

Wood Processing and Furniture Industry - Improving Competitiveness through CREDO Boards in Bosnia and Herzegovina



by



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1- Background and Context

CREDO Boards are established in the framework of CREDO (Competitive Regional Economic Development) Krajina project¹, being implemented in the North-West area of Bosnia and Herzegovina. CREDO Krajina project aims to support SMEs to improve their competitiveness and to enhance support to SMEs. This project is the third and improved application of CREDO methodology in the country as an innovative approach to both regional economic and industrial sector development resulting with improved competitiveness and sustainable jobs in a region.

The project, funded by Sida² and implemented by Eda, a local NGO focused on economic development, has been running since March 2013 and lasts until October 2015 with a special focus on the following four sectors: wood processing and furniture industry, metal processing, food and drinks, and footwear industry.

CREDO approach is to work with the industry and supporting institutions to address both market failures and government failures that restrain competitiveness of selected industrial sectors as well as opportunities for both specific and systemic interventions aimed to improve their competitiveness. This approach is based on a concept of *Systemic Competitiveness* following its meaning and application as described and promoted by Jorg Meyer-Stamer, founder of Mesopartner (<http://www.mesopartner.com/>).

¹ More information on the project: <http://www.edabl.org/en-UK/Credo/Default.aspx>

² <http://www.sida.se/English/Countries-and-regions/Europe/Bosnia-Herzegovina/>



The concept of Systemic Competitiveness introduces four interacting analytical levels: the micro-level with companies in competitive markets mutually competing and networking; the meso-level of selective interventions and institutions to support companies to create competitive advantages; the macro-level of generic institutions, economic policies and framework conditions; the meta-level of social behaviour patterns relevant for economic system and development in respective territory. Focus of the CREDO approach is on the meso-level and micro-level to identify and facilitate implementation of interventions that would lead to improved competitiveness with new and sustainable jobs in the sector.

Approach to the implementation of interventions is an effort to combine *Systemic Insight Approach* (<http://www.mesopartner.com/>) and *Cynefin* framework developed by Dave Snowden (<http://cognitive-edge.com/>) in order to respond properly to challenges of intervening in complex adaptive systems.

2- Partnership, Structure and Processes

Sector board for wood processing and furniture industry was established in November 2013. The board has 12 members and consists of directors/owners of successful companies who are competent and committed to development of their companies and sector as a whole. Through involvement of leading SMEs in the work of the board it is ensured that over one year they will take over the lead part and become leaders and owners of the process. That way they are being both motivated and made accountable for the entire process as well as enabled to continue with sector's improvements.

Chairman of the board is an owner and director of a medium sized company producing and exporting parquet and multilayer wood flooring. He coordinates the work of the board and chairs the process.

The board is supported by a coordinator from the project team and a sector expert. Coordinator takes care not only about logistics but also about methodology and tools used, communication between the meetings and facilitation if the meeting is arranged in a more workshop oriented format. Sector expert supports the board and coordinator with specific expertise when such support is necessary.

The board holds seven sessions over the period of one year. During those sessions and between them the board should identify main challenges the sectors is facing with, key bottlenecks and barriers for growth of SMEs and specific interventions needed to improve competitiveness in both short and longer term. Some of the sessions use a workshop format with visualisation tools. Up to now the board held five sessions (last two in the companies of the board members) and organised a study tour to Austria and Germany.

What is specific for this approach is a kind of multi-layer dialogue leading to improvement measures.

First circle of the dialogue takes place between directors of leading companies in the sector supported by specific expertise that is provided by sector experts and deeper analyses (value chain analysis and gap analysis). First hypotheses formulated on the meetings/workshops of a sector board (using Porter's Diamond format) are being checked and re-formulated during a deeper analysis that involves more companies through interviews based on a value chain approach and adapted Porter's Five Forces tool.

When the analysis is completed and findings confirmed by the sector board, a new circle of dialogue starts, now with meso-institutions that could facilitate or resolve identified market failures or government failures. In parallel some of the interventions, mostly at the micro and meta-level, are being undertaken: some of them as obvious, incremental and potentially as quick-wins and some others as sensemaking probes to find-out more about emerging patterns of behaviour and changes that are needed as well as about support and resistance to those changes.

The process flow has two main dimensions: (1) going from generic to more specific insights regarding diagnosis of issues related to competitiveness of SMEs and sector in the region; and (2) going from specific insights to systemic interventions at four levels (micro level - SMEs and their interactions; meso - specific policies and instruments targeting competitiveness; macro - relevant generic policies; meta - building trust, social capital and cooperation).

The process is more spiral than linear with constant feed-back loops that help learning and adjusting.

3- Results so far

- Strengths and Weaknesses of the Wood Processing Sector identified and agreed (an adapted version of Porter's Diamond was used in a workshop format)
- Key market failures in each stage of the Solid Wood Furniture Value Chain identified
- A Value Chain Analysis for Solid Wood Furniture completed, approved by the Board, published and disseminated
- A Gap Analysis for Wood Processing Sector completed, approved by the Board, published and disseminated
- Key findings related to the factors inhibiting or enabling competitiveness presented and discussed with a broader group of stakeholders (from governments, companies and chambers, universities, agencies focused on SMEs, investment and export promotion...)
- Interventions discussed and prioritized by the Board
- Quick-wins interventions undertaken
- The first B2B deliveries between the members spontaneously arranged
- The first joint initiatives of companies for consultancy services launched
- An Action plan with more catalytic interventions finalized.



4- Expected Results

- Meso-level institutions initiated specific policies and instruments to address identified market failures, primarily regarding education of engineers, vocational training, laboratories and software for product design and rapid prototyping
- A new policy for procurement of wooden raw material in favor of more value-added and export oriented production created, agreed and adopted
- Increase of joint initiatives of companies for consultancy services and its expansion on other areas (procurement, marketing, joint exhibitions, etc.)

5- Private Sector Growth Component

This initiative is aimed to improve competitiveness of the wood processing and furniture sector in parallel to similar improvements in three other selected sectors (metal, food and footwear) resulting with new and sustainable jobs. Through implementation of a range of interventions primarily identified by the private sector (leading regional companies) it should lead to:

- significantly increased export on very demanding European markets,
- improved profitability of the sector,
- hundreds of newly created jobs and thousands of sustained jobs, and
- new investments and investors in the sector and the region.

In order to achieve those growth indicators a complex process of reorientation and restructuring of meso-institutions that should support companies and their networking is initiated.

Biographies of Authors:

Zdravko Miovcic has a Master's degree in Management (Solving Development Problems) and almost thirty years of working experience in industry, government and consultancy. For the last more than 16 years he has been director of Eda - Enterprise Development Agency from Banja Luka, the first sustainable non-government organisation in BiH focused on economic development. Zdravko is an associate of Mesopartner from March 2014.

He was engaged as a key expert or senior expert in several projects in Bosnia and Herzegovina and Serbia focused on SME policy development, regional innovation and local/regional economic development. He is team leader of the CREDO Krajina project funded by Sweden and implemented by Eda, with total value of EUR 3,3 millions.

Zdravko has more than 15 years of proven experience as a consultant, trainer, training developer and moderator/facilitator.

He is author of several books mainly written for leaders and practitioners in local/regional government and SMEs.