

Italian Industrial Districts: Theories, Profiles and Competitiveness

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Abstract

The paper is a contribution to the debate about the theoretical aspects, the structure, and the competitiveness of Italian industrial districts. The work first examines the theoretical strand on industrial districts ranging from Marshall to Becattini, and focusing on the contemporary distrettualism of Giacomo Becattini, where the district is essentially a socio-economic construct and an important localized productive system. Furthermore, the paper offers an updated picture of the Italian industrial districts as they are represented in the 2011 Census by the National Statistics Institute. Finally, this study underlines the resilient competitive capacity of this typical form of industrial organization. Then, through empirical literature, it analyzes the Italian district companies, and their performance and success in foreign markets, especially with regard to “Made in Italy” products.

Keywords: *industrial districts; Italian SMEs; exports; competitiveness*

Jel Classification: D0, L23, M10

1. Introduction

Industrial districts composed of numerous small and medium firms characterize the Italian production system. Their presence and performance have been the subject of extensive and controversial discussion among industrial-organization scholars. Undoubtedly they have demonstrated a remarkable ability to overcome the difficulties of the economic crisis, and above all the changes associated with globalization and technological progress.

This paper is a contribution to the debate about the theoretical aspects, the structure, and the competitiveness of Italian industrial districts. The work first examines the theoretical strand on industrial districts, ranging from Marshall to Becattini, and focusing on the contemporary distrettualism of Giacomo Becattini, where the district is essentially a socio-economic construct and an important localized productive system. Furthermore, the paper offers an updated picture of the Italian industrial districts as they are represented in the 2011 Census by the National Statistics Institute. Finally, this study underlines the resilience and high degree of competitiveness of this typical form of industrial organization. Then, through empirical literature, it analyzes the Italian district companies, and their performance and success on foreign markets, especially with regard to “Made in Italy” products.

2. The Theoretical Construct of Industrial District: From Marshall to Becattini

The notion of “industrial district” was coined by Alfred Marshall in 1867, in some of his early writings where he refers to the textile industries of Lancashire and Sheffield. But the definition of industrial district appears in his work *Industry and Trade* (1919). According to Marshall, the districts are an original form of agglomeration of businesses, characterized by strong industrial specialization, where the local dimension of production within them has a key role in creating an environment more favorable to individual success.

Marshall noticed how the co-presence of firms in the same sector and in the same area would create an “industrial atmosphere” that could support and encourage the strengthening of local industry (Schilirò, 2012). Marshall found that an important determinant of the competitive success of industrial districts was the effective co-operation within and between firms, supported by a dense network of institutions, and markets regulated by agreed-upon rules, norms

and standards. He theorized that these generate external economies of scale and scope, which enable the district and its constituent small firms to successfully compete with large, vertically integrated firms (Konzelmann & Wilkinson, 2016).

However, in the mid-1920s with the emergence and growth of very large and highly successful firms, the conventional wisdom shifted to supposing that the historical tendency in capitalist development was toward large-firm dominance. The contribution of Marshall regarding industrial districts fell into oblivion.

In Italy, the notion of industrial district was revived by Giacomo Becattini during the 1960s and became operational in the 1970s. Becattini contributed the reorganization of Marshall's fundamental insights in an interpretive organic framework applied to the analysis of industrial districts in Italy (Schilirò 2012). In 1979, Becattini published the article "Dal 'settore' industriale al 'distretto' industriale: alcune considerazioni sull'unità d'indagine dell'economia industriale"(Note 1) considered the theoretical reference point of contemporary distrettualism. From this article (Becattini, 1979) emerges the notion of Becattini's industrial district as a socio-economic system, where local development forces and territory become crucial.

With Becattini, the industrial district becomes a general model to broaden the understanding of alternative forms of industrial organization, primarily in the Italian economic system, but also in a more general way, in contemporary economic systems. His theoretical construct aims at describing and interpreting widespread industrialized phenomena in circumscribed territorial areas, which are characterized by the predominant presence of small and medium-sized enterprises, specialized in a single production chain.

In Becattini's interpretation, the industrial district is a new unit of analysis, representing an economic entity halfway between the single enterprise and the whole sector, which takes into account the production sites and the production communities with their specializations (Schilirò, 2008).

