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Combining regional foresight systems to SMEs' innovation process model

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Abstract: Combining a foresight system and an innovation system at the regional level is a challenging task when considering SMEs' needs. The national innovation systems and foresight practices are running well among large corporations. However, SMEs' needs and skills are different from the institutional purposes of these systems. SMEs' challenges for the future success are mostly related to their position in the value chain / network as well as to the limited resources for the strategic work and development activities. Also, SMEs' role in the local community is often important as an employer and as a voice of entrepreneurs to the municipalities. Therefore, the renewal of SMEs is not only important to the companies themselves, but also for the region. The regional forums for innovation and foresight have to be developed from the perspective of SMEs, supporting their renewal and ability to grow and follow trends and signals of the future.

Keywords: Foresight; innovation; SME; regional forum

1 Introduction

Combining a foresight system and an innovation system at the regional level is a challenging task when considering small and medium-sized companies' (SMEs) needs. The national innovation systems and foresight practices are running well among large corporations. However, SMEs' needs and skills are different from the institutional purposes of these systems. According to our earlier research results, SMEs are practical by nature, their needs are closely related to their customer focus and time is their most critical resource. Additionally, most of the SMEs are really small companies. The owner

acts often alone. This means that the use of a typical activity in foresight and innovation systems, the sparring forum, is very limited. In our research project we are forming a network-based model suitable for SMEs. It means rather simple structures, yet including all the relevant elements and actors. Combining foresight and innovation will save time and create agility to exploit opportunities rapidly. The network-based model will guarantee sparring partners to SMEs from different fields in a systematic way. Furthermore, future-orientation is combined to a global context, which means international partners from business, research institutions, universities as well as development organizations and NGOs.

Our previous results suggest that the structure of the SME-friendly innovation system should be flexible, not fixed, and its role is to support the SMEs and not vice versa. Universities should jump down from their ivory tower and speak the same language as SMEs [1]. Although companies act locally, the supportive system has to produce early warning signals from a global perspective. A general innovation system is too common for business purposes; rather, it should offer an opportunity to focus on different themes. In practice, the institutional approach can forget markets and firms, and especially entrepreneurs, which SMEs often are by nature.

The central role of SMEs in the economy has been recognised also in the European Commission which has put into place a comprehensive SME policy framework for the EU and its Member States, called The Small Business Act [2]. It aims to improve the overall approach to entrepreneurship, permanently anchor the 'Think Small First' principle in policy making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development. The Small Business Act for Europe applies to all independent companies which have fewer than 250 employees, which means 99% of all European businesses. The Small Business Act consists of the ten principles among them especially "Promote the upgrading of skills in SMEs and all forms of innovation" and "Enable SMEs to turn environmental challenges into opportunities" are key areas also in our research work.

2 The aim and research questions

The aim of this paper is to describe the framework for a regional foresight and innovation system which supports the SMEs' ability to innovate proactively. The main interest is on how to run regional foresight forum in practice as an integrated part of the SMEs' strategy work. Additionally, our research is looking for answers to the following sub-questions: 1) How to run the foresight process without double systems? 2) How to get not only experts but also regional practitioners involved into the process? and 3) How to cover the whole field, still focusing deeply on substance?

