Industrial Districts and the Collapse of the Marshallian Model: Looking at the Italian Experience

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In the last 15 years, Italy’s industrial districts (IDs) have been undergoing profound changes. Based on a number of empirical studies, this article analyzes several phenomena now amply evident in Italian IDs, including globalization and its effects on the firm population of each district and its fabric of interorganizational relationships; the impact of immigration on how the social structure and the production structure mutually interpenetrate; the shrinking reproducibility of the entrepreneurial factor; the diversification of the local production structure; an increased concentration of the turnover and workforce within the districts; and a weakening of the fabric of relations between enterprises. The combined effect of these phenomena has been to dismantle the Marshallian model that once characterized the majority of Italian IDs. Given this picture, the article focuses on the directions now being taken by these districts. By systematizing evidence emerging from existing studies on various single districts, we identify four scenarios.

KEYWORDS Marshallian industrial district, industrial atmosphere, cluster, globalization, Italy, global value chain

Introduction

Industrial districts (IDs) have had a fundamental role in the success achieved in the recent past in the so-called ‘made in Italy’ industries. The competitive advantage that these systems were able to guarantee for enterprises localized within their boundaries derived essentially from their Marshallian configuration. Considering the challenges that IDs are facing in these times of globalization, it is worth asking if they still fit the bill for the Marshallian model.
This article explores the changes underway in Italian IDs, conducting a broad review of the empirical literature published on the topic in the last 15 years (1998–2012). The filter used to select the articles and books for our review was the documented presence of major social and economic changes within the district(s) considered, paying particular attention to changes with an impact on their Marshallian features. Some of the studies considered the Italian IDs as a whole, based on certain quantitative variables, for example the district enterprises’ growth and profitability performance indicators. Others analysed a particular phenomenon, such as the immigration of foreign workers to Italy and its regions, but they also contain some interesting comments on the situation of the IDs. The majority of the research that we reviewed focused on single districts, however, or compared different districts that share the same sectorial specialization. Finally, there were also some studies on single enterprises or institutions with a size or role that makes them particularly important to the district in which they operate.

First of all, our review enabled us to identify several recurrent factors that, taken together, show how the Marshallian features of the Italian IDs are disappearing. To be precise, these factors include globalization and its effects on the firm population of IDs and their fabric of interorganizational relationships; the emergence of a multi-ethnic society within the districts; the sociocultural discontinuity induced by the generational turnover; and greater industry heterogeneity of the production structure of the district territories. The second aspect emerging from our analysis was that we were able to identify evolutionary models to use in interpreting the variety of the district cases studied. More specifically, we identified four directions in which the Italian IDs, no longer of the Marshallian type, are moving: a general decline of the district; its transformation into an ‘oligopoly’; its reproduction in a hierarchical form; or its reproduction in a local–global or ‘glocal’ form.

Before discussing the results of our review in more detail (in the third section), for the sake of clarity, in the second section we underscore the differences between three concepts that are often used interchangeably — that is, Marshallian industrial district, industrial district (in a more general sense) and cluster.

**(Marshallian) industrial districts and clusters: similarities and differences**

Industrial districts are not homogeneous. The numerous empirical studies on single districts nonetheless enable us to identify several common characteristics. IDs occupy a circumscribed territorial area that contains a population of manufacturing and service enterprises operating in the same business field, but having different specializations and being interconnected by relationships (Becattini, 1990). IDs are formed by firms of different dimensions, but the division of labour among them gives rise to a numerically marked prevalence of smaller businesses. Institutional players (both public and private) generally operate in IDs too, generating positive externalities for the local enterprises, particularly through social regulatory measures, the provision of public infrastructure, the production of services and the implementation of projects for the district’s development (Storper, 1993).

Each district population is characterized by a category of end products, such as the ceramic tiles in the districts of Sassuolo in Italy and Castellon in Spain. In addition
to this horizontal dimension, to adequately describe the population of firms in an ID, we must also consider a vertical dimension along which the firms are distributed, occupying the various stages in the supply chain (Maskell, 2001). Firms operating in the districts generate a considerable variety of inputs, from the semi-processed parts and components needed in the various specialized stages of the production processes characteristic of the district, to the materials, machine tools and other technologies used in these processes and various types of services. The district’s horizontal dimension unfolds instead at each step in the supply chain, where we find enterprises that tend to produce the same type of output and are consequently in competition with one another.

