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**IMPROVING PERFORMANCES AT THE SECOND TIER OF THE AUTOMOTIVE
SUPPLY CHAIN: FIAT'S "GUIDED IMPROVEMENT" PROGRAMME IN
COMPARATIVE PERSPECTIVE**

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Global changes in automobile assembler strategies have led to a rationalization at lower levels of the components industry, requiring these firms to go beyond purely technical capabilities by developing managerial and perhaps basic design capacities. This is of particular interest in a country such as Italy with a relative dominance of small and medium sized firms. We argue that the particular structure of the automotive technology district in northwestern Italy presents a significant opportunity and perhaps a natural laboratory for regional industry policy initiatives. The firms in need are relatively circumscribed geographically and there is a substantial "horizontal" commonality of need. However, the vertical positioning of these firms as suppliers to large well-structured "first tier" component suppliers and automobile assemblers raises two questions: (1) who should pay for and organize the training actions required at lower tiers of the supply chain (given that the benefits will be relatively diffuse) and; (2) how should such services best be delivered. To begin to answer these, we describe and critically assess a private initiative promoted by Fiat auto and about 100 of its direct ("first-tier") suppliers to improve product quality, and suggest that it may provide a model for future industrial policy initiatives in the region. We also briefly provide for purposes of comparison an example of inter-firm cooperation and state involvement in supplier training and upgrading in the American state of Wisconsin to show that: (1) many of the problems occurring in the organization of automobile production, especially in the relationship between first and second tier suppliers, may represent a secular trend across multiple industries; and (2) that there are multiple institutional solutions to these problems.