



## The role of R&D in a cluster organization

**Istanbul Conference**  
25th - 26th May

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## Presentation

1. Focus on innovation
2. Clusters in 2006
3. Innovation in clusters

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## 1. Focus on innovation

Total innovation and  
Strategic Thinking  
as instruments for success

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## Total innovation

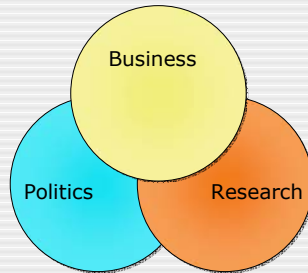
- Promoting sustainable growth by generating new knowledge and new technologies that lead to new products, new processes, new services
- Promoting research in multiple sectors in partnerships among enterprises, the public sector, the universities and other research organizations

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## The triple propeller

The push for innovation has to come from a combination of forces



## Total innovation

- Must be the result of continuous interaction of the market with new technologies and applicable organization models
- More than just technological or style innovation, it can also apply to processes and business models (e.g. Zara, Ikea, Ryanair)

## Total innovation

- **Business:** new ways of responding to consumers
- **Product:** in terms of attributes, functions, fashion and design
- **Organization:** new management style
- **Technology:** new materials, production processes, ICT
- **Processes:** Logistics, Production, Distribution, Internationalization
- **Service:** shorter time-to-market and lead-time, customized products

## Innovative thinking

- A culture of **continuous improvement**, to keep competitors at bay
- Strategy of **competitiveness**, applied to the company and the cluster
- **Total innovation** in every aspect of the business

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## 2. Clusters in 2006

An idea for conversion of the cluster model to make it successful again

## Clusters up to now

### A model Italian district

- An area in which the steps of an entire production chain are concentrated in a cluster of companies
- The companies engaged in the last step coordinate the entire production process
- All the companies in the chain possess good general knowledge of it
- In some cases, one or more leading companies guide innovative processes

## Clusters until recently

### A self-referential closed area

- Convergence of demand in the cluster: clients attracted (pull)
- Production process entirely carried out in the cluster
- "Know-how" sedimented in the small one-step only enterprises
- Development through continuous spin-offs
- Innovation prevalently incremental
- Innovation by "intelligent" followers

## The future of a textile district

	Evolved district	Globalized district	Design district	Dissolved district
<b>Model</b>	<b>Fashion Valley</b>	<b>Trivisio/Ponetton</b>	<b>Giugiaro cars</b>	<b>Manchester</b>
<b>Mission</b>	"Design and produce for the world"	"Progettare nel distretto e produrre nel mondo"	"Design for the world"	Do something else
<b>% involvement</b>	<b>45%</b>	<b>30%</b>	<b>5%</b>	<b>20%</b>
<b>key actions</b>	Valorization of creativity, speed and quality	Exporting creativity and delocalization of production with goals of supervising (and cost reduction)	Exporting creativity and capacity for innovation	Closure of businesses (for lack of profit)
<b>How they are handling competition</b>	Competition met through differentiation	Competition met through differentiation and supervising	Abandon of production and sale of Know-how	No reaction
<b>What about competitiveness?</b>	Competitiveness to be sought in medium-high market segment	Competitiveness maintained through delocalization (supervising+cutting costs)	Overall loss of competitiveness in production, but leadership in design	Loss of general competitiveness
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## The future of a textile district

	Evolved district	Globalized district	Design district	Dissolved district
<b>Factors for success</b>	<ul style="list-style-type: none"> <li>Know-how and innovation</li> <li>Efficiency/Effectiveness</li> <li>Positioning in medium/medium-high range</li> </ul>	<ul style="list-style-type: none"> <li>Historical know-how and individual innovation</li> <li>companies are larger</li> <li>Product where it's cheaper and sell where possible</li> </ul>	<ul style="list-style-type: none"> <li>Know-how and innovation</li> <li>A workshop for the development of prototypes, samples and collections</li> </ul>	<ul style="list-style-type: none"> <li>Total conversion of the district with some residue (large companies and niche operators)</li> </ul>
<b>What about district know-how?</b>	KH exploited locally	KH spread in the world	KH sold (©)	KH lost
<b>But survives?</b>	Advanced companies	companies with an international vocation	"commission" companies	Sites of large companies and niche producers
<b>Effects on no. of companies</b>	Conservative companies close	Fewer companies	Reduction and conversion of companies	Disappearance of companies
<b>Effects on employment</b>	Employment is maintained	Major loss of employment	Drastic reduction of employment	Almost total loss of specific employment
<b>Effects on investments</b>	More investments in the district	Investments mainly delocalized	Investments in R&D	Divestment
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## Current development

