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# Oligarchic place leadership and resistance to change in industrial districts

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## Abstract

The capability of local productive systems to react positively to disruptive challenges, entering new paths of development, depends on the presence of supportive local institutions, organizations and actors. A quite recent literature points out the key support given to path transformation by sets of local actors expressing a place leadership (PL). With a focus on industrial districts (IDs), characterized by a manufacturing specialization and a decentralized business organization based on SMEs, the paper aims at exploring conditions of a PL resisting change. We develop a conceptual frame that enables the identification of three different types of PL: open PL, corporate PL, and oligarchic PL. Specifically, oligarchic PL allows to reflect on models of developments and structural conditions where changes to meet disruptive challenges could be intentionally obstructed. In this regard, the paper provides some considerations and examples on how a model deviating from the canonical ID of local development and expressing an oligarchic PL could drive local productive systems through lock-in conditions.

**Keywords:** Industrial District, Place Leadership, Lock-in Conditions, ID' Life Cycle

**JEL:** L60; O14; O30

## 1. Introduction

The openness of local productive systems to international flows of knowledge and digitalization processes and their absorption within local community can help local resilience as well as changes towards renewed territorial path of development. Systemic conditions of absorption rely on the presence of supportive inner socio-cultural factors, favorable institutions intended here as 'rules of the game', and lively organizations and agents<sup>1</sup>. In this regard, a quite recent literature has highlighted the positive (but often

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<sup>1</sup> For recent contributions see Kebir and Crevoisier, 2008; Gertler, 2010; Zukauskaitė et al., 2017.

only potential) role that some groups of actors, embedded or linked to the local institutional environment, play expressing a 'place leadership'<sup>2</sup>. On the other side, leaders related to traditional sectors may bring inertia and lock-in. This is particularly important to consider when a local productive system, encompassing a stage of technological and relational maturity, meets challenges that threaten the well-established frame of specializations, competences, and learning mechanisms (Suire et al., 2014). Conflict of interests easily arise among dominant actors confronting different sides, generating negative alternative routes of reaction to challenges. As scholars of socio-technical regimes point out, a new transition phase can generate dis-alignment of interests between different groups, as for examples those of incumbents and newcomers (Geels and Schot, 2007). While the attention of scholars is growing on this direction (Boschma et al., 2017), there is lack of studies looking at the dynamics and the structure of 'intentional resistance' to change within local productive systems.

Indeed, the issue of resistance to change seems crucial in the exploration of paths of development and transformation of Industrial Districts (ID). IDs are local systems characterized by socio-cultural and institutional-political settings that underpin a dense and dynamic interplay between a population of specialized small and medium sized enterprises (SMEs) and a local society, within and around an evolving set of production activities and products (Becattini, 2004). IDs transform along time (Belussi and Sedita, 2009) and, beside historical changes, cumulative inner dynamics could have an effect on local conditions, and influence not only the ID model of development, but also the corresponding place leadership. It is crucial to take into account those aspects when disruptive challenges occur.

*Within this frame, considering different ideal-models of local development, and introducing different types of place leadership, the paper aims at investigating intentional resistance to change and detect contextual and structural conditions in which intentional resistance to change could be triggered.*

In this paper, 'place leadership' (PL) means that some key ID actors who constitute the core of territorial cognitive and institutional processes are the ones that drive or at least have a crucial influence on the reproduction and variation of collective resources (commons and public goods) specific to territorial development. Considering, for

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<sup>2</sup> See Bailey et al., 2010; Crevoisier and Jeannerat, 2009; Grillitsch and Sotarauta, 2018; Sotarauta et al., 2017; and, in general, the special issue of Regional Studies, 2017, 52.

example, the important territorial challenges due to globalization and digitalization processes, they are the ones that act as principal mediators between the territorial system and the global pipelines and between who detain traditional skills and competences in the ID and who rely on new knowledge and know how. We will distinguish three main forms of PL, which we call 'open PL', 'corporate PL', and 'oligarchic PL'. The last one, in particular, is meant as *a closed and restricted club representing the interests of powerful fractions among the constituencies of the ID, aiming at the protection of the interests of such fractions, and able, in conditions of disruptive challenges, to control and possibly prevent within the ID the provision or the access to collective resources that might be essential for new paths of development.*

Specifically, in this explorative paper, we aspire to answer to the following research questions:

- a) Which are the contextual and structural conditions that may favour powerful expression of ID PL in developing intentional resistance to change?
- b) How does a PL have a role in limiting new paths of development in an ID?

Next section will present a literature review on the role of key actors within ID in relation to path development, and introduce the fundamental hypotheses underlying the concept of a PL resisting change. Sections 3 and 4 will introduce an analytical framework and some illustrative cases of internal and external conditions that may foster the establishment of different forms of PL in IDs and comparable models of local development, its setting-up and its internal structuration. Section 5 will point out constraining effects of a PL resisting change with respect to the IDs' capability to find new paths of development in face of specific external challenges. Section 6 concludes and hints to needs for future research.

