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“LEANING AGAINST THE WIND”?
TRAJECTORIES OF RESTRUCTURING PROCESSES AND A FRAMEWORK PROPOSAL

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Introduction

The purpose of this paper is to suggest an achievable explanatory key for understanding the process of restructuring undertaken by firms in different socio-economic contexts. A likely definition of restructuring, accepted as a reference point by the AgirE Project, the European research below mentioned in the paper, refers to time and space to change the structures of workplaces in order to make them more adequate to global markets, Ict innovation, labour policies and human capital evolution, in a reasonable equilibrium between social and economic needs.

Restructuring procedures have mainly characterized the Italian debate during the late 80ies and the early 90ies. The most relevant subject was related to the re-settlement policies facing the instabilities of markets through different flexibility combinations arranged both by management and unions (Regini and Sabel 1989). Moreover, restructuring has been deeply investigated in the theoretical literature as regards to competitive advantage strategies (Milana 1988; Best 1990), to the industrial district development (Garofoli 1983), and to the internal organization of work, concerning topics such as industrial relations, social cohesion, local actors’ involvement, and others (Ekstedt 2007).

A crucial issue carefully addressed in business administration studies, as well as in the socio-economic standpoint, is the proposal of building a frame that includes different degrees of anticipation mechanisms undertaken by economic and social actors. The hypothesis of this approach is that restructuring process does not overlap a monolithic and unique method, which simply stands for a reply to difficulties and economic troubles, but it covers a wide continuum of solutions. From end to end this range shows empirical findings of “leaning against the wind” way out, with
restructuring as response to negative exogenous shocks or to endogenous crisis (Streeck, 1987), but also situations in which firms and social partners develop a pro-active strategy of innovation as a way to prevent future possible adversities. The latter circumstances is closer to the attitude that characterises many evolutionary organizational approaches (see Dosi et al. 2000). On this hand it is argued that a different way of looking at restructuring can be dealt with the type of the anticipation style undertaken by actors, in particular with two forms: operational and strategic anticipation. The former one can be considered in two different meanings: a process that manages the more negative social effects, also after plant closures, facing crisis that has already occurred, and one that anticipates and manages the effects of strategic decisions of global players as “local games”, and/or trying to face a decline that is going to take place. The latter is to be seen in terms of anticipating market and technological factors at the origin of economic change: innovative practices; and/or trying to anticipate future “possible” negative events or to innovate and restructure also in good economic trend (Negrelli, 2008).

This paper provides an overview of two case-studies\(^1\) concerned with restructuring procedures. The first one, Sabaf Group, is more referable to a cognitive and territorial perspective, while the second one, ST Microelectronics, shows an operative controlled trajectory that gets involved with a relevant role of social partners and industrial relations. The two contributions are part of an European research project named AgirE, founded by European Union and focused on both theoretical and empirical findings by institutional agencies and universities of Italy, Germany, France, Switzerland.

\(^1\) The contributions included in this paper are preliminary versions of two forthcoming publications in a collected book for Peter Lang Publishing Group. Do not quote without authors’ permission.
land, England, Netherlands, Spain, Portugal, Belgium, and many others. The aims of the project were to fix a typology of restructuring processes, to reinforce the aptitude of players of anticipating and managing restructuring, and to support the introduction of innovative techniques for regulation at community level.

1. **Restructuring as a process of anticipation for industrial districts. The case of Sabaf Group.**

This contribution\(^2\) aims to explore restructuring as a process of innovation and organizational renewal without losing or changing the socio-economic identity of the firm. Sabaf Group is a world leader manufacturer of components for domestic gas cooking appliances, with its headquarter located in the crucial industrial district (hereafter ID) of Lumezzane in the province of Brescia. Sabaf, which has been able to defend a leadership position both locally and in the global markets, has confirmed its role inside the most innovative Italian group of dynamic and “excellent” medium size firms that are not well known by scholars, and therefore indicated as “hidden champions” (Simon 1996). There are several explanatory keys of the restructuring process: the capability of understanding future ID development; a cognitive approach that breaks off traditional organizational frames; a farsighted view that plays on social cohesion as an important social mechanism; the ability of strengthening many participation tools, from

\(^2\) For the drawing up of the report I would like to thank Dr. Angelo Bettinzoli (Sabaf Group chief executive officer), Dr. Gianluca Beschi (investor relation manager), Dr. Alberto Bartoli (chief financial officer), Dr. Maddalena Giacomelli (human resources manager), Maximiliano Esti (Fim-Cisl RSU delegate), Laura Valgiovio (Fim-Cisl delegate), Law. Nicla Picchi (councillorship member of the Municipality of Lumezzane), and in particular Dr. Giuliano Cavagna (Cavagna Group) for the metallurgic sector.
good industrial relations to socio-environmental sustainability, which assure a strong “social reputation”.

1.1 **Summary of the local production system**

The decrease, and sometimes the decline, of many IDs\(^3\) has been recently explored from different viewpoints (Whitford 2001). One of the findings pointed out by literature is the lack of awareness by ID leading final firms of being involved in the crucial changes that took place in local production systems. The rapid transformations occurred in these areas have been affected by a novel sort of “propagation” model of development, in which a growing strategic role is played by the intermediate stages of the conventional vertical supply chain, now shifting to different extended structures (Humphrey and Schmitz 2002; Chiarvesio *et al.* 2003). The sub-manufacturers, addressed to a traditional capacity function for satisfying the needs of leading final firms with outsourcing solutions (especially global players), portrays a productive reality that is no longer sustainable as regards to the requirements of internationalisation in terms of competitiveness and product innovation (Mariotti 2004). Few leading final firms, guessing the incoming difficulties of the ID, laid the basis for a supply chain reconfiguration, in order to involve other suppliers and sub-manufacturers in co-design and collaboration stages. In the Italian debate this strategy has been perceived as a reply to the slack of the production system, correctly defined as “dual” for the presence of few big enterprises

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\(^3\) For an overview of ID conception see Lane (2002), Molina-Morales and Martínez-Fernández (2004), while for its meaning as an alternative driver of the notion of “sector” or “multi-sector field” see Becattini (1990).
on the one hand, and of a huge number of small and medium enterprises on the other one. This stylized representation fits more deeply traditional manufacturing IDs, especially when leading final firms represent the only “bridge” to the international markets, primarily in terms of export goods. The Id of Lumezzane, the most significant one in the province of Brescia, is a local production system characterized by many traditional marshallian features. These factors can be summed up as follows: high spatial agglomeration in manufacturing activities, many of which concentrated in the metalworking-related area and focused on mechanical segments; an industrial frame of family-structured crafty sub-contractor enterprises; the small size of firms characterized by geographically proximity; low product innovation merged with a considerable innovation set up on process, even though mainly driven by defensive benchmarking.

The vertical integrated configuration of the supply chain supported the socio-economic system during the post-war period, which saw an increasing role of the metallurgic industries with their wide range of final products, above all belonging not only to the cookware market. This kind of “world of production” (Salais and Storper 1993) is nowadays still characterized by a socio-economic identity that couples the industrial structure with an old tradition of works. Such a combination is ruled by a strong self-governing community and grounded on the attitude of manufacturing metal products with a specific family-based organization (Negrelli and Castellani 2005).

Problems are occurring due to the decline of many small enterprises with their handicraft culture. They can no longer allow young generations in taking advantage of a typical past opportunity, i.e. the possibility of getting in direct touch with the culture based on “how to do things”, which has not been successfully replaced yet, also in the educational field.
Two main pathways have characterized (and still do) the supply chain by giving raise to a prosperous period that has reached the age of the late 90ies: iron and non-ferrous metals. Products as outcome of the first one are above all cutlery and pots and pans, while on the other hand there are valves, thermostats, and so on. The foremost supply chain cycles are: mechanical manufacturing processing; heat treatments; pressing, forging, pressure die-casting; mould production. Many propitious conditions favoured primarily the source-level cycle (especially casting and die-casting), but drew all the forward cycles of the supply chain. During these years many small and familiar-based enterprises started up their activity as sub-manufacturers of header big enterprises of the ID.

1.2  Sabaf Group: overview of the Company

The industrial activity is concerned with cooking appliance, with a market deeply affected both by structural and short term conditions. Western Europe, the main geographic area for Sabaf product’s end-user market, is characterized by a high saturation rate for cooking appliances and this phenomenon affects the new appliances acquisition, which is largely to be considered in replacement terms. Economic growth rates and also positive demographic tendency in Western Europe are key factors that influence Sabaf strategies towards local manufacturers and global players. Gas cooking appliance is characterized by the presence of different actors, above all of multinational groups, while new players at international level are bringing about an over-supply, with the risk of growing competition and also of possible a greater concentration.
Furthermore, many cooking-appliance component manufacturers are falling due to a higher demanded specialisation, and this situation has deep consequences on the standards to be maintained in a field that requires both the ability in lowering average selling prices and the skill of developing new ground-breaking solutions.

