

## The Crisis of the Italian Industrial Districts and its New Successful Entrepreneurs: Data and Suggestions of a Search

Francesco Orazi<sup>1</sup>

### Abstract

*This article is intended to show the profound changes that have affected the social and productive Italian local development systems over the past two decades, by analysing a component of its productive structure and of its entrepreneurial culture: companies of excellence that emerged from the technical reorganisation of industrial districts and entrepreneurs that lead them. To describe these institutions and stakeholders of development, we will discuss the results of a search on the excellent “Made in Italy” firms. In addition, in the first part of the work we provide a framework for summarising the socio-economic debate on the dynamics of change of Italian local development systems, which serve to understand delays and virtuosity that these businesses have shown in the face of the international financial crisis and recession.*

**Key-words:** local development systems; economic and social change; entrepreneurial culture; technical reorganisation of industrial districts.

### 1. Introduction

This article is intended to show the profound changes that have affected the social and productive Italian local development systems over the past two decades, by analysing a component of its productive structure and of its entrepreneurial culture: companies of excellence that emerged from the technical reorganisation of industrial districts and entrepreneurs that lead them. To describe these institutions and stakeholders of development, we will discuss the results of a search on the excellent “Made in Italy” firms (Carboni, Orazi, Socci, 2011)<sup>2</sup>. In addition, in the first part of the work we provide a framework for summarising the socio-economic debate on the dynamics of change of Italian local development systems, which serve to understand delays and virtuosity that these businesses have shown in the face of the international financial crisis and recession. The industrial production cycle in Italy has been characterised by the presence of two strong recessions that resulted in a production loss of approximately 24% in the period between April 2008 and November 2013, bringing the level of the index on values lower than those of the early 1990s.

In Italy, the output decreased more than proportionately to that of many EU partners; for the latter the production was mostly reduced in 2012, while in 2013 there was a relative stabilisation and, in some cases, a modest recovery. Indeed, in this period, industrial activity in the EU recorded a slight increase (+2.8% between November 2012 and 2013); over the same period, it increased by 1.6% in France, while in Germany the recovery in the time period between February and November 2013 resulted in an increase of 4.1%.

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<sup>1</sup> Department of Economics and Social Sciences, Polytechnic University of Marche, Ancona Italy.

<sup>2</sup> The analysis was carried out between 2009 and 2010 on a sample composed of approximately 250 companies that contributed to the “innovation” section of the prize *Confindustria Awards for Excellence*. These companies were provided with an electronic questionnaire addressed to the company owners using the CATI system. About two thirds of the companies decided to take part.

Even in the United Kingdom during the period examined, industrial production increased (+3.1% between October 2012 and November 2013). However, “technically”, Italy only emerged from the recession in 2015 but with modest increases in GDP (0.7%), insufficient to reverse the continuing contraction of domestic demand (ISTAT, 2014a). In this storm, the possible ways out of the crisis of the “Italian Model” and its widespread industrial system of SMEs was devised. However, this path requires a veritable inversion involving not just an economic, productive and organisational overhaul, but primarily a cultural one. The role of scientific and technological innovation in development has to be remodulated, thus acting on the productivity of the factors, on the market penetration of companies, on the good strategic positioning of production structures in the industrial and financial chains that compose the global economy. While local firms and successful entrepreneurs that we will examine navigate these innovation routes, the industrial districts and communities where those companies and entrepreneurs have formed are struggling to emerge from a crisis that moves between decline and transformation. The traditional model of local development with its social and cultural structure based on family and community relationships, with peripheral entrepreneurs founding family businesses and the bearers of provincial wisdom is the symbolic emblem which still distinguishes these businesses. The inadequacy of such a perceptual field and identity is the other face of the global tide that has invested Italian local development systems.

