

INTRA – Foresight Methodology

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Determining an ideal SME and ecosystem for internationalization

A two-step exercise in developing foresight scenarios

1. Introduction

It is generally accepted that a finding is more likely to be accepted as a fact, if it is quantified. Researchers, as well as decision makers have traditionally relied their work on numerical information. Questions like "How many SMEs are present on third

markets?" or "What share of profit does an SME make on the international markets?" a clear numeric answer is needed. Nevertheless, if one aims to achieve deeper understanding of internationalization, including the point of view of the target public (SMEs, policy makers in the field of internationalization, intermediary organizations, etc.), a qualitative approach is needed.

For the purpose of the ITRA project the partnership will apply a qualitative exploratory approach (Peterson, Cumming and Carpenter, 2003) of participatory design (Börjeson et al., 2006; Kok and van Vliet, 2011), which intends to gain insight into future perceptions, expectations and identified risks of project INTRA stakeholders by utilising storylines (Van Notten et al., 2003) and forming plausible futures (Biggs et al., 2007) on macro and micro levels.

Since foresight scenarios "are descriptions of journeys to possible futures, which reflect different assumptions about how current trends will unfold, how critical uncertainties will play out and what new factors will come into play" (UNEP, 2002), we apply them in the framework of INTRA as preparation for the future.

A foresight exercise is able to offer alternative futures, which may (or may not) happen. They serve as "mental maps of possible futures."

CEEHPN, 2012

This will enable the stakeholders to think about the unusual (“outside the box”) and realise what opportunities and threats the future might take (Shearer, 2005). If they learn to employ the perspective of scenarios as their mental maps of future (CEEHPI, 2012), they might empower them to think about our possible actions in a given alternative future.

2. Methodology of foresight exercise

The foresight exercise will take place during the project meeting in Varna and will be conducted in two steps.

Step one will take place on the first day of the event and will be dedicated to collecting inputs and their validation by the stakeholders.

Step two will take place on the third day of the event, where the extended project partnership (members of project partner's teams and external experts) will develop the four possible foresight scenarios for internationalization of the "ideal SME in an ideal ecosystem for internationalization."

2.1 Step one:

In the first step the participants (extended project partnership and stakeholders attending the event) are to identify what they consider to be the key elements, which in their opinion influence the internationalization. It is important to keep in mind, that the stakeholders have an influence over these key elements (example: SMEs have an influence over the products they intend to produce and place on the international market; decision makers have an influence over regulatory framework and support for internationalization, etc.). For this purpose a short brainstorming will take place, to collect various suggestions. After the brainstorming a mind mapping, to develop the input matrix, will follow in this order:

- All proposed ideas for drivers are to be arranged into two categories: a) internal SME drivers (reasons why an SME is entering an international market), b) ecosystem drivers (regulatory incentives and support for internationalization of SMEs).
- In each of the two categories a consensus on the four most significant key elements must be reached.
- Finally these eight (four in each group) key elements are to be arranged in the matrix, according to: a) probability, and b) impact.

	Likely to happen	Unlikely to happen
Would have high impact		
Would have low impact		

- Additionally, "wild cards" can be included. These are the events which could create an upset in the field of internationalization, due to their low probability, yet a very significant impact the course of their future (Steinmüller, 2003). They, however, differ from previously mentioned key elements with high impact and low probability, because the stakeholders have no or significantly insufficient influence over them (natural disasters, military crises, etc.), yet they would greatly disturb the international market if they occur.

2.2 Step two:

For the second step only the extended project partnership will participate. Their main task is to use the inputs from the matrix developed within step one and derive four alternative scenarios based on them.

Example:

	<i>Likely to happen (HP)</i>	<i>Unlikely to happen (LP)</i>
<i>Would have high impact (HI)</i>	<i>EU wide financial support for entering South American market</i>	<i>Strong foreign investor</i>
<i>Would have low impact (LI)</i>	<i>Becoming a supplier to an enterprise that is present on the international market</i>	<i>SME employer develops an innovation to the product</i>

There are four groups of key elements, according to their impact and probability: HIHP, HILP, LIHP and LILP, with a possible addition of wild cards (if any are identified); which will be used to develop a) foresight scenarios, and b) representative SME within each of the scenarios.

2.2.1 Scenario development

For the task of scenario development, the participants will concentrate mainly on the key elements with High Impact and High Probability (HIHP). How these key elements the participants will determine how they could have a positive and how they could have a negative impact on internationalization of SMEs.

The following example is very general, used to briefly describe the proceedings of the exercise.