The Sabaf Group\(^4\) employs around 600 people and is composed of the holding parent company Sabaf S.p.A. (listed on the Italian Bourse) with its subsidiaries Faringosi Hinges S.r.l. (hinges for ovens and dishwashers), Sabaf do Brasil Ltda (burners for the South American market), Sabaf Immobiliare SRL while Sabaf Mexico S.A. de C.V. and Sabaf USA Inc. have not been consolidated since they are still not active.

Sabaf Immobiliare is a specific subsidiary involved in the operational management in favour of employees (residential accommodation purchase). It has also stipulated a contract for the creation of some residential units to be built in Ospitaletto and to be earmarked on a priority basis for Sabaf SpA employees. The consolidated balance\(^5\) of the Group shows considerable results (amounts in € 000) in the total operating revenues and income (139,900 in 2006 compared with 121,925 in 2005) in a condition of low growing operating costs. This leads to a situation of operating profits of 28,241 in 2006 compared with 23,459 of 2005, and pre-tax profit of 27,084 compared with 23,141 of 2005. Data reflect a portrait of a firm that is currently one of the world’s principal manufacturers of components for domestic gas cooking appliances, selling about 50% of its products in Italy. The remaining 50% is exported worldwide, particularly in Europe, but also in Asia, Latin America, Africa, North America and Mexico, Oceania. The

\(^5\) In compliance with the international Financial Reporting Standards (IFRSs) issued by the International Accounting, Standards Board (IASB) and endorsed by the European Union.
market leadership position of Sabaf, with its product innovation, allows the Group to uphold the excellence of its results, despite downward selling-price pressures and also to have a significant leadership in sector costs, thanks mainly to economies of scale. Many indexes can be considered (2006 data):

- the composition of the staff by company is as follows: Sabaf SpA 484 (442 in 2005), Faringosi-Hinges 60 (62 in 2005), Sabaf do Brasil 50 (27 in 2005);

- 76.1% (452 out of 594) of employees in Sabaf Group are blue collars (74% in 2005); 22.6% (134 out of 594) are white collars and supervisors (24.7% in 2005), while 1.3% (8 out of 594) are managers (7 out of 531 in 2005);

- 35.7% of employees in Sabaf Group are women (212 out of 594), with a 80.2% as blue collars (170 out of 212), 19.3% are white collars and supervisors (41 out of 212), and 1 woman as manager (out of 8);

- the turning to temporary agency workers is mostly related to capacity production variations (131 in 2006, and 89 in 2005, but during 2006 Sabaf Group hired 52 ex-temporary workers on a permanent basis (27 in 2005);

- the staff by contract type is subdivided as follows: 531 permanent employees (89.4% compared with 91.9% in 2005), 15 temporary employees (2.5% compared with 1.7% in 2005), 48 training or apprenticeship (8.1% compared with 6.4% in 2005).

- average employee age is 33.8 and the ratio between graduates-holders of degrees plus higher education certificates and total employees is 42.1%;

- training investments on sales are 0.23% (0.19% in 2005 and 0.17% in 2004).
- non-EU workers are 4.1% (3.97% in 2005) out of total employees as regards to a benchmark of 2.34%;

Employees’ representation is based on two levels of bargaining: national one, i.e. engineering industry-wide bargaining, that includes also employees of the metalworking sector; second-level one, i.e. plant-level bargaining. The Unitary union representative body (RSU) is composed by Fiom-Cgil, which is the main representative in Sabaf, Fim-Cisl and Uilm-Uil. In the plant of Ospitaletto (Sabaf SpA), the unionization rate is low, around 26% of the total workforce. Out of this 26%, the 76% is represented by Fiom-Cgil, which in the area of Brescia still plays an antagonist role in the metalworking sector, and can count on an internal sound organization at all levels. Then comes Fim-Cisl, with a 17% rate of employees’ members, and Uilm-Uil with a 7% out of the total employees’ unions members (who are about 120).

After the missed part of agreement about the stock-option offer (production bonus) of the 2004 second-level (plant) agreement, new elections of RSU took place in 2005. Current events in industrial relations are characterized by clash between firm representatives and unions’ delegates at second-level bargaining.

1.3 The long wave of the anticipating process: Sabaf and the ID

The insight of Saleri brothers, founders of the firm, was to focus on a specific segment of the brass components, such as brass valves, in order to be more competitive in comparison with other local manufacturers. The local production system showed two main typical features since the beginning of its golden age: the small size of familiar firms and an extremely
high sense of work ethic of the so called “first generation” of local entrepreneurs. What distinguished Sabaf from other firms during the following decades, however, was the continuous and strong attitude in addressing resources in innovative process, even in a segment that apparently seemed not to offer much longer possibilities of getting involved in strong research plans. The Group grew up above all in the early 60ies, when domestic kitchen sector was spreading out and dragging along the manufacture of brass components, in which Sabaf held a prominent position. One of the basic choices undertaken by the leading kitchen industries, in fact, was to outsource the more specialised components, such as the gas valves allowing gas flow towards burners. The foremost reason behind this industrial strategy lied upon the well known reality that the technology used for gas valves was extremely different from the other recurring technologies for kitchen components.

The activity related to the manufacture of these gas valves became widespread in the ID of Lumezzane since the post war period. Hence, since the beginning Sabaf mission was to favour this brass product as regards to other brass manufacturing technologies (such as water and heating valves). The rationale of this basic approach was that the specific technologies of brass gas valves, particularly precision machining, required skills and knowhow considered a standpoint for possible competitive position as to other valves manufacturers. The early and winning decision of focusing on a single product was followed by further specializations in manufacturing gas valves with a specific security mechanism and also thermostats (for gas regulators in the oven). Precision and high technological solutions in micro machining can be considered the ground of the brass manufacturing process in Sabaf group.
The 70ies were characterized by a reinforcement in manufacturing components related to domestic gas cooking-appliances. Other deep innovative processes of reengineering were adopted by Sabaf to improve its competitive position in the market share and thanks to a virtuous attitude of ploughing back the large part of the profits in innovation, research, and development programmes.

During the 80ies Sabaf planned an innovative burner without developing it in a large scale production, so came the idea of patenting the invention even if Sabaf at that time could not manufacture it, since its lack of a specific production cycle on burners. The solution was found in coming to an agreement in exchange for royalties with a kitchen producer, in order to allow it in manufacturing this special innovative burner that was quickly going to overcame the old category of burners in Europe. Meanwhile, a particular gas valve that could efficiently support the new burner was realized and manufactured by Sabaf till the middle 90ies, when times were suitable for planning a new manufacturing cycle of burners and Sabaf was becoming one of the leading enterprise in its segment. In 1995, amongst the 60 firms operating in the brass valves manufacture of the ID, Sabaf was the second one in terms of turnover with around 68,000 millions lire (currently 35 millions euro) and the first one considering employees with 261 (Fortis 1999).

Coupling innovation and research in all the manufacturing areas has been a reference point for a Group that has always been showing a strong centre of attention on corporate governance improvements and on socio-environmental sustainability

It is significant to point up that Sabaf broke up many deeply-rooted frames of local firms’ behaviour, thanks to a farsighted attitude started up by professional and high skilled management staff with a wider vision of
ID socio-economic phenomena. This is a crucial point in order to understand the contemporary evolution of the ID and Sabaf bringing forward strategies. One of the past successfully keys of the ID was the capability of counting on an original form of “contextual knowledge” that was obviously much closer to tacit knowledge than to codified one. What has been considered an accomplishment winning way of identification for the ID, a social and cognitive artefact that supported the spreading off of manufacturing attitude and the culture of work in family small laboratories, would have become its main bound in case of long manufacturing network. These kinds of supply chain networks need now more suitable forms of codified knowledge, to be shared along the supply chain itself, than forms of tacit knowledge, and firms that have anticipated times in this sense, as Sabaf for example through various patents’ policies, are obviously benefited in their strategies. These solutions must be coupled by some means with the expertise inherited by a strong distrectual socio-economic identity in the metalworking field, that needs to be carefully updated with a shrewd ownership vision and with professional management skills. The former, in the case of Sabaf Group, corresponds to the control by Giuseppe Saleri, while the latter has its main representative event with the leading Chief Executive Officer role of Angelo Bettinzoli.

Meanwhile, a new geographical identification of the ID occurred (newly labelled “Valli Bresciane”) after an administrative systematization, and included the town of Ospitaletto, which became the new plant location of Sabaf Group. The decision of moving from the “core” of the ID (Lumezzane) to the “border” of it (Ospitaletto) represented a standpoint of the restructuring process and took place in the late 90ies in a favourable industrial trend.
In these economic conditions, local governance was playing a minor role, despite figures such as the “district delegate” (in any case a marginal player in the district-area of Lumezzane).