Giacomo Becattini (1979, 1989, 2007) defines the industrial districts as *socio-territorial entities* formed by the active coexistence of a community of enterprises and people, united both by territorial relationships and by the socio-economic ties that such coexistence generates. Industrial districts are characterized by horizontal and vertical integration forms and also by production specialization(Note 2). Thus, if the Marshallian district was a simple aggregation of industrial and professional activities of the same species, located within the same geographic area, the Italian district, as Becattini describes it is identified by the presence of a community that is essentially a set of history, unwritten rules, and shared values, which directly affects the productivity and structure of the district itself. According to Becattini, the close relationship established between communities and businesses in the district is the key factor that drives innovation, knowledge and quality.

External economies play a key role in the success of industrial districts. These are advantages not internal to the individual company, but internal to the local system involving the same businesses, and therefore external to the single firm. In fact, industrial districts enjoy external economies due to the advantages of agglomeration, and rising returns due to the widening demand. So, the advantages of external economies are due to the industrial district as a whole. Examples of such advantages include the presence of a large and stable skilled workforce; access to production facilities; the ability to use in an easy way sophisticated machinery and common organizational methods; and in general, economies that are dependent on general industry development. The external economies of the district, however, are not limited to the economies of specialization (though they are relevant), but include learning economies and economics of creativity and innovation (Bellandi, 2003). Learning economies are linked to the characteristics of the local labor market and derive from the on-site presence of highly skilled professionals. The economics of creativity and innovation translates into widespread innovative capacity, thanks to the proximity of the actors, the sharing of specific skills and experience, and advanced technical-scientific training.

Another important and peculiar aspect of industrial districts is the existence of a mix of complex relationships of cooperation and competition between district firms. Among the goods and services created in the districts, there are complementary relationships in some cases (e.g. placing companies at different levels in the production chain), and substitutability in others. Thus, we witness the combination of competition and collaboration ('co-petition') between companies – for example, with competition in the reference market and simultaneous practices of mutual cooperation. All this implies that in the district, the relationships between the different subjects are competitive but 'non-destructive'. Indeed, it is the correct balance between collaboration and competition that creates the stimulus for continuous renewal, and allows the development of new opportunities for district companies to stimulate innovation. (Note 3)

In this complex representation of the district model, demand plays a crucial role. Indeed, the affirmation of a more differentiated, customized demand expresses itself through choices that are not only rational, but also emotional, and where choosing a product type often must also reveal social prestige. Demand mainly linked to various income levels and cultural sensibilities of those who express it becomes the expression of a society where emotions, feelings, and aesthetics are the reference parameters of consumption choices (Schilirò, 2012). Consequently, demand becomes more fragmented and variable, while the standardized product loses ground.

Becattini's conceptualization of the industrial district as a model of production served as a turning-point for applied research on localized production systems. Several scholars in other countries carried out studies on industrial districts and their centrality for local and regional development (e.g., Piore & Sabel, 1983; Storper & Harrison, 1991; Ellison & Glaeser, 1997; Duranton & Overman, 2002).

Certainly, one of the most influential has been Michael Porter with his notion of the industrial or business cluster. In his view, the cluster is a localized system of production of which the Italian industrial district is a special case. Porter (1990, 1998) describes the cluster as being composed of industries connected through vertical (buyer/supplier) and horizontal (common customers, technology, distribution channels) relationships. According to Porter, clusters are geographic concentrations of inter-connected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields, which compete but also cooperate. Although enormously successful as a conceptual and policy tool, Porter's cluster has been strongly criticized on several bases. In particular, Sforzi (2015, p. 20) argues that its relationship with the industrial district concept has been distorted by identifying the unit of analysis as "a mere geographic concentration of industries" and focusing on the economic determinants of performance. Instead, following Becattini's line of thought, Dei Ottati (2009) and Sforzi (2015) underline that the industrial district is a socio-economic construct. Therefore, the interconnections between the production system and the community of people insisting on the same territory represent the basic source of the proper functioning of processes that characterize the district model and its adaptability to change.

However, in Italy after the theoretical contribution of Becattini, the adoption of a methodology for the identification of industrial districts by official statistics (i.e., the National Statistics Office) has marked an important moment for the quantitative study of the phenomenon, thanks above all to the work of Sforzi & Lorenzini (2002), who proposed a territorial classification in operational terms, consistent with the theoretical district model. Over time, there have been several other contributions that have increased the knowledge and expertise around the original methodological framework (Sforzi, 2007).