## **2. The role of organizations and agents for path development**

In order to drive the local society and economy towards new paths of development, a place leadership (PL) needs to be *open* and share visions and strategies, which extract opportunities and coordinated solutions among conflictual views and interests<sup>3</sup>. Such role is played not only by actors within formal and empowered governance contexts, but also by more informal layers of actors (Grillish and Sotarauta, 2018).

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<sup>3</sup> For relevant contributions on place leadership theme see Bailey et al. (2010); Grillish and Sotarauta (2018); Isaksen and Jakobsen (2017).

Different studies have focused on the leading and powerful role played in some IDs by gatekeepers, flagship firms and centers of knowledge intensive business services (KIBS). Gatekeepers and flagship firms, placed at the core of local networks structures, have represented many times key vehicles for the injection and absorption of new knowledge external to the district<sup>4</sup>. KIBS as well have a role of increasing importance in relation to both globalization and digitalization processes (Grandinetti, 2011; Lafuente et al., 2017). Other types of actors, such as institutional entrepreneurs, managers of multinational companies, migrant entrepreneurs could play a role as well (Grillish and Sotarauta, 2018; Miörner and Trippl, 2017; Mitchell et al., 2014). Example of charismatic leaders who have been key for generating new productive and market tendencies in some Italian local productive system during certain period of crisis do not miss. The role that Gucci leadership had in orienting the evolution of the leather products cluster in Florence (Randelli and Lombardi, 2014), as well as the role of the entrepreneur Mario Nino Veronesi, key for the Mirandola biomedical cluster development, represent some examples (Biggiero and Sammarra, 2003).

On the other side, as already suggested by Alfred Marshall when warning against the risks of corporative crystallization in historical IDs, institutional and cognitive peculiarities within IDs may turn in conservatism (i.e. conservation of obsolete relational patterns), and generate lock-ins that weakens the resilience of the district. This is particularly evident when an ID reaches a mature stage of development. Successful network mechanisms reinforce along time, and 'inertia' limits exploration of new knowledge and regulations, as Cooke and Morgan (1998) also suggest discussing the intensity of social ties in IDs. Entrepreneurial and trade associations, trade unions and chambers of commerce - because of their conventional embedded practices and institutional memory - would tend to '*privilege consensus and denigrate dissonance*' (p. 75), creating barriers to innovative practices and delaying responses to important challenges. A recent study by Isaksen (2018), on the decline of the Norwegian boat-building cluster, shows how historical conventions both at systemic and at the level of the single entrepreneurs have been among the main causes of the failure to bring changes in technologies and market approaches.

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<sup>4</sup> Suggestions on this can be found in many papers expressing different streams of literature: e.g. Becattini and Rullani, (1996); Chiarvesio et al. (2010); Corò and Grandinetti (1999); Hervas-Oliver and Albors-Garrigos (2014); Giuliani, 2011; Mitchell et al. (2014); Morrison (2008); Randelli and Lombardi (2014).

Despite the potentially high interest, such ideas have not yet an adequate theoretical frame, able in particular to pay attention to the role of powerful clubs of individuals who could hamper instead of favor the transition of IDs through new paths of development.

We will try to contribute to the definition of such a frame in the next sections, starting from the following set of assumptions that borrow from oligopoly's theories. Other assumptions, needed to complete the conceptual framework, and based on 'districtualist' studies, will be introduced in section 4.

a) In certain conditions, institutional inertia, cognitive lock-in, and corporative crystallization in IDs are *strengthened not by an absent or weak PL, but by a PL that diverges* from the open features recalled above;

b) A *composite set of few key actors, strongly embedded in the ID and representing powerful fractions of its constituencies, may express an intentional and effective resistance to change*. Like in cases of oligopolistic cartels, strategies raising barriers to unwanted innovation and competition are not necessarily negotiated explicitly and formally, but can be read as the results of joint deliberations;

c) What is needed for such strategies is a *tight nexus among the few incumbent actors*, made of compatible interests in the preservation of large private resources sunk in a traditional equilibrium of the ID, shared understandings about threats due to unwanted innovation and competition challenges, and opportunities to occupy stable positions of control on key institutions and collective resources that shape possible paths of transition in a ID.

We label the presence of such restricted and closed club an 'oligarchic PL', and adopt the concept (together with the underlying hypotheses referred just above) to explore the conditions of an intentional and effective resistance to change in IDs, as it were deliberated within the club. This use aims at opening the box of different sets of assumptions in various literature on territorial systems, and referring to inertia, institutional lock-in, and cognitive lock-in (e.g. excessive sectoral specialization).

The use of the concept, though novel and promising, poses two difficult problems.

