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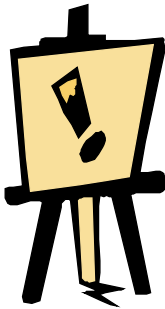
# Practitioner's Guide:

## Participatory Appraisal of Competitive Advantage (PACA®)



Participatory Appraisal of Competitive Advantage (PACA)

Brief Description

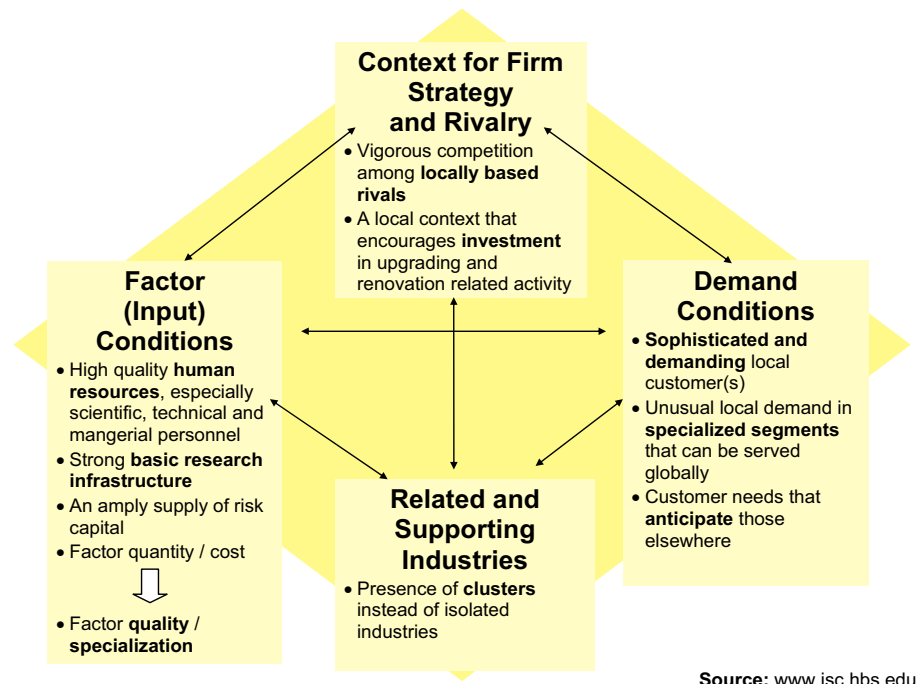


Participatory Appraisal of Competitive Advantage (PACA) differs from traditional Local Economic Development (LED) processes in that it emphasises local action and local actor mobilisation rather than the usual detailed economic study and planning process. Thus a PACA is a rapid survey of local economic opportunities and challenges combined with implementation and action learning. Local stakeholders learn to work together, build trust in each other and in their own communal activities. Therefore the PACA initially tries to mobilise the local people towards small, easily implemented LED activities.

While these small opportunities are identified and implemented, some larger opportunities or bottlenecks that will take formal project management are also identified and should not be ignored.

The facilitator should feed these activities that require more formal project management to the municipality or other identified stakeholders like a business association. Although the main body of PACA activities only lasts five to ten days it is an ongoing process of local activity that runs over at least a year. During this year certain workshop formats and other LED instruments can be applied to give the local activities more momentum, and to target new interventions.

Figure 1: The Microeconomic Business Environment (Michael Porter)



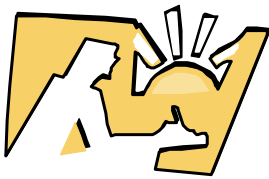
### Participatory Appraisal of Competitive Advantage (PACA)

#### Proposed Main Users

Local Economic Development Projects and Activists,  
Chambers, Economic Development Institutions,  
Donors, Municipalities, Entrepreneurs



#### Purpose of the Method



Economic development starts on a local basis. Promotion of local economic development can only to a limited extent be carried out by salaried professionals. LED can never be driven by external actors, such as consultants.

Therefore, a successful local economic development initiative relies to a substantial extent on voluntary work – businesspeople, government staff, and representatives of associations and organizations spending time in meetings and doing work which often is unpaid following a shared vision. Any local economic development initiative is therefore in need of visible, tangible results, and preferably quick results. Quick and tangible results motivate local actors to continue dedicating their time and other resources.

