The European House Ambrosetti

PHILIP MORRIS INTERNATIONAL

DRIVING THE FUTURE

Lead Firms as engines of innovation and sustainability for Italian and European industrial value chains

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September 2025

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Foreword

Foreword by Pasquale Frega

From Vision to Impact: Innovation, Skills, and the Power of Value Chains to strengthen the European Competitiveness

Europe is navigating a period of profound transformation. The convergence of technological disruption, environmental imperatives, and geopolitical uncertainty is reshaping the global industrial landscape. In this context, the ability to build resilient, innovative, and inclusive value chains is not only a strategic priority – it is a necessity for safeguarding Europe's long-term competitiveness and prosperity.

This research paper by The European House – Ambrosetti offers a timely and insightful contribution to this debate, shedding light on the pivotal role of lead firms in driving systemic transformation across industrial ecosystems. These companies, by virtue of their scale, vision, and capacity to invest, are uniquely positioned to act as catalysts of innovation, sustainability, and skills development. Nonetheless, their impact extends far beyond their own operations: they generate positive externalities that benefit the entire value chain, from small and medium-sized enterprises to research institutions, from local communities to national and European economies.

This paper builds on a multi-year collaboration between our Company and The European House – Ambrosetti, particularly a previous research effort focused on the future of skills and industrial competitiveness that clearly highlighted the strategic role of lead firms in enabling the development of integrated ecosystems, capable of anticipating future skill needs, fostering innovation, and supporting the upskilling and reskilling of the workforce. The insights gained from that research have laid the foundation for a broader reflection on how large enterprises can act as enablers of sustainable and inclusive growth across entire value chains.

Lead firms are increasingly recognized as strategic enablers of industrial renewal. They play a central role in anticipating future skills needs, promoting lifelong learning, and embedding a culture of innovation and mentoring throughout the value chain.

However, the full potential of lead firms can only be realized within an enabling ecosystem. This requires a regulatory environment that is stable, forward-looking, and innovation-friendly. Institutions must provide the conditions for long-term investment, reduce fragmentation, and ensure continuity across policy cycles. Public-private collaboration must be elevated from episodic cooperation to a structured and strategic alliance, capable of aligning interests, mobilizing resources, and delivering shared value.

In this context, the ability to develop and share long-term strategic visions becomes a critical success factor. Industrial transformation cannot be achieved through short-term fixes or isolated initiatives. It requires a shared commitment to long-range planning, the alignment of public and private agendas, and the creation of frameworks that allow innovation to flourish over time. Lead firms, with their capacity to anticipate trends and invest in future capabilities, are uniquely positioned to guide this process – provided they are supported by coherent and enabling policies.

The European Union has a unique opportunity to lead this transformation. By fostering integrated industrial policies, supporting cross-border collaboration, and investing in skills and innovation, Europe can create the conditions for its industrial champions to thrive – and for new ones to emerge. This is particularly urgent in light of the growing global competition, where scale, speed, and strategic coherence are key differentiators.

At Philip Morris, we have long believed in the transformative power of integrated value chains. Our journey in Italy is a testament to this belief: through strong partnerships with over 8,000 Italian suppliers – including more than 1,000 agricultural SMEs – we have built a model that connects agriculture, manufacturing and consumer services, generating over 44,000 jobs and positioning Italy at the heart of our global transformation.

This transformation is part of a broader strategic vision: to deliver a smoke-free future by replacing cigarettes with scientifically substantiated, smoke-free products that are a better alternative for adult smokers who would otherwise continue to smoke. This transformational shift was enabled by sustained innovation, continuous investment in research and development (R&D), excellence in product and process innovation. Since 2008, PMI invested approximately $14 billion to develop, scientifically substantiate, and commercialize smoke-free products, employing over 1,460 world-class scientists, engineers, and technicians. As of 2024, 99% of the Group's R&D expenditure were allocated to smoke-free products that represented over 40% of the Group's global net revenues.

This model is made possible by a robust ecosystem of competencies and innovation, supported by top-tier universities, highly skilled professionals, and a dense network of specialized suppliers. In Bologna, we have opened the Center for Industrial Excellence, which defines industrial processes for innovative products on a global scale. We have also created the Philip Morris Institute for Manufacturing Competences (IMC), a center for advanced training and skills development related to Industry 4.0. This knowledge hub further enriches the educational offering not only for our people but is also open and accessible to everyone, with the goal of becoming a national reference point for discussions on the development of skills needed across supply chains.

At the same time, we promote innovation in agriculture alongside with our partners, including through open innovation models, with the aim of accelerating the implementation of technologies and innovative solutions in the agricultural sector – specifically within the integrated Italian tobacco value chain – to enhance efficiency and environmental sustainability.

The proposals presented in this report – validated by a high-profile working group composed of leading European experts, including Enrico Letta, Markus Kerber, Elżbieta Bieńkowska, and Daniele Franco – represent a valuable contribution to the definition of a new industrial and economic paradigm. Their strategic and institutional experience has enriched the analysis with a European perspective, helping to identify concrete levers for strengthening competitiveness, accelerating innovation, and generating high-value-added growth rooted in job quality and future-oriented skills.

I believe the approach outlined in this report highlights a compelling vision for the future of European industry – one that is rooted in collaboration, driven by innovation, and powered by people. It is a call to action for all stakeholders – governments, businesses, academia, and civil society – to work together in building a more resilient, inclusive, and competitive Europe.

Pasquale Frega

President and Managing Director, Philip Morris Italia

Foreword by Valerio De Molli

A nation's competitiveness depends
on the capacity of its industry to innovate and upgrade
Michael Porter

European competitiveness and industrial resilience face unprecedented challenges in today's volatile geopolitical landscape, from disruptions caused by conflicts in Ukraine and the Middle East to shifting trade policies of the U.S. administrations. As Europe's leadership position in global value chains continues to erode, the continent must urgently develop a comprehensive new industrial strategy that responds to the ever changing competitive arena, while positioning itself at the forefront of emerging technologies such as artificial intelligence, green energy, and digital transformation. This strategy must be carefully calibrated to advance sustainability goals that cannot be compromised, ensuring that Europe's industrial renewal contributes rather than undermines its climate commitments.

Central to this new approach must be the recognition of Europe's unique industrial ecosystem, particularly the critical role of small and medium enterprises (SMEs) that represent 97% of all European enterprises, generate 41% of the continent's value added, and employ 49% of the total workforce. These companies typically operate within structured supply networks anchored by larger lead firms, creating opportunities for systemic transformation. Recent research, including the 2024 study "Italy 5.0: The skills of the future for the development of innovation in the era of artificial intelligence in Italy and the EU" carried out by TEHA Group and Philip Morris Italy, demonstrates that participation in lead firm-driven value chains significantly enhances competitiveness and innovation metrics.

Building on these findings, TEHA Group and Philip Morris Italia decided to launch a dedicated initiative on lead firms, enterprises that combine sectoral influence with innovation leadership, dynamic growth, and transformative vision, with the purpose of shedding light on their pivotal role in shaping Europe's industrial future. These firms act as drivers of systemic change across interconnected value networks and business cultures, contributing to the creation of a more competitive, resilient and future-oriented Europe.

The initiative seeks to address the gap between political and public discourse, where the importance of lead firms is often acknowledged but rarely supported by data. Its ambition is to identify the key characteristics of visionary lead firms, creating the foundation for building new ones capable of sustaining a more prosperous Europe. At the same time, it aims to implement a quantitative framework to identify the key companies driving today's progress, particularly in the transition to a sustainable, innovative future. Our findings are indeed extremely relevant to craft Europe's industrial policies of the future. Lead firms play a crucial role in driving economic growth and job creation. Despite being a continent of Small and Medium Sized enterprises, the top 100 lead firms in the EU account for 32% of the value added, 21% of the turnover in the manufacturing sector and employ 18% of the manufacturing workforce. Moreover, Top lead firms stand out for their dynamic growth and visionary leadership, making them key players in advancing Europe's industrial strategy.

However, despite their critical importance to Europe's industrial ecosystem, European lead firms are significantly underperforming compared to their global counterparts in terms of scale and market presence. The stark reality is that the EU has only 89 companies represented in the global Fortune 500, far behind the United States with 139 companies and China with 129 companies—a disparity that reflects Europe's diminished capacity to compete at the highest levels of global commerce.

Yet this challenge also presents an unprecedented opportunity, as lead firms possess unique potential to act as catalysts for comprehensive supply chain transformation, driving both innovation adoption and sustainability practices throughout their entire networks of suppliers and partners. Recognizing this transformative potential, we have launched the concept of a **Value Chain Pact** — a strategic framework designed to foster deeper **collaboration** between lead firms and their supply ecosystems, accelerate investment in **innovation and skills** development, and provide targeted support for scaling operations and international growth. Through this coordinated approach, European lead firms can simultaneously strengthen their own competitive position while driving economic development and supply chain resilience across the continent, turning Europe's current industrial challenges into a foundation for future leadership in the global economy.

The research activity was enriched by intensive involvement of stakeholders at different levels belonging to the TEHA Group network. The stakeholder engagement activities ranged from confidential one-to-one interviews to working tables, involving a total of 14 representatives of government, institutions (ministries, regions, agencies, trade associations and foundations), and lead firms from both Italy and Europe. By combining public data analysis with insights from discussions with companies, this approach made it possible to generate innovative evidence about the orientation of companies on Europe's competitiveness and the crucial role of lead firms.

Our work aims to identify lead firms and provide a snapshot as comprehensive as possible of their role in driving innovation and growth across value chains. The ultimate goal is to formulate data-driven policy proposals to enhance industrial resilience and promote value-chain partnerships, guaranteeing SMEs participation in Europe's growth and competitiveness. Only through a coordinated strategy that includes every stakeholder, from lead firms to small SMEs, can Europe successfully overcome the challenges of today's geopolitical landscape and secure long-term, sustainable growth across its economic fabric.

The research activities were guided by an high-level Advisory Board, which I had the honor of chairing, composed of **Pasquale Frega** (President and Managing Director, Philip Morris Italia), and four scientific advisors: **Elżbieta Bieńkowska** (Board Chair, Centre for European Policy Studies (CEPS); former EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs (2014-2019)), **Daniele Franco** (President, Fondazione Policlinico Gemelli; former Director General, Bank of Italy; former Minister of Economy and Finance (2021-2022)), **Markus Kerber** (Managing Partner, 1886 Ventures; former CEO and Managing Director, Federation of German Industries (BDI); former State Secretary, German Government) and **Enrico Letta** (Dean of the IE School of Politics, Economics, and Global Affairs, IE University; former Prime Minister of Italy (2013 – 2014); former Minister for Industry and Foreign Trade (2000–2001)), whom I take this opportunity to thank.

Finally, I would especially like to thank for their contributions to our Advisory Board in the course of the work all the working groups involved: **Michele Samoggia** (Director Exter-

nal Affairs, Philip Morris Italia), **Andrea Guglielmo** (Head of Regulatory & Fiscal Affairs, Philip Morris Italia), **Simona Delvecchio** (Manager, Sustainability & Public Policy, Philip Morris Italia), **Cesare Trippella** (Head of Leaf EU, Philip Morris Italia), **Giorgio Santoni** (Manager Initiatives Manufacturing, Philip Morris MTB), **Francesca Sommella** (Regulatory Affairs Executive, Philip Morris Italia) and **Federico Colajanni** (Regulatory Affairs Coordinator, Philip Morris Italia) as well as colleagues from the TEHA Working Group comprised of myself and **Corrado Panzeri, Matteo Polistina, Davide Skenderi, Filippo Minisini, Stella Chen, Paola Pedretti, Arianna Basso, Fabiola Gnocchi** and **Roberta Braccio**.

Valerio De Molli
Managing Partner & CEO, The European House – Ambrosetti and TEHA Group

Executive summary & key messages

In a rapidly evolving global landscape marked by geopolitical tensions, disruptive technologies and intensifying competition, the European Union risks falling further behind global powerhouses like the United States and China. While Europe has a strong manufacturing base, its productivity today stands at less than half of US levels, and European firms are underrepresented among the world's largest corporations. In order to boost its competitiveness, the EU must foster an environment that enables more companies to scale, innovate and coordinate complex value networks. In particular, lead firms have the potential to act as system leaders, driving industrial transformation across entire ecosystems.

To explore the pivotal role of lead firms, TEHA Group and Philip Morris Italia launched the initiative "Driving the Future: *Lead Firms as engines of innovation and sustainability for European industrial value chains*". This study combines qualitative and quantitative analyses to offer a comprehensive analysis of the role of lead firms within the European industrial ecosystem. In the research, lead firms are defined as enterprises that combine sectoral influence, innovation leadership, growth momentum, and future-oriented vision.

Several insights emerged from the study, which formed the foundation for concrete policy proposals for the European industrial future:

1. **Europe's competitiveness rests largely on the competitiveness of its lead firms**: European firms that combine vision, agility, and innovation drive sectoral growth, while those that fail to evolve become industry bottlenecks.
2. **Lead firms are productivity superheroes**: the top 100 lead firms contribute 32% of the manufacturing Value Added of the EU and their workers generate on average 3.2 times more value added than employees of small enterprises
3. **Lead firms are the laboratories for the future**: the top 100 lead firms in Europe invest around 42% of total private R&D investment
4. **Europe's vision dilemma**: many of the industries contributing the most to Europe's value added are those articulating the least forward-looking and innovative visions
5. **Towards a Value Chain Pact: lead firms as ecosystem orchestrators**. A Value Chain Pact could transform lead firms into capability hubs that actively transfer skills, technology, and resources to SMEs

1 Europe's competitiveness rests largely on the competitiveness of its lead firms

The competitiveness of an economy depends largely on the strength of its firms, and above all on the ability of its lead firms to adapt, innovate and drive transformation across value chains. Lead firms often act as anchors of the value chains in which they operate, playing a crucial role in the success or failure of the broader ecosystem. To identify patterns of success and failure, TEHA conducted a detailed mapping and analysis of key case studies of European supply chains, categorizing them into three clusters: **Industry champions, Phoenix firms, and Fallen giants** (Figure 1).

FIGURE 1. **Case studies covered by the analysis.**
Source: TEHA Group elaboration, 2025.

The stories of champions exemplify how visionary leadership and ecosystem coordination can turn firms into regional and cross-border anchors. These firms typically benefitted from strong executive leadership, robust innovation strategies and supportive policy frameworks. Additionally, sustained innovation and R&D investments emerge as success factors not only for industry champions but also for phoenix firms, companies thriving within struggling sectors. These firms have succeeded by repositioning in new or more niche markets, rethinking their core strategies, adapting to changes and committing to innovation.

Conversely, cases such as Italy's white goods sector and the broader European solar industry illustrate how poor strategic decisions can lead not only to the failure of single firms but also dismantle entire ecosystems. Common factors in these failures include underinvestment in innovation, resistance to change, lack of long-term vision and weak executive leadership.

2 Lead firms are productivity superheroes

TEHA conducted a comprehensive quantitative analysis to identify Europe's lead firms. Starting with a pre-screening of manufacturing companies with over €100 million in turnover and at least 500 employees, a pool of 5,421 potential lead firms was identified across the EU. This sample was then evaluated using a proprietary assessment framework to analyze their influence, resulting in the identification of the top 100 lead firms.

Although they represent less than 0.1% of manufacturing firms in the EU27, these top 100 firms have a disproportionate impact on the economy. They account for nearly one-third of total manufacturing value added, 21% of overall sector turnover, and employ 18% of the EU manufacturing workforce (**Figure 2**). Moreover, they are superior in productivity: on average, their employees generate €189k in value added annually, 3.2 times higher than workers in small enterprises (**Figure 3**).

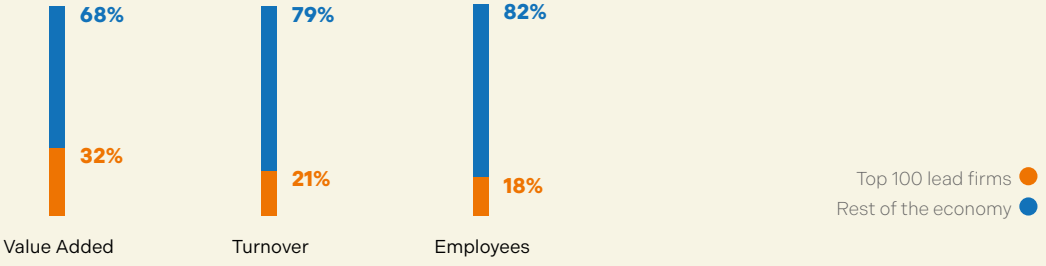


FIGURE 2. Share of Lead Firms for key economic metrics, EU27 (% of total manufacturing), 2023.
Source: TEHA Group elaboration, 2025.

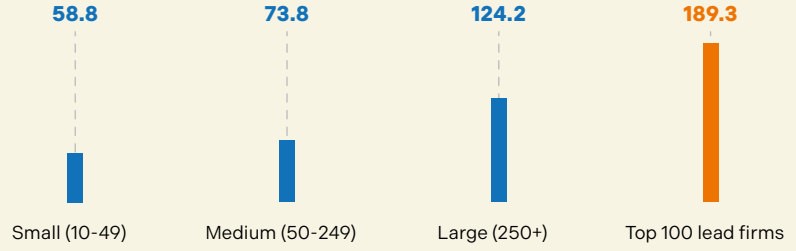


FIGURE 3. Productivity (VA/employee) of Lead Firms, EU27 (thousand euros/employee), 2023.
Source: TEHA Group elaboration, 2025.

3 Lead firms are the laboratories for the future

Innovation is a key characteristic of competitive lead firms. The top 100 lead firms in Europe collectively invest €149 billion in research and development, representing 42% of total private R&D spending in the EU (**Figure 4**). While R&D intensity varies across sectors, with pharma and electronics standing out (**Figure 5**), these firms consistently drive a significant share of Europe's technological advancement.

Lead firms are responsible for 17% of all patents filed by manufacturing companies in the EU, a much more modest share compared to other parameters. This underscores the continued importance of collaboration and open innovation to extend the impact of R&D beyond individual firms. Lead firms are uniquely positioned to act as catalysts for open innovation ecosystems. By sharing knowledge, co-developing solutions, providing financial and technical support, they can help extend innovation capacity across entire value chains, reaching also the smaller enterprises.

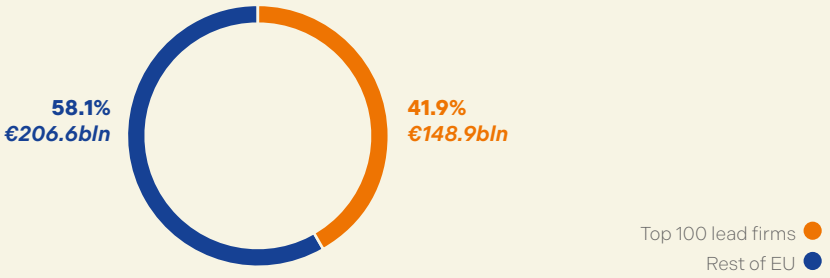


FIGURE 4. Share of R&D investment, EU27 (% values and absolute values), 2023.
Source: TEHA Group elaboration, 2025.

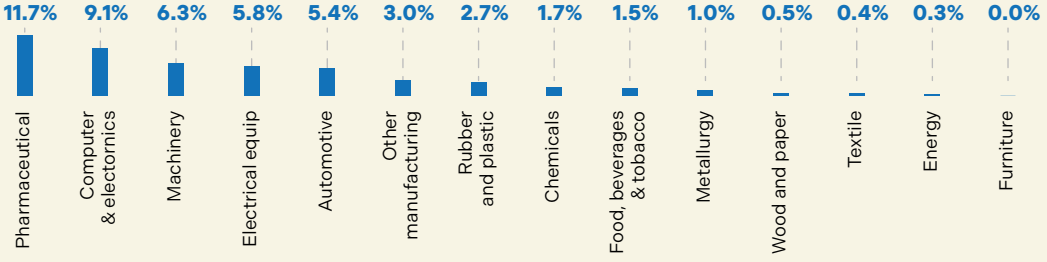


FIGURE 5. R&D intensity (R&D investments / Turnover), EU27 (% values), 2023.
Source: TEHA Group elaboration, 2025.

4 Europe's vision dilemma

Following the identification of the top 100 lead firms, TEHA analyzed their strategic vision across three dimensions: clarity of long-term direction, potential for innovation, and societal impact. The analysis reveals a fundamental weakness in Europe's industrial landscape: the industries generating the highest value added, such as automotive and industrial mechanics, are those articulating the least forward-looking strategies. By contrast, companies in semiconductors and electrical equipment emerged as frontrunners, positioned to shape global competitiveness in the years to come (**Figure 6**).

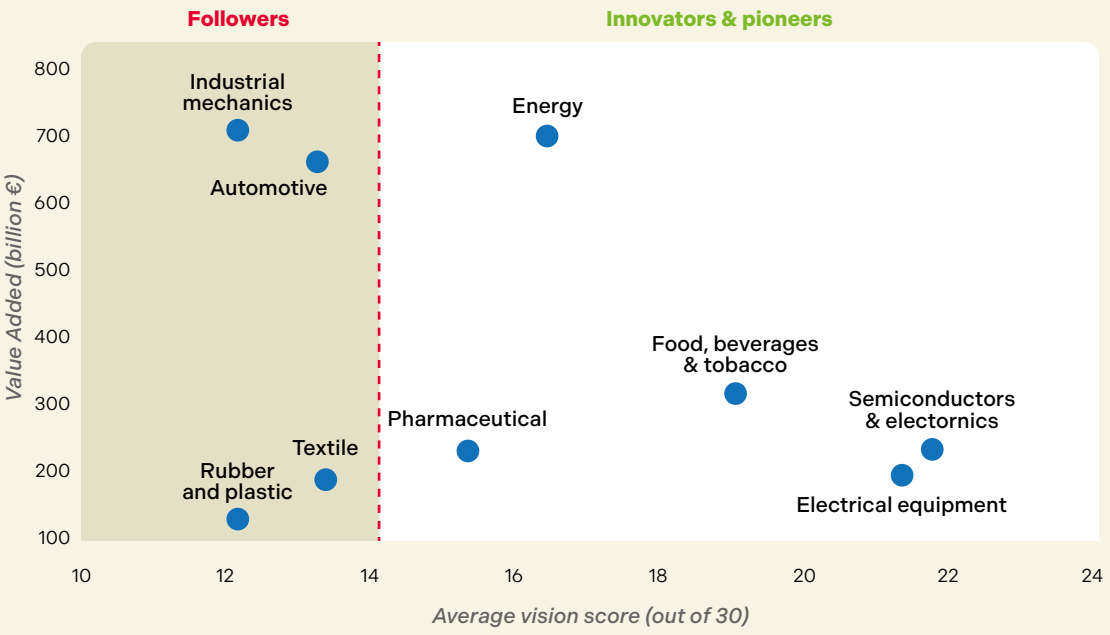


FIGURE 6. Average vision score and value added in EU 27 by sector, top lead firms (score out of 30 and value added, bln Euro), 2025.
Source: TEHA Group elaboration, 2025.