- The first is a theoretical question. The same concept of oligarchic PL appears to be at odds with the requisites of decentralized and open business and institutional fields embedded in integrated social fields that feature IDs, or at least the steady paths of development of canonical (neo-) Marshallian ID models (Becattini, 2004). Indeed, the model suggests a reciprocal causation with a weak form of open PL. Stronger form of

open PL would be needed when the ID meets disruptive challenges (Bailey et al. 2010). However, some classes of disruptive challenges both push the ID outside the canonical path, and open the way to different forms of PL. We will consider in particular the transition to/across hybrid models of IDs where oligarchic PL finds a fertile ground. Finally, it will be useful to compare conceptually an extreme outcome of the same forces, that is a model of local development that is dominated by large firms and pure capitalist logics, and may be coupled with a 'corporate' form of PL.

- A second question concerns the empirical analysis of the processes suggested above, and in particular of oligarchic PL as a conceptual tool for understanding the constitution and functioning of a coordinated and effective resistance to change in IDs. We have not yet found a general empirical method. In-depth case studies are probably needed, but open doors are neither to be expected for researchers investigating on the ground dark sides in local dynamics. In this paper, we refer to contemporary and historical case studies of IDs that, though not anticipating directly our frame, give hints or indirect evidence on the presence of active resistance to change and its contexts.

### **3. Place leadership along industrial districts' life cycles**

Although IDs are associated to decentralized business organizations, local power distribution differs across IDs and over time in the same ID. The social groups of the area and the business system have in principle different goals (e.g. oriented to social cohesion and environmental sustainability or to market productivity and competitiveness). Individuals within those groups can take a leading status thanks to their capability to interpret the needs of different constituencies of the district. A progressive role is related to the direct or indirect inclusion of the needs of a set of constituencies, of the local society and economy, large enough to promote a vast mobilization of resources under a vision of growth. A key role is played here by the ability to create a cultural consensus on common and public goods specific to the vision, on access and contribution to them, and on rules for negotiating economic conflicts among constituencies (Brusco, 1999; Casson, 2006; Sotarauta et al., 2017).

As a quite obvious implication of the district literature (Becattini, 2004; Dei Ottati, 1994), we maintain that, along phases of steady development, the decentralized business organization of the ID supports openness and turnover within a PL, whose functioning just accommodates the regular reproductive ID processes. The touched upon literature

suggests this as a *weak open PL*. Throughout phases of potentially disruptive challenges, asking path transformation, PL would have a more strategic role, given the possible variety of paths and the heterogeneity of solutions that can be pursued by different constituencies. If an ID meet the need of transformation in conditions where an open PL is pulled to find a consensus on a new shared vision of development, the traverse to a different progressive ID path has some possibility to be accomplished successfully (Becattini, 2015; Bailey et al., 2010). Of course, this depends also on the stage that the ID has reached within its own life cycle. For example, if an ID in nascent-status does not enjoy such an *open and strong PL*, failure is to be expected from the early stage in its routes to development. This explains, for example, why many cases of places featuring agglomerations of SMEs do not transform in IDs (Cooke, 2009).

The destinies of well-grown IDs in face of path transformations might be more complex to foresee, since they reflect not only factors of historical chance, but are also the result of the cumulative (local) dynamics of the ID (Belussi and Sedita, 2009). *This is the context that now we intend to analyze in relation to PL.*

As we have already mentioned an open PL in a well-grown ID has a decentralized structure in which different constituencies develop a negotiating power and participate to a turnover of leading positions. Furthermore, the organized division of labor of a well-grown ID is often oriented to innovation, quality, and versatility. This is consistent with the reproduction of diffused entrepreneurial attitudes, pulling incumbent or incoming place leaders to look for consensus around a vision of growth.

Despite those aspects, there are also other forces to be considered within the reproductive processes of a well-grown ID, which may turn to create contradictory aspects in relation to the traditional concept of an open PL. A prolonged phase of growth increases density and stability of the economic and social networks among the actors of an ID, and the same governance mechanisms become more structured. Since the knowledge shared within ID networks is '*complex, systemic, cumulative, partially tacit and stick*' (Iammarino and McCann, 2006, p. 1026), along time this increases the learning and economic barriers to entry within the IDs leadership. The typologies of ties and the position that the nodes take in the overall network play also a role (Giuliani, 2011). ID networks are not spontaneous mechanisms but social constructions (Casson, 2006). The collective resources (the opportunity cost of specific public goods) sunk in traditional strategies may push conservative leaders to take control of key nodes and

obstruct challenges to the leading positions (Carbonara, 2002; Cooke and Morgan, 1998; Popp et al., 2006). This is the constituting context for the flowering of an intentional and effective resistance to change that tends to slow-down not only the turnover in leadership roles but the renewal of strategies.

What type of balance prevails between progressive and conservative forces depends in part on random (historical) factors, like the subjective characters of those who keep or aspire to positions within the PL. However, there are also factors that impinge on structural and strategic conditions, partly local and partly pertaining to the interface between local and upper territorial levels.

