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Diagnostic Analysis - the Starting Point in the Elaboration of the Local Development Strategy Oriented Towards Regional Competitiveness

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Abstract: *One of the effects of globalization represents an increasing competition between regions in order to attract financial and human resources which allow a continuously development. In this respect, communities are more concerned about increasing the attractiveness and competitiveness of the region measured by the Regional Competitiveness Index (ICR). The regional competitiveness index allows regions to monitor and evaluate their evolution over time and to compare with other regions. In this context, local development strategies must focus on regional competitiveness. The diagnostic analysis represents the starting point of the process of the local development strategy design. It is therefore necessary that, in addition to the specific and traditional aspects, the diagnostic analysis should highlight and focus on the 11 pillars of regional competitiveness assessment, in order to identify the existing gaps and policies that are required for their correction.*
Keywords: *local development strategy, regional competitiveness, diagnostic analysis*

Introduction

In the current context, characterized by an increasing competition between regions in order to attract financial and human capital, communities are more and more concerned about increasing the attractiveness and competitiveness of the region which, on the one hand, leads to attracting financial, human resources in the area and implicitly the continuous development of the region.

Studies and researches carried out in the last decades on regional development have shown that the regions that have experienced a higher development are those regions considered equally attractive by investors, the workforce, regions that, even if they do not have considerable own resources, have the ability to attract and develop them.

At present, at the global level, but also at national level, there are big discrepancies between the different regions. Thus, paradoxically, regions that in the past were attractive to investors and the workforce have entered a shadow cone, being outpaced by other regions, considered in the past unattractive, or without potential for development.

At present, we can say that the development of a community, of a region is directly linked to its capacity to attract human and financial resources, in a word of its regional attractiveness and competitiveness.

In this context, local development strategies must follow the analysis and increase the level of regional competitiveness.

1. General Consideration regarding Regional Competitiveness

Today, performance and competitiveness are two very popular and used concepts, both in current language and also associated with different areas such as management, financial, marketing, technical, or administrative. An overview of the evolution and multiple uses of the term competitiveness shows us that, now, the concept has been developed and there is a large diversity of definitions and wide range of definitions and associations of this term.

Starting from the classic definition of the term, offered by Cambridge Dictionary, according to which competitiveness is "the quality of being as good as or better than others of a comparable nature", today we find various associations and approaches of the concept.

Thus, in the management literature, competitiveness has different definitions, being associated with the company / organization, employees, products or services of the company. For each approach, the management literature offers different explanations and criteria for evaluating and measuring competitiveness.

In the management literature, competitiveness is closely linked to competition and competitive advantage, being an essential condition for acquiring or maintaining a certain position.

In the current context of globalization and the limitation of any kind of resources, there is a growing competition between regions to obtain financial, technological and human resources necessary for local or regional development. This circumstance brings into discussion more and more frequent the concept of attractiveness and competitiveness of the region.

Regional competitiveness is the ability of a region to offer an attractive and sustainable environment for businesses and residents to live and work there. [1, 3]

The concept of regional competitiveness has been analyzed over time, with the aim of identifying the key factors that determine the growth of CR and developing a unique methodology for evaluating and measuring RC that allows comparing and ranking the regions according to RC. [3, 54-59]

In 2000 World Economic Forum introduced for the first time the concept of regional competitiveness and a unique methodology for evaluating it. According to this methodology, Annual Competitiveness Report 2001 identified a set of over 200 indicators for evaluating competitiveness, out of which 95 “key indicators”, divided in 11 major areas of analysis: Economical performances; Internationalization degree; The capital (value and structure); Education; Productivity; Remuneration and Workforce cost; Costs related to unprofitable companies; Taxes; Science and Technology; Computerization degree; Transport and infrastructure; Environmental protection framework and management. [2, 17]

Afterwards, the methodology and indicators were permanently updated according with the evolution of social, technological, cultural environment etc.

In 2004 Gardiner created a pyramidal model of Regional Competitiveness. In his opinion, a competitive region is defined by a superior quality of life which attracts and maintains investors, innovative SMEs, young, performing employees and specialists.

In his model, Gardiner also considers that the competitive regions are also characterized by a higher rate of productivity and employment than the average.

