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Stated locational preferences of entrepreneurs in Italy

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Chapter 7

Concluding remarks and policy implications

Briefly recapitulating, from a ‘bird’s-eye’ perspective, the content of the previous chapters, we can say that the results obtained from the surveys, and from the analyses undertaken, presented and discussed, were substantially able to address and answer the several questions asked by this research project. After the description of the theoretical background and the illustration of the methodology in Chapter 1, and after the analysis of the main spatial patterns that characterise the economic geography of Italy, Chapter 3 answered the *first research question*. It was devoted to the analysis of the average ratings of regions and provinces, and of the related map images which showed the main spatial pattern featuring the mental maps of Italian entrepreneurs. The first section of Chapter 4 answered the *second research question*. Using multivariate variance analysis, the mental maps of different groups of entrepreneurs (categorised by kind of firms and the socio-demographic characteristics of the respondents) were analysed. The *third research question* was addressed in the second section of Chapter 4, and in Chapter 5. In this case, the principal component analysis and the qualitative analyses (content analysis and thematic analysis), allowed us to explore and investigate in depth the location factors that reasonably explain the shape and the characteristics of the mental maps. Lastly, *the fourth and the fifth research question* were treated in Chapter 6. This chapter, on the one hand, was in fact dedicated to the comparative analysis of the results emerging from the case studies at the country level (Italy, Germany, and the Netherlands). On the other hand, it also analysed and discussed the ‘perception gap’ and the ‘reality gap’ in these countries, so approaching the issue of the comparison between reality and perception, which was tentatively and briefly addressed in Chapters 3 and 4.

The empirical evidence gained from this case study at the country level adds other remarkable results to the line of research which originated in the Netherlands, both as regards the shape and the characteristics of the mental maps, and as concerns the explanatory factors. The (relatively) wide range of countries targeted by this line of research, achieved after the Italian case study was included, allowed us to carry out, as seen in Chapter 6, a ‘horizontal’ comparative analysis (a comparative analysis in space) of the results of all the case studies undertaken so far at country level. Before then, only ‘vertical’ comparative analyses of surveys were made (that is, comparative analyses in time) (Meester and Pellenbarg, 2006; Pellenbarg, 2012).

As underlined in the introductory chapter, at first glance the case study of Italy, with its complex, varied, and unique geography, quite different from that of the other case studies

(it was the first Southern European case study), was expected to reveal new, unpredictable and even paradoxical results. Actually, at the end of this ‘research path’, we can draw the conclusion that this initial hypothesis is somehow true, and that the novelty of many of the spatial patterns, of the location factors explored, studied and identified as explanatory factors, has indeed emerged.

From a theoretical and methodological point of view, thanks to the evidence gained, we can also confirm the importance of the behavioural approach to the study of location decisions, as the results obtained highlight the role played by many non-economic factors, related to the subjectivity of the entrepreneurs. In this respect, the multiple and differentiated methodological approaches followed in this research and in these analyses, based on a wide range of qualitative and quantitative research methods and tools, were fundamental in order to fully examine and explore all possible explanations and factors.

7.1 The key patterns of the mental maps of Italian entrepreneurs: final reflections

The key points emerging from the analyses carried out here are several. The *North-South divide* is the spatial pattern that most clearly characterises the mental maps of Italian entrepreneurs. This persistent and so-evident pattern of Italian geography, not only economic but also social and cultural, is definitely very important, maybe the most important pattern which gives shape to their mental maps. The relevance of this pattern emerges from the visual analysis of the map images, from the outcomes of the principal component analysis, where it appears frequently in all rotations carried out, and from the statistical analysis of the mental maps by the place of residence of the entrepreneurs. In the case of that analysis, it is striking that, in the Italian case, the self-locational effect is not so strong as observed in the other case studies.

If the presence of the North-South pattern was quite foreseeable, then the other very important pattern which characterises the entrepreneurs’ mental maps, the *centre-periphery dichotomy*, which is visible in the Northern part of Italy, and that can be extended to the country as a whole, was less predictable. Again, the analysis of the map images, the principal component analysis, and the qualitative data have also clearly underlined the existence of this pattern in the entrepreneurs’ mental maps. The centre-periphery dichotomy is not an issue that clearly emerges from the main ‘real’ economic data about Northern regions and provinces (for example, the GDP, see Chapter 3). Moreover, it is not an issue usually addressed in the literature about the economic geography of Italy. Usually Italian scholars do not focus on it, and therefore the empirical evidence gained so far did not investigate any considerable gap between the ‘central’ and the ‘peripheral’ regions, such as the northern ones: Val d’Aosta, Trentino - AltoAdige, Liguria, and Friuli. In the past only some authors have studied the Padana ‘mega-city region’, that is, the Padana plain (Hall and Paine, 2006; OECD, 2006), but without stressing its differences with the outer regions. This is why the observation of this pattern can be considered to be a quite new outcome of this research. Of course, the question of entrepreneurial density and of the agglomeration of economic activities and people, and

of geographical centrality, are all key location factors that should be kept in mind in order to understand why this pattern is so important in the minds of entrepreneurs.