3. A Picture of Italian Industrial Districts

The presence of a large number of businesses of a reduced average size, with increased production localization, characterizes the Italian production system.

Small and medium enterprises (SMEs) are one of the driving forces of the national economy. The main feature of Italian SMEs lies in their organizational form, which has found its most complete expression in industrial districts.

Istat, the National Statistics Institute, through the 9th General Industrial and Services Census of 2011 (Istat, 2015), identified 141 industrial districts, 40 units less than the number of industrial districts surveyed in the previous Census of 2001.

Since 2008, the global crisis has influenced the decade 2001–2011, hitting the production systems of European countries, and Italy in particular. Above all, the effects of the crisis have been felt in job losses. The decline in employment was especially significant in manufacturing, with 919,000 (19%) fewer people. The census data for 2001 and 2011 highlight the combined effect of the crisis and the historical process of tertiarization of the Italian economy. Both phenomena have contributed to influencing the territorial configuration of the Italian district model, which, alongside the reduction in the number of districts, shows a greater concentration in the territories of the country where the districts were historically present (Istat, 2015).

In more detail, Istat data confirms that industrial districts account for about a quarter of the country's production system in terms of workers (24.5% of the total) and local production units (24.4% of the total). The Italian manufacturing sector is particularly strongly characterized by the district model. The manufacturing-industry districts account for more than a third of all Italian manufacturing, in line with what was observed 10 years ago. Industrial districts absorb 65.8% of manufacturing industry workers, while about 22% of the Italian population is within the industrial districts.

With respect to the geography of the Italian industrial districts, Table 1 shows that the largest number of districts (45) is in the Northeast, which is traditionally the territorial reference area of the Italian district model. The Northwest – the area's oldest industrialization in the country, once dominated by territorial formations of large enterprise – has 37 districts, while the center of Italy has 38 districts. In the South, there are 17 districts, concentrated in Puglia (7), Campania (6), and Abruzzo (4). In the Islands, the districts exist only in Sardinia (4), where all local manufacturing systems have the characteristics of the districts.

Industrial districts are distributed unevenly in 15 regions of the national territory. The macro-region formed by Lombardy, Veneto and Emilia-Romagna contains 70 industrial districts, accounting for 49.6% of the total. The historic district regions of Central Italy (Tuscany and Marche) recorded the presence of 34 districts, equal to 24.1%. Thus, these five regions represent 73.8% of Italian districts. Lastly, the South and the Islands together hold only 14.9% of the total industrial districts.

In the 2011 Census, the district model is completely absent in six autonomous regions or provinces: Valle d'Aosta, Bolzano, Molise, Basilicata, Calabria, and Sicily (Note 4).

Table 1. Geographical Distribution of Italian Industrial Districts (Census, 2011)

| Areas | Number of districts |
|-----------------|---------------------|
| North- East | 45 |
| North- West | 37 |
| Center of Italy | 38 |
| South | 17 |
| Islands | 4 |
| Total (Italy) | 141 |

Source: Istat (2015)

Table 2. Italian Industrial Districts: Main Indicators. Years 2011 and 2001. Absolute Values and Percent Variations

| | Absolute Values | | Variations 2011/2001 | % Variations 2011/2001 |
|--------------------------|-----------------|------------|----------------------|---------------------------|
| | 2011 | 2001 | | |
| Districts | 141 | 181 | - 40 | - 22.1 |
| Local Units | 1,152,429 | 1,104,663 | 47,766 | 4.3 |
| Employees | 4,887,527 | 4,802,081 | 85,446 | 1.8 |
| Manufacturing | | | | |
| Local Units | 164,737 | 210,081 | - 45,344 | - 21.6 |
| Manufacturing | | | | |
| Local Units Employees | 1,504,490 | 1,904,066 | - 399,576 | - 21.0 |
| Number of Municipalities | 2,121 | 2,275 | - 154 | - 6.8 |
| Population | 13,326,320 | 12,276,845 | 1,049,475 | 8.5 |

Source: Istat (2015).

