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Adaptation of the DQP-regime in Stuttgart since World War IIThe production range of German machine tools has decreased dramatically sinceWorld War II. This means that individual parts now carry a much higher valueadded. Therefore cooperation was more necessary in earlier days, when a wellequipped supply network of many different firms was needed to produce a machinetool: In the 1970s a machine was probably composed of 500-800 parts. Today amachine of that kind could be made out of 100-150 parts. It has a much higherproductivity, a higher capacity and its parts are of higher value, but also they are justbuy-in parts (Interview BW-F-01). Vertical buyer-supplier relations became even more important because of thisdevelopment, but such intensified vertical relations only made sense where a fewimportant business partners were able to produce high value-added machineryparts. Consequently, firms cooperating vertically pushed each other into high price, high quality market niches, thereby fostering the DQP path for the local industry. Ona macro-economic level, Streeck (1991) has shown the connections among such adevelopment in the production regime with a high-wage economy (Vitols 1996), theunderlying social understanding of Beruf (Streeck 1996), and an advanced welfarestate.

Stuttgart’s governance structure fitted well into this national institutionalenvironment, because its local economy was oriented towards high qualitystandards, which had been achieved by regional support for qualifications inengineering. In the Federal Republic the development of technological change in machinetool engineering has been supported by public actors such as the Federal Ministryfor Research and Technology (BMFT), industrial associations like the VDMA and theunions – which in the 1970s and 1980s were concerned with social issues raised bytechnology. Political parties battled over the appropriate public policy instrumentsto support innovation.

Two major approaches had evolved as opposing strategies toshape the machine tool sector as well as other innovative capital goods industries. The conservative parties proposed an Ordnungspolitik, whereby the state would justto set the framework for private entrepreneurship. The Social Democrats. then ingovernment, contested this with what they termed Strukturpolitik (Ziegler 1997). Strukturpolitik involved government, advised by experts, anticipating majorchallenges to industrial sectors and safeguarding their technical development. In1974 a Commission on Economic and Social Change recommended initiating