When Alfred Marshall (1890, 1919), the father of the industrial district concept, was looking at the industrial area of Sheffield in the latter half of the nineteenth century, he recognized exactly the same elements as we find in the modern definition of ID — that is, a specific territory, a given business area, a population of firms and a web of relationships between the firms belonging to this population. To these distinctive elements, he added a strong interpenetration between the production domain and the social domain, or between a population of firms and a community of people, to put it in the words of Giacomo Becattini, the economist who rediscovered the traits of the Marshallian IDs in the Prato textile district in Tuscany in the 1970s. To be more precise, Becattini (1990) defined the Marshallian ID as a socioeconomic entity characterized by the interpenetration of a community of people and a population of firms, and specified that the Marshallian form of ID occupies a geographically circumscribed, naturally and historically bounded area that enables production activities and daily life to overlap. Making use of the multifaceted concept of proximity, in Marshallian IDs, geographical proximity coincides with social and cultural proximity (Boschma, 2005; Knoben & Oerlemans, 2006).

The strong link between the manufacturing structure characteristic of a district and the social structure of the district territory (for the sake of brevity, we can call this the communitarian factor) is very important in the theory of IDs developed first by Marshall and later fine-tuned by Becattini and his school, since it attributed the capacity to reduce frictions (transaction costs) in the relationships between the actors located within the district (Dei Ottati, 2003). The same factor facilitates the circulation of knowledge in the local setting and the consequent formation, returning to the effective metaphor coined by Marshall (1890), of an ‘industrial atmosphere’. Ultimately, it is the communitarian factor that is the distinctive trait of the Marshallian variant of the industrial district (Markusen, 1996).

The power of the communitarian factor, which some authors have also termed ‘collective identity’ (for example, Sammarra & Biggiero, 2001), is thus derived from its positive effects on the competitive advantage of the single enterprises located within a given district. Marshall effectively summarized this complex causal relationship in his concept of external economies — outside the firm, but inside the district system in which the firm operates (Asheim, 1996). In other words, geographical proximity to a number of potential suppliers of inputs for the firm and/or potential buyers of its outputs is not enough to generate external economies; proximity between these players has to be simultaneously geographical, social and cultural — that is, exchanges between firms have to take place within a context characterized by a shared language, common values and meanings, and implicit rules of behaviour.
This set of elements — or the communitarian factor — facilitates mutual understanding between people activating and managing any interorganizational relationship within the district, and this, in turn, reduces the transaction costs and improves the transfer and co-production of knowledge.

The interpenetration that explains the communitarian factor is not easy to create or reproduce. For a start, it demands a territorial area that is substantially homogeneous from the sociocultural standpoint (a community of people), which is the outcome of a process that takes time. In addition, this social structure must innervate a production structure that is fairly homogeneous from the sectorial standpoint. The district-specific production activities must consequently represent a significant portion of the area’s whole production structure.

In order to complete the explanation of how the competitive advantage of the Marshallian industrial districts — or, better yet, of the firms located within these spatial contexts — takes place, it is important to remember that the communitarian factor impacts local interorganizational relationships. In turn, the network structure of the district implies that the production structure is fragmented with regard to the size of the businesses; the district’s production resources must not be concentrated in one or just a handful of large enterprises.

Considering that Marshallian IDs are a subcategory of IDs, it is worth asking what the difference is between these and the clusters, as defined by Porter (1998) — that is, geographical concentrations of interconnected companies and institutions in a particular field. Even if, in the literature, the two terms — industrial districts and clusters — are often used synonymously, there is a difference, and it is by no means negligible. Porter disregarded the spatial dimension of his clusters; among the many examples he provided, several covered the territory of a whole state, such as California, or country, such as Sweden, whereas the IDs studied in Italy and other European countries always occupied far more limited areas. Clearly, clusters represent a larger and more heterogeneous group than industrial districts. It is surprising, therefore, that Porter mentioned the communitarian factor as a source of competitive advantage for firms localized in clusters. The author drew inspiration from the earlier works of Marshall and Becattini, whom he considered the historical predecessors of his approach. However, the view that the communitarian factor is at work in every cluster is an oversimplified generalization, and the concept makes less and less sense the larger the spatial dimension of the cluster. Such a homogenization of very different forms of spatial organization of production, carried out by an influential scholar such as Porter, has fascinated many authors and created a great deal of misunderstanding both in the literature and in the industrial policy debate.