#### **4. Conditions driving alternative types of place leadership**

Making use of the fundamental dimensions that characterize any model of local development (industrial organization, social and cultural features, institutions and policies), the next three sub-sections (4.1, 4.2, 4.3) will point out a set of conditions favoring alternative types of PL in IDs, sometimes representing a fertile ground for intentional resistance to change<sup>5</sup>. We will focus on the effects of a set of factors under the mentioned fundamental dimensions that may have an impact on both the IDs' model of development and the nature of PL. We will assume that the starting characters are consistent with those of a canonical well-grown (neo-) Marshallian ID (Becattini, 2004). The factors that will be considered will help to understand which conditions may disrupt such characters and may push the ID to alternative models of development in which an oligarchic PL could find a more favorable setting<sup>6</sup>. We will compare (a) the ideal-typical canonical ID to other two ideal-typical models of local development: (b) a local system led by large firms and pure capitalist logics; and c) a hybrid model characterized by both the presence of some ID canonical characters as well as characters of the large firms' alternative model b). We will argue that the characters of the alternative b) allow the prevalence of a 'corporate PL'; while the characters of the hybrid alternative c) may favor the constitution of an 'oligarchic PL'<sup>7</sup>.

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<sup>5</sup> We distinguish, for the sake of analytical simplicity, the constitution of a PL from the phase of its functioning.

<sup>6</sup> We will not consider here the force impressed by an existing PL.

<sup>7</sup> Each type of PL tends to feed-back and strengthen different models of development.

Sub-section 4.4 will present a table summarizing the conditions of the three structural dimensions (industrial organization, social and cultural features, institutions and policies), which open the way to a broader consideration of the effects of different types of PL.

#### *4.1. Industrial organization and technological and market characters*

The first set of conditions concerns those that bring about increasing levels of concentration within the main industries that define the core of the *industrial organization* of an ID.

The principal conditions pertain to technological and market tendencies. For example, the opening of trajectories of mass production, heavy machinery, or proprietary networked technologies, at national and international levels, within the sectors where the main industries of an ID impinge, implies an increased opportunity for the ID core business to increase the recourse to internal economies of scale. This would push an increased integration within either single firms or controlled business networks, in both cases at the expense of investments in economies of specializations and external economies. Concerning market tendencies, let us consider three polar cases: vibrant, sluggish, declining market. In the first case, the game is open to different outcomes, either an increased business integration or a renewed division of labor; the second and the third cases skew the balance towards business concentration. However, the last one, implying a reduction of resources stuck within the main industry of the district, is more easily associated to windows of opportunity for an independent market growth of complementary and secondary industries, employing the local resources made redundant within the main industry (Bellandi, 1996).

When alternatives are possible, either in terms of different balances between internal and external economies, or of transformation of the main business core of the ID, what outcome will prevail depends as well on other factors, discussed in the following sub-sections.

Alfred Marshall, observing the wave of technological change taking to the second industrial revolution at the end of the XIX century, made an early account of the tendencies to business concentration in the IDs that had led the first industrial revolution in UK and other countries (Cooke, 2009; Tomlinson and Branston, 2014). More recently, a volume by Sabel and Zeitlin (1997) has come back to various such cases, extending the research to a broader period.

Trajectories of concentration occur also in the present-day IDs. For example, the Belluno eyewear ID has seen the concentration of the market power of its main industry in a handful of big companies from the 1990s. It seems that this limited the decline of the local system, but at the same time it did not avoid a strong contraction in the number of independent firms operating in the system (Camuffo, 2003; De Marchi et al., 2018). More in general, the main local industry (cluster) of some present-day IDs has or assumes a hub & spoke structure, in which a few large firms lead the system (Markusen, 1996), possibly driving new paths of local development, and supporting quality of life and long-term growth (Gray et al, 1996, p. 663). Some contemporary made in Italy IDs, hit by the challenges of globalization and of the great international crisis, seem to express such positive qualities: a higher role of some more structured firms that still coexists with a reduced but significant population of smaller firms (Coltorti, 2013).

From the above remarks, we derive the following possible implications in term of *ID structure, PL and path development*. *First*, when a concentrated “oligopoly”<sup>8</sup> takes up the industrial core of the ID, the ID traditional structure may be lost, and a small set of more structured firms may start to coexist with a large variety of local SMEs, more or less dependent. This ‘oligopoly sunken in a population of SMEs’ can be considered a variation within the ID forms of industrial organization. The more structured firms may have still an oligopolistic power if the local demography of firms contemplates the quasi-stability of the first set of firms and a high rate of rotation (births-deaths) among the smaller firms, few of them able to survive long and even less to enter the first set (Steindl, 1952). *Second*, in the case of a concentrated oligopoly, leadership in strategies for local investments and value creation is usually largely integrated within the top management of oligopolistic firms (corporate leadership). In the case of an oligopolistic power sunken in a changing population of ID SMEs, the same power seems an ideal basis for the

