1. Introduction: forms of enterprise in 20th century Italy*

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1.1 GENERAL FRAMEWORK

One important issue which has recently captured the attention and the research efforts of both economists and economic historians has been the debate about the different forms of capitalism in the world today. The ‘variety of capitalism’ debate has involved scholars of different fields, from finance to management, from corporate governance to industrial economics (La Porta et al. 1999; Whitley 1999; Whittington & Mayer 2000; Hall & Soskice 2001; Morck 2005; Baumol, Litan & Schramm 2007). It is not easy to establish the starting point of this debate, which undoubtedly goes back to the explanation of the different paths of economic development (Gerschenkron 1962). The focus of the analysis was, from this perspective, mainly comparative. It tried to identify, by adopting a macro-economic approach, the national – basically institutional – determinants of the different paths of growth. Implicitly (and sometimes explicitly), when the comparison involved the advanced (Western) countries, the explanation of the different levels of development was linked to the internal structure of the country’s capitalist institutions, which regulated the economic system. Not surprisingly, this has recently become the favourite topic of those economic historians interested in the issue of the ‘great divergence’ between Europe and its Western offspring on the one hand, and India and China on the other (Pomeranz 2000; Maddison 2007). In this very last case, it is clear that the origins of this divergence are basically to be found in the affirmation of a capitalist culture which was established well before the First Industrial Revolution (Landes 1998; Acemoglu et al. 2005). Then, taking the Western lead for granted, the rise – and the fall – of the European champions has been seen as a never-ending competition about more and more efficient sets of institutions which regulate, enforce and strengthen national models of capitalism (North 1990; 2005). By identifying technical change as a key factor in the process of economic growth, another interpretation, following a Schumpeterian approach, provides a
periodisation of world economic history as a sequence of homogeneous technological phases (Freeman & Soete 1997; Freeman & Louçã 2001). From this perspective, the variety of forms of capitalism is determined by the ability of a country to adapt to the different technological phases by striving to narrow the gap with the technological frontier (Fagerberg 1994). This is clearly due both to opportunities (for example, in terms of natural resources) and capabilities (for example, in terms of technological institutions or human capital). In this sense, differences in the structure of capitalist systems and their rate of economic growth are mainly due to the ‘technological congruence’ of the latecomer countries with the leading ones (Abramovitz 1986).

By adopting a ‘meso’ perspective, another stream of analysis, largely based upon the literature which draws on the findings of industrial economics, tends to connect the issue of growth and development, as well as the differences among different capitalist systems, to the structure of manufacturing industries. From this perspective, what makes the difference among different capitalist (and non-capitalist) economic systems is the ability to foster the growth of those industries which lead the process of economic development (Mowery & Nelson 1999; Malerba 2005; Whitley 2007). From this point of view, in order to achieve high levels of performance, a national economic system has to build a system of innovation, involving research and educational institutions, an efficient financial sector, and cultural attitudes towards entrepreneurial activity in new and innovative industries (Lundvall 1992; Nelson 1993; Freeman 1995; Steil et al. 2002). Technology is thus considered to be the main driver in this process, and the differences and divergences among different systems are basically the result of the ability to develop, or to adopt, superior and new technologies, or to shift the pattern of national specialisation to those industries which are more developed and advanced in technological terms. From this perspective, institutions (which are at the core of the macro-oriented argument) are taken into account when they are able to create the conditions under which the process of technological advancement can take place unhindered.

Along the same pattern, another approach explains the difference in the level of economic performance of regions and/or countries by explicitly focusing on a ‘micro’ perspective, i.e. taking into consideration the different forms of enterprises as an (additional or principal) explanation of the differences in the level of growth and performance of an economic system. In other words, if the macro perspective stresses the role of institutions in determining the relative efficiency of the different national systems, the ‘micro’ view provides an explanation largely based upon the differences in the ‘demography’ of the enterprises (i.e. the mixture
of small, medium and large firms), the adequateness of organisational structures and the behaviour and attitudes of the entrepreneurs. Even if an institutional influence on the persistence of certain typologies of business organisations can also be taken into account in this case, the ‘micro-approach’ literature tends to focus on the internal characteristics and on the structure of business organisations, considered as the main unit of analysis in the explanation of the differences and divergences at the macro-level.

As is well known, this is the approach followed by Chandler (1962; 1977). From this perspective, the differences in the levels of performance of different economic systems largely depend on the relationship between technological waves and the adoption of the ‘right’ strategies or policies, which, in their turn, have to be supported by coherent organisational structures. Chandler (1990) provides an example of comparative analysis in order to explain the rise and decline in the efficiency of different business systems, emphasising the role played by the large, integrated enterprises in the leading capital, R&D and technology intensive industries of the Second Industrial Revolution. The comparative analysis of modern capitalist economies from a micro-structural point of view has been carried on to a further extent in another major business history synthesis (Chandler, Amatori & Hikino 1997). Even though the latter research does not explicitly address the issue of the divergences in the structure of the capitalist economies, and never mentions the concept of national business systems, the relationship between the specificities of the national models of large enterprises and the overall performance of the economic system considered emerges clearly and contributes to shaping the ‘different’ forms of national capitalism.

