Chapter IV

Italian Industrial Districts: Nature, Structure, and Value Creation

Paola Falcone, University of Rome “La Sapienza,” Italy

Abstract

The high performance levels gained by firms of Italian industrial districts raised both the international economic and managerial scientific communities’ interest and stimulated the production of a series of research studies concerning the micro as well as the macro level of analysis. This chapter aims to identify, describe, and interpret the phenomenon of Italian industrial districts with a specific focus on the analysis of the sources and the forms of value creation in light of the last 30 years of scientific research.

Introduction

During the last 30 years, Italian districts have raised a growing international interest supported by publications and study tours; they have been proposed as a model of industrial organization, an alternative to those that are dominant in mainstream managerial theory. The
main reason for interest was the analysis of economic results gained by district firms, higher than the ones obtained by similar nondistrict firms. By a more detailed analysis, theorists discovered that the most interesting thing was in the way these results were obtained. Many authors (e.g., Piore & Sabel, 1984), following Marshall’s analysis (1919), were specifically fascinated by the flexible specialization implemented within districts as well as by the way buyer-seller relationships and even those among competing firms were managed. Italian industrial districts proposed a new spatial organization and a new type of value creation (Porter, 1984; 1998) that was different from both vertical integration (Chandler, 1977) and markets (Williamson, 1979).

Small firms that are disadvantaged by the small size in the competition in the district become competitive for the exploitation of external economies that are obtained through a work division (Berger & Locke, 2000; Marshall, 1919; Rullani, 2003) and connected specialization. The value created inside Italian districts appeared interesting both by a single-firm point of view (competitive advantage and value created) and by a systemic one (revenues, employment).

For these reasons, the chapter intends to analyze models and history in Italian industrial districts in light of more than 30 years of research and meanwhile produced upon them. It specifically focuses on the identification, description, and interpretation of value creation forms within districts and their sustainability throughout time.

The first part of the chapter aims to analyze the basic elements of districts, such as their main characteristics, their players, different types of districts, and the steps of their life cycle. After this introduction to districts, the chapter deals with the value creation, commenting on some data and analyzing the drivers of their growth and how district firms have been able to exploit these factors. The third part describes the changes that have occurred during the last 10 years and the consequences they have had on district developments in terms of competitiveness. At the end of the chapter, some possible future actions in order to face these changes are traced.

---

**Italian Industrial Districts: An Overview**

**Defining the Italian Industrial District Through Its Components and Main Characteristics**

Becattini (1991) describes the Italian industrial district as a socioterritorial entity “characterized by an active comprosence of a community of people and firms population on a naturally and historically specific area” (author’s translation). Pyke and Sengenberger (1992) define Italian industrial districts as “composed of geographically concentrated small and medium sized firms targeting their products at the upper market segment where they possess a competitive advantage regarding their flexibility and specialization. This advantage is obtained through decentralised production in specialist firms with vertical cooperation and