Set goals and specific development targets that may be monitored and evaluated. The goals may be specifically related to business clusters, but could also – as in the example of Yorkshire in the text box above – relate to societal targets such as job creation and prevention of social marginalisation.

Allocation of resources for cluster development.

- Allocate public and private funds to support the development of the identified clusters, e.g. investing in research competencies and projects to strengthen linkages within and between clusters.



Monitoring and evaluation of progress in cluster development.

- Track the development of the identified clusters, goals and action points in order to adjust efforts or reallocate funds.

No magic bullet

This action agenda seeks to demonstrate that a regional partnership of business leaders, the public sector, universities and other key regional actors, has the potential to drive the new growth agenda for Øresund as a Baltic Sea winner region. A regional innovation council could very well be the platform for driving and focusing such a partnership. But the council is obviously not in itself a magic bullet. Whether or not it is ultimately successful depends on how it is used in practice as a tool for promoting change, on its ambitions in establishing new concrete partnerships, and on the resources and influence the council is able to exercise to drive the new Øresund agenda.



Appendix 1: Øresund initiatives and resources

Information & marketing services

Øresundsguiden	www.oresunddirekt.com	Information from the Swedish and Danish authorities in the Øresund region. The purpose is to assist Swedish citizens in understanding Danish society and its laws - and, conversely, helping Danes to understand Swedish society and its legislation.
Øresund Network	www.oresundnetwork.com	The information and marketing organization of The Øresund Region. The aim is to inform of the advantages and possibilities of The Øresund Region.
Øresundsbron	www.oeresundsbron.com	Information about the Øresund Bridge.
Ørestat	www.orestat.scb.se	Development project aiming to provide decision-makers and citizens with statistics about the Øresund region.
Øresundskompass	www.oresundskompass.org	Research and information on regional development trends. Project partners are Øresund Network and Øresundskomiteen.
Øresundsinstituttet	www.oresundsinstituttet.org	Non-profit independent membership organisation aiming to provide research-based analyses and reports on the development of the Øresund region.
IMO/VisitOresund	www.visitoresund.dk	Marketing the Øresund region as a travel destination for European city breaks and business travellers worldwide. Created in partnership of tourist organisations, government departments, SAS and Copenhagen Airport.
Oresundsinfo.com	www.oresundsinfo.com	Website offering a broad variety of news and information about the Øresund region, financed by business advertising.

Cross-border business services

Øresund chamber of commerce (Øresund Industri & Handelskammare)	www.oresundchamber.com	Providing information, research and promoting business interests in the Øresund region. Collaboration of the chambers of commerce in Denmark (HTS) and Southern Sweden (Sydsvenska Industri- och Handelskammaren).
ØresundsUtveckling	www.oresundsutveckling.se	Promoting trade and business collaboration in the northern part of the Øresund region, financed by municipalities. Offers public financed market consulting services to small companies.
IT-bridge	www.it-bridge.com	Internet database of companies in nine Danish and seven Swedish municipalities, aiming to promote business collaboration.
Øresundsservice	www.oresundsservice.com	Information and matchmaking services to companies wishing to establish, undertake and develop commercial activities in the Øresund Region. Initiative of the Danish municipalities in the southern part of the Øresund region.

Regional business development (cluster) networks

Øresund Science Region	www.oresundscienceregion.org	Trans-national initiative combining four regional research and innovation platforms, The Øresund University, and a number of regional coordination bodies in an attempt to strengthen the regional cooperation and integration between universities, industry and the public sector.
Øresund Food Network	www.oeresundfood.org	Promoting the development of food research & industry in the Øresund region.



Öresund IT Academy	www.oresundit.org	Network organisation for Danish and Swedish IT actors in the Øresund region. Strategic areas: Marketing Øresund IT, catalysing research and boosting innovation.
Medicon Valley Academy	www.mva.org	Regional network organisation with the aim of catalysing integration and development in Medicon Valley (biotech and medico).
Øresund Environment Academy	www.oresund-environment.org	Non-profit network organisation, aiding and creating networks transcending national and academic borders in The Øresund Region with environment as the key word.
Maritime Development Center of Europe	www.maritimecenter.dk	Seeking to attract new businesses within the maritime sector to the Öresund region as a gateway to the Baltic Sea. Providing access to partners and information - a gateway to maritime competencies and the Baltic Sea.
Europe's Maritime Region	www.maritimeregion.com	Collaboration between the Maritime Development Center, Region Skåne and Copenhagen Capacity to promote foreign investment in the Øresund region's maritime sector.
Øresund Logistics	www.orelog.org	A network association for Danish and Swedish businesses within logistics in the Øresund Region.

