



PROMOTING LOCAL TEXTILE STRATEGIC PLANS

BIELLA DECLARATION

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The textile sector has undergone large-scale restructuring...

The European textile and clothing sector has undergone large-scale restructuring over the last 15 years: its modernisation process has advanced steadily, increasing productivity and changing its production towards higher quality and innovative products. The downside of this development is an approximately one-third reduction in the workforce. In fact, part of the sector's activity (labour-intensive processes for the most part) has been moved to Eastern Europe countries (like Poland or Romania) or North African countries (Morocco and Tunisia).

... linked to globalisation and trade liberalisation.

This process is connected to the globalisation phenomenon. European textile firms face ever-increasing competition from developing countries, mostly in Southwest Asia. These countries combine very low wage levels with high product quality, due to the acquisition of the latest technology and know-how from more advanced countries. This competition is expected to become even fiercer as a consequence of the textile products liberalisation process started in 1995, when the textile sector joined the World Trade Organisation. In 2005, when liberalisation is completed, quantitative restrictions imposed on countries like China, India or Indonesia in European and American markets will disappear.

The textile sector is very important in some European regions

An important feature of textile sector in Europe is territorial concentration. There are many countries in the European Union which have textile-specialised regions. The economic performance of such regions is clearly linked to the evolution of the textile sector. Previous EU strategies to avoid regional crisis in these zones were based on production structure diversification (seeking alternatives to the textile sector) rather than improving textile firms' competitiveness.

New markets are needed, but we also need to...

Both independent experts and sector agents consider that the future of the textile sector in Europe depends to a large extent on the European Union negotiators' capacity to open up markets which have so far been closed to

them due to non-tariff barriers to European textile products. The European textile industry must also improve its efficiency in order to successfully face this increase in international competitiveness.

... increase the competitiveness of the sector by producing high added value

Previous studies indicate that Public Administrations have an important role to play in textile sector reorganisation. Their most important task is to help firms to adopt new technologies and favour the reorientation of firms specialised in low added value and labour-intensive products and processes towards specialised, higher quality products. Difficulties in recruiting more highly qualified workers have also been detected.

The local-regional administration can play an important role in this process ...

It has also been observed that the local-regional administration is the nearest to firms (and citizens) and, for this reason, is the best administration to promote and lead a strategic development process arrived at by consensus.

Before such action can be implemented, a highly detailed analysis of the sector's characteristics is required. In this paper, we set out to design the methodological basis for planning a territorial strategy aimed at improving the future of the textile sector in specialised European regions.

... promoting a long-term strategy arrived at by consensus.

For 12 years now, ACTE, the association that brings together most European textile groups in over 50 territories in 7 European countries, has been working to counter the different "shocks" suffered by the sector. ACTE considers that a local-regional, anticipatory, long-term strategy is required to meet the challenges posed by the likely 2005 scenario. This strategy, aimed at formulating local textile strategic plans, should be arrived at by consensus among all the agents implied.

This strategy encompasses the following steps, which are described in the following pages:

- a) Delimitation of the region of interest
- b) Detailed analysis of the region
- c) Formulation of the local strategic textile plan

A. DELIMITATION OF THE REGION OF INTEREST

It is important to clearly identify the region of interest.

The first step consists of identifying the region to be analysed. Usually, the analysis will concern a NUTS-2 or NUTS-3 region (according to EU regional nomenclature), but, in some cases, the analysed zone could be part of a territory in two or more different regions. It is also relevant to consider the “internal” administrative structure of the region: the different levels of the Administration and their powers should be clearly identified.

The “internal” localisation of the sector is also relevant.

Once the region of interest has been clearly identified, the next step consists of analysing the location of the sector inside the region: probably, we will find different groups of towns clearly specialised in the textile sector. For this reason, the concept of the *local textile labour market* would be very helpful: a group of towns specialised in textile activities and with a high degree of interdependence in terms of firms, workers, etc. The relationships between these towns are usually measured using information about “commuters”, but other types of information could also be used with this aim in mind. As a matter of fact all these economic relationships create a system of municipalities that are linked among them, this has to be considered when analysing the sector. In the context of industrial economy, this has often been identified with the concept of “local labour market” and “industrial district”.

The basic unit of analysis would be the “local textile labour market”.

B. DETAILED ANALYSIS OF THE REGION

The first step is related to analysis of the sector's development in the past.

The first step here is related to analysis of the sector's past evolution in the region, taking international and European trends as the point of reference. The analysis will be focused on the time evolution of production, firms and employment, as well as on other financial information (profits, turnover, cash-flow...).

