



Alberto Bombassei

#### Personal details

Born in Vicenza in 1940.

Has lived in Bergamo since 1942.

Holds a degree *honoris causa* in Mechanical Engineering.

#### Professional position

Alberto Bombassei is President and Chief Executive Officer of Brembo S.p.A.

Brembo S.p.A. is a leading company in the design, production and sale of braking systems and employs about 4,300 people in 12 countries. Since 1995 the company has been listed on the Milan Stock Exchange.

In May 2004 Mr Bombassei was appointed Vice-President of Confindustria, the Italian Manufacturers' Association, for Industrial Relations and Social Affairs.

He is also:

- A member of the Board of Directors of A.N.F.I.A. (the Italian Car Manufacturers' Association);
- A member of the Board of Directors of Credito Bergamasco S.p.A.;
- A member of the Board of Directors of Italcementi S.p.A.;
- President of the Board of Directors of N&W Global Vending SpA.;
- Vice President of the Board of Directors of Corporación Upwards 98 S.A. (Spain).

#### Prizes and awards

Over the years Mr Bombassei has been awarded a number of important prizes, the most recent ones being:

- **Eurostar 2004**, awarded in September 2004 by the international magazine Automotive News Europe for the results he has achieved leading Brembo;
- In June 2004 Carlo Azeglio Ciampi, the President of the Italian Republic, bestowed on him Italy's highest civilian award for industry, "**Cavaliere del Lavoro**";
- In February 2003 the University of Bergamo awarded Mr Bombassei an **honoris causa degree in Mechanical Engineering** for his clear industrial merits and his excellent results in advanced projecting and applied research;
- **Premio Leonardo "Qualità Italia"** conferred by President Ciampi in December 2003 for Mr Bombassei's success in making the Made in Italy brand famous around the world.

## "Always go against the mainstream"

Alberto Bombassei, President and CEO of Brembo S.p.A., talks to Nicola Diligu

**Arthur D. Little:** There is a difference between becoming an innovation leader and remaining an innovation leader. Brembo certainly is both. But how did Brembo become a leader in innovation?

**Bombassei:** We have always considered ourselves as a company that goes against the mainstream. We started with Formula 1, and only afterwards entered the mass market. Our company was never founded upon a radical innovation mentality. The objective was rather to introduce, within Brembo, a mental attitude for continuous innovation.

**Arthur D. Little:** So how did this objective help Brembo become a winner?

**Bombassei:** The core of our present success basically is the idea of shifting our target towards companies with highly sophisticated and challenging needs - and expanding it.

**Arthur D. Little:** And how do you manage to remain a leader in innovation and stay ahead of your competitors?

**Bombassei:** We are now one of the world's most prominent producers in the brake discs industry. We were always able to guarantee innovation in those market segments that were traditionally defined as "poorer" - meaning they had lower margins. We used the niche to differentiate ourselves from competitors that were a lot bigger than us.

**Arthur D. Little:** Did your ability to attract the best global talent help you in this process?

**Bombassei:** When we first started, we were not attractive enough compared to other companies in the area, because we were a small player. We worked hard to train and retain an ambitious team with a winning culture. Only nowadays has Brembo become an attractive company

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for recruits, especially for young people whose interest in us is rapidly growing.

**Arthur D. Little:** In recent years you have been migrating from a “top-end niche innovator” to more of a “mass-market innovator”. How did that happen?

**Bombassei:** We became a mass-market company because the market became ever more demanding, requiring more innovative products and performance. The middle segments moved towards high performance and more advanced technology, because, in practice, brakes guarantee safety and the general sensitivity about this issue has risen dramatically. So we had to move.

**Arthur D. Little:** How different are these two positions? How do you manage to be both a “top-end niche innovator” and a “mass-market innovator”?

**Bombassei:** Brembo has always maintained the balance between top-end and cost-leadership. Strange as it might sound, even in cost-sensitive markets like trucks you find performance needs similar to those of the sports car market. For instance, a truck is designed to last for a million kilometres, which is a big challenge for the technology of the brake system it uses. Therefore advanced technology remains the common denominator of our evolution and of our opening towards different customer segments.

**Arthur D. Little:** Brembo was among the leaders in internationalisation strategy. Where does that come from?

**Bombassei:** Our policy has always been to anticipate time and needs. In the 1980s we started an internationalisation process to expand into new markets, such as China and India. In the last few years we have taken several initiatives towards outsourcing. China, India, Malaysia and Korea nowadays certainly represent attractive opportunities, but they need to be managed with due attention otherwise they can become strategic risks.

**Arthur D. Little:** As a result of this process Brembo has expanded enormously market-wise and geographically. Where do you see growth in new segments and markets?

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**Bombassei:** Obviously it would be very desirable to expand our business beyond its original core, but the potential margins are very small and hardly allow the necessary investments. One of the most limiting factors is the strictness of the managing process of guarantees, in which too often responsibility for guarantees is passed straight through from the manufacturer to the supplier. This is particularly hard for suppliers trying to keep on innovating by themselves. All in all it leads to the predominance of overly cautious choices and solutions and ends in a culture hostile to risk management. Of course it would be better to take a look at the long term, but our times dictate that economics and time-to-market are given the most attention.

**Arthur D. Little:** Brembo has a huge product portfolio - and keeps on launching hundreds of new products each year. How do you achieve the trade-off between innovation and complexity?