This misalignment between today's economic contribution and tomorrow's strategic direction risks locking Europe into dependence on sectors that are weak in foresight, ultimately further eroding global competitiveness. For Europe to be competitive globally, it needs to nurture firms that combine technological excellence with visionary leadership and empowering them to grow and lead Europe's industrial transformation.

5 Towards a Value Chain Pact: lead firms as ecosystem orchestrators

The study highlights the key role of lead firms within the economy. To effectively compete with global market leaders, Europe needs industrial champions that are larger in scale, more innovative and truly European. Enterprises are the primary drivers of change, but currently many European firms face structural disadvantages, constrained by a fragmented market and a complex regulatory framework. While industrial policy cannot create champions from scratch, it can address these obstacles and help shape the conditions that enable lead firms to thrive, by deepening the Single Market, streamlining regulation and providing support for innovation.

In this context, lead firms, capable of coordinating complex networks and anchoring robust value chains, must be empowered to act as orchestrators of industrial transformation. To this end, TEHA proposes the establishment of a **Value Chain Pact**, a strategic policy framework designed to empower lead firms in their role as ecosystem orchestrators. This pact should be underpinned by a clear vision and long-term strategy, structured around four foundational pillars (**Figure 7**):

- **People**: invest in talent development and upskilling to ensure a future-ready workforce;
- **Technology**: accelerate digital transformation across value chains;
- **Sustainability**: promote resilience and long-term environmental and social sustainability;
- **Suppliers**: build strong, strategic collaborations with suppliers, especially SMEs.

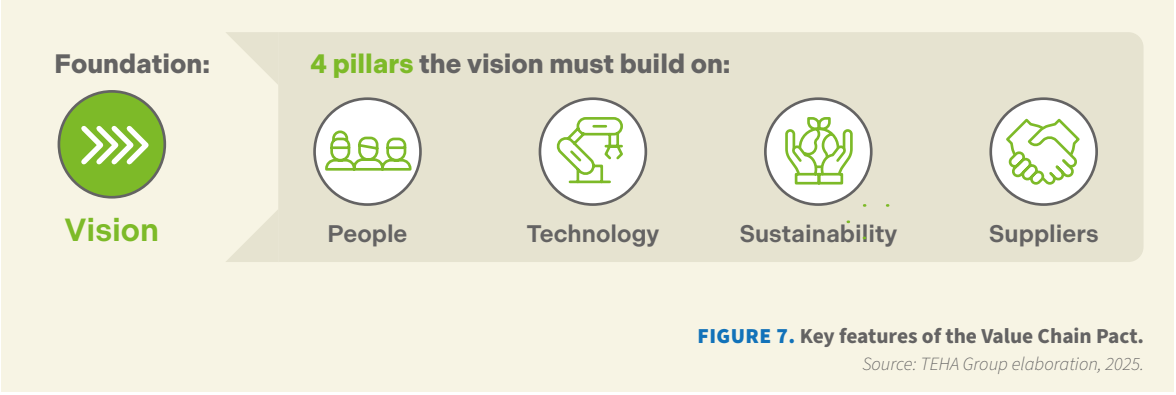


FIGURE 7. Key features of the Value Chain Pact.
Source: TEHA Group elaboration, 2025.

This pact must involve a **collaborative effort** among key stakeholders. Institutions should foster an enabling environment, reduce fragmentation to create a true Single Market that allows firms to grow. Lead firms should act as transformation catalysts, transferring knowledge, financing and technological support to SMEs, which would be the primary beneficiaries of the Pact, receiving targeted support to overcome their current obstacles to innovation. To maximize its impact, the Pact should be accompanied by supporting policies co-designed by lead firms and public institutions, including simplified access to funding, open innovation projects, reskilling programs, digital transformation initiatives, and effective monitoring tools. By actively involving lead firms, institutions can leverage their deep understanding of value chains and their influence to ensure that policies are targeted and impactful.

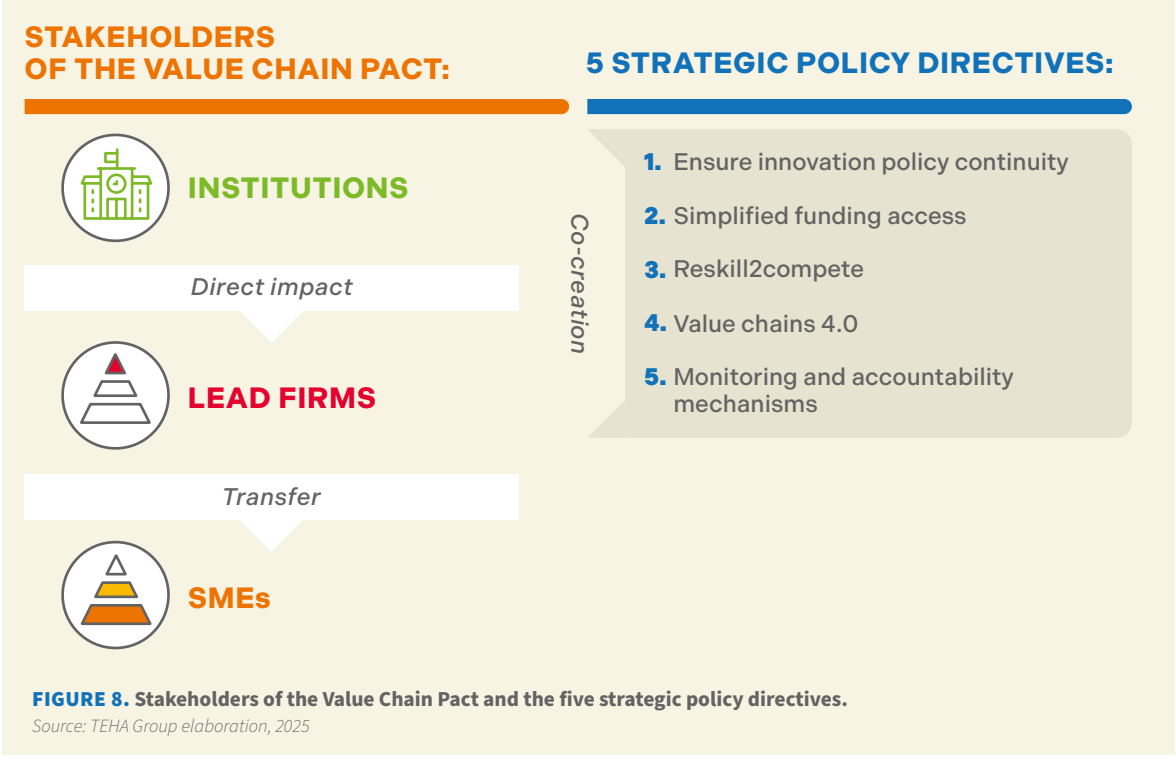


FIGURE 8. Stakeholders of the Value Chain Pact and the five strategic policy directives.
Source: TEHA Group elaboration, 2025

Introduction

This strategic report collects and synthesizes the findings of the study "**Driving the future***: Lead Firms as engines of innovation and sustainability for Italian and European industrial value chains*" carried out by TEHA Group in partnership with Philip Morris Italia. The project is part of a recurring initiative launched by the two companies in 2021, 2022 titled "Towards a New Deal of skills in the agricultural and industrial sectors" and continued in 2024 with the research "Italy 5.0: The skills of the future for the development of innovation in the era of artificial intelligence in Italy and the EU".

Study players

The study benefited from the contribution of a high-level working group led by **four Scientific Advisors** to govern project developments and composed of the following members: **Elżbieta Bieńkowska** (Board Chair, Centre for European Policy Studies (CEPS); former EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs), **Daniele Franco** (President, Fondazione Policlinico Gemelli; former Director General, Bank of Italy; former Minister of Economy and Finance), **Markus Kerber** (Managing Partner, 1886 Ventures; former CEO and Managing Director, Federation of German Industries (BDI); former State Secretary, German Government) and **Enrico Letta** (Dean of the IE School of Politics, Economics, and Global Affairs, IE University; former Prime Minister of Italy; former Minister for Industry and Foreign Trade).

The Philip Morris Italia Working Group was comprised of **Pasquale Frega** (President and Managing Director, Philip Morris Italia), **Michele Samoggia** (Director External Affairs, Philip Morris Italia), **Andrea Guglielmo** (Head of Regulatory & Fiscal Affairs, Philip Morris Italia), **Simona Delvecchio** (Manager, Sustainability & Public Policy, Philip Morris Italia), **Cesare Trippella** (Head of Leaf EU, Philip Morris Italia), **Giorgio Santoni** (Manager Initiatives Manufacturing, Philip Morris MTB), **Francesca Sommella** (Regulatory Affairs Executive, Philip Morris Italia) and **Federico Colajanni** (Regulatory Affairs Coordinator, Philip Morris Italia).

The study was coordinated by The European House – Ambrosetti Working Group led by **Valerio De Molli** (Managing Partner and CEO) and composed of **Corrado Panzeri** (Partner and Head of Innotech Hub), **Matteo Polistina** (Project Leader), **Davide Skenderi**, **Filippo Minisini**, **Stella Chen**, **Paola Pedretti**, **Arianna Basso** and **Roberta Braccio**.

To gather qualified insights from internal and external stakeholders among public, private and third sector, an extensive stakeholder engagement process was conducted. This initiative included the organization of 1 working group and a series of confidential one-to-one meetings with top leaders of Italian, European and international governments institutions and businesses, by The European House – Ambrosetti working group, to outline perspectives and directions in the area of industrial value chains and lead firms for the competitiveness of Europe. For their collaboration and contributions, we would like to thank:

- *Wilfried Martens Centre for European Studies*
- *Ministero delle Imprese e del Made in Italy*
- *Bocconi University*

- *University of Naples Federico II*
- *CISL*
- *Camera dei Deputati*
- *Coldiretti*
- *Edison*
- *Smart Industry*
- *Calabria University*
- *CDP*
- *Enel*
- *OCSE*

The reason for this study

Economic competitiveness is increasingly tied to the ability to innovate and address global challenges. Lead firms play a pivotal role in this dynamic, as they drive much of the value creation within their sectors. Currently, SMEs account for 41% of Europe's value added, but they often operate within structured supply chains led by larger lead firms. Despite their significant contribution, SMEs face challenges in keeping pace with larger firms, particularly when it comes to competitive pressures and sustainability goals. Insights from the 2024 study *"Italy 5.0: The Skills of the Future for the Development of Innovation in the Era of Artificial Intelligence in Italy and the EU"* suggest that SMEs participating in value chains driven by lead firms tend to perform better in terms of competitiveness and innovation. This study examines the evolving role of lead firms in Europe's geo-economic context and the implications for future industrial strategies.

Philip Morris Italia, with its market leadership, perfectly exemplifies this dynamic: it has made significant R&D investments to develop innovative products while minimizing environmental and social impacts. As a conscientious lead firm, it promotes innovation, sustainability and skill development throughout its supply chain. The example of Philip Morris Italia demonstrates how a lead firm can drive positive change across the entire economy, innovating and promoting sustainability through the supply chain.

Despite the insights offered by the Philip Morris case, there remains a significant analytical and statistical gap in understanding the role of lead firms. While much is discussed about these key players, there is little clarity on how to accurately identify them or measure their impact on the broader supply chain. This gap in both awareness and data presents a critical strategic blind spot for Europe's competitiveness and future growth, leaving a key element of industrial dynamics largely unexplored.

Therefore, a comprehensive analysis was brought forward to address this critical data gap and offer a detailed overview of the European landscape concerning the role of lead firms as proactive players capable of driving the development of entire value chains. Moreover, the factors that either foster or hinder their ability to drive these networks are analysed. In particular, lead firms are explored as a key instrument for closing the gap between Europe and other global competitors and for ensuring that our manufacturing sector remains internationally competitive.

Study structure

The goal of this research study is to develop an analytical framework to guide the medium and long-term decisions of government and institutions and the *business community* on the role of lead firms both nationally and internationally. The project provides evidence-based insights on relevant EU directives and aims to provide qualitative and quantitative tools to fill the information gap about lead firms and their value chains.

Through in-depth analysis of current challenges and comparison with key international benchmarks, **TEHA Group presents proposals for action aimed at unlocking the potential of lead firms to act as system leaders, driving transformation throughout their value chains, empowering smaller enterprises.**

The research activity has been enriched by extensive stakeholder engagement at various levels. Private interviews were conducted with top government and institutional leaders, and one round table was scheduled with private companies, business associations, leading European think tanks and universities to present the results of the project and stimulate the policy debate on relevant EU directives to foster lead firms and strengthen value chain resilience.

** The second working group will be organized in October 2025*

CHAPTER 1

EU competitiveness in the new global scenario and the role of lead firms

This chapter outlines the geopolitical and economic landscape, examining both the symptoms of Europe's diminishing leadership and the challenges and aspects that have contributed to this weakening position in the global context. Moreover, it introduces an alternative roadmap for EU competitiveness, positioning lead firms at the core of economic growth as ecosystem leaders, driving transformation throughout industrial value chains.

CHAPTER 2

A look into the past: lessons learned from successful and fallen EU lead firms

The second chapter maps and analyses key case studies of Italian and European supply chains identifying three distinct clusters (Fallen Giants, Phoenix firms and Industry Champions), showing how lead firms have shaped both recovery paths and crisis outcomes. The analysis deepened key cases across 5 European economies (Italy, France, Germany, Spain and Poland). It analyses in detail each cluster to extract replicable patterns and identify failure signals that can guide future industrial and innovation strategies at both national and EU level.

CHAPTER 3

Charting the future: quantitative evidence on the present and future of European lead firms

This chapter delves into the heart of our analysis. We start by establishing a clear definition of what constitutes a lead firm to create a consistent framework for measuring their impact. Using that definition, we then compile and rank Europe's lead firms on four key criteria—Influence, Innovation, Dynamism and Vision. The resulting analysis reveals the sectors they dominate, their innovation prowess, and the strategic characteristics that underpin their leadership.

CHAPTER 4

Conclusions and policy proposals

This chapter proposes concrete action to be taken in the short-, medium – and long-term to ensure Europe's competitiveness. These proposals aim to create a 'Value chain Pact', a strategic framework that empowers lead firms to drive innovation and coordinate across their networks. The objective is to offer support for scaling and international growth to promote competitiveness of the European industrial ecosystem and make Europe an international leader.

EU competitiveness in the new global scenario and the role of lead firms

01

For over two millennia Europe has repeatedly stood at the epicenter of global economic transformation and innovation, from the trade channels of the Roman Empire to the Industrial Revolution and today's Single Market of the European Union. Europe has not just participated in world commerce; each era saw the continent redefine and innovate production methods, finance and regulation, shaping global standards that others have copied rather than following them.

However, Europe's longstanding leadership is under unprecedented pressure. The continent is confronted by strategic rivals whose growing economic power and innovation capacity challenges the continent on multiple fronts. Evidence from recent years highlights Europe is steadily losing ground and what once was a position of strong dominance is starting to crack.

Europe has long been the world's industrial powerhouse, with its advanced manufacturing sectors, sophisticated engineering capabilities, and world-leading companies across automotive, aerospace, pharmaceuticals, and heavy industry. The continent's industrial base has traditionally been built on precision manufacturing, high-quality production standards, and deep technical expertise that have made European brands synonymous with excellence globally.

However, over the past two decades, Europe has found itself increasingly challenged in the technology sectors that are reshaping the global economy. The continent largely missed the digital revolution's first wave, failing to produce major tech platforms or cloud computing giants that could compete with American companies like Google, Amazon, and Microsoft. As a result, European businesses and governments became dependent on foreign cloud infrastructure and digital services.

Not only in technology: the continent is increasingly losing in productivity vis-à-vis international competitors. A clear indicator of this decline is immediately visible by looking at productivity evolution. Since 2001, the EU-USA gap has widened: the value added per hour worked in the USA has increased by 44.1%, +19 percentage points greater than EU's 25.1% gain. As of 2024, EU productivity stood at 38.8 $ per hour worked, less than half of the US level of 79.6 $ per hour worked (**Figure 1**).

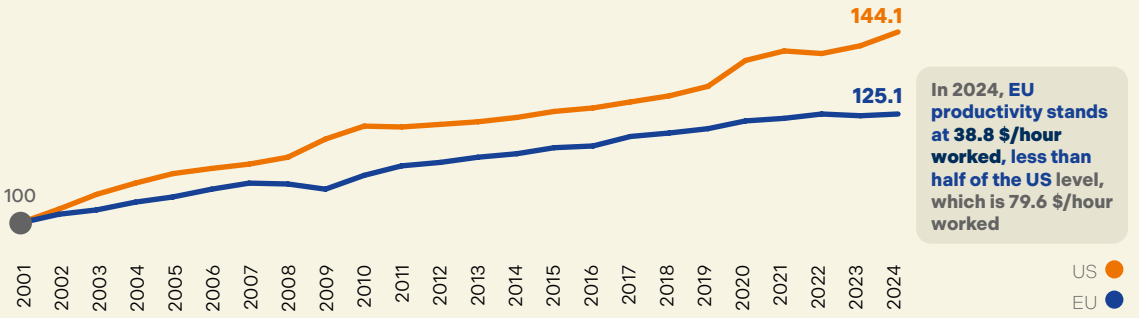


FIGURE 1. EU and US productivity (value added per hour worked, base year 2001 = 100), 2001-2024.

Source: TEHA Group elaboration on OECD data, 2025.

Slower productivity growth represents only one dimension of Europe's weakening leadership. The continent has been also diminishing its international relevance on global markets. Over the past 25 years, the EU's share of global trade has fallen by 3.6 percentage points, from 17.9% to 14.3%. While the EU's exports more than tripled in absolute terms, from $872 billion to $2,772 billion, global exports nearly quadrupled over the same period, climbing from 4,866 billion to 19,345 billion. This disparity underscores a significant erosion of the EU's market share (**Figure 2**).

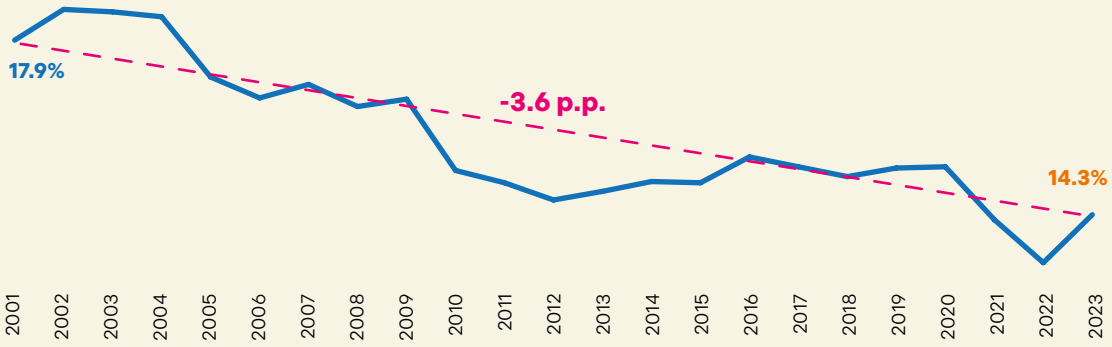


FIGURE 2. EU share in world total merchandise export (% of total world export), 2001-2024.
Source: TEHA Group elaboration on UNCTADstat data, 2025.

This erosion of Europe's international influence is also reflected in global GDP shares. Europe's contribution has fallen by 4.5 percentage points, from 22.0% to 17.5%, while China's share has expanded by over four times, now accounting for 16.8% (**Figure 3**).

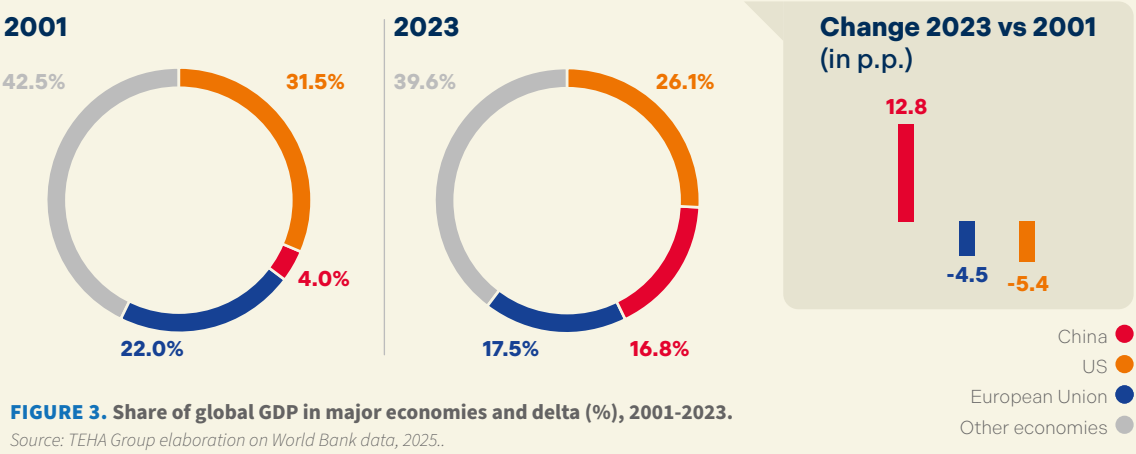


FIGURE 3. Share of global GDP in major economies and delta (%), 2001-2023.
Source: TEHA Group elaboration on World Bank data, 2025..

Having outlined the symptoms of Europe's diminished global standing, slower productivity growth, shrinking trade shares and eroding GDP contribution, it is important to dive into the several aspects that contributed to Europe's weakening position in global competition, starting with the recent geopolitical context that has tested its resilience. Specifically, decades of rapid trade liberalization deepened cross-border linkages and extended production networks, delivering substantial gains but also embedding new vulnerabilities. What once seemed a seamless integration gave way to supply-chain bottlenecks during COVID-19 crisis, and these risks have been exacerbated by geopolitical shocks in Ukraine and the Middle East as well as by the imposition of US tariffs under the current Trump administration. Today, Europe's increased global value chain participation does not represent a source of strength, but a clear exposure to external disruption.

