

Role of Networks for Experience Industry Innovations in Finland

What role do networks play in experience industry innovation?

Networks are a critical yet underdeveloped driver of innovation in Finland's experience industry.

The importance of networks for innovations is increasingly acknowledged in literature. This policy brief highlights the critical role of networks, meaning connections that businesses have to other businesses, in driving innovation within Finland's experience industry. The brief is based on interview-based research conducted with 18 Finnish companies across multiple regions. Our analysis reveals that trust-based deep relationships serve as the foundation for meaningful innovation, with implementation varying significantly between urban and rural contexts. The brief presents key findings on how different regional innovation cultures, company sizes, and organizational practices impact collaboration patterns and provides policy recommendations to strengthen networks for improved innovation outcomes. The research suggests that without deliberate efforts to enhance trust-based network connections, Finland's experience industry will struggle to innovate. Therefore, it is imperative to develop targeted policies that foster personal relationships and trust across different regional and industry contexts and company sizes. Experience industry innovation seems to be based on serendipitous personal networks more than structured research, development, and innovation processes.

Metaverse meets the Experience Industry

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Paradigm shift from internal capabilities and resources to networks and ecosystems in innovation research

Introduction

For decades, the engine of innovation was largely understood to be the internal capabilities of individual organizations. It was believed that a firm's success in developing new products, services, and processes was a direct result of its own resources, research and development efforts, and strategic management. While these internal dynamics remain critical, this perspective is no longer sufficient to explain or cultivate innovation in the modern economy. We are now in an era where the most groundbreaking advancements emerge not from isolated entities, but from the complex interplay within collaborative networks and broader innovation ecosystems. This policy brief argues that acknowledging and actively supporting these external linkages is crucial for driving competitive advantage and sustainable economic growth in the experience industry. Companies should understand better the network capital, ie. calculative ties between organizations, they have and how to develop if for innovation purposes. It will explore the shift from a firm-centric view to a network-centric one, highlighting the critical role that the experience ecosystem stakeholders can play in fostering the connections that fuel the next wave of innovations.

This study, based on 18 interviews, highlights the importance of network capital in Finland's experience industry ecosystem, acting as a critical driver of innovation that connects companies across regions, sizes, and sectors. The research reveals that personal relationships and trust significantly boost collaboration, facilitating knowledge exchange and fostering innovation. Given the challenges faced by Finland's experience industry, including ongoing economic pressures and increasing global competition, the importance of cohesive and efficient innovation networks cannot be overstated.

Data/materials

Our study conducted in-depth interviews with 18 Finnish companies across the experience industry (Table 1). These companies represent diverse business types (events, creative industries, consulting, sports), various regions (Uusimaa, Pirkanmaa, Central Finland, North Karelia, North Ostrobothnia, Lapland), and different company sizes (small: 1-10 employees, medium: 11-50 employees, large: 51+ employees). We analyzed data using thematic analysis focusing on five key dimensions: strategic partnerships, personal relationships, organizational practices, barriers to collaboration, and environmental support factors. Thematic analysis uncovers the main themes in the data in all these five dimensions by identifying recurring themes from interview transcripts.

Table 1. Regional Distribution of Interview Participants

Region	Number of Companies	Primary Industries
Uusimaa	9	Events, Creative Industries, Consulting
Pirkanmaa	2	Events, Sports
North Karelia	2	Tourism, Sports
Central Finland	2	Creative industries, Events
North Ostrobothnia	2	Consulting, Gaming
Lapland	1	Creative industries

The most successful innovations emerge from hybrid interaction models that strategically combine face-to-face trust-building with digital tools for maintaining connections and sharing knowledge.

Regional innovation cultures strongly impact collaboration patterns, with urban hubs leveraging formal structures but struggling with trust, while rural communities excel in trust-building but lack resources and connections.

Medium-sized companies (11-50 employees) demonstrate the most effective balance between structured processes and relationship flexibility, often serving as critical bridges in innovation networks.

Results

Our research reveals significant variation in how network capital functions across different contexts in Finland's experience industry. These patterns provide critical insights for developing effective innovation policies that leverage the power of relationships.

Our analysis of regional network characteristics identifies three distinct models of collaboration. Urban hubs such as Uusimaa demonstrate technology-focused, formal partnership structures with high innovation potential but struggle with trust deficits due to competitive environments. Companies in these areas frequently reported challenges in building the deep relationships necessary for breakthrough innovation despite their advanced digital infrastructure and formal collaboration processes. In contrast, rural communities like North Karelia exhibit remarkably strong community-driven networks with high levels of interpersonal trust but limited resources and technological constraints. As one tourism entrepreneur from the region explained: "I would say that tourism entrepreneurs have a really good common spirit" emphasizing how strong community spirit creates natural trust networks.

