



OPINION - JON AZUA
Chairman of e-novating

WHY THE BASQUE INDUSTRIAL MODEL WORKS

Jon Azua, chairman of e-novating Lab, explains the role 'g-localisation' and clusterisation have played in the Basque Country's economic development.

Nowadays, talking about clusters and internationalisation seems essential in any industrial or development policy of any worth. However, this way of thinking and strategy was not very common 25 years ago, nor was (or is) the content and reach of such policies understood by a large number of policy makers and businesses that touted it as an economic model.

The Basque Country chose the cluster model not because it was fashionable or was a different way of managing its industrial sector, but because

it was a real revolution, positioning us ahead of the trends that would become known as the 'new economy'. We knew that businesses had to transcend their traditional sectors. For example, cars would no longer be just car parts, but electronics, climate control, machine tools, robotics, optics and ICT; they would extend their limits. Steel would no longer be traditional,

but would become 'value-added steel', used in the car and aerospace industries. We also understood that clustering meant building inseparable couplings: industry-land for example.

We understood that the worlds of business, government, and society were one inseparable unit and not isolated silos. We learned that the new economy could not be explained in terms of how well an individual business performed, but rather that they should be considered extended organ-

isations along a value chain. Businesses had to invent a new way of co-existing in 'coopetition', the very real madness of competing and cooperating at the same time. We understood that the false concepts of size, critical mass and efficient dimensions did not refer to the physical limits of a business in a fixed location, but rather to the ability to work as a network.

We were aware that the challenges of technology, knowledge, and innovation that were ahead of us could not be overcome without collaboration between different skill sets, people, businesses, governments, countries, and all stakeholders. We knew that it was of little use for just one Basque business to succeed abroad, and that creating and organising a concrete cluster was the solution. However, the value would lie in a region-wide strategy capable of generating a clustered economy where the overlap of relationships between one cluster and the next would make the real difference.

And of course, we understood the ultimate goal of clustering. Its *raison d'être* was a sustainable and constant growth in the wellbeing of citizens and the productivity of businesses, governments, and institutions. As a region, obviously, the idea was not to help some businesses to "make it abroad" and internationalise, but rather to internationalise ourselves so that our region could make it at home.

Therefore, we decided to reinvent our industry and public administration, and bring about a permanent dynamic coopetition of all economic and social agents in the service of a region-wide strategy. The first clusters and organisations, which have

"BUSINESSES HAD TO INVENT A NEW WAY OF EXISTING IN COOPETITION"

With a ground-breaking approach to doing business, competing and cooperating at the same time, Basque businesses have created a model that works.

MILESTONES

1981

Prioritising industrial competitiveness through investment in research and technology, the Basque government created SPRI to support Basque business in innovation

