

Erik W. Jakobsen – Partner & Co-Founder, Menon Economics, Norway



It will take some time but if the industry is able to continue to produce talent, new technology and solutions, diagnostic tools, and treatments, gradually the capital will also be provided

06.10.2020

Tags:

[Norway](#), [Menon Economics](#), [Consultancy](#), [Investment](#), [Innovation](#)

Erik W. Jakobsen of Norwegian consultancy Menon Economics gives an overview of the key dynamics at play in Norway's economy today and the growing role that healthcare and the life sciences plays within it. Jakobsen touches on why Norway needs to become more competitive as a life sciences investment destination, the challenges of scaling-up and commercialising Norwegian innovation, and why stakeholders from both the public and private sectors need to be on the same page to see this push through.

Can you begin by giving us a brief outline of your career trajectory and the mission of Menon Economics?

I co-founded Menon Economics with a fellow economist, Leo Grønfeld, back in 2006. Our first staff appointment was made in 2008 and today we have a 50-person team of economists, of which one quarter have PhDs, conducting economic analysis in Norway. Our work covers both the public and private sectors, from public investments and public services to markets, investments, start-ups, and research and innovation.

We cover all of the industries in Norway, from the country's traditionally-strong sectors like oil and gas, maritime, and shipping, to less mature ones like tourism and healthcare and life sciences. In the

last five years we have increasingly focused on the health sector as it gains in importance. Our work in healthcare covers the whole range from health economics (HTA), market access, public investments in hospitals, healthcare services design, as well market analysis and business due diligence with a special focus on research-based start-ups (commercialisation and scale-up. Norway is particularly strong in oncology, which is probably the only part of the health industry where we can claim to have an international stronghold, so this has been a key area of focus.

Our main customer base is Norwegian, particularly in the health sector, and most of what we do is directed for a Norwegian audience. We have a strong footprint within the pharma industry working with most of the global pharma companies. Apart from this, our international customers are mainly within the Nordic medtech industry. In other industries, Menon Economics is conducting several projects for the European Commission and has also done projects in Singapore, Dubai and Canada.

What are the main characteristics of the Norwegian economy today and what role does healthcare play within it?

Norway is a rich and advanced society with high levels of education, a good uptake of digital tools, and a strong footprint in industrial research and technology in general. Our spending on health per capita is among the highest in OECD. However, most of the innovations and technological developments coming out of Norway are not consumer-focused but are rather for the B2B market. Our neighbours Sweden, Finland and Denmark are stronger than Norway in B2C which leads to greater general awareness about their economies. Norway, on the other hand, is seen primarily as an oil and gas economy, which is historically true, but represents only one part of a larger picture.

In health, we spend approximately EUR 1,5 billion per year on public research, with private companies spending somewhere more than EUR 500 million on their research activities. The major issue is that Norway has much more success in developing technologies and solutions than in commercialising and scaling them up, something which is tied to the B2B orientation of our economy. Norwegian companies tend to have few customers, but those they do have are often large global players. Norway has not had to become adept at consumer-based marketing; it has been enough to deliver high quality products and target customers around the world.

Today's Norwegian health industry can be split into three groups of companies. The first is the few mature, internationally-oriented companies which have a lot of exports from Norway, such as GE Healthcare. This group is particularly strong in diagnostics.

The second group are the large international pharma companies that focus on the Norwegian market. Some of these companies also conduct research in Norway or have acquired Norwegian start-up companies, as Bayer did with Algeta some years ago.

The third group is the small innovative companies working in biotech, medtech, and health IT. Norway also boasts very specialised pharma companies both in traditional and new types of oncology, as well as other areas. This group is fuelled by the large levels of public investments in R&D.

Is there a strong stakeholder willingness to focus on and advance the Norwegian healthcare industry, especially as the country has traditionally lagged behind its neighbours in this field?

There is a lot of interest and attention on the health industry from both the public and private sides. However, that does not necessarily mean that we have the necessary knowledge and tools to transform all of the promising small innovative companies into international success stories. There is still somewhat of a lack of understanding, tools, and incentives for widespread commercialisation and internationalisation scale-up.

Although the health industry in Norway is much smaller and less advanced than those of Sweden and Denmark, this says something about its potential. We have a large research base to build on but do not have the strong and powerful ecosystems to really boost the industry. On the governmental side there is a lack of understanding about what it takes to commercialize and scale-up the industry. On the industry side, especially among the smaller innovative companies, there is a certain degree of myopia and naïveté. These companies do not really understand what it takes to become an international success, and many are more optimistic than what is realistic.

The main challenges in building a strong industry in Norway are that the public health sector, as customers, are partly not able and partly not willing to take a role as engines and demanding customers to build up private companies. There is a lot of concern about this and many of the large governmental customers talk a lot about it but do not really understand how they can become demanding, sophisticated customers of new technologies and solutions, both to increase their own innovativeness and productivity and to help the companies. Procurement decisions are not taken by top executives at the head porter level, but in single units within single hospitals, leading to a fragmented decision-making process.