In emphasising the impact of the ‘micro’ dimension – i.e. of the industrial corporation upon the ‘wealth of a nation’, Chandler was undoubtedly right. Under another perspective, his seminal analysis suffered from some limitations, or rather, gaps, which the following research in business history is now trying to fill. First of all, the sharp focus of the analysis converges on a very restricted number of particular actors (the large, vertically integrated corporations), which are scrutinised with regard to the coherence between their policies, or strategic choices, and their organisational structures. In some sense, it was precisely because of these characteristics that Chandler’s (and his followers’) research efforts converged on the ‘Tyrannosaurus rex’ of modern economic growth. This has clearly been reflected in both the available research and in the synthesis, recently published, on both a national and an international, comparative basis. The analysis of the strategies and structures of large enterprises – and of their national deviations from the standard American
paradigm – has, for decades, been at the top of the agenda of researchers interested in understanding the evolution of economic systems starting from a micro-economic approach.

Even though it is extremely useful and conceptually strong in emphasising the micro-level contribution to the macro-economic framework, as well as the necessary coherence among strategies, structures and other variables as the characteristics of the demand and the institutional and cultural framework, the classic approach which focused on large organisations provides only a partial explanation of the different patterns of economic growth among countries and within the same country in different periods (Langlois 2003). Moreover, it dismisses, or, even if not explicitly, it underestimates the contribution of other business forms and typologies of enterprises to the ‘wealth of the nation’, and, in doing so, misses the opportunity to broaden the original analytical intuition and extends it to the interpretation of the differences among various national business systems, as well as the real variety of the entrepreneurial responses to the opportunities provided by the transformation/evolution in technologies and markets, and, more generally, in the environment in which the firms operate (Scranton 1997; Lamoreaux, Raff & Temin 2003).

This book moves a step forward in this direction, explicitly putting at the centre of the analysis the variety of business forms present inside a specific country – Italy – during the process of its economic growth and modernisation.

1.2 THE RESEARCH PROJECT: AIMS, SOURCES AND METHODS

Although the economic literature during the 20th century mainly focused on macro-economic issues, especially on the process of industrialisation and on aggregate growth, the last decades have witnessed deep changes. As we have seen, growing attention has been devoted to issues concerning organisational and institutional varieties, and, more generally, to the micro-behaviour of economic actors and to policies able to address them by adopting specific incentives. Moving from these considerations, the goal of this research project has been to act as a bridge between the two above-mentioned approaches – one which privileges structural continuity, while the other stresses differences and varieties – in the perspective of building a wider and more complex picture of Italian business and economic history.

The main aim of the project has been to analyse the evolution of Italian capitalism during the 20th century by focusing upon those different
forms of enterprise which have typified different phases of the economic growth process. The starting point of the analysis is thus the identification of the presence, in a long-term perspective, of the various dominating models of enterprise that have characterised, with their dynamism, the different stages both with regard to the nature of the technological and market opportunities and with regard to the national and international institutional contexts.

The different typologies of enterprise analysed in this book were not selected upon the basis of the binary logic applied to a group of specific variables, but by adopting a fuzzy logic in which an articulated set of analytical dimensions can assume approximate, rather than precise, values (Zadeh 1965). In other words, by considering a set of dimensions such as size, legal forms, types of governance or ownership, performance and so on, we have identified eight different forms of enterprises which represent as many different fuzzy sets. This means that the membership value for each variable is not exclusively 0 or 1, as in the binary logic, but can range between these two values. At the same time, the membership is not exclusive in the sense that some single firms can belong to two or more categories of enterprises. It is clear that the different typologies do not provide a 'robust' taxonomy, since the dimensions that identify them (size, legal forms, etc.) are active at different levels, which may, to some extent, interact or overlap. Clearly, these forms of enterprise have been selected by considering the evolution of the Italian historiography, which has already extensively focused on some of them. The added value of the project has been to provide a more robust foundation for historical investigation, by verifying the consistency and significance of these forms upon the basis of long-term data which can allow a comparison between the variety of the forms of Italian capitalism and the models which characterise other historical experiences. With regard to firms of large dimensions, three forms of enterprise have been selected. The first one, big business, represents, in general terms, the largest Italian companies. The analysis is not only focused upon the Chandlerian-type manufacturing company, but also takes the top companies in non-financial service sectors into account. The second form analysed is the state-owned enterprise, a large and very articulated group of firms generally characterised by their large dimensions and by a wide variety of control-enhancing mechanisms, such as pyramidal structures. Furthermore, another form of enterprise is the foreign-controlled company, representing a large and variegated group of firms, which, in general, have contributed, with different strategies in the different phases, to the introduction and diffusion of new technologies.