PACA is a methodology to prepare an action-oriented diagnostic of the local economy. It launches a local economic development initiative. It is a tool to assess and refocus ongoing local economic development activities.

It is a methodology to motivate local stakeholders to take an active role in an LED initiative. PACA projects are based on a business- and opportunity-driven concept of Local Economic Development.

The aim of PACA is to identify economic potentials and challenges and elaborate a clear idea of the capacity, motivation, and cooperative spirit of all key actors involved. This stimulates an organic LED process that stimulates the local economy:

- ▶ by creating a business-friendly environment,
- ▶ by improving the quality of the location for firms,
- ▶ by stimulating the upgrade in companies through inter-firm learning,
- ▶ through support in fields like training, management, technology,
- ▶ by refocusing and strengthening supporting institutions
- ▶ by stimulation of closer interaction between companies and supporting institutions.

As a result, new companies are attracted, entrepreneurship is stimulated. PACA is driven by opportunities, looking at short-term results, maximising the efficiency in the use of time, addressing market failure, stimulating business networking, addressing fragmentation of institutions and actors in a project- and opportunity-driven way.

### Participatory Appraisal of Competitive Advantage (PACA)

#### Advantages



- ▶ Implements activities where a demand is identified by the group of local economic key actors.
- ▶ Is a result oriented, event driven initiative and leads to quickly tangible results, which motivates actors to commit themselves.
- ▶ Improves local economic development, where joint visions lead to joint actions.
- ▶ Stimulates local actors to reflect on their local competitive advantage.
- ▶ Initiates group oriented learning processes.
- ▶ Is currently applied successfully in about 100 regions world-wide.
- ▶ Is supported by local consultants and promoters.
- ▶ Can be also applied in the analysis of value chains and business clusters.

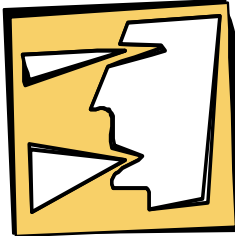
#### Limitations



- ▶ Long term economic development often requires the modification of a political framework, therefore PACA can identify shortcomings but itself is not sufficient for local and regional economic development. The creation of an enabling environment attracting local and foreign investors relies on a number of factors, which can be influenced on the macro policy level (e.g. by taxes, subsidies, laws, education or infrastructure).
- ▶ PACA is a local economic development tool. Therefore, it is limited in strengthening local and regional economies.
- ▶ PACA does not highlight long-term strategic interventions, such as catalytic projects.

## Participatory Appraisal of Competitive Advantage (PACA)

### Principles & General Procedures



### Background:

In the recent years, a paradigm shift in economic development strategies can be observed:

- ▶ from long-term planning to short-term action,
- ▶ from top-down to bottom-up,
- ▶ from government-driven to public-private partnership.

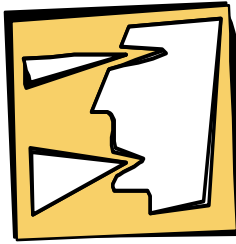
Therefore, Local Economic Development strategies have been adopted and comprise the following aspects:

- ▶ Driven by opportunity,
- ▶ Based on local resources,
- ▶ Business-driven,
- ▶ Not primarily addressing the main sector, but the motivated sector,
- ▶ Little emphasis on strategy as plan,
- ▶ Iterative process,
- ▶ Open and open-ended process ("perspectivic incrementalism"),
- ▶ Action learning,
- ▶ Main Role of LED Agents: Facilitation .

Figure 2: Where is PACA feasible?

	Local Economy			Regional Economy	
Diversified Economy	0	++	++	--	--
Cluster	++	++	++	0	--
Sector	++	++	++	0	--
Subsector	0	++	++	++	--
	City Quarter / Neighborhood	City / Municipality	Major Urban Agglomeration	Sub-Provincial Region	Province / State

## Participatory Appraisal of Competitive Advantage (PACA)



### The sequence of activities using PACA

The Participatory Appraisal of Competitive Advantage comprises eight steps of implementation, which can be divided into three overlapping time spans, the PACA project, the PACA exercise and the PACA field work (compare Fig. 3).

### The PACA Project:

An entire project applying the PACA approach, from the preparation initiation of the PACA, to the joint implementation of activities by concerned stakeholders.

