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## Milanese SME Internationalization 2012

### Foresight Brief No. 3

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**Sponsors:** Provincia di Milano

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**Type:** A regional foresight focused on the socio-economic system of the Province of Milan and covering all local industrial systems

**Organizer:** Fondazione Rosselli

**Duration:** Sep 2002 to April 2004

**Budget:** Approximately €150,000

**Time Horizon:** 10 Years

## Purpose

The purpose of the initiative was to develop a vision and to achieve consensus among local stakeholders on the internationalization processes acting upon the socio-economic systems of the province of Milan to understand how Milanese SMEs were coping with the challenges of internationalization and EU enlargement and to assist local government bodies with their policy related priority-setting.

## PART I: Context, Objectives & Approach

### The Context of the Exercise

This foresight exercise was initiated by the head of the Department of European and International Co-operation of the Provincia di Milano, who recognized the need for a regional strategy and a common vision in order to harness the internationalization processes at work in the local economy. The motivation for this came from the observation that local industry in general and SMEs in particular, did not fully exploit the opportunities offered by the process of globalisation and more specifically by EU enlargement.

### The Main Objectives

The exercise was intended to make regional stakeholders aware of the consequences of globalisation and enlargement for Milan's economy. The intention was to point out and raise awareness of the need for further internationalization of local industry and to prompt decision makers to take action.

### Methodological Approach

A task-force composed of researchers from the Fondazione Rosselli was responsible for carrying out the project. A steering group known as the 'Comitato di Riferimento' was set up in order to establish and maintain contact with important local stakeholders. Twelve members represented the main sectors of the local socio-economic system. A panel composed of 19 experts representing the main areas of the socio-economic and industrial system of Milan came together in three workshops in order to elaborate on the scenarios.

The themes that were analyzed involved many interrelated processes with many variables and a high degree of

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uncertainty. Due to this complexity it was envisaged to carry out the foresight exercise in a step-by-step sequence, involving experts and stakeholders in order to identify relevant processes and critical drivers, allow the building of scenarios and provide the Provincia di Milano with guidelines for policies suitable at implementing measures that would favour the emergence of the most attractive and feasible scenarios for the region.

The following five project-phases can be identified:

- Description of the area's economic system focusing on the role of manufacturing and SMEs;
- Definition of a conceptual model that links the evaluation of the Milan area's industrial system with critical factors concerning the structure and organisation of the manufacturing industry, the governance system at different territorial levels, and the behaviour of individuals and society. The six main areas influencing

internationalization are sketched out in the diagram below.

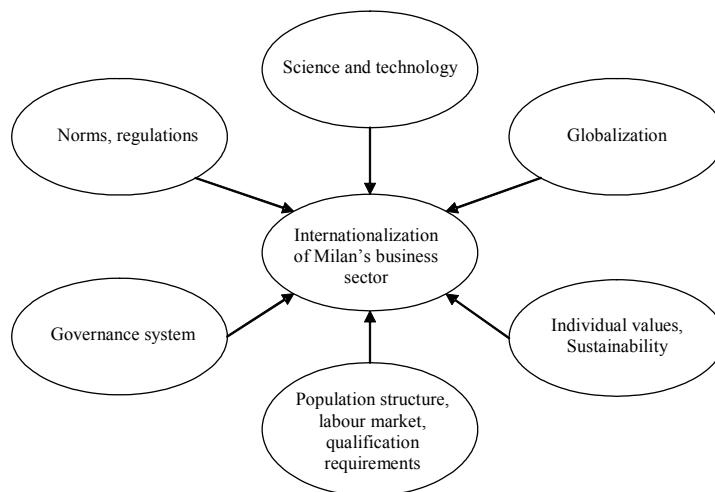
- Analysis of possible evolution paths of four important sectors in the Milan area's manufacturing industry:
  - Software,
  - Machine tools,
  - Furniture,
  - Clothes,
- Design of possible scenarios of the development of industry in the Milan area,
- Elaboration of policy guidelines for the Milan Province based on specific preferred scenarios.

The scenario-workshop method was chosen because it supported wide participation of, and the development of a shared vision with, the main regional stakeholders. The project was supported at the highest political level. This made it easier to identify to involve the most influential people in the region and to convince them to take part.

## Part II: Scenarios to Opportunities

The main challenge considered was the increasing need for the internationalization of Milanese industry in response to an ongoing trend of globalization and the enlargement of the European Union.

In order to guide the foresight process, a conceptual model was developed which identified six main areas influencing the internationalisation process of the local industry. The critical drivers were situated within these areas.



### Fifteen Drivers of Internationalisation

Based on this model fifteen critical 'driving forces' were identified in the scenario workshop as being crucial for the internationalisation of local industry:

- Product innovation and big projects in view of their importance for international competitiveness,
- Activities at research centres as well as creative and brain-intensive activities in the region,

- Financial incentives for R&D and innovation as well as for the realization of big projects,
- Close cooperation between enterprises and research centres,
- Predominance of SMEs, characterised by slow growth and conservative acquisition strategies,
- Design and branding ('Made in Italy') as a competitive advantage at international level,
- Comparatively low quality of life within the province and especially within the city of Milan,

- Global competition due to enlargement of the EU and growing competition from new industrialized nations,
- Consumer demand for sustainable products and services as well as for increasingly complex and personalized solutions,
- The financial system and its special role for SMEs,
- Availability and continuous upgrading of human resources,
- The willingness of enterprise to take risks,
- The governance system of the Province of Milan,
- Coordination of policies at international, European, national and local level,
- Environmental and social sustainability of production as a differentiating asset.

