
NWFPs-innovation cases in transition countries: Two cases from South East Europe

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The issue is ...

A transition process was taking place in the post-social countries of South-east Europe (SEE) in the 1990, leaving the general ideology of socialist forms of ownership more and more behind. Changes were made via adopting new policies, legislation and new regulations related to land tenure as well as strengthening the rights towards private property. These changes brought new possibilities for improving sector governance and influenced the setting of the multifunctional goals to forest management. This provided opportunities for shifting a generally adopted societal attitude and consciousness over private business endeavours, and opened a challenging environment for running a business.

From a StarTree perspective

Forestry sector and also non-timber forest products (NTFP) provide a wide range of opportunities for people in rural areas to either diversify their income or to generate it as their sole source of livelihood. When the sector grows and generates new employment it contributes to living conditions of existing population and also attracts new people from places nearby or more remote urban areas. Recently a shift towards more diversified forest management is happening and small private business covering an increasingly wider set of forestry sub-sectors are becoming more common. Many of those small or micro businesses are also being innovative (implementing new ideas) either in terms of products or processes and many of those are involved in NTFP sub-sector. Thus, NTFPs are being recognized as potentially interesting to entrepreneurs, who aim to find and utilize existing market niches or to generate entirely new products linked to the untapped set of consumers' preferences. Innovation is therefore crucial for making a successful business as it helps to generate entirely new products or having already established products, which are produced, marketed or used in an innovative manner.

A Close-up

Innovation is closely linked to policies fostering innovation, however innovation is also generated by actors outside of formal institutions by social networks, which stretch over local communities, entrepreneurs and individuals. Actors can be embedded within a system of institutions, which support them or can play a role in generating innovation in the absence of a formal framework. However, actors are supposed to act more effectively if they are a part of a larger innovation system, which provides information, cooperation and (non) monetary incentives.

In case of SEE countries innovation systems as well as the NTFP sector are still facing transition, which poses challenging conditions for running private business. This makes those countries an excellent example for assessing the state of innovation in business, which were previously ran by state-controlled enterprises – forestry and its NTFP-subsector.

For illustration, we have selected two case studies, from Serbia and Slovenia, both being ex-Yugoslavian republics in different stages of transition from planned to market economy. Both cases have in common the fact that private NTFP-business was in the former political (and economic) regime rare and mainly as low profile, set up mostly for buying and selling the product to local markets. State companies had a prevailing role, with running several or even all stages of production, processing and selling of NTFP. Those companies all made international exports and intensively cooperated among each other in the YU-market.

In StarTree we have analysed how innovations arise and are developed in a NTFP sub-sector, which is assumed to be underdeveloped. By emphasising the fostering and the hindering factors that influence all three cases, our observations can provide feedback on the existing system of innovations in the NTFP sub-sector and subsequently can indirectly foster future businesses.

Case 1:

New tea ritual for the new age and new people open to new ideas – Teasy (Serbia)

The company owner has been in NTFPs business for decades. He sought new business opportunities in herb processing and was not happy only with purchasing and selling herbs. After being established in the early 90s, the company has in 2007 presented an innovative product Teasy™ tea at the Fair of medicinal plants in Novi Sad. The emphasis was on Teasy™ package, where tea is packed in “teaspoon-shaped bags”. In 2012, the company made a complete re-design of packages, with the main idea to achieve a contemporary look, by combining traditional forms and symbols.

The idea for the product came from a conventional metal spoon and children’s toy for making bubbles from water and soap. The required information for starting and running a business on this came from the owner’s relatives and family. Other companies were not able to provide any information, since the product was unique and no one had tried to introduce a similar innovation in the region. For defining the specific herb to be used in the product, its granulation and moisture, the owner hired a technologist. He also had to employ a craftsman to construct a machine for producing the product – a spoon.

One of the key success factors is now to maintain good relations with the collectors and considering the customer’s needs. It is also important to be able to provide the necessary supply and to have relevant quality standards, which help to improve the sales.



Teasy™, with the flavour of forest fruits, Source: <http://adonis.rs>



Wooden climbing holds treated in a special thermal process to make them more durable

Case 2:

Deriving innovation from old materials – U-JAA (Slovenia)

U-JAA is a micro company, established in 2012 with the aim to produce and market innovative climbing holds made out of tree knots [Figure 2]. The innovative character does not derive solely from the material used for production – wood – but also from the special thermal process, which is used to harden the surface of the hold. This makes it more durable and resilient to wear and tear. The company envisioned their product as an environmental friendly alternative to commonly used plastic climbing holds, with locally available source of basic stock. The company is the first and so far the only one offering this kind of product in the country and one of not many at EU level.

Important information on establishing and running a business was obtained by a social network of the owner, which cover relatives and a larger company in Slovenia producing holds made out of PVC. Some guidance was provided by the government-supported entrepreneurship service, called VEM-information points. The project was mostly funded by the owner’s own savings, however a one-time grant was provided by the government call. The latter was aimed at newly established companies. U-JAA also patented the process of surface treatment on a national level and applied for two more financial grants (international tender for innovative companies and a tender within the Rural development program), but was unsuccessful in both calls.

The owner describes the current situation of the innovation support parameters as undeveloped in terms of NTFP sub-sector as there are no specific policies and measures,

which would foster NTFP-related entrepreneurship. NTFP are not high on the government agenda for supporting private business start-ups, so investments into innovative products or processes in the NTFP sub-sector are mostly in the hands of highly motivated individuals.

Findings

The transition period brought significant changes with a shift of activities from the state-controlled companies to the private enterprises in both countries. A renewed legislation usually meant more restrictions, higher quality standards, but in some cases also governmental support for private businesses. The latter was also to some extent incorporated into the Common Agriculture Policy, which offers some incentives for entrepreneurs in rural areas. However, these changes were too general in their scope that the support for businesses in NTFP was largely missing. One of the reasons for such situation was that many actors from public and semi-public organisations have had mainly an indirect role in the NTFP sub-sector, as well as that there are no policies for innovation, which would be specifically tailored for the sub-sector.

 The two cases represent two different types of innovation, which differ in the aspects of innovation. One is a new product, while the other is linked to new design and packaging. Furthermore, their innovative character can be seen through their **specificity and uniqueness**, which is one of their key success factors: finding the niche market for its products.

 However, their innovative potential has been in general driven by the **owners' high motivation and visions** for development of the business, from the owners' own resources, persistence, as well as suggestions gained from their social networks.

 It is known that enterprises, which are a part of a **support network** perform better, because they have a more efficient access to information and guidance. Both examples have shown that being linked with others provides a competitive advantage and helps to generate niche-market potential. The latter is especially supported by innovation, which usually strives to new products or processes and can substantially help businesses.

Further information:

<http://adonis.rs/>

<http://teasy.rs/teasy.html>

<http://adonis.rs/o-nama/nasa-zajednica/udruzenje-za-lekovi-to-bilje/>

<https://sl-si.facebook.com/UJAA2012/>