### Step 1: Preparation and organisation of the PACA project

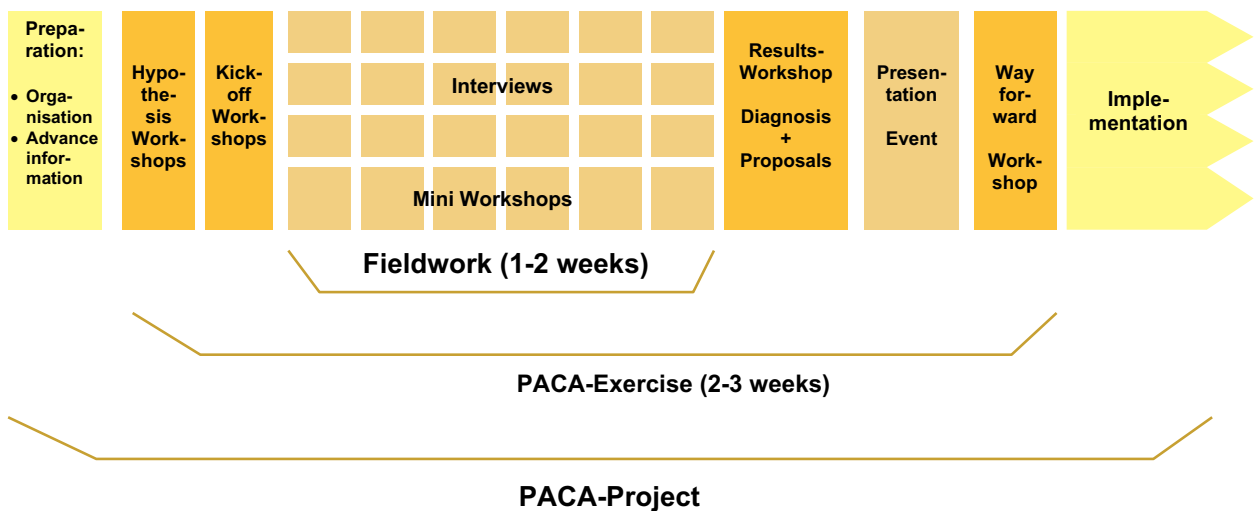
This requires the identification of involved stakeholders, such as:

- ▶ Government institution(s)
- ▶ Private sector institution(s) (e.g. Chamber)
- ▶ NGO's
- ▶ stakeholder forum

It is required to identify one stakeholder as a **PACA Host**, which

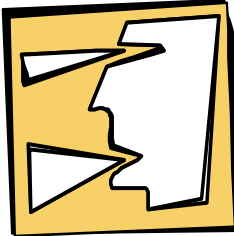
- ▶ mobilizes funds
- ▶ motivates other stakeholders
- ▶ creates a PACA team, consisting of
  - ▶ 1 - 2 external consultants
  - ▶ 3 - 5 local people

Figure 3: The sequent of activities during a PACA project



# Participatory Appraisal of Competitive Advantage (PACA)

## Principles & General Procedures



## The PACA Exercise

The PACA team

- ▶ advances information to the stakeholders,
- ▶ identifies invitees for kick-off workshop, mini-workshops and interviews,
- ▶ organizes the kick-off workshop,
- ▶ coordinates the schedule for interviews and mini-workshops,
- ▶ organizes the presentation of results.

## Organising a PACA Exercise:

In order to **get organised**, 8 - 9 weeks in advance the following activities have to be carried out:

- ▶ identify PACA Champion,
- ▶ define territory / focus,
- ▶ contract PACA Consultants.

5 - 6 weeks in advance:

- ▶ select PACA Team,
- ▶ plan details of organisation with LOCA Champion.

3 weeks in advance:

- ▶ book venues,
- ▶ invite people for kick-off, mini-workshops,
- ▶ make appointments for interviews.



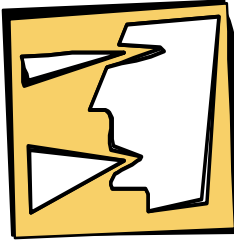
## Plan your resources:

Making 90 contacts with an average of 2 phone calls and a length of 10 minutes per call results in 30 hours on the phone! Additionally, you have to spend time for marketing, correspondence!