If the Norwegian health industry is to flourish, cementing the local market is just one element. What is stopping Norway becoming more globally competitive?

The basic understanding that Norway is part of a global competition for major private investments is totally absent here. This is particularly strange, given that we have a lot of cooperation with Singapore, the economic policy of which is entirely about being attractive to, and retaining, international companies. Commercial and research cooperation between the two countries focused on maritime and oil and gas has been ongoing for years, but our ways of thinking about competitiveness and attractiveness is completely different.

The other main challenge for boosting the Norwegian health industry is access to international risk capital. Private equity funds, large international venture funds, and other professional investors are putting their resources and money into the large markets, not the small ones like Norway.

However, similarly sized and geographically close countries like Denmark are thinking much more commercially about investments; we should place much more emphasis, and put more resources and tools and incentives into the Norwegian investment promotion agency, Invest in Norway.

In the last three to five years, there have been more and more investment ecosystems in Norway connected to all types of tech companies, to healthtech, fintech, all types of digital solutions, and everything that can be scaled up to an international market. There is an increasing professionalisation around the health industry today and some of the investors and the advisors in these ecosystems have a lot of international experience and networks. It will take some time but if the industry is able to continue to produce talent, new technology and solutions, diagnostic tools, and treatments, gradually the capital will also be provided.

Of course, there is very strong international competition and there will probably only be certain small segments where Norway has the critical mass to become internationally competitive.

What potential is there for stronger integration between the Nordic countries that Norwegian companies might be able to leverage?

The Nordic countries are small and homogenous, but the markets are surprisingly separate. There is quite a lot of shared research and practices, but even though from the outside it looks like these markets are quite integrated, it is actually very difficult as well as risky for Norwegian companies to expand to Sweden, Finland and Denmark. It is very hard to see how we can get stronger integration between these markets. There have been periods where greater convergence and integration has been predicted but I have not seen any strong signs of it.

It seems like there is a lot of work to do at both the grassroots and governmental levels to advocate for the Norwegian health industry. Which key stakeholders are going to be flying this flag for healthcare and pharma?

Clusters such as the Oslo Cancer Cluster and Norway Health Tech are very important, not because they have any decisional authority but because they are very important collective agents for the industry and a bridge between research, industry, hospitals and government. This also means that the leaders of clusters are able to communicate efficiently and with legitimacy with all different types of actors.

On the governmental level, regulations, incentives, and priorities in general are important. Politicians and political bodies have the potential to increase the efficiency, productivity and quality of the healthcare system through implementing or by helping to implement new solutions and technological tools, both from Norway and abroad.

However, politicians do not make the procurement decisions, which means that hospitals and the largest local communities are the most important players for building a vibrant home market. However, the organisational structure of these hospitals is an obstacle as they have strict hierarchies and fragmented decision making. Therefore, hospital reform is key.

How can Norway position itself as an attractive pharma investment destination, not just for the big companies from established markets, but also sizeable companies from emerging or second-tier markets? Are the cost levels and availability of labour in Norway standing in the way of success?

Firstly, the costs of operating in Norway are not prohibitively high. Top managers, researchers, and specialists are not very high paid here compared to many of their international counterparts. Access to talent, however, could be an issue, both because we are a small country but also because there are a lot of restrictions on immigration.

A third reason why international investors do not consider Norway as an option is partly because there are few resources invested in promoting Norway in the world. Moreover, those who are promoting the country do not have the tools, incentives, or the ability to tailor-make proposals to potential investors that countries like Singapore have. There is, however, now a growing awareness about this issue in the government and in industry associations, so hopefully we will see a more powerful strategy for foreign investments in Norway in the years to come.

In oil and gas, it used to be mandatory for all staff to speak Norwegian. What language or local content requirements are there for companies looking to set up in Norway?

There were two reasons for the language requirement in oil and gas. The official reason was safety and security, while the unofficial one was protectionism for Norwegian companies. This is not the case in other industries.

A lot of companies in Norway have English as their main language and some companies even require that everyone speaks English, even when there are only Norwegians in the room. There are no requirements about local content or employees, it is totally up to the companies themselves who they want to hire. However, as mentioned previously, accessing the relevant competencies may be an issue. That also depends about what type of companies we are talking about. The larger the ecosystem in Norway, the easier that access to talent is.

A final thought on Norway and what it can offer to the world in healthcare and life sciences.

There is a large number of innovative companies in the health industry in Norway, particularly connected to oncology, but also within medtech and digitalization. Some of these have already entered the international scene, while others will follow. For example, Vaccibody has recently entered an agreement with Genentech to develop DNA-based individualized neoantigen cancer vaccines. Another example, Hy5, a company that has developed a hydraulic hand prosthesis, has received grants from the EU Fast Track to Innovation program.

[See more interviews](#)