Although a recent sudden rise of ID export data has shown a remarkable economic recovery\(^6\), the restructuring process of the system-area is deeply affected by a historical lack of the capability by local actors (above all entrepreneurs and policy makers) in giving raise to durable forms of collective actions, thus typical institutional long terms plans for innovation and research was not achieved. Two dimensions have been living together for decades: 1) a strong socio-economic identity as the basis of the local world of production, reinforced by the social network and supported by informal relationships as well as geographical proximity; 2) slack in turning out formal institutions and supporting innovation or technological research.

As partial exception to this frame there are: a kind of district agency (Lumetel) with a large public shareholder involvement; a handless products consortium in Sabbia Valley; a project called “Design for district” in Lumezzane; a technological transfer centre (Inn.Tecc.) located in the Faculty of Engineering of the University of Brescia and at present converging into the rising CMST (Technological Multi Sectorial Services Centre).

In such a context what really distinguished Sabaf restructuring (reorganisation) method from current ID re-active and defensive behaviours, is the capability of having internalized features that the ID as a whole is trying to take up with delay, from the innovation in the processes/products area to the “managerialization” of the firms.

\(^6\) The report of Intesa San Paolo– “Osservatorio sui distretti”, 2006 – shows an outstanding increase (around 45%) in 2006 export results in comparison with 2005 for the ID “Valli Bresciane” together with the engineering industry of Brescia.
The core of the anticipation process was not only procedural but cognitive, in the sense that the firm has broken up a traditional practice strongly deep-rooted in the ID socio-economic structure.

The strategy undertaken by Sabaf, which still represents a reference point for other medium enterprises of the ID, can be summed up as follows (see also next paragraph):

a. Moving outside the “core” of the ID, in geographical terms, instead of upholding all the manufacturing divisions and also the management staff inside it. For firms located from time in an ID typical marshallian atmosphere this could sound first as a cognitive change, or a mental model shift, rather than an opportunity decision.

b. Reinvesting returns in the industrial activities or in human resources area by promoting a vision for all the employees as “active people” in the economic life of the Group, instead of behaving as other header leading firms of the ID, which decided to focus on real estate and finance (also speculation). The former solution dropped away resources from research and innovation, while the latter took a really bad turn due to a specific local speculative vicious cycle, distinguishing above all “third generation” entrepreneurs.

c. A management breaking approach: in a period in which for many leading final firms it was almost inconceivable to devise a situation where ownership (nearly always referable to a family of entrepreneurs) and management were separated, Sabaf Group gave rise to a highly professional approach, empowering skilled managerial positions that played a crucial role in the re-location and restructuring plans. So, one facet of the pro-active strategy of the firm was the separation between ownership and management. This was the real deep cognitive change in the ID of Lumezzane where family capitalism has always dominated.
d. A manufacturing innovatory strategy that allowed the Group in rationalizing the production system. Moreover, it assured the company that a horizontal manufacturing layout was more suitable for the production of brass valves. The choice also supported the brand new production cycle of burners, which could not have taken place otherwise in the old location.

1.4 Procedural features of the restructuring process

The necessity of playing upon an adequate layout for die-casting, the process with the highest added value, urged the management to consider the possibility of moving away from the original and traditional location in the ID of Lumezzane, where plants and departments were organised on a kind of vertical layout due to the shortage of physical industrial spaces. In 1995 all the production of Sabaf Group was sited in Lumezzane and focused mainly on brass gas valves, when Giuseppe Saleri took over control of the company. This fundamental event and the subsequent listing on the Milan Bourse set the seal on the formal separation between ownership and management, delegated to managers led by the Chief Executive Officer, Angelo Bettinzoli. This organisational change was accompanied by constant quantitative and qualitative growth, and supported the plan of started up the new production cycle of burners.

The new ownership decided to reject a previous agreement with the municipality of Lumezzane of building a new plant in the raising industrial area (so called “PIP2”), in order to get ready to locate elsewhere the new burners production. A satisfactory area was identified in Ospitaletto, approximately sixteen miles far from Lumezzane and in the strictly administrative perspective, still belonging to the ID “Valli Bresciane”. The place
was easily reachable from the highway and showed the concrete possibility of having a linear and horizontal layout, with all the connected advantages for expense reduction.

The real boost for the restructuring process is therefore to be considered in a cognitive perspective rather than in a simply procedural cost-benefit analysis evaluation. The decision of locating in Ospitaletto the production of burners was not immediately coupled with the idea of transferring also the rest of the production cycles. The strategy of re-organizing both the manufacturing and the administrative-managerial functions by moving them in the new site of Ospitaletto flowed logically as a consequence of the coherence of the global plan, which was mostly anticipated in all the stakeholders meetings’ (both formal and unofficial).

Its is largely argued that the main argument for a firm to play an dynamic role in the ID is the geographical proximity enhancing the well-known *marshallian* external economies on the one hand, and the cohesion of the local community with its social capital on the other one. As outlined in the text, moving from the core of the ID (Lumezzane) to the border of it (Ospitaletto), stood for a cognitive-procedural breaking approach as regards to these supposed advantages and became a tricky, even if thought-out, choice at all levels and for all player involved in the plan.

Sabaf restructuring and reorganization process was concerned both with technology (process and products) and with human resources internal organization. At first, in 1996, there were three die-casting isles in the plant of Ospitaletto. At the basis of the new production cycle there was the awareness that the innovative processes should have taken place also in those machining and assembly areas in which a traditional reasoning would have suggested to point on traditional technologies. The start-up of burners production in Ospitaletto was signed by this cultural, more than industrial,
approach in the background of the Group purpose, which was going to be matched with the forthcoming vision in terms of long-term sustainable growth. All these factors were significantly embedded in a corporate governance and management style related to international best practices. Moreover, internationalisation and development of the components range, as well as the process of involving other sub-suppliers in key phases of the production cycle, became a kind of trademark of Sabaf Group.

The standpoint of Sabaf was to bring up inside itself all the competencies able to reach the highest skills in the different fields of activity. At the basis of all the industrial processes in the new plant of Ospitaletto there is still the deep interplay between product and process engineering staffs.

The two drivers of the internal research and design are rigorously linked each other in order to overcome the possible drawbacks frequently originated by a mismatch between the technological capacity on the one hand and the innovative products plans on the other. When a new product is thought to be manufactured, there is the urgent need of focusing on how to realise it, above all with what kind of technology. This is the crucial point: all the machineries used in the three main manufacturing cycles are directly planned and arranged by Sabaf itself in its departments. Above all, this is the main effect of the restructuring process on the link between production and designing functions.

In the last few years Sabaf R&D has been oriented to: light alloy valves with and without safety devices; brass valves and thermostats with safety devices; new types of burners; development of new machinery and tools for in-house production; new types of hinges.

Sabaf has recently given R&D activity a remarkable increase, principally with the design of light alloy valves, that has been added to the original brass valves and thermostats production. The whole production of sim-
ple light alloy valves covers 22% of total simple valve production, and light alloy safety valves has started up during 2007. Light alloy thermostats design represents the final step of the production range.

Owing to the internal re-organization, the layout of the site is somehow a result of the characteristics of the products manufactured inside the plant: gas valves, thermostats, burners, gas ignition, hinges, components. The more relevant ones are brass gas valves, aluminium gas valves, and burners. Brass valves could be considered the “typical” product of the firm since the whole production was located in Lumezzane, while burners derive from the new production line which took place in Ospitaletto around the late 90ies. Aluminium valves are due to the new industrial strategy based on the need of controlling expenditures on raw materials. Regarding these three main products all the plant departments involved in the manufacturing cycle can count on a suitable layout based on horizontal route.

The decision of re-organising the whole activity and transferring the employees was communicated in advance to the Unitary union representative body (“RSU”) in 1998, and was accepted without particular controversy reasons. The protocol of agreement was mainly focused on the possibility for workers of taking advantage of a free transportation from Lumezzane to Ospitaletto while other two important incentives not formally included in the agreement were assured by the firm:

- 500 bonus share giving for workers who would have decided to remain in the plant of Ospitaletto for at least six months. Each share was about 9 euro, a minimum countervalue of securities of 4,500 / 5,000 euro for workers till the fourth job classification level, who were the majority. The subdivision by levels was thought to start from the lowest level with 500 shares, and to reach 1,500 shares for the highest level, with the mode
supposed to be at the fifth level with 1,000 shares. Of course the stock-
grants was not addressed to people living in Ospitaletto.

- Housing facilitation (both for purchasing and renting).

The rationale of the two incentives came from the “fear” of losing employees who could have left the firm for other companies’ plants, since the favourable economic trend of the late 90ies. The full operation of transfer from Lumezzane to Ospitaletto took place during the first months of 2002. Some of the 300 workers involved in the re-location decided to resign. Many of those employees were women who would have found difficulties of being too much time a day far from the family. Very few of them, anyway, chose to resign before taking advantages of the bonus share giving. For other employees there was a sort of physiological turnover, while the biggest part of the employees, above all young people, decided to move without particular worries. In order to facilitate the whole procedure of relocation, the human resource management of the firm had previously started a hiring policy entailing for candidates the acceptance of moving to Ospitaletto as a necessary condition. On the other hand human resource management needed of course to hire people living close to Ospitaletto.