Together with these two patterns (*North-South divide* and *centre-periphery dichotomy*), the pattern defined by the presence of *industrial districts* also became apparent. Again, it is the evidence gained from the same kind of quantitative and qualitative analysis that brought this pattern to light.

7.2 Remarks about the inconsistencies between perception and reality

Thinking about the relevance of the mental map patterns, we could conclude that the image that entrepreneurs have of the Italian geographical space is largely associated with the real economic geography of Italy, putting emphasis on the coincidence of the perception with the reality. While this reflection is true, actually, other results highlight some inconsistencies between the entrepreneurs' image of Italy, and the socio-economic characteristics of Italian geography. Three main inconsistencies, in particular, can be pointed out from our analyses.

The first inconsistency concerns the quite limited internal differences in terms of average ratings registered in Southern Italy, if compared with the North and the Centre of Italy. As seen in Chapter 3, the impression is that entrepreneurs have either a limited knowledge of Southern Italy, or little interest in it. Hence, they excessively generalise their evaluation of this macro-area, making it too much homogeneous compared with the real socio-economic regional differences. Or, they might also have a kind of 'prejudice', i.e. a mental barrier against Southern Italy, as observed in Chapter 6, from the thematic analysis of the direct interviews. The second inconsistency concerns the small variance of the average ratings at the provincial scale, internally to regions, compared with the ratings at the regional scale of analysis (differences between regions). This is something that again goes against the empirical evidence, which, on the contrary, shows the high variance in terms of economic development at the provincial scale (in terms of GDP). It could be supposed that entrepreneurs have a limited ability to focus, to look deeply into the detailed territorial differences, again as a consequence of either a limited interest or a poor knowledge (in that case, we can logically exclude a sort of prejudicial point of view).

The third, equally important, inconsistency between perception and reality is shown by the width of what is called 'perception gap', which turned out to be bigger than the 'reality gap', as seen in Chapter 6.

These inconsistencies reveal that reality does not fully and completely explain the shape and the characteristics of the mental maps of entrepreneurs. But, other factors, of a non-economic, subjective, kind, related either to the society, the culture, the psychology, the personal attitudes and idiosyncracies of the entrepreneurs or to the action of intermediate agents, such as the media⁷⁹, are likely to play an important role.

⁷⁹ See, for example, Gartner (1993), for a classification of the image formation agents.

The range of explanatory elements that emerged from the analyses includes, therefore, both objective and subjective factors, and strictly economic and clearly non-economic factors. For example, the questions of accessibility and centrality, together with the agglomeration economies, turned out to be key location factors for the high attractiveness of the Padana region, and therefore of Northern Italy. The area of Milan, with its high business orientation and its remarkable endowment in terms of transport infrastructures and services, clearly plays the role of the centre of this highly appreciated macro-area in the mind of entrepreneurs. At the same time, the lack of these factors contributes to explaining the low attractiveness of Southern Italy, which is also explained by the presence and the influence of organized crime, a clear extra-economic factor, and by the low efficiency of the local bureaucracy and government (the opposite of which is frequently mentioned as a locational advantage of the Northern regions). But there is also a kind of 'prejudice' against the South of Italy, that, as said before, might play an important role, and that therefore calls for further investigations related to other social science fields, such as sociology, anthropology, and psychology.

7.3 What are the policy implications?

Investment attraction policies can be achieved in two directions. On the one hand, they should promote the image of a place, when it is not sufficiently known, popular, and appreciated, even though it can actually offer considerable locational advantages (promotion strategies). On the other hand, when a place itself is not favourable for the location of economic activities, in order to avoid promoting a false image, investment attraction policies should first of all focus on the removal of the real factors that reduce the attractiveness of this place⁸⁰. These latter kind of strategies have, of course, the advantage that they would also benefit the firms already existing and located there.

As far as the second kind of policies are concerned, needless to say, *policies for improving accessibility*, in particular that of the Mezzogiorno and of the peripheral regions and provinces, should be one of the pillars of the strategy for investment attraction. It means investing in transport infrastructures and services, in particular in rail transport, like high-speed railways, in order to increasingly reduce the travel time along the North-South, and the East-West axes; and in both intermodality and in logistics platforms, in order to improve connectivity for freight transport; and also in other transport modes, like air transport, in order to renovate and improve airports, and to strengthen flight connections with the isolated areas.

Especially in the case of the Mezzogiorno these policies should also be aimed not only to improve accessibility with outer, Northern and Central, regions, but also to interconnect and better integrate the internal Southern regions and provinces. Some literature has indeed highlighted this weakness of the transport system of the Mezzogiorno⁸¹. Another strategy could be to increase and intensify the relations, i.e. the interactions among

⁸⁰ For an extensive description of the policies for marketing places, see, for example, Kotler et al (1993).

⁸¹ See, for example, Cascetta (2006), and Viesti (2008).

Southern firms, to make network effects and agglomeration effects arise and reinforce each other.

