

Innovation**Europe's innovation comeback: Emilia Romagna leads Italy back**

Exporters in Bologna-led region are proving to be engine of recovery

Rachel Sanderson in Lippo di Calderara
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As Europe's economy recovers, companies and investors across the continent are gearing up for new opportunities, taking advantage of its hidden strengths: education, skills and innovative people. Here we look at Italy's manufacturing excellence.

Alberto Vacchi, the chief executive and owner of the high-tech packaging company IMA, is an example of what in [Italy](#) is known as *Italia che fa*: the Italy that works, produces, gets things done.

In early October, Mr Vacchi listed a manufacturer of electronic cigarettes, the new frontier in the global tobacco industry, on the Milan stock exchange. Shares in GIMA TT, which he had spun off from the parent company IMA, rose 22 per cent on the day of its listing. The offering was eight times oversubscribed.

Like IMA, most of GIMA TT's sales come from outside Italy. Its biggest client is Philip Morris. A business with just €100m in revenues in 2016 now has a market value of €1.5bn.

“When manufacturing is related to sophisticated products with high-level growth, it rivals the phenomenon of Silicon Valley,” Mr Vacchi said, speaking in his boardroom in the hamlet of Zola Predosa early one weekday morning, a vast map of the world on the wall behind him.

Within the country, however, the region of Emilia Romagna, of which Bologna is the capital, has star status. The region's growth rates since the sovereign debt crisis have been the best in Italy. An area about the size of New Jersey with 4.4m inhabitants, it boasts not just IMA, but Ferrari, Lamborghini, Ducati, Datalogic, YOOX, Barilla, Furla, MaxMara and Technogym.



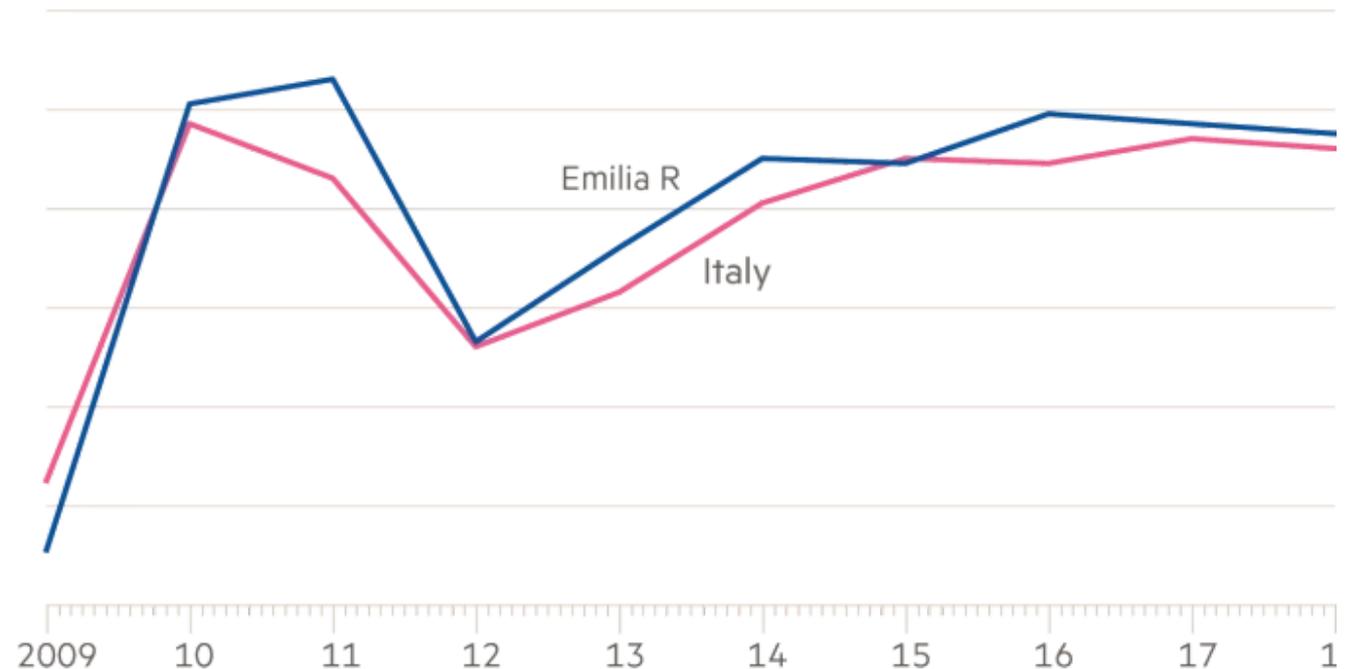
Businesses such as IMA, which makes 86 per cent of its sales from exports, and entrepreneurs such as Mr Vacchi, with their eye on selling value-added [manufactured products](#) to the world, are the engines behind [Italy's economic recovery](#). Italy's [economy](#) has grown for 10 consecutive quarters, finally pulling free from a crippling triple-dip recession that reshaped its industry.

Emilia Romagna's economy shrank 2.7 per cent during the sovereign debt crisis in 2012, in line with a 2.8 per cent contraction for Italy. But by 2016 the region was posting 1.9 per cent growth, almost double the Italian average.