Making an allowance for the historical lack of research institutes in the area, organizations that are almost widely considered to be an effective mechanism for inspiring technology-based and innovative solution for local industries, Sabaf has successfully improved an innovative oriented mission since its start up. This feature distinguished also the critical passage in 2002, from both the organizational and the industrial point of view, but still marks out current Sabaf strategies.

The great advance through which firm announced the choice of transferring its traditional activities has allowed all the involved players, especially the Unitary union representative body (RSU), to become gradually
aware of all the possible obstacles needed to be considered in the agreement.

Moreover, the main innovative aspect of the anticipation process, in a strategic perspective, is the participation degree that has characterized it since the beginning and also the quality of the involvement of the main social actors. The development of the bargaining practices begun in the late 1998 and converged into the second level (or plant) agreement signed in 2001 (the 21st of February), is characterized by a peculiar frame that all the partners have put forward. Undercover, a mental scheme has addressed the main actions undertaken by firm, RSU, and local social actors: the standpoint of considering employees with the opportunity of second best options. Due to the quite prosperous industrial setting at the time of the anticipation process, in fact, there was the awareness that all of them should have relied on the alternative of finding a job elsewhere in the district-area, if not satisfied by the proposal of the firm.

Operational anticipation process saw a first important step in the internal debate amongst the board of directors that took place for deciding the relocation of the Group activity in 1997-1998, in which there was not an unanimous position. Some members, in fact, did not agree at all with the prevailing purpose of moving away from the core of the ID, being afraid of losing essential high skilled workers. Afterward it can be pointed out that the inner governance system has allowed the board in reaching a correct decision, but the hardness of the board debate gives the idea of how much important and vital was considered the choice both by the management staff and the property. A successfully input for the anticipation plan is the “concertative” style undertaken by the management on two levels:

a. Timetable level: human resources management involved the RSU members in the industrial re-location plan since the very beginning of
the negotiation, and with a large amount of anticipation. This had two main consequences: all employees had the concrete possibility to make growing up the standpoint that the re-location should have been a necessary forthcoming step for the future of the firm; anticipation (3/4 years) led to a very plain style of the second level agreement, in which no problem was found to reach a suitable concurrence for all partners, both firms and employees. A tangible example of this can be found in the agreement of 21st February in 2001, in which the subject of the transfer to Ospitaletto took place just for the details about the costs of the transport from one town to the other. Further more discussed items regarded investment on employment, profit-related payment, canteen, on leave conditions, list of claims or bargaining proposals/"platform".

b. Social dialogue level: the abovementioned achievement regarding details on second level bargaining allowed a condition of mutual interests amongst civil society. In fact, one of the main stakeholders of the local community, the Municipality of Lumezzane, did not oppose any obstacle to the restructuring and gave more support to it, even if there was a previous agreement to preserve the original plant location manufacture in the new industrial area located in Lumezzane. Of course the Municipality of Ospitaletto rapidly seized the opportunity of counting on such an industrial pole. Therefore, the pro-active participation of local authorities was also stimulated by the behaviour of the firm, committing itself to urban re-qualification, transport and housing plans, and employees’ facilities. Moreover, establishing the new plant production of burners and transferring all the management and administrative departments in Ospitaletto was marked up by a highly cooperative style of industrial relations, in which only minor criticism took place.
The following phase was characterized by a more conflictual imprint that resulted in the missed part of the agreement about stock-options in the 2004 second-level bargaining, which was signed despite the deep split amongst unions representatives. Fim-Cisl was in favour of agreeing with the company proposal of a stock-option offer of 50 stocks per year redeemable in the fourth year (in observance of the law about stocks free giving to employees) for a total amount of 2,000 net euro. Fiom-Cgil, fortified by its leading position, gave a resolute refusal. Without achieving a separate one, the final agreement was reached mainly by focusing on: consolidation of the variable bonus; grant of monthly bonus; extra allowance over minimum pay (this third aspect was included in the agreement, even if according to the human resource management it should not have been discussed in the complementary agreement).

The missed part of the agreement about the stock-option offer gave rise to a deep cleavage in Fiom-Cgil, causing an early and not painless exit of some of their members, either before the following RSU election in 2005, during which many Fiom-Cgil members were replaced. Sabaf resource management held Fiom-Cgil responsible for the stock-option failure, being sure that the aprioristic position was imposed on unions’ delegates (who directly took part in the bargaining process) by the national level of the trade unions as a strong reply to the application of a controversial paragraph of the so called “Biagi Law”. On the other hand, Fiom-Cgil did (and does) not agree with the vision of the company to stake on shareholding employment because it was considered an undercover and dangerous conflict game inside the “double loyalty”, to the firm and to the unions. The position of the resource management, on the contrary, is that this argument hides the worry of the unions to lose their delegate legitimization.
Moreover, what RSU members ascribe to the ownership is to avoid the application of concrete form the wide range spectrum of targets shown in the so called “integrated annual report”, starting from the last SA8000 index. Two further core themes are: the temporary employment and the provisions that rule the possibility of playing upon temporary workers by the firm; the lacking attention paid to specific departments conditions, such as foundry, in which penalties are too frequent and workers’ dissatisfaction tangible. On the other hand, as outlined before about the missed part of the agreement on stock-options, according to human resource management, troubles with industrial relations arise from various factors: the lacking autonomy of RSU from the provincial (and national) trade unions’ level of representation; the aprioristic viewpoint of the Fiom-Cgil, too much involved in political interests; RSU worries about the timing of discussing the forthcoming temporary working needs of the firm that sometimes, always according to human resources manager, can not be considered with a preview going over two months.

On this hand an agreement has been signed in December 2006 concerning: the maximum level of 12% for only subcontracting employees due to market requirements; a hiring of 35 workers before the end of 2007; the extension of the transport service from Lumezzane to Ospitaletto, even if with a decreasing support by the firm.

During ID golden age, but also in the late 90ies, it was difficult to find people to employ and header leading firms had serious problems in making employees stay, the most farsighted management and ownerships tried to play on the instruments given by the law. One of them was the formative training, provided by law 196 of 1997, or “Treu Law”, in order to weaken the difficulties in hiring people holding a diploma but without the indispensable qualification. To face these two main problems, i.e. the shortage of
local workforce and the low level of qualification, Sabaf gave rise to a hiring plan according to a temporary work agency, by which many young people from the south of Italy were addressed to multi-step process that implied an external vocational training, an internal one, and then a hiring step with a training contract. This operation took place in 2000, when Sabaf SpA faced serious troubles in the mechanical division, in which many high skilled employees, above all service engineers, left the firm for finding job positions in the neighbouring area (competition in labour market was strong and sometimes affected by rough procedures damaging firm with high levels of rights protection for their employees). The plan of hiring young people from the South of Italy symbolized a successfully experience trough which many of them reached a satisfying integration in the social structure.

1.5 Concluding remarks.

Two main routes point out the economic evaluation about Sabaf restructuring: innovation and safety. The former has been marked by a structured plan of industrial and re-organizational strategy, deeply interplayed with the supply chain configuration. The latter has turned out to be a key issue for success in the specific business area, since the company has anticipated demand for products with safety devices in the European market and encouraged the spread of them in developing countries. This attitude has reinforced the role of the firm as supporter in the different institutional setting for the introduction of regulations for adopting products with obligatory thermoelectric safety devices.
In the employment perspective the Group has strengthened its successful results, and currently the department of aluminium gas valves is going to become the first potential area for new hiring plans. Very few procedures on outsourcing have been made up in the last years for machining not-core processes. All of them are under strong control of the quality department of the firm.

In a wider socio-economic view, thanks to a mission that brings together the growth of company performance, social and environmental sustainability, as well as the development of human resources’ capabilities, Sabaf has been able to uphold its industrial identity and contemporary to take breaking strategic decisions. At the same time, the Group preserves a strong link with all the company stakeholders and is always involved in a suitable and modern social dialogue.
2. **StMicroelectronics restructuring in Agrate Brianza: a local game within a global player**

STMicroelectronics is a global leader in designing, manufacturing and delivering semiconductor solutions across the spectrum of microelectronics applications. This contribution analyses the restructuring process that affected the Agrate Brianza site, in Lombardy (Italy) between May 2005 and September 2007, as a case of local governance of global dynamics, essentially based on industrial relations without any intervention of local or public authorities. The chapter is structured in three parts: a company presentation, the analysis of the restructuring process and some considerations about the innovative practices explained by the case-study.