### Four Scenarios

For building the scenarios two basic variables were identified. The first was the 'Governance system' indicating the degree of integration and cooperation within the regional government and with national and supranational government levels. The second basic variable was the 'Business Model' that local enterprise might adopt. This refers to the preference of business for incremental rather than radical innovation, their consideration of long or medium term time horizons and their orientation towards efficiency rather than sustainability. As business strategy is also dependent on consumer behaviour this aspect is also taken into consideration. Although the exercise took into account the entire local industrial system, it considered in particular two technology-based sectors as well as two design driven sectors:

- Software,
- Machine Tools
- Furniture &
- Clothes.

### Trends, Trend-Breaks and Criticalities in Four Key Sectors

The scenarios for these sectors were created by help of personal interviews with local entrepreneurs, at least ten for each sector. This allowed the foresight team to highlight the main criticalities in relation to the geographical area of origin, of most relevant foreign competitors, their sources of competitive advantage as well as the opportunities open to them in terms of new geographical markets, and sources of supply. The four scenarios described different situations that might occur in the future. They pointed out opportunities and challenges that might arise under the specific variables assumed.

## Part III: Consequences for Policy

### Enhancing Cooperation and Innovation

### Opportunities and Challenges

In particular the scenarios highlighted the consequences and the direct and indirect impact of the basic drivers on the competitive position of local firms. It was pointed out that access to new geographical markets and defence from 'disloyal' forms of competition such as the forgery of local brands, would be crucial issues for the future.

With respect to policy, the level of coordination and integration among the different local governments, as well as their capacity of adopting a pro-active approach to addressing these issues were stressed as being important areas for future action. More integration and coordination within the governance system is seen as a major opportunity. It is believed that this will support the internationalization of local industry by enhancing the relations between enterprises and the public administration system, by making bureaucratic procedures faster and easier, and by providing better services for enterprises. More coordination with the European levels of governance is expected to lead to consistent regulations within Member States. These will facilitate international relationships, especially with the New Member States. Better contact to the national government will lead to the development of a better transport system and infrastructure which is needed to support international trade.

One challenge that was identified was that manufacturing enterprise may not be focused enough on sustainability issues. The perception is that they do not take into account long-term issues in their decision-making. Instead they focus on incremental product innovation with the aim of improving efficiency, providing higher consumer benefits and lower prices. A major opportunity is seen in the development of more flexible production systems and the reduction of costs to sharpen the competitive profile of the sector in a highly dynamic global market context.

Competition from newly industrialized economies will require Milanese enterprise to adapt their business strategies. They will have to abandon low-tech segments and concentrate on more sophisticated, more knowledge-intensive production. They may need to delocalize some of their enterprise activities to countries outside the EU.

For creative industries there are opportunities that result from concentrating on high product quality, constant improvement of the know-how of its labour force and the development of a strong brand name in international markets.

The political indications developed at the end of the exercise highlighted actions to be taken by the Province of Milan, its governing body and its administrative entities. These are based mainly on the consideration of two contrasting scenarios

which were selected as providing the most plausible and coherent frameworks for the future. One of these described a rather pessimistic ‘business-as-usual’ continuation of the current situation, while the other scenario represented a relatively ideal situation for the future. The overall strategic orientation for the Province of Milan is to realize the latter scenario. The specific recommendations aim to avoid the negative consequences characteristic of the first scenarios and at realizing the positive ones that characterize the attainable ideal.

### Implications of the ‘Business-as-Usual’ Scenario

- More integration and cooperation with different levels of local authority. This implies integration and cooperation with the Region of Lombardy, the Province of Milan, and their Municipalities as well as with the national and European institutions,
- Optimize the efficiency of functions and services provided by the government to the business sector within the Province,
- Extend the infrastructure available within the Province and to its neighbouring regions,
- Improve contact with business sector in order to react in a more flexible way to their changing needs,
- Support vocational training programmes and services specific to the needs of local enterprises.

### Implications of the ‘Ideal’ Scenario

- Adopt a pro-active approach to support the innovative activities of SMEs.
- Develop instruments for strategic intelligence in cooperation with local stakeholders from the productive and technical-scientific field.

- Promote projects in the fields of infrastructure and ICT,
- Introduce advanced quality standards in order to offer market opportunities for sustainable products and services,
- Promote innovative projects in the field of individual and collective mobility using ICT,
- Promote of innovative and systemic projects in the field of education and further training, health care and research,
- Promote of R&D in emerging fields, such as advanced materials and Ambient Intelligence, and fostering their diffusion into the productive sector by promoting the creation of new companies,
- Take on an integrative and coordinative role for private and public actors in connection with internationalization processes,
- Promote internationalization processes in terms of export orientation, delocalization of productive activities, joint ventures, technological innovation, co-operation with foreign universities, research centres and enterprises.

Beyond these specific recommendations the scenarios also indicate that future pathways regarding internationalization processes within the Province of Milan depend strongly on the behaviour of consumers, their individual values and their attitudes towards sustainability.

So far the initiative has not had any immediate follow up. After elections the regional government changed and key individuals who supported the project left their posts.

In the meantime however talks with the new government have started and there seems to be a growing interest in the results of the foresight process from the side of the new regional government.

## Sources and References

[www.foresight.it](http://www.foresight.it)  
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