## 2. Italian local development

The local system is a key concept for the analysis of the Italian economic system (Becattini, Bianchi, 1987). Becattini was the first scholar to interpret the national economy as an aggregate of a limited number of local systems (Becattini, 1989). In this sense, the economy of a country is nothing more than a “system of systems”. This new interpretative model puts the emphasis on local diversity of growth, in contrast to the previous theories which interpreted the specificity of the Italian development through two drivers: the consequences of opening the Italian economy to international markets, the dualistic vision (North/South) of the economic and social structure (Cecchi, 2002). To break this impasse, Becattini proposed the idea of urbanised campaign (Becattini, 1975), a spatial dimension that emphasizes the territorial remoteness and the diffusivity of local development. In other words, a development model that finds its location along neither demographically, nor urbanistically concentrated territories, a sort of “economies of villages”, of which the localism and particularism will be the most beneficial attributes (Crouch, Le Galés, Trigilia, Voelzkow, 2004).

This model of industrial development is characterised by some homogeneity on a historical level and in the social, economic and institutional structure:

- Extensive presence of informal economies;
- Cheap labour;
- Local labour markets with strong regulatory autonomy;
- Productive role of the family both on the supply side and the demand side;
- Propulsive role for the purposes of development take-off exercised by the semi-feudal land ownership system;
- The presence of social knowhow sediment with a strong diffusion of crafted communities located in urban areas;
- Fiduciary communities are dense and strong impact of social capital on local development models (Bagnasco, 1977).

Studies on Italian local development emphasize four structural cornerstones to explain the advent of these socio-economic structures.

- 1) The spread of development articulated along a *continuum* between tradition and innovation (Paci, 1972; 1975); (Fuà, Zacchia, 1983); (Blim, 1991), forming an optimal environment between anthropoid structure and cultural development of the rural economy and the new industrial landscape. This is due to the proactive but not “governed” operation (spontaneity of local development) of a mix of contextual factors. The peasant (semi-feudal) social culture, the ethics of production and work, individual mobilisation, the solidarity of the community.
- 2) The strong influence on local development dynamics of political subcultures (Trigilia, 1986). The more “interventionist” role of social-communist institutions (*local welfare*, development support, production of goods and collective services) revealed a less regulated local market in Catholic-Democratic Christian areas.

- 3) The specificity of the fiduciary communities, associations and civic participation, whose positive influence has provided these territories with a non-traumatic path of development, despite its abruptness (social capital). The good governance and the sense of autonomy that have characterised the last eight centuries of centre-northern Italian regions would represent the elements generating that civic sense of local populations (civiness) that has favoured the associative propensity, capacity for mobilisation and collaborative attitude (Putnam 1993).
- 4) The specificity of the formation of the markets, in what Bagnasco has defined the “social construction of the market” (Bagnasco, 1988), emphasizing the social nature of the institutional organisation of economic exchange (market) and its regulatory function on group and individual action.

All this outlines a theoretical model of the formation of the local industrial base founded on three discontinuities:

1. Instability of demand (decentralisation)
2. Non-Standardised demand (productive specialisation)
3. Technological innovation (specialised division of labour among firms and outsourcing).

The discontinuities identified may also act simultaneously, designing multiple adjustment trajectories, with different organisational production models and different configurations of *technology assets*. Two central elements underlie this aspect to understand current local development: 1) the technical-organisational transformation of industrial districts; 2) the connected social and cultural development of their community and territory. The re-organisation/restructuring of production in the last twenty years, from which in each local area a few leading medium-large firms emerge, has muddled the chains of specialisation in the territories, often replacing them with massive productive delocalisation (Eastern Europe, North Africa, Asia). Concurrently, a model of hierarchisation is emerging, where (leading) companies capable of mediating between markets rise to the top and the traditional sub-supplier pulverised structure “stagnates” at the base, increasingly squashed by the competitive pressure of the newly industrialised countries.