Figure 1 summarizes the differences between the concepts of cluster, industrial district and Marshallian industrial district: the industrial district is a cluster extended over a limited territory, and the Marshallian industrial district is a district permeated by communitarian elements.

Why the Marshallian model of industrial district has now run its course

After the pioneering study by Becattini, and after Piore and Sabel’s (1984) argument in favour of the ‘flexible specialization’ of IDs as an efficient alternative to mass
production by large-scale enterprises, a vast amount of literature was published on IDs. Numerous empirical studies convincingly applied Marshall and Becattini’s theoretical approach to a broad array of district systems in Italy and elsewhere. Such interest in the topic stemmed from the district model’s success, particularly in Italy. For a long time, from the 1970s until the first half of the 1990s, IDs and their sizable populations of small and medium-sized firms were an important, dynamic component of the Italian economy. Given their considerable weight in the country’s manufacturing industry (Marangoni & Solari, 2006), it is undeniable that ‘districtuality’ was a decisive factor in explaining the success of Italian goods on the international market up until the mid-1990s.

However, the Italian IDs have changed profoundly in the last 15 years. The studies that we considered in our review document these changes both in single districts and for the IDs as a whole.1 A significant portion of these studies focuses on the impact that globalization had on IDs, while the most recent also considered the world recession that began at the end of 2008 (see the sub-section below). The combined effect has led to a formidable increase in the pressure of competition, accelerating the transition of IDs that is underway and inducing a tougher selection at the enterprise level. Some studies (see the second, third and fourth sub-sections below) suggested that other factors are in place that foster the transformation of the districts: the impact of immigration on the interpenetration between the social sphere and the production sphere; the cultural discontinuity induced by the generational turnover; and the diversification of the local production structure. All these separate phenomena are interwoven and jointly shake the very foundations of the Marshallian-style district and even the structure of the industrial district in a more general sense.

**Figure 1** Clusters, industrial districts and Marshallian industrial districts.
Industrial districts and globalization

All the IDs in the ‘old’ world, including Italy, have had to come to terms with a formidable intensification of competition on a global scale since the arrival on the world market of a number of new countries capable of offering a vast range of intermediate and end products at competitive production costs. It is noteworthy that the more recently industrialized countries have often arrived on the scene thanks to the development of industrial districts or clusters, as in numerous cases studied in Eastern European, North African, Asian and South American countries (Cammett, 2006).

The globalization of production has had two different effects, both clearly apparent in the current picture of the Italian IDs. On the one hand, as a result of the combined influence of higher company mortality and lower company birth rates, there has been a depletion in the number of firms operating in the districts. These dynamics are consistent with those observed in Italian manufacturing as a whole, but they are accentuated in the IDs (Migliardi & Revelli, 2011). On the other hand, in today’s increasingly difficult competitive setting, the more forward-thinking and capable district firms have known how to react and have even succeeded in growing. Their growth has often been of the external type, through the acquisition of other local firms (Cainelli et al., 2006).

The joint effect of the two above-described changes — in terms of the consistency and structure of the demographic stocks — has been a significant increase in the concentration within the IDs of both the turnover and the workforce (Iuzzolino & Menon, 2011). This greater concentration is in conflict with the reproducibility of the ID structure that — even if some larger trees are admitted within the forest, to quote a famous metaphor of Marshall’s (1890) — is mostly constituted by a large number of small and very small firms (the forest indeed). But a greater concentration associated with a high firm mortality rate also impacts the Marshallian character of the district, in that the sense of belonging to the district, considered as a community, fades among local actors.