In this more fragmented trading environment, new US tariffs threaten to inflict a pronounced drag on Europe's value-added generation, especially considering that US represents the EU's largest export market. EU exports to the US account for one-fifth of total exports, a share that has risen by 4 percentage points over the last decade, outpacing growth in all other regions. The UK follows with a declining share and China with a modest increase (**Figure 4**).

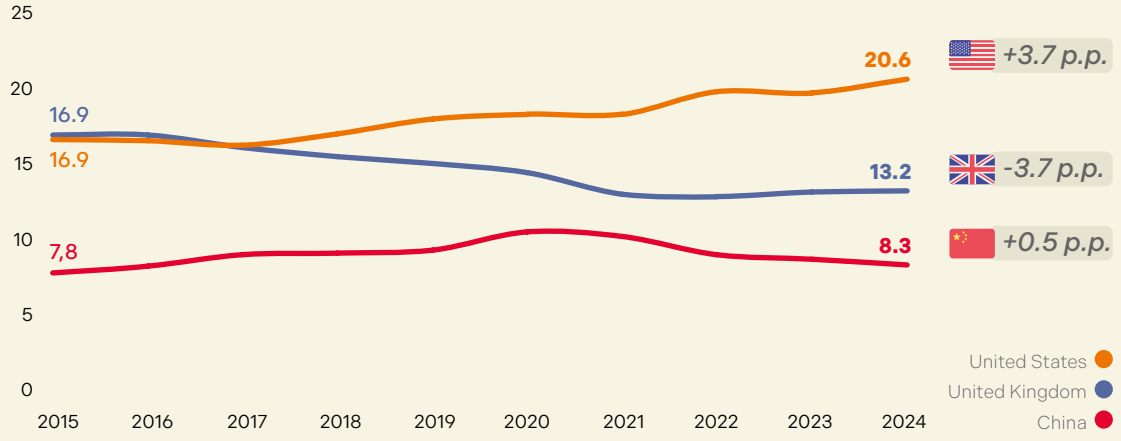


FIGURE 4. Share of EU exports by country (% of non-EU countries), 2015-2024.
Source: TEHA Group elaboration on Eurostat data, 2025.

The medical and pharmaceutical industry, Europe's top exporter at 120 billion Euros annually, is particularly at risk, alongside road vehicles, exporting 50.9 billion Euros a year, and industrial machinery equipment, 34.2 billion Euros a year. Nevertheless, the tariffs' impact is not confined to these areas, but will have a transversal effect throughout the whole economy (**Figure 5**). This should induce Europe to rethink its external economic strategy even more, defend its interest and strengthen its resilience by reducing dependence on fragile external supply chains and hedging against disruption "from the West".

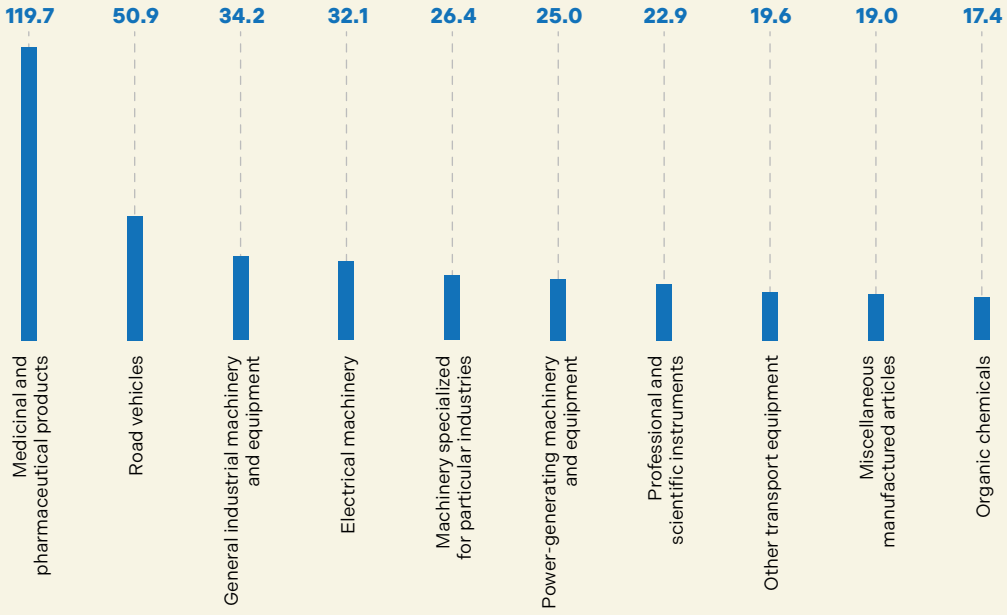


FIGURE 5. Top 10 product categories exported from the EU to the USA (billion €), 2024.
Source: TEHA Group elaboration on Eurostat data, 2025.

Additionally, another factor affecting Europe's international standing and leadership position stems from the political agenda of the EU. Notably, in recent years, the first von der Leyen Commission (2019-2024) was driven by an uncompromising pursuit of sustainability without a coherent industrial strategy. It strongly supported the idea of "twin transitions", focusing on accelerating digital and green agendas in parallel, on the logic that greener and more digital economies reinforce each other and it proposed the European Green Deal as the flagship policy with the long-term objective of climate neutrality by 2050. However, the European Commission's emphasis on achieving these goals has come without a strategic design around European manufacturing strength, leaving key emerging sectors underdeveloped. This naïve approach has enabled international rivals to pull ahead, while Europe has struggled to scale up in strategic industries critical for future growth and competitiveness.

This dynamic is already visible across both pillars of the twin transition. On the sustainability front, Europe has struggled to foster a robust green-tech market. Over the past decade, the global market of solar module production has multiplied 15 times, reaching a record 612 GigaWatt in global production in 2023 (**Figure 6A**). Nevertheless, despite this boom, the EU already lost the global green tech race to China. Around 85% of that total capacity is produced in China while the EU's share remains below 1% (**Figure 6B**).

On the digital front, Europe's underperformance is equally evident. EU-generated AI patents account for only 3% of the global total, compared to 14% in the US and 70% in China (**Figure 7**). This gap is reinforced considering the number of models developed. In 2024, US organizations released 40 major AI systems while China produced 15 AI models, significantly outpacing Europe's 3 models.

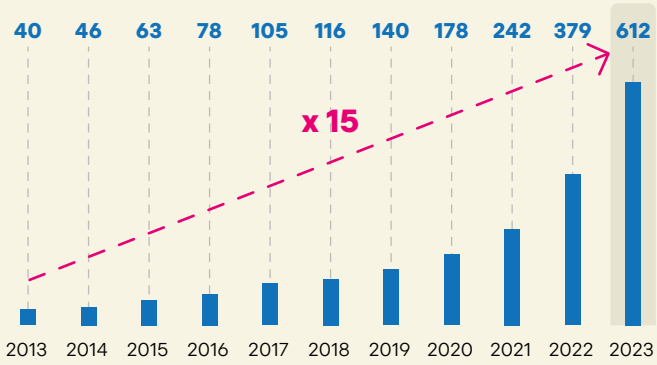


FIGURE 6A. Annual solar module production globally (Gigawatts), 2013-2023.

Source: TEHA Group elaboration on Statista data, 2025.

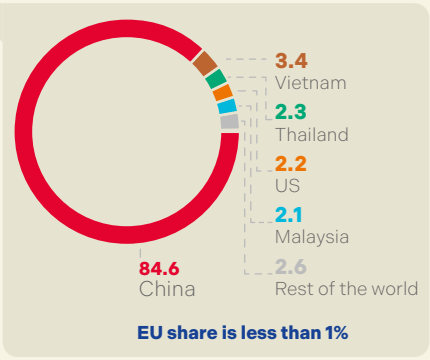


FIGURE 6B. Annual solar module production by country (in %), 2023.

Source: TEHA Group elaboration on Statista data, 2025.

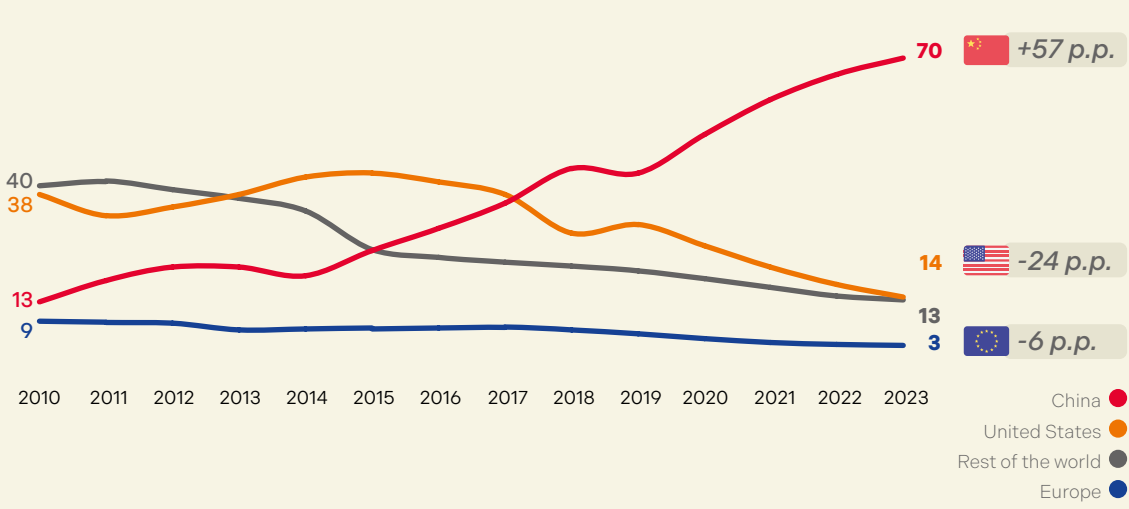


FIGURE 7. Granted AI patents by countries (% of world total), 2010-2023.

Source: TEHA Group elaboration on Statista data, 2025.

Furthermore, AI model usage data further highlights the clear European deficit compared to US tech giants. Among the top 20 LLMs, 16 were developed in the US, 3 in China and only one in EU. Europe's highest-ranking model, Mistral, ranks at 14th place, lagging behind U.S. leaders like OpenAI, Google and Anthropic (**Figure 8**).

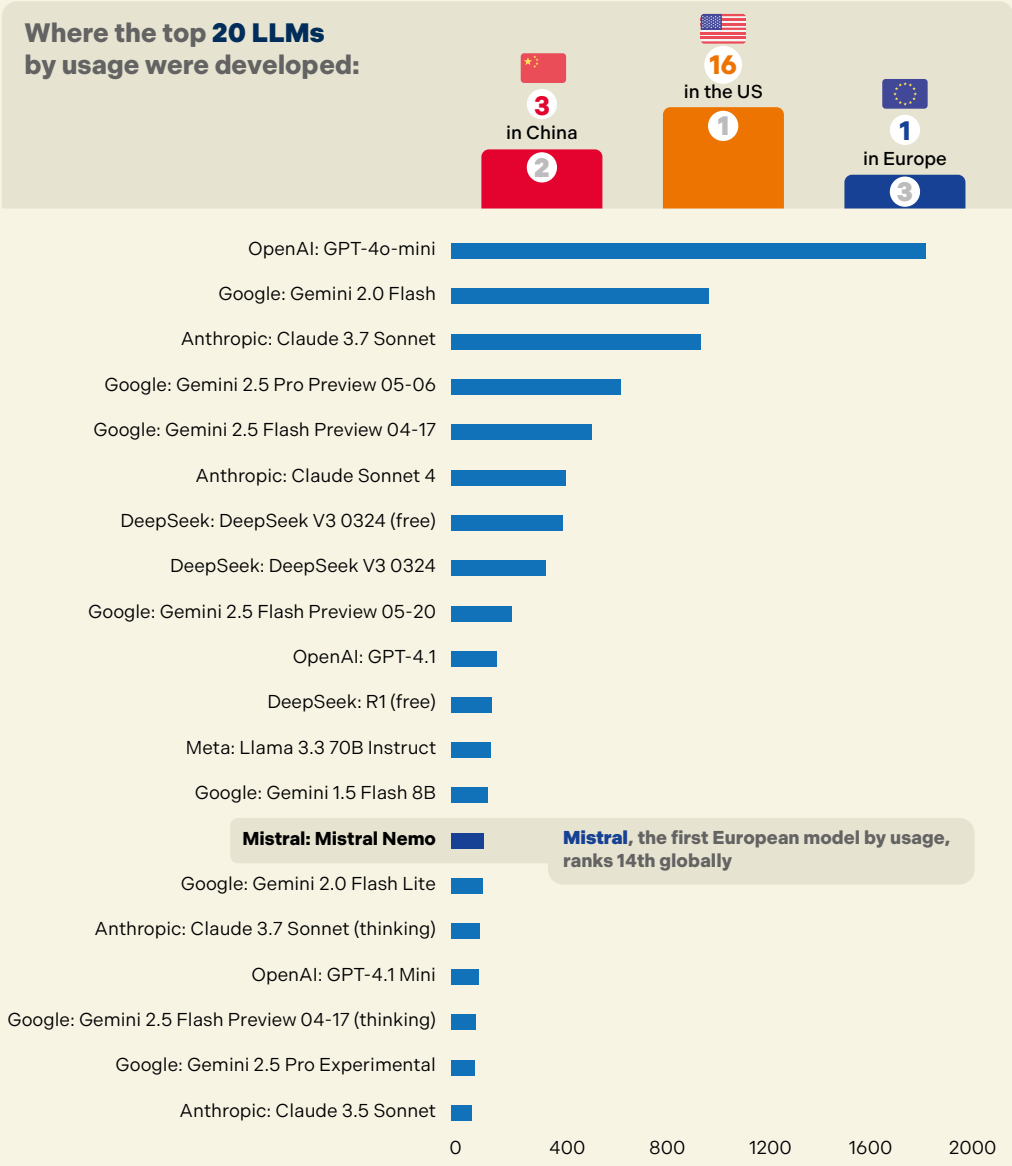


FIGURE 8. Usage of Large Language Models (billions of tokens), May 2025.
Source: TEHA Group elaboration on Openrouter AI data, 2025.

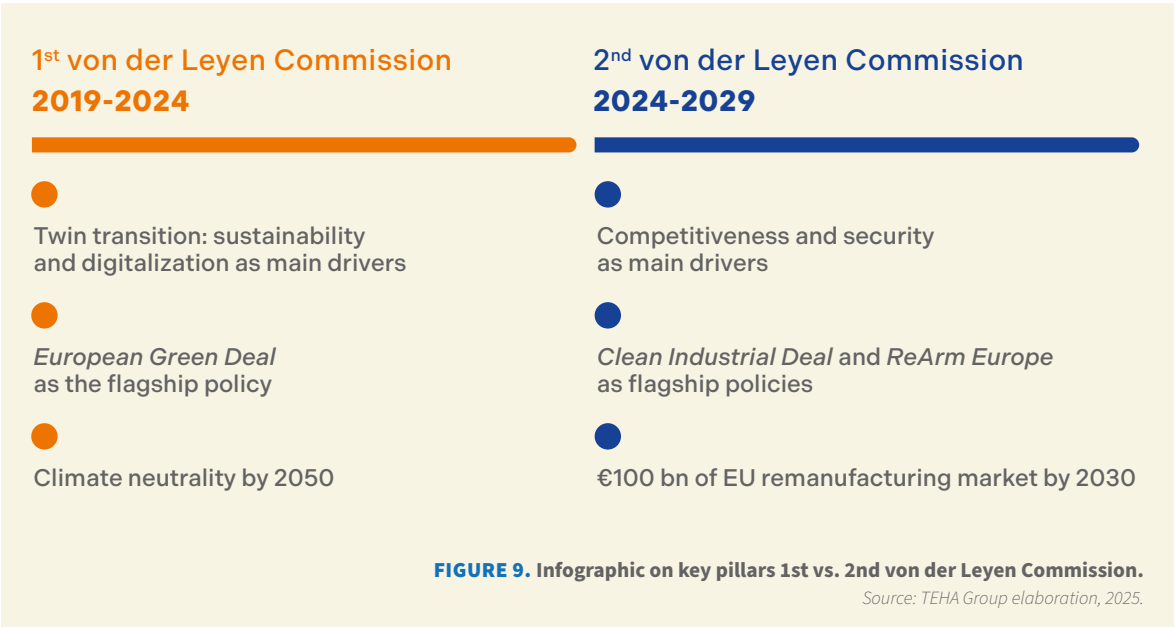


FIGURE 9. Infographic on key pillars 1st vs. 2nd von der Leyen Commission.
Source: TEHA Group elaboration, 2025.

However, despite lagging behind in future critical sectors, ceding leadership amid geopolitical turmoil and strategic industrial erosion, the race for future economic leadership is far from over, and the EU is finally showing the first signs of reaction. The second von der Leyen Commission (2024-2029) has repositioned competitiveness and security as its twin priorities. It has replaced the original Green Deal focus with a new Clean Industrial Deal and the ReArm Europe program and has committed to investing €100 billion in EU remanufacturing capacity by 2030 (**Figure 9**). This decisive policy pivot represents the first concrete move toward restoring Europe's manufacturing strength.

Furthermore, this response by European institutions is reinforced by expert-driven roadmaps that will guide reindustrialization, growth and restoration of EU's competitiveness. Notably, the Letta Report and the Draghi Report address complementary but distinct challenges facing the EU. The Letta Report identifies key reforms to modernize and deepen the European Single Market, reducing regulatory burdens and broadening its scope, while the Draghi Report defines a comprehensive industrial strategy for Europe, proposing specific policies for each identified strategic sector to strengthen EU's competitive position. Both reports highlight the necessity of a coherent industrial strategy to enhance productivity, finance and structural reform across the continent (**Figure 10**).

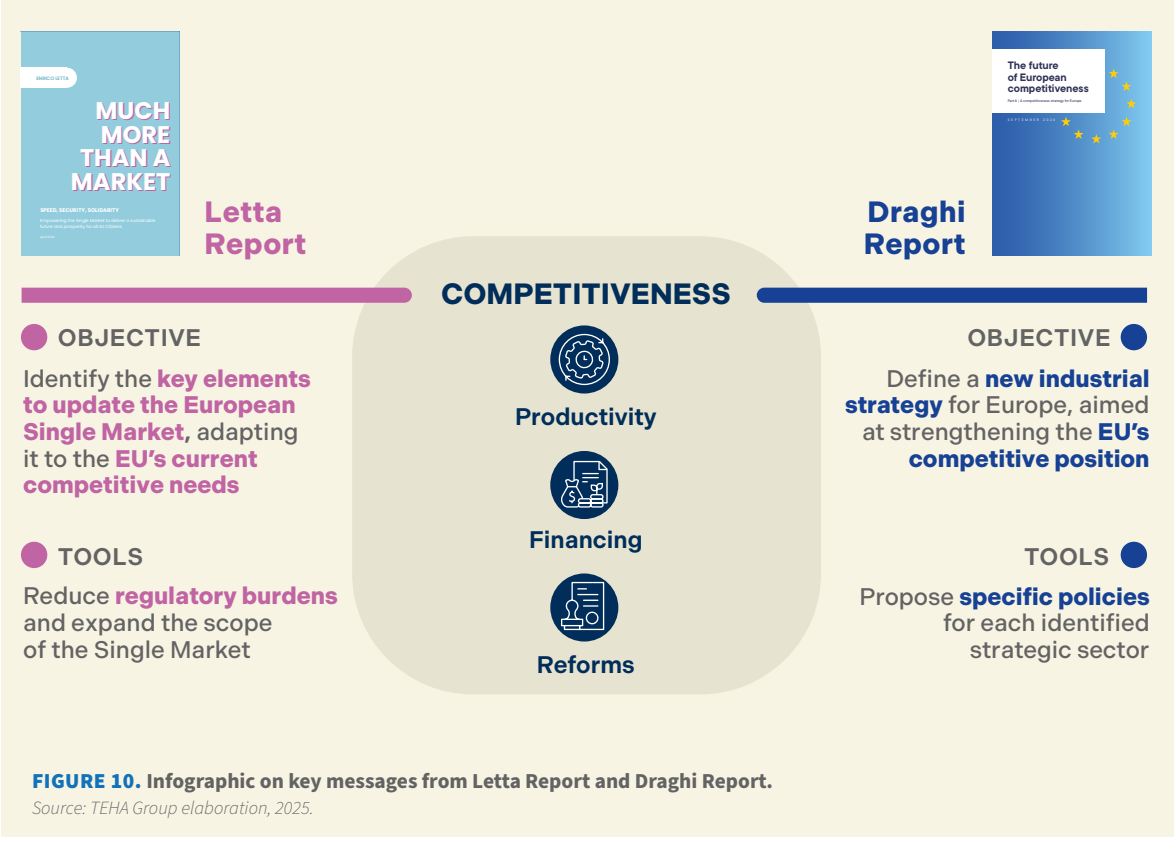


FIGURE 10. Infographic on key messages from Letta Report and Draghi Report.
Source: TEHA Group elaboration, 2025.

The Letta and Draghi reports together highlight Europe's inability to scale domestic companies as a crucial obstacle for its international competitiveness, and thus stress above all the urgent need to achieve greater scale. In fact, evidence and data strongly suggest that, in the current global economy, scale is a critical success factor in competitiveness and innovation. For instance, 71% of EU patents are filed by large enterprises (**Figure 11A**). However, when looking at the top 10 applicants at the European Patent Office, just four are European companies and none of them rank among the leading five (**Figure 11B**).

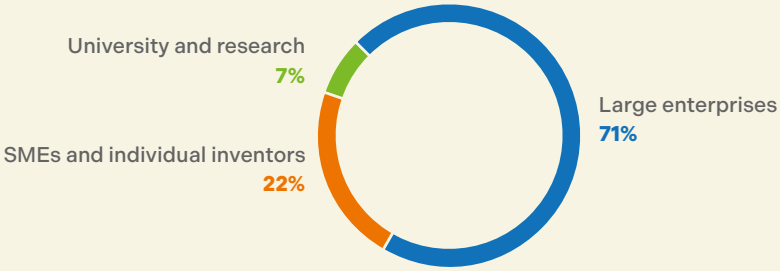


FIGURE 11A. Share of patent applications by category (% values), 2024.
Source: TEHA Group elaboration on European Patent Office (EPO) data, 2025.