2.1 **STMicroelectronics: company presentation**

STMicroelectronics was created in 1987 through the merger of SGS Microelettronica of Italy and Thomson Semiconducteurs of France. STMicroelectronics Italy is a Limited Company (società a responsabilità limitata) wholly owned by STMicroelectronics N.V.. Since 1994, when ST completed its initial public offering, the Company’s shares have been traded on the New York Stock Exchange and on Euronext Paris; since June 1998, ST has also been listed in Milan on Borsa Italiana. Less than 30% of shares are still indirectly owned by the two governments of France and Italy who jointly contributed to the company set up in 1987.

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For the drawing up of the report I would like to thank Ing. Dragotto, ST HR Director; Ing. Palella, ST Local manager; Sergio Mariani, Shop Steward of Rsu Agrate – Fim; Roberto Benaglia, Union leader, Fim Lombardia; Elena Lattuada, Union leader, Fiom Brianza.
The group totals 16 advanced research and development units, 39 design and application centres, 15 main manufacturing sites and 78 direct sales offices in 36 countries. Corporate Headquarters, as well as the headquarters for Europe and for Emerging Markets, are in Geneva.

The group is organized in 3 segments and 7 product groups (www.st.com).

1. The segment Application Specific Groups (ASG), representing more than half net revenues (54%), consists of 4 product groups: Automotive Product Group (APG), Computer Peripherals Group (CPG), Home Entertainment & Displays (HED), Mobile, Multimedia & Communications (MMC)

2. The segment/product group Flash Memories Group (FMG), representing 14% of net revenues.

3. The segment Industrial & Multisegment Sector (IMS), representing 32% of net revenues, consists of 2 product groups: Analog, Power & MEMS (APM) and Microcontrollers, Memories & Smartcards (MMS).

Position of the corporation in the market

ST is one of the world’s largest semiconductor companies, with net revenues totalling US$8.88 billion in 2005, at the beginning of the restructuring process (and US$ 10 billion in 2007), following Intel (35.475 $M), Samsung (17.659 $M), Texas Instruments (11.330 $M) and Toshiba (9.500$M) (www.icinsights.com). ST’s growth rate has been on average faster than that of the semiconductor market (www.st.com).

ST market leadership is spread across many fields and offers one of the world’s broadest product ranges, with over 3,000 main products. The Company’s sales are balanced between the industry’s five major high-
growth sectors: Communications (36%), Consumer (17%), Computer (16%), Automotive (16%) and Industrial (15%). In 2006 sales were distributed as follows by geographical areas: 45% Asia (29% in 1998), 33% Europe, 12% North America, 5% Japan and 5% emerging markets (India, Russia, Africa, Latin America, Middle East).

Characteristics of the workforce

ST totals approximately 50,000 employees: about 10,000 people each in Italy and in France, 2000 in the rest of Europe, more than 6000 in the Mediterranean (Malta and Morocco), more than 3000 in North America and more than 16,000 in Asia (India, China, Malaysia and Singapore).

In Italy, after a period of constant occupational growth (from 7600 employees in 1990 to 10939 at the end of 2004), there was a fall in 2005, due to employees taking early retirement, which reduced the number of over 50’s. In April 2006, the workforce totalled 10154 employees nationally.

Tab. 1 – Workforce at the beginning of the restructuring process (April 2006)

<table>
<thead>
<tr>
<th>Site</th>
<th>N.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catania</td>
<td>4,608</td>
<td>45</td>
</tr>
<tr>
<td>Agrate</td>
<td>4347</td>
<td>43</td>
</tr>
<tr>
<td>Cornaredo</td>
<td>819</td>
<td>8</td>
</tr>
<tr>
<td>Napoli</td>
<td>257</td>
<td>3</td>
</tr>
<tr>
<td>Assago</td>
<td>49</td>
<td>0</td>
</tr>
<tr>
<td>Palermo</td>
<td>43</td>
<td>0</td>
</tr>
<tr>
<td>Lecce</td>
<td>24</td>
<td>0</td>
</tr>
<tr>
<td>Roma</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Tot.</td>
<td>10,154</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ST data
Trade Union presence within the company

In Agrate all levels of union representation of employees are present: the Unitary workplace union structure (Rappresentanze sindacali unitarie, Rsu), with 30 members at plant level, Fiom-Cgil Monza e Brianza (Italian Federation of Blue-Collar Metalworkers - General Confederation of Italian Workers) and Fim-Cisl Monza e Brianza (Italian Federation of Metalworkers - Italian Confederation of Workers' Unions) at territorial level, belonging to the metalworking national union, and the European Work Council (EWC).

In Agrate, the unionization rate is low, around 15-20% of the total workforce. There is an equal distribution between Fiom-Cgil and Fim-Cisl, both regard union members and delegates. Traditionally Fim represented mainly the white-collar workers and Fiom the blue-collars, but this division is less rigid nowadays. In ST there is a cooperative system of industrial relations, even if not participatory in its strictest sense.

2.2 The restructuring process

Concerning Agrate, this is the first restructuring with redundancies; whereas, the ST group in recent years has shut down some of its plants, the
last one being Rennes in France. However, the difficulties of the July 25 1989 agreement concerning the previous reorganisation of shiftwork in Agrate is still fresh in the “company’s memory”. The Union leader interviewed complained of a difficult inheritance: in the company’s historical memory the bad union relationship with the employees during the reorganisation has not been forgotten.

Why: causes of the restructuring

One of the key factors during ST’s restructuring was the “sharing of the scenario” between management and trade unions: “I believe that the basic purpose of industrial relations is to try to share the scenario as much as possible. If there is no sharing of the scenario it’s impossible to begin negotiations and therefore to reach an agreement.” (HR Director).

In fact, all parties concerned agree on the main factors concerning the causes of restructuring.

1. Competition. The market will no longer experiences the 21% compound annual growth rate (CAGR) of the 1985-95 decade, nor the more reasonable 15% of the 1990-2000 decade. Instead, the market will see values such as the 6.3% of the 1997-2007 decade, with the usual ups and downs, but with less variability than in the past. The industry’s consolidation is slowly progressing: of the top 50 players of 20 years ago - when ST was created - 17 have been lost in action as they merged or were acquired, 14 have been heavily restructured and only the remaining 19 have kept more or less the original configuration. With the impressive growth of silicon foundries (contract manufacturers), the corresponding share of semiconductor companies that are “fabless” (i.e. have no factories of their own) has grown to almost
70% of the market. Symmetrically, full spectrum companies now have some 32% of the total market.

2. Globalization. As in many other industries, semiconductor deliveries are moving eastward to China and Asia Pacific. Not only multinational companies are moving their manufacturing there, but local companies are growing at an accelerated pace. From 2000 to 2010 we expect the combined Asia/Pac markets to more than double in share, from 25% to 54% of world consumption. Europe, the US and Japan will share almost equally what will remain: some 15% each. Unlike other competitors outsourcing a sizeable part of their production to foundries (LSI outsources 80% of production, Freescale 25-30%, Phillips 23-25%, Texas Instruments 15-20%), in ST the percentage of outsourcing is growing but limited to 15/20% (www.isuppli.com). ST’s strategy for lower labour costs considers not only transfers of production to Asian foundries but also, having always had a significant presence in “low labour cost area”, to further develop already existing plants. Asia now represents 36% the total ST population and more than 60% of new recruits are centred in Asia (especially China) (STMicroelectronics 2006, p. 31).

3. The dollar impact. Sales of semiconductors are in dollars while ST has a great part of its costs in Euro. The weakness of the dollar has put ST to a strong disadvantage, particularly with regard to those competitors who transferred their production to Asia, where costs are invoiced in local currency, generally bound to the dollar.

4. The needed upgrading from a manufacturing process on 6” wafers to a 8” and 12” one. Between the end of 2003 and the middle of 2005 worldwide production of wafers up to 6” underwent a cut of 30%. All the same there is an excess in world capacity of production for wafers
up to 6” considering that their exploitation rate fell from 89% to 80% between the last quarter of 2003 and the second quarter of 2005 (www.sicas.info). Technological innovation is one of the main drivers in changes of ST and has immediate repercussions on work organization: “the proportion of 8” and 12” wafers is insufficient: worldwide producers allocate about 78% of their production capacity to the manufacture of 8” and 12” wafers; ST only 34%”. (STMicroelectronics France 2005).

Different opinions have been expressed in some other cases by trade unions and management. According to trade unions, there are two other important reasons, besides the ones mentioned, behind the restructuring.

5. Stock trading: trade unions, both at national and European level, believe the announcement of the restructuring represented a message to shareholders, with the aim of supporting the ST stock. “It must be underlined that some choices, simply because of the vagueness surrounding them, indicate that cutting 3000 jobs is a financial choice, that has nothing to do with industrial activity and will, in the end, create additional difficulties.” (Comments and requests to industrial plan from the Trade Union and Rsu of the plants of Agrate and Cornaredo, October 26, 2005). The trend analysis of the ST stock shows how the “announcement effect” ran out in a few months: by September 2005 the stock had gone back to the start value it had before the rise in early summer (www.corrieredeititoli.com).