Regional centers like Pirkanmaa represent a valuable middle ground, having developed a balanced approach that leverages regional hubs as connection points while maintaining stronger trust relationships than urban areas. One Tampere-based interviewee highlighted this regional strength by noting: "Tampere is the capital of sports... they play here ice hockey, football and basketball at the highest national level." The regional identity creates natural opportunities for cross-sector collaboration that other regions could emulate.

Company size significantly impacts how organizations develop and utilize network capital. Small companies (1-10 employees) rely heavily on personal networks and agility, enabling rapid trust-building and flexible collaboration, but facing substantial resource limitations that constrain their ability to maintain relationships beyond their immediate vicinity. Medium-sized companies (11-50 employees) demonstrate the most effective balance between structured processes and relationship flexibility, often serving as critical bridges between smaller and larger organizations in innovation networks. Large companies (51+ employees) implement sophisticated formal frameworks for collaboration but frequently struggle to maintain the personal trust connections that drive the most creative innovations, with several interviewees noting that bureaucracy often impedes relationship development.

Trust consistently emerges as the foundation for innovation across all dimensions of our research, though its implementation varies substantially by context. Small firms and rural regions rely primarily on community trust developed through longstanding relationships and shared cultural understanding. One respondent from Lappi explained: "There are not many of us in this large region, so here is this kind of in-depth understanding that we have to collaborate." Larger firms and urban areas, by contrast, depend more heavily on structured processes and formal agreements to establish baseline trust, though this approach often yields more transactional than transformative relationships.

The most successful innovation collaborations across our sample employed a hybrid interaction model that combines the strengths of both face-to-face and digital engagement. Face-to-face interactions remain essential for building initial trust and sparking creativity, particularly in the early stages of relationship development and during complex problem-solving. Digital tools subsequently enhance ongoing collaboration efficiency and help maintain connections between in-person

The aim of Innovation and Growth Research funded by Business Finland is to find solutions to the global challenges of the Finnish economy and society.

engagements. The optimal balance varies significantly by region and company type, with rural organizations placing a higher value on in-person trust-building, while urban companies more readily embrace digital-first approaches.

Figure 1 summarizes the key findings of the study. Trust-based innovation is at the center as trust was identified as the key component in innovation networks. Virtually all innovations between actors identified in this study were based on strong trust. Trust-based innovations are supported by strategic partnerships, the environment where the business operates, organizational practices, and personal relationships between businesses.

