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## **The Implications of the “Emilian Model” for the Chicago Manufacturing Renaissance Council** by Matt Hancock

### **Introduction**

If Chicago and Illinois are to lead the world in high performance manufacturing, we have to look to the best examples globally. If we are to compete effectively with the best, we must compare ourselves to, and learn from, the best.

So what does the Chicago Manufacturing Renaissance Council (CMRC) have to learn from Emilia-Romagna’s economy?

Emilia-Romagna is an important model of global leadership in High Road/High Performance manufacturing. This northern-Italian region of about 4 million people has some of the highest rates of GDP growth in Europe, and leads in value-added per capita as well. (Though Italy's economy overall is stagnant, Emilia-Romagna's recent GDP growth rates sometimes exceed the US.) Emilia-Romagna was also recently named one of Europe’s most innovative regions.

Emilia-Romagna’s industrial clusters are global leaders in fields like precision mechanics, robotics, machine tools, packaging machinery, motorcycles, biomedical supplies, ceramics, farm equipment and fashion. And manufacturers are taking their businesses into the nano-age through partnerships among small firms and a regional network of innovation centers, science parks, applied research labs and universities.

Emilia-Romagna also enjoys virtually full employment (3.4% overall, and under 3% in the wealthiest provinces), and has seen a steady *increase* in employment in manufacturing over the last ten years, alongside explosive growth in the service sector, particularly in value-added services. Per-capita income in Emilia-Romagna is the highest in Italy, and among the highest in Europe. With an equitable distribution of wealth, and some of Europe’s finest social services, Emilian citizens also enjoy some of the highest levels of overall well-being. The Emilian-economy has also long been “counter-cyclical:” when recession hits Italy, the regional economy grows. And downturns are always much softer. Emilia-Romagna is proof that policymakers don’t have to choose between growth and employment/wellbeing.

### **What are the keys to this success?**

#### ***Social Values, Entrepreneurship***

At the heart of it all is a unique culture of entrepreneurship, social justice and solidarity. The region is home to over 300,000 businesses—4,000 of which are cooperatively owned. That’s nearly 1 business for every 10 residents! Many of the region’s largest firms are employee-owned or were started by skilled workers with a desire to be their own boss, a passion for production and a social mission. It’s not uncommon to hear

business owners talk about the role that their business plays in the “social development of the local community.” Or that the “union is an important partner.” The president of one employee-owned firm says that his business exists to “create wealth for future generations.”

But social values never undermine competitiveness. Rather, they are an integral part of competitive advantage. Grounded in social values, Emilian entrepreneurs have long time-horizons: they think in terms of maximizing long-term value over a period of decades and not profits on a quarterly basis. And large firms with over 250 employees account for just 1% of all firms. Instead of large, vertically integrated factories, small and medium firms compete and cooperate in flexible manufacturing networks to produce world-class goods for the global market. Behind Emilia-Romagna’s most important names (like Ducati, IMA, GD and Furla) are networks of small and medium firms.

Over the last 10 years – in the face of increasing competition from low-wage regions like Eastern Europe and China – manufacturing employment has steadily *increased* in Emilia-Romagna, with businesses focusing on innovation, quality, value-added and strategic partnerships in developing countries. This has allowed for the development of a robust, value-added service economy. All of this makes Emilia-Romagna an important model of High Road globalization.

### ***Labor as a Partner***

Another key factor in the region’s success is the role played by labor in development. An important partner in advancing the region’s High Road/High Performance development model, labor brings its own, comprehensive vision to the table. Labor has consistently advocated for company strategies based on innovation, quality and high value-added – precisely the kinds of strategies that allow businesses in advanced manufacturing economies to compete in difficult, global markets. At the company level, the union is just as likely to push employers to innovate, as it is to ask for higher wages. Labor in Emilia-Romagna is militant, and conflict between management and labor does exist, but the mutual commitment to competitiveness and development ensures that that conflict is productive, and builds companies as well as communities.

### ***Government Support for the High Road***

Finally, government has played a decisive role through its active support for the development of a High Road/High Performance economy. Government at all levels (municipal, provincial and regional) is committed to efficiency, honesty and transparency. In contrast to the bureaucratic and often corrupt national government, Emilia-Romagna’s is one of the most effective and efficient in the world. Local and regional leaders have cut through the red-tape to make Emilia-Romagna one of the best places to start and do business.

Policymakers are guided by a commitment to a strong manufacturing economy as the basis for continued prosperity in the global age. Today's policymakers think in terms of the impact of their actions forty years down the road. Government, at all levels in

partnership with business and labor, seeks to use its resources to promote High Road/High Performance development.

Some of the most important policy initiatives have included:

- The establishment of the Aldini-Valeriani Politechnical High School which has trained generations of highly-skilled workers and entrepreneurs. It was graduates of the Aldini-School that built Bologna's now world-famous packaging machinery district. Aldini continues to provide local firms and the province with a pool of skilled workers, future engineers and entrepreneurs.
- The creation of "productive areas," or low cost plants and industrial areas equipped with advanced infrastructure to make owning a plant affordable and safe for the region's burgeoning small firms. This policy continues today, with the region leading the way in the construction of new, environmentally sustainable industrial areas.
- The creation of a network of publicly funded, non-profit business service centers providing "real services" to the region's small and medium-firms. Some are sector-based, like CITER for textiles, or multi-sector like ASTER for technology transfer, CERMET for quality certification, and DEMOCENTER for automation. The centers provide subsidized training as well as valuable consulting services unavailable on the market to SMEs.
- The creation of a new, regional innovation network that includes universities, applied research labs and a series of 27 new, publicly funded "innovation centers." This new network, a public-private partnership, was designed by policymakers – in collaboration with leading business associations and labor unions – to ensure the region's competitiveness over the next forty years. Already this new policy has born fruit: nearly 1,000 engineers have been hired by small and medium-firms, in just over a year, thanks to regional funding; and the region's attempts to become a leader in nanotechnology are paying off – just this week ASTER (the agency that coordinates the region's innovation network) announced the creation of a new, solar-powered "nano-engine." The size of two molecules, this new motor is as fast a four-stroke engine turning at 60,000 RPMs with potential applications in medicine, computers and manufacturing. It will be up to the region's new networked innovation center Nanofaber, to take this technology into the development phase.
- The creation of a regional venture capital fund for small businesses.
- Regional support, through various initiatives including grants, loans and venture capital, for new entrepreneurs.

- A commitment to maintaining the most advanced public infrastructure possible.

Public policy is also increasingly making Emilia-Romagna a global destination place for High Performance manufacturing. More and more, multinational firms are choosing to locate in Emilia-Romagna because of the high quality infrastructure, skilled workforce, existing and abundant network of sub-suppliers, access to sources of innovation, and policymakers and a labor movement willing to partner with industry. A great example of government maximizing the cluster effect and taking an active role in supporting High Road/High Performance development!

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