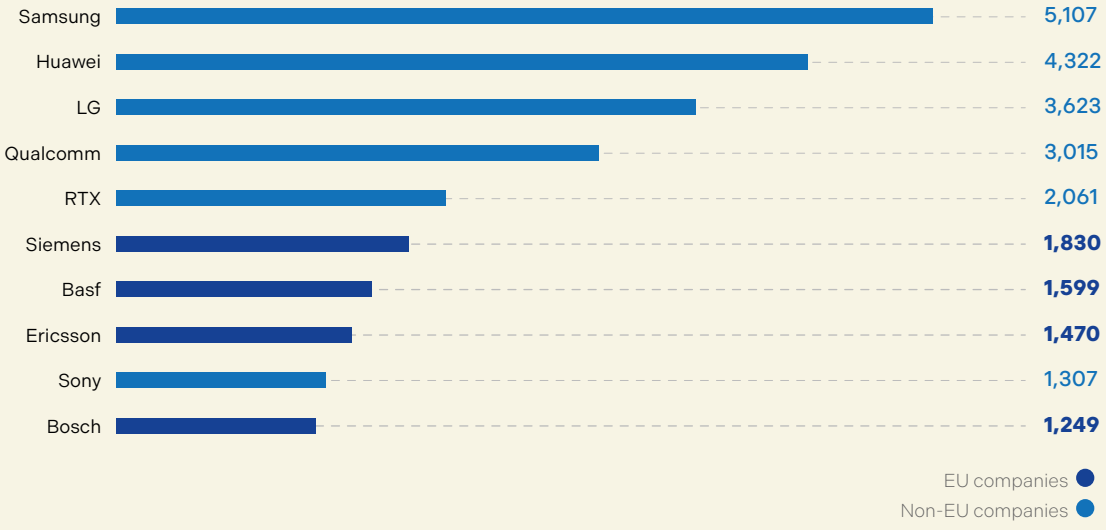
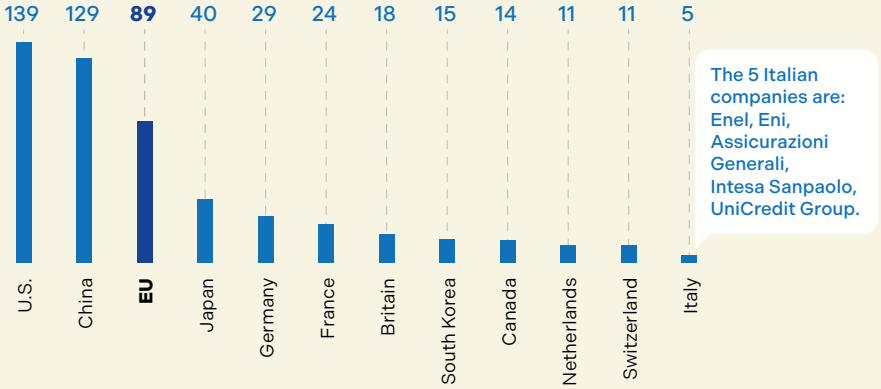


FIGURE 11B. Top-10 companies for patent applications at EPO (number of patents), 2024.
Source: TEHA Group elaboration on European Patent Office (EPO) data, 2025.

The EU's shortfall in innovation, evident in its lower patent-application rates, mirrors the smaller scale of its corporations. In the Fortune Global 500, an annual ranking of the world's largest companies by most recent fiscal-year revenue, only 89 firms are European, compared with 129 headquartered in China and 139 in the United States (**Figure 12**).



Fortune Global 500 is an annual ranking of the top 500 corporations worldwide based on the total revenue generated by each company during the most recent fiscal year

FIGURE 12. Number of Global Fortune 500 companies by country Top 10 + EU and Italy, 2024.
Source: TEHA Group elaboration on Fortune data, 2025.

This gap is even more evident when measured relative to GDP. Europe's economy relies far less on its largest corporations than its peers and its top companies are comparatively smaller. The ratio of Fortune Global 500 revenue to GDP is 1.9 times higher in Japan, 1.8 times higher in China and 1.4 times higher in the United States than in the EU (**Figure 13**).

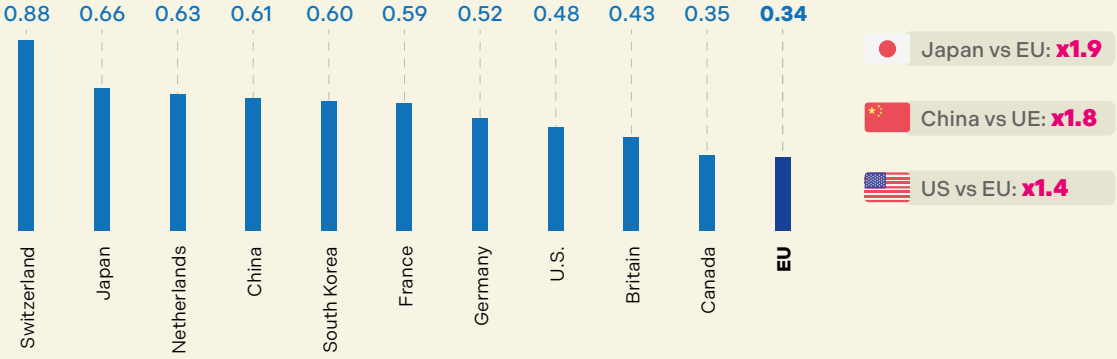
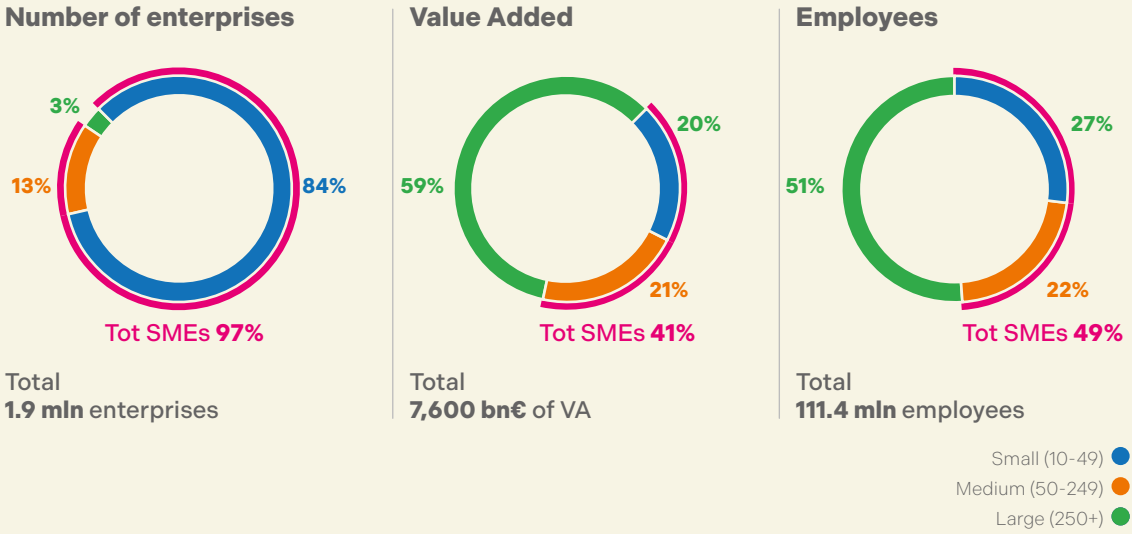


FIGURE 13. Cumulated turnover of Global Fortune 500 companies in top-10 economies + EU (% on GDP), 2023.
Source: TEHA Group elaboration on Fortune data, 2025.

In order to compete internationally, Europe must scale up its companies, but the new European industrial policy must also be tailored to the continent's unique structure and strengths. In the EU, SMEs represent 97% of total enterprises and generate 41% of the total value added, corresponding to 3,116 billion Euros, and employ almost half of the total European workforce (**Figure 14**). They play a crucial role in the economy and should be the starting point for enhancing competitiveness of the continent against international players.



*These figures exclude micro-enterprises (<10 employees), which are 30.1 million in the EU, generate €1,808 billion in value added, and employ 48.5 million workers.

FIGURE 14. Number of enterprises, value added and employees in EU27 (% values), 2022.
Source: TEHA Group elaboration on Eurostat data, 2025.

Recognizing SMEs as the backbone of the continent's economy, the EU industrial strategy must look beyond the long-standing debate between pro-competition (focus on market efficiency and innovation through open competition) and pro-champions (support industrial consolidation and the creation of large firms, capable of competing against global rivals). Instead, in this debate a third way must be considered: the EU should promote the growth of industrial value chains, driven by lead firms. These key actors coordinate complex supply chains, accelerate technology diffusion by spreading best practices in innovation and sustainability and support SMEs' competitiveness. However, despite their importance in the debate for the future of EU competitiveness, they are an analytically empty category, there is no official data or source categorizing lead firms.

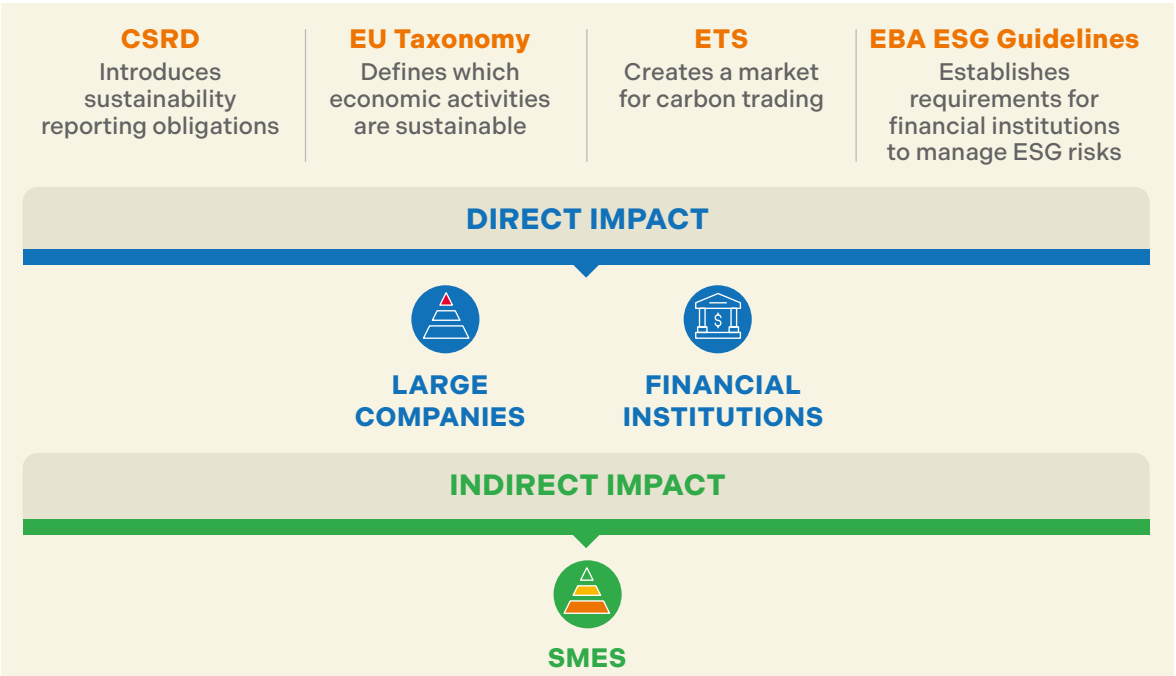


FIGURE 15. Infographic on sustainability policy transmission.
Source: TEHA Group elaboration, 2025.

Regardless of the few quantitative elements on the role of lead firms, the EU regulatory framework already assumes that large companies are capable of supporting smaller ones and transmitting best practices through their supply chain. This is particularly evident in sustainability policy (**Figure 15**), where European policy is directed to large firms and financial institutions, requiring them to embed environmental and social criteria into their procurement and financing terms. It is assumed that by making compliance a condition of doing business with these large firms, SMEs in the supply chain are effectively compelled to meet the same standards downstream, without the need for separate rules targeting smaller suppliers.

The research aims to provide qualitative and quantitative tools to fill the information gap about lead firms and their value chains. The objective is twofold: on the one hand, to create an analytical framework able to identify and assess lead firms' contribution on the overall economy; on the other hand, to quantify their impact on the performance of SMEs. The ultimate goal is to equip policy makers with data-driven insights for developing targeted, evidence-based industrial strategies that support and promote innovation across entire supply chains. Such strategies should take into account that modern supply chains evolved from the concept of linear, specialized and geographically concentrated value chains to dynamic value networks. Today networks are geographically scattered, intersecting activities across different industries and services and driven by innovation that increasingly happens outside the company, involving suppliers and partners (**Figure 16**).

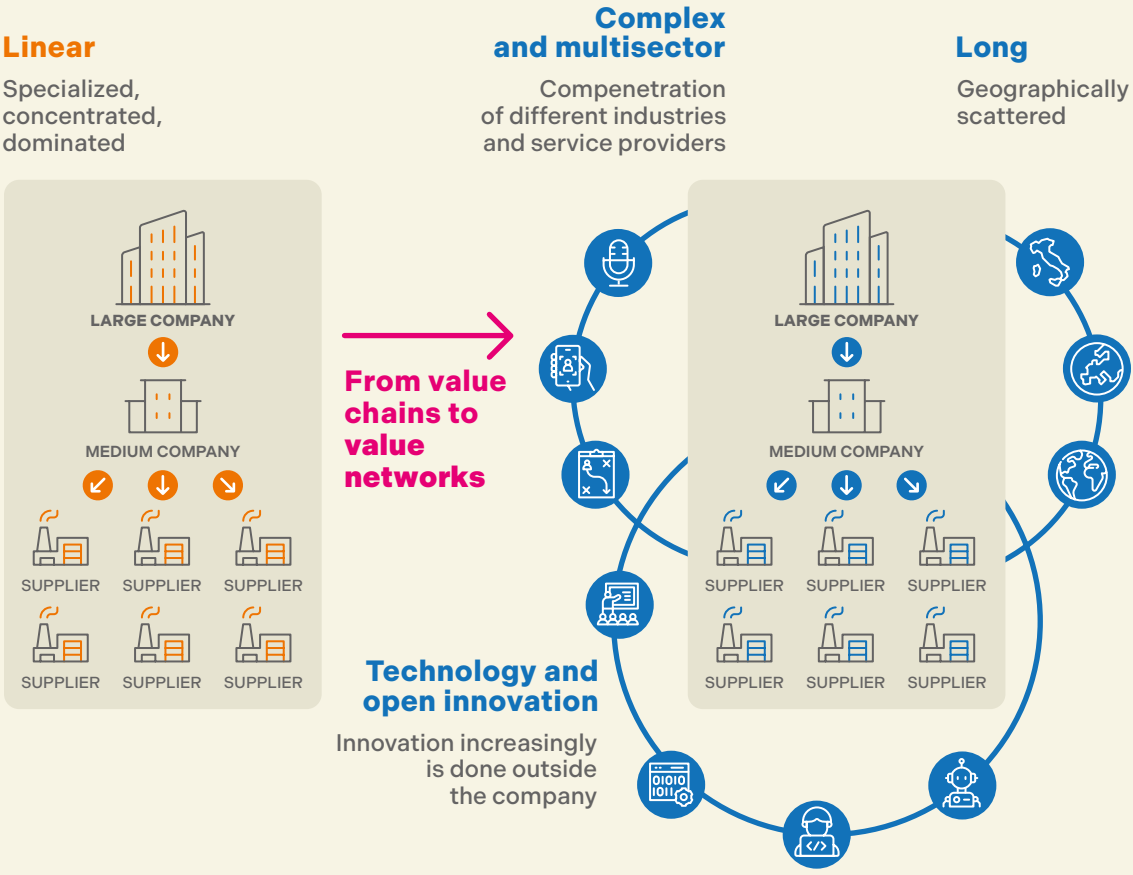


FIGURE 16. **Infographics on transition from value chains to value network.**

Source: TEHA Group elaboration, 2025.

A look into the past: lessons learned from successful and fallen EU lead firms

02

The evolution of Europe's industrial fabric has long been shaped by the role of lead firms. As anchors of supply chains, these companies determine not only their own fate but also the resilience or collapse of the broader ecosystems surrounding them. By driving innovation, orchestrating supplier networks, and shaping strategic positioning in global markets, lead firms exert an influence that extends far beyond their own corporate boundaries.

This chapter examines the decisive role of lead firms in shaping the resilience, decline, and renewal of European industrial ecosystems. Through the systematic analysis of 60 companies across Europe's major economies – Italy, Germany, France, Spain, and Poland – it identifies three archetypes (**Figure 1**) that illustrate divergent industrial trajectories:

- **Industry Champions**, firms that developed supply chains and sustain global leadership through innovation and vision;
- **Phoenix Firms**, firms that endured crisis and successfully maintained or regained competitiveness through adaptability and strategic repositioning;
- **Fallen Giants**, once-dominant firms that declined due to leadership failures, missed transitions or outdated business models.

By revisiting these trajectories, the chapter does not only map Europe's industrial past but also extracts critical lessons for the future. Understanding how some firms managed to consolidate leadership, others to rebound from crisis, and others still to collapse provides valuable insights into the conditions that foster resilience and competitiveness in times of profound technological and geopolitical transformation

Industry Champions

Success stories of supply chains boosted by the lead company's **innovative capacity and vision**

Phoenix Firms

Success Stories of supply chains **survival amidst industry crises**, driven by lead companies with innovative and strategic vision

Fallen Giants

Failure stories of supply chains attributed to **ineffective leadership adaptation** or strategic **relocation decisions** of lead firms

FIGURE 1. Conceptual map of firm clusters: Industry Champions, Phoenix Firms, and Fallen Giants.

Source: TEHA Group elaboration, 2025.

It is important to note that the selected **60 case studies** represent a **non-exhaustive selection of success and failure** examples within European value chains. Their inclusion is solely for **clarity and simplicity of exposition** and does not imply any judgment relative to other cases (**Figure 2**).

FIGURE 2. The 60 companies analyzed in five European countries (Italy, Germany, France, Spain, Poland) as Industry Champions, Phoenix Firms, and Fallen Giants.
Source: TEHA Group elaboration, 2025.

By tracing these success stories, turnarounds, and collapses, the chapter highlights replicable patterns of resilience and warning signals of decline that are critical for both policymakers and corporate leaders. These lessons provide a qualitative foundation for understanding how industrial ecosystems evolve, while also preparing the ground for the quantitative framework introduced in the next chapter to systematically identify Europe's future lead firms.

2.1 Industry Champions: anchors of European value chains

Industry Champions are the leaders of their value chains. They are excellent companies operating in thriving sectors, and they have successfully developed their leadership by combining sectoral strength with strategic vision. Their role goes beyond individual performance: they act as anchors for entire ecosystems, sustaining competitiveness and innovation across Europe's industrial landscape.

Champions are concentrated in industries that are both globally competitive and structurally resilient. Their strength is amplified by favorable sectoral dynamics, but their ability to maintain leadership depends on strategic foresight and operational excellence.

Our analysis has identified three main characteristics that define an Industry Champion:

- **Ecosystem builders**.
  Champions lead complex industrial supply chains, coordinating thousands of suppliers, SMEs, and research centers. They act as *anchor companies*, holding together fragmented ecosystems and ensuring that innovation, competitiveness, and value creation cascade across the chain. *Airbus* exemplifies this role, orchestrating a truly European aerospace ecosystem that integrates aerostructures in Germany, avionics in France, and wings in Spain and the UK, thereby securing Europe's sovereignty in civil aviation.

- **Leadership and vision**.
  These firms successfully internationalize while maintaining strategic control and strong national roots. Their success rests on a combination of clear long-term vision, highly capable executives and, in some cases, supportive public policies and regulatory frameworks. *EssilorLuxottica* illustrates this dynamic, combining global expansion with European strategic leadership, and embedding its long-term vision into a fully vertically integrated supply chain that dominates the global eyewear sector.

- **Sustained Innovation**.
  Champions consistently invest in R&D, maintain a strong focus on high-quality products, and experiment with new technologies. Their ability to drive digital transformation and continuously innovate ensures they remain ahead of competitors. *Asseco* demonstrates this approach: by basing nearly 80% of its revenues on proprietary software and reinvesting heavily in secure, tailor-made digital solutions, it has grown into the largest IT company in Central and Eastern Europe and a cornerstone of the region's digital sovereignty.

PHILIP MORRIS ITALY FOCUS

Contemporary lead firms are not simply champions of a specific territory or industrial districts, but a bridge between different value chains, territories, business cultures, innovation ecosystems and the world economy in general. Philip Morris Italy exemplifies the modern lead firm, serving as a benchmark for future industrial and innovation strategies at both national, European and global level, capable to express a transformative vision and deploy it across the entire value chains.

If we look at Philip Morris, we find that its leadership is exerted in a complex and articulated way, not just in market figures, but particularly through a forward-looking industry vision, resilience, and adaptability. A distinctive aspect of PMI has been its practical implementation of a robust strategic vision aimed at a smoke-free future. For over a decade, Philip Morris International (PMI) has proactively pursued the ambitious goal of replacing cigarettes with innovative, smoke-free products, based on the absence of combustion. Through significant technological advancements and rigorous scientific research, PMI has positioned itself as an industry leader, driving transformation towards a smoke-free industry.

Since announcing its commitment to achieving a smoke-free future in 2016, PMI has dedicated all its resources and organizational efforts toward innovative, smoke-free products. This transformational shift was enabled by sustained innovation, continuous investment in research and development (R&D), excellence in product innovation, experimentation with advanced technologies, and proactive digital transformation. Since 2008, PMI invested approximately $14 billion to develop, scientifically substantiate, and commercialize smoke-free products, employing over 1,460 world-class scientists, engineers, and technicians. As of 2024, over 99% of the Group's R&D expenditure were allocated to smoke-free products, a significant increase from 70% in 2015, and by 2024, smoke-free products represented over 40% of the Group's global net revenues, compared to just 2.7% in 2016.

Implementing this transformative vision requires a strict collaboration with the whole value chain, and Italy is pivotal for realizing PMI vision. Indeed, the company is present in the Country through an integrated value chain – from tobacco growing to the production of smoke-free products, also including digital services for the support of the adult consumers.