Another important element of change concerns the fabric of relationships between district firms. In the process that has led to a new international division of labour and the creation of global value chains (Gereffi et al., 2005), the role played by the Italian districts has been active in some ways and passive in others. The opportunity to exploit a favourable differential in the production costs has ultimately driven many district firms — starting with the leading firms — to transfer their own production activities or their supply chain relations abroad in various forms, particularly through supply agreements and the creation of joint ventures in production, or proprietary investment in production plants or subsidiaries. A vast body of empirical research based on quantitative analyses or case studies has documented the internationalization of Italian district firms’ production (Chiarvesio & Di Maria, 2009; Chiarvesio et al., 2010; Cutrini, 2011; De Propris et al., 2008; Grandinetti et al., 2009; Lazerson & Lorenzoni, 2008; Sammarra & Belussi, 2006; Tattara et al., 2006). By exploiting the opportunity to access geographical areas with lower production costs, Italian manufacturing firms also reacted to Italy’s entrance to the Eurozone between 1999 and 2002, which put a stop to the periodic depreciation of the national currency that was used as a ploy to increase the competitiveness of Italian products on international markets. On the whole, the decision to produce or supply abroad has led to a
marked reduction in the number and value of the supply relationships within the Italian IDs, the greatest effect being in the cases in which such decisions involved district-leading firms (Rabellotti et al., 2009).

Broadening our horizon from production operations to the whole set of activities comprising the value network of a firm, for the more dynamic district firms globalization has meant an expansion of the spatial horizon in which to define their strategies and consequently locate their proprietary investments or relationships with other parties.

Internationalization has primarily involved the districts’ leader firms, as explained in numerous publications (Alberti et al., 2008; Albino et al., 1999; Belussi & Sedita, 2009; Camuffo, 2003; Chiarvesio et al., 2004; Corò & Grandinetti, 1999; Furlan & Grandinetti, 2011; Gottardi, 2009; Lazerson & Lorenzoni, 2008; Lorenzoni & Lipparini, 1999; Nassimbeni, 2003; Piscitello & Sgobbi, 2003). These enterprises have not only identified places abroad where they can make or buy more conveniently, as mentioned earlier; they have also spent a great deal of effort penetrating their markets. In particular, they have expanded the number of country markets where they operate and invested in the more important markets by creating joint commercial ventures, branches, and subsidiaries. Some firms have also created or acquired retail chains, which are either directly owned or, more often than not, in the form of franchising networks. Again, on an international scale, or outside the confines of the ID at least, leader firms have also established relations with suppliers of strategic services and close alliances with partners in their own or related sectors. From the cognitive standpoint, they have expanded and extended the channels for accessing the knowledge they need to defend their competitive advantage.

In short, the processes of growth that have characterized the leading companies in IDs have reached beyond district boundaries, in terms of both these organizations’ proprietary activities and the relationships that they exploit. In the spatial configuration of both these types of growth, the intra-district portion has been severely downsized, while the extra-district portion has been expanded. This gradual fading of the local network undermines the survival of all IDs, not just those that are Marshallian in character. Nonetheless, as for the demographic effect described above, we can hypothesize a specific effect on the Marshallian configuration since the global strategies adopted by district-leading companies created a considerable cultural distance with respect to the firms that remained embedded in the local context, impoverishing the communitarian factor.

Migrant workers and entrepreneurs
As discussed, the interpenetration between social structure (the population or, better, the community of people) and production structure (the population of firms) lies at the very heart of the Marshallian variant of the ID. This is a mix of various ingredients — a common language, shared values, meanings and customs (Dei Ottati, 2003) — that have a mutually reinforcing influence in awarding a differential advantage to relations developed within the district environment. Reasoning in terms of identity, the people working in the local enterprises and institutions feel that they belong to the same community, which implies that these individuals have a strong social and cultural homogeneity (Sammarrà & Biggiero, 2001). Without this sociocultural
homogeneity, there can be no community (identity) factor and, without the latter, there can be no Marshallian district.