Thus, the classical industrial districts seem to become “post-districts”, i.e. in local industrialisation models increasingly dominated by a few companies with an important “critical mass” which determine market strategies and political-institutional level organisation of contextual public resources (local neo-corporatism) (Orazi, 2009). It follows that currently, it is increasingly difficult to consider local development with the mere “local” perspective, and this can no longer be exhausted in individual mobilisation in the workplace and productive context. The spontaneous and self-propelling thrust of such economic systems ended long ago. These need a new regulatory role of institutions and of local governments. The intangible economy, globalisation and increasingly reticular and long organisation of successful businesses, imply a transformation of both local entrepreneurial and government cultures.

### ***3. Excellent companies and the international crisis***

In the context of the continuing recession of the Italian economy, it is interesting to understand how the oasis of business excellence, which hereinafter will be analysed, has experienced the crisis, what reactions they have adopted and their prospects for the future. More than two thirds (67.4%) of the innovative and excellent companies examined suffered (with different degrees of intensity) the international economic crisis, due to the strong interdependence of the global economy and the spread of deflationary effects on a large scale. The most problematic factors experienced include the stagnation of the market and the crisis of consumption (64.5%), due to the effect of the decline in overall demand. Additional critical aspects relate to the strengthening of international competition (38.7%) and therefore the difficulty in penetrating and consolidating foreign markets and the restrictions on access to credit (35.5%). Despite these critical situations, these companies have had the strength to react. The main strategies implemented to counteract and overcome the moment of crisis regard intangible factors such as innovation and R&D, and the role of technology. The results of the research confirm the importance of innovation, especially product innovation (46.5%), as well as technological and process innovation (25.6%), as well as strategies for internationalisation and access to global markets (46.5%). Another element which collects a certain appreciation among entrepreneurs is the strengthening of partnerships and external collaborations (32.6% in total). This strategy should be orientated mainly toward networks of enterprises (18.6%), universities and research centres (14%).

The desire to strengthen strategies of aperture, partnerships and collaborations with economic subjects, training and knowledge, is in line with the guidelines for the development of the modern economy. In the latter, increasingly relational, the ability to form networks assumes increasing importance, even for companies like those studied that, based on a Schumpeterian entrepreneurship with a strong vocation for leadership, adopt autonomous and innovative approaches and are not very partial to structuring relations with the institutional stakeholders of the territory, with reference to which they lack confidence. Looking to the future, despite the unfavourable economic and financial climate that Italy is facing, entrepreneurs are seemed prevalently confident. In the medium-long term, 58.7% of them believe in an expansion of production volumes and business, about one third (32.6%) imagine a situation without too many differences with respect to the present, while a limited share of 8.7% envisages and fears a condition of corporate crisis. It should be noted that many of these companies have also displayed an ant cyclical trend in many respects in the recent years of severe crisis

#### 4. Entrepreneurial types

The age of entrepreneurs is fairly distributed. In particular, 21.7% of entrepreneurs are in the 26-40 year-old cohort, 26.1% in the 41-50 year-old cohort, 19.6% in the 51-60 years-old cohort 32.6% are over sixty and just 10.9% are fewer than 35. Considering that the companies examined represent elite of the national innovative production communities, the gap between the young and elderly component is remarkable. In short, even in the presence of *innovation oriented* corporate basins, the share of young entrepreneurship is very limited. It is also reflected by the number of years that entrepreneurs have been at the helm of the company. 50% of entrepreneurs have been leading companies for 15 to 30 years, 21.7% have been for over 30 years while 28.3% have been for *less than* 10 years. This reveals a lack of generational replacement, a feature that unites these national corporate entrepreneurial communities. The type of control and organisation of the corporate structure is mostly the family type (54.3%). It should be pointed out that the classification of the firm as a family business is more pronounced with the increase of years of leading the same. 90% of entrepreneurs who have been managing a company for over 30 years consider it a family business in of cases, 77.8% of entrepreneurs who have been managing a company for over 20 years consider it a family business.