**Bombassei:** One of our key success factors has always been the flexibility of our production processes. Even after the strong investments to attain flexible operations, economics of scope still remain a tough challenge for us. Thirty years ago the same brake was mounted into different car models targeted for different performances. The product was either under- or over-dimensioned. This has changed completely. Nowadays products have to be produced “ad hoc”, creating continuous challenges along the entire production process. Our system per se accepts variability and in doing so we leverage - when necessary - partnerships and joint ventures.

**Arthur D. Little:** The world market for brakes is described as being “a mature oligopoly”, with four players having a combined market share of more than 65 percent. Doesn't such an oligopoly situation put a brake on innovation?

**Bombassei:** I would argue to the contrary. In our sector there is still huge competition on innovation and this is paradoxically due to the fact that the few big players, luckily, never agreed on a standard, thus avoiding a true oligopoly. Brembo always made huge investments in R&D.

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**Arthur D. Little:** Brembo adheres to the principle “From concept to delivery under the same roof”. Does this mean that you want to have all R&D activities - and all 400 R&D employees - in one place? If so, why is it so important?

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**Bombassei:** All members of a project are involved in the entire process from the development of the client's car concept down to the solution of the field problems. Everyone shares the objectives related to customer value. Our main challenge is to convince everyone that innovation works at 360°: product, process and management of day-to-day business. One of the results of this is the factual increase in the value of intellectual property.

**Arthur D. Little:** So how do you define innovation at Brembo?

**Bombassei:** For us innovation doesn't only mean doing new things. Innovation for us means truly achieving competitive advantage along the entire value chain, from the client's perceived value to the true cost of the innovation itself. To us, innovation must contain two elements: firstly clarity - the what, the how and the when must be understood - and secondly we need discipline, which means rigorous execution, project monitoring and eventually closure.

**Arthur D. Little:** Branding has become one of the central aspects in all industries. How far does this apply to brakes and your co-operation with manufacturers?

**Bombassei:** At present the tendency of automotive companies is to centralise distinctive expertise and outsource functions that are not part of the core values. Let's take BMW. For them handling is a strategic expertise that should be kept within the company just like the dynamic control of the car. They are both part of the so-called brand value of BMW. Brembo has a similar point of view. We also want to centralise research and all activities related to a common working style and method. At the same time we see a growing number of specific and variable

activities that can be outsourced as we don't consider them to be part of the core.

**Arthur D. Little:** Innovation is a two-edged sword. How do you think a company can create a structured process for innovation on the one hand and give people the freedom to create new things on the other hand?

**Bombassei:** I see innovation as a convergence process which develops along three axes: passionate search for cost reductions, systematic development of research to identify radical solutions, and preserving and safeguarding the original DNA of a company.

**Arthur D. Little:** What does the process at Brembo actually look like?

**Bombassei:** We structured our innovation process on two levels. Firstly, there is Application Engineering. These kind of projects are related to a specific application of the brake system technology and are therefore associated with a specific client platform like Mercedes or Porsche. Secondly, there is Concept Development. This concerns “self-anticipatory” projects. These projects often involve research institutes and universities, but we also try to appoint a client who will be the adviser for the project, like PSA for the drive-by-wire or Ferrari for the ceramic.

**Arthur D. Little:** Could you describe these forms of co-operation with manufacturers, particularly in relation to the end consumer?

**Bombassei:** First of all, the process of innovation requires going beyond our client's perspective, and understanding and serving our client's customers as well. We are in a business-to-business sector and a definite problem here is to break through the OEM “wall” that separates us from the final customer, namely the driver of the cars where our systems are installed.

**Arthur D. Little:** How do you view the end customer then?

**Bombassei:** It is of key importance to obtain unfiltered information in order to understand and provide an

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answer to real needs. Often we hear the word “consumer” used to describe the client. It's an obsolete and misleading word that carries the idea of a person who passively accepts and consumes what he is provided with. The contrary is true: today's consumer is highly developed. He is usually an attentive and reflexive person, and very often functions as a stimulus for the innovation process of a company. He's part of a company's intellectual capital and we must value it and put it to use. It is extremely true that the value of a company grows with the obstinacy and complexity of the clients it serves.

**Arthur D. Little:** Many companies claim that they don't have an innovation culture, and that innovation processes therefore do not fall on fertile ground. How far is the “culture of the garage” in which Brembo was founded a part of the corporate DNA?

**Bombassei:** Brembo's corporate DNA was particularly built on a culture of innovation. The culture of efficiency and effectiveness were only introduced later. Nowadays we also apply Kaizen, by saying: “It works - so let's change it”. We are creating a diffuse mentality, but the biggest challenge is genetic engineering, namely transferring Bombassei's DNA to the rest of the company.

**Arthur D. Little:** Brembo has won many awards, the National Corporate Social Responsibility Award in Italy among them. Which of these are you most excited about?

**Bombassei:** The most exciting was the Compasso d'Oro [the Italian industrial design award], which we won in 2004 with our carbon-ceramic brake developed for Ferrari. The reason we received this award was that if you hadn't known it was a brake you would have thought it was a work of art. We are proud that we were able to turn an unknown piece placed at the back part of the wheel into an element of high functional performance but also into an object with an aesthetic value.

**Arthur D. Little:** Mr Bombassei, thank you very much.

**Bombassei:** It's been a pleasure.

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*Nicola Diligu  
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