In his model, Gardiner considers that the regional competitiveness and performance is directly influenced by eight major factors, called as sources of competitiveness, such as: environment, regional accessibility, innovative activity, economic structure, urban scale, regional culture, social structure and human capital. [4, 57-72]

According to Gardiner, regional competitiveness/urban competitiveness is the direct result of several characteristics of economic, social, cultural, technological potential, correlated with aspects linked to the access, natural resources and general environment of the region.

Figure no. 1 Gardiner Pyramidal Model of Regional competitiveness [4, 19]

In 2010, based on the approach and methodology of calculation of the Regional Competitiveness Index (RCI) proposed by the World Economic Forum (GCI-WEF), the European Commission calculated for the first time the RCI for the 268 EU regions.

The RCI is updated every three years and allows regions to monitor and evaluate their evolution over time and compare to other EU regions. RCI is the first model providing a European perspective on the competitiveness of EU regions.

Starting with 2016, the interactive online version has been introduced, which allows a more detailed analysis and comparison of each region with the other regions of the EU or with regions that have achieved a similar GDP.

Users can now more easily see what their region has achieved in terms of innovation, governance, transportation, digital infrastructure, as well as human health and capital. The tool is also designed to help regions identify their strengths, weaknesses and investment priorities when developing their development strategies.

The tool presents, in a very attractive way, for each region the Strengths, represented in green colour and the weaknesses in red colour.

Regional Competitiveness Index assesses the competitiveness and performance of the 268 regions (NUTS-2 - Nomenclature of Territorial Units for Statistics) of European Union across the 28 member states. According the RCI methodology, Regional Competitiveness Index is assessed based on 11 essential pillars which describe different aspects of competitiveness.

The 11 pillars were determined in 2019 on the basis of a set of 74 indicators, which allow a fine analysis and an objective determination of the level of development of each pillar.

The 11 Pillars are classified into three groups: elementary, efficiency and innovation.

The **elementary group** includes five pillars: Institutions, Infrastructure, Macroeconomic stability, Health and primary education. These pillars represent the essential elementary drivers of all types of economy.

As a regional economy develops and advances in its competitiveness, factors related to a more skilled workforce and a more efficient labor market, which are part of the **efficiency group**, may come into play. It comprises three pillars: Higher education, training and Long Life Learning; Labor market efficiency; Market size.

The regions in the most advanced stage of development of a regional economy, the drivers of improvement are part of the **innovation group**, which consists of three pillars: Technological maturity; Business sophistication and Innovation.

2. Design Process of the Local Development Strategy Based on Competitiveness

Strategic planning is a multi-step process, whereby communities define the *image of the future* based on present conditions and current potential, identify and implement concrete ways and means for achieving that future.

The elaboration of the Local Development Strategy is a complex approach which involves four distinct phases: Diagnosis of the internal and external environment; Strategy development; Strategy implementation and Control and strategy evaluation.

Strategic planning at the regional or local community level is achieved through the design and implementation of the local development strategy. It must approach in an integrated way the *past*, *present* and *future* and be based on a full knowledge and assessment of community issues, and not only a simple list of strategic objectives that are not adapted, specific to the community or a *copy-paste* development strategy which belongs to other regions.

Local Development Strategy (LDS) is a planning and implementation tool, including a set of specific policies and a certain period for achieving the general objectives set.

Local Development Strategy should target the main key areas that contribute to the sustainable development of a local community/region, such as: infrastructure and environment; development of agriculture; business support; tourism; development of human resources and social services.

The deadline for achieving the LDS should correspond to the term of at least 5-10 years, set for the achievement of a Sustainable Development Strategy (SDD) and not limited to a period corresponding to the mandate of a mayor. In this way, an integrated, long-term approach of the community will conduct to major regional development projects with decisive impact on the community future.

At the same time, the elaboration of a local development strategy for a period that exceeds, for example, the mayor's mandate, should also be accompanied by a multi-annual financial plan. Even in the situation of the mayor's change, the LDS have implementation have to continue despite of pride and personal interests, taking into account only the general interest of the community. In fact, the Local Development Strategy is not the creation of a person or a group of people, but is the answer to the needs and demands of the community.

At the same time, the LDS must be periodically reviewed, so that the objectives and policies set to be updated according with:

- macroeconomic evolution at national level;
- economy at regional and local level;
- citizens and civil society opinions, priorities and expectations. In this regard, citizen consultation, participatory governance and their involvement in the decision-making process should be a permanent tool used in local communities strategic planning.