**Check available publications** (research, articles in papers and journals):

- ▶ Check statistics
- ▶ Main sectors in the local economy:
- ▶ What are their main competitors nationally and internationally?
- ▶ What is international good practice in promoting competitiveness in these sectors?

### Participatory Appraisal of Competitive Advantage (PACA)



#### Step 2: The Hypotheses Workshop

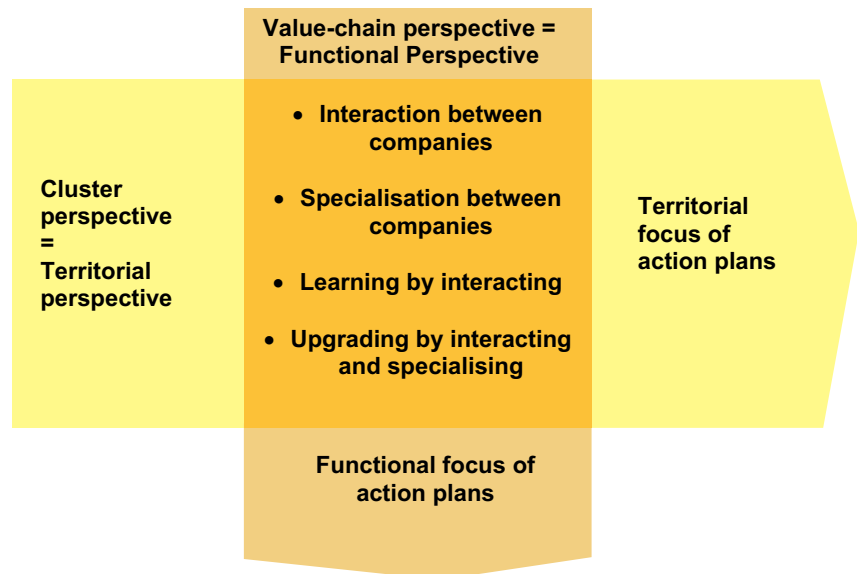
**Purpose:**

- ▶ Get a shared understanding of the expectations in the PACA Team:
  - ▶ on PACA
  - ▶ on the location
  - ▶ on possible proposals
- ▶ Make implicit opinions and prejudice explicit
- ▶ Create a base of reference for the next steps of work

**Structure:**

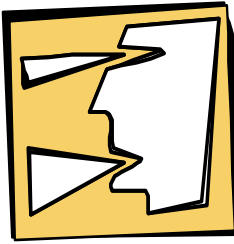
- ▶ Presentation on PACA
- ▶ Mesocard exercise 1:
  - ▶ Clarification of open questions on PACA
- ▶ LOCA Consultants respond
- ▶ Mesocard exercise 2:
  - ▶ What do we expect to be our findings?
  - ▶ What may come out as proposals?
  - ▶ Which LED activities are already going on?

Figure 4: Action plans can be developed using PACA from two perspectives





# Participatory Appraisal of Competitive Advantage (PACA)



### Step 3: The Kick-off Workshop

Invite 20 - 30 participants, e.g. via Business Chamber:

- ▶ Representatives of business associations
- ▶ Representatives of local government
- ▶ Representatives of leading firms
- ▶ Representatives of support institutions
- ▶ Local media

Make sure, you reserve adequate locality and prepare Mesocard materials before.

#### Purpose:

- ▶ Inform local stakeholders about the PACA
- ▶ Raise information about the local economy
  - ▶ hard information
  - ▶ participants' perception / interpretation of local reality
- ▶ Motivate participants to support the PACA exercise
  - ▶ arrange appointments for interviews
  - ▶ persuade colleagues to be available for interviews

#### Structure:

- ▶ Presentation of key concepts
  - ▶ Michael Porter's diamond
  - ▶ optional: Systemic Competitiveness
  - ▶ optional: LED
- ▶ Participants write Mesocard cards
- ▶ four diamond corners -- strong & weak points
- ▶ competitive advantage of the region
- ▶ vocation in ten year's time
- ▶ Discussion of cards / observations / questions
- ▶ Explanation of subsequent steps