6. Changes in top management. According to trade unions, another factor affecting the restructuring was a change in top management during 2005. With regard to this point however the trade unions’ position is cautious.
On the other hand, analysing the causes for restructuring, the management lays great emphasis on the need to reduce costs and obtain a higher return on investments.

7. Ever higher costs to compete in terms of R&D, and building new manufacturing facilities: a new fab today costs a minimum of $3 billion. Despite the high investment in research and development between 2002 and 2004, sales of new products dropped considerably (26 points in 5 years) and this caused a reduction in the gap existing between the sales price of ST and market prices.

8. Indirect prices are too high: they increased by 35% between 2000 and 2004 and they represent an increasing part of turnover.

What: from the 3000 Plan to the Agrate’s agreement

The points of the 3000 Plan, announced on May 16, 2005, were:

- in Europe: reduction of 6” production (closure of Rousset in France, producing 7,000 wafers per week and Cornaredo in Italy, producing 1,100 wafers per week; closure of 6” line in Agrate, producing 12,000 wafers per week; reduction of production from 18,000 to 12,000 wafers per week in Catania) and increase of 8” lines (Rousset from 5,500 to 8,000 wafers per week; Crolles from 6,500 to 7,000 wafers per week; Agrate from 2,700 to 12,000 wafers per week; maintenance of 5,000 wafers per week production in Catania) and 12” lines (installing of a 12” production line in Catania; Crolles from 1,000 to 2,500 wafers per week);

- maintenance of present production in USA: 6” production in Carrolton stable at 12,000 wafers per week; 8” production in Phoenix stable at 6,000 wafers per week;
− in Asia: maintenance of 5” production (42,000 wafers per week); increase of 6” production (from 33,000 to 48,000 wafers per week) and increase of 8” production (from 8,000 to 10,500 wafers per week).

The result would have been a staff reduction of 1200 in Italy (990 in Agrate and Castelletto, 210 in Catania) and 700 in France. Minor overstaffing in other countries: 700 job cuts in Morocco; reduction of 100 workplaces in other European countries; no staff cuts in Malta, due to the reduction of personnel registered in the previous three years (from 2,500 to 2,290 people).

In the sites of Agrate Brianza and Cornaredo, the restructuring announced as a downsizing of the sites not located in Asia Pacific was then transformed into a vast internal reorganization. The target of the reorganization was to optimise the technological investment and to increase competitiveness, not only with competitors outside ST but also inside the company, with the other sites of the group.

From the beginning, it was stated that “forced” dismissals had to be avoided.

The procedural agreement, signed on April 26, 2006 in Agrate and Cornaredo, envisages: the transformation of 6” production units into 8” ones, the transfer of production from Cornaredo to Agrate Brianza, the optimisation on a global scale of EWS activities (electric test of wafers), the harmonization of support functions through the rationalisation of the activities involved, the enhancement of research activities.

According to the parties this aim will be achieved by:
− converting part of the equipments from 6” to 8”, arranging a new production area of about 1000 sq.m. ready as of December 2006, housing
besides production also research activities on Mems Technology before carried out in Cornaredo

- a two-year experimentation (June 19, 2006 – December 31, 2007) regarding the change from 20 shifts per week (according to trade-unions agreement of July 25, 1989) to 21 shifts per week, by the increasing of production teams (from 4 to 5), that allows: a reduction of 180 surplus staff; the exclusion of the structural need for the firm to have recourse to other forms of work like weekend-shifts or summer jobs; a 15 minutes extension of shift-time to guarantee shift change; a wage rise (1970€ on average); the setting up of a joint commission for part-time;

- turning to the procedure of “mobilità” for a maximum of 270 people in the sites of Agrate and Cornaredo starting July 1 and by December 31, 2006; the personnel to be registered on the availability list will be chosen by the parties on the basis of technical-organizational and productive needs of the company and of workers’ willingness, whether they possess the requisites to retire during the period of the enrolment

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8 [...] The matter was given new treatment by Law No. 223/1991, which regulates the procedure for implementing a preferential hiring scheme (circuito preferenziale di mobilità) for employees of enterprises which have benefited from intervention from the Wages Guarantee Fund and which, during or on expiry of the period of such intervention, declare themselves unable to reabsorb all those members of their workforce who have been receiving payments from the Fund to make up for lost pay, quite apart from those workers who are unemployed because they have been dismissed for reasons of workforce reduction. Once the union consultation procedure that is a prior condition in both cases has been completed, the workers concerned who have been dismissed on the basis of predetermined criteria are registered on a special availability list which confers entitlement to priority for re-employment in any hirings by the enterprise that has dismissed them plus entitlement to an availability-for-employment allowance (indennità di mobilità) for a maximum period of 36 months. The Regional Employment Commission may also promote initiatives designed to assist the re-employment of workers registered on the list. Lastly, provision is made for special incentives of a financial and contributions-related nature to the benefit of employers who hire workers from the list, including the possibility of using "back-to-work" fixed-term contracts (contratti di lavoro a termine di 'reinserimento'). (source: www.eurofound.eu.int/eeemire/italy.html)
in the availability lists; the company is willing to pay an integration to the end-of-service allowance (Tfr) equal to 12 monthly pay plus 1,5 monthly pay every quarter of year for all months during which the worker is registered on the availability list, included the period in which the National Institute of Social Insurance (Inps) will not pay indemnity, up to a maximum of 24 monthly pay;

- a gradual reinstatement of people having already worked for the firm on fixed-term contract or temporary-employment agency contracts having expired since the last quarter of 2005 or expiring in 2006; through a mechanism of pre-emption taking into account work experience, family charges and age of employees, the company will confirm, on an open-end term, all fixed-term contracts (84 people) independently of their natural expiration and will engage with a one year fixed-term contract 140 temporary-employment agency workers (40 by September 2005, 50 by February 2007 and the remaining 50 by April 2007), confirming them on an open-end term starting with January 1, 2008, except in case of considerable cuts in production;

- the hiring of 150 new employees with high profile.

- the transfer of pre-production and production activities from Cornaredo to Agrate Brianza, having been announced in September 26, 2003 was completed during the first half of 2006; the company organizes shuttle buses free of charge between Cornaredo and Agrate Brianza; furthermore, those who would like to change their residence because of the transfer can make use, free of charge, of the services of the real estate agency used by the firm; should there be a resumption of production activities in Cornaredo, the firm guarantees the reinstatement of the personnel having been transferred;
the company’s engagement to consider the realization of a R&D and production line for 12” as soon as economic and market conditions make it possible.

*How: the role of labour relations in the restructuring process*

The restructuring was announced in May, 2005 first at European level through EWC then at national level. In May 2005 EWC was informed about the restructuring process and in July 2005 EWC requested the appraisal of an expert to analyse the industrial plan; the expert began work in October 2005 and presented the results to an extraordinary EWC in January 2006.

The Unions consider these channels an opportunity to formalize and thoroughly examine the information spreading through a network of personal relations. As expressed by the shop steward of Rsu in the Agrate plant: “We are always very alert with our sensors about the news circulating”, through representatives at the local level but also at the higher and all levels up to the European Work Council, which in this case gave the local unions the real dimension of the restructuring.

The shop steward of Rsu underlines the active role played by the French Trade Unions in involving EWC and for its request of intervention of an expert. The HR Director, on the contrary, criticises the inappropriate use of the expert who, in his opinion, should only inform EWC of the process, without proposing alternative strategies.

After these first steps at European level, negotiations opened in October 2005 at a national table, concerning the three Italian sites involved: Agrate Brianza, Cornaredo and Catania, and the restructuring was managed without connections and exchange between Italian and French Trade Unions. Considering the complexity of the subjects under discussion and the
repercussions on the single sites, during the national meeting in Catania on November 15, 2005 the parties agreed to continue the negotiation locally.

Therefore in November a single negotiation table for the site of Agrate Brianza and Cornaredo was set up. Around the table were: the management (HR Director and General manager of the plant), Fiom-Cgil of Monza e Brianza and Milan, Fim-Cisl of Monza and Brianza, Rsu Agrate Brianza and Cornaredo and Associazione Industriali di Monza e Brianza (employers’ association).

The Trade Union position was to discuss the Industrial Plan presented by the firm before any negotiation on how to handle the redundancies. The point was to understand ST’s position in Italy with regard to the corporate.