Also, the implementation of the LDS is a dynamic process, which can be influenced by political, economic, financial or economic factors, as follows [5, 36]:

- Political changes can cause changes in strategic and strategic orientations;
- Political or administrative changes may cause changes in strategic objectives or regional priorities, budget allocations / financing;
- The change of the management teams as a result of the political, administrative changes can influence the way of implementing the SDL;
- Some problems can be solved by themselves or are no longer priorities for the community, management team etc.

Local Development Strategy must be based on a good knowledge of the region's past, present and future. In this sense, the diagnosis of the internal and external environment is the key starting point of the process of elaborating the local development strategy.

The global diagnosis is made on two distinct levels: the analysis of the external environment and the analysis of the internal environment.

The internal analysis of a local community mainly follows:

- Analysis of the **human resource** available or which may be attracted to the community. This analysis is performed both from a qualitative point of view (structure by age groups, education, income, socio-professional categories) and quantitative (number, evolution, aging, migration etc.).
- Another aspect that influences the local development and attractiveness of a community is the **existing infrastructure**: utility network, business infrastructure, transport (road, rail, airport), education, health, leisure and leisure. Infrastructure has a major contribution both to attracting investors to the area and to maintaining or migrating human resources to other communities that have a better developed infrastructure and better adapted to their needs.
- In addition to these aspects, the internal diagnosis must evaluate the **administrative capacity** represented by the ability to create, apply and implement projects, attract funding sources, investors, promote the potential as well as the **financial resources** available to the community and the efficiency of their use.

The analysis of the internal environment follows the following aspects:

- Dividing the region / local community into strategic business units (SBU), which are homogeneous sub-collectivises, which can be approached unitarily from a strategic point of view. The division can be made based on the geographical criteria, access, economic development, priorities, dysfunctions etc.;
- Highlighting the strengths and weaknesses of the local community and of each strategic unit
- Identification of the qualities that are necessary for the local community to acquire / maintain a competitive position, or to reduce the gaps, to remedy the weaknesses;
- Assessing the competitive position of local community and highlighting its competitive advantages;
- Analysis of regional competitiveness – RCI and identification of strengths and weaknesses to be remedied.

The information provided by the two analyses is presented synthetically in the form of the SWOT Matrix, which indicates the weaknesses of the enterprise, the risks and opportunities of the external environment.

As we have shown above, RCI is a multicriteria analysis and diagnosis model, which allows an objective analysis and evaluation of regional competitiveness and a comparison with other similar regions.

The introduction among the criteria of analysis and diagnosis of the aspects that define the regional competitiveness, correlated with the specific and the particularities of each region allows:

- objective critical analysis of the level of development of each region;
- easily identify weaknesses and initiate measures to correct them;
- identifying the gaps between different regions of the same countries and between comparable regions in terms of GDP achieved;
- identify those strategies and policies that influenced the development of some regions.

It is therefore necessary that, in addition to the specific and traditional aspects, the diagnostic analysis should highlight and focus on the issues underlying the assessment of regional competitiveness, in order to identify the gaps and policies that are required for their correction.

Conclusions

Regional Competitiveness Index represents at the same time a diagnostic and assesement model of the regional competitiveness and an instrument to assist local authorities and management in the process of local development strategies design and monitoring their impact on the regional development.

Based on 74 indicators grouped in 11 pillars, considered to be decisive for regional development, the model provides a multicriteria comparative of all 268 EU regions competitiveness.

Regional Competitiveness Index model offers the possibility to all EU regions to evaluate and to monitor their regional performance, to identify their weaknesses, to assess the gaps and inequalities.

On the other hand, Regional Competitiveness Index is a unique, precious and transparent tool for national and local decisionmakers responsible for regional development strategies which allow them to identify the priorities, to find the best solutions inspired by success models of other regions.

We can therefore conclude that the regional competitiveness is directly influenced by its human, economic, cultural, touristic resources and also by vision and strategic orientation of community's managers. The effects of increasing regional competitiveness leads to attracting companies interested in implementing their business in local area, high-skilled people and concluding partnership with other competitive urban areas which finally facilitate know-how, good practices and experience transfer with decisive results on local development.

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