

STRATEGIC PERFORMANCE MANAGEMENT AND LOCAL DEVELOPMENT: THE CASE OF THE MURGIA ITALIAN INDUSTRIAL DISTRICT

Antonio Lerro ^a and Giovanni Schiuma ^{ab}

^a Centre for Value Management – DAPIT, University of Basilicata, Italy

^b Centre for Business Performance, Cranfield School of Management, UK

Abstract: *Accordingly to the emergent need to effectively plan and implement new development strategies at local level, aim of this contribution is to define a monitoring and evaluating model for the strategic performance management within local systems of firms, clusters, industrial districts: it plays as a tool for interpretation and analysis of the evolutive dynamics of the LPSs and for defining programs and projects supporting the performance improvements of the firms belonging to the LPS as well as of the LPS as a whole.*

Finally, the empirical evidences are focalised on the Italian industrial district of sofa furniture located between Basilicata and Puglia, in the east-south of Italy, one of the most important local productive area of the Made in Italy system. It represented in the last decade a case example of an endogenous and spontaneous growth capacity pulled by its leading firms; nowadays, it is suffering a lot the emergence of new global competitor and it show explicitly and plastically the need for industrial districts to endow of models and tools specifically addressed to manage strategic performance of firms as well as of the district as a whole. The insights emerging through the District Value Monitor application could be then an informative base for other context and should drive the thought about which strategic action management and decision-makers should define, implement and control to guarantee a new successful phase of development at local and regional level.

Key-words: Local Development; Industrial District; Performance Management; District Value Monitor; Stakeholders.

1. Introduction

The deep transformations of the economic systems as well as of the society appear the result of a transition process characterised by a new distribution of the traditional competitive resources and by the success of new competitive factors. We are undergoing a dramatic transition from the industrial and information age towards a new era of cognitive power, in which the successful economic actors are those able to acquire e develop a cognitive and creative capacity. In today's economic and competitive scenario new actors, both companies and countries, are emerging, changing the economic and productive balances. Manufacturing activities are delocalised in countries where it is possible to leverage on the low cost of the

productive factors, such as in particular the labour costs. Together with this transformation we are experiencing an evolution of customers' as well as society's behaviours and living styles. New needs, expectations and wants are raising. This is gradually but dramatically involving the local development patterns and in particular the evolutive dynamics of the most clusters of firms, industrial districts and supply-chains operating in traditional and not-traditional industries in Europe. In this new economic and productive scenario the main challenge seems to reside into defining a new value model of local development. Specifically, it seems particularly relevant the most important local stakeholders' need to define structures, plans, actions and new operative behaviours supporting a new competitive growth of local systems of firms. According to this perspective, various meta-management structures aimed to drive the change management in the local systems have been constituted. However, it is possible to note that these meta-management' functions and tasks have not been still adequately and completely supported by the definition and use of approaches, models and managerial tools able to drive more effectively a strategic performance management of the local systems of firms.

Aim of this contribution is to define a monitoring and evaluating model of the performance within local systems of firms, clusters, industrial districts: it plays as a tool for interpretation and analysis of the evolutive dynamics of the LPSs and for defining programs and projects supporting the performance improvements of the firms belonging to the LPS as well as of the LPS as a whole. The research question is then summarized in the following: How is it possible to effectively plan and implement new development strategies at local level?

In this context the definition of development policies both at micro-level and macro-level has to deal with at least three main challenges: definition of a new vision of the development based on the valorisation, the coordination and the integration of the contribution of each stakeholder; definition and adoption of innovative and effective governance and managerial approaches and tools to manage the transition from industrial local systems towards more and more knowledge intensive local systems; facilitation of the change management process of the economic and productive local systems.

2. The need of a strategic performance management within LPSs

Most of the studies about LPSs in general, and particularly about Industrial Districts (IDs), have traditionally adopted a descriptive approach to analyse the competitive variables of the IDs. Only recently it is discussed about the need of the principal IDs stakeholders to define structures, projects, programs, actions and operative ways supporting new competitive

trajectories of the IDs. Specifically, scientists and decision-makers are nowadays considering differently both *a)* the strategic role of the local stakeholders in order to sustain development patterns at territorial level, particularly the possibility to adopt different collaborative modalities among companies and local institutions, and *b)* the operative tools able to drive the actions of the local institutions at strategic and functional level. For these reasons, the debate about the IDs development policies is more and more focused on inquiring new actions models on which building the strategic growth of the LPSs. These models appear more and more based on the planning of the objectives and the assessment of the results obtained in terms of competitive growth of the local productive systems.