Two other forms of enterprise identified are strictly linked to the local environment. On the one hand, attention has focused on one of the typical
forms of Italian capitalism, the small firms operating in a local productive system; on the other hand, the focus is upon the municipalised firms, which provide services within an administrative county or a homogenous geographical area.

Then, two forms of enterprise which have emerged as relevant in recent research approaches are analysed. First of all, the focus is on the medium-sized firms, a form of enterprise which has been identified and studied over the last few years, and whose historical roots this research aims to investigate. Then, following the results of the recent literature on firms’ dynamics (Sutton 2002), attention is directed to the Italian firms which have rapidly changed their size, by either increasing or decreasing, in terms of assets. Because of their distinctive feature of ‘jumping’ up and down in the size-ranking of Italian companies, this form of enterprise has been called the ‘leaping frogs’. Last, but not least, the focus is upon a form of enterprise, the co-operative, which – proposed as an alternative to capitalist corporation and characterised by a particular model of governance – has assumed a growing importance in the Italian economy in the last decades.

The research project was organised in various units which focused their attention on different forms. Although the level of knowledge about these forms was very uneven, different research units set common minimal targets. Even where the focus of the individual chapters was not always able to deal with the entire century, the attempt is to provide a general view of the topic. This means that the research project was developed by sharing aims, sources and methods, in an attempt to offer homogeneous pictures of different subjects. The mutual aim was, first of all, to identify the boundaries of the selected forms, and, secondly, to identify their performance along the time-span that we analysed. In its attempt to fill a traditional gap in Italian economic and business history, the project has been grounded on a strong quantitative base. In fact, for each form of enterprise identified, the first step was to measure its dimension and relevance within the Italian economic system, trying, at the same time, to adopt a shared conceptual framework as well as common proxies, and not just to provide a merely descriptive approach.

The starting point of the research activities is the Imita.db database which has been extensively used in previous research (Giannetti & Vasta 2006) and which represents the standard source for Italian companies in historical perspective (http://imitadb.unisi.it). In some cases, such as the chapters on big business, on mittelstand (see below) or on the ‘leaping frogs’, the Imita.db was the main source employed. In other cases, such as the chapters on state-owned enterprises or for foreign enterprises, the Imita.db database has been implemented by adding information from other sources. Even for the forms of enterprise which are only partially...
considered by the Imita.db database, such as co-operatives or small firms, quantitative information is given upon the basis of the data collected by further traditional sources such as the *Bollettino ufficiale delle società per azioni* (BUSA) or other materials provided by the chambers of commerce of the individual towns.

### 1.3 A GLANCE AT ITALIAN FORMS OF ENTERPRISE TODAY

The specificity of the Italian business environment, and of the country’s economic, social and political history, has contributed to the creation of a large variety of business forms which accompanied the country’s economic evolution during the whole of the 20th century. Some of these forms of enterprise are strictly specific to the Italian case: small firms, co-operatives and municipalised companies corresponded, in their diffusion, form and structure, to the particular set of social conditions which characterised the 20th century. In other cases, such as for big business and multinational enterprises, the Italian situation proves to be not particularly different from that of other industrialised nations, in terms of capital concentration in mass production sectors, even if the models and forms which the large firms took in the country’s specific experience were definitely ‘national’. Even nowadays, each of these enterprise typologies presents its own relevant character within the Italian economy. In order to provide a sketch of the present relevance of these forms of enterprise, some raw proxies are shown in Table 1.1. For each form of enterprise, with the exception of the ‘leaping frogs’, information is provided about employment, sales and other available variables. Although these data refer to a recent period, they have been collected from several sources which were not completely homogeneous. However, the data presented are useful both to draw a general framework and, in particular, to follow the evolution of the different forms up to the beginning of the new century.

