I-PERFORM

Norway, www.i-perform.no

A small consultancy offering services to cluster organizations was able to redefine and scale up its business thanks to collaboration with a cluster association and involvement in an EU-funded project

Executive Summary

This is the case of a small Norwegian company called Innovation Performance AS (I-Perform), which provides consulting and training services for regional and national clusters of organizations and is currently a leading cluster service provider in Norway. Launched in 2000 in response to the transformation and deregulation in the telecom industry, the company targeted SMEs as end-users. A number of collaborations, including a partnership with The European Secretariat for Cluster Analysis (ESCA) and a joint European project with various partners called Learning Layers, became essential for I-Perform's business development and scaling-up. These collaborations demonstrate how the company managed to adapt its business focus from selling to one cluster towards a portfolio approach and started utilizing e-learning tools in the provision of its services.

CASE N°: SC101

SECTOR: SERVICES

TECH INTENSITY: LOW-MEDIUM TECH

LIFE CYCLE STAGE: ESTABLISHED

INNOVATION VECTORS: PROCESS, SERVICE

OI PARTNERS: PSR, OTHER SME, INDIVIDUAL EXPERTS, CLUSTER ORGANISATION

KEYWORDS: Regional clusters, business development, ESCA, e-learning, digital training

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INNOVATION PERFORMANCE

BACKGROUND

The company was founded in 2000 as a response to the transformation / deregulation of the Norwegian telecom industry. The big telecom player Compaq Computer started splitting into small companies which were obliged to use the big IT systems despite their being quite expensive for start-ups. The co-founder of I-Perform, together with 5-6 colleagues, recognized the opportunity, bought one expensive IT system and started providing services to the small companies. This was their original business idea, but later, due to the dot com bubble in 2003, when 80% of I-Perform's clients went bankrupt, the team had to reconsider their strategic focus.

They therefore changed their business from IT services to innovation process consultancy, business model development and facilitating collaboration between various parties - public bodies, universities and small companies - who were willing to invest in innovation. In 2006 the company started working with clustering to bond small companies together in a network; this is currently their core business. In collaboration with the European Secretariat for Cluster Analysis (ESCA) they started benchmarking certification for clusters and are currently providing services to almost all clusters in Norway.

INNOVATION CHALLENGE & MARKET OPPORTUNITIES

The key strategic triggers for the initial business development were external factors and the founders' own passion for improving the way businesses and their ecosystems function. First, in the wake of the transformation of the telecom industry, I-Perform emerged as an IT services provider, but then due to the dot com bubble in 2003, when 80% of its clients went bankrupt, the management team sensed the need among small companies for consultancy on the innovation process, business model development and the facilitation of joint collaborations. At that point in 2006, I-Perform started to work with cluster organizations.

Up to a few years ago, the focus was on helping each cluster organization separately, one by one, which was not very resource-efficient. More recently, as more and more European regions seek better integration and scalability of cluster organizations, certain general-level services and training have been made available to a group of clusters at a time(e.g. a group of clusters from a certain region). In response to this trend, I-Perform started to revise its value proposition.

I-Perform recognized four key streams of market opportunities. First, from their prior experience as an IT service provider for small companies, I-Perform had learned that the key challenge that SMEs face is in particular a lack of resources. This resource shortage can be overcome by small companies if they join forces and pool their complementary assets. The logic of SMEs not being able to perform well alone led I-Perform to develop their clustering service business back in 2006.

Second, from their participation in the European Cluster Excellence Initiative (ECEI), launched by the European commission in 2009, and their collaboration with the European Secretariat for Cluster Analysis (ESCA), I-Perform noted the growing need for cluster services to offer market advice, particularly for SMEs.

Third, after analyzing the results received from the ECEI and checking them against their own knowledge of service innovation, the I-Perform team discovered that additional services could be developed, which went beyond the ECEI's initial plan.

Fourth, the company co-founder noted that there was, and still is, a lack of easily accessible knowledge on how to develop clusters and this is particularly the case for smaller companies. At the same time, a huge variety of digital technologies enabling easy access to knowledge and information exchange have already existed for years. I-Perform therefore sees part of its mission to provide improved access to knowledge on organizing clusters.