Table 2 shows the main indicators for Italian industrial districts and a comparison between the values found in 2011, and those of the previous 2001 census. The table indicates that the districts suffered a numerical reduction in the decade 2001-2011. In fact, the number of districts decreased in absolute terms from 181 in 2001 to 141 in 2011. However, in 2011, the districts show a positive employment balance. Local district- unit employees, in fact, went from 4,802,081 to 4,887,527 units, with a variation of +1.8%. This variation is due to a sharp rise in the number of local units themselves, ranging from 1,104,663 to 1,152, 429 (+ 4.3%). Consequently, compared to 2001, although their number decreased, districts retain the same share of local units (24%), workers employed (25%) and resident

population (22%). Of course, the decrease in the number of districts is part of the overall restructuring in the Italian economy over the decade considered.

Another important change concerns the field of specialization. The composition of the productive specializations in the districts changed sharply. The presence of employees registered in 2011 in mechanical engineering was 38%, showing a significant increase compared to 2001, when this share was only 36.2%. This increase occurred at the expense of textiles and clothing (decreasing from 26.6% in 2001 to 20.3%), the household goods sector (from 16.1% to 10.7%), and the leather and footwear sector (from 12.3% to 9.7%) (Istat, 2015, pp. 25-26). The trend is similar for local units.

Therefore, the 2011–2001 variation analysis highlights the economic/occupational strengthening of the mechanical and, above all, the metallurgical industry. Conversely, household goods and leather and footwear mark the most negative dynamics, followed by textiles, clothing, jewelry and musical instruments.

On the other hand, Table 3 shows the average dimension, with respect to several parameters of Italian industrial districts in the years 2011 and 2001.

Table 3. Average Dimension of Italian Industrial District - Years: 2011, 2001 (absolute values)

| Average Dimension | 2011 | 2001 |
|-------------------------------|--------|--------|
| Number of Municipalities | 15 | 13 |
| Resident Population | 94,513 | 67,828 |
| Local Units | 8,173 | 6,103 |
| Employees for 100 inhabitants | 37 | 39 |
| Manufacturing Local Units | 1,168 | 1,161 |
| Manufacturing Employees | 10,670 | 10,520 |

Source: Istat (2015)

The data shown in this section help to provide a representation of the structure of the Italian industrial districts, which constitute the backbone of manufacturing production. The data also reveal the irregular territorial distribution of district firms, highlighting the weakness of the manufacturing system in southern Italy, and the high concentration of districts in some regions of the North. Furthermore, despite the crisis, districts have continued to create jobs, while local units have increased.

So, despite criticisms and distrust toward the district system, the 9th Census data on districts remains encouraging.

4. Success of Italian District Companies in Foreign Markets and “Made in Italy”

The success of Italian district companies in foreign markets is controversial among industrial-organization scholars. This section aims to show, through empirical literature (although not exhaustive), the resilience, flexibility, and high degree of competitiveness of Italian district companies, which determine their success in international markets.

Industrial districts are very important for Italian exports. In fact, at present, the exports of industrial districts are driving Italian exports, representing more than 60% of the total products exported by Italian industry. The territorial areas with the highest share of exports are those characterized by a strong presence of districts whose firms are driven into foreign markets, because of the specialization in production and the search for wider markets.

In turn, “Made in Italy” products represent the spearhead of Italian exports. “Made in Italy” can be identified as a set of goods strongly associated with the image of the country in the world. In fact, “Made in Italy” is synonymous

with quality, and defined as the set of cultural values and human, technical, scientific, creative and production assets that characterize the Italian production system, involving the manufacturing districts, but also the numerous micro-systems of production geographically distributed in various areas of the country (Schilirò, 2012).

The 2011 Census (Istat, 2015) highlights that main district specializations are those typical of “Made in Italy” – that is, mechanical, textile and clothing, home goods and furniture, leather and footwear, food, goldsmith and jewelry, and musical instruments. The districts of “Made in Italy” total 130, representing 92.2% of the industrial districts of the country.

Undoubtedly the global crisis of 2008, and the competitive pressures exerted by emerging countries on typical district production, have created problems for the Italian districts system, in many cases reducing the localization and performance advantages of district companies (Di Giacinto, Gomellini, & Micucci, 2012; Bentivogli, Quintiliani, & Sabbatini, 2013). However, Cipolletta & De Nardis (2012) and Coltorti (2012), propose a different and less negative assessment of the competitiveness of Italian manufacturing districts and their companies, while acknowledging some critical points. These authors emphasize the importance of skills networks in districts as a strategic asset. In turn, the wealth of expertise fosters significant innovative activity. Of course, not all district companies have been able to react to difficulties, to innovate or possess the skills appropriate to the evolution of the markets. Therefore, many businesses were forced out of the market, with negative effects on employment.