According to this perspective, it is increasingly emerging the need of a districts' leadership not directly involved in entrepreneurial and productive activities, but operating to create conditions to enhance the "operations" of other actors (Coda, 1991). Till now, the district's leadership has been centred and conditioned by the constitution and by the operative tasks of structures of metamanagement theoretically able to manage the change processes happening within the IDs. We think, for example, to the constitution of the so-called Italian "District Agencies". However, it is possible to note that these metamanagement function have not been completely and effectively delivered and supported by the definition and use of approaches, models and managerial tools able drive a strategic performance management of the Italian IDs. This is due mainly to individualistic behaviours of the different local stakeholders as well as to the constrain of intermediating divergent positions, such as the companies and the public institutions ones.

On the other side, it has been widely recognized that the definition and the successful implementation of a strategy for an ID require more and more the analysis, the management and the assessment of the structural, functional and cognitive components that let the stakeholders of the district to generate and accumulate value during the time. For this reason, it is necessary to disposal of supporting models and tools able both to analyse and evaluate as well as to monitor and manage the different components at the base of the *operations* of the productive system. They should permit to map the ID, in order to evaluate the key-components characterizing the district development dynamics, as well as to measure the level of this development, in order to determine not only the effectiveness of the managerial policies, but also the performance changes during the time and the critical areas on which to focus the interventions.

Aim of this research contribution is such to define a monitoring and evaluating model for the strategic performance management within local systems of firms, clusters, industrial districts: it should play as a tool for interpretation and analysis of the evolutive dynamics of the IDs and for defining programs and projects supporting the performance improvements of the firms belonging to the IDs as well as of the IDs as a whole.

3. The District Value Monitor

According to the difficulties of the metamangement structures, the model of the District Value Monitor (DVM) is provided both to managers and decision-makers as a model to drive more effectively the strategic performance management within IDs, in terms of definition, planning and implementation of the actions to put in action as well as of the evaluation ex-post of these actions. In the DVM, the four perspective of the Balanced Scorecard (Kaplan and Norton, 1992; 1996) – re-interpreted for a local productive system – are integrated with a fifth perspective regarding the analysis of the competitive scenarios at local, national and international level. This latter perspective examines specifically context-based variables, factors, constraints and opportunities really or potentially influencing the district's performance (Garofalo, 1998). The DVM is based on a methodology that integrates data and information coming from different sources: statistical data, on-field investigation and direct experiences and insights within the districts. It can be assimilated to a model able to provide an instant analysis of the structural ownership and of the functioning of the ID through the definition of a SWOT analysis. The SWOT analysis elements represents then the key-factors on which, consequently, local stakeholders and decision-makers should delineate the trajectories of growth of the ID.

The application of the DVM has also the virtue to let the critical factors of the ID success common ownership of the whole local system and it represents then an important step to elaborate an effective development plan based on a shared strategy of all the local stakeholders. The main impact of the use of the DVM is then estimated in its capacity to elaborate a territorial informative base able to become a pillar for a systemic assessment of the development of the district area. In the middle term, this informative base could integrate with other informative base already available on the territories and/or managed by other actors in order to create the pre-conditions for building the so-called “Observatories of the Strategic Positioning of the ID”.

On a terminological point of view, the denomination District Value Monitor has been thought to be strongly explaining of the fact that the architecture *independent scorecard-based* typical of the managerial Balanced Scorecard (Kaplan and Norton, 1996) has been integrated the completeness of the economic models to analyse the regional and local systems.

Specifically, in the DVM, we have re-visited the classical four perspective of the Balance Scorecard according to a LPS perspective and then we have enriched them with a fifth perspective related to the analysis of the competitive scenarios at international, national and local level. In this latter perspective, we examined contexts-factors, constraints and opportunities really or potentially influencing the ID performance. The DVM is then composed by the following five correlated perspective:

- The *ID-related* competitive scenarios perspective;
- The ID internal processes perspective;
- The ID commercial perspective;
- The ID economic and financial perspective;
- The ID innovation and intellectual capital perspective.

4. Aims and applications of the District Value Monitor

The application of the DVM to an ID should play as a managerial tool able to continuously map the strategic drivers of which investing – through effective policy actions – for the ID competitive development. According to this aim, it should let:

- To clarify and translate the vision and the strategy into precise objectives to pursue;
- To control the competitive positioning of the ID through specific territorial elaboration as well as through the definition of *ad hoc* indicators to detect the economic, financial, structural, functional and cognitive variables of the district;
- To benchmark other districts or local systems, or the same district in different times, in order to monitor the competitive positioning both in absolute and relative terms as well as to monitor the improvement raised in the time;
- To communicate both to the ID's stakeholders and external stakeholders the competitive state of the system. This kind of communication is important to attract further investors as well as to inform about the "health-state" of the district;

- To define priorities of intervention to drive the district system towards a continuous development. The assessment of the performance is a necessary condition to implement strategic and managerial processes as well as to control the optimisation of the resources' allocation in order to avoid inefficiencies. This evaluation lets then to highlight the critical areas on which focalising investments to support the competitive development of the district;
- “to push towards continuous improvement”, through the definition of performance target and the involvement of all the actors of the local system. Through the assessment it is possible to involve and then also to motivate an active participation of all the stakeholders. Moreover, the assessment lets to determine the contribution of each actor into the process of continuous improvement and then to have a “reflecting” function of their efforts and contributions.