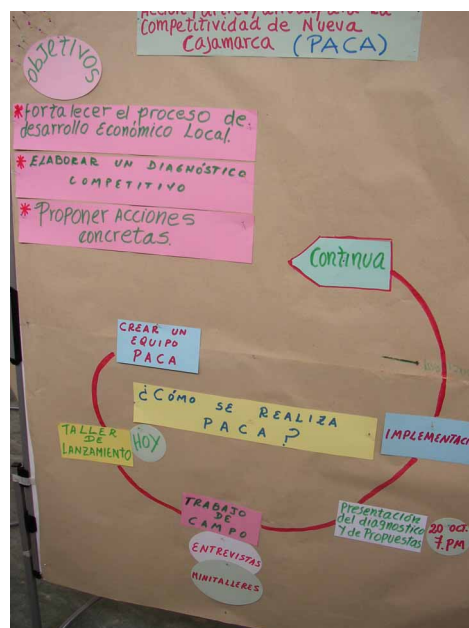
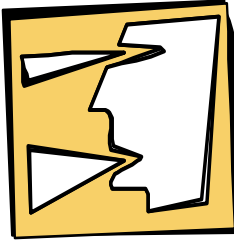


Photo 1:  
The PACA  
sequence as an  
open process is  
not limited to  
the single event  
of diagnosis of  
competitive  
advantage

# Participatory Appraisal of Competitive Advantage (PACA)



### Step 4: The Field Work:

#### A. Interviews

- ▶ Identification of firms, institutions and individuals to be met during kick-off workshop, discussion with Chamber, local government, key informers
- ▶ structured interviews ("conversations"), usually with director/CEO/executive secretary, based on open questionnaire and qualitative methodology
- ▶ conducted by external and local members of PACA Team (2 - 4 persons)
- ▶ notes about observations, minutes, formulation of more hypotheses / reformulation of hypotheses

### Questionnaire vs. Interview Guidelines

#### Questionnaire:

- ▶ Closed questions (yes/no, scoring)
- ▶ Precise wording of questions is paramount
- ▶ Fixed sequence of question

#### Interview Guideline:

- ▶ Open questions
- ▶ Wording of question not defined ex-ante - depends on situation
- ▶ Interview dramaturgy depends on interviewee

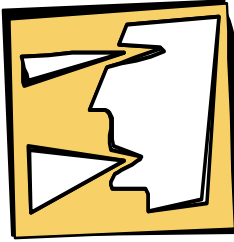
#### Purpose:

- ▶ To understand the internal structure of the company / institution
- ▶ To understand how it fits into the local economy
- ▶ To gather its perception of the local economy
- ▶ To assess its willingness to participate in a LED initiative
- ▶ To motivate it to participate in a LED initiative

#### Structure:

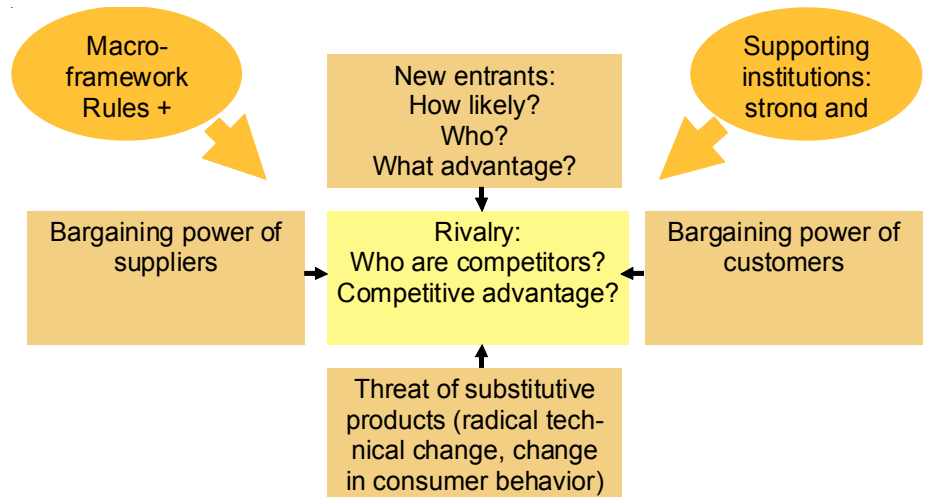
- ▶ Intra-firm effort to improve competitive advantage
- ▶ Interaction with suppliers and subcontractors
- ▶ Interaction with customers
- ▶ Interaction with competitors
- ▶ Interaction with supporting institutions: training, R+D, information, finance, etc.
- ▶ Interaction with business association and Chamber
- ▶ Relationship with and perception of local government

### Participatory Appraisal of Competitive Advantage (PACA)



A good way to organize the interview is Michael Porter's Five Forces Analysis Plus as shown in Figure 5.