Today, Italian industrial districts are quite different from those studied by Becattini in the 1960s and 1970s. The districts have undergone a transformation in search of more suitable competitive behaviors, with a growing weight of leading companies of greater size, more inclined to innovate and internationalize, and capable of leading the production chain. Thus, a large group of companies, some of which are medium-sized firms, composes the new districts. In addition, Italian industrial districts have international networks in terms of production and distribution (Schilirò, 2011). Furthermore, they tend to privilege a vertical integration to a horizontal integration. However, some fundamental features persist, such as external economies, productive specializations, close relationships with local territories, creativity, and the so-called “Italian taste”. In the districts, the share of firms that export is more than a third (38.4%), well beyond the number of non-district firms (29.4%). In addition, Italian districts have the highest percentage of companies with export activities and internationally registered brands (32.7%), compared to non-district firms (25.8%) (Intesa San Paolo, 2016).

A key factor in the success of Italian district companies in foreign markets is innovation, especially product innovation. In fact, the territorial and productive proximity of district companies favors processes of creating and transmitting knowledge and innovation. Thus, thanks to their productive organization peculiarities, Italian districts express their own potential in situations of greater complexity, uncertainty, and risk, being able to adapt quickly and creatively to sudden changes in the external environment. Nevertheless, the process of innovation within industrial districts follows various paths, depending on the specific sector in which it develops, and on the multifaceted composition of the districts. Furthermore, innovation is strongly influenced by the internationalization process that becomes a stimulus and a constraint at the same time (Schilirò, 2015). Economic literature on innovation has generally confirmed the relationship between sectors and factors such as knowledge, technologies, production processes, demand, and heterogeneous population of firms and institutions (Schilirò, 2012).

An important aspect of small and medium-sized manufacturing firms of Italian districts is that they need workers with higher skill levels. They require specific qualifications that come from a unique synthesis of various kinds of knowledge. These peculiar qualifications reflect highly sophisticated and often exclusive specializations that make the Italian companies highly competitive and attractive in global markets. Unfortunately, the university system in Italy often appears unable to produce human capital adequate to the needs of companies that must compete globally. In addition, intangible capital (i.e., managerial capital, organizational capital, intellectual property, design, brand, and specific skills) plays an essential role and becomes of fundamental importance for accessing global value chains. In fact, Italian district companies export not only finished goods, but also intermediate goods that enter the final exports of companies of other countries, in the complex scenario of global trade. The economic literature that confirms the relevance of intangible capital is extensive, as the studies on the effects on growth (i.e., Corrado, Hulten & Sichel, 2009; Corrado, Haskel, Jona-Lasinio, & Iommi, 2012), or the examination of the relationship between intangible assets and global value chains (Sturgeon, 2013). Other studies concern the analysis of the impact of intangible assets on the success of SMEs (Steenkamp & Kashyap, 2010; Ng & Kee, 2012). But there are also empirical studies on Italian manufacturing SMEs showing a positive relationship between intangibles and firm performance (Cucculelli & Bettinelli, 2015; Cantele & Campedelli, 2016).

A relevant hallmark of Italian industrial districts and their “Made in Italy” products is their capability of showing resilient and lasting competitiveness. According to the survey developed in *Rapporto 2015* by Osservatorio Nazionale Distretti Italiani (2016), Italian district companies, albeit with a wide variety of behaviors and outcomes, have shown a high degree of competitiveness in foreign markets. This strength is the result of complex strategies focused not only on excellent production, increasingly stressing quality more than quantity, but also on an open and complex dialogue with the reference markets. Furthermore, district companies have changed their competitive positioning from cost leadership to differentiation leadership. Therefore, the key to growth in the global scenario is to strive for increasing differentiation, and not just in the strength of the brand name generically defined as “Made in Italy”. Thus, product innovation, loyalty strategies, and direct control of after-sales services abroad are all fundamental levers for the growth of businesses in foreign markets, more significant than the price (Osservatorio Nazionale Distretti Italiani, 2016). Of course, leading or larger companies have taken full advantage of this strategy, more so than the small district firms. One criticism of Italian districts concerns investments, which are very important to boosting exports, but overall considered still inadequate (Osservatorio Nazionale Distretti Italiani, 2016). Another criticism is that the small size of the business is accompanied by family-ownership structure and management practices, often reluctant to assume the risks of innovation and unable to tackle global markets. This is especially true for micro-businesses that have less than 10 employees. Moreover, small companies have difficulty financing themselves due to limitations on bank credit imposed by Basel 3. Indeed, the stock market (Milan Stock Exchange) offers various possibilities for small and medium-sized firms to list in AIM, STAR or even MTA. But the conditions for access to these markets (especially STAR and MTA) are complex and stringent. On the other hand, the venture capital market, which is the specialized financing method to foster the rapid growth of innovative start-ups, is still poorly developed in Italy.