During the crisis, its entrepreneurs thrived by expanding the region's already healthy exports — which are above the global average — and cutting costs. “Due to the sovereign crisis, I would argue our businesses are now more resilient than the equivalent German business,” says Mr Vacchi.

Emilia Romagna's GDP growth is outpacing Italy's

Annual % change



Source: Istat
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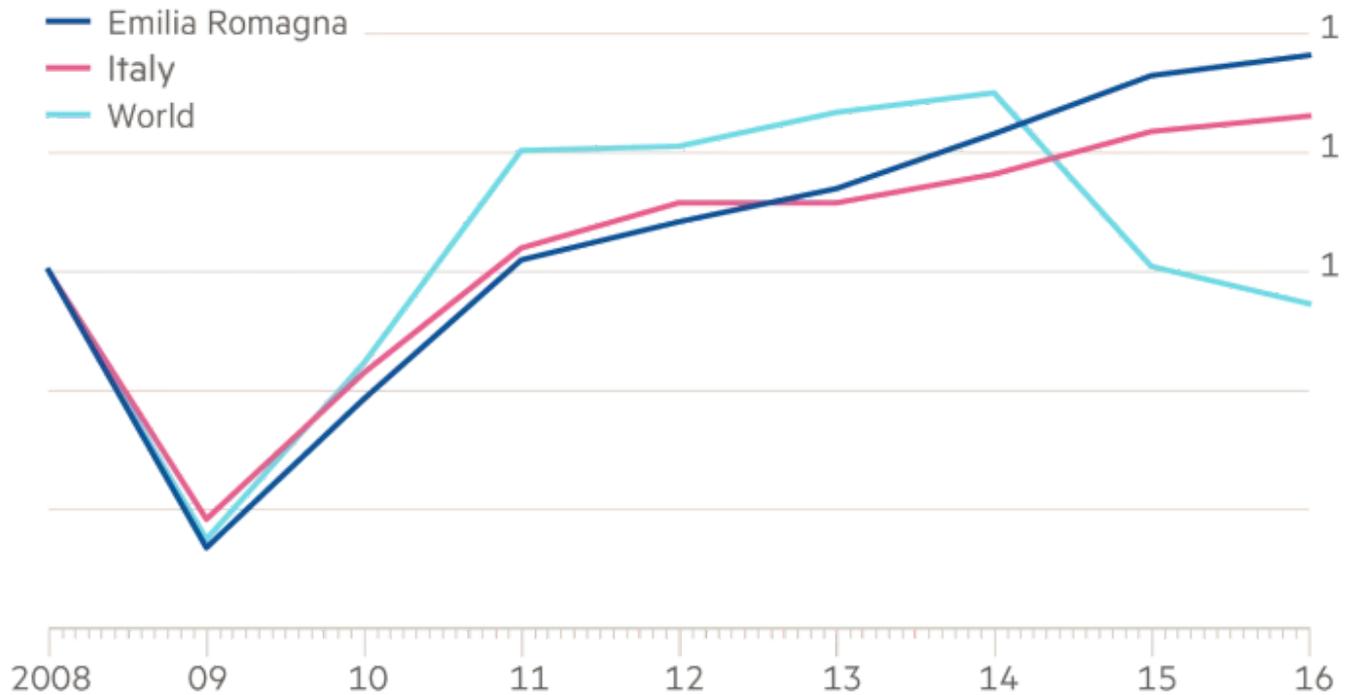
The secret behind Emilia Romagna's consistently high exports is the high level of innovation, says Alessandra Lanza, an economist at Prometeia, the risk and wealth management group. "Business owners in Emilia Romagna have proven to be incubators of using technology in a cross-sectoral way, creating value by not keeping their industries in silos," Ms Lanza says.

There are several examples of this. Mr Vacchi developed the technology that fuelled GIMA TT's success in response to requests from Philip Morris to manufacturers around Bologna for new products. When domestic demand for ceramic tiles fell away, Emilia Romagna's manufacturers invested in new products to meet emerging demand, according to Confindustria Ceramica. Innovations included thermic tiles with embedded technologies for solar power use and self-cleaning products.

Local entrepreneurs also attribute Emilia Romagna's resilience to its proximity to the creative hub of Bologna University and the fact that its largely small and mid-sized companies can respond more quickly than multinationals to market changes. These businesses, many of which still have the founding family as a majority shareholder, share a lean, flexible structure, often marrying creativity and engineering.

...and exports are also growing compared to the global total

Total goods exports rebased (2008 = 100)



Source: Istat
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They also benefit from what is called cluster culture, with their proximity to similar companies nearby allowing them to share knowledge and compete globally. Mr Vacchi's IMA, for example, is located in "Packaging Valley", so called because of the concentration of packaging firms.

The experience of Emilia Romagna counters the myth that Italy was left behind by globalisation, says Marco Simoni, an economic adviser to prime minister Paolo Gentiloni. "If you want to see what is driving globalisation you can go to China or you can go to Bologna," Mr Simoni says, referring to the high number of manufacturing exports from an area better known for its Prosciutto, Parmesan cheese and Tortellini pasta.