Table 1.1 describes the structure of Italian capitalism on the eve of the 21st century. Big business and state-owned enterprises have considerably reduced their weight in the last few decades and represent a small share of the Italian business system, while the weight of foreign-controlled companies is even more relevant. The most important forms of enterprise are the small- and medium-size enterprises, which, even if they have been recently challenged by the rise of new competitors from less developed countries, still represent the largest segment of Italian enterprises. In this sense, it is worth mentioning the increasing weight of the *mittelstand*, a group of enterprises well-rooted in the local production systems and active in the
Table 1.1  Forms of enterprise in Italy at the beginning of the 21st century

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<th>Big business</th>
<th>State-owned enterprises</th>
<th>Foreign enterprises</th>
<th>Small firms</th>
<th>Mittelstand</th>
<th>Municipalized companies</th>
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<td>Employed</td>
<td>5.6% of</td>
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<td>employees in total</td>
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<td>enterprises</td>
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<td>employees in enterprises with more than 20 employees</td>
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<td>Sales</td>
<td>4.7% of sales on GDP</td>
<td>Goldstein &amp; Piscitello (2007: 71); Istat (2001, 2008); Mediobanca (various years), Le principali; Mediobanca (various years), Calepino.</td>
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<td>14.6% of sales of total enterprises</td>
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<td>13% of value added of manufacturing enterprises</td>
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<td>1.4% of sales on total domestic production</td>
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<td>Other</td>
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<td>40% of TOP 200 manufacturing enterprises</td>
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<td>11.2% of total enterprises with more than 500 employees</td>
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59.3% of employees in manufacturing enterprises with fewer than 50 employees.
Made in Italy sectors. The municipalised enterprises have maintained their weight and, even through merger and acquisition processes, have been able to enlarge their size. Finally, co-operatives, which represent a particular trait of the Italian capitalism, play an important role, even though they are concentrated in some specific sectors.

1.4 FORMS OF ENTERPRISE AND ITALIAN LONG-TERM ECONOMIC GROWTH

This book is organised in four parts, which include chapters concerning the analysis of the individual forms of enterprise, and three in-depth chapters focusing on policies and institutional contexts. Part I, Big Business, concerns the various forms of large firms (big business, state-owned enterprises and foreign enterprises). It focuses on the characteristics and the mechanisms of the Italian way of catching up to the technological frontier at different stages of its evolution. The in-depth, monographic essays deal, on the one hand, with the relationship between big business and the financial system, and, on the other, with the specific case of technological transfer, the Marshall plan.

It has already been recognised by the historiography on the Second Industrial Revolution (for a synthesis, see Chandler, Amatori & Hikino 1997), that large, modern and integrated enterprises also play a relevant role in the case of Italy. Looking at the general evolution of Italian big firms over the whole of the 20th century, the first three chapters in Part I quite clearly stress that the overall contribution of the large firms to the ‘Italian wealth’ has been extremely relevant from all points of view, and that it had, at least in the course of the first three-quarters of the century, been growing. This basically happens in coincidence with the two technological regimes of electricity, steel and oil, and cars and mass production (Freeman & Soete 1997; Freeman & Louçã 2001). The former starts in the 1880s and characterised the first decades of the 20th century up to World War I; the latter takes its shape around World War I and sees its full diffusion, at least in Europe, only during the so-called Golden Age.

The analysis of big business (Chapter 2, Giannetti & Vasta), is continued by focusing, for several benchmark years over the whole 20th century, on the 200 largest enterprises in manufacturing and services ranked in terms of assets, and confirms the overall relevance of this form of enterprise in the course of the industrialisation process. It also shows its adaptation to the country’s general conditions in terms of market dimensions and dynamism, institutions, prevailing ownership and governance models as well as organisational structures.
Strong turbulence is a dominant feature of Italian big business, both in the manufacturing and in the service sector. As for manufacturing, this seems to be due mainly to the sequence of the technological waves which provide new opportunities for new firms. In this sense, it is interesting to note, in the Italian case, the reduction of the lag of the spread of the different technological regimes. If, on the eve of World War I, the electricity and steel sectors were largely under-represented, at the beginning of the 1960s, the firms of the oil and mass production regime were already well established, and the technological wave of the information and communications technology (ICT) appears in Italy from the 1980s, as in the other leading countries. With regard to service sector, most of the turbulence is, instead, due to the institutional changes, with a succession of nationalisation and privatisation processes which characterised the Italian economy. This general turbulence, jointly with the unwillingness of Italian enterprises to grow, could even be due, at least partially, to characteristics of the legislation framework, such as the absence of trustworthy re-launching devices in the case of bankruptcy (Di Martino & Vasta 2010).

Moreover, one particular feature of Italian big business is its ownership structure, which can be roughly divided into three main categories: privately owned (basically by individuals and/or families), state-owned, and foreign-controlled enterprises. At present, it is relatively difficult to provide a comparative analysis of the relative performance of the big firms according to their ownership structure, even though the available data highlight the (relatively obvious) superiority of multinational enterprises and state-owned enterprises over the rest in terms of the adoption and diffusion of technological standards, and (it may be added) of organisational structures and managerial practices. This emerges quite clearly from the next two chapters of Part I, in which a more detailed analysis of the contribution by state-owned enterprises (Chapter 3, Toninelli & Vasta) and foreign-controlled companies (Chapter 4, Colli) is carried out.