These values decrease between those who are in "command" for fewer years: the under 15 groups, for example, consider their company to be a family business in only 34.8% of cases, and among the *under 20*, the proportion falls to 25%. With respect to the acquisition of the company they control, the entrepreneurs considered, a clear majority (69.6%), chose the path of entrepreneurship due to personal vocation. Only 30.4% of them inherited the profession from their family. This circumstance affects 50% of women and only 18.7% of men. Conversely, the vocational aspect characterises 72% of the latter, while the female component stands at 50%. This highlights the difficulty of women to overcome the barriers of entry into the entrepreneurial profession. As regards the luggage of education, these entrepreneurs are highly educated. 45.7% hold a scientific degree, 4.3% hold a humanistic degree, while 13% have post-graduate titles (PhDs; *masters*). A framework that confirms how much entrepreneurial excellence is connected to good levels of education and the knowledge of the productive stakeholders. This combines with the high number (65, 2 %) of those who have completed a training path and professional experience abroad. While for the male component this percentage raises to 70%, for the female share it collapses to 33.3%. Umpteenth resounding demonstration of the persistence of gender disadvantages also in social contexts with higher cultural levels and socio-economic opportunity.

Under this profile, Italian social culture still appears to be conditioned by much accentuated traditionalisms that imply a secondary role of women in the world of those professions. With regard to cultural aspects, the entrepreneurs analysed adhering to an entrepreneurial culture of strategic type (73.8%) that exalts orientation to change (34.7%) and operational capacity (23.9%). Even the individualistic characters appear to be held in high regard (58.7%), with courage (28.3%) and ambition (23.9%) prevailing over *leadership* (6.5%). A lesser value is given instead to aspects related to organisational and social culture (52.1%), although in this context the enhancement of human capital is relevant (26.1%). As regards the modalities of the constitution of the company over 60% of entrepreneurs have localised their activity in their place of residence simply because that is where they live. Despite this rootedness with the territory of origin, the same, however, is not considered by the vast majority of entrepreneurs as a decisive or strategic choice for settlement.

Only 10.9% imputes this decision to the presence of district businesses, 13% instead, attribute it to the availability of qualified human capital, while economies external to the businesses (e.g. the presence of a high density of businesses, universities and research centres, a local financial community, tax benefits) summed together form about 15%. These elements determine an increasingly non-local type of entrepreneur and oriented by individual spirit, with undoubted repercussions with respect to the classical district logic that united the destinies of the company with those of the local community of belonging. With respect to the “institutionalist narrative” of the territory and its value as part of the activation of the vocation to risk, the entrepreneurs considered were rather skeptical.

In this regard, only 19.6% of the sample comes from business families, while the vocational aspect to business risk is predominant with respect to the family destiny. Indeed 34.8% declares to connect the entrepreneurial choice to factors of technological, innovative and research curiosity while about 25% to a need for autonomy, ambition and self-realisation. Also the formative path weighs significantly on choice, collecting 15.2% of the votes. The same “self-centered” discourse on individual destiny applies to the corporate productive specialisation. Approximately 60% imputes it to a personal idea developed thanks to a specific training path supported by a careful market analysis (centrality of the strategic function). 30.4%, instead, links the productive specialisation to experience in companies engaged in the same sector. Only 4.3% to the presence in the territory of endogenous resources relating to the productive specialisation. A residual 6.5% declares that it inherited via the family. Finally, as regards financing a *start-up* company, 58.7% of entrepreneurs claim to have drawn from personal and family resources, 32.6% instead used bank financing, while only 8.7% business is a university spin-off.