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<sup>8</sup> Here “oligopoly” has a triple meaning. First, considering the cluster of particular markets for the goods produced in the main industry of an ID, the more direct competition in each market for the firm producing the good is brought by other similar firms of the same ID. It is a sort of monopolistic competition (Becattini, 2004). If the set of firms that take the larger and more qualified part of the production to the cluster of particular markets include just a reduced number of large firms, this is an ID oligopoly. Second, the same larger firms may have an oligopsonistic power against the local SMEs supplying components or services for the production of final products realized by the larger firms. Third, sometimes the more strategic (in terms of value added) phase of an ID does not correspond to the assembly and sale of the final product on external markets, but to the development and production of a component (e.g. the engine in an ID producing tractors). If this is largely supplied to the SMEs assembling the final product by a few localized firms, they are an oligopoly within the local markets of the ID.

constitution of an oligarchic PL if the leading entrepreneurs or top managers are able to liaise with other incumbent social and institutional actors (see 4.2, 4.3). *Third*, the impact in terms of prospects of new path development may be negative or positive; the historical cases (e.g. those included in Sabel and Zeitlin, 1997) tell that this depends also on the nature of the other conditions that we are now going to discuss.

#### *4.2. Social and cultural embeddedness*

Underlying the aggregated canonical social form of the ID, featured by a market community that balances competition and cooperation (Dei Ottati, 1994), a local society is arena for evolving games between the different constituencies (i.e. groups of interests struggling to find their own favorable solutions). The structural basis of the main constituencies is represented by both the multiplicity of nuclei of know-how of the industrial core of the district (Bellandi and Santini, 2017), and the various sets of production agents (trades), who may be included within single nuclei or encompassing different nuclei.

A local society coupled to the canonical ID market community contemplates three main trades (entrepreneurs/capitalist; skilled artisans; and skilled workers) moving in a well-balanced set of bonding and bridging social capital (Putnam, 2000, Trigilia, 2001), with balanced local forces of competition and cooperation (Dei Ottati, 1994). The first trade corresponds to dynamic entrepreneurs/capitalists with capability to invest in innovation, quality and flexible specialization. The second includes artisans ready to co-invest in technologies and human capital within business networks led by dynamic entrepreneurs. The third is featured by skilled workers who have evolved from un-skilled positions, sometimes immigrant, and aspire to become involved in co-management positions or spinout their own enterprise (Becattini, 2004). This type of a decentralized structure of the local society is consistent with an open PL, if other conditions (see 4.1 and 4.3) do not interfere negatively.

The social structure of IDs may change under the impact of various internal and external conditions, and this could be consistent also with the constitution of an intentional resistance to change by more restricted clubs. Some historical cases give evidence in this direction: the steel ID of Solingen (Germany) and the textile ID of Glarus (Switzerland) along the XIX century (Boch, 1997; Veyrassat, 1997). These cases highlight some disruptive factors tending to weaken the bridging social capital of the ID:

- A large and non-regulated inflow of low-skilled, generic-skilled, or un-skilled workers;
- Reduced local investment in education/attraction of human capital in crucial manufacturing jobs, specific knowledge intensive service, managerial jobs, and innovation intermediaries;
- Lack of/ weakened contact with pools of multi-disciplinary industrial research and cross-sectoral productive knowledge;
- Conditions increasing the opportunity costs of investments in innovation, expanding the realm of rent-seeking and rent-exploiting strategies, and reducing the reach of bridging social capital.

The mentioned historical cases suggest that those factors tend to fragment the social formation of the district, which, for example, may recombine in other types of local trades (Boch, 1997; Veyrassat, 1997): (I) sets of capitalists seeking profits and rents from the exploitation of cheap labor and lower quality/variety of products; (II) self-exploiting artisans and unskilled workers, many immigrant; (III) sets of old or new dynamic entrepreneurs; (IV) various sets of skilled workers and artisans.

From this frame, it is possible to derive three general types of power relations that correspond to a different degree of weakening of the bridging capital.

a) If the core trades are the third and the fourth, the local system still corresponds to a canonical structure of ID, especially if trade unions or political representatives of the second trade are able to share a vision with the third and fourth trades on investments on public goods specific to social welfare, education, environmental safety and labor protection. This type of social dynamics may also extend to a sunken oligopoly, if present. However, the first trade, when protected by the institutional context (see 4.3), represents a permanent social and economic alternative, that could express a strong resistance to transformation towards a renewed canonical ID path, and block the ID in a low growth hybrid form.

b) If the core trades, economically and socially, are the first and the second, the probable dominance of the first trade would lead the local system outside the canonical ID model, pushing it towards a model dominated by large firms and capitalist logics. An exception can be represented by the case in which the third and fourth trades find haven

in secondary industries and new know-how nuclei ready to emerge in case of crisis of the main industry dominated by the other trades.

c) If there is not a clear dominant composition within a fragmented social formation, the hybrid structure assumed by the ID may host different types of PL.