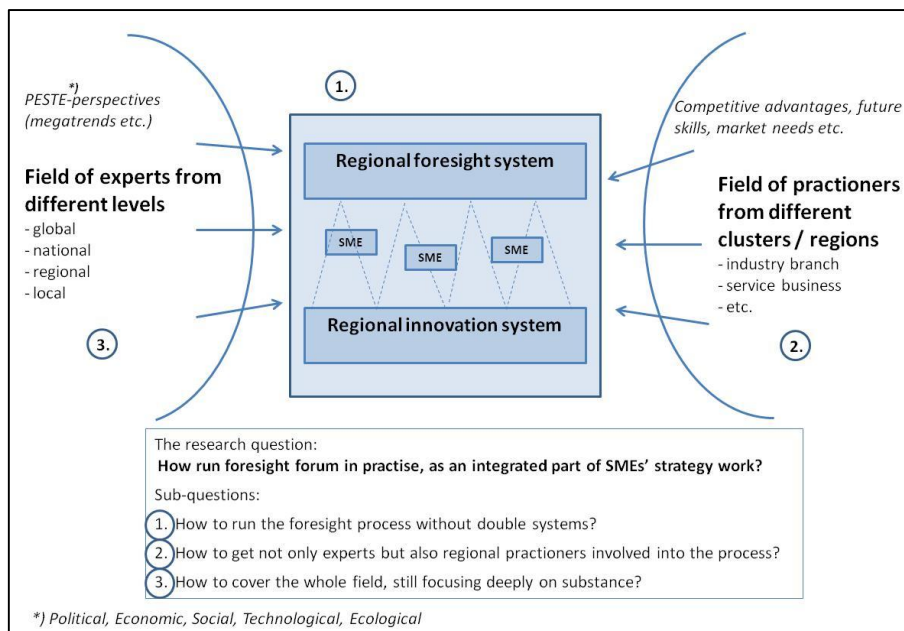


Figure 1 Research questions.

3 Framework and methods

Background theories derive from a multidisciplinary framework [3], i.e. futures studies, scenario studies, strategy studies, innovation studies and R&D studies as well as entrepreneurship studies. Also, in futures studies, the actor-orientation is a key issue, i.e. the future will be created by actions based on shared vision of actors in the network.

The main actor groups are companies, universities and development organizations. SMEs' special features are not automatically in focus. Also, the language used is generally more research based than entrepreneurial by nature. In our framework, instead of scientific futures research we use more practical terms, like foresight and anticipation, bringing to the innovation process e.g. customer needs in the future.

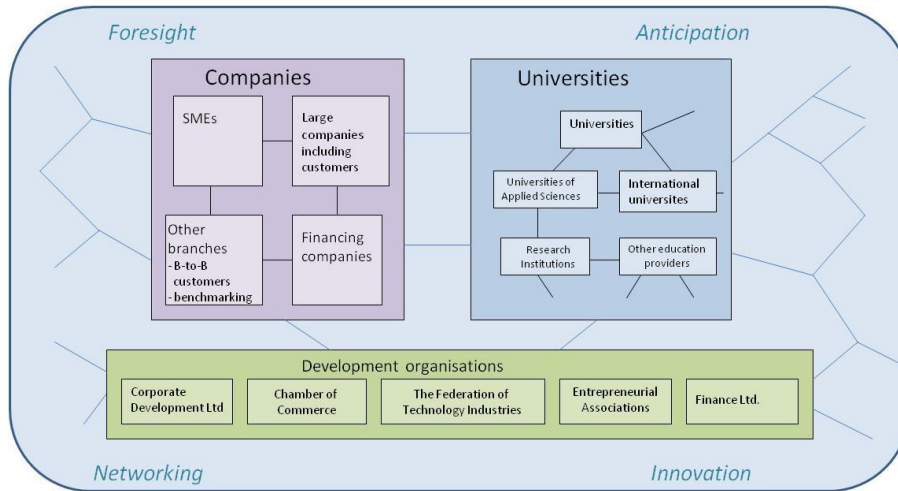


Figure 2 The framework for regional foresight and innovation system.

In our research, the focus group is SMEs in Southern Finland. They are involved in this research process continuously: first, as an information source in web-surveys, second, as objects in in-depth interviews, third, as members of regional foresight and innovation systems consisting of SMEs, universities, municipalities and developing organizations. Benchmarking and analogy models from other business branches as well as living lab type signal sessions are a part of the methodological choices in this research work. The final goal, or rather, a vision for the work is to create an ongoing process including foresight and innovation structures and activities, where all the relevant actors are involved and interacting. We call that vision the regional future-watch system.

4 Results and practical implications

As a result we will present a model for a regional future-watch system and its practical implications from the case companies' viewpoint to the innovation process model.

SME is in the main role in this concept. The renewal of the SME according to the market needs is guiding principle: the innovation process is in the focus and foresight has to be seen only as a supporting activity. It doesn't mean that the foresight is less important, but a starting point for the innovation [4]. To select the relevant trends and signals is not an expert work alone, but needs interactive forums where all the actors can interpret this information and estimate their relevance to the region, cluster and/or to the individual SME. A holistic view is needed to renew the SMEs' business activities as part of their ecosystem [5].