### **5. Performance and corporate governance**

For the companies in the sample, all the performance indicators are a much more incisive increasing *trend* with respect to the majority of national enterprises for which instead the performance worsened. Turnover increased in 47.8% of cases, only 30.4% of enterprises declared a decrease. The share of sales dedicated to investment in R&D grew in 52.2% of cases, that in product/process innovation in 65.2% of cases. Also, the proportion allocated to training human capital was significant and increased in 47.8% of cases, as for patenting, 36.9% vs. 6.5% decrease and the share of total turnover resulting from *exports*, grew in 56.5% of cases. A comparison with the aggregated data of the turnover of Italian companies highlights the importance of the results of the sample. At national level, setting total revenues in 2000 to an index value of 100, in the three-year period 2006-2008, on average one of the Italian companies experienced a modest increase (4.5%) with a negative peak in 2008 (-0.3%). By analysing instead turnover from *exports*, the average appreciation in the three-year period was 7.2%, with the minimum always in 2008 (-0.1%) (ISTAT, 2011). The comparison, albeit with due statistical expedients, is indicative of a greater competitive ability of innovative companies studied with respect to the national industrial complex, that during the period under examination shows substantial decreases both in competitive and turnover terms.

Another significant aspect that characterises the sample relates to the models and the strategies adopted at the level of *business governance which favour an active relationship between excellence and efficiency of the undertaking*. The results show a framework where the activities exalt the functional aspects of the control of risk management more frequently. The monitoring of *corporate governance* (78.3%), the implementation of codes of conduct (76.1%) and control systems for the impartiality of the administrators (60.9%) are the ones most widely implemented. The activities linked to the definition of incentive schemes rewarding the merits of the administrators (52.2%) appear instead less developed. In short, the culture reflects the individualistic orientation of the entrepreneurs examined but certainly does not diminish the importance that this function plays in generating efficiency and organisational wellbeing within companies. The remainder of the internal control system is the aspect that most often characterises the strategies of corporate governance. The same catalyses all subjects and the functions which contribute to the consistent management of the company in reference to the objectives of risk management.

The possibility of realising real corporate governance is therefore subject to the capacity to coordinate effectively and economically and the set of subjects called for different reasons to contribute to the safeguarding specific areas of the control system.

In the absence thereof, there is a risk of triggering fragmentariness and reduced effectiveness of the actions, as well as inconsistently covering both quantitative (numerosity of risks manned with respect to those that are meaningful to the business), and qualitative business risks, related to the modes of managing the same.

### **6. Excellence and business strength vs. decline and criticality of the local systems**

According to the entrepreneurs interviewed, the main features that make the companies they manage excellent are the formation of a corporate culture oriented toward customer satisfaction/care (63%), human capital (56.5%) and the effectiveness of R&D activities (52.5%). Considerable importance is also given to technology (60.9% in total), with respect to which the emphasis is on both the technological superiority of the products supplied (32.6%), that the technological growth objective, under the profile of the size and qualitative composition (28.3%). On the contrary, the recognition/ legitimating of corporate leadership and the reputation of the trade mark are not considered factors of excellence, like the development of portfolios of customers/contracts (19.6%) and products (17.4%), the market creation ability (19.6%), the transparency of the financial statements (15.2%), social responsibility (10.9%) and the financial capacity of the firm (8.7%).

These modes of interpreting excellence are typical of a knowledge economy, in which resources and intangible assets become increasingly strategic. In this regard it is interesting to note that the emphasis given by entrepreneurs to R&D as a factor of business excellence, jars with the average Italian performance of the private sector in this context. In fact in Italy the ratio between expenditure in R&D of enterprises and GDP is 0.65%, well below the European average (1.21%) and of the German statistic, equal to 1.84% (283% higher than in Italy) (ISTAT, 2010). The delay is accentuated with respect to the main continental countries even considering total R&D spending as a share of GDP (Italy: 1.23% vs. Sweden: 3.75%; Germany: 2.63%, 213% higher than in Italy; France: 2%, United Kingdom: 1.9%; EU average at 27: (1.9%).