It is also important to identify the predominant textile activities in the region.

It is also important to identify the predominant textile activities in the region. A useful tool for this analysis would be the specialisation index (which can

be calculated using different data sources: production, workers, etc.) and that allows to assess the importance of each of the sub-branches of the textile sector to the urban textile, considered in relation to the supra territorial unity that includes it. The evolution of these different activities is also relevant.

It will necessary to obtain the available statistical information about the sector in the region ...

In order to avoid unnecessary duplication of work, it is important to obtain all the available statistical information about the sector in the region. It will also be helpful to know whether any research units or institutes or even specialised consulting firms have carried out research in the textile sector, and whether these could also participate in the design and elaboration of the plan. These previous studies may be of a very different nature, depending on whether they are academic or promoted by firms or public administrations (each has its own limitations and advantages that will have to be considered before considering them as successful experiences).

... and to identify the main agents.

Another aspect to take into account is the identification of the main agents in the textile sector in the considered region. One of these agents is Public Administrations with authority over economic and industrial issues. It is important to evaluate their sensitivity (historical and present) towards the sector and the influence and attitude of other agents such as business associations, unions and experts.

Other aspects to consider are:

The territorial distribution of activities,

Once “*local textile labour markets*” have been defined, aspects such as the territorial distribution of the sector (specialisation and concentration), the past evolution of each of the local labour markets and the existence of a convergence or divergence process among them, should be analysed.

The structure of firms,

The analysis of the structure of firms in the region is also relevant for the definition of industrial policy: Are there any large firms (this could be analysed using concentration indexes such as the Gini index)? Are firms locally owned? Are there any large conglomerates? What are the trends of creation and destruction of firms in recent years?

Relationships among firms,

In order to describe the sector, information about the predominant relationships among firms in the territory is also required. Are providers and customers of textile firms in the same territory, in other parts of the country, in other EU countries or outside the EU? The possible existence of monopolistic and monopsonistic structures should also be considered.

Relationships with other firms outside the textile sector should also be considered, as the importance of other sectors also determines the density and relevance of the industrial potential of the region.

and the possible existence of an industrial district.

Another relevant issue that should be analysed is the possible existence of an *industrial district* in the considered region. Such a production structure determines a sector structure in which the territory plays a very important role. Industrial policy will be very different according to whether small and medium-sized firms predominate or if there are any large enterprises. Moreover, it should be emphasised that the first analyses of *industrial districts* were related to textile activities. Relationships between textile firms in the *industrial district* and other sectors should also be studied.

Has the considered region any competitive advantage?

From previous points, an initial assessment of the competitive advantages of the region can now be carried out. Have firms in the region any advantages derived from their location? Is innovation more frequent in the region than in competitors' (in products, processes, design, distribution)? How highly qualified and motivated are workers? Do firms strictly comply with environmental regulations?

And what are the most important limitations?

Limitations and disadvantages should also be identified. More emphasis should be made on those aspects where Public Administrations have the possibility of improving the current situation: education, infrastructure, transportation costs, etc.

The Public Administrations, then, have an important role to play in the process of improving the sector's competitiveness. For this reason, the

situation of the Public Administration (different levels, the powers of each level, coordination among them,) and past policy measures and their effects should be analysed.

External and internal analysis: SWOT

This part of the study, known as external and internal analysis, should end with a report summarising the SWOT (Strengths, Weaknesses, Opportunities and Threats) and the opinion of sector agents in the region: firms, unions, education centres, public administrations,) regarding necessary action and who should be responsible for carrying it out.

C. FORMULATION OF THE LOCAL STRATEGIC TEXTILE PLAN

Once we have a clear view of the current status of the sector in the considered territory, the next step is to define the objectives we want to achieve and how to do this. This is the context in which we need to promote local strategic textile plans.

Why a local strategic plan?

Strategic thinking focuses on the definition of a strategic vision, a central objective and key concepts for institutional and territorial development, providing the ideal framework for policy action through a plan. In this sense, strategic plans can be the ideal instrument for promoting a change of orientation in the textile sector in the medium term. This change should be made through agreements among local and regional socio-economic agents (public and private).

A strategic plan should give clear details of the measures or actions required to implement strategies and achieve the desired results. The idea is to give answers to such questions as: What should be done? Who should do it? How should this be done?

First step: Objectives and key concepts

Regarding the first question, analysis of the internal and external assessment obtained from previous steps should provide the information required to identify objectives and key concepts to direct the strategies of the plan.