In terms of ownership, the distribution of the largest firms becomes more and more differentiated throughout the 20th century. Foreign investments flowed to the country both before World War I and also immediately after, grew considerably after World War II and during the economic spurt of the Golden Age. Foreign-controlled firms basically tend to cluster (albeit not exclusively) in industries in which the indigenous firms are backward or even absent, and where it is necessary to have a high technological expertise. In this sense, their role in the diffusion of a new technological regime seems to be crucial. The same can be said for state-owned companies, even if, in this case, their contribution to the country’s industrial framework is concentrated in a period going from the mid-1930s to the beginning of the 1990s. Even in this case, the large
state-controlled firms tend to cluster, with a more or less different degree of diversification, in all capital intensive and more innovative industries, sometimes even jointly with foreign capital and expertise. As far as the foreign-controlled enterprises are concerned, their role assumed increasing relevance during the different phases of the Italian economic growth. If the contribution of foreign enterprises as a vehicle of technological diffusion was already considerable at the beginning of the industrialisation process, during the Golden Age, foreign direct investments certainly increased and contributed to the upgrade of the Italian industrial system. Finally, from the analysis of the whole structure of big business, we can see that, starting from the 1970s and with the rise of the ICT regime, the role of multinational companies became even greater. The parabola of state-owned enterprises clearly determined their contribution to the introduction and diffusion of new technologies. In the technological regime of oil, cars and mass production, they acted, through an articulated pyramidal structure, as a substitute of the public company of the Chandlerian tradition. This confirms the crucial role of the IRI (Istituto per la Ricostruzione Industriale) group in the technological development of Italian industry during the Golden Age (Giannetti & Pastorelli 2007). It is even more interesting to note that, even after their general decline throughout the 1990s, state-owned enterprises seemed to maintain a certain role in the diffusion of the ICT regime.

The evolution of big business must be analysed by taking the general framework surrounding the entrepreneurial action into account. As suggested by the Chandlerian approach, apart from the size and dynamism of the market, the relationship between big business and other elements which were able to influence its performance in various ways, such as the relationship with the state – in terms of economic policies – and with the financial system, are deemed to be relevant. One crucial example of a virtuous relationship between the state and entrepreneurs can be found in the policies followed by the Italian government immediately after World War II, in the years of the Marshall Plan (Chapter 5, Fauri). A kind of virtuous alliance was, in fact, established between the most dynamic sections of manufacturing industry (both large firms and SMEs) and government in order to try to fill the technological gap, not only in capital intensive industries, but also in specialised suppliers sectors. In this case, too, as stressed above, a solution to the technological backwardness of Italian firms was found thanks to external intervention, properly endorsed by the government. Even though this co-operation apparently helped Italian firms to achieve important results, the low level of continuity in these kinds of policies, as well as the persistent recourse to the instrument of external or exceptional intervention, instead of structural intervention, has to be
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stressed. After this phase of intervention, which characterised even the Golden Age – a period in which there was a notable capacity to introduce and adapt new technologies in Italy (Antonelli & Barbiellini Amidei, 2007) – state support in technology investment was considerably reduced, reverting to the situation that existed before (Vasta, 1999a).

The structure of the financial system is, from another point of view, relevant in order to explain both the strategies and the performances of the large firms. The Italian case is particularly significant in this respect (Chapter 6, Conte & Piluso). A strong path-dependency towards indebtedness can, in fact, be detected, both in the case of state- and of privately owned enterprises (with the relatively obvious exception of multinationals). The particular characteristics of the Italian financial market – after the 1930s, when it was mainly based upon short-term credit provided by large banks under the control of the state and upon a weak stock exchange – emphasised a tendency by large firms, both state-owned and private, to prefer debt to equity in order to finance their needs. This phenomenon slowed down the process of separation between ownership and control, while, at the same time, increasing the degree of dispersion of corporate ownership among large firms. In this respect, two main considerations can be drawn. The first is that, even before the de facto nationalisation of a large section of the banking system in the second half of the 1930s, banks dominated over the market system. Independently of the determiners of this process, this was going to have long-term effects on Italian big business, especially in terms of ownership structures, and, hence, of managerial models and styles. The second consideration is that the largest banks, committed to financing the large firms, left another relevant section of the credit market to regional banks, which were locally active in financing small firms (Conti 1999). This explains why the local production systems could enjoy a virtuous relationship with local banks, which played an extremely relevant role in the mechanisms of formal and informal financing at the local level.