However, it is important to point out that the model of DVM provides only an informative base about the state and/or the evolution of the variables under investigation, but the decision-power about policies, programs, actions and tools of intervention on the district remains in the hands of the economic and institutional actors. According to this point of view, the DVM plays as an information manager of the strategic drivers of the ID in order to let them available to the main decision-makers. To do so, the DVM should disposal of a system of indicators able to monitor and evaluate the variables at the base of the value creation and accumulation of the ID. In particular, indicators should be chosen after an accurate decomposition of the factors and the key-dimensions of the district. Moreover, these defined sets of indicators should be subject of modification in number and content and it would depend from the need to update the key-elements on which collecting data and information useful towards the strategic planning. Finally, it is important to underline that the model should be continuously update, substituting the measure became potentially not useful respect to the needs and criticism of the local system and that the model should be considered as a methodological base of a continuous and dynamic process of refining and contextualization of the dimensions of analysis.

5. The application of the District Value Monitor in the Murgian Italian Industrial District

The Italian industrial district of sofa furniture located between Basilicata and Puglia, labelled “Distretto Murgiano del Mobile Imbottito”, in the east-south of Italy, is one of the most important local productive area of the Made in Italy System. It represented in the last decade a case example of an endogenous and spontaneous growth capacity pulled by its leading firms.

This system of firms is located in a geographic area between the provinces of Matera and Bari, and it is the world leader in the production of leather sofas. At the end of 2003, in the local area more than 500 firms, involved in the different stages of leather sofa production, were identified (Schiuma et al., 2003).

After an extraordinary economic and productive growth, the district is now dealing with an ongoing increase in the competitive pressure of firms located in the Far-East, and China in particular. The start up of these firms has been possible thanks to the initiative of some district entrepreneurs, who have decentralised some production units. These entrepreneurs, looking for new market opportunities and aiming to reach a cost competitiveness, have transferred production technologies and operation know-how performing apprenticeship processes of the local workforce. This results in risky technical-operative knowledge creation processes in an area outside the district. In fact although leather sofas produced in the Far-East are still of a lower quality compared with the district products, they are competitive because of their low price. Moreover these products present margins for a qualitative improvement due to the local availability of high quality raw material as well as of the support provided by some specialised workers, who are moving to the new productive areas motivated by economic incentives.

As this case shows, in this new context the Murgian District is suffering a lot the emergence of new global competitors and it show explicitly and plastically the need for industrial districts to endow of models and tools - specifically addressed to manage strategic performance of firms as well as of the district as a whole - aimed at increasing the firms’ capabilities to face the new emerging challenges.

In this research contribution, some main insights of a first application of the DVM to the Murgian Industrial District are presented and discussed.

6. Conclusions

To face new competitive contexts, IDs are modifying their traditional structural, functional and cognitive features. Accordingly to the emergent need to effectively plan and implement new development strategies at local level, aim of this contribution has been the definition of a monitoring and evaluating model – called District Value Monitor (DVM) - for the strategic performance management. It has been proposed as a tool for interpretation and analysis of the evolution dynamics of the IDs and for defining programs and projects supporting the performance improvements of the firms belonging to the ID as well as of the ID as a whole.

Finally, the empirical evidences have been focalised on the Murgian industrial district of sofa furniture located between Basilicata and Puglia, in the east-south of Italy, one of the most important local productive area of the Made in Italy system. The insights emerging through the District Value Monitor application represent then an informative base for other context and could drive the thought about which strategic action management and decision-makers should define, implement and control to guarantee a new successful phase of development at local and regional level.

Contact address of the authors

Antonio Lerro: Center for Value Management/LIEG, DAPIT Faculty of Engineering, University of Basilicata – Viale dell’Ateneo Lucano snc, 85100 Potenza – Italy Telephone number: +39 0971 205179 and +39 338 4255131 Fax +39 0971 205185 e-mail: antonio.lerro@unibas.it

Giovanni Schiuma: Center for Value Management/LIEG, DAPIT Faculty of Engineering, University of Basilicata – Viale dell’Ateneo Lucano snc, 85100 Potenza – Italy Telephone number: +39 0971 205179 and +39 320 4078966 Fax +39 0971 205185 e-mail: giovanni.schiuma@unibas.it

Center for Business Performance, Cranfield School of Management, Cranfield, Bedfordshire, MK43 0AL – UK e-mail: giovanni.schiuma@cranfield.ac.uk