As regards human capital, in Italy in recent years there has been a process of professional upgrading that has involved the labour market and the structure of employment. However, comparisons with other European countries show how in Italy this trend is unsatisfactory, given the limited impact of knowledge workers. The maintenance of human capital and professionalization of our structure of employment are delayed compared to our main *competitors*. This slows down potential development, and is exemplified by a paradox that relates to the undertakings concerned. On the one hand, human capital is an essential factor for excellence; on the other hand, 67.4% of entrepreneurs interviewed declared that their companies or the district contexts in which they operate are unable to structure professional communities. In cases where it is active, this process occurs with certain spontaneity, according to the production requirements of the moment (46.7%), or due to the effect of the division of labour within the district (33.3%). The contribution of social capital planning (13.3%) and the added value of the institutions connected to the coordination of system resources (6.7%) are less important.

Finally, for business success, the ability to penetrate relevant markets (30,4%) plays a significant role, as does technology. The attitude and application of its own technologies on products of large national and international companies (19.6%) play a significant role in development, rather than the vocation to develop and implement technologies produced by other groups (6.5%). The ability to connect and build business and research partnerships, even international (9.9%) is not very relevant for the purposes of performance and business success. The role of the territory (2.2%) and the institutional factors such as the presence of support structures and *local governance* development (2.2%) seem almost irrelevant. This confirms that the link with the territory is not decisive for *business* purposes and the affirmation of excellent companies. This marks a drastic discontinuity with the traditional systems of Italian development in which *territorial* embeddedness and the interpenetration between local companies, institutions and productive structure were decisive ingredients for the success of districts and companies. Therefore these are firms that swim in the open sea of competition and foreign markets, highly internationalised, wherein the technology, innovation, research, skills, quality of work and enhancement of human capital drivers are constitutive and decisive for their performance (Storper, 1997).

### **7. Conclusions**

The elements discussed highlight two trends of Italian local development systems: 1) The emergence of a community of excellent, innovative, techno oriented and internationalised firms; 2) The emergence of an entrepreneur figure who exalts the strategic factor, personal responsibility and decision-making capacity.

Against the background of both, Italian local development systems on the one hand stagnate in the face of the economic and systemic crisis that concerns them, on the other hand they show some resistance of the autochthonous business density which should be worked on by rethinking the governance of territorial development. In social and political terms, new horizons toward which innovative enterprises are moving determine a loosening of the relationships of responsibility, loyalty and trust with the productive territory of membership, with its political institutions and with its community. Breaking this common destiny between local enterprise success and social context of membership represents an important area of analysis to work on in the coming years and at the same time developing an awareness of new industrial atmosphere in which local resources should be reconsidered in their destination and management. The interests of successful companies and of the territories and the communities to which they belong are currently often divergent and this fact should be noted. The average Italian globalised company which we treated is non-local in its definition. This shows that to win market share is fundamental for a coherent strategy of internationalisation. While in Italy only one enterprise in five operates outside national boundaries (Bank of Italy, 2007), in the sample examined, 63% of enterprises has offices abroad, mainly for marketing and market logistics (30.4%) and to pursue the strategies of relocating part of the production (28.2%).

In addition to the research of benefits associated to a more reduced factor cost, especially of labour, this strategy is due to location choices of production in contexts which are more favourable than the Italian reality for the allocation of external economies on tangible and intangible assets, and to intercept new opportunities in expanding markets and equipped with knowledge resources and qualified human capital. This stratification of the *push factors* that have oriented strategies for internationalisation of enterprises is exemplified by the territorial areas where they chose to open a site outside of Italy. Among these, Europe prevails (34.7%; Eastern Countries: 15.4%), followed by Asia (26.9%; China: 19.3%) and America (23%; USA and Canada: 19.2%).