The reproducibility of the district in the Marshallian sense has had to come to terms with the phenomenon of migrant workers, whose numbers in Italy have increased enormously since the turn of the century. When the country’s IDs had already almost exhausted their capacity for expansion in occupational terms, the need for less-skilled workers in low-paying jobs was met by the arrival of immigrants (Murat & Paba, 2006). This phenomenon affected to a greater or lesser degree all the IDs, most significantly in cases such as the Arzignano tanning district in the Veneto region (Belussi & Sedita, 2010). As a result, the workforce in the IDs became increasingly multi-ethnic and heterogeneous from one district to another in terms of both the proportion of foreigners out of the total number of workers and the nationality prevailing amongst the immigrants. This last aspect was the result of an embryonic community forming in a given ID, which would gradually take root and actively facilitate the arrival of other members of the same ethnic group (Ambrosini, 2006). In the multi-ethnic (and multi-identity) districts, interaction between the various communities is very limited, as shown in a recent study by Carillo and Dessy (2012).

There are also signs of immigrant entrepreneurs becoming established in various IDs. A particular case concerns the textile district in Prato (Dei Ottati, 2009; Santini et al., 2011), which was the first area to be studied in Italy as a ‘perfect’ example of the Marshallian district; but this phenomenon has also become fairly obvious in other districts. Chinese businesses represent the numerically largest foreign component in today’s Italian IDs and, ironically, as some have already noted, the set of Chinese enterprises in a given district relies on a strong communitarian factor that favours much more intensive cooperative relationships between themselves than can be seen nowadays amongst the other firms in the district (Calvosa, 2006).

Industrial districts and the test of the generational turnover

The ‘golden age’ of Italy’s IDs occupied the space of two generations that were essentially homogeneous in cultural terms and values. This homogeneity succeeded in smoothing out the differences between social classes, as Bagnasco (1988) explained when studying the IDs in Tuscany in the mid-1980s. As the author recalled, between the blue-collar workers (who lacked the features of a proletariat because of their personal autonomy and family resources), the craftsmen, the small entrepreneurs and, finally, the medium entrepreneurs, there was a sociocultural continuum that allowed for interactions between people occupying different socioeconomic steps and facilitated their mobility from one step to another.

This homogeneity has gradually dissolved over time, eroding the very foundations of the Marshallian edifice. In fact, combined with the effects of the above-mentioned migratory phenomena, there is the influence of the generational turnover. Let us consider, in particular, the problem of succession at the head of very small family businesses, and that of the generation of new ventures.

The young people who have latterly been faced with the problem of succession in their family businesses are not like their parents. They have the expectations of a generation that has grown up in a state of relative economic prosperity; they are generally better educated; and they have different experience and relationships capital, and a system of values that does not disregard, but neither does it entirely accept,
their parents’ work ethic. Given this cultural change, investing their future in the family business has become an increasingly less obvious choice and the once unprecedented problem of succession has gradually become crucial (Cerea, 2010; Nazzaro & Ugolini, 2003; Provasi, 1999). In fact, the potential successors may see this opportunity as falling short of their expectations because the business may be too small and have few prospects for growth.

IDs have always been characterized by a high company birth rate, which has been able to balance their equally high mortality rate and, in times of growing demand for the district’s products, the former exceeded the latter. The fertility typical of these systems was particularly fed by spinoffs — that is, ex-employees setting up their own companies, sometimes at least initially in conditions of economic marginality, but always sustained by values amply shared by the local community. However, this tendency to ‘go a step further’ has also changed in the last 15 years. For various reasons, there has been a marked decrease in the number of new companies established. As we shall discuss later on, globalization has drastically reduced the opportunities for new ventures in the manufacturing districts of the ‘old’ world. It is worth mentioning at this point that, from the sociocultural standpoint, generational turnover has also meant that setting up your own business is no longer viewed with the same widespread approval of the local community as it was in the past (Cucca, 2010; De Marchi & Grandinetti, 2012).

From industrial districts to diversified local systems

One of the reasons why the Marshallian districts developed over time was because the range of end products manufactured by the district’s firms could be enlarged thanks to the pioneering action of a few enterprises, which began to develop the district’s typical products using different materials, or because they introduced new types of products (new to the district or even to the market). This concentric diversification gradually prompted a more or less extensive change in all the Italian IDs, without altering their Marshallian nature. Available studies suggest, however, that the concentric diversification vein has recently run dry, making way for two very different trends. On the one hand, the set of activities involved in the business area identifying the specialization of a given district has shrunk. On the other, a reduction in the number of firms and employees involved in the district’s characteristic activities has been accompanied, and probably also stimulated by, the development of other sectors related, for instance, to tourism (Grandinetti & De Marchi, 2012).