Philip Morris operates in Italy with two affiliates, Philip Morris Italia and Philip Morris Manufacturing & Technology Bologna. Present in the Country since 1963, in 2016 PMI inaugurated the world's first production plant for the development and production of innovative, smoke-free products in Crespellano (Bologna) with an investment of more than €1.2 billion. These investments entailed the active involvement of local stakeholders, particularly within the industrial machinery and mechatronic sectors.

Philip Morris's investment in Italy has also a significant impact from the point of view of exports: in fact, in 2023 PMI exported its innovative products from the Crespellano plant to over 50 countries around the world with a value of about € 1.9 billion.

In addition, the presence of an international player – the value chain leader – generates benefits for the upstream supply chains. Since 2011, Philip Morris Italia, in fact, has signed multi-year value chain agreements with Coldiretti and the Ministry of Agriculture

guaranteeing the predictability of the whole sector, certainty of revenues and long-term stability for farmers involved. These agreements, recently renewed in November 2024, with an exceptional ten-year time horizon, provide for investments of up to €1 billion, committing Philip Morris to purchase about half of the total production of Italian raw tobacco, confirming the stability for the 28.700 farmers involved and positioning the company as the largest private investor in the Italian tobacco value chain, the most important in Europe in terms of volumes.

These agreements have also allowed the promotion of initiatives aimed at continuous innovation in the sector, sustainability and skills development, as well as the implementation of research and analysis and training courses also promoting generational change. Notably, PMI's value chain significantly outperforms the average agricultural businesses in Italy, with 89% of companies implementing agritech projects compared to just 46% of the agricultural companies not part of value chains agreements, supporting productivity and boosting sustainability. This is exactly where the role of the lead company becomes essential—not as a player that concentrates value for itself, but as a catalyst for growth across the entire ecosystem. It is a responsibility that goes beyond industrial leadership: it means creating the conditions for

every piece in the value chain to innovate, to train, to attract young talent, and to contribute to the sustainability of the system. Only by generating value for all can, there is the possibility to grow together, as a sector and as a country.

A transformation not only envisioned, but also acted upon and turned into value added, growth and employment. The numbers speak for themself: the made-in-Italy value chain led by Philip Morris contributes 0.5% to Italy's annual GDP (€10.3 billion), supports 44,000 jobs, and engages approximately 8,000 Italian suppliers, including 1,000 agricultural SMEs.[1]

PMI also aims to become a central reference point, locally and nationally, for continuous education and technology transfer, fostering the development of advanced skills needed for the future of Italian manufacturing professions. This goal is embodied by the Philip Morris Institute for Manufacturing Competences (IMC), inaugurated in June 2022 as a hub for advanced training and skills development aligned with Industry 4.0 standards. The IMC was designed as an open system, with activities not only for PMI employees and its business partners, but also for the broader business, academic, and training communities across the country. Its mission is to empower future manufacturing by promoting lifelong learning, innovation, and applied research.

Beyond the IMC, PMI innovation and skill development within the agricultural value chain is promoted through the Leaf Innovation Hub. This center offers coaching programs aimed at young tobacco farmers, enhancing their digital and entrepreneurial skills and engaging small innovative businesses, also through an Open Innovation model. This program targets startups, spin-offs, and innovative SMEs in the agritech sector, providing opportunities for testing, developing, and accelerating the adoption of cutting-edge technologies and innovative solutions throughout the entire value chain.

Moreover, PMI focuses on sustainability and circular economy principles through its entire value chain. Its manufacturing facility in Crespellano uses 100% certified green energy and all available rooftop surface has been covered with photovoltaic panels. Furthermore from 2018 to 2024, Philip Morris reduced CO_2 emissions per million-unit of production by 42.9% at its Crespellano facility. Efficiency projects within the tobacco value chain have also achieved a 24% reduction in CO_2 emissions between 2016 and 2023 and water-saving initiatives implemented since 2016 have led to a 37% reduction in water use. Furthermore, the company has demonstrated a strong commitment to responsible water stewardship, achieving a 54% reduction in water consumption at its Crespellano facility over the same 2018–2024 period. Regarding the circular economy, PMI launched the Circular Economy Recycling (REC) project for IQOS and Lil devices, with operations also based in Italy. The initiative aims to reduce electronic waste in line with Target 12.5 of the United Nations 2030 Agenda and reinforces Philip Morris commitment to sustainability by integrating responsible end-of-life management into its product lifecycle.

The combination of PMI's visionary approach and decisive action elevates it to a leading industry champion, capable of guiding and stimulating its value chain through innovation, skills development, and sustainability.

1 Source: TEHA Group elaboration on '4 Capitals' data, 2025.

CASE STUDY FRANCE | Airbus: securing European sovereignty in aerospace

Airbus represents the quintessential European industry champion. By integrating thousands of suppliers across multiple countries, it has built a truly cross-border ecosystem in aerospace. With over 50% global market share in commercial aviation, Airbus has safeguarded Europe's sovereignty in civil aviation against US dominance. Its strategic headquarters remain firmly European, ensuring that technological leadership and value creation are embedded in the region.

Over the past decade, Airbus has combined robust revenue and market capitalization growth with sustained employment of more than 130,000 people (**Figure 3**). This performance underlines its dual role as Europe's leading aerospace company and a guarantor of industrial sovereignty in a sector of global strategic importance.

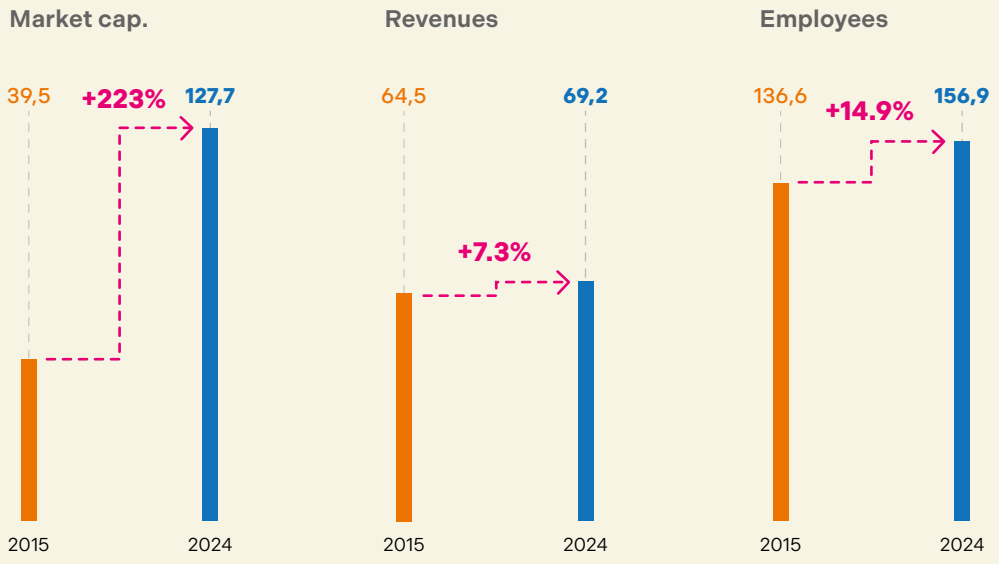


FIGURE 3. Airbus market cap (billion $), revenues (billion $), and employees (thousand), 2015–2024.
Source: TEHA Group elaboration on market data and company reports, 2025.

The company invests more than €2.8 billion annually in R&D and since 2018 it has consolidated its global leadership by consistently delivering more aircraft than Boeing, surpassing 700 deliveries in 2023 (766, almost doubling Boeing at 348) and securing over half of the worldwide commercial aviation market (**Figure 4**).

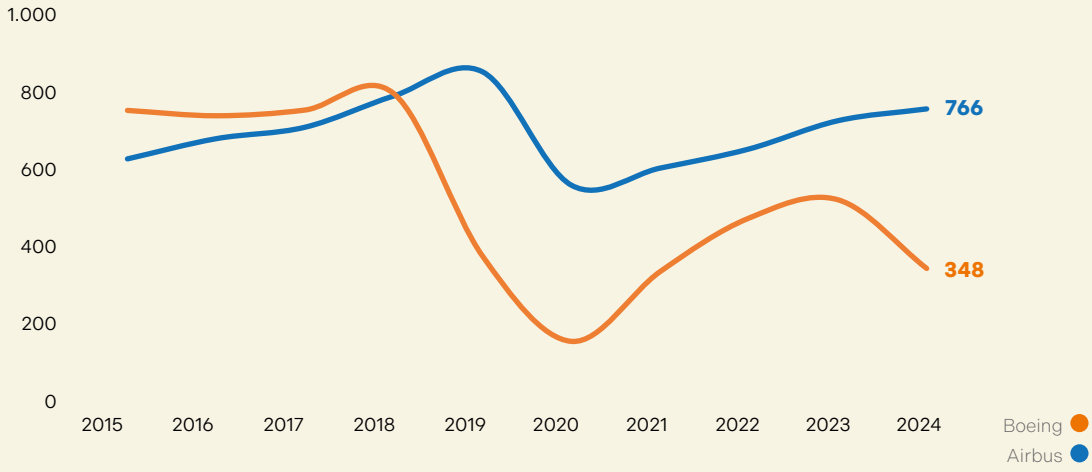
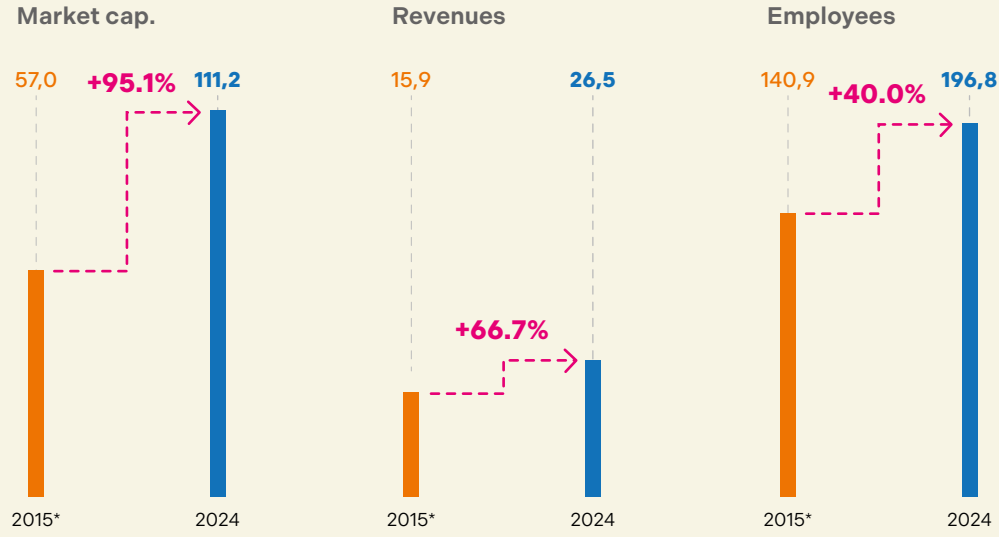


FIGURE 4. Annual aircraft deliveries, Airbus vs Boeing (absolute values), 2015–2024.
Source: TEHA Group elaboration on market data, 2025.

CASE STUDY ITALY-FRANCE | EssilorLuxottica: vertical integration and global reach

EssilorLuxottica has transformed Europe's eyewear industry into a globally integrated champion. By controlling the entire value chain – from lens design and frame production to distribution through 17,500+ retail outlets in 150 countries – it has consolidated an estimated 20–30% global market share.

The firm's innovation capacity is equally striking: €300–350 million invested annually in R&D, over 13,000 patents, and the launch of more than 3,500 models each year. This innovation pipeline, combined with vertical integration, makes EssilorLuxottica an emblem of industrial resilience and leadership. Revenues expanded from about €15 billion in 2015 (pre-merger) to over €25 billion in 2024, alongside rising market capitalization and employment (**Figure 5**), demonstrating the group's ability to combine financial growth with innovation and full value-chain integration.



*2015 data refers to the sum of Essilor and Luxottica prior to the merger.

FIGURE 5. EssilorLuxottica market cap (billion $), revenues (billion $), and employees (thousand), 2015–2024.
Source: TEHA Group elaboration on market data and company reports, 2025.

CASE STUDY POLAND | Asseco: a software champion from Eastern Europe

Asseco exemplifies how a national leader can evolve into a continental player while maintaining strategic autonomy. As the largest IT company in Central and Eastern Europe, Asseco has expanded into more than 60 countries while retaining Polish ownership and governance.

Its business model is built on proprietary software (79% of revenues), serving critical sectors such as public services, banking, energy, and defense. By developing tailor-made digital solutions, Asseco has positioned itself as a cornerstone of Eastern Europe's digital sovereignty and an essential player in Europe's broader IT landscape.

In the last decade, revenues and market capitalization have grown steadily, with employment surpassing 30,000 by 2024 (**Figure 6**), reflecting the strength of Asseco's proprietary software model and its role as a digital sovereignty champion in Central and Eastern Europe.

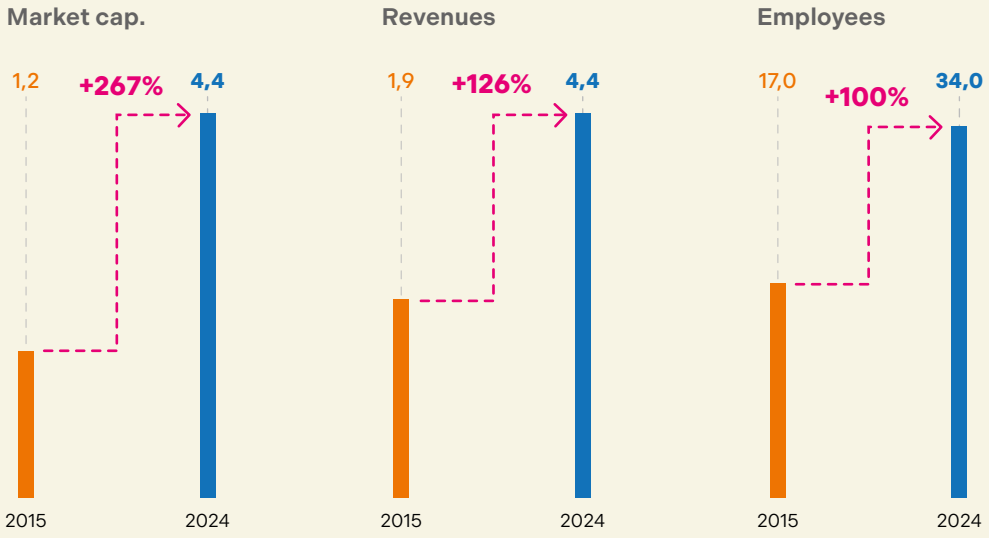


FIGURE 6. Asseco market cap (billion $), revenues (billion $), and employees (thousand), 2015–2024.
Source: TEHA Group elaboration on market data and company reports, 2025.

2.2 Phoenix Firms: resilient forces in troubled sectors

Phoenix Firms share the same core characteristics as Industry Champions: they act as ecosystem builders, demonstrate strong leadership and vision, and maintain sustained innovation. However, what distinguishes them is not the absence of these traits, but the context in which they operate.

Champions thrive in expanding, globally competitive industries, whereas Phoenix Firms emerge from sectors that have faced severe crises. In these adverse environments, these firms show the same three characteristics, which are exercised under very different conditions:

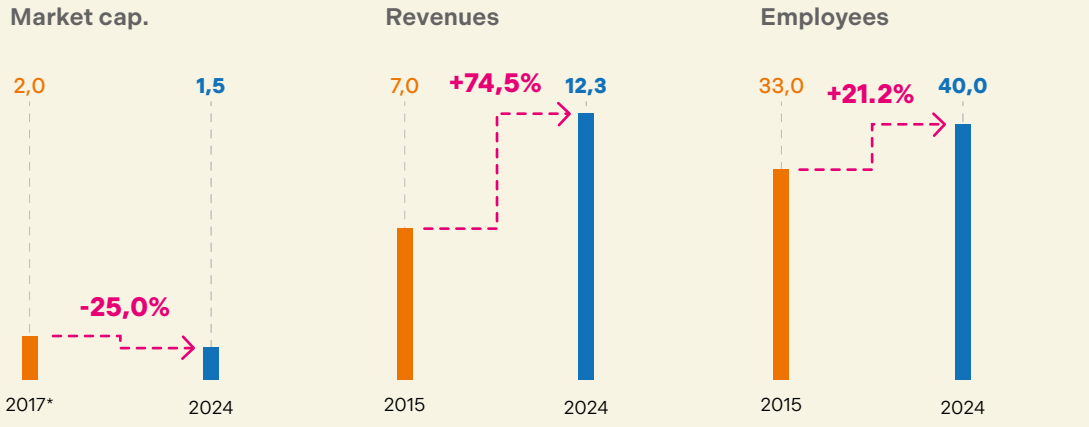
- Ecosystem building often means consolidating fragmented industries in decline, rescuing suppliers, or restructuring failing networks.
- Leadership and vision involve making bold strategic shifts, such as diversifying into new markets or redefining the firm's role in the value chain.
- Sustained innovation becomes not only a driver of growth but a tool for survival, helping the firm to reposition itself and escape structural decline.

CASE STUDY SPAIN | Gestamp: navigating automotive volatility through resilience

Gestamp is a Spanish multinational specialized in the design, development and manufacture of metal components and assemblies for the automotive industry, including body structures, chassis systems, and complex mechanisms. Its technological leadership, particularly in hot stamping and lightweight solutions, has made it a trusted partner for most of the world's leading carmakers.

The company has had to navigate a highly volatile sector. Over the past decade, the automotive industry has been hit by structural shifts (electrification, digitalization, and new mobility models) as well as cyclical shocks such as the 2008 financial crisis, the COVID-19 pandemic, semiconductor shortages, and recent supply chain disruptions. These challenges placed strong pressure on production volumes and profitability across the industry, yet Gestamp has managed to demonstrate resilience and adaptability.

In 2015, Gestamp recorded revenues of €7.0 billion and employed about 33,000 people worldwide. By 2024, revenues had surged to €12.3 billion (+74.5%), while the workforce expanded to around 40,000 employees (+21.2%). This growth highlights the company's ability to leverage its global footprint and expand in key markets such as North America and Asia. However, the evolution of its market capitalization tells a more complex story: since its IPO in 2017, when it was valued at $2.0 billion, Gestamp's market cap declined to about $1.5 billion in 2024 (–25%). It is important to note, however, that in 2025 the company's valuation rebounded, peaking at over $2.0 billion in August 2025, thus returning in line with its 2017 IPO value (**Figure 7**).



*Evaluation from IPO in 2017, no market data available for the previous years.

FIGURE 7.Gestamp market cap (billion $), revenues (billion $), and employees (thousand), 2015 or latest available data – 2024.

Source: TEHA Group elaboration on market data and company reports, 2025.

CASE STUDY GERMANY | Lürssen: a Phoenix Firm reshaping Germany's naval value chain

Lürssen, a German shipbuilder with over 140 years of history, exemplifies the resilience of a Phoenix Firm. The company overcame the 2008–2015 crisis of the European shipbuilding industry by diversifying its core business: from luxury yachts, its traditional market, to strategic naval contracts, patrol boats, and support ships for the German Navy and NATO.

Between 2016 and 2021, Lürssen further consolidated German shipbuilding by acquiring Blohm+Voss and merging with German Naval Yards, becoming a unified national player in naval defense. At the same time, it expanded into sustainability and innovation through investments in hybrid propulsion, green refit programs, and dual-use vessels, reinforcing its role in Germany's maritime strategy and high-tech exports.

Over the past decade, the company has expanded production and employment, with total construction length rising from 0.9 km in 2015 to 1.3 km in 2023 (+44%), and its workforce nearly tripling from 1,000 to 2,800 employees (+180%). In the yacht segment, Lürssen ranks among the top-5 global manufacturers by construction length, competing with Italy's Azimut-Benetti and Sanlorenzo (**Figure 8**).

Lürssen has strengthened its leadership by investing in hybrid propulsion, green refit programs, and dual-use vessels, reinforcing its role in both Germany's maritime strategy and high-tech exports. By reshaping its business model and securing leadership in both luxury yachts and naval defense, Lürssen has turned a period of crisis into an opportunity to reinforce Germany's position in the global shipbuilding industry.

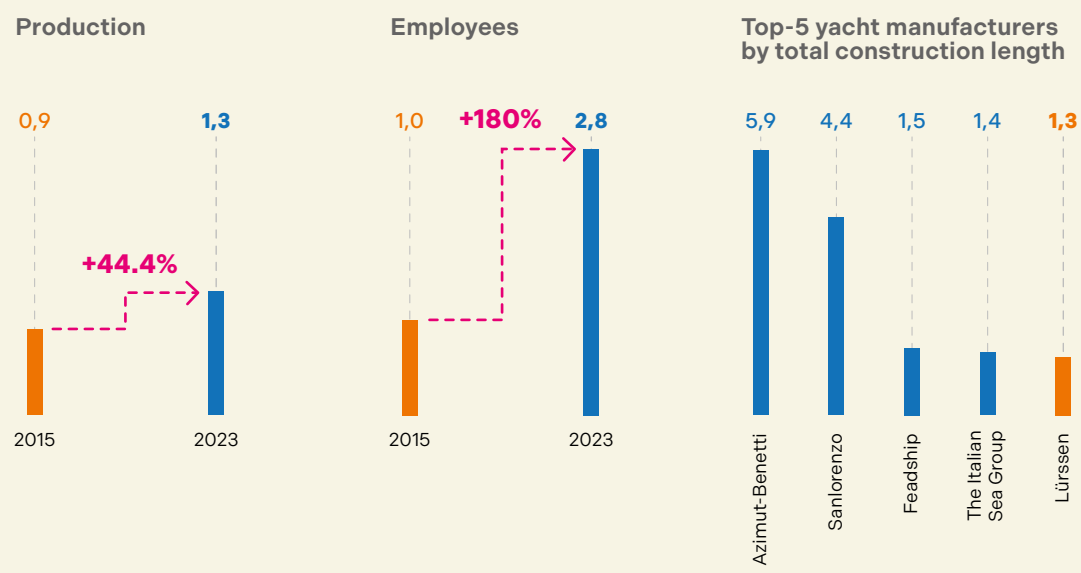


FIGURE 8. Lursen production evolution (km of total construction lenght), employees evolution (thausand), 2015–2023, and Top-5 yacht manufacturers by total construction lenght (km), 2023.

Source: TEHA Group elaboration on market data and company reports, 2025.