#### *4.3. Institutional and political conditions*

The ID core population of specialized firms, which includes the firms of the main manufacturing industry and those of other complementary industries, interact over time by way of socio-economic relations. These relations are regulated by means of a set of formal and informal institutions defining the 'rules of the game' in the local system, such as norms, regulations, belief and cultural habits (North, 1990) which should reduce self-interested and opportunistic behaviors (Ibidem). The 'rules of the game' represent therefore the collective basis for supporting identification and provision of material public goods specific to renewed path of development and encouraging the establishment of new knowledge-based relations and services (Loasby, 1999). However, institutions tend to be selective and inertial, and preserve plasticity only in particular conditions (Stranbach and Klement, 2012).

We have already recalled above that plasticity or rigidity of institutional structures is time specific (Andreoni et al., 2017). After a sustained period of development, a well-grown ID tends to enter a phase of maturity, where the adjustment of the web of relations and the related set of rules slows down due to stable and dense local networks, more and more oriented to rent-seeking and inertia (Bailey et al., 2010; García-Villaverde, 2017). For example, Hassink (2005), discussing cases of old industrial centers, points out that the institutional thickness (Amin and Thrift, 1994) characterizing those centers tends to stabilize past solutions, and induces local coalitions to slow down the restructuring of the industrial system.

Such concepts, used to assess lock-in conditions in maturing IDs, do not consider a series of other local elements of institutional or political nature that influence institutional plasticity or rigidity, and more specifically impact on the establishment of different types of PL. Here, we recall just a couple of such elements, which appear crucial to understand the role of the *institutional and political support* to models of local development in general, and to IDs in particular (Trigilia, 2001, Bellandi and Di Tommaso, 2006).

I) Approaches by public authorities to the local content of policies of development: such as *separation* (i.e. no consideration of local specificities in building public goods, joint private-public initiatives, or incentives), *capture* (i.e. bias towards the stronger local economic groups), *embedded autonomy* (i.e. consideration of local specificities with a view to general public interest and to multi-scalar coordination);

II) Scope of governance, which could be: *inclusive* (i.e. dialogue and involvement of all the main groups – see previous sub-section), *exclusive* (i.e. exclusion of some important groups), *fragmented* (i.e. bilateral negotiations without a participated discussion, till the use of opaque and discontinuous methods).

Some consistent combinations of the two mentioned aspects correspond again to features of canonical ID, hybrid ID, or non-ID forms of local development and impact on the nature of PL.

a) The combination “embedded autonomy & inclusive governance” is consistent with vibrant IDs processes, helping reproduce characters of strong decentralized business organization and integrated social formation. This combination also directly expresses an open PL mode;

b) The combination “separation & exclusive governance” features non-ID forms, with a weak support to specific public goods, the loss of shared cultural heritage, and a free field for capitalist domination. The local system falls in the hands either of a local concentrated oligopoly or of external economic forces;

c) The combination “capture & fragmented governance” does not appear consistent with reproductive processes of the ID canonical model. It may signal a state of weakness of an old equilibrium, which leads to transitional hybrid forms of IDs. The constitution of an oligarchic PL finds here its fertile grounds because fragmentation gives a higher comparative advantage to some groups able to mobilize large economic resources in joint lobbying initiatives and make use of local policies to assure high individual returns (at least in the short run).

Among the conditions, of institutional and political nature, which help the consolidation of one or the other combination, we recall just two sets of them that are placed at the interface between external and local processes:

- Political market ideologies: laissez-faire, dirigisme/protectionism, social market economy or corporatism (Boch, 1997);
- Sources of informal institutions: anonymous sense of belonging to a society and a nation state, nepotism, local trust (from traditional commons to place chorality) (Becattini, 2015).

The prevalence of conditions of 'social market economy' and 'place chorality', for example, would support the first combination above (a) and, with this, the vitality of IDs following canonical models (Trigilia, 2001; Becattini, 2015). A switch to the other types of ideologies or institutional sources would signal disruptive challenges, at least with respect to the canonical form.

Time and maturing in a well-grown ID have quite specific effects on the composition of institutional and political aspects touched upon. As the economic and social networks at the core of an ID become denser, stronger and stable, soft forms of *capture* and *exclusion* are favored, when not compensated by a balanced social market economy and productive chorality. Networks could become occupied by the strong ties of incumbents, which reflect past success instead of present-day opportunities coming from new industries, know-how nuclei, actors. Even fragmentation in governance could be favored when, with time and past success, participatory methods fall in worn-out rituals.




#### 4.4. Summary and variations

Table 1 summarizes the main features of the three types of models of local development discussed in the previous sub-sections, according to the three general structural dimensions (i.e. industrial organization, socio-cultural embeddedness, and institutional-political support). Summing-up the considerations over the three recalled dimensions, we have generated some direct implications on nature and constitution of PL. In particular, the triplet [1, 2, 3], corresponding to canonical (neo-) Marshallian IDs, would favor an open (although weak) PL; triplet [4, 5, 6], corresponding to a local production system dominated by large firms and capitalist relations, would favour a corporate domination that tends to segregate the strategic power on investments and value added of the place; triplet [7, 8, 9], corresponding to hybrid forms of IDs, would favor a contested terrain between the constitution of oligarchic PL and strong open PL<sup>9</sup>.

