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Diversification of the economic structure opens up new possibilities

Strategy for the future of the forest sector

Foresight work to renew the business

## Towards a more versatile economic structure in the forest sector

*The Future Forum on Forests has concluded its work and the final report is now out. The Future Forum on Forests concluded that, in order for the Finnish forest sector to remain successful also in future, it will need to diversify its economic structure. The experiences of the Future Forum will be utilised in the forthcoming foresight work carried out at the University of Joensuu. In future, foresight work will seek to promote the establishment of new businesses exploiting forests and wood, and to support the renewal processes in the existing businesses.*

### Diversification of the economic structure opens up new possibilities

To remain successful in the long run and to be able to find new openings, the Finnish forest sector will need to diversify its economic structure, as concluded in the final report of the Future Forum on Forests entitled “Metsän uusi aika – kohti monipuolisempaa metsäalan elinkeinorakennetta”.

The diversification of the economic structure can supplement the largely one-sided production of the traditional forest sector through increased growth and dynamic innovations. By expanding the economic structure it is possible to meet the expectations the modern society sets on consuming and the use of natural resources, and in all likelihood also to improve the image and appeal of the forest sector.

The new lines of business open up new financial opportunities for both the old and the new forest sector actors. The development of new lines of business and business models can bring with it new financing instruments, e.g., for forestry centres. In addition, forest owners may find increased alternatives in forest management and the related sources of income.

New wood and forest-based business opportunities already exist in the fields of fibre-based packaging, wood products industry, chemical bioprocessing, heat and energy production, nature services, tourism, wellness and health products, know-how, carbon capture and storage, and landscape and nature protection.

To create good development possibilities for the wood and forest-based businesses, the forest sector will need to undergo an attitude change, in which the development of new lines of business is

set the main goal of operations.

The attitude change is a challenge for all forest sector actors: the renewal and development of the forest sector's production structure should involve forestry enterprises, public forest sector organisations, interest groups, and R&D and education organisations, etc., as well as the thousands of officials and employees working for them. The renewal process cannot be outsourced e.g. to projects; it is something the forest sector organisations will need to do by themselves.

The task becomes even more challenging when we consider that as the forest sector's production structure gets renewed and diversified, some of the actors are bound to lose their financial status because the modes of operation beneficial for them get changed as well. The change will be the most beneficial for those actors who can adjust their operations to be a part of the developing economic structure. For example, forest management and expert service providers who are experienced in energy wood harvesting and technology will benefit the most from the future growth of the forest energy sector.

The foundations for diversifying the forest sector's economic structure are essentially good: Finland has high-level and versatile forestry expertise and the society is still able and willing to invest in the development of the forest sector. The attitude change is also furthered by the sector's on-going structural reform.

### Foresight work to renew the business

The Future Forum on Forests project of the Ministry of Agriculture and Forestry is now concluded. The created networks

### Strategy for the future of the forest sector

The future strategy addressing the general diversification of the forest-related businesses could cover, for example, the following factors:

To a reasonable extent, the preparations for the future of the forest sector will need to cater for the current forest industry enterprises' preconditions for operation and renewal, because many of their products still haven't come to the end of their life cycle. Moreover, without the participation of the current forest industry enterprises, the renewal of the forest sector will be slow to happen. However, novel opportunities will need to be opened up for new businesses and new ways of using forests and wood, because the current preconditions for production within the forest industry may decline even rapidly, and the renewal of the sector might not happen if trusted with the current enterprises alone.

In order to succeed in new branches, forest sector enterprises will need to form partnerships with enterprises in the fields of energy, tourism, chemistry, food products, health, and welfare. The improvement of the development preconditions of small and medium-sized enterprises is essential for creating new lines of business.

One means of preparing for the future is to target public R&D funding in a way that supports the development of wood and forest-based businesses. As new businesses are always susceptible to insecurity, the enterprises and society will need to engage in collaboration to come up with funding instruments for sharing the financial risks.

The forest use policy will need to be able to support the diversification of the value chains relating to forests and wood. One way of doing this is to promote the private production of services.

The development of forest sector operations towards a more sustainable direction comprises opportunities for creating new businesses and increasing the external benefits gained from forest use. Both can be promoted by political steering and market-led instruments. However, the steering methods aiming to promote, e.g. the use of renewable energy, may not be too strict, or otherwise they may distort the markets and boost the interest groups' resistance to change.

The creation of new businesses may increase the forest sector's acceptability and appeal as a prospective career, especially if the new businesses manage to change the forest sector's image as a declining branch, to diversify the forest sector's production structure and the use of forests, and to produce fairly equal financial and other well-being to the sector's old and new actors and its interest groups.

and experiences of foresight work and participatory methods will continue to be utilised at the University of Joensuu also in future. The now-launched foresight work will be used to promote the establishment of new businesses exploiting forests and wood, and to support the renewal processes in the existing businesses. The goal is sought to be reached by producing and mediating information on the future change factors for enterprises, innovation actors, R&D and educational organisations, officials preparing policy

programmes, and regional development authorities. The main focus of the foresight work will be on the evaluation of the consumer and social change. The foresight work will primarily be funded by the ESF programme for continental Finland, the region of Eastern Finland; the city of Joensuu; and the Ministry of Agriculture and Forestry.

Everyone interested in the work of the Future Forum on Forests is welcome to participate in the foresight work also in future.

The Forum's various working groups, expert panels and interviews involved approximately 250 persons. The results of the foresight work were utilised e.g. in the new version of the National Forest Programme 2015, in the Prime Minister's Office working group addressing the improvement of operating conditions of forest industries and the forest sector, and in the strategy work of over 50 forest sector organisations. The forum's seminars attracted approximately 1000 participants and its newsletter had over 800 subscribers. A total of 15 reports on the future of the forest sector were published during the project. In addition, the work and results of the Future Forum on Forests were covered in some 150 newspaper articles and radio and TV broadcasts.

## Newsletter of the Future Forum on Forests

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The newsletter of the Future Forum on Forests aims to provide updated information on the activities and results of the forum. This informal newsletter is produced and distributed electronically and you can find it on the Internet on <http://www.metsafoorumi.fi/news.htm>. You can also order it to your email address by sending an email to [saija.miina@joensuu.fi](mailto:saija.miina@joensuu.fi)