CASE STUDY ITALY | The Motor Valley in Emilia-Romagna: a cluster that thrives despite sector-wide decline

The Italian Motor Valley, located in Emilia-Romagna, is one of the most renowned automotive clusters in the world. Located between Modena, Bologna, and Parma, it brings together some of the most iconic brands in the global automotive and motorsport industries: Ferrari, Lamborghini, Maserati, Ducati, Pagani, and Dallara. Around these flagship firms lies a dense network of specialized suppliers, design studios, research centers, and universities, which together form an ecosystem that combines tradition, craftsmanship, and technological excellence.

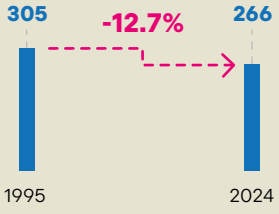
The resilience of the Motor Valley is particularly striking when placed against the broader backdrop of the Italian automotive sector. Since the mid-1990s, national automotive employment has steadily declined, falling from 305,000 workers in 1995 to 266,000 in 2024 (–12.7%). By contrast, the Motor Valley has not only resisted this contraction but thrived. Employment in its core firms grew from 5,400 in 2015 to nearly 9,900 in 2024, an increase of +84.5%, confirming the cluster's ability to defy structural headwinds (**Figure 9**).

DRIVERS OF RESILIENCE

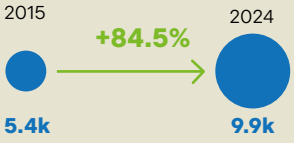
The acquisition by major global automakers of **flagship automotive brands**, along with their **inflows of capital and know-how**, helped the Motor Valley survive the 90' crisis. Moreover, its resilience has been driven by a strong commitment to **innovation**, integration with **motorsport engineering**, and the creation of an **ecosystem** with local universities and supply chains

THE NUMBERS AGAINST THE TREND

Employees in the automotive sector in Italy
(in thousands), 1995-2024



Motor Valley*



PHEONIX FIRMS

Acquired by Audi- Volkswagen in 1998

Acquired by Texas Pacific Group in 1996 and then by Audi-Volkswagen in 2012

Spin-off from Fiat in 2016, becoming independent

Specialization in racing vehicles and digital twin technologies

*This includes the companies listed on the right (Lamborghini, Ducati, Ferrari, Dallara), while excluding other firms in the Motor Valley.

FIGURE 9. Key figures and facts about the Motor Valley in Italy and its main companies.
Source: TEHA Group elaboration on market data and company reports, 2025.

This exceptional performance can be explained by several interlinked factors. First, the acquisition of local brands by global automakers – such as Lamborghini and Ducati by the Volkswagen Group, or Ferrari's strategic spin-off from Fiat in 2016 – ensured a steady inflow of capital, managerial expertise, and international market access. Second, the region's strong commitment to innovation and motorsport engineering played a pivotal role: firms like Dallara, specialized in racing vehicles and advanced composites, helped keep the cluster at the technological frontier, particularly in aerodynamics, lightweight materials, and electrification. Third, the ecosystem effect proved decisive. The Motor Valley developed symbiotic relations with universities, technical schools, and local supply chains, reinforcing a culture of high-quality engineering and continuous knowledge transfer.

The evolution of the region also reflects a broader story of Phoenix Firms: companies that managed to reinvent themselves after sectoral crises. Lamborghini, acquired by Audi-Volkswagen in 1998, was transformed from a niche supercar manufacturer into a global luxury leader. Ducati, which passed through private equity ownership in the 1990s before also entering the Volkswagen Group in 2012, consolidated its position as one of the most successful motorcycle brands worldwide. Ferrari, independent since 2016, has leveraged its spin-off to increase flexibility, brand value, and market capitalization, becoming one of the most profitable automakers globally. Meanwhile, Dallara has built a reputation as a world leader in racing chassis and vehicle engineering, providing technological expertise far beyond the regional cluster itself.

Taken together, these dynamics explain why the Motor Valley has been able to thrive even as the broader Italian automotive sector contracted. It is not simply the presence of globally renowned brands, but rather the combination of external capital, continuous innovation, motorsport integration, and a vibrant ecosystem that explains its resilience. Motor Valley therefore stands as a paradigmatic case of how regional clusters can turn crises into opportunities, building sustainable global leadership in high-end and high-performance manufacturing.

2.3 Fallen Giants: when industrial leadership fails to adapt in rapidly changing value chains

Not all European companies were able to withstand global competition or technological disruptions. Alongside firms that consolidated their leadership (Industry Champions) and found a way to succeed in a troubled sector (Phoenix Firms), there is also a category of Fallen Giants: companies that once held a leading role in their value chains but were unable to preserve it over time. These cases reveal the vulnerabilities of firms that, despite past successes, struggled to adapt to structural changes in their sectors.

The reasons behind these failures are varied but often converge on three main dynamics. First, technological discontinuities: when innovation cycles accelerate, established players may be unable to anticipate or integrate new paradigms in time. Second, sectoral and geopolitical shocks: exposure to volatile global markets or abrupt policy changes has penalized firms that lacked resilience strategies. Third, governance and strategic choices: mismanagement, excessive indebtedness, or fragmented corporate structures often undermined the ability to invest in long-term competitiveness.

The decline of these giants has consequences beyond their corporate boundaries. Their downfall weakens entire value chains, disrupting supplier networks, eroding industrial know-how, and reducing the strategic autonomy of Europe in critical sectors. This illustrates how the failure of large firms is not only a matter of private business outcomes but also a broader challenge for industrial ecosystems and policy frameworks.

Examining these trajectories provides essential lessons for Europe's industrial strategy: preventing the fall of future champions requires timely investment in innovation, adaptive governance, and stronger coordination between public and private actors.

CASE STUDY ITALY | The white goods industry: a story of decline of once-leading firms

The Italian white goods industry, once a European leader, has become a textbook example of how the absence of visionary leadership and long-term strategic thinking can dismantle an entire ecosystem. Household names such as Candy, Indesit, and Ignis thrived for decades, shaping both domestic and global markets. However, starting from the late 1980s, these companies were progressively acquired by multinationals: Whirlpool took over Ignis in 1988 and Indesit in 2014, while Haier acquired Candy in 2018.

Instead of fueling growth, these acquisitions led to cost-cutting measures, plant closures, and the erosion of local decision-making power. The takeover strategies disrupted long-term investment and innovation, preventing Italian firms from competing at the global frontier of technology and design.

The consequences were dramatic: the disappearance of lead firms triggered a domino effect, severely damaging the broader supply chain, composed largely of SMEs. Between 2012 and 2023, more than 400 companies disappeared, wiping out decades of industrial capacity.

Even Whirlpool, the global giant that had absorbed key Italian players, has seen its own fortunes falter: between 2015 and 2024, its market capitalization dropped by 43.4%, revenues declined by 20.6%, and its workforce shrank by 54.6% (**Figure 10**). The Italian white goods case illustrates how the loss of strategic autonomy and innovation capacity can dismantle entire value chains.

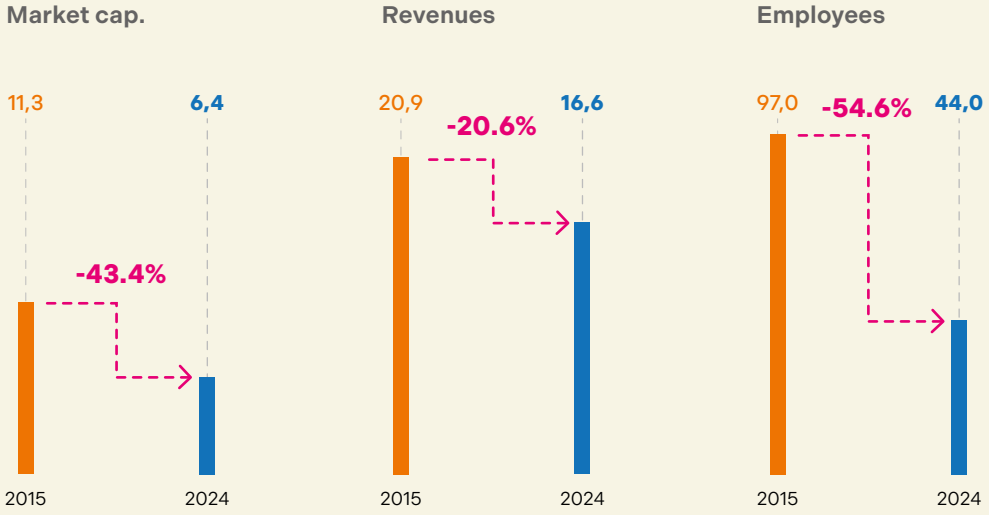


FIGURE 10. Whirlpool market cap (billion $), revenues (billion $), and employees (thousand), 2015–2024.
Source: TEHA Group elaboration on market data and company reports, 2025.

CASE STUDY SPAIN | Abengoa: from solar leadership to collapse

Spain's Abengoa was once a global pioneer in renewable energy, particularly in concentrated solar power. However, the firm's commitment to capital-intensive technologies proved unsustainable as competitors embraced cheaper, more scalable renewable solutions. Abengoa gradually lost ground in a rapidly evolving energy market, unable to adapt its portfolio to shifting industry dynamics.

Its industrial challenges were compounded by aggressive financial engineering. By 2013, Abengoa had accumulated over €6.3 billion in debt, relying on complex project finance structures and opaque governance practices. Repeated failed restructurings eroded investor confidence, leaving the company highly vulnerable when liquidity conditions tightened.

Between 2015 and 2021, Abengoa went through multiple insolvencies, leading to a loss of around 60% of its revenues and workforce. By 2014, the company had employed nearly 26,800 people and generated €7.4 billion in revenues; within a decade, both figures had collapsed (**Figure 11**).

In 2023, Cox Energy acquired Abengoa's productive assets for €564 million, preserving over 9,500 jobs and relaunching operations with a focus on renewable energy and water infrastructure. Yet the trajectory of Abengoa remains a cautionary tale of how overextension, debt-driven growth, and failure to adapt can bring down even an industry leader.

€7.4 billion
Revenues before crisis (2014)

26.8k
Employees before breakdown (2014)

- **After multiple insolvencies** (2015– 2021), **the company was dismantled**, losing ~60% of its revenues and workforce, and **selling off key assets** to avoid full liquidation
- In 2023, **Cox acquired Abengoa's productive assets for €564 million, and relaunched operations with over 9,500 jobs preserved** and a focus on renewable energy and water

FIGURE 11. Key figures and facts about Abengoa downfall.
Source: TEHA Group elaboration on market data and company reports, 2025.

2.4 Beyond the three categories: different shades of decline and renewal

While the framework of Industry Champions, Phoenix Firms, and Fallen Giants captures most of Europe's industrial dynamics, there are important cases that sit in between: firms that no longer hold the status of champions but cannot be considered phoenixes or fully collapsed giants either. Alongside these "grey zone" stories, a new wave of European innovators is also reshaping the competitive landscape, pointing to future opportunities. For instance, companies like Atos, Philips, and Nokia illustrate different trajectories of once-dominant European giants losing ground.

Atos exemplifies the case of a **giant in crisis**. Once a leader in European IT services, Atos now faces severe financial distress, governance turmoil, and repeated failed restructurings. Positioned only a decade ago to drive Europe's competitiveness in cloud and cybersecurity, it has instead lost market share, credibility, and strategic relevance. Its story illustrates how poor governance and strategic missteps can accelerate decline in fast-moving technology sectors.

Philips represents a very different path, that of **a strategic shifter**. The company has not collapsed, but it has undergone a profound repositioning, exiting its historic consumer electronics and lighting businesses to concentrate on healthcare technology. While it remains an important innovator in medical devices, its global presence and brand power have contracted significantly compared to its peak. Philips is thus neither a phoenix rising to greater strength nor a fallen giant in total decline, but rather a firm that deliberately traded breadth for specialization.

Nokia, in turn, illustrates the trajectory of **a resilient veteran**. After withdrawing from the mobile phone market that once made it a global icon, Nokia rebuilt itself as a relevant player in telecom infrastructure. Its scale and influence are far smaller than during its dominance of the early 2000s, but unlike Atos, it remains competitive, and unlike Philips, it continues to operate in a highly strategic sector. Nokia demonstrates survival through adaptation and reinvention, even if it has not regained its former global leadership.

At the same time, Europe is also witnessing the rise of emerging champions in technology-driven fields. Companies such as **Spotify**, **Klarna**, and **Mistral AI** illustrate how bold innovation, digital platforms, and cutting-edge technologies can propel European firms onto the global stage.

Spotify revolutionized the music industry by scaling streaming worldwide, turning a niche model into the dominant way of consuming music and shaping cultural habits across markets. Klarna, through its buy-now-pay-later approach, has redefined consumer finance, building one of the most recognizable fintech brands in Europe while challenging traditional banking models. Meanwhile, Mistral AI showcases Europe's potential in the frontier of artificial intelligence, positioning itself as a credible alternative in a domain currently dominated by U.S. and Chinese players.

2.5 Lessons learned from the past

The evidence gathered in this chapter shows that Europe's industrial ecosystem is far from homogeneous. It is marked by the coexistence of long-standing champions, resilient phoenix firms, fallen giants, and dynamic new players that are reshaping the competitive landscape. These trajectories shed light on the underlying drivers of resilience and decline – and offer important lessons for policymakers and industry leaders alike.

First, Europe's industry champions underline that scale, internationalization, and sustained R&D are not optional but structural conditions for leadership. Airbus, EssilorLuxottica, and Asseco all demonstrate that competitiveness is not just about market share or size; it is about the ability to mobilize ecosystems around them. Their role as integrators, investors, and innovators highlights why lead firms are indispensable anchors of strategic value chains. Without such players, Europe would lack the sovereignty, technological edge, and global reach needed to compete with the United States and China.

Second, phoenix firms show that resilience is possible even in times of structural crisis. Lürssen, Gestamp, and the Italian Motor Valley exemplify how diversification, innovation, and targeted investment can allow firms and entire regions to reinvent themselves. Their trajectories suggest that decline is not inevitable: through bold repositioning, firms can carve out niches of renewed competitiveness and, in some cases, emerge stronger than before. These cases illustrate the importance of agility – the capacity to adapt to changing demand, new technologies, and geopolitical disruptions without abandoning industrial capacity.

Third, fallen giants remind us of the risks of inertia and mismanagement. The Italian white goods industry, Abengoa, and other distressed firms illustrate how quickly leadership can erode when companies fail to anticipate technological transitions, rely excessively on debt, or remain trapped in outdated governance models. Yet decline is not a single story: Atos has slid into crisis through financial turmoil and governance failures; Philips has deliberately downsized, trading breadth for specialization; and Nokia has endured at reduced scale, maintaining competitiveness without regaining former dominance. These varied paths show that Europe's industrial decline can take many forms – sudden collapse, strategic narrowing, or survival through contraction – each with distinct implications for workers, supply chains, and regions.

Finally, emerging champions such as Spotify, Klarna, and Mistral AI signal that Europe still has the ability to generate global leaders in new technological frontiers. Their growth demonstrates the dynamism of European innovation, but also reveals persistent vulnerabilities: the difficulty of scaling, fragmented capital markets, and regulatory asymmetries that often prevent European firms from matching the global expansion of U.S. or Chinese competitors. They are not yet anchors of industrial ecosystems, but they are vital indicators of Europe's capacity to compete in digital platforms, fintech, and artificial intelligence – sectors that will define the next industrial era.

Taken together, these lessons highlight that Europe's future industrial leadership will not be secured by protecting incumbents alone. It requires a dual strategy: reinforcing the ecosystems around established champions while also enabling the rise of new leaders

capable of reshaping industries. This means investing in research, deepening capital markets, fostering entrepreneurial culture, and strengthening regional ecosystems to ensure that resilience is not the exception but the rule.

This analysis also underlines the importance of early warning signals. The trajectories of fallen giants show that decline often emerges long before it becomes visible in balance sheets, through missed technological bets, rigid governance, or insufficient internationalization. Similarly, the success of phoenix firms shows that adaptation often begins in small strategic shifts that, when nurtured, can deliver transformative outcomes.

As such, identifying and monitoring these signals systematically is critical. The following chapter builds precisely on this insight: moving from qualitative case studies to a quantitative framework that can map Europe's industrial ecosystem, trace patterns of resilience and vulnerability, and provide a basis for anticipating where future champions – or future failures – may arise.

Charting the future: quantitative evidence on the present and future of European lead firms

03

In the previous chapter, we conducted an in-depth analysis of case studies of both successful and failed European firms, drawing key lessons from their experiences. These stories revealed important factors that fostered the success of industry champions and phoenix firms, while also highlighting weaknesses that contributed to the decline of once-dominant players. These insights are highly valuable not only for firms seeking to enhance their competitiveness, but also for policymakers aiming to build a resilient and competitive EU industrial ecosystem.

Looking ahead, there are many European firms that have the potential to become anchors of industrial transformation. However, despite their significance, there remains a significant statistical and knowledge gap surrounding these firms. This analysis aims to bridge these gaps and understand who lead firms are, how they operate, and what distinguishes them from other companies.

To this end, TEHA Group has developed a robust quantitative framework to systematically identify and assess lead firms across the EU. This approach delivers a data-driven overview of the industrial landscape, allowing informed and targeted policy and laying the foundation to nurture a new generation of visionary European champions capable of sustaining competitiveness and driving transformative change.

The following sections of this chapter outline the methodology and findings of the research. We begin by providing a clear definition of what constitutes a lead firm, which provides the foundation for the subsequent analysis of their impact and influence. The analysis draws on data from over 5,000 manufacturing enterprises and highlights the most visionary and influential firms across the European industrial landscape.

3.1 Leadership as a dynamic continuum

Leadership should not be seen as a binary and static attribute, but rather as a **dynamic continuum**, a spectrum along which firms shift based on their innovation capacity, market presence, and strategic adaptability (**Figure 1**). This perspective allows for a more nuanced understanding of how companies gain or lose strategic relevance within value chains over time.

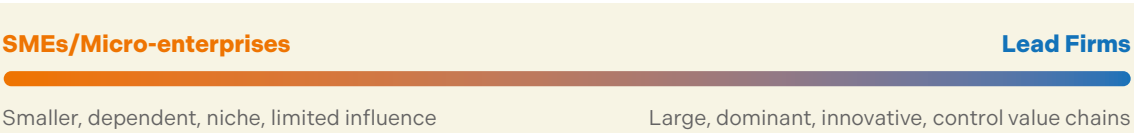


FIGURE 1. Leadership continuum.
Source: TEHA Group elaboration, 2025.

Firms move along this spectrum throughout their lifecycle. Their position depends on both internal capabilities, such as investments in innovation, workforce skills, and vision, and external factors like technology changes, geopolitical developments, regulatory frameworks and market disruptions.

Lead firms today are not simply champions confined to a specific territory or industrial district. Instead, they serve as bridges and integrators between different supply chains, often operating across borders and business cultures, coordinating multiple innovation ecosystems and influencing the broader economy. Their leadership extends beyond scale and can be defined through four key pillars (**Figure 2**):

1. **Influence:** Relative importance and weight within a given value chain or industrial sector;
2. **Innovation:** The capacity and effort to invest in new technologies and processes to drive progress;
3. **Dynamism:** Speed and momentum with which a firm grows and innovates;
4. **Vision:** Development of a future-oriented strategy to lead supply chains and SMEs forward.

FIGURE 2. Four pillars of leadership.
Source: TEHA Group elaboration, 2025.

3.2 A four-step methodology to identify industrial lead firms

Based on the definition and criteria outlined above, TEHA has developed a four-step analytical framework to identify European lead firms and analyze their contributions to the industrial and innovation landscape. This analysis goes beyond size metrics to capture structural influence, innovation potential, growth momentum and visionary orientation (**Figure 3**):

1. **Pre-screening and sample selection**: Define a threshold for identifying firms with the scale and capacity to drive transformation;
2. **Influence and leadership**: Assess the influence of each firm in the sample to identify the most relevant lead firms in terms of economic weight and influence;
3. **Innovation and dynamism**: Introduce a dynamic lens, focusing on growth trends and R&D orientation;
4. **Vision**: Evaluate corporate visions and identify lead firms with strong strategic foresight.

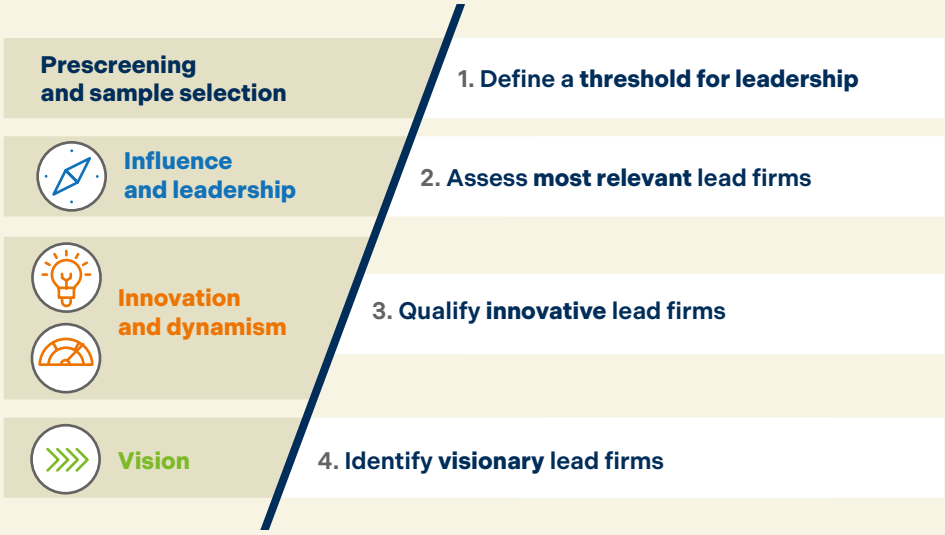


FIGURE 3. Steps of the analysis.
Source: TEHA Group elaboration, 2025.

3.2.1 Pre-screening and sample selection

The analysis relies on data retrieved from the **Orbis database**, covering all EU27 countries. The dataset utilized reflects financial and employment figures for the 2023 fiscal year. To narrow the total population of European firms to a relevant and analytically robust sample, three pre-screening filters were applied (**Figure 4**):

A. **Sectoral filter**: The analysis focuses exclusively on **manufacturing firms**, reflecting the sector's central role in Europe's industrial fabric and its relevance for digitalization and sustainability;
B. **Turnover threshold**: Only firms with annual turnover exceeding **€100 million** were considered, including firms with the financial scale to invest and drive transformative changes;
C. **Employee threshold**: The sample was further narrowed to consider firms with **at least 500 employees**, selecting companies with sufficient organizational capacity to implement large-scale changes.