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<sup>9</sup> We do not recall here the lists of factors that influence the reproduction of the different types of characters, as presented above.

Table 1 Structural dimensions of different models of local development and inferred impacts on the type of PL

| Models of local development<br><i>Structural Dimensions</i> | Canonical IDs   | Local production system dominated by large firms and capitalist relations         | Hybrid type of IDs  |
|---|---|---|---|
| <i>Industrial organization</i>                              | (1) Decentralized organization of SMEs  | (4) Concentrated oligopoly  | (7) Oligopoly sunken in a population of SMEs  |
| <i>Socio-cultural embeddedness</i>                          | (2) Integrated social formation   | (5) Dominated social formation  | (8) Fragmented social formation   |
| <i>Institutional-political support</i>                      | (3) Embedded autonomy inclusive governance  | (6) Separation, exclusive governance  | (9) Capture, fragmented governance  |
| Inferred impact on  |  |  |  |
| the type of place-leadership                                | Weak open place-leadership  | Corporate leadership  | Contested terrain between oligarchic place-leadership and strong open PL            |

This table helps to qualify and articulate the previous discussion in various ways.

a) The first two column triplets have an internal self-reinforcing consistency and correspond indeed to polar ideal-typical models of local development. Even the third triplet appears to be internally consistent and point to a hybrid structure and model of development of ID in-between the first two (at least in terms of industrial organization). Indeed, it may correspond to a transitionary (and possibly uncertain and low growth) phase. In this phase, an ID, hit by disruptive challenges, may weakens its canonical features: temporally, if it will turn to recover its features along a new path of development; permanently, if it will go deep in decline or it will transform towards a large firm model. Alternatively, the transition brings to stabilize precisely the hybrid characters, e.g. according a variety of hub-and-spoke models (Markusen, 1996);

b) It is possible to consider also different (non-column) triplets. For example, the triplet [4, 8, 3] that corresponds to cases of poles of large firms, where patriarchal ethics or social business responsibility coexists with strong and relatively autonomous social groups and institutional agency; or the triplet [1, 8, 6] that corresponds to cases of

agglomeration of SMEs dependent on external markets. In those cases, the implications on PL are far less determined;

c) Extended disruption in a self-consistent triplet leads the local system to an uncertain transition where the typology of PL plays a crucial role;

d) Important considerations deserve the case of a canonical IDs with a large inflow of non-regulated low-skilled workers and artisans, and a slow reaction in terms of renewed investments in human capital. This would tilt the social formation towards a fragmented structure. If it is a mature IDs, local conditions produce opportunities of *soft capture and fragmented governance*. These opportunities may be grasped by a set of leaders constituting a restricted club for lobbying and addressing local strategies in defense of the interests of the club, against the risks imposed by the disruption of the old model. The same upper mobility within the decentralized business organization of the ID is slowed down, and what was a temporary set of leading firms becomes an oligopoly sunken within a (possibly shrinking) SMEs population.

## **5. The conservative role of oligarchic place-leadership**

The conceptual analysis of the structural dimensions developed in the previous sections allows to disentangle possible contexts and conditions which may favor powerful expression of PL in developing intentional resistance to change during phases of disruptive challenges. The constitution of an oligarchic PL may take advantage of impending conditions of social and institutional fragmentation and economic concentration to react against the risks related to the disruption of an old equilibrium. As a consequence, the conservative role of oligarchic PL could strengthen the block of the ID in a status that has become obsolete against the impacts of disruptive challenges, despite the availability of local resources that could support a traverse towards new development paths.

Actions of risk protection taken by an oligarchic PL are devoted primarily to the interests of the membership<sup>10</sup>, and indirectly to their constituencies. Some organizational studies relying on sociologist theories show that, when the constituencies correspond to restricted and homogeneous social fractions to which each agent is univocally bonded –

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<sup>10</sup> When changes are introduced, potential conflicts may arise not only from different economic interests, but also from different values (Eakin et al. 2017).

the so-called 'cliques' → they influence attitudes, habits, and behaviors, as well as the social rules to which the agent preferentially adheres (Bourdieu, 1989; Shimoni, 2017). When the interests of the members enter in conflict with new opportunities and the alignment is not easy, PL is more likely to play a conservative role. Its membership, which may include leading entrepreneurs, top managers (delegated by the entrepreneur), bankers, some key institutional actors, and leading figures of various professional and education services in the ID, has the power to resist change, through the control of the access to crucial knowledge, human capital, infrastructure, and finance (Popp et al., 2006). The effect would be to hamper the entrance of new players within the core economic and social networks of the ID, insofar as they dis-align with respect to the economic interests and to the priorities and attitudes that the leaders have traditionally shared.