This is the main example of the concrete and cooperative behaviour of trade unions in ST. Generally, a cooperative and “productivistc” union is linked to the representation of skilled work. In the case of Agrate, the presence of more qualified workers is combined with a strong local provenance of the workforce, that is from the Brianza region, offering younger people, and very few immigrant workers (counter to trends in all Lombardy). In this context, unions could have played their double role in a very efficient way, towards the workers through a strong “identified representation” favouring a more concrete cost-benefit analysis related to the restructuring plan of the firm, and towards the management for their strong representing position and the related possibility to get to the “right” agreement, or the right and allowed balance of the two different represented interests. This double role is shown in a clear way by the interviews of union and management. In the first case, the union secretary of Fiom Brianza expressed the “productivistc” behaviour saying that “if we make this production site more and more efficient”, there will be some more elements to reduce the risks and to negotiate for more and better employment as shown in 1989.
The HR manager expressed the strong recognition of the concrete role of unions saying that the central goal of the industrial relations is to try “to share the scenario”, and to only enter social dialogue when necessary, according to the repeated game of labour negotiations (Axelrod 1984; Walton and McKersie 1965). As admitted by the same unionists, management would be able to pass from 20 to 21 shifts of work without a collective agreement, but the search for consensus was stronger than a unilateral style, because “neither union nor management must be less credible each other”.

The “strategic” subject of the negotiation was the working time for shift workers. For this reason the attendance to trade unions activities of non-shift workers (white-collar workers, professional and managerial staff), traditionally less interested in industrial relations, decreased more and more, while the interest of shift workers (blue-collars workers), directly involved in the restructuring, remained high.

A technical committee (Shiftwork Commission) was created consisting of members from management and from Rsu of Agrate and Cornaredo to discuss a reassessment of shiftwork considered to be a possible way to recover part of the redundancies announced in the 3000 Plan.

The creation of a “Shiftwork Commission” favoured a strong unity of action between Fim and Fiom during negotiations, because it deals with real problems instead of ideological positions. If there was a difference in attitude, this concerned mainly individuals and went across all Unions. This “inside opposition” created some difficulties during negotiations (information leaks) but was overcome due to the necessity to give joint and consistent answers to the employees.

Thanks to the work of the Shifts Committee and the negotiation at the “political table”, on March 14, 2006 a draft agreement was reached.
Here follows a selection and analysis of the subjects faced in the agreement for which there has been a greater difference of opinion and position between management and trade unions.

Tab. 3 – Subjects of the agreement: management and trade unions interests

<table>
<thead>
<tr>
<th>St management</th>
<th>Trade unions</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>No reduction in working time</td>
<td>No increase in working time</td>
<td>Maintenance of number of working hours, but increase of night and second shifts</td>
</tr>
<tr>
<td>12 hours shifts</td>
<td>Shifts of 8h15min (15 minute for change)</td>
<td>Shifts of 8h15min (15 minute for change)</td>
</tr>
<tr>
<td>Differentiation between a winter timetable (33,6 hours a week for 37 weeks)</td>
<td>Uniform shift time during the whole year with continuous cycle for 33,6 hours per week</td>
<td>Differentiation between winter and summer timetable: winter shifts 40 weeks at 33,6 hours and summer shifts 12 weeks at 40 hours</td>
</tr>
<tr>
<td>New shift work starting immediately</td>
<td>Start of new shift work in winter</td>
<td>New shift work beginning on June 19, 2006</td>
</tr>
<tr>
<td>Holidays fruition dependent on the work team</td>
<td>Maintenance of system of holidays fruition (3 weeks during summer) based on individual choice</td>
<td>Maintenance of system of holidays fruition (3 weeks during summer) based on individual choice and not bond to work team</td>
</tr>
<tr>
<td>Reduction of number of not worked public holidays, included stops on day before public holiday</td>
<td>Maintenance of non worked public holidays</td>
<td>Work on public holidays only according to individual availability</td>
</tr>
<tr>
<td>Expiring of fixed-term and temporary-employment agency contracts as part of the 990 redundancies</td>
<td>Same dignity between non-standard and standard workers</td>
<td>Same dignity between non-standard and standard workers</td>
</tr>
<tr>
<td>Transformation of production line from 6” to 8” in Agrate</td>
<td>Installation of a 12” production line in Agrate</td>
<td>Transformation of production line from 6” to 8” in Agrate and willingness to re-examine the possibility of installing a 12” pre-production line</td>
</tr>
</tbody>
</table>

Source: Authors own processing
1. Reassessment of workshifts.

Initially the management suggested a reorganization of working time based on 12 hour shifts as in other companies in the sector and on other sites of ST. This proposal was firmly rejected by the union delegates who were ready to negotiate about shifts but not about the length of each single shift. At the end, trade unions accepted the division between winter and summer shifts. This solution enables the same working hours to be kept but implies less favourable shifts during the 12 weeks in summer (9 of which worked). For this reason, trade unions requested that the application of the agreement should start with the more favourable winter shift, but the company was opposed to this delay. There were moments of disagreement and tension also about public holidays. The 1989 agreement considers public holidays as closing days. Over the last years the company has always asked for voluntary availability to work on public holidays and has thus managed to cover 70% of personnel. During negotiation, the company requested a guarantee of coverage of 50% of personnel during public holidays but the workers were against it. This is an example of the dilemma between individual and collective choice: individually workers have always given their availability to work on public holidays, but they don’t want to be bound by a collective regulation.

2. Fixed-term contracts and temporary-employment agency workers.

With regard to this subject, the dispute has not only been between management and trade unions, but also between trade unions and employees. At the beginning the company had calculated fixed-term and temporary-employment agency workers in the redundancies, in order to re-
duce the impact of the restructuring on the open-end contracts. Immediately the trade unions opposed this choice: although this would have had as a consequence a higher number of redundancies among the employees of the firm, the unions had decided to safeguard fixed-term and temporary-employment agency workers present for a long time in the firm and to put in the negotiation platform the target of their confirmation at least on a fixed term basis.

3. Technological innovation.

Considering the improvement in competitiveness of Agrate even compared to other production sites of ST, trade unions requested the installation of a 12” line. The management, negotiating public financing for the 12” line in Catania, has excluded the possibility of introducing a 12” line in Agrate, but has declared that it is willing to re-examine its position in future.

A ballot about the draft agreement was held from March 23 - 29, 2006 among the shift workers, the week after all of the workers of Agrate Brianza and Cornaredo. The ballot among the workers directly affected by the agreement represents a novelty in industrial relations. The ballot was accepted with scepticism within the company, because workers remembered the negative experience had with the agreement in 1989, when the agreement was not ratified by the shift-workers but was accepted on a general level and, with few changes, was then applied. Because of this scepticism, the ballot was prepared through many mass meetings involving all workers, divided per shift and per plant. In the first round people voting were: all those working on 20 shifts, all those having a letter of engagement for 20 shifts but with temporary exemption (because, even if not immediately,
they could in future be affected by shift change) and temporary-employment agency workers.

Also the choice of having temporary-employment agency workers voting represents something new. This decision was taken by trade unions considering that, if the agreement was ratified, these workers would have been confirmed and therefore would have become employees with shift working hours. A part of the workers objected to this criteria, because they feared that among the voters there would be people interested in ratifying the agreement in the parts not concerning working hours ("mobilità" and fixed-term work). Trade Unions supported this choice considering that, even aggregated, these workers could not have affected the vote. The agreement, voted by 98% of shift workers, was approved by 62% of voters. In the second round, involving all workers, the voters were 52% and 80% of them were in favour.

Social and economic evaluation of the results of the restructuring

For the social evaluation of the results of restructuring, the occupational trend must be considered in a very positive way thanks to the joint governance of the restructuring process: what has been negotiated through the agreement has allowed the “cassa integrazione guadagni” (Wages Guarantee Fund, CIG) to be avoided.

Instead of 990 redundancies announced in the 3000 Plan, only 270 workers (in Agrate) were registered on the availability list and all of them were volunteers and about to retire: the fifth work team allowed a reduction of 180 surplus staff; other 150 workplaces were preserved thanks to the decision to not outsource some activities, as preview in the Industrial Plan; temporary workers (84 fixed-term contract and 130 temporary-employment agency workers) were stabilized.
Tab. 4 – Restructuring plan results – Italy region

<table>
<thead>
<tr>
<th>Total number of people involved</th>
<th>1271</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary contract expired</td>
<td>234</td>
</tr>
<tr>
<td>Departure with incentive</td>
<td></td>
</tr>
<tr>
<td>Bridge to retirement (employees leaving will receive a pension within 3 years after their resignation)</td>
<td>200</td>
</tr>
<tr>
<td>Early-retirement (while the employee could remain until the age of 65, he/she leaves the company having attained the right for a seniority pension (35 years of contribution and +57 years old))</td>
<td>290</td>
</tr>
<tr>
<td>Other (employees who accepted an incentive to leave the company instead of being transferred from Castelletto site to Agrate site)</td>
<td>25</td>
</tr>
<tr>
<td>Voluntary resignations (figure in line with the 2 years cumulate turnover of 2% that is the average each year)</td>
<td>422</td>
</tr>
<tr>
<td>Other initiative (employees involved in the sale of Accent)</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ST Social performance overview, p. 32.

