

How To Collaborate With Europeans

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I am back after a whirlwind trip to Italy and the United Kingdom that was supposed to be split between fun and business. As usual, I over-scheduled the business and under-scheduled the fun, much to the misery of my traveling companion, PCDworks' president and my wife, Donna. She was a trooper and only complained when I skipped the walk to the top of St. Peter's Basilica — and bits of Rome and Venice. Overall, it was an eye-opening and highly productive trip.

My biggest takeaway from this trip: The news of Italy's imminent demise appears to be greatly exaggerated. Yes, they have problems. Yes, for the past 18 years they have suffered from the unpredictable and capricious rule of a Looney Tunes party prime minister, who exerted lax control over every aspect of Italian society, and was unwilling to enforce income tax collection laws. The good news is that he is out of power and, despite the fact that he still controls Italian media, the people of Italy seem to have finally gotten wise to his senility. His replacement, Prime Minister Mario Monti, is a technocrat (see also: financial dweeb with no personality). He is mostly dedicated to saving banks, but also seems to realize that things must change; that without seeding the economy there will be no growth and without growth, Italy cannot earn its way out of the crisis. The European Union (EU) recognizes this as well, and is hell-bent on providing seed money to innovative ventures, R&D efforts, and other attempts to jumpstart an otherwise moribund economy.

The other more astounding revelation from my visit was the sheer mass of manufacturing in Italy. From Bologna and further north, it seems that there is a factory at every countryside, city, and crossroad. While I will admit bias, since all of my grandparents came from Italy, I was astounded by the energy of the people, their inventiveness, and their entrepreneurial spark. At every stop, we found people and entities driven to collaborate, innovate, and work together to create jobs.

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The Italians do have problems, of course. There is a bureaucracy that requires a payment of €2,000 for a “notary” to establish a company. You have to apply in person to the Chamber of Commerce for permission to get a bank account for a company, and the tax laws are draconian. But the infrastructure, including transportation, telecommunication, and power, is terrific. The internet access is much better (compared to East Texas, anyways), and lawyers are fewer and farther apart, which apparently makes for a much less litigious society.

Open Innovation (OI), on the other hand, seems to be a bit tougher sell. The Italian paranoia quotient is real and palpable, whether resulting from a drive to preserve what engineering jobs are left or simply competitive urges. Very little innovative collaboration exists and the “not-invented-here” syndrome is alive and well. While inventiveness is not in short supply, because there are so many small-to-medium sized businesses (SMEs), the success rate for large-scale commercialization seems to be below par. It is my observation that Italian SMEs simply don’t focus on trade out of Italy or the EU.

I am not sure how to define it, but what the Italians seem to be stumbling over is a lack of global reach. They have a good grasp on their local, indigenous markets, but going beyond the boundaries of Italy seems to stretch their capabilities. Often those capabilities require that the SME understand the forces outside of their primary market. Outside market understanding entails extensive effort and often requires a presence in that market, in order to identify that market’s unique needs. This does not come cheap.

Another part of the problem is that many of Italy’s SMEs are family enterprises. To Americans, this seems abnormal. We have very few companies of any significant size that are owned and operated by families. Our children watch their parents work their butts off and decide they want nothing of that misery. This is not the case in Italy.

The results of such familial dynasty building are both good and bad. The benefits are multifold, from loyalty (most of the time) to ensuring that family values of quality are upheld and employees are well treated, to pride in the family name. The downside is that a child raised in the business is almost raised with blinders. How does one who grows up immersed in the family business ever have the opportunity to look beyond the walls of that business? There is also the added burden of local success. If the company is successful at supplying their goods in a local market, why would it risk stretching out to the rest of the world? In this case, success breeds complacency.

I did, however, detect a budding awareness that local businesses may be under threat, especially when there is so much turmoil in the world. What is so interesting is the differing response to threat between Americans and Italians. We understand the threat and go back to our old standby, which is innovation. We thrive on invention, the new, even to the point of opening ourselves up to outside ideas to grow said innovation. It is no accident that the OI movement has been embraced so well in the U.S.

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In Italy, the idea of letting someone else innovate for a company is anathema. The Italian response to the globalization threat is to band together, to circle the wagons to form collaborations of non-competitive companies to help each other out, a little like a Japanese keiretsu, without an investment into each other's company or a formal commitment. What the Italians are doing well is grouping together companies that can depend on each other; they are building consortia of SMEs that can act bigger. They still won't open up to trade IP or technology, but they are willing to pitch in to help one another get into markets that were previously beyond their global reach.

It is ironic, but not unexpected, that both culture's comfort zones limit how we collaborate with each other. In Italy, they won't share IP and technology, but they will share market expertise. Here, we collaborate on technology, but do not collaborate to go after foreign markets. Maybe that is the ground upon which one can build a solid collaboration between the U.S. and the EU. Understanding and then overcoming one's cultural comfort zones may be the key to building both global reach and innovation together, and to keep our part of the proverbial pie.

Above all, I remain fairly certain of one fact: If we don't find a way to work through this together, those in the Far East will not be leaving any pie for the rest of us to share.

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