1990s

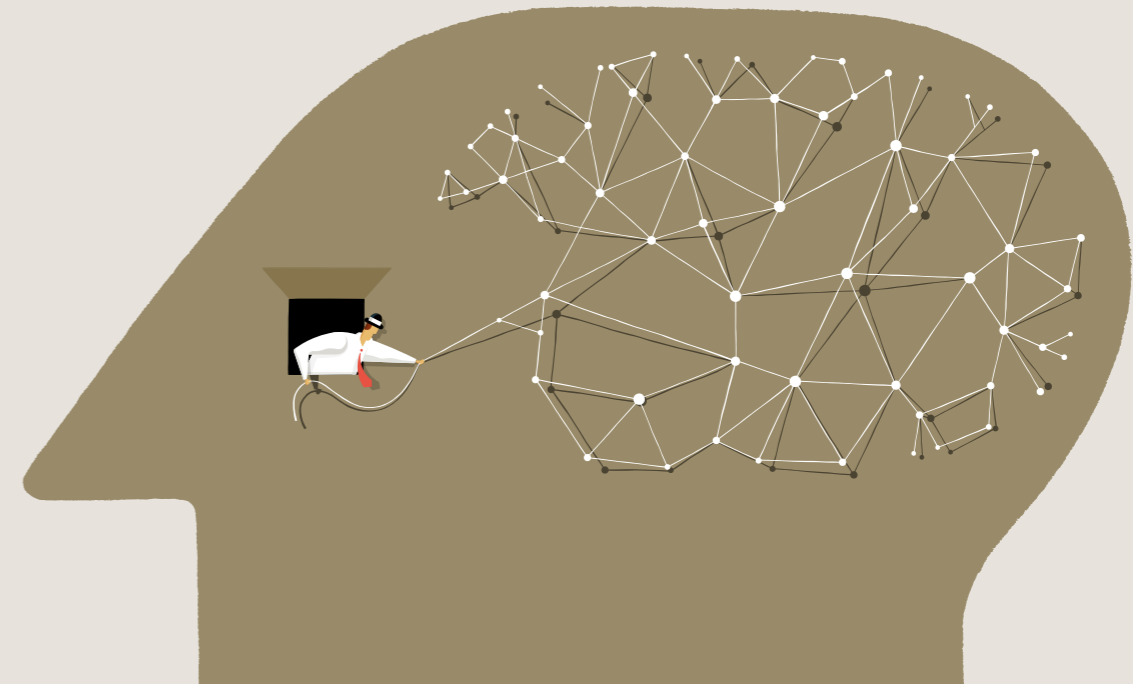
The main Basque industrial sectors formed clusters, and the first technology centres were created. This resulted in the creation, a decade later, of two large groups: IK4 and Tecnalia

1997

The Basque Science, Technology and Innovation Network (RVCTI) was created by the Basque government. This would be brought under the Innobasque umbrella in 2007

2006-2007

The Ikerbasque Foundation and the Basque Council for Science, Technology and Innovation were established. Together with Innobasque, they form the Basque trident of innovation



now been active for 25 years, are today changing, and generating new clusters and interactions. They are transcending other areas of the economy, and the worlds of culture, education, and the government itself. This is the magic of this process.

The Basque model of development has anchored one of its roots: clustering for competitiveness, wellbeing and social progress. That was the bet and these are the results. Moving forward with this permanent process will determine that the region's idea of making itself responsible for its own destiny offers a unique plan of shared value, changeable over time, in the service of wellbeing, and of inclusive development and growth.

Today, Europe and the world in general are opting for sophisticated manufacturing and combining the local and the global, going against the

paradoxical globalisation of common assets which has resulted in growing inequality. People are demanding social and economic policies right now, and they don't want wealth to be shared among the few in the future. People understand that it will only be possible to build a sustainable world if governments and the business world work together, sharing objectives. They see the creation of value as the fruit of the contributions and benefits of, and for, all stakeholders. Twenty-five years ago, the Basque Country chose this path. The challenge today is not to abandon this new dynamic, and to face the new challenges that day-to-day life imposes on us.

€3.6bn

the combined turnover of the Basque Country's technology parks in 2013.

INTERVIEW

Jon Azua

Chairman of e-novating

Based in Bilbao but with operations worldwide, e-novating Lab was set up by former vice-president of the Basque Country Jon Azua in 2003 as a think-tank that generates ideas for the design, formulation and implantation of strategies for businesses and governments.

What was your role in establishing the industrial policies of the Basque regional government following the transition to democracy?

A few months before the first Basque regional government was created in 1980, I was asked to form a small group of people who worked in private business and had a commitment to the region. This group's mission was to design a preliminary working approach for the new Basque government and to define its main policy guidelines, in the event that the first regional elections should be won by the Basque Nationalist Party (PNV), of which I had been a clandestine member under Franco.

What were your recommendations?