Such a non-concentric diversification in activities that have no affinities or links with the system of firms and institutions comprising a particular district’s specialization — or the cluster’s specific field, as Porter (1998) put it — has had a healthy effect on the territories involved, but not on the reproducibility of the Marshallian model within their IDs. In fact, the interpenetration between the production and social spheres that is the life breath of the Marshallian model demands not only a homogeneous social structure (as previously mentioned) but also a dominance of the district specialization in the local production structure, as Becattini (1990) emphasized.

Figure 2 summarizes the discussion of the factors impacting the transformation of IDs. All of these have a negative impact on the communitarian factor and, therefore, on the Marshallian character of IDs. The contributions considered in our literature
review suggest, therefore, that the industrial atmosphere that characterized the Italian IDs of the past has dissolved and that the Marshallian model has collapsed. If this is the case, then, considering a certain industry, a generic district firm should not enjoy a differential advantage with respect to a generic non-district firm. This has been demonstrated directly by some recent studies comparing the performance of district and non-district firms in north-eastern Italy (the area with the greatest abundance of IDs), and focusing on firms’ profitability (Iuzzolino & Menon, 2011) or growth performance (De Marchi & Grandinetti, 2012).

Evolutionary trajectories of the industrial districts beyond the Marshallian model

The Marshallian model is not representative of all IDs. In dynamic terms, a district that loses its Marshallian features may also lose the more general features of an ID, or it may reproduce itself as a (non-Marshallian) ID. Considering the role that IDs played in economies such as that of Italy, it becomes important to see where the Italian IDs are going (Rabellotti et al., 2009). A number of studies among those considered in our review provide some useful information and ideas to help us sketch several evolutionary scenarios. We categorize such trajectories according to four variables: (1) the stock of firms in a district, (2) the number of interorganizational relationships or network density, (3) the presence or absence of leading firms, and (4) the presence or absence of other dynamic district organizations.

As reported in Figure 2, the generational turnover and globalization (global competition and global strategies of district-leading firms) negatively impact IDs, both in terms of populations of firms and networks. The greater the intensity of these negative effects on an ID, the less the likelihood there is that it will be able to reproduce
the district features. As far as leading firms are concerned, the review of the literature suggested that there are cases in which they exit the district network completely and others in which relationships with district firms are still in place, which is often the case when such firms hold competencies that are not easily found elsewhere (Camuffo & Grandinetti, 2011). The leading firms of the gold jewellery districts, as described by De Marchi et al. (forthcoming), offer interesting examples of these opposite trends. At the beginning of the last century, Uno-A-Erre, the leading firm of the Arezzo district, moved its supply from the district to Mediterranean countries, which had a stark impact on the district itself, while Damiani, the leading firm of the Valenza Po district, kept sourcing the highly skilled artisans based in the district, but became more selective.

The fourth variable is the presence or absence of district organizations (other than leading firms) that are dynamic as global players, which we included in the analysis based on studies that suggested this presence. More precisely, such organizations include small firms that have succeeded in occupying a sustainable niche in the global market (Corò & Grandinetti, 1999); subcontracting firms that have responded to the threat of globalization by operating internationally themselves (Bocconcelli & Tunisini, 2001; Furlan et al., 2009); private or public suppliers of knowledge-intensive business services that have not remained ‘prisoners’ of local demand (Camuffo & Grandinetti, 2011; Di Maria et al., 2012); and manufacturers of machine tools, that were among the first district firms not positioned at the end of the district’s supply chain to embark with conviction on the road to internationalization (Rolfo & Calabrese, 2006). The larger the set of those actors, the greater the likelihood that the IDs will reproduce, on condition that they maintain relations within the district.

The focus on leading firms (and other dynamic actors) points to the presence of a significant heterogeneity between firms in the districts, a concept already highlighted in the literature (Giuliani, 2007; Ter Wal & Boschma, 2011). Our analysis suggests that such heterogeneity is also related to where the interorganizational relationships that these actors establish are located; namely, inside or outside the district. In this way, the heterogeneity among firms is the basis for understanding the heterogeneity among districts.