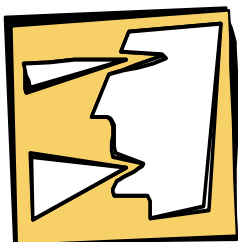
Figure 5 Michael Porter's Five Forces Plus



#### B: Mini workshops

- ▶ 5 - 15 persons with similar characteristics, e.g.
  - ▶ **participants should come from the same industry** and company-size (e.g. small garment firms, small food processing firms),
  - ▶ participants **should have a similar background** (e.g. CEFE entrepreneurs, woman entrepreneurs, innovative firms),
- ▶ objective of the mini workshop is to evaluate the performance of the sector,
- ▶ Application of Moderation Method (Mesocards),
- ▶ Structuring tools like **Porter's diamond, Five Forces Analysis, Interaction Matrix and SWOT** can be applied according to the demand of analysis.

### Participatory Appraisal of Competitive Advantage (PACA)



#### Which tools suit the Mini-workshop format?

An adaptation of Michael Porter's **Diamond** is used (compare table 1, figure 1 on page 2 and figure 6 next page),

- ▶ when a heterogeneous group is coming together,
- ▶ when the focus lies on locational factors,
- ▶ when a diversified landscape of supporting institutions.

**Table 1: Issues regarding the explanation of the four corners of Michael Porter's Diamond**

Porter terminology	PACA terminology (Kick-off Workshop)	Remarks
Firm strategy and rivalry	Main industries and companies	<ul style="list-style-type: none"> <li>• For each corner, ask for observations on strengths and weaknesses.</li> <li>• Participants are invited to mention both individual companies and (sub-)sectors.</li> </ul>
Related and supporting industries	Supporting industries (suppliers, services)	<ul style="list-style-type: none"> <li>• It is sometimes unclear whether certain companies or sectors are supporting industries or supporting institutions. For instance, banks relate to factor conditions and are thus "supporting institution", idem utilities / infrastructure.</li> <li>• It is often useful to remind participants that this corner not only refers to suppliers of raw materials and inputs but also to service providers, such as maintenance, software or subcontracting.</li> </ul>
Factor (input) conditions	Supporting institutions	<ul style="list-style-type: none"> <li>• Supporting institutions are not necessarily government bodies. Training providers, banks or utilities may be private businesses.</li> </ul>
Demand conditions	Demand conditions	<ul style="list-style-type: none"> <li>• To explain this corner, refer to examples such as large corporations, foreign buyers or tourists who demand high quality, punctuality etc. without necessarily being willing to pay a premium for this.</li> </ul>
Government		<ul style="list-style-type: none"> <li>• An additional element which appeared in Porter's articles after 1998. You may want to introduce this element during the kick-off workshop.</li> </ul>

Participatory Appraisal of Competitive Advantage (PACA)

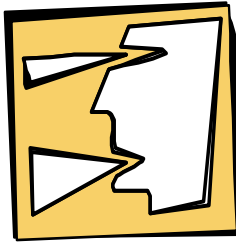
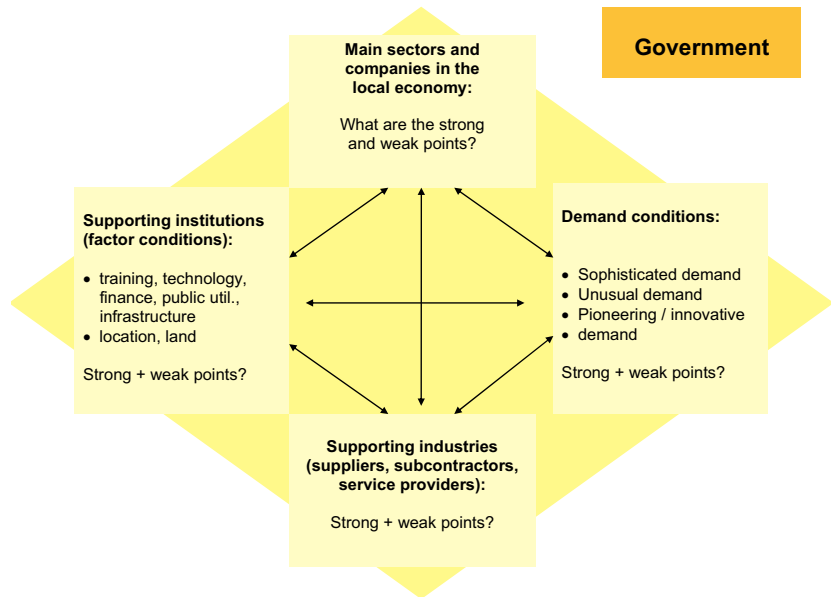