Part II, The Power of Localism, focuses on forms of enterprises (small and municipalised firms) which operate in a defined area and thus have a strong connection with both formal and informal local institutions. The in-depth chapter deals with the relationship between small firms and the industrial policies and tries to verify whether and, if so, how, the former received support, as happened for big business. The long-term efficiency of small firms – both territorially dispersed and concentrated in articulated forms such as industrial districts and local production systems – is largely explained by the capacity to exploit the windows of opportunity which emerged from changes in the technological situation as, for example, in the case of the crisis of mass production in the 1970s. However, the vitality
of local productive forms is dependent on a number of other factors which go from the structure of the local banking and credit system, to the local and national institutions, which foster, in different ways, the survival and efficiency of small firms as well as of artisanal workshops (Arrighetti & Seravalli 1997). What is interesting to note in this perspective – and which emerges both from the chapter dedicated to a quantitative analysis of three (Lombardy, Tuscany and Campania) regional systems (Chapter 7, Perugini & Romei) and from the essay on the industrial policies for artisan firms (Chapter 9, Longoni & Rinaldi) – is that the role of state intervention is less clear-cut than the previous literature has shown (Becattini 1998). If, on the one hand, the growth and transformation of local systems – as well as their decline – seemed to have taken place largely in the absence of direct and explicit state intervention, on the other hand, the existence of ad hoc policies conceived to sustain small and medium-size enterprises (SMEs) clearly emerges. This happened both in the case of the legislation for artisans and very small firms introduced during the years of the economic miracle, and for the policies undertaken in the last decades of the century in order to foster the process of ‘light’ industrialisation in the southern regions of the country. This is probably not sufficient to demonstrate the existence of centrally planned policies conceived to support small enterprises and spread entrepreneurship, but certainly the issue is more controversial than was once believed, and requires further investigation. This means that the traditional dichotomous view of the existence of large, state-supported enterprises on the one hand, and of small and Mancunian-like, not state-supported, enterprises on the other hand (for instance, Cafagna 1999), has to be reconsidered.

The ‘upstream’ industrialisation process coming from counties, districts and regions enjoyed, at a very ‘micro’ level, the initiatives in which municipalities and local administrations were involved. Another form of institutional entrepreneurship, the municipalised company, occurred at the very beginning of the industrialisation process and continued until very recent times (Chapter 8, Fari & Giuntini). The attitude – geographically different, but nonetheless widespread throughout the country – shown by the local councils to undertake the supply of public services, or to manage public goods and public utilities, had diffused over time. It is worth noting that, even in this case, the degree of diffusion of this typology, its prevalent geographical location (in the Northern regions), and its long-standing level of economic performance, can mainly be explained by taking into account the favourable framework provided by a mixture of cultural and institutional factors, including, for instance, the Italian tradition of administrative decentralisation and autonomy. Moreover, it must be underlined that, in the last few years, some municipalised companies considerably
increased their size and started to play an important role at a regional, and even at a national, level.

Given the above-described forms of enterprise, the Italian business system has, for a long time, been characterised by a strong polarisation between large and small, and even very small, companies. It is, however, interesting to note that other forms of enterprise, or, rather, different strategies and behaviour among the existing companies, do appear to coincide with transformations of the external conditions. Part III, In Search of an Identity, deals with two forms of enterprise which emerged from the particular features of Italian capitalism. Firstly, the phenomenon of turbulence and the difficulty for enterprises to strengthen their position, a typical trait of Italian industrial companies, characterise the ‘leaping frogs’. Secondly, the capacity of a group of firms to compete on international markets by maintaining a limited size, as has emerged from recent research, identifies the *mittelstand*. Remarkable examples of these phenomena are provided by the so-called ‘leaping frogs’ (Chapter 10, Castellucci & Giannetti) – i.e. firms able to gain a dominant position quickly in specific markets by exploiting the competitive potential of a shift in the technological regime – and medium-sized, internationalised firms active in global niches (Chapter 11, Lavista). In the case of the ‘leaping frogs’, it is a mixture of technology and market conditions which determines the dynamism of this entrepreneurial form. This is a recurrent phenomenon and coincides with the emergence of a new technological regime, which determines, as we have mentioned for big business, the turnover amongst companies. What is intriguing, however, is the fact that new firms, able to concretise advantages deriving from entrepreneurial initiatives in new industries, show an extremely high degree of downward mobility, that is to say, they have a low rate of survival in innovative industries. In other words, entrepreneurial successes are, for many reasons, not likely to last, with very few exceptions. This confirms the already mentioned high turbulence, which is one of the dominant traits of Italian capitalism. The behaviour of the ‘leaping frogs’ is probably more understandable if it is compared with the last (chronologically) form of enterprise detectable in the Italian case, i.e. the medium-sized enterprises, which very often emerge from the entrepreneurial seedbed of industrial districts. In this case, too, the rise of a ‘new’ entrepreneurial form – which seemed to be almost absent before the 1990s in Italian industrial demography – can be viewed as the efficient, even though probably sub-optimal, response of the national business system to a challenge coming from the changes in the international situation. In this case, it is not (or only partially) a new technological wave which creates entrepreneurial opportunities. Instead, another phenomenon, that of globalisation, is impacting on Italian small firms, especially those in industrial
districts, with a double effect: selection and growth on the one hand, and specialisation in niches, particularly in the traditional sectors, on the other (Colli 2002b). These *mittelstand* companies, however, go on sharing many of the features of the small firms typical of the industrial districts, including individual and family ownership, ‘oligarchic’ management models, and innovative patterns which have not been formalised. Favourable external conditions explain the emergence of this model quite well, which is, however, puzzling in its ability to last as an enduring and even successful form of enterprise because, in the long-term perspective, ‘mediumness’ is a transient condition. From the analysis, it emerges that very few firms have found their optimal size status within the middle-sized enterprise group. It seems to confirm, once again, the traditional difficulty in growth faced by Italian enterprises which, after having become medium-sized, in most cases, return to being small.