Based on the above-mentioned variables and their modalities, the trajectories of change underway in the IDs can be classified under four different models (Table 1):

1. decline
2. oligopolization
3. hierarchization
4. ‘glocal’ reproduction.

| TABLE 1 |
| PATTERNS OF ITALIAN INDUSTRIAL DISTRICTS |

<table>
<thead>
<tr>
<th>Stock of firms</th>
<th>Leading firms</th>
<th>Other dynamic actors</th>
<th>Interorganizational relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decline</td>
<td>Collapse</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Oligopolization</td>
<td>Collapse</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Hierarchization</td>
<td>Contraction</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Glocal reproduction</td>
<td>Contraction</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
IDs that have entered a phase of decline are coming to the end of their life cycle, not because this is inevitable, but because they do not have the quantity, quality and variety of resources needed to reverse this decline (Corò & Grandinetti, 2001). The most obvious indicator of a situation of this type is a very marked decrease in the number of district enterprises. In parallel with this process, the relational fabric becomes ‘threadbare’ and the district no longer has any actors that can be dynamic from the competitive standpoint (be they leading firms, small enterprises in a niche market or other parties). This coincides with a loss of the pioneers of innovation and knowledge gatekeepers capable of keeping the district connected to the global environment. The gold jewellery district of Vicenza (De Marchi et al., forthcoming) and the textile district of Como (Alberti, 2006) exemplify this trajectory. It is worth emphasizing here that an ID’s decline does not necessarily mean an economic decline for the area in which it is located. This is all the more true, the more the downsizing of the district’s specialization coincides with more multi-sectoral development, as described previously.

In common with the first, the second scenario involves a marked depletion of the population of district enterprises and a weakening of the network of interorganizational relationships. It differs in that some of the players are dynamic on the competitive plane, but they are numerically limited to a few leading companies whose value network has a distinctly international focus. Borrowing from the terminology of industrial organization, we can label this model a district oligopolization. This term indicates the transition of a system of resources and competencies distributed among a plurality of interdependent actors (that is, the district) to a system of resources and competencies concentrated in a few business groups that are not interconnected. The latter remains, while the district tends to disappear. The most evident example of this scenario is the Belluno eyewear district (Campagnolo & Camuffo, 2011), where it seems that the population of district firms is being replaced by an oligopoly comprising a few business groups — including Luxottica, the world leader in this market — that are vertically integrated or connected to an international network of suppliers.

The third scenario that our review brought to light can be summarized as follows: faced with a strong concentration of the turnover and workforce, the district tends to reproduce itself in a smaller form, ‘in the shadow’ of the leading firms. This hierarchization process has been seen particularly in the ceramic tiles district in Sassuolo, Emilia-Romagna, where a few major players organize a select, but still clearly identifiable, network of local suppliers (Bursi & Nardin, 2008). In cases like this, we can speak of a hierarchized district, which is a different picture from the oligopolized district described above. It is worth adding that the hierarchized district — which, according to the Italian experience, represents an evolution of the Marshallian form — resembles the type of ID that Markusen (1996) called ‘hub-and-spoke’, where one large firm or a handful of key firms acts as anchors for suppliers and other related businesses.

Finally, there are districts that continue to reproduce themselves, but not in the hierarchized form of the previous scenario. In this case, the dynamic players are relatively numerous and varied, from leading manufacturing companies to providers of knowledge-intensive business services, and they maintain relations (albeit selectively) within their district. They can thus act as knowledge gatekeepers between the district,
or better part of it, and the global network where much of the knowledge relevant to
the sector in which the district specializes is generated, circulated and used (Boschma
& Ter Wal, 2007). Like the hierarchized districts, these systems are necessarily subject
to strong competition and consequently experience a contraction in the population of
firms; but this is not as severe as in the first and second scenarios considered. These
districts can thus be seen as local concentrations of organizations and interorganiza-
tional relationships (local networks) extensively interconnected by means of interor-
ganizational relations with other external actors (global networks). In terms of the
number of nodes and the relationships between them, the local networks are less
dense than in the past, but the district firms’ networks of external relationships are
more developed than before. Each of the districts that fits this bill has its own
particular features, depending partly on the sector, partly on the district’s history and
partly on the more recent strategic choices made by single enterprises within it. The
distinctive traits that these districts have in common, however, amidst the universe of
districts undergoing change, suggest that they could be described as ‘glocal’ districts.
This is the case, for example, of the footwear district of the Riviera del Brenta
(Amighini & Rabellotti, 2006) and of the biomedical district of Mirandola
(Sammarra, 2003). In both cases, leading firms have favoured the creation of strong
links with actors located outside the district (and also outside Italy), which supported
the development of innovation and management skills and the ability to enter global
value chains.