Figure 6: An adaptation of Michael Porter's "Diamond"



Michael Porter's **Five Forces Analysis** (compare Figure 6) is helpful,

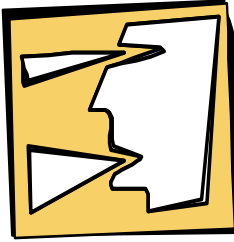
- ▶ when the miniworkshop group is a homogeneous group of businesses,
- ▶ when only few supporting institutions are involved.

A **Interaction Matrix** is used, to identify benefits and advantages in relation to costs and risks for a possible cooperation (e.g. between IT firms and universities or supporting institutions / public sector). Figure 7 depicts a transaction matrix.

Figure 7: Interaction Matrix

	Benefits	Costs and Risks
For A	<div style="display: flex; justify-content: space-around;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div>	<div style="display: flex; justify-content: space-around;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div>
For B	<div style="display: flex; justify-content: space-around;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div>	<div style="display: flex; justify-content: space-around;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="width: 40px; height: 20px; background-color: #ffffcc;"></div> </div>

## Participatory Appraisal of Competitive Advantage (PACA)



### Step 5: Results Workshop

- ▶ Internal exercise of the PACA Team,
- ▶ verification / falsification of hypotheses,
- ▶ preparation of diagnostic (Mesocard),
- ▶ strong and weak points by industry / economic branch,
- ▶ strong and weak points of supporting institutions, associations, local government,
- ▶ prioritisation of observations (Pareto),
- ▶ verify: what were the proposals which came up during the field work, i.e. in interviews and mini-workshops?
- ▶ what are further proposals the team can come up with?
- ▶ verify: which proposals meet the following criteria:
  1. realistic and viable
  2. apt for quick implementation
  3. potential for quick, visible effect

### A closer look at the "Three Criteria"

#### 1. Realistic and viable:

- ▶ Can this proposal be implemented with the locally available resources (motivation, know-how, institutions, funds,...)?

#### 2. Quick implementation:

- ▶ can you start planning for implementation next week?

#### 3. Potential for quick, visible effect:

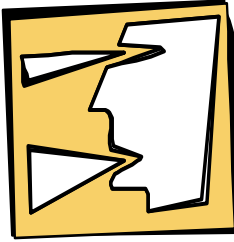
- ▶ can you expect a visible effect within three months?

The PACA team defines a score between 1 (=no) and 3 (=yes) for each criterion. Multiply the three scores.

Figure 8: Typical constellations regarding business sectors in the local economy: Where to start?

	Sector is doing well	Sector is doing not so well
Sector wants joint action to strengthen competitiveness	<b>Strategic Sector</b>	<b>Desperate sector</b>
Sector does not want joint action to strengthen competitiveness	Busy sector	Hopeless sector

# Participatory Appraisal of Competitive Advantage (PACA)



## Step 6: The Presentation Event

The format of the presentation event is different from a normal presentation. Admittedly, there is a Powerpoint presentation the Mesocard exercise breaks through the usual rituals.

Consider to give the presentation at an unusual location to make sure that participants don't forget the event.

### Structure of the Presentation Event:

- ▶ Presentation of concepts, findings and proposals,
- ▶ Mesocard exercise with audience,
- ▶ optional: additional activities with interested participants.

### Presentation of concepts, findings and proposals:

- ▶ explain the concepts and the methodology used (Powerpoint),
- ▶ present the diagnostic (Powerpoint),
- ▶ present the proposals (Powerpoint).

