

Districts and Globalization

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In recent years industrial districts have been at the center of economic debate nationally and internationally as a model that combines production flexibility and organizational coordination through the territory and its social and historical sediment. In the static competitive environment of the past the districts showed a high competitive capacity. It was an environment where forms of adaptive learning, characterized by “stimulus-response” behaviour, were sufficiently differential to create competitive advantage.

Internal dynamics of the district generated endogenous innovation, which used to be the main source of competitiveness. Improvements within the district were essentially incremental, not systematic. However, now companies and districts must plan their development processes according to the logic of internationalisation in an increasingly complex competitive environment.

This requires that the districts should move from the adaptive logic, as it has always been, to a proactive logic. The flexibility of the district was one of the competitive advantages of the model, but now strategic choices are needed. Districts need to implement policies to support the repositioning of the district within the overall logic, conducted both by local institutions and companies. They need to include human resources and the degree of innovation. The entrepreneurial culture within a district needs investments in equipment as well, and also in the training of personnel already in the company or new acquisitions. The repositioning of the traditional product, as well as new products, requiring quotas of innovation that add greater value to the good. The investment, as well as human resources, must therefore also be directed to research.

The move from an adaptive approach to proactive requires districts to develop new strategies based on the ability to enrich their products with increasing amounts of information and scientific and technological advances. The key is to increase the value incorporated into products, and essentially move from “extensive” product development model to “intensive”.

Understanding the dynamics of Italian industrial districts is a precondition for crafting effective support policies. The districts in the past were characterized by peculiar headlessness – lack of a centralized decision-making center. Instead, a sum of individual decisions became widespread policy. To meet the challenge that this presents the entrepreneur, this main actor of the process must be empowered to pursue his vocation to the business idea, supporting it with the introduction of

professional management and creating opportunities for targeted training. All this aims to support his propensity to develop strategic innovation. These trends can be summarized as follows:

- **The shift to a system governed by knowledge:** the gradual overcoming of the Marshallian configuration of the district and move towards an open network configuration, i.e. a local network integrated into global networks of production, circulation and use of knowledge. This will be a new system governed by knowledge, where the critical resource is the ability to manage global information flows and to be able to communicate through language and scientific-technological complex organizational forms of government.
- The role of *cooperative networks* between employers and trustees of the district, pluralistic organization of the production process, cooperative relationships between enterprises needs to be investigated. Districts need to understand the significance and accumulation of **social capital** within the district and how it affects the dynamics of local interaction.
- **The significance of emerging framework of services** that act as a cognitive interface between the local environment and extensive global networks, with the establishment agencies to institutionalize districts to provide companies specific support for enterprises and mechanisms of competition and cooperation.

In conclusion, in addition to the foregoing reasoning and reflecting the great changes that are affecting and facing industrial districts in their immediate future, it seems appropriate to emphasize the need for the districts and their actors to find the will and consent to aggregate and pursue the general interests of the territory.

When you consider tangible or intangible investments in research, training or infrastructure, we lack personal boldness and institutions or entities capable of acting as catalysts needed to break the vicious circle. These vicious circles that block the ability of spontaneous evolution of the current system are a source of further growing unease within the districts. The future of the districts is shrouded by a whole series of questions that are as heavy as boulders. Economic history reminds us that industrial districts evolve or disappear, as can happen to any other organizational model. See for example the English experience of the late nineteenth and early twentieth century.

Fortunately, many others besides me believe that within the "DNA" of the most important and longest established Italian districts there are skills and human resources for economic and technical response. Certainly the extensive growth phase is over now and the districts by themselves alone are unable to instinctively field an adequate response to the challenges they face. If we want to preserve the "heritage" of these districts, it's time to move from words to action in terms of concrete policies

for the districts. These policies relate to the themes so far mentioned. Furthermore, unless businesses leaders innovate, go international or invest in training, they will hardly make a living from micro-derived demand. Financial institutions, too, will have to be involved in the local development process through innovative tools, or the districts will lack a fundamental element in their repositioning.

Spontaneity, which used to fuel the growth the growth and evolution of clusters, must be combined with a redefinition of institutional actors to match the changing context of production, tailored to the needs of local businesses and the original mechanisms of competition and cooperation. This will help protect the capital and networks that are typical of our districts.

Districts, for their part, must reinvest in themselves through a sort of "maintenance of benefits" gained by shared projects and the provision of public-private resources, with the aim to update and strengthen competitive capacity. A deep review of industrial policies needs to be conducted to rid us of incoherent approaches. We need horizontal policies where we look at individual objects as production systems and value chains.