During the first update meeting held on June 19, 2006 concerning the evolution of the Restructuring Plan, the management confirmed a positive trend for the production linked to an increase in orders. Therefore the parties signed an agreement according to which:

− the engagement at fixed-term contract for 130 temporary-employment agency workers was brought forward to July 2006 (as regards the 140 workers of the procedural agreement there was a cut of 10 workers who resigned)

− 141 workers will be engaged, on a fixed-term basis, with a 12 month contract (111 by July and 30 by September); 20 students will be engaged with a 3 month fixed-term contract.

The following update meetings held on October 22, 2007 and November 8, 2007, at the end of the two years period of testing, confirmed the positive feedback and agreed on the definitive effectiveness of the 21 shifts. In conjunction with this, as provided by the agreement, 257 fixed-
term contracts were turned into open-ended contracts on January 1, 2008. They are young, skilled workers and technicians under 35.

As for the economic evaluation of the results of the restructuring, it is important to distinguish between the long and the short period. In the short period, the evaluation must be very positive as the technological innovation of the product was a decisive reaction to the market demand and to the problem of the costs of production, even if the new rise of the market at the end of 2005 could have given some general advantages also to ST.

But in the long period, this managerial strategy could be too minimal in order to face the market competition. The economic environment of the firm is very uncertain: a sluggish market, overcapacity, price cutting, etc. Also the sector structure is rapidly moving, towards the stronger position of the fabless producers and Asia. But ST management is trying to protect its traditional economic identity, based on a very limited outsourcing process, product innovation, a state of balance between Western and Eastern sites of production, and employees’ involvement. This strategy is, at least in some sense, on the road of what Wolfgang Streeck called “neo-industrial” production pattern, “to attain superior competitive pressure in world markets through sophisticated application of information technology, a diversified product range and non-price-competitive marketing strategies, combining all this with high wages, skilled labour and a flexible, non-Taylorist organization of work” (Streeck 1992, p.4). Maybe some of these elements are still lacking in ST, in the Western production sites, but at least in these same sites many efforts towards a more “diversified quality production” can be seen. The selection of Agrate and Catania sites to open a new company dedicated to Flash memory, in partnership with Intel and Francisco Partner, announced on May 22, 2007, can be seen as a first, important, step in this way. It confirms the refurbished competitiveness of Italian sites: it will al-
low to bring to fruition the M6 project in Catania, that entail investments in the next years for about 2 billion dollars (equivalent to the current resources of ST) and it will open new recruitment opportunity (in addition to 1923 people moved from ST, 1204 of them from the Agrate site, 500 more new jobs are foreseen).

2.3 Major lessons from the case-study and innovative practices

ST restructuring is a clear case of local governance of global dynamics, essentially based on a direct consultation and negotiation between management and unions without any intervention of local or public authorities. This is the first difference that appeared between the plants in France and in Italy. As jointly admitted by union representatives (“the Regione Lombardia is absent, without a tragedy there is no interest”) and management (“in Italy the State intervenes only if confronted with a disaster, but in case of situations like ours it stands aside”), public intervention was neither conceivable nor requested, even if ST is still publicly owned and the most important Italian firm for technological innovation and research.

The starting point to analyse and to understand the restructuring is the availability of management and unions “to share the scenario” about “why” the restructuring: business slow-down; price cutting; technological innovation; eastern competition; even if unions feared that the managerial request to reduce the costs of production could be also influenced by some financial choices (cutting workforce to attract shareholders) and had some doubts about the changing of top management. The strategic anticipation of restructuring effect was also assured by some important mechanisms, besides the “sharing scenario”, above all by the “unions sensors” (“antenne
sindacali”) activated in the local “Strategic Committee” (“Comitato Strategico”) and by the information of European Work Council.

So, thanks to this strategic anticipation of restructuring effects, the local process of governance could be able to transform the same nature of the restructuring from the initial request of downsizing to an internal reorganisation.

In a more concrete way, this transformation was influenced and in the same time influenced the ways and the economic and social effects of restructuring. As shown above, the local “Technical Committee” discussed and negotiated on the reassessment of workshifts, on the fixed-termed contract and temporary agency workers, and on technological innovation reaching some compromises between the two different interests of management and unions. This was possible thanks to the autonomy of the local social actors, but also to the involvement of ‘productivistic’ unions, a social context very different from that one in other sites, e.g. in Catania, to stay in Italy.

In some sense this is also an important innovative case of “regime competition” inside the same global player of ST and what happened in Agrate was a real “local game” based on the goal to be more efficient than other sites, as admitted by the local management (“we are competing with all other ST plants: ST is a multinational and makes investments or outplaces production where it is more profitable”). If necessary, the splitting of the bargaining tables between the Agrate plant and the Catania plant is another proof of the existence of a regime competition even in the same country.

“A local game inside the global player” is perhaps the most innovating practice illustrated by the restructuring case of ST’s Agrate plant, if com-
pared to the past models of governance in firm restructuring processes (Negrelli, Pichierri 2006). The formula used to allow this local game and not a more coordinated way to manage the restructuring process inside the same global firm is normally that “otherwise Catania [but it may also be other plants in Europe or outside...] would have blocked Agrate as well”. The rationale is very clear: “the needs were the same, the subjects of negotiations the same, but locally the conditions were different”.

Paradoxically, the support of EWC is another innovating practice, not present in the past, that favoured the local game, as shown in many ways. The EWC gave an important support for a more knowledge-based union strategy, that could have been really used in an efficient way at the local level by the “Strategic Committee” and less at the global level of ST.

The opposition of unions to the calculation of fixed-term and temporary agency workers in the 990 redundancies introduced also a new practice or, better, it denied the old practice of “last in first out”, with many problems for the same unions (as pointed out by some more critical workers: “who are you actually representing?”), which refused the apparently more simple and traditional working rules proposed by the management.

But the most innovating practice was certainly the decision to make the referenda on the new shiftwork among workers in two steps: before among the workers directly touched by the agreement, and then among all workers. It was a risk for unions, as shown in many cases where workers voted against the collective agreement on “Saturday working” and then accepted the request by management as individual overtime (as it has recently happened at Fiat, cfr. Uccello 2006). But the memory of the contested referendum only among all workers for the 1989 agreement could influence in a negative way the new system of working hours. So, even if the results of referendum among shift workers was less approbatory (62%) than the ones
of referendum among all workers (80%), the innovative practice gave a stronger democratic support to the restructuring.

These innovative practices (the anticipation of restructuring through unions sensors, also at European level; a ‘productivistic’ union focusing on firm competition and not only on immediate outcomes of restructuring process; the representation of temporary employees interests and the decision to make the referenda in two steps) allowed the Agrate site, not only to manage a restructuring process resolved at headquarters level, but also to increase its competitiveness.
Discussion

Our findings point to restructuring as a crucial process in the economic life of firms and territories. Some common issues, in the wide-ranging perspective of the AgirE project, can be drawn as conclusions from the case-studies described in this paper. The first one is the notion of anticipation, i.e. the timing of the pre-emptive measure assuring an adequate approach for managing internal human resources and organizational renewal. Far from being just a pre-condition for information, consultation, participation, social consensus and collective bargaining, time defines the form itself of the anticipation process. An essential factor of the anticipation is the cognitive approach developed by players.

On this hand, case studies underline the significance of many processes. The selective attention paid by players allows them in focusing on the core features of the socio-economic environment (and also of the territorial one, as in the case of Sabaf). Memory represents the way by taking into the correct account past experiences that leave their mark on the relationship amongst players in different contexts, for example concerned with collective bargaining processes conducted in an “integrative” way more than in a “distributive” one. Cognitive representation is the foremost mechanism for local actors to interpret and to have control on changing macro-economic and social context. All these factors are crucial for the early common diagnosis, as a result of a method in which the original preferences of actors, embedded in their cognitive maps, can be changed and start off a compromise between reciprocal economic and social interests (Negrelli 2008). Afterwards, the strategic form of the anticipation is addressed by the interaction amongst firm management, unions, and social
partners, on their turn deeply affected by the shared dimension of the cognitive processes.

The second issue is concerned with social dialogue and industrial relations. They play a dynamic role since they emerge from the interactions among different actors (local and extra-local ones, public and private ones, interest associations and institutions, etc.). Players’ awareness of restructuring consequences are highly affected by the headquarters strategies dealing with healthy/not healthy local plants and the perceived competitive/not competitive activities. The four levels of social dialogue are: management (link between headquarters and local management, which can turn into centralization, local autonomy, cooperation or conflict); European (macro) social dialogue (as to information and consultation of European work council); bilateral micro local games responding to global player (i.e. local autonomous collective bargaining between local management and work council); local tripartite governance (local authorities/local management /local trade unions) with social measures from job security to career security on the labour (public policies or local consultation). As StMicroeletronics case shows, industrial relations ruled by a cooperative style allow actors to reinforce all these social dialogue levels and to hold a rational position in the bargaining step that takes place between management and unions. Moreover, this process fosters the anticipation measures and means a sort of reference point for future proactive strategies planned by the company at global level.
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