Concluding remarks

Our empirical literature review on recent changes in Italian IDs has primarily dem-
onstrated that their evolving situation cannot be interpreted on the basis of Marshall’s
theoretical approach. It has also become clear that in Italy, the country with the larg-
est abundance of IDs, the future destinies of these systems are likely to differ consid-
erably. Some of them have entered into a phase of decline, and some are losing their
‘district’ features. Others are reproducing themselves in another, non-Marshallian
district form with two clearly distinct variants: the hierarchized district and the glocal
district. Such results have important implications for the research field but also for
policy making, especially if we consider that, in Italy, ID policies tend to assume
the existence of just one unique model (the Marshallian model) as their reference
point — a model that is no longer able to represent the majority of real districts,
considering the several transformations that have taken place in recent years.

Our analysis is based on empirical investigations conducted for various purposes
and using different methods, and it is of an exploratory nature. Our findings — that
the Marshallian model is being superseded and the IDs have embarked on different
evolutionary trajectories — encourage us to expand the scope of our research and to
adopt a more solid methodological approach. In particular, we could conduct a quan-
titative study on a large number of districts belonging to different sectors with a view
to testing the results of our exploratory investigation. It would also be interesting to
broaden our horizon to include other countries with documented Marshallian IDs,
such as Spain (Ybarra, 2009).
Our study has a more important implication for the field of research on IDs: given the changes that have taken place, to understand the competitive dynamics affecting a given ID, wherever it may be located, we need to place the analysis within the framework of the global value chain of which the district is a part. This analytical stance has often been taken to explain the upgrading processes seen in several clusters in developing countries, and Latin America in particular (Bair & Gereffi, 2001; Giuliani et al., 2005; Humphrey & Schmitz, 2002; Pérez Sáinz, 2003). The global value chain perspective has only been used quite recently to analyse the IDs of Europe, confirming its utility when it comes to understanding the competitive position of IDs and how it has changed over time (Amighini & Rabellotti, 2006; Belussi & Samarra, 2010; De Marchi et al., forthcoming; Hervás-Oliver et al., 2008).

As for our contribution, in both the models in which the district configuration can be reproduced — that is, in the hierarchized and the glocal districts — a fundamental part is played by a certain number of district companies that have proved capable of becoming global–local players. The competitive space in which these enterprises have defined their strategic moves is the global value chain, and the district in which they are located (or have their headquarters) accounts for only a limited portion of this chain. The global value chain perspective provides a framework for distinguishing between the hierarchized and the glocal district model. In the former, the district functions as a local network captive of a few leading firms that operate as glocal actors in the global value chain; in the latter, it is the district that is glocal, operating as an open local network in which a plurality of organizations move independently in the competitive space of the global value chain.

In short, before we can thoroughly understand clusters, we need to be ‘on the outside’ of them, as demonstrated by the contributions of Humphrey and Schmitz (2002) and Sturgeon et al. (2008), and the same applies to the ex-Marshallian districts, as the present study has demonstrated.

Notes

1 Eighty-five papers and books are included in the review, 51 of which are mentioned in this article. The overall list of papers is available upon request.

2 An organization fulfils the role of global–local gatekeeper if it has an effective absorptive capacity — that is, the capacity to monitor, assess, assimilate and use the knowledge circulating in the global circuits that might be useful to the organization (Cohen & Levinthal, 1990) — while also transferring at least a part of the knowledge it absorbs to its local context (Grandinetti, 2011; Morrison, 2008).

References


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