One of our case companies wanted to follow the future needs of their key customers, which are also important participants in the forum work. In the survey, it was found important future needs like environmental scanning and monitoring among small companies and visionary concept design among large companies. On the other hand, the specific renewal needs in the SMEs focus on developing R&D activities while the larger companies see new international partnerships and logistical solutions as a challenge for

renewal. Also, the more intensive co-operation in the whole partnership network is seen as a challenge when developing new products and services.

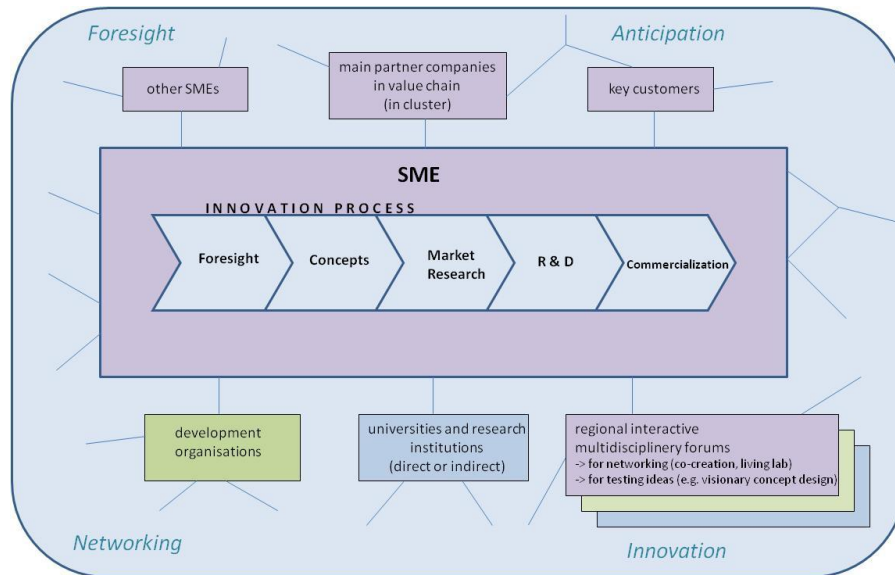


Figure 2 SME-centric proactive innovation process model with main partners and networking organisations.

Based on our experiences of arranging regional foresight forums we have noticed that in order to run the foresight process without doubles systems, it has to be seen as an input to the regional value chain/network, where the normal SMEs' activities include also visionary concept design.

To get regional practioners involved into the process the language and the terms should be practical and also the chosen themes should be relevant to the practioners. Good personal contacts and active contacting are essential as well as continuity and regular activities (neither too often, nor too seldom). Close location for activities and short and effective sessions are also prerequisites for successful forum meetings. Additionally, keynote speakers should be from practioners' own business fields, of course not forgetting new theoretical frameworks and analogies from other branches.

There are also several issues which ensure that the foresight process is covering the whole field, still focusing on substance. The structure of the sessions should be divided into one common and 2-3 theme specific sessions at the same time like scientific conferences usually do. Also, back office / home work should be done properly which means processing the development path from general to specific, e.g. from megatrends to minitrends. Instead of common megatrend like urbanization, SMEs appreciate more tips for how to follow money [6]. Moreover, covering the whole field of actors is enhanced by using practical futures research tools, e.g. PESTE analysis, the theatre metaphor with scene and stage, or strategic diamond with practical checklists.

5 Conclusions

The research gives new insights to all participants involved in the regional foresight and innovation process. For the companies it will give opportunities to co-operate and get new partners for the future. Universities and developing organizations will form international research hubs in future-watch network. The research clarifies the role of the companies and the universities in the regional network-based innovation system. The preliminary results contribute to the framework for SMEs' innovation system with foresight activity.

Still, there are some open questions. The region covered by the system has to be large enough to get variety and local buzz, but it cannot be too large; otherwise, the trust is not reached in the network, and the forum will suffer from SONK phenomenon, i.e. Scientification Of Non-Knowledge. All the participants will save the best ideas for themselves and share only so called trivialities. The results will formally look excellent, but are nonsense by nature.

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