Part IV, Cooperation, focuses on a peculiar form of enterprise, co-operatives, which have a long tradition in the Italian economy, and which, in the last decades, have increased their role particularly in some service sectors. The history of the Italian co-operative movement presents some important particularities in comparison to what has been generally observed for other countries. First of all, similar considerations to those previously suggested for municipalised companies can be made for co-operatives. As in the latter case, the co-operative enterprise shows at least two interesting features (Chapter 12, Battilani & Zamagni). Firstly, within this category, it is possible to find a large spectrum of companies of different dimensions, in various sectors and with different organisational structures. Secondly, like municipalised companies, co-operatives show a tendency to cluster in well-defined geographical areas, namely, in the northern and central regions of the country. Moreover, since the beginning of the co-operative movement at the end of the 19th century, co-operatives have enjoyed a favourable framework in terms of ideology (both leftist and Catholic) and legislation, not only at the local, but also at the national level. In this case, too, as in that of municipalised companies and small firms in industrial districts, the conclusion is drawn that the local conditions played a relevant role in explaining the emergence, the performance level and the long-term survival of these particular forms of enterprises which successfully adapted to the environment. Especially in the last decades of the 20th century, co-operatives were able, in some cases, to consolidate and grow considerably through a merger and acquisition process, or by creating wide networks of enterprises. This growth process recalls, at least partially, that observed for some municipalised companies. In this sense, the two forms of enterprise play the same role to replace the private initiative – particularly in large scale retailing for
co-operatives and in multi-purpose utilities for municipalised companies – in the process of growth size, which becomes necessary due to the new technological and market conditions.

1.5 SUMMING UP: FORMS OF ENTERPRISE AND PERFORMANCE

The relationship between the different forms of enterprise and their performance throughout the 20th century cannot be fully addressed in this book. However, all the chapters have endeavoured to understand how and why the different forms of enterprise have been competitive during the different phases of Italian economic growth. In other words, the research has tried to focus on the capacity of the different forms of enterprise to adapt to the various changes which have characterised the 20th century. This phenomenon has, clearly, many drivers, which are assessed in depth in the individual chapters. However, in summing up the main results of the research project, it is worth mentioning at least one of the key drivers, namely, technology. This means that, looking at the sequence of the three technological regimes which characterised the world economy from the last decade of the 19th century up to the end of the 20th century, not only can we provide some explanations regarding the rise and the fall of the forms of enterprise analysed, but we can also offer some general interpretations of the evolution of Italian capitalism.

In order to provide a general overview, in Figure 1.1 we illustrate the sequence of the technological regimes in relation to the performance of the different forms of enterprise. Clearly, the performance level identified must be considered merely as a raw proxy which emerged from the research project and not as a result of precise measurement. However, it must be taken into account that we cannot use a unique concept of performance, because each form of enterprise, having its own goals, pursues its own performance typology. Moreover, it must be borne in mind that the diffusion of the technological regimes presents a time-lag with regard to the conventional adopted date of their rise. This means, for example, that the co-evolution of the institutional context with the new technological situation may be a little delayed.

Let us, thus, have a look at the dynamics of the different forms of enterprise following their pattern throughout the period analysed. Before the introduction of the technologies of the Second Industrial Revolution, Italy had yet to start its industrialisation process. At this time, the most relevant form of enterprise was the small firm, while all other forms of enterprise were not very important or were even absent. The shift from
Figure 1.1  The evolution of Italian forms of enterprise (1880–2000)
the technologies of the First Industrial Revolution to those of the Second Industrial Revolution, and specifically to the technological regime of electricity and steel, coincides with the first steps of the Italian process of industrialisation. In this phase, we can clearly observe the increasing pervasiveness of large firms, be they national- or even foreign-owned. The new technologies, strongly biased towards large scale enterprises, were introduced with many difficulties and through the support of the Gerschenkronian substitutive factors. The process of concentration that accompanies the success of big business reduces the importance of SMEs, which are less efficient in the new sectors. Thus, in order to catch up with the technologies of the new regime, the oligopolistic character of the Italian system of enterprises emerged, which developed an entangled network of relations between big firms and big banks, especially the German-type universal banks.