FIGURE 4.Pre-screening filters applied to identify potential lead firms in EU27.
Source: TEHA Group elaboration, 2025.

Applying these criteria yielded a refined sample of **5,421 potential lead firms** across the EU, including both domestic champions and European branches of international companies. They represent a concentrated pool of companies with scale and resources to drive strategic transformation within the European industrial landscape.

While these firms are distributed across all member states, their geographical spread is highly uneven. Germany accounts for 25% of the total, followed by Italy, Poland, and Spain (**Figure 5**). This concentration reflects structural differences in industrial density and firm size distribution across the EU.

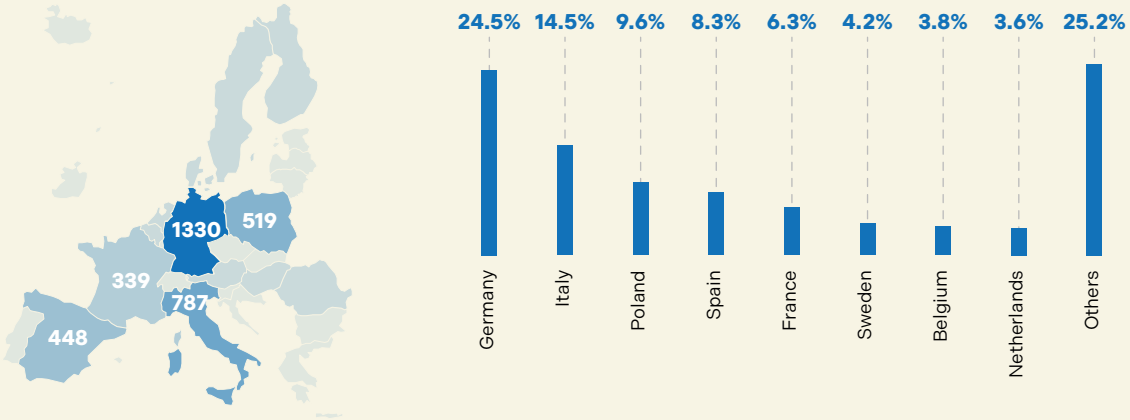


FIGURE 5. Number of potential lead firms by country, EU27 (absolute values and %), 2023.

Source: TEHA Group elaboration, 2025.

Similarly, the sectoral distribution of potential lead firms is also concentrated in a few industries. Most are in fact clustered in four industries: automotive, metallurgy, machinery, food, beverages and tobacco. These sectors together represent 52.4% of the sample, underscoring their systemic relevance (**Figure 6**).

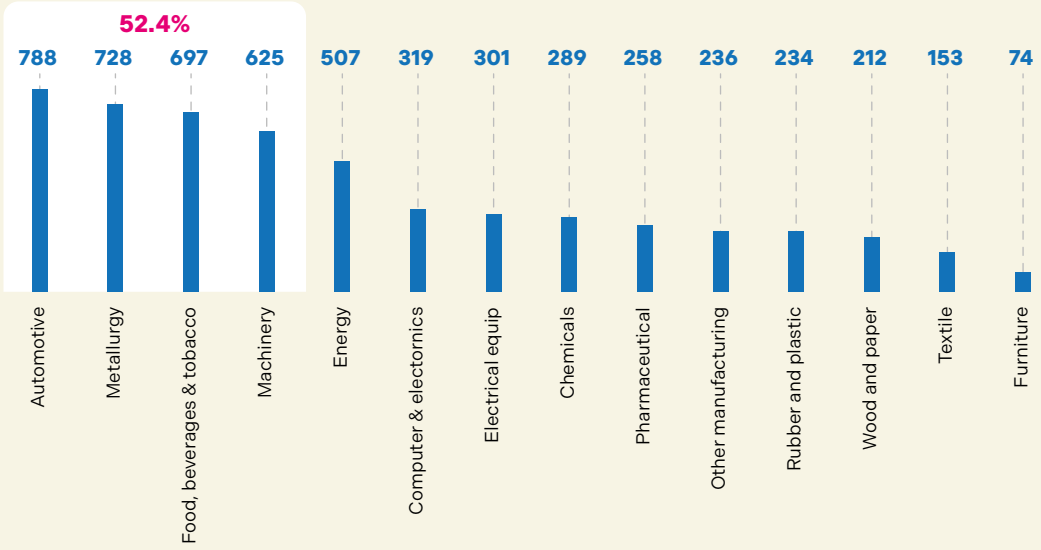


FIGURE 6. Number of potential lead firms by manufacturing sector, EU27 (absolute values), 2023.

Source: TEHA Group elaboration, 2025.

Despite representing just 0.1% of the total number of manufacturing enterprises in the EU, these firms contribute significantly to the European economy. Collectively, they generate €2.4 trillion in value added and €10.4 trillion in turnover, corresponding respectively to 63.7% and 55.6% of EU manufacturing totals. They also account for 43.1% of employment in the sector and 28.7% of all patents filed by manufacturing firms (**Figure 7**).

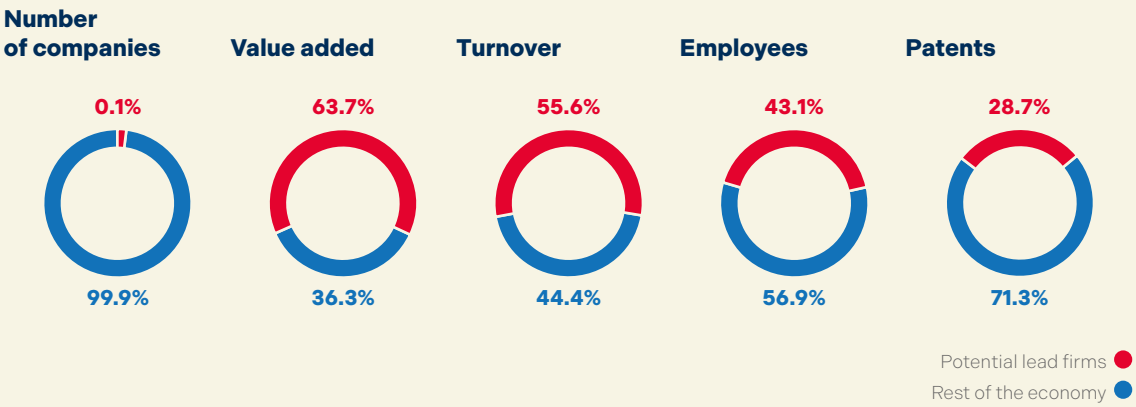


FIGURE 7. Share of potential lead firms for key economic metrics, EU27 manufacturing (% values), 2023.
Source: TEHA Group elaboration, 2025.

Not only do they generate higher economic value, but potential lead firms also demonstrate significantly higher productivity. On average, they generate €142,500 in value added per employee. This figure is 1.1 times higher than that of other large firms (250+ employees), and 2.4 times higher than the average for small firms (10-49 employees) (**Figure 8**).

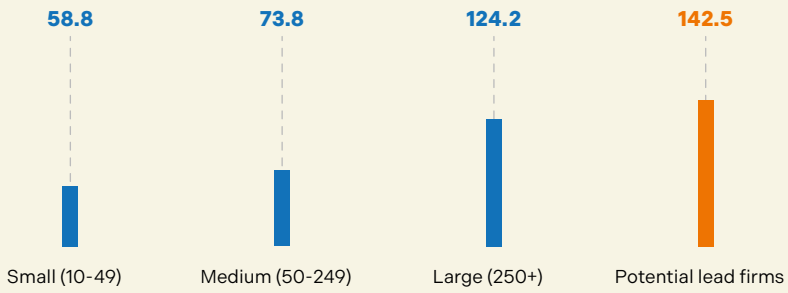


FIGURE 8. Productivity (VA/employee) of different clusters of firms , EU27 (thousand euros/employee), 2023.
Source: TEHA Group elaboration, 2025.

3.2.2 Influence and leadership

In the second step, TEHA applied a proprietary assessment framework to evaluate the influence of the 5,421 manufacturing firms identified in the previous stage. This assessment was based on a composite indicator constructed from four variables derived from Orbis data. These variables were selected to capture firms' scale, economic performance and relevance within their sector. To ensure comparability across different units and distributions, all variables were normalized and then aggregated using equal weights. The resulting indicator does not provide an absolute performance score, but rather serves as a relative positioning tool to group firms into tiers (**Figure 9**).

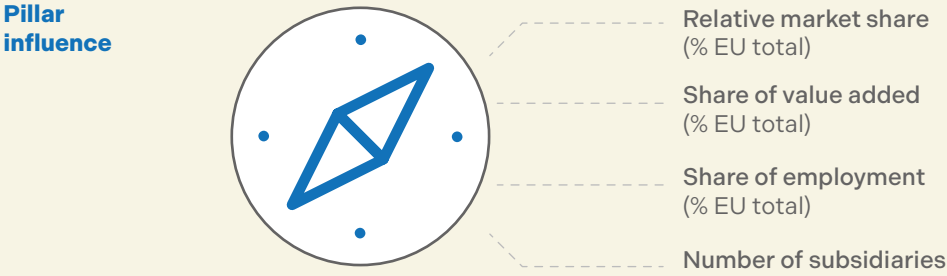


FIGURE 9. Composite indicator used to assess the influence of lead firms.
Source: TEHA Group elaboration, 2025.

To enable deeper analysis of leadership and productivity, two refined samples were extracted from the full group of 5,421 firms:

- **Top 10 lead firms per sector**, providing a sector-specific perspective;
- **Top 100 lead firms overall**, selected across all sectors and countries, based on composite indicator ranking and R&D leadership.

Within sectoral top 10 lists, automotive and energy firms contribute the highest absolute value added. In relative terms instead, the textile industry stands out, where the top 10 firms account for 60% of sectoral value added, followed by pharmaceutical and electrical equipment sectors, where the top lead firms represent 45% of total value added (**Figure 10**).

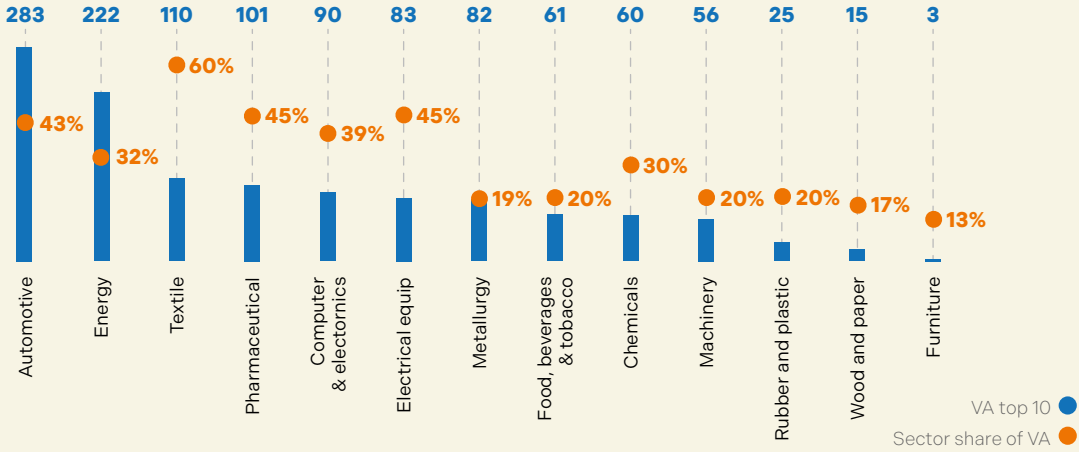


FIGURE 10. Value Added of top 10 firms by manufacturing sector, EU27 (absolute values billion € and % values), 2023.
Source: TEHA Group elaboration, 2025.

The most productive top 10 firms are found in energy and pharmaceuticals. Notably, these sectors also show relatively high productivity among micro, small and medium enterprises (MSMEs) (**Figure 11A**). There is in fact a correlation between the two, suggesting that sector-specific characteristics influence significantly productivity alongside the presence of lead firms (**Figure 11B**).

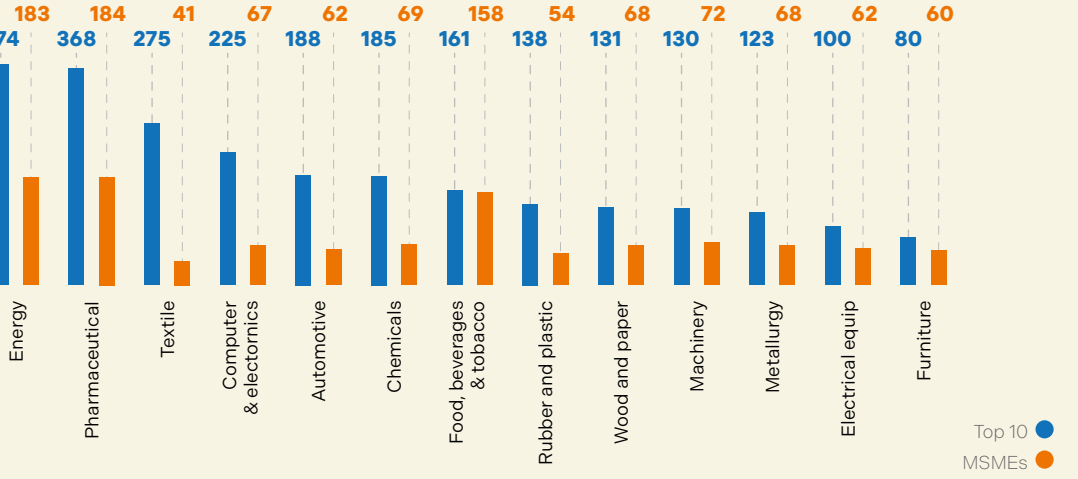


FIGURE 11A. Productivity of top 10 lead firms and MSMEs by manufacturing sector, EU27 (thousand €/employee), 2023.
Source: TEHA Group elaboration, 2025.

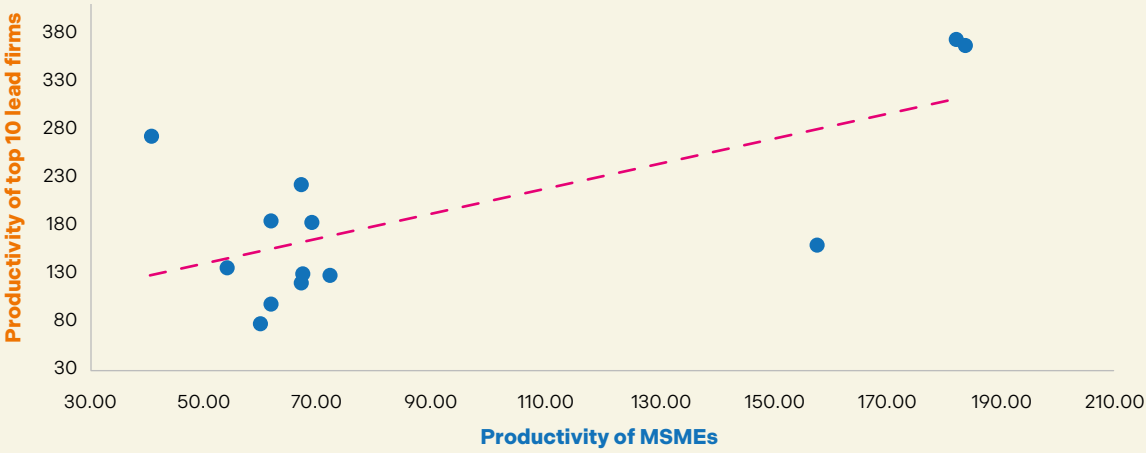


FIGURE 11B. Correlation between productivity of top 10 lead firms and MSMEs by manufacturing sector, EU27 (thousand €/employee), 2023

Source: TEHA Group elaboration, 2025.

The selection of the top 100 lead firms was conducted by combining their composite indicator rankings with their inclusion among the top global firms by R&D investment (as identified in the 2024 R&D Investment Scoreboard published by the Joint Research Centre of the European Commission). This dual-criteria approach ensures that the final selection of the top 100 lead firms reflects both structural leadership and innovation commitment, adding strategic relevance to the final sample.

The geographic distribution of the top 100 lead firms reveals an even more concentrated pattern, with only 13 of the 27 EU member states represented. Germany remains dominant, followed by France, Ireland and Sweden, which together represent 67% of the sample (**Figure 12**). Compared to the broader sample of 5,421 firms, France sees a 14 percentage point increase in representation, while Italy sees a notable decline by 9 p.p., with only 6 firms among the top 100, underscoring the country's structural challenges in growth and productivity (**Figure 12**).

A similar drop is registered by Poland: the country had 9.6% of the EU27 potential lead firms, but not a single Polish company was found in the top 100.

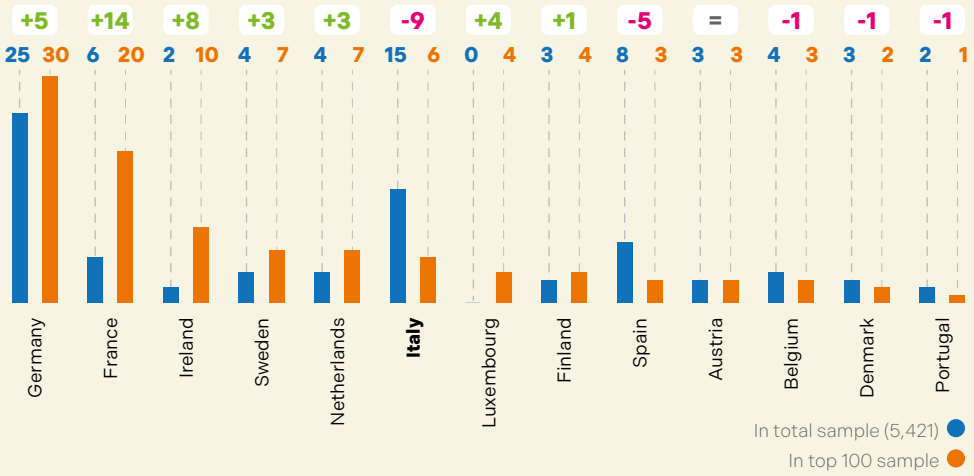


FIGURE 12. Percentage distribution of top lead firms by country, total sample vs top 100. EU27 (% values), 2023.
Source: TEHA Group elaboration, 2025.

When it comes to sectoral distribution, one in five of the top 100 lead firms operates in the automotive industry. Combined with energy, these two sectors represent 34% of the sample (**Figure 13**).

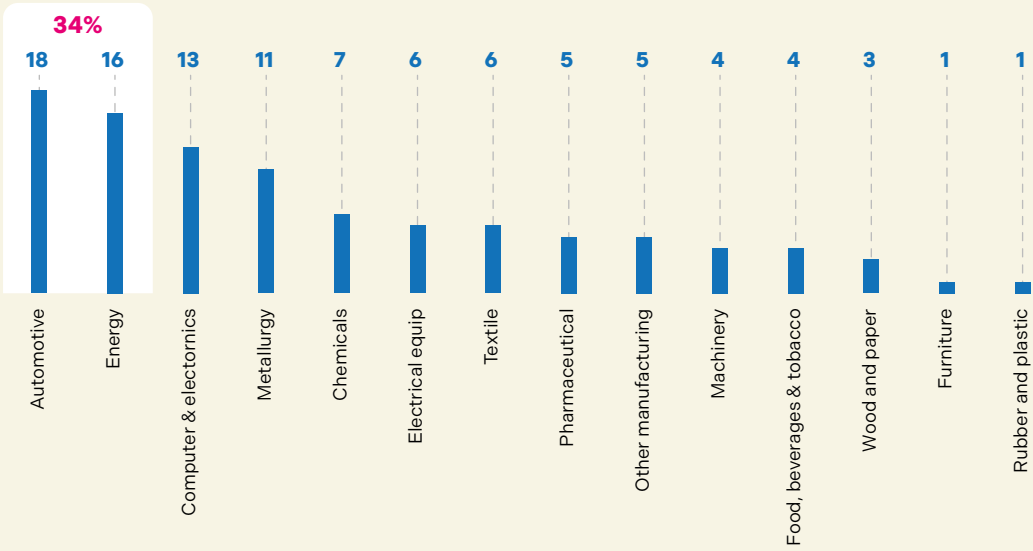


FIGURE 13. Number of top 100 Lead Firms by manufacturing sector, EU27 (absolute values), 2023.
Source: TEHA Group elaboration, 2025.

The 100 lead firms contribute disproportionately to economic performance (**Figure 14**). They account for 32% of total manufacturing value added (roughly equivalent to the share of the remaining 5,321 potential lead firms combined) and employ 18% of the manufacturing workforce. Overall, their share is similar or lower than that of other potential lead firms due to a smaller sample size, yet it remains disproportionately high, highlighting these firms' greater influence.

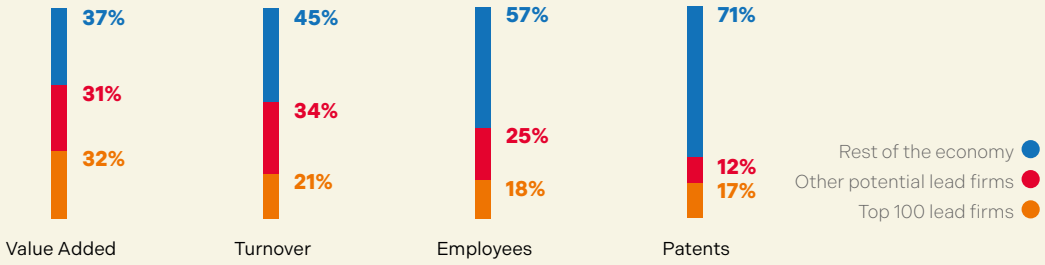


FIGURE 14. Share of Lead Firms for key economic metrics, EU27 (% of total manufacturing), 2023.
Source: TEHA Group elaboration, 2025.

A notable aspect is the productivity differential: the top 100 lead firms generate on average €189,000 in value added per employee, which is 1.3 times higher than the average for the broader sample potential lead firms, and 3.2 times greater when compared to small firms (**Figure 15**). This gap reflects not only scale effects but also strategic prioritization of efficiency, technology, and workforce skills.