**Second step:
*Identification of
the agents in the
process***

***Developer:
Local-regional
Public
Administration***

***Agents:
Firms, unions,
universities, etc.***

***Territorial
relationships
should also be
considered.***

**Third step:
*Characterisation
of sector
strategies.***

Regarding the second question (who should do it?), the second step in drawing up a strategic plan concerns identifying the main agents in the process. It is important to differentiate between developers and other agents. As has been previously mentioned, the promoter, that is, the agent, is in the best position to lead this strategic development process through consensus is the local-regional public administration. A key question regarding the effectiveness of the plan concerns the other agents (firms, unions, universities, technology centres,) involved in formulating the plan. The participation of agents from other sectors clearly interrelated with textile activities should also be considered (i.e., car industry, building sector or chemistry firms). In this sense, the analyses carried out in previous steps should provide information helping to identify the agents that should be taken into account.

But these measures cannot be carried out independently of action at other levels, particularly in neighbouring regions. Information and experiences should be exchanged and common actions defined, therefore. In this sense, consideration of “*local textile labour markets*” enables us to define those other agents that should participate in drawing up the strategic plan.

Once the objectives and key concepts have been defined and the agents who should take part in the formulation in the plan have been identified, the next step consists of establishing clearly defined policy actions. These actions should be aimed at achieving the strategic objectives identified in the SWOT analysis. To determine these actions, it is also important to take into account their viability in the considered region, the probable impact of the strategy on the desired results and the costs and benefits associated to them.

For the sectors considered, these actions could be classified into six different areas: production, marketing, distribution, company agreements, territorial agreements and innovation.

Production

Regarding production strategies, action should be aimed at achieving an increase in firms' productivity through better use of resources (including inputs and labour force) and the introduction of environmentally-friendly technologies that enable added value to be increased. It is important to stress that this process requires the in-depth reorientation of public and private investment that would not be possible in the short-term. The idea would be to establish a starting point and to gradually advance towards products with a higher technological level (but which are also innovative) and towards production cycles that generate the least waste. This change cannot ignore the fact that not all potential markets have the same preferences in terms of the price/quality ratio and, for this reason, it is important to consider the possibility of differentiating products according to these preferences.

Marketing

Apart from being competitive, products and their characteristics should be known to potential customers (final consumers or firms). It is not always easy to gain a good reputation, and this task is usually linked to distribution strategies. In a sector where fashion is important, it is essential to analyse the advantages and disadvantages of having direct outlets, joint ventures with big stores or promotion and export consortiums. In this sense, agreements among firms can play an important role inside and outside the considered region with regard to marketing and distribution aspects or others that will be considered later under innovation.

Distribution

Company agreements

Territorial agreement

An aspect that has been analysed before is the need to establish a collaboration framework between the different agents involved in the process. In fact, this "territorial agreement" should also include aspects related to the powers of the different levels of Public Administrations according to the idea of *governance*. Strategies should be divided between the different administrations, the limits and responsibilities of each clearly defined, and they should also exchange information and cooperate with each other. This cooperation should be clearly seen by other agents involved in the process.

Innovation

A final strategy, dealt with separately due to its importance to the sector, is related to innovation. A key aspect to guarantee the competitiveness of the sector is to improve its capacity for innovation, not only through greater technological development but also by recruiting highly-qualified workers, adopting new educational standards and promoting the sector to make it more attractive. However, in the short-term at least, this strategy may reduce employment in the sector in the territory by reducing workforce requirements. Action anticipating such an effect should, therefore, be planned.

Fourth step: *Objectives prioritization*

There are several options with regard to adopting the strategies in these six different areas, and in fact, each area might require the application of different policy measures or instruments (technical and financial agreements, regulation changes, good practice guides, tax incentives, subsidies, direct investment, etc.). For this reason, objectives should be previously prioritised in order to guarantee the viability of the strategic plan. It is important that there should be general agreement that such a ranking of preferences is the right one.

Fifth step: *Implementation of planned actions*

Once the planned actions have been designed and ranked in order of importance, it is necessary to establish how these actions should be put into practice. First of all, managers and calendars for each action should be identified. Reports evaluating the impact of these actions should also be drawn up periodically. The systematic evaluation of results is clearly an important necessity. Clear objectives should also permit indicators of the success or failure of action to be established. Feedback should also be considered in order to redefine implemented measures should results fail to be as expected.

Sixth step: *Financial plan*

At the same time that the plan begins to be implemented, it is necessary to determine the financial contribution of each of the participants in the plan. The amount required from public and private sources should be analysed for each region and for each policy measure to be implemented. In the case of

the Public Administrations, coordination between the different levels (local, regional, national and supranational) is also necessary.

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