However, generally, the industrial district system confirms its ability to adapt to changing market dynamics. So, Italian industrial districts constitute “economies in motion” (Schilirò, 2012, p. 5), able to emerge and adapt to changing external conditions, and always looking for new markets. These “economies in motion” can shape in new forms the networks on which they stand. Knowledge, expertise, production, and marketing networks have progressively stretched, shifting to new functions as networks for innovation, research, and training.

Marco Fortis, in his book *The Pillars of the Italian Economy* (2016), shows that the ability to withstand challenge and gain significant success in foreign markets remains a key feature for many district firms. In fact, Italy is still a major country in manufacturing, not at all in decline when it comes to international trade. The country is the strongest European manufacturer after Germany and Italy is one of the five G-20 countries, along with China, Germany, Japan and South Korea, in the non-food manufacturing sector. There are 932 Italian products out of a total of 5,117, according to the index devised by Fortis and Corradini to measure the competitive excellence in international trade (Fortis, 2016, p. 9). The index represents positions of excellence in the worldwide trade balance, especially for high value-added “niche” products.

Fortis (2016) identifies the factors of success of the Italian industrial districts in foreign markets. Over time, the Italian districts have become a formidable territorial production machine, gaining advantage from agglomerated economies. Although in the last decade the manufacturing sector has undergone a downsizing, nevertheless, after a process of deep transformation and restructuring, it is still vital. Of course, the winning companies that have successfully overcome the years of crisis are those that have been able to innovate and internationalize and to focus on quality and higher value-added content. Wine, bio-pharmaceuticals, machines and mechanical equipment, and wrapping and packaging, just to name a few, have become the new winning Italian products on global markets. Consequently, “Made in Italy” still represents the excellence of Italian production in the world. According to Fortis (2016, p. 10), the strength of “Made in Italy” derives from the extensive diversification of its specializations (Note 5), driven mainly by the “4F” macro-sectors (Fashion and cosmetics; Food and wine; Furniture and ceramic tiles; Fabricated metal products, machinery and transport equipment), but also by other important sectors such as metallurgy, paper, and chemicals-pharmaceuticals. Creativity, innovation, quality, design, and a strong tradition of “industrial craftsmanship”, (the ability to build customized products for clients), even in the high-tech sectors such as mechanical engineering or transportation vehicles, are the winning factors of “Made in Italy” and Italian SMEs.

Another fundamental aspect concerning the structure of production of Italian districts today is that the Italian economic system has experienced a deep transformation of its industrial specializations, changing the composition of its production among sectors. This deep transformation has been determined by the need to counter Asian competition, especially after the entrance of China into the WTO in 2001.

Product specializations today are very different from what they were 20 years ago. The mechanical engineering sector in particular has become the driving force of “Made in Italy” manufacturing specializations. Thus, the weight of the traditional sectors of fashion and furniture in the manufacturing surplus declined to about 30%, and compared to the past, it is currently composed mainly of higher value-added and luxury items. At the same time, there is a significant increase in the production of metal products and mechanical engineering (which includes equipment and industrial machinery, and home and electrical appliances), and means of transport other than automobiles (such as luxury yachts, cruise ships, and helicopters), but also of high-tech products including chemical, pharmaceutical and cosmetics products. This transformation of specializations has consequently changed the export composition and the content of the trade surplus of Italian firms. In terms of machines and mechanical equipment (excluding metal products), the mechanical engineering sector, in terms of machines and mechanical equipment (excluding metal products), has an export quota that, at present, is almost double of the traditional “Made in Italy” sector (e.g., fashion). Furthermore, as an example, pharmaceuticals were the fastest-growing category of products, up 42.7% in value for the seven-year period 2009–2016 (Fortis, 2016).