### Discussion of findings and proposals:

- ▶ distribute cards and markers among the participants, explain the Mesocard rules (1 idea per card, write legibly),
- ▶ ask the participants to write down their observations, questions, criticism and proposals,
- ▶ stick the cards to the wall, discuss them with the participants.



## Management of expectations

Do not create unrealistic expectations:

- ▶ do not formulate proposals which are unlikely to be implemented!
- ▶ don't promise activities which will overwhelm your capacity!
- ▶ don't promise that you will solve the local stakeholders' problems!
- ▶ don't give the impression that you come with a big bag of money!
- ▶ limit the number of proposals, and mention who will be in charge of them!

## Step 7: The Way-forward Workshops

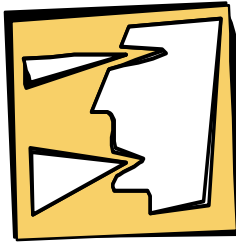
### Purpose:

- ▶ Define priorities, activities and responsibilities for implementation and monitoring
- ▶ Separate workshops around each proposal / sector

### Format:

- ▶ Explanation and clarification of the meaning, context and background of monitoring
- ▶ Mesocard: How can we implement monitoring?
- ▶ Transforming the Mesocard result into a mindmap
- ▶ Mesocard: What are the obstacles and risks in the implementation of monitoring?
- ▶ Planning exercise (Mesocard): How will we implement monitoring?

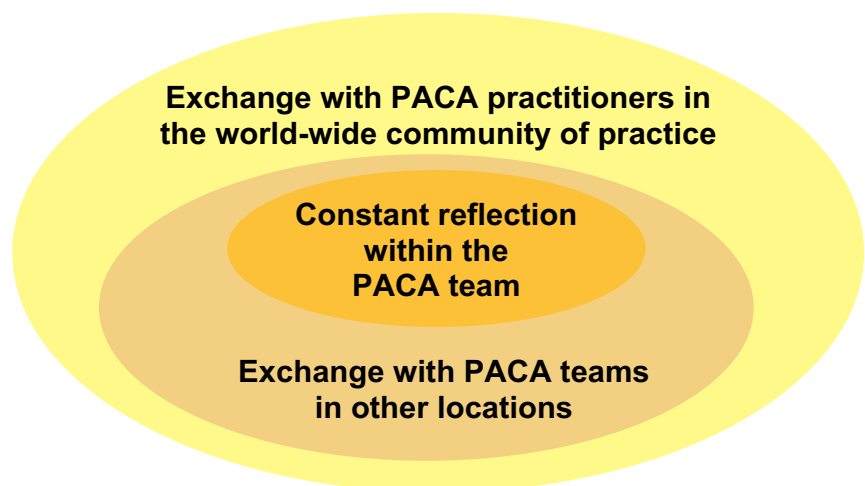
### Participatory Appraisal of Competitive Advantage (PACA)



#### Step 8: Implementation

- ▶ creation of working groups for given sectors (e.g. software, tourism) around project ideas (e.g. paleontology center),
- ▶ working groups initially operate independently,
- ▶ coordination between activities, initially informally, later, as complexity increases, via a Stakeholder Forum or similar fora.

#### How to know that you do PACA in the right way?



PACA is currently implemented in:

- |                      |                |
|----------------------|----------------|
| ▶ Armenia            | ▶ Macedonia    |
| ▶ Bolivia            | ▶ Montenegro   |
| ▶ Bosnia-Herzegovina | ▶ Namibia      |
| ▶ Brazil             | ▶ Nepal*       |
| ▶ Chile              | ▶ Nicaragua    |
| ▶ Colombia           | ▶ Peru         |
| ▶ Dom. Republic      | ▶ Serbia       |
| ▶ Ecuador            | ▶ South Africa |
| ▶ Ghana              | ▶ Sri Lanka*   |
| ▶ Honduras           | ▶ Thailand     |
| ▶ Indonesia          | ▶ Vietnam      |

\* in Sri Lanka and Nepal, the methodology PACA is renamed as LOCA (Local Competitive Advantage) in order to avoid negative connotations



### Participatory Appraisal of Competitive Advantage (PACA)

#### References and Sources Used



Frequently updated information and literature about PACA is available in English and Spanish Language on the Internet at:

- ▶ <http://www.paca-online.org>
- ▶ <http://www.loca-online.org>
- ▶ <http://www.mesopartner.com>

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