The following shift from the regime of electricity and steel to that of oil, cars and mass production, occurred in Italy, but, more generally, in Europe, with a certain lag in comparison with the United States, and did not immediately provide major changes in the previous patterns. As is well known, the big crisis of the early 1930s hit the Italian economy hard. The big companies, in particular, suffered from this shock, but the large category did not lose its weight. What changed within big business were the forms of governance. In fact, the weight of the state grew consistently, with the rise of an articulated network – characterised by cross shareholdings and pyramidal structure – of state-owned enterprise, which became one of the main long-term features of Italian capitalism. The big crisis of the 1930s, with the autarky policies which followed, determined even a certain reduction of the weight of foreign-controlled enterprise. Moreover, the co-operatives, and partially even the municipalised firms, which took their first steps at the beginning of the 20th century, were subsequently regulated by the Fascist regime, which barely tolerated these forms of enterprise.

The diffusion of the technological regime of mass production, which marks the Golden Age, represents the pervasive development of the large-size enterprises. There was a growth in the weight of big business in which the role of state-owned and foreign-controlled enterprises increased. With regard to the former, the expansion process started during fascism, and continued and consolidated, while, with regard to the latter, the openess of the markets allowed them to resume the role that had been neglected after the major crisis. The 1950s and the 1960s are known as the years of the Italian ‘economic miracle’, perhaps the period in which the structure of the Italian system of enterprises tended to be more similar to that of the most advanced countries. In this sense, the weight of small firms reduced
Forms of enterprise in 20th century Italy consistently and seems to have become marginal. As far as co-operatives and municipalised enterprises are concerned, the situation is less clear cut: with the return of democracy, they certainly resumed a role, even though their weight remains, in general terms, quite limited.

The big changes of the 1970s, with the crisis of mass production and the shift towards the technological regime of ICT, brought many ‘surprises’ to Italian capitalism. Large firms rapidly lost their importance and two phenomena can clearly be identified. The first was a tendency shown by the largest groups towards restructuring and downsizing, which were, in many cases, convenient, because of the multiplication of work conflicts, and a decentralisation of production into smaller, independent units. From another perspective, new technologies started to play a role in making medium-size enterprises efficient, in production, marketing and R&D activities. In the first phase of the shift from the mass production regime to ICT, the trajectory of the state-owned enterprise is distinct. The crisis overwhelmed many large private firms and, at least until the mid-1980s, the system of public enterprise, even though it had to cope with great difficulties, increased its weight within Italian capitalism. This was due to a large process of bailing out private firms, which considerably weakened state-owned enterprise.

The full diffusion of the technological regime of ICT marks a general change in the weight of the different forms of enterprises. Big business continued its parabola, which was accompanied by the start, in the 1990s, of the great process of privatisation, considerably reducing the role of state-owned enterprises. This role was, at least partially, taken by foreign enterprises. In fact, foreign direct investments played a crucial role in the diffusion of the new information and communication technologies within the Italian industrial system. At the same time, even co-operative and municipalised enterprises conquered spaces, albeit limited to some sectors, within the large dimension companies. Finally, another aspect which must be underlined is the emergence of the medium-size enterprises: the capacity of a group of medium-size enterprises to adapt to the new technological situation by trying to play a role in the market niches which had previously been occupied by small enterprises. The rise of the ‘mediumness’ can be seen either as a new phenomenon in Italian capitalism or simply as a passing condition of some enterprises which, as often happened in the past, have a weak capacity to grow.

In concluding, this book has as its main aim to move a step further towards the understanding of the features of Italian capitalism during the 20th century. By adopting an approach which focuses on different forms of enterprise, we believe that single chapters provide new elements, both qualitative and quantitative, on the Italian economic history and
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particularly on the main drivers which determined the structure of the national business system. We leave to the reader to evaluate whether these goals have been, at least partially, achieved.

NOTES

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1. For this form of enterprise, which is not properly codified in the literature, there is no source able to offer any proxy measure.

2. In Figure 1.1 we measure the vertical axis by an ‘ideal’ index which is the outcome of different parameters capturing each form’s contribution to the wealth of the nation. Each form’s contribution can in fact be decomposed into performance measures (employment, output, turnover, added value, exports, profits, number of patents and others). To consider only one or few of these variables, both in a static and dynamic perspective, may underestimate one form’s real contribution to the whole picture. Hence our decision is to put on the vertical axis a multidimensional index largely intuitive – but possibly subject to more formal measurement – in order to capture the varied impact of the different forms on the national business system.