Another report – *Economia e Finanza dei Distretti Industriali* (Intesa-San Paolo, 2016) – shows through empirical evidence that the performance of district companies in terms of turnover is better than that of non-district businesses. Many districts have become almost exclusive locations for certain productions. Also, several industrial districts are seeing the return of production previously performed outside the national boundaries (reshoring), which also attracted the interest of foreign multinationals. Italian industrial districts showing better performance are characterized by some common phenomena: propensity to invest in innovation; efficient governance; presence of several leading companies coordinating numerous chains; high autonomy of subcontracting companies; and synergies with universities and research center. Thus, the resilience of business districts able to recover the ground lost during the crisis and return to 2008 sales levels, while firms outside the districts still chase pre-crisis profits, is remarkable.

Finally, in 2016, exports of Made in Italy exceed 400 billion euros. Italian exports in the first quarter of 2017 and the good prospect for the entire 2017–2018 biennium (Intesa-San Paolo, 2017), show the momentum of Italian companies. In fact, exports grow more rapidly than the world average, with export levels and trade balance reaching new records (Istat, 2017). All this confirms the relatively high level of competitiveness of Italian firms, and of industrial districts. It also demonstrates the high flexibility of Italian district companies, and their success in capturing the growth opportunities in the markets, leveraging quality and diversification of production and good inclusion in international supply chains. However, this positive scenario contrasts with the growth rate of the Italian economy and its modest growth in productivity. Consequently, the competitiveness of the country system is lower than that of its industrial enterprises.

5. Conclusions

This paper is a contribution to the debate about the theoretical aspects, the structure, and the competitiveness of Italian industrial districts. The work highlights the theoretical strand on industrial districts, ranging from Marshall to Becattini, and focusing on the contemporary distrettualism of Giacomo Becattini. Moreover, it provides an overview of the Italian industrial districts as the National Statistics Institute represents them in the 2011 Census, offering an updated picture of these important localized productive systems. In addition, the paper proposes an analysis of the Italian district companies in foreign markets, especially for “Made in Italy” productions. The empirical investigations by the Osservatorio Nazionale Distretti (2016), Fortis (2016) and Intesa-SanPaolo (2016, 2017) confirm the ability of Italian manufacturing districts, and the high degree of competitiveness of their companies. The main elements that emerge from the present analysis are the following.

First, since the crisis, Italian districts have undergone a deep transformation of their industrial specializations by adapting to changing external conditions and looking for new markets by gaining advantage from agglomerated economies.

Second, success in foreign markets seems to depend more on a set of factors, given the complexity of the markets, but innovation is undoubtedly a key factor.

Third, district companies have changed their competitive positioning from cost leadership to differentiation leadership. Furthermore, internationalization is the first strategy of successful district companies. Exports have proved to be the pillar of this internationalization process in the past few years. Thus, Italian

manufacturing companies and their “Made in Italy” products are performing well in international trade; district companies are doing even better, compared to non-district firms.

Finally, there is heterogeneity in the performance of the district companies, which depends on sector/specialization, acting as a leader in the value chain, and synergies with universities and research centers. This last factor is important, since it could make districts the new centers of expertise and knowledge, with the effect of further strengthening their competitive capacity.

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Notes

Note 1. The English translation of the article, entitled “Sectors and/or Districts: Some Remarks on the Conceptual Foundations of Industrial Economics” was published in E. Goodman, J. Bamford, and P. Saynor, (1989), *Small firms and industrial districts in Italy*, London: Routledge, pp. 136-152.

Note 2. There is *vertical integration* when each company belonging to the district is specialized in a single stage (or a few stages) of the production cycle. One of the main reasons for vertical integration in districts is the reduction in transaction costs. There is *horizontal integration* instead if the companies of the district carry out similar activities in the same production process.

Note 3. Marco Fortis, “I distretti produttivi e la loro rilevanza nell’economia italiana: alcuni profili di analisi”, in Fortis and Quadrio Curzio (2006).

Note 4. Since 2007, Sicily has experienced the development of productive districts that encompass both industrial districts and districts from non-industrial sectors such as agriculture, wine, and fishing. The productive districts recognized by the Sicilian region were 23, nine of which were industrial districts, but the experience was not very successful (Schilirò, 2010). However, in its 2011 Census, Istat has not acknowledged any industrial district in Sicily.

Note 5. This Fortis thesis is perfectly coherent with that of the Osservatorio Nazionale Distretti Italiani (2016).