



Case study summary sheet : SABAF

PN, Sept. 28th, 2006

- ✓ The case of SABAF / Lumezzane is a symbol of both the "historical" success of Italian industrial districts in the 1970s and 1980s and of these districts' uncanny ability to adapt to the context of globalisation and heightened international competitiveness of recent years. The restructuring process – or more specifically the process of change – begun by SABAF reflects an adaptation strategy that preserves both the company's original identity and the pre-existing corporate cohesion. Admittedly, SABAF's industrial activities come under the category of productive activities that can be easily relocated to low-wage countries (components for cooking appliances: burners, gas valves, etc.), even though SABAF designs and manufactures innovative product lines and has an effective niche strategy which can shield it from certain competitors.
- ✓ The company's management (which for some time has been separate from the historical family shareholders, a customary, traditional method of SME governance in Italian industrial districts) anticipates, together with the other stakeholders – employees and their representatives, local authorities, suppliers – the need to continuously adapt in order to remain competitive in a challenging environment. According to it, this involves moving to an outlying area of the district that offers additional advantages (accessibility, site optimisation, etc.) and raising the standing of the workforce by making it more cohesive and encouraging its active involvement through quality corporate dialogue in which the local public authorities also play a key role. For this, SABAF has considerable strengths and resources, including in particular very strong profitability. The plans for the relocation were designed, thought out and announced well in advance over a four-year period (starting in 1998 for implementation in 2002, with assistance offered to employees until 2005 to deal with the effects).
- ✓ One of the counterparts offered in connection with the relocation was the introduction of a stock option scheme for all employees. This appears to be one of the few issues that created tension in the negotiations with the dominant labour union (FIOM CGIL), mostly on points of principle (pay ratio incompatible with share ownership).
- ✓ The reorganisation has resulted in a significant expansion of the business and a sharp increase in the number of employees (from 320 to 442). The workforce has also become much younger and consists of more qualified employees.