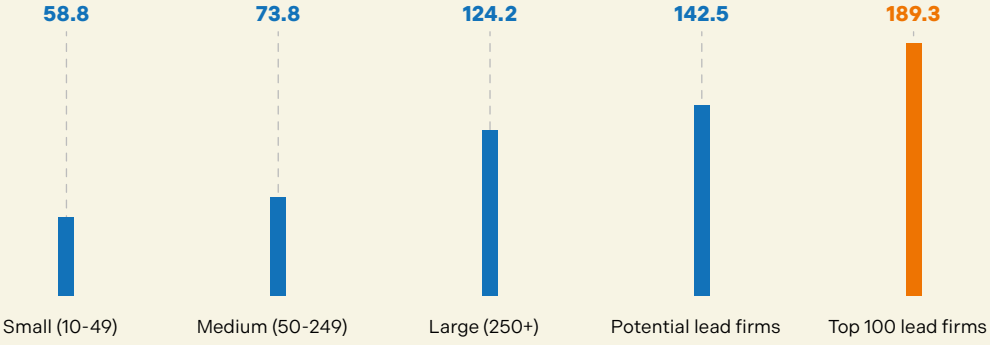


FIGURE 15. Productivity (VA/employee) of Lead Firms, EU27 (thousand euros/employee), 2023.
Source: TEHA Group elaboration, 2025.

Moreover, these firms are leaders in innovation, collectively investing €148.9 billion in R&D, accounting for 42% of total business enterprise R&D expenditure in the EU (**Figure 16**).

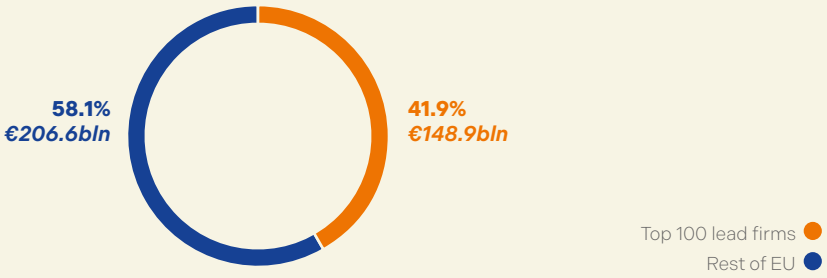


FIGURE 16. Share of R&D investment, EU27 (% values and absolute values), 2023.
Source: TEHA Group elaboration, 2025.

R&D intensity varies widely across sectors. The pharmaceutical sector leads with R&D investments representing 11.7% of turnover, followed by the computer and electronics industry, reflecting the critical role of ongoing innovation within these fields (**Figure 17**).

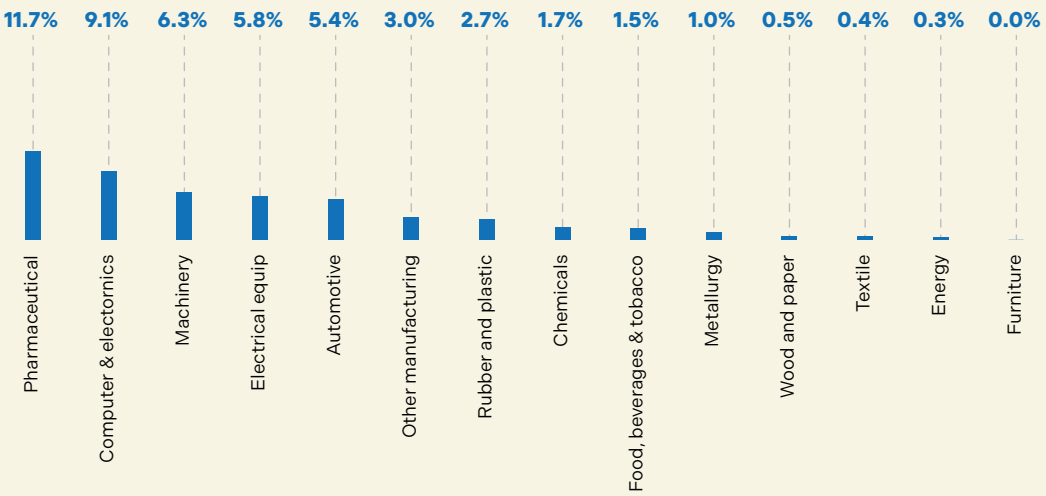


FIGURE 17. R&D intensity (R&D investments / Turnover), EU27 (% values), 2023.
Source: TEHA Group elaboration, 2025.

3.3.3 Innovation and dynamism

To further understand the strategic direction of Europe's top industrial players, TEHA further analyzed the top 100 lead firms in terms of performance over time and strategic investment in innovation. Specifically, this step focused on two dynamic variables: the growth of R&D expenditure and turnover over the three-year period from 2020 to 2023. These two variables were chosen to capture firms' propensity to innovate and growth momentum. For comparability, both growth rates were standardized using z-scores, measuring the firm's relative deviation from the sample average. The standardized z-scores were then displayed on a two-dimensional matrix, which shows how much faster/slower each firm's R&D spending and turnover grew compared to the average. The result is the clustering into four quadrants (**Figure 18**):

A. ***Strategic accelerators***: Firms with above-average R&D and turnover growth;
B. ***Growth optimizers***: Firms with strong turnover growth but below-average R&D expansion;
C. ***Long-view innovators***: Firms with above-average R&D growth but slower turnover expansion;
D. ***Persistent leaders***: Firms with below-average growth in both R&D and turnover.

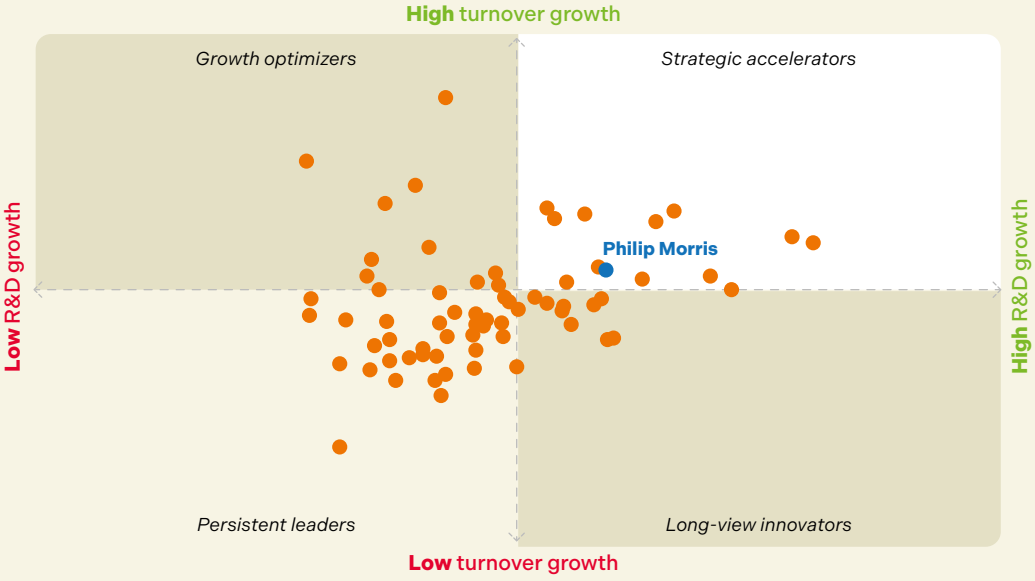


FIGURE 18. R&D investment growth vs turnover growth, Top lead firms* (% growth of R&D expenditure and turnover), 2020-2023.

Source: TEHA Group elaboration, 2025.

*Because of limited data available on R&D expenses, 77 out of 100 firms are plotted. Stellantis would be in the top-right quadrant but is not shown on the chart as it's a significant outlier in turnover growth (5 st. dev.), largely attributable to its 2021 merger.

The matrix underscores the fact that leadership is multifaceted, and not all lead firms follow the same path: some firms, like those in the upper-right quadrant, demonstrate high commercial profitability and innovation commitment, while others maintain their leadership through scale and operational stability or innovation potential, but may lack momentum in the other dimension.

3.3.4 Vision

The final step of the analysis focused on evaluating the strategic vision and future orientation of the top 100 lead firms. This analysis aims to identify the firms that are most forward-looking and strategically positioned to shape the future of European industrial policy through clear long-term vision, innovative leadership and broader societal impact.

To assess this, TEHA utilized multiple large language models to systematically scrape and evaluate publicly available strategy documents, sustainability reports, and innovation plans. The evaluation was conducted using a scoring framework structured around three criteria:

- **Vision clarity**: How clear, specific, and ambitious the company's vision is for the future;
- **Transformation and innovation potential**: The company's ability and willingness to change its business model, products, and processes in line with the vision;
- **Social impact**: The relevance and reach of the company's vision in addressing societal and environmental challenges.

Each firm was scored on a scale from 1 to 10 with uniform criteria applied to ensure consistency across sectors. Based on the aggregated scores across these three dimensions, TEHA identified the top 10 most visionary lead firms in Europe (**Figure 19**). These companies combine future-facing vision with demonstrable leadership in innovation. They are uniquely positioned to shape European industrial transformation in alignment with the EU's long-term priorities such as decarbonization, digitalization, and resilience.

ASML HOLDING	Pioneering innovation in semiconductor technologies
PRYSMIAN	Connecting the world with innovative energy and telecom solutions
INFINEON TECHNOLOGIES	Transforming industries through power of semiconductors
BEIERSDORF	We care beyond skin
SANOFI	Improving global health through innovation
GRIFOLS	Innovating healthcare products for life-saving treatments
SAFRAN AIRCRAFT ENGINES	Powering aviation with sustainable technologies
PHILIP MORRIS	Smoke-free future
ZF FRIEDRICHSHAFEN	Shaping the future of mobility with cutting-edge technology
NXP SEMICONDUCTORS	Driving progress in microchip technologies

FIGURE 19. The top ten visionary lead firms.
Source: TEHA Group elaboration, 2025.

Notably, the spotlighted visionary companies do not operate in traditional legacy industries where incumbent giants dominate but may lag in forward orientation. Instead, they are active in **strategic, high-growth domains that are set to define future global competitiveness**:

- New materials & energy infrastructure (Prysmian);
- Advanced technology & semiconductors (ASML, Infineon, NXP);
- Robotics, automation & mechatronics (ZF; Safran as a high-tech propulsion use case);
- Life sciences & pharma (Sanofi, Grifols);
- Disruption-resistant consumer staples (Beiersdorf; Philip Morris).

These firms demonstrate clear purposes, willingness to adapt, and alignment with broader objectives in green and digital transformation. Their visionary and innovative leadership make them ideal candidates to drive the future of Europe's industrial transformation.

Conclusions and policy proposals

04

In an era of technological disruption, geopolitical uncertainty and intensifying global competition, especially from the US and China, Europe must act decisively to preserve and enhance its industrial competitiveness. At the forefront of this transformation are European lead firms: large, productive and innovative companies that already play a central role in the European industrial landscape and have the potential to evolve from national or regional champions into global champions. These firms extend their influence beyond their own operations, and shape employment and innovation across the value chains in which they are embedded.

Based on the analyses presented in previous chapters, including case studies of both successful and unsuccessful firms and their associated spillover effects, as well as a quantitative framework identifying 5,421 lead firms across the EU manufacturing sector, a number of key insights emerge, offering a clear picture of Europe's industrial landscape.

1. **Lead firms play a crucial role in driving economic growth and job creation**
   Despite representing less than 1% of manufacturing enterprises, lead firms contribute significantly to the sector's performance, generating approximately 64% of total value added and 43% of employment. Among these, the top 100 lead firms alone account for 32% of the value added, 21% of the turnover and employ 18% of the manufacturing workforce. This high concentration underscores the strategic importance and economic weight of lead firms.
2. **Lead firms exhibit superior productivity and are innovation powerhouses**
   A key characteristic of lead firms is their exceptional productivity, generating on average €143k in value added per employee. Among the top 100, productivity is even higher, reaching €189k per employee, more than triple that of workers in small firms. Moreover, lead firms drive innovation, with the top 100 accounting for 42% of total business enterprise R&D expenditure across the EU. Nonetheless, with only 17% of patents attributed to these firms, broader innovation ecosystems and open innovation remain essential.
3. **Top lead firms combine dynamic growth with visionary leadership**
   The most dynamic lead firms, especially those in the top 10, exhibit strong momentum, with R&D investments and turnover expanding at rates that surpass the peer average. Their success is attributed not only to their commitment to innovation, but also to their strategic and visionary leadership, positioning them as ideal candidates to support Europe's industrial strategy focused on innovation, sustainability, and global competitiveness.
4. **Industrial policy plays an important role in enabling change**
   Industrial policy cannot creat European champions from scratch, but it can remove the obstacle to growth. Public sector's involvement has been identified as a key determinant in the success or failure of firms, particularly within strategically significant sectors, where it plays a catalytic and supportive role. Effective regulatory frameworks and public-private collaboration are important in enabling firms to scale, innovate, expand and compete internationally.

Lead firms play a pivotal role in driving progress across the entire supply chain, as highlighted in the study. Their importance is even greater in the European context, where the continent lags behind its geopolitical counterparts in terms of company dimensions, competitiveness and innovation.

European companies remain on average smaller, less competitive and less innovative than their international peers. In other regions, the spillover effects generated by lead firms across supply chains are stronger and more transformative. Europe's relative weakness is partly linked to its industrial policy, as many of the sectors contributing the most value added are not articulating forward-looking strategies.

To close this gap, Europe urgently needs a new generation of industrial champions, that are more innovative and truly European. Achieving this requires a proactive and strategic approach to nurture large firms and empower them to drive systemic transformation. Key policy questions need to be addressed moving forward:

- **Competition policy**: Should EU competition rules be adapted to support the growth of champions?
- **Regulation for innovation:** How can EU regulatory frameworks foster both product and process innovation while maintaining competitiveness and safety standards?
- **Targeted support for innovation**: Should the EU fund individual large firms or strategic industries?
- **EU vs Member States' roles and responsibilities**: How should Member States and EU institutions coordinate to build European champions?

In practical terms, coordinated action is needed to address current issues and drive industrial transformation. To achieve this, TEHA proposes the introduction of a ***Value Chain Pact***, an industrial policy instrument designed to empower lead firms to act as catalysts of transformation across value chains.

As outlined in previous chapters, lead firms play an important role in driving economic growth and have the potential to act as system leaders, not only through their own economic growth, but also by diffusing innovation, standards and capabilities throughout their supply chains. The Value Chain Pact is envisioned as a structured agreement between lead firms, public institutions, SMEs and other ecosystem stakeholders. It aims to coordinate efforts toward a shared vision for the future of European industry, one that is innovative, sustainable, digital and globally competitive.

At its heart, the Pact is anchored in a clear vision underpinned by four key pillars (**Figure 1**):

1. **People**: investment in talent and skills development aligned with industry needs, through coordinated efforts between firms and educational institutions.
2. **Technology**: acceleration of digitalization and innovation across manufacturing value chains, supporting the adoption of advanced technologies, both in product and process innovation.
3. **Sustainability**: promotion of long-term resilience and sustainable production models aligned with Europe's climate objectives.
4. **Suppliers**: creation of stronger and more strategic collaboration between lead firms and their suppliers to foster joint innovation, improve coordination along the value chain, and reduce fragmentation.

FIGURE 1. **Key features of the Value Chain Pact.**
Source: TEHA Group elaboration, 2025.

Together, these pillars form a comprehensive framework that leverages the leadership of Europe's most competitive firms to drive change across the broader industrial ecosystem, ensuring that benefits of growth reach all firms, especially SMEs, across the EU.

SMEs play a crucial role in Europe's industrial ecosystem but often face obstacles in adopting sustainable practices and advanced technologies due to financial constraints, limited technical capacity and bureaucratic hurdles. Although there are many dedicated EU instruments for SMEs, awareness is low, and administrative complexity often discourages participation, especially for firms with limited capacity and workforce to manage these projects. It is also harder for SMEs to join competitive consortia to participate in innovation programs, and in most cases they occupy only minor roles, limiting their influence and benefits. For instance, during the first three years of Horizon Europe, 80% of SME applications were unsuccessful, and among those accepted, very few play a significant role, with 87% participating as partners in projects coordinated by other entities.

The Value Chain Pact aims to address these challenges and complement existing EU instruments by **mobilizing lead firms as intermediaries, channeling institutional support and innovation capacity to SMEs** (**Figure 2**). In this way, it ensures that investments in innovation, talent and sustainability flow effectively throughout the entire value chain and effectively reach smaller firms, empowering them to adapt and thrive in an increasingly competitive landscape. This includes **tailored support, simplified funding mechanisms and programs that incorporate SMEs from the outset as active contributors**.

FIGURE 2. **Stakeholders of the Value Chain Pact.**
Source: TEHA Group elaboration, 2025.

The Value Chain Pact is expected to deliver meaningful impact both in the short term and the long term (**Figure 3**), laying the foundation for a more inclusive and competitive industrial landscape in Europe.

In the short term, the Pact is expected to:

- **Drive increased investment** in digital and sustainable technologies across European value chains, helping firms modernize and enhance productivity;
- **Foster new strategic partnerships** between lead firms, SMEs, and technology providers to drive joint innovation and reduce fragmentation;
- **Strengthen the talent base** by equipping more professionals with the skills needed to navigate and lead the digital and green transitions;
- **Boost employment** through reskilling initiatives and the creation of new roles in smart manufacturing.

In the long term, the expected gains from the Pact include:

- **More resilient value chains** that are agile, innovative, and globally competitive;
- **Enhanced global competitiveness**, reducing the technology and talent gap with major global players;
- **Sustained innovation capacity**, with continuous investment in R&D and collaborative industrial ecosystems that support long-term value creation;
- **EU leadership in sustainability**, positioning European firms at the forefront of developing, adopting and scaling sustainable practices.

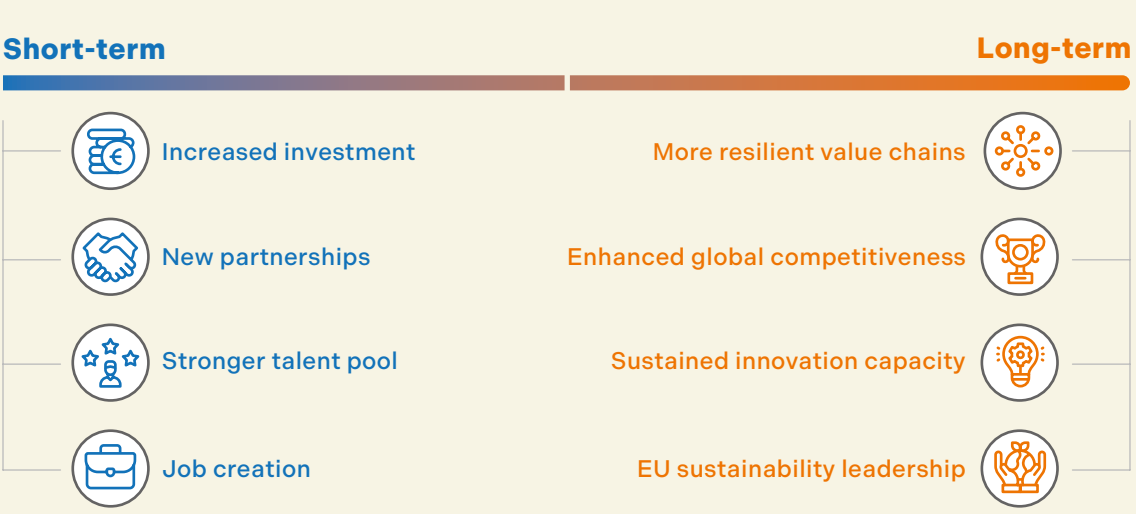


FIGURE 3. Expected short-term and long-term gains from the Value Chain Pact.
Source: TEHA Group elaboration, 2025

To support the successful implementation of the Value Chain Pact and realize its full potential, complementary policies are needed. TEHA recommends the implementation of five strategic policy directives:

1. **Ensure innovation policy continuity:** Build a policy and regulatory environment that supports shared efforts, reduces fragmentation, and ensures continuity across policy cycles, removing internal barriers to create a fully integrated European Single Market. This continuity must be grounded in enabling regulatory frameworks, especially in strategic value chains at both European and national levels, that promote long-term investments and innovation that reduces negative externalities combining incentives for sustainable innovation with regulations to mitigate harmful impacts. Establish clear and consistent regulations can provide a predicable environment for business to invest in a gradual transition. Public-private collaboration should evolve into a structured and strategic dialogue, aligning public and private agendas to mobilize resources and deliver shared value across industrial ecosystems;
2. **Simplified access to funding:** Facilitate the inclusion of SMEs part of Value Chain Pacts within major innovation programs to encourage experimentation and R&D collaboration between lead firms, SMEs, universities and research centers;
3. **Reskill2compete:** Promote reskilling and lifelong learning across value chains by leveraging the strategic role of lead firms, alongside programs funded through public resources and private co-investment, to develop specialized skills across all stages of the supply chain. Through collaboration with educational institutions and ecosystem partners, lead firms can foster continuous training and upskilling, ensuring that all actors in the value chain are equipped to navigate the digital and green transitions, supporting at the same time the relaunch of the European and national competitiveness;
4. **Value chains 4.0:** Accelerate the digital transformation of supply networks by enabling lead firms to act as drivers of innovation and technology adoption. Their capacity to invest, experiment, and coordinate across networks makes them key actors in supporting SMEs in the integration of advanced technologies, enhancing productivity, sustainability, and competitiveness across the ecosystems;
5. **Monitoring and accountability mechanisms:** Establish clear systems to track the impact of Value Chain Pacts on productivity, employment, and innovation, ensuring transparency in the use of funds, through the establishment of a dedicated Observatory of the Pact.

These directives are intended as an initial framework with broad transversal incentives and policies. TEHA, however, proposes the adaptation of these directives for each industry's value chain through a **co-creation model, engaging lead firms from the policy design phase all the way through implementation**. This approach ensures that initiatives are tailored to the specific dynamics of each value chain, leveraging the strategic role and ecosystem knowledge of lead firms, enhancing policies' relevance and impact for long-term resilience.

Additionally, reinforcing the European Single Market is essential to unlock the full potential of value chain integration. Moving forward, EU and national governments should remove internal barriers to reinforce the competitiveness and cohesion of European value

networks. This would enable the creation of an environment in which innovation can flourish, coordination among firms is strengthened and companies can expand across borders.

In conclusion, the Value Chain Pact offers a concrete and actionable framework to support the transition of European industry, engaging lead firms to drive innovation across value chains and empowering SMEs to actively be part of this growth.

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