Together with policies for increasing accessibility, *industrial policies for supporting individual firms and clusters* should be another pillar of the strategy for increasing territorial attractiveness, again in particular in Southern Italy and in peripheral regions. They can in fact have effects on the entrepreneurial density and on the intensity and quality of relationships among firms, which is a key location factor, as can be seen in previous analyses. The lack of industrial policies in Italy is currently a major issue among analysts and experts, in the context of the debate on which strategy should be followed to increase the productivity and competitiveness of the Italian economic system⁸². Given the controversial effects of the policies conceived and implemented in the 1980s and 1990⁸³, their characteristics should be therefore rethought and redesigned, making a basis, for example, for the new and promising experience of the inter-firm network contracts ('contratti di rete')⁸⁴, which started a few years ago, and taking their potential effect on territorial attractiveness also into account.

Third, policies aimed at addressing locally peculiar factors, such as organised crime in Southern Italy, are also assumed to be very important. In this case, apparently we are not in the field of economic development policies, but in the area of the security and safety policies, which is the responsibility of bodies such the Ministry for Internal Affairs, the Police Departments, and of the judiciary system. It is, in fact, fundamental that any potential investor can have trust in a guaranteed legal framework in order to plan and implement his investments, and manage his business safely. Defeating organised crime is probably the key question that should be addressed in order to overcome the prejudiced view of Southern Italy, which, as seen in Chapter 5, even prevents investors from taking these regions into consideration when planning to invest in Italy.

Fourth, public administration and bureaucracy should also be improved, and made more efficient and effective. This is something that concerns the entire country, although again in the Mezzogiorno its inefficiency is assumed to be even worse, as observed in Chapter 5 by the privileged observers. Increasing the level of legal certainty, and the level of efficiency and effectiveness of the public administration, as regards, for example, the time needed for grant licences and authorisations, is another 'milestone' of the investment attraction strategy. The reform of the public administration would therefore be a breakthrough, for improving not only the quality of life of the residents and the local firms, but also the attractiveness for foreign investors.

As far as the territorial marketing policies are concerned, the priority objective is to modify the incorrect knowledge of, and judgement about, the real territorial attractiveness of places, as already previously pointed out when discussing the inconsistency between reality and perception. That means, for example, fighting against the prejudicial view that affects some regions, like those that are part of the Mezzogiorno. In order to do that, it is

⁸² See, for example, Brancati (2010), Cappellin (2014), Sterlacchini (2014), Svimez (2013), and the "manifesto" subscribed by more than 300 hundred Italian economists ('Per un Manifesto della Politica Industriale in tempi di crisi fiscale', www.met-economia.it).

⁸³ See, for example, Bronzini and De Blasio (2006), with regard to the Law 488/92, SRM (2009), and Brancati (2010).

⁸⁴ See, for example, Bramanti (2012), and Vernizzi and Martini (2013).

important to strengthen and spread the knowledge of the actual locational advantages of each Southern region, formulating targeted marketing policies, which can make visible and promote the image of those Southern areas (regions, provinces, cities) which perform better (for instance, are not extremely afflicted by the presence of organised crime), distinguishing them from the ones that perform worst.

Last, after improving the endowment of the key location factors and ‘adjusting’ the image of places, the objective of the investment attraction policies should be to reform the governance for FDI attraction policies at the central and the local government level. The direct interviews with privileged observers revealed that there are several shortcomings in terms of governance (many regional governments do not have a dedicated body or department, or adequate professional positions specialised in this field!), and that there is a strong demand for better coordination between the regional and local authorities engaged in attracting foreign investments, in order to foster a firms’ location within Italy which in tune with the specific locational advantages of places.

Each place should better identify and define its own ‘model’ of attractiveness: that is, its specific mix of location factors and of sectoral and functional specialisations, thanks to which it can better attract targeted economic activities. Starting from that, any potential investment from abroad cannot be subject to tough and costly competitive policies among individual localities (Bramanti and Scarpinato, 2010). But, assuring a certain level of freedom for the private foreign investors in their location choice, its exact final location should be to a certain extent guided and agreed by the central government and the local authorities. The definition of its own model of attractiveness will also help each place to play a more effective role in the competition to attract investment from national, internal, firms.

Examples of territorial ‘models’ for investment attraction can be found in Piacenza, a place that because of its geographical centrality in the Padana area, is becoming increasingly specialised in logistics (Ikea and Amazon located their the main warehouse in Italy here). Or in Catania, where what is called ‘Etna valley’, specialised in the electronics supply chain owing to the presence of one of the plants of ST-Microelectronics, has recently attracted an investment by Sharp⁸⁵, a Japanese multinational company operating in the same sector. Or even in Puglia, in sectors like renewable energies and mechatronics. Or in Tuscany and Lombardy, in the Research & Development sector. And, last but not least, one of the clearest territorial models for investment attraction is Milan itself, in the advanced tertiary sector functions, like the media and the entertainment industry, advertising, marketing, and consulting.

⁸⁵ Joint venture with Enel Green Power and St-Microelectronics, in the field of thin-film solar cell production (www.archiviostorico.corriere.it ; www.sharp.it).