Political and public sector collaboration

The Öresund Committee	www.oresundskomiteen.dk	Forum for regional political coordination. The committee numbers 32 local and regional politicians, representing 13 member organisations - counties and municipalities on both sides of Øresund.
Øresundsinfo (the Öresund Labour Market)	www.oresundsinfo.org www.aforesund.org	Information about the transnational labour market and the initiatives to facilitate the integration across the border in the Øresund Region. Cooperation of the regional public employment services (Employment Centre Öresund).

Educational & research collaboration

The Øresund University	www.uni.oresund.org	Consortium of 14 universities and university colleges in the Øresund region.
Øresund Study Gateway	www.studygateway.org	An Internet gateway for studies in The Øresund Region. Under the Øresund University.

News & media

Nytt från Öresund (NFÖ)	www.nfo.nu	Regional news agency delivering news items and features in Swedish and English. Service is free of charge. The agency is jointly owned by representatives from the private and public sector in the Øresund region.
Øresundsbladet	www.oresundsbladet.dk	Weekly online local news from the Øresund Region

Societal and cultural collaboration

Oresund.com	www.oresund.com	A guide to business and to promoting cross-border cooperation and integration between NGOs and non-profits in the Øresund region (Øresundsprojektet FRIngo).
Idræt over Sundet	www.idrottoversundet.nu/	Developing cross-border collaborative projects for sports associations, educational institutions, public authorities and business.
Kultur-Öresund	www.kultur-oresund.net	Database and calendar of cultural activities in the Øresund region. Initiative of the Öresund Committee.
Kulturbron	www.kulturbron.com	Cultural project for the Øresund region with a database of cultural activities.



Appendix 2: Selected survey results

In your assessment, which regions offer the best conditions for your company's development in the following areas?	Øresund	Warsaw	Stockholm	Oslo	Hamburg	Baltic States	Helsinki	St. Petersburg	Don't know
<i>Percent distribution of responses</i>									
Customer basis	51	2	4	2	4	7	0	1	29
Well-developed infrastructure	49	1	6	1	4	2	0	0	36
Access to suppliers	41	3	4	0	4	5	0	1	42
Access to qualified employees	57	2	3	1	2	2	0	1	33
Access to capital	37	1	6	2	6	2	1	0	46
Company taxation	22	4	1	1	3	7	1	2	59
Collaboration with public authorities	44	1	5	2	2	3	1	0	42
Political stability	47	1	4	1	2	2	0	0	41
Access to research based knowledge	48	1	7	4	3	1	0	0	35
Innovation environment	45	1	4	2	4	2	0	0	41
Collaboration and/or competition in business clusters	42	1	4	2	4	2	0	1	44
Attractive place for employees to live	59	1	3	1	2	1	0	0	32
Collaboration and/or competition in business clusters	36	1	4	1	3	1	0	0	54
Management culture	50	1	3	1	3	1	1	0	40
Access to regional development networks and institutions	54	1	4	2	3	1	0	0	35
The regional brand and image	50	0	5	2	3	1	0	0	38

Source: Survey of Øresund companies by Zapera for Mandag Morgen, August 2004

Do you agree or disagree with the following statements about conditions in the Baltic Sea area? <i>Percent distribution of responses.</i>	Agree completely	Agree partially	Dis-agree partially	Dis-agree completely	Don't know
My company is experiencing strong competition between the Øresund region and other regions within the Baltic Sea area.	5	16	17	36	27
My company locates activities in the Baltic Sea area according to the strengths and weaknesses of the individual regions.	8	19	13	33	27
My company plans to increase activities in other Baltic Sea areas than Øresund within the next two years.	11	16	11	35	27
The Baltic Sea area will become more important as a market for my company within the next two years.	10	25	16	24	25
The Baltic Sea area will become more important as a production area for my company within the next two years.	6	14	18	37	25
The Baltic Sea area will become more important as a business partner area for my company within the next two years.	10	29	13	24	24

Source: Survey of Øresund companies by Zapera for Mandag Morgen, August 2004



Appendix 3: Project roundtable meeting

Participants at the meeting on 11 August 2004 were:

Anette Birck, Medicon Valley Academy

Kristian Birk, Erhvervs- og Byggestyrelsen

Niels Boserup, Københavns Lufthavn

Anne Busk-Jensen, Øresund Food Network

Stig P. Christensen, COWI A/S

Kasper Elbjørn, Baltic Development Forum

Ole Frijs-Madsen, Baltic Development Forum

Henning Hummelose, Københavns Havn

Mads Jacobsen, Danske Bank

Peter Lundhus, Sund & Bælt Holding A/S

Teresia Nilsson, Øresund IT Academy

Gert Nörrgard, Copenhagen Malmö Port

Erik Rasmussen, Mandag Morgen

Ole Schmidt, HTS

Lene Bjørn Serpa, Mandag Morgen

Simon Strange, Mandag Morgen

Søren Ulslev, NCC Construction Denmark A/S

Adam Vieth, DELL

Erik Østergaard, Scandlines AG



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Project partner organisations



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