

Synthesis of the 5 workshops about the competitiveness of sectors of excellence within the international competition :

- . Automotive industry
- . ICT industry
- . Health & food industries
- . Business support services
- . European investment promotion agencies: How to make things happen?

### **Automotive industry**

Speakers : Denis Duchesne (Senior Managing Director Cooperations in CBU Vehicles, PSA), Shigefumi Goto (General Manager, Toyota Motor Europe), Peter Lednitzky (President, TDI Hungary), Yves Dejou (General Manager, ABX Logistics France), Andreas Wild (Research and Development Director, Motorola Semiconductors)

It is nowadays obvious that the enlargement of the European Union will give a boost to its attractiveness: 15 million of new consumers with a high demand will provide market opportunities for a global automotive industry.

This industry requires reliability, quality, security and performance. It is undergoing major changes, notably from a mechanical to an electronic knowledge. In addition, the one-piece-supplying method has been replaced by complete systems supplying methods. These changes will offer new opportunities for bigger and more integrated companies. However, the limited independence between these two players –emphasized by the segmentation of purchasing policies– makes it difficult for new technologies to exist as comprehensive systems.

In the automotive industry, 20% of the added value comes from software and this figure should go up to 40% in the coming years, although a part of the automotive industry refuses to admit the real importance of this factor especially given the difficulty of addressing the implementation of reliable and secure systems.

As Spain enjoyed investments in the automotive sector at the time of its entry into the European Union, the Eastern Europe countries provide automotive companies such as PSA Peugeot Citroën, significant opportunities for investment.

According to Toyota, the European market is important and competitive but it requires an tailored marketing approach, in addition to a manufacturing location as close as possible to customers. Beyond costs, the essential location criterion is the reliability of the suppliers' network.

France is distinguishable by a very good labor quality, the right geographic location, a convenient concentration of local suppliers and an outstanding capacity to integrate expatriates.

### **ITC Industry**

Speakers : Grégoire Olivier (Chairman and CEO, Sagem), Bill Walker (Senior Vice President and General Manager, Motorola Semiconductors), Hervé Gallaire (Senior Vice President and

CTO, Xerox Innovation Group), Jean-Yves Charlier (President & COO, British Telecom Ignite), Philippe Carli (President, Siemens SAS)

Leaders of British Telecom, Motorola, Sagem, Xerox Innovation Group & Siemens all agree: the current economic context, which is very mixed in the ITC industry, has forced companies to reorganize their activities on a world scale.

At first deregulation opened up markets to globalization, then to globalization of the production means of goods and new services.

For the implementation of new activities as well as for the development of existing activities, the key location factors are the proximity to customers, the presence of grey matter, the accessibility to markets, the international “openness” of the Region, cost competitiveness, as well as the tax system and public incentive policies.

Having said that, other more subjective criteria may make the difference: the links of the manager with some specific region, the attraction to the sea side (“the Riviera effect”) etc. may also encourage some projects to be achieved in France.

In terms of investment trends, the speakers insisted on the need to erase certain constraints, especially as regards regulations, laws and/or technologies harmonization on a European scale.

As far as the industry is concerned, mass production will be in the long run almost completely relocated to the low-cost countries. However niche production, research and development activities or services which need proximity to customers will continue to grow in OECD countries, if the authorities continue to invest in higher education and research, in order to keep “the” key competitive advantage : innovation.

## **Health & food industries**

Speakers: Sven Thormahlen (R&D Director, Danone), Jean Quentin (CEO, Smithfield France), Nicolas Ajacques (Managing director, Evalis International), Pierre Gondé (Regulation and Food safety Manager, McCain), Eric Gravier (Vice-President SCM Quality Logistics, McDonald’s France).

During this workshop, three main themes have been enhanced by managers of world leading food companies such as Danone, Smithfield, Evalis, McCain and McDonald’s. They have seized on the opportunity to share their experience and testimonies on the key factors to locate Europe.

On one hand, traditional conditions have been confirmed to be the most important key investment factors: the availability of resources (raw materials, human resources), a dynamic local supplier network and better access to consumer markets (a mass market favored by a concentrated retailing network) strengthened by adapted infrastructures.

On the other hand, multinational companies have to take into account various societal and cultural trends. Presently, they also tend to concentrate their R&D and marketing functions, to

better fit with consumer requirements. This will involve an increasing international mobility of management teams.

After the latest food crisis, the food industry has focused its R&D on the development of traceability tools (food safety) thus enabling closer relationships between the universities (public laboratories) and the company R&D units.

“It is hard to find a common recipe for each location project”. Nevertheless, the decreasing gap between traditional markets (developed countries) and the new emerging countries (Eastern Europe, Asia, South America...) will generate major corporate expansion and mobility.

### **Business Support Services :**

Speakers: Jeroen Bent (CEO, SAP France), Robert Gogel (CEO, Rebus IS), Jacques Guers (President, Xerox France), Stewart Oades (CEO, Exel, Chief Executive Retail & Consumer Europe), Michael Ward (Chief Executive, London Development Agency)

Even if Western Europe is no longer an attractive region for all manufacturing activities, it remains at the forefront for service activities. There are several reasons for this, not the least of which is that for customer and market activities, such as logistics and face-to-face services to individuals services are necessarily local. Call centres and shared service centres are becoming more and more centralized but typically remain located in Western Europe, whereas some development activities, in particular software, can be relocated to Eastern countries or India.

As both a strength and weakness of Europe, one can identify the high general level of education, but also recognize that it is not always geared to meet the needs of business. Thus, while consistently providing a sufficient pool of skilled and competent workers for activities such as R&D, a lack of responsiveness to the evolving needs of the economy must be addressed. This relatively inflexible workforce, combined with a perceived high tax burden, is considered a greater issue than the higher labor costs in Western Europe.

Regions are getting more and more specialized : call-centres in Ireland, R&D in Sophia Antipolis or Rennes ... The global concentration of players in the same region and the resulting strong ‘industry brand’ image of that region maintains the attractiveness of a region to potential investors of a similar nature, especially where the region is reinforced by local public investment . The entrance of Eastern countries in the European Union will potentially result in an increase of relocation of manufacturing activities as well as back-office activities.

### **European investment promotion agencies : how to make things happen ?**

Speakers: Clara Gaymard (Ambassador at Large, President of the Invest in France Agency), Martin Jahn (CEO, Czechinvest), Paid McMenamin (Former Chairman, World Association of Investment Promotion Agencies, Former Executive of IDA Ireland), Ron Robinson (President, Metroplex, Dallas Richardson Telecom Corridor), Christian Saublens (CEO,

European Association of Development Agencies), Philippe Vanrie (General Manager, European Business Network).

The speakers testified about changes in the economic environment, within which Agencies operate. The current question is a question of “change” in the international investment environment rather than a question of “crisis”. Indeed even if there has been a decrease in foreign investments in the world and in particular towards Western Europe these last two years, those investments remain an essential driving force for economic development.

Agencies have therefore to adjust their strategy as well as their services, whether they have a long term (IDA Ireland) or a more recent experience (Czechinvest). First in terms of strategy, because the attractiveness factors do change with time, moving from cost reduction to markets accessibility, through labor quality or tax system ... Then in terms of services, because Agencies have to provide a better link with the local entrepreneurial fabric and the small and medium-sized enterprises as well as to promote innovation.

Some key factors to success which the speakers suggested include:

1. To have a strong visibility (“branding”), based on an advanced analysis of the territorial resources and a focus on the sectors of excellence an/or promising sectors (“clusters”).
2. To work on the long-term, by not focusing on current difficulties.
3. To intensify the follow-up and the retention of investors.