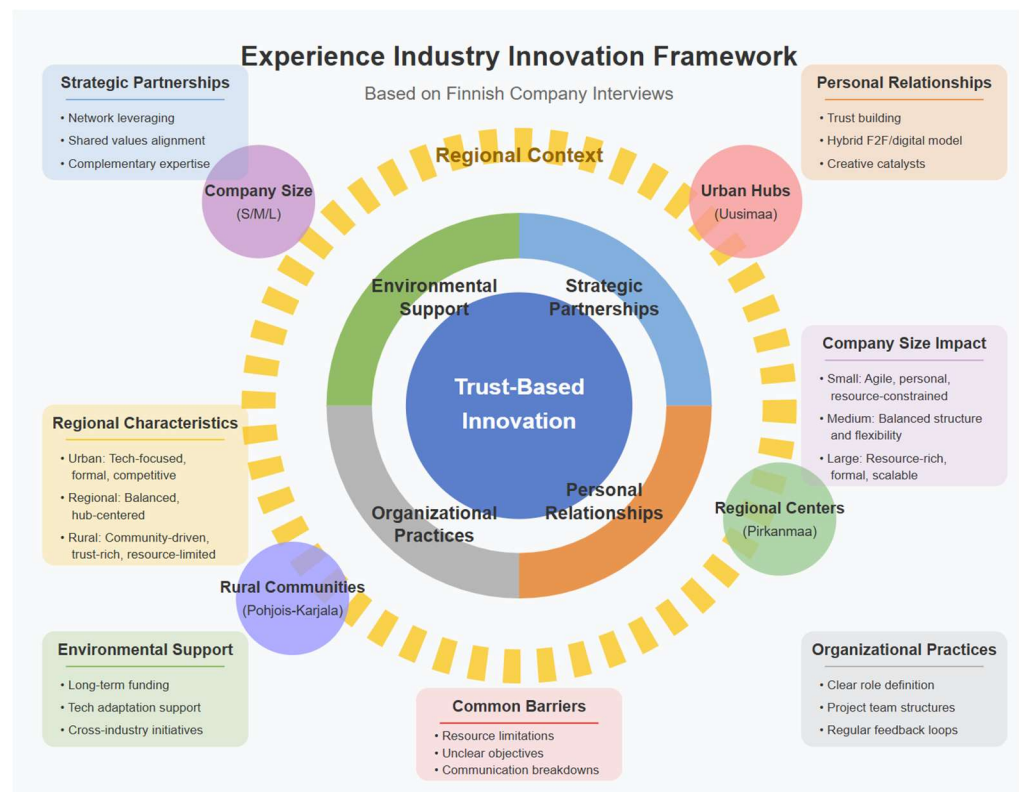


Figure 1. Experience Industry Innovation Framework showing the central role of trust-based innovation and the factors identified in this study affecting trust-based innovation

Key challenges to innovation policy

1. **Regional Fragmentation:** Innovation networks are largely confined within regional boundaries, with limited knowledge-sharing between regions. As one interviewee noted: "In an area the size of North Karelia, a regionally-led approach should be strongly at the forefront."
2. **Trust Deficit in Urban Centers:** Competitive environments in places like Uusimaa create barriers to open collaboration despite technological advantages, with one participant stating: "The City of Helsinki, on the other hand, was somehow a bit smug."

3. **Resource Constraints in Rural Areas:** Strong community trust in regions like North Karelia is underutilized due to limited resources and digital infrastructure.
4. **Short-Term Funding Mechanisms:** Current funding models emphasize 1-2 year projects instead of long-term relationship building. As one interviewee explained: "On a national level, the practice of turning everything into one- or two-year projects isn't necessarily very fruitful."
5. **Lack of Cross-Industry Networks:** Innovation is siloed within industry boundaries, limiting breakthrough potential from unexpected combinations.

Proposals for action

We propose four strategic actions that policymakers should implement to enhance innovation outcomes across regions and company types.

First, **we recommend reforming current innovation funding mechanisms to support collaborative approaches rather than individual company achievements.** Business Finland and other funding bodies should allocate innovation funding specifically for cross-industry projects that bring together organizations from different sectors and regions to create completely new combinations of features customers appreciate. Equally important is extending funding timeframes from the current 1–2-year model to 3–5-year programs that allow for genuine relationship development and trust-building before expecting breakthrough innovation outcomes. Many developments have already been made in this direction, and the results emphasize the importance of this path. Funding evaluation criteria should be expanded to include specific metrics for network development alongside traditional indicators, acknowledging the critical role of relationship quality in generating sustainable innovation. These reforms would shift Finland's innovation landscape from primarily transactional to relationship-based models with significantly higher long-term value creation potential. The current trend in ecosystem development is aligned with relationship-building approaches.

Second, **we recommend integrating network development into Business Finland's existing Co-Innovation funding instrument.** This approach leverages the established Business Finland coordinator role by expanding their training to include cross-industry and cross-regional relationship-building expertise tailored to regional contexts. These enhanced coordinators would dedicate a portion of their activities specifically to connecting complementary organizations across regional boundaries, with particular emphasis on bridging the urban-rural divide identified in our research. This approach requires minimal structural change while potentially increasing valuable cross-regional partnerships.

Third, **we recommend refining the evaluation criteria within the current Business Finland and ELY Centre funding instruments to more explicitly value cross-industry and cross-regional collaborative approaches.** Program officers could adjust scoring to give additional weight to projects demonstrating cross-industry collaboration and relationship-building potential. Similarly, existing funding periods could be made more flexible to accommodate the relationship development timeframes identified in our research, with continuation funding more readily available for projects showing strong network development outcomes. These

relatively modest adjustments to evaluation practices would encourage a shift toward more relationship-based innovation models within the current funding infrastructure.

Fourth, **our research highlights the need to better utilize existing physical and digital infrastructure to support network capital development.** We propose designating specific goal-dependent collaboration zones within existing regional business hubs, university facilities, and innovation centers already supported by public funding. These collaboration zones would be optimized for relationship-building activities through minor reconfigurations and staff training. Similarly, rather than developing new digital tools, we recommend creating best practice guidelines for using existing platforms in ways that complement regional collaboration cultures. For small companies facing resource constraints, we propose a micro-grant program within existing ELY Centre funding to provide access to collaboration tools and spaces. This approach maximizes current infrastructure investments while enhancing their effectiveness for relationship development.

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