OPEN INNOVATION TRAJECTORY

Concept development

The combination of both – the company's own experience of working with SMEs and the European trend towards scaling up clusters – encouraged I-Perform to develop a 'cluster portfolio' concept. Under this concept, the single regional cluster is to be considered as one market segment. The idea behind this concept lies in connecting similar specialists across regions and regional clusters into a network and facilitating the development of networks and clusters on a national and regional

level. This construction is branded as "Clusters Excellence Norway" and is designed along the lines of a similar Danish network - "Clusters of Excellence Denmark" - which provides cluster services at both regional and national level. The company is currently adding the new market segment to its portfolio: by linking the actors in the regional innovation system and developing networks of regional specialists and interacting with these networks, I-Perform manages to have a local foothold in every region they work with.

Together with the European Secretariat for Cluster Analysis (ESCA), I-Perfrom has introduced a new service – the Regional Cluster Excellence Scorecard - which aggregates quality data from each of the clusters at regional level and provides a benchmarking report on cluster performance for the regional policy makers. This allows both the regional policy makers and the cluster organizations to understand the strengths and weaknesses of the clusters' regional groups (based on the data on single clusters) and draft an action plan for continuous improvements to be achieved in two-year cycles.

Moreover, in its move from a consulting company, dependent on selling man-hours, towards a scalable business, Innovation Performance AS has started working on digitalizing the content. This entails moving from traditional physical training sessions to a combination of e-learning and physical training sessions.

The development process, IPR and competition strategy

One of the most important collaborative initiatives for I-Perform's development was an EU project on Developing Benchmarking Services for Cluster Organizations (European Cluster Excellence Initiative (ECEI): https://www.clusterportal-bw.de/), which was launched by the European Commission in 2009 and aimed in particular to help smaller-sized companies. This initiative, led by VDI/VDE Innovation from Germany, was essential for developing I-Perform's key service - a cluster benchmark analysis.

At the time when I-Perform joined the initiative, they were providing benchmarking services to individual companies or groups of companies. These services were in turn developed with the help of research carried out by a professor based in Canada, but which targeted mainly big companies with a large portfolio of projects and not specifically SMEs. I-Perform joined the ECEI initiative first in a semi-formal capacity and later on as a supporting organization in the Nordic region.

The work with ECEI boosted I-Perform's business in two ways. First, it helped to tailor the benchmarking services for smaller sized companies. Second, ECEI helped to lift I-Perform's business to a different level, i.e. benchmarking clusters and furthermore, benchmarking clusters' portfolios (regional and national groups of clusters).

After the ECEI project, I-Perform continued to develop its services in collaboration with Innovation Norway (Norwegian governmental agency supporting innovative projects). I-Perform developed a combination of benchmarking services and training for a group of clusters and successfully sold it to the group of Romanian clusters in 2015.

During the development phase in collaboration with ESCA and Innovation Norway the key challenge faced by I-Perform was in balancing the ability to fund a large innovation project and at the same time serve its customers and make a surplus. Participation in the four-year EU project on informal learning called Learning Layers (learning-layers.eu) helped I-Perform in overcoming this challenge.

The type of service that I-Perform provides (benchmarking of cluster organizations) by default requires quite unique high-level expertise as well as practical experience of advising a single cluster and groups of clusters. Very few professionals on a global scale have this expertise, and the advisors from I-Perform are among those. This internal expertise, in combination with ESCA's collaboration, forms a strong competitive advantage on the market. All the services that I-Perform provides require a specific certification from ESCA.

Back in 2015, there were two certified providers of such services in Norway. As the second provider was an individual expert, I-Perform managed to convince him to pool resources (particularly, marketing resources) as it would be hard for him to create and manage new services as a one-person company. Following this merger, the company became the only service provider in Norway. The company has a niche service and a niche strategy. It is quite hard for competitors to enter the market and start competing with I-Perform, because first, this business requires quite precise expertise and second, ESCA does not recruit/certify new benchmarking service providers – at least for the next three years.

Commercialization and follow-up

The Regional Cluster Excellence Scorecard was developed in collaboration with ESCA not only for the regional level, but also for the national level (e.g. for Denmark, Norway and Romania). This created some degree of service scalability from an early stage. A combination of a benchmarking service and training for the group of clusters previously developed for Romania will be applied also in Bulgaria. As I-Perform's business is highly dependent on how well their clients are doing (cluster organizations, that in turn used to be highly dependent on public funding), the portfolio approach towards serving cluster organizations helps to decrease this dependency and in the longer run decrease the cost per cluster to a level at which such costs can be fully covered by the end-users, i.e. clusters' members.