Example:

<i>HIHP key element</i>	<i>Positive impact</i>	<i>Negative impact</i>
<i>EU wide financial support for entering South American market</i>	<i>Available funds for internationalization</i>	<i>High competition for obtaining the funds</i>

So the premises for developing a positive scenario (PS) is that the regional SMEs will be able to gain needed funds to enter or strengthen their presence on international markets, and the premise for a negative scenario (NS) will be that the SMEs will not be able to compete with other EU SMEs trying to gain the funds. In the PS the SME would develop, enhance their production, create new employment, create spin-off, etc.; while in the NS they would miss a funding opportunity, be more dependent on the domestic market and would likely stagnate.

Next the participants evaluate how the LIHP key elements would influence the situation described in the previous two scenarios.

Example:

<i>LIHP key element</i>	<i>Positive impact</i>	<i>Negative impact</i>
<i>Becoming a supplier to an enterprise that is present on the international market</i>	<i>Increased production and additional funds</i>	<i>No independent development or control over the product</i>

With the previous PS the positive impact of this LIHP would mean additional orders and increase of production of an SME already placed on the international market, providing additional employment with an SME. Yet the negative impact would mean the use of resources for production that would prevent further research of the company. The company would therefore have to restructure.

With the previous NS the positive impact of this LIHP would soften the blow of not receiving additional funding, but the negative impact would further enhance the stagnation of the SME.

The participants then evaluate how the HILP could influence the PS and NS developed so far.

Example:

<i>HILP key element</i>	<i>Positive impact</i>	<i>Negative impact</i>
<i>Strong foreign investor</i>	<i>Increased funds, new markets, new development</i>	<i>Diminished control over the SME</i>

How would this investor influence the SME described in the previous PS (further development, becoming a multinational company, etc.) and NS (a stagnant SME gets a new management, and becomes part of a multinational group).

Finally, the participants should just briefly discuss if the LILP elements would have any bearing on the both scenarios.

Example:

<i>LILP key element</i>	<i>Positive impact</i>	<i>Negative impact</i>
<i>SME employer develops an innovation to the product</i>	<i>Copyrights to innovation</i>	<i>Costs of copyright protection and implementation into working process.</i>

Within the PS where the SME is already successful, this would only further strengthen the SME, while in the NS where the SME is not successful, this would not be enough to revert the situation (unless the possible case where HILP – strong foreign investor – is involved).

Additionally, the participants should also briefly discuss how the "wild cards" could upset the PS and NS – if any were identified in Step One.

2.2.2 Representative SME

Based on the PS and NS, with all possible outcomes, the participants should envision a typical SME that will enter the process of internationalization and how the ecosystem could support the SME. The participants will be divided into two groups.

First group will develop an "ideal case" of an SME, describing their path to success: What did they do? How were they supported? What success did they achieve? What their future plans are?

Based on their story a description of a successful SME that enjoyed the support of an effective ecosystem will be created. It will be the aim of INTRA to influence the creation of such an ecosystem, which will support such SMEs to become successful on international markets.

Second group will develop a "failed case" of an SME, describing the path to their stagnation (or worse): What did they do? How were they supported? Why no success was achieved? What their possible prospects are?

Based on their story a description of an unsuccessful SME that was hardly supported through an ineffective ecosystem will be created. This example will be used by INTRA to show how a failure of implementation of recognised good practices could hamper the regional economy and emphasize the need of implementation of INTRA project achievements.

3. Conclusion

The foresight exercise will provide hypothetical cases – best case and worst case examples, which will become storytelling elements used for animation of the stakeholders.

The hypothetical cases will be based on the inputs of the stakeholders, representing all four groups of the quadruple helix. This gives the storytelling inputs the broadest possible validation and empowers the hypothetical cases to become the best and worst case scenarios, although they have not actually happened.

4. References

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- Steinmüller, K., (2003). The Future as Wild Card: A Short Introduction to a New Concept, *Büro für Zukunftgestaltung Essen und Berlin*, (online source): <http://www.steinmuller.de/media/pdf/Wild%20Cards%20Web.pdf>.
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APPENDIX

Requirements for conduction of the foresight exercise

- 1) The room in which the foresight exercise (step one and step two) must be equipped with an overhead projector (or an equivalently capable other device such as several large screen monitors), connected to a computer (capable of real-time entering of data). All participants must be able to clearly see the presented texts.
- 2) The room must allow for clear communication (depending on the size of the room an number of participants it may require sound equipment – microphone and speakers).
- 3) All participants must be able to interact among themselves and with the moderator. This can be achieved either through the requirement that all participants speak a certain language, or by providing a simultaneous translation (it is up to the host of the event).
 - a) For step one both is possible, although it is preferable that all participants speak the same language.
 - b) For step two simultaneous translations are not possible.
- 4) Two or three people conducting the exercise:
 - a) moderator – moderating the event,
 - b) assistant moderator – collecting suggestions for the brainstorming, counting voices, noting feedback etc.,
 - c) technical support – in case that sound equipment is needed (see point 2).

For the INTRA project event in Varna (Bulgaria), the language of the foresight exercise will be **English**.

analytics folder.