- Globalization of production capabilities, even if the quality is not the same
- Keen international competition on prices
- Loss of competitiveness and attractiveness of the cluster
- Closure of weaker companies, especially subcontractors

## Clusters today

### An area open to the outside

- Main processes delocalized to countries with cheap labor
- Loss of control of processes
- Breakdown of district balance
- Closure of small companies: loss of know-how
- Loss of competitive advantages

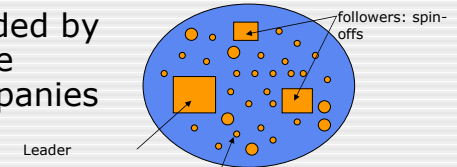
## Effects on the cluster

**Prato: the most important and significant Italian district**  
(textiles and apparel)

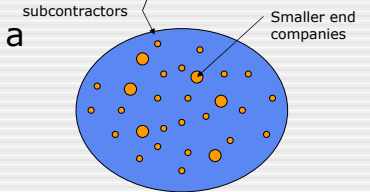
- **1981:**  
16,000 companies 60,000 employees
- **1991:**  
12,000 companies 45,000 employees
- **2001:**  
9,800 companies 40,000 employees
- **2005:**  
8,800 companies 31,500 employees

## Two types of cluster

- Cluster guided by one or more leader companies



- Cluster without a (spontaneous) leader



## Cluster with leader

### Threats

- Risk that they delocalize production abroad
- Only service companies remain active in the cluster
- Drastic reduction of small subcontractors
- Breakup of the district

(Eyewear in Belluno)

## Cluster with leader

### Opportunities

- Positioning of the leader in the high market
- Competitive advantages deriving from local know-how
- Valorization of small subcontractors
- Strengthening of the district

(TOD'S, GUCCI)

## Districts with a leading company

- **Treviso** (apparel): Benetton, Sisley, Replay
- **Florence** (leather goods): Gucci
- **Matera** (furniture): Natuzzi, Niccoletti, Calia
- **Belluno** (eyewear): Safilo, Luxottica, Marcolin

## Cluster without leader

### Threats

- Weak end companies (management, finance, innovation, internationalization)
- Loss of competitiveness
- Breakup of district

## Cluster without leader

### Opportunities

- End companies stronger and in alternative positions
- Managerial development, financing outside the family, innovation, internationalization)
- Exploitation of know-how in the cluster
- Consolidation of cluster

## Clusters without leader

- **Prato** (textiles and apparel)
- **Carpi** (knitwear)
- **Barletta** (footwear)

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## 3. Innovation in the clusters

Possible solutions and ideal strategies

## Premise

- The classical district model no longer guarantees success in the medium/long term
- How to recover competitiveness?

Through the stimulus of  
**WIDESPREAD INNOVATIVE  
THINKING THROUGHOUT THE  
DISTRICT!!**

## Problems

- Interaction between industries and research institutes
- Defining the focal points of research to enhance the competitiveness of the companies
- Difference between incremental innovation and strong innovation
- How strong must the role of the companies be in the triple propeller?

## Who should guide innovation?

- There are very few **leader companies** that can guide innovative processes
- The **medium companies** do not have either the structure or the skills to close the quality gap
- The **small companies**, commission plants, have the “know how”, but risk losing their skills
- The **Public Administration** cannot take the place of the entrepreneur, but only provide stimuli

## Who can guide innovation?

### Three solutions:

- It can be guided by the **leader companies** with high level products
- It can be oriented and stimulated by a **Development Agency**, in clusters without leaders
- It can be developed and guided by a **Trading Company** in the cluster

## Guided by leaders

- The future of the district is linked to the ability of the leaders-guides to evolve
- The success of the district remains linked to the positioning of its leaders:
  - If low, the risk is loss of competitiveness and breakup
  - If high, there are good chances of positive development

## Agency for development

- A strategic public or private organization that performs the role of stimulating innovation
- The end companies in the district, stimulated by the agency, move towards total innovation
- This necessitates strong growth (in size, organization, management) of the companies handling the production processes

## Agency for development

- **Three viewpoints:** entrepreneurial (decisions&financing), public (financing) and university/research (ideas and applications)
- **Activities:** actions stimulating innovation, evaluation of projects to finance, control of results

## Trading company

- This is a radical strategy to save the skills of districts moving towards dissolution
- Based on the model of the Trading Companies created in Japan after the war
- Takes the place of the small companies in spreading their "know-how"

## Conclusion

**"The best way to predict the future is to invent it!"**

(Alan Kay, American information expert)

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