The drivers that were strengthened also in the years of crisis, i.e. successful entrepreneurs, appear quite distant from the climate of decline that is often perceived in local development systems decimated by the crisis. For them entrepreneurial success is now a personal challenge against other seasoned international competitors. Being the “head of the company” is a question of the individuality of the head and the command, the entrepreneur is at the centre of the scene to determine the development of the company. The entrepreneurs analysed can be perceived as such on the basis of their innovative function and tend to distinguish it from their purely classical *management function*. Their aim is to provide creative responses to environmental change rather than traditional adaptations typical of the managerial function (Schumpeter, 1993). The entrepreneurial type that emerges from the research is very similar to the one described by Schumpeter: the innovator, “animal spirit” that feeds the capitalist dynamism. The same, by virtue of the innovative capacity is characterised by the following features:

1. Diverting resources from obsolete production, attracting them toward technologically innovative configurations;
2. Assuming a leadership position in the development processes;
3. Promoting the replication and diffusion of innovation with the other imitative undertakings, enabling an adjustment of the economic cycle.

Indeed, for the companies analysed the stronghold of innovation, research and human capital development, seems to have worked by an anti-cyclical mechanism. These trends are confirmed by other studies on innovative industrial sectors (Ramella and Trigilia, 2010a; 2010b; Ramella, 2011). In particular, even in the midst of the crisis (2007-2009) the innovative companies analysed in these research projects are experiencing a growth of employees (8%) and turnover (19%). Moreover, despite the harsh recessive crisis in 2013, Italian manufacturing enterprises with at least 20 employees achieved a turnover for export approximately equal to 89% of the total manufacturing and 73.1% of the national total. Between January and October of 2010 and the same period of 2013, 51% of industrial firms increased total turnover. 39% increased its sales on the domestic market, 61% on the foreign markets (ISTAT, 2014b). This confirms the vocation and the manufacturing competitiveness of the economies of the districts, despite specific structural inadequacies: dimensional dwarfism, underfunding of holdings, low propensity to technological innovation, and poor fertilisation of advanced services to enterprises. Obviously what we have described as “new Schumpeterian entrepreneurship” is a typed vision that may be explanatory of the specific context that we are dealing with, but does not highlight the multifunctional nature of the modern entrepreneur.

Indeed, the same increasingly carries out diverse functions in the business, from innovation to direction, through to operations to adapt to the external operating conditions. At the same time, he is a *decision maker* that operates in structures with multiple levels of decision-making and several figures shall adopt decisions relevant to the activities of the company. This evolution, especially in large companies has led to a situation where control is no longer exercised by ownership but by salaried *managers*, a condition that in many limited liability companies determines the disappearance of the pure entrepreneur (Payne, 1986).

In conclusion, it should be noted that if Italian local systems were decimated by the crisis, within them there persists the productive subcontracting communities that try to stay on the market. For these realities and for more innovative ones that move between start-up technology and spin off research, a new territorial governance of development is necessary, capable of supporting the innovative need imposed by global competitive rules.

The entry onto the scene of new productive stakeholders along the chain of the international division of labour has “trapped” Italian manufacturing specialisations in a subordinate position, stagnating on traditional sectors with low added value dynamics in terms of technology and knowledge.

The challenge that the Italian local development systems still face is the transformation of global manufacturing productive cycles. This mechanism has generated a constant fragmentation of productive cycles into high numbers of components (*tasks*), separable in time and space (Grossman, Rossi-Hansberg, 2006). This implies the establishment of a manufacturing organisation that from the continuous and vertically integrated stream within a single location is reconfigured, by means of the dynamics of development based on the overall coordination functions, between pluralities of parcelled activities (Baldwin, 2006). This decomposition of the phases affects not just the production and distribution cycle, but also the formation of corporate knowledge. It follows that innovation is presented as the fruit of the work of different organisations. This implies the development of *ad hoc* consortia between companies of various sizes, often triggered by the competition of public resources that enhance complementary groups of *task capabilities*. Along this perspective there is a need to exploit the molecular diffusion of the manufactory district communities, integrating them into an economy of advanced services that seems to be developed intermittently within the local contexts of Italian development.

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