An illustration is the resistance to change encountered at the beginning of the 21<sup>st</sup> century by providers of knowledge intensive services in some Italian IDs in relation to the potentialities of new digital based technologies. One recent investigation on the firms belonging to an Italian mechatronic ID highlights a weak role played by intermediate organizations in sustaining firms competitive capability, today strongly related to digitalization and globalization (Plechero, 2017). Some of the interviews point out the possibility that those associations become conservative circles preserving specific interests that are not in line with the current real strategic needs of the local system: *'They [agents operating in this intermediate organization] do not pay attention to the external world, and to what is happening. They do not take specific actions, they are too much 'politicized' and they try to create and maintain certain interests''* (Interview with the managing director of a mechatronics firm, translated from the Italian). Another example, discussed by Bellandi and Santini (2018), concerns the textile ID of Prato (Italy) in recent years. Here, some local players have tried to open the way to new digitization and servitization processes within the core textile industry of the district, but a conservative institutional support has implied a reduced impact of such attempts. Specifically, being the support still largely devoted to initiatives of lobbying, mediation and sectoral training at the local level for the traditional textile leaders, the new systemic solutions needed to support the diffusion of digitization and servitization do not find platforms for developing. The contamination between traditional and new knowledge as

well as the possibility to establish new relationships with players outside the ID area have remained at the margin of the system.

A very recent study related to the Cognac beverage cluster in France indicates that agents belonging to the top of the industry are less open to diverge from the main path than newcomers still at the margin (Moodysson and Sack, 2016, p. 10): *'It seems that actors at the top of the hierarchies in the industry, those who can exercise most power on others due to their hierarchical position, are those that contribute most to the preservation of the status quo, while the small and less powerful agents are those that engage in reinterpretation of institutions'*.

Historical examples of resistance to the traverse from artisan based flexible specialization to mass production in European IDs in the XIX century (Sabel and Zeitlin, 1997) underline some other important issues.

a) In some cases, the weak resistance to change implied that an old patriarchal oligarchy still supporting the flexible specialization model was replaced by a fragment of the entrepreneurial group, turning to a strategy of mass production, standardized and low-quality products, low wages and de-skilled labor, and establishing a corporate control in the area. Therefore, path transformation was realized, but it was not for the better, at least in the case of the textile ID of Glarus (Switzerland) that suffered a loss of good jobs in the short term, and was not able to keep productive capacity in place in the long term, because of the cost competition coming from poorer industrializing countries (Veyrassat, 1997);

b) In other cases, similar to those recalled in the previous point, like the watch ID in the Jura (Switzerland) or the steel ID in Solingen (Germany) at the end of the XIX century, a successful resistance to an apparent negative change was organized. It implied not just a dull obstruction, but an adaptation in terms of industrial organization and governance. This was helped by a restructuring and opening of the old PL, with a crucial contribution provided by trade-unionists representing skilled artisans and workers (Veyrassat, 1997; Boch, 1997).

## **6. Conclusions**

The emphasis provided by recent streams of literature on the positive nature of PL for growth of local and regional systems tends to underestimate some of the negative

aspects of PL and the real degree of influence (also negative) that certain territorial leaders could have for local development (Boschma et al., 2017).

This paper has presented a frame of economic, social, and institutional conditions that helps understand what fosters dominant local constituencies or cliques to establish forms of deliberate resistance to change.

We have explored the possibility of an intentional and effective resistance to change in face to disruptive challenges in IDs as an expression of an oligarchic PL. This may find fertile ground outside the ideal-typical conditions of the 'canonical' ID

We have originally related some aspects of the resistance to change to the concept of oligarchic PL and to the possibility of a powerful expression of conservative attitudes that can emerge in mature phases of the ID life cycle. Some examples have been recalled briefly, in particular present-day cases of IDs' that meet enduring difficulties in finding new paths of development in face of disruptive digitalization and globalization challenges. They suggest conditions of resistance to change that cannot be explained just by some mechanical processes of inertia or institutional and cognitive lock-in conditions and by a weak PL.

This paper has wrapped oligarchic PL in a conceptual framework that can be applied to shed light to complex conditions of IDs hit by disruptive challenges, even if the empirical identification of real-world counterparts is not easy. It helps at least to delineate requisites and impacts of deliberate resistance to change. The same framework may give suggestions also for application to cases of local and regional development different from those considered here.

Future research should be dedicated to develop adequate methodologies for investigating coordinate resistance to change enacted by different types of PL. In particular, further empirical investigations are needed to support a broader and deeper evidence about the structuration and functioning of oligarchic PL in IDs, and the negative influence that they may have against possibilities of positive path transformation responding to disruptive challenges. Furthermore, the conditions of PL should be inserted in broader multi-level perspective, looking for example at upper territorial levels of relations and policies (Cooke and Morgan, 1998; Chaminade et al. 2018).

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