I concluded that first of all, we had to lose our fear of the unions and listen to what they had to say. We had to realise that all their Marxist rhetoric about nationalising the means of production was not something they really wanted to achieve in the short term, but the business sector was really scared and didn't know how to deal with this. It was important to convey the notion that things were going to turn out a lot more normal than would seem at that point, when all the region's basic industrial sectors were collapsing, when the Franco-driven autarky was dissolving, and when companies were being forced to renew themselves. There was a tremendous crisis in terms of unemployment, negative growth, strikes, business closures; it was a dire situation.

But for SMEs, the way forward was very simple: 90 percent or more of the Basque

business fabric is made up of SMEs, many of them with fewer than 15 workers. So we needed to find something that would allow them to gain in size through collaborative schemes on issues like research, internationalisation, training and so on. It was obviously not possible to turn all these small businesses into large companies overnight, but it was possible, if difficult, to find connecting points to enable this sort of cooperation.

“THE BASQUE COUNTRY NEEDED TO RECOVER ITS TASTE FOR ELBOW GREASE”

Did you look abroad for role models?

Yes, but this was a time of no internet, so finding out what other countries were doing was very difficult. Spain was not part of the European Union yet, and in fact the European Union did not exist yet. I began to study what Singapore and certain US states had done, to see which of their policies we could adopt, but our real reference was Europe, its values of freedom and the protection it might afford from a new dictatorship or coup. We had to look like Europe, but without copying everything exactly the same way, either.

What made you favour industry as the way forward?

Industry was seen back then as something for the Third World. We went against the

flow of what Spain was doing at the time, which was to eliminate our national steel industry, for instance, because Germany already had steel and we were all a part of Europe, and if we ever needed any more steel we could always make it in Morocco. The academic world said we had to move on to a services-based economy, but I said that we needed to recover our taste for elbow grease. We created a value-added steel cluster to see where our steel industry should go in the future, and discovered electric steel plants in the US. We were told back home that these sorts of plants would never make good enough steel for cars. And then Altos Hornos de Vizcaya, which had 4,000 workers and was making two million tonnes of steel, was shut down, so we designed an electric steel plant instead. We also had several private firms in the sector that were doing terribly. We forced them to merge and told them not to make steel, but steel components for aerospace and automotive instead.

How did Harvard University Business School professor Michael Porter come into the picture?

We drafted a strategy for the modernisation and internationalisation of the economy and the country, and wondered who could help us improve and implement it. I went to Harvard to see Porter. His ideas about clusters were, I realised, a perfect fit for our Basque SMEs that needed to break through the classification of primary, secondary and tertiary sectors, and break with this obsession with destroying industry in favour of services.



Now, in 2014, do you feel things worked out better or worse than you expected?

Things have worked out better than expected. You set out a vision, this triggers a series of events, this in turn creates a movement that other people join, and that modifies the vision itself. There is an evolution. Now you see that some clusters work better than others. But 2,500 people are constantly working on industrial policy these days, either at research centres or government agencies or in business, so it is no longer a government programme but a national endeavour. Changes can be addressed, but there is an overall stability. And over 1,000 people have received training in clustering, people who have positions of responsibility and who add extraordinary value.

What challenges lie ahead?

Competitiveness is a never-ending process. You can never stop pedalling. Now at e-novating Lab we are working on the concept of 'coopetivity,' which is competing and cooperating at the same time. And our strategies are 'glokalized,' which goes beyond thinking globally and acting locally. The "k" stands for knowledge, key opportunities and all the different elements that go into this new way of understanding the world. We are now immersed in a new period of shared value creation in which what matters is not just GDP growth but also social progress, and this requires rethinking a lot of things. Above all, you need to see where the interaction between business and society is. Social needs are, and will be, the source of the successful business models of the future.

**BIO
JON AZUA**

1991-1995 Held the post of vice-lehendakari and minister of energy and industry

1998 Became an Eisenhower Fellow

1988-1991 Appointed managing director of the Bilbao stock exchange

2003 Launched e-novating Lab

2003-2011 Co-founded the ORKESTRA Basque competitiveness institute