

## **Living lab as a tool for innovation.**

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Living lab is a method to increase cooperation between customers and companies on innovation. Innovation is one of the most important sources for economic growth and creation of high salaries jobs which is a foundation for value creation. However at the same time one of most difficult task in our time. When it comes to cooperation and competition between nations a powerful innovation is important. This is a key factor for development of the economy and well being of citizens.

If Iceland is to maintain its position among the wealthiest nations of the world it is necessary to increase emphasis on innovation. It is expected that participants in the highly growing economic power of Asia will increase contribution to research and development in coming years which will lead to an increased flow of new high tech goods and services to the west. Businesses in this country will have to prepare for an increased competition. Icelanders have to be able to improve their success concerning global competitiveness by strengthening general infrastructure of the economy and increase development of goods and technology. It is not enough to encourage innovation; a proper condition needs to be created.

Important part of innovation is to pull out new ideas and knowledge from universities, research institutes and companies but not at least to understand the user's needs.

That is why it is necessary to unite efforts of those parties by establishing a formal cooperation between industry, universities and users. The OECD Innovation strategy that is emerging now is reflecting this issue. It is a fact that success is not ensured only by technology. It is necessary to observe how closely technology meets user needs. The Nordic countries have been cooperating on a development project that has one main goal. That is to increase the foundation of innovation where the user is in centre of the innovation process. This working method is called "Living lab" (In Icelandic "Marketing development forum"). The Living lab method is based on long experience of user driven innovation where users are in focus in creation of value. This value creation process is made by users and producers and is a new way of intake user's ideas. The structure of the Living lab is a substance that is created around highly developed technology, experts, users and methods. This is not a new idea but what is new is that Living Lab integrates the customers into the development process, ensuring highly reliable market evaluation. Resulting in a significant reduction of technology and business risk.

The knowledge that has been gained by working with users in market place has lead to development of structuring working methods of Living lab. This model includes user throughout the innovation process

With this method, companies are actually engaging and empowering users to participate in the generation of valuable and sustainable assets towards objectives set-up by its partners, customers and multiple demands of the market

A network has been built up in the Nordic countries where collaborators can utilize experience and knowledge of experts within universities and industry. This work has

evoked interest of companies in many countries that are already using the work as described here with development of goods and services. Numbers of industries are using the methods of Living lab and an examples of some of those companies using this method are Nokia, Facebook, Google Earth, Linux, Second Life and Wikipedia.

Icelandic companies have emphasized their interest working closely with customers at development of goods and services. This work could be more focused by using Living lab. It is said that about 70% to 95% of research that are linked to goods and services in the Information and Communication Technology (ICT) industry are not adding any addition to the value of the companies. One of the reasons that new product and services fails to show success is that users are brought to late in to the development process. If users would be utilized at early stage by using Living lab methods it would be possible to prevent expensive failure and gain better success. The subject of Living labs is rather different when it comes to various industries. This can be used in fields like renewable energy, tourism, electronic services and health sector among others. In Living labs highly developed methods are used to test, evaluate and research complex solutions in changeable environment. The main rationale behind this method is that it can lead to access to experts, working methods and databases. Living lab is a new concept that should be closely observed as it could bring together universities and industry. A collection of knowledge and experience could be obtained in one place usable for the whole community. Living Labs could be a great opportunity and challenge to create efficient innovation and working processes that the private and public sectors could learn from.