The role of the Learning Layers project and the collaboration with ESCA were particularly important for scaling up I-Perform's business for two main reasons. First, work in the Learning Layers project as a partner provided I-Perform with access to cluster organizations in 7 partnering countries. This was particularly important for testing, evaluating and disseminating I-Perform's cluster services and these activities were fully funded by the project.

This enabled them to combine an independent initiative with ESCA for service development with its adoption and testing in the Learning Layers project. Moreover, the benchmarking process, i.e. physical visits to the well-performing clusters, evaluation of their work in close contact with them, helped them to understand better the needs of the clusters and regional innovation actors, which later on helped I-Perform to tailor their services to their clients' needs.

Second, rethinking the business model and applying novel digital tools was needed to scale up the business. Collaboration with ESCA was most helpful in developing their business model and the Learning Layers project demonstrated amply to I-Perform the opportunities presented by digital tools. Before becoming involved in the collaborative initiatives, the I-Perform services provided to clusters required a lot of manual work, preparations and follow-up work with individual clusters, which made the services very costly compared to the perceived benefits. There were cases when I-Perform services were targeting individual clusters and the revenue per contract was €1 500-3 000. It was just not efficient to offer services when the return was so low.

Moreover, the single cluster struggled to improve using these tailored (customized) benchmarking services. As training a single cluster implied working with only a few people (maximum 10-12), the improvement trajectory tended to be rather closed and internal, while a bigger group of cluster professionals working collectively (in the ECEI framework or Learning Layers project) showed much faster and sustainable improvements in the services provided to their clients (company members of the clusters). Moreover, sharing the cost of services offered by I-Perform among a number of clusters enabled them to obtain more support at less cost. In this way, I-Perform shifted its business model from selling to one cluster towards selling to a group of clusters.

The role of the collaboration with ESCA was particularly important for this business model shift. The company also started digital training and e-learning programs for its group of customers – practices which were inspired by the Learning Layers project. According to the I-Perform founder, the team of a few people managed to carry out a number of collaborative projects and initiatives (collaboration with ESCA and a number of partners in ECEI, collaboration with Innovation Norway and work in the FP7 Learning Layers project) in parallel with running and actively developing their business, thanks to their access to an extensive network of professionals working with cluster development across Europe. I-Perform effectively managed to take intelligent decisions and scale up their business by leveraging and extending this network.

The company had to change its organization after the first round of collaborative initiatives. Previously all their resources had been invested mainly in the EU projects but once those ended they tried to spend resources on their own small development projects. New people were hired for sales and marketing and the one-man benchmarking certification outfit became part of I-Perform.

The company's marketing strategies included websites, a newsletter and blog delivered via the internet as well as collaboration with external parties. It was resource-demanding to gather enough good content for the blog and build an audience. The I-Perform team is still trying to progress in their digital marketing strategy to have high quality content and attract a strong audience from the cluster initiatives.

As a follow-up development, the company has had to invest more in community building and bringing more external experts into the company. The biggest challenge for any cluster is that there is not enough cluster training available so when people try to develop the cluster they do not necessarily have the knowledge and know-how of how it should be done. To help with this I-Perform

provides the service of cluster management mentoring whenever the cluster needs to take a difficult decision and wishes to talk it through with some experienced professionals.

depends on your own knowledge.

BUSINESS IMPACT

There are two key outcomes for I-Perform from their collaborative initiatives. First, the company benefited from having a much clearer defined market segment and services that it can offer and a much better understanding of the challenges, their strategy for growth and the potential revenue to be earned. Second, the team was able to increase the company's capacity by hiring more people with the skills to exploit the market opportunities in their chosen market segment. The next level will be to become a network facilitator by connecting the people at regional level with the required skills.

The company learned to improve their sales and marketing. From their experience of providing IT services and doing innovation process consultancy they learned how to understand the needs of their customers better.

I-Perform has been growing for the last four years as the company moved from being very dependent on few customers towards working with a larger set of clusters. Second, the company was able to increase the price of their services, thereby improving their margins.

LESSONS LEARNED

This case offers two key learnings. First, it tells how external collaborations can assist in developing a company's business model and making the use of resources more efficient. Second, it shares a few insights of working with SMEs: the challenges they face and the value of their collaboration as a part of a cluster.

Main lessons learned:
1. Work with the best experts and never give up.
2. It is difficult for a small company to do things on its own; it is therefore better to do projects in collaboration with others.
3. Understanding the needs of its customers is a basic requirement for a company to progress.
4. Finding appropriate people for the company