

The historical determinants of entrepreneurship

***Entrepreneurial Typologies in the
History of Industrial Italy:
a reconsideration***

Franco Amatori

Bocconi University, Milan - Italy

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The starting point

My essay in the Business History Review (Fall 1980) entitled "Entrepreneurial Typologies in the History of Industrial Italy" offered these models:

- ◇ the Milanese entrepreneur
- ◇ the supported entrepreneur
- ◇ the State entrepreneur
- ◇ Giovanni Agnelli (Fiat's founder, as a model in-between the Milanese and the supported entrepreneurs)

Schumpeter as a theoretical point of reference.

Today I am no longer convinced that Schumpeter is the only reference.

Instead, I see that entrepreneur and entrepreneurship are more complex. They are a sort of enigma.

There is a *hero* as entrepreneur but the entrepreneur can also be a *common man*.

Is an entrepreneur simply the one who risks his own money or can it also be the one who decides (regardless of ownership) the allocation of resources?

Is innovation the only prerogative or is there also alertness? Capacity to take on risks? Or, à la Casson, making judgmental decisions regarding the coordination of scarce resources?

The picture is a little more complex.

In the meantime, Italian business history has grown dramatically and, with that, the literature on entrepreneurs.

The peak of this trend is the *Italian Biographical Dictionary of Entrepreneurs* which was sponsored by the Enciclopedia Italiana. The master plan for the dictionary was based on 1000 entries regarding entrepreneurs active in the period from the country's unification (1861) up to the year 2000.

Unfortunately, the project has been suspended for budgetary reasons but the entries for more than 550 are ready.

I am now convinced that it's impossible to sever the entrepreneur from his own environment.

In this respect, it's very important to establish some macro-determinants:

1) the evolution of the economic national context at the moment of Unification with all its weaknesses and strengths

2) the impulses of the international economy and the dynamism of the market

3) the action of the State which, in Italy, has as its constant goal that of positioning the country so that it can catch up with the most advanced nations

Considering the period that goes from Unification to the beginning of the First World War, I will look at 3 examples of entrepreneurs who responded to point 2 (the impulses of the international economy and the dynamism of the market). They are:

Alessandro ROSSI (wool) from Schio/Vicenza in the Venetian region who was the most important Italian industrialist right after Unification. He knew and applied very well what was being done in his industry in the most advanced countries.

Giovanni Battista PIRELLI (rubber). A student at Milan's Polytechnic, he received a grant to make a grand tour in Europe in order to find a new industry. In 1872 he set up his own company which quickly became a multinational.

Giorgio Enrico FALCK (steel) was the descendent of an Alsation dynasty which moved to Lombardy. At the beginning of the 20th century, Falck set up a steel company based on the most advanced technologies and aimed at the growing market in Italy's most economically developed region.

For the same period, as examples of entrepreneur bound to the State, who made a considerable confusion between Patriotism and Business, I will look at:

Pietro BASTOGI, the banker and politician who built up the most important railway company in Italy. He reached his goals in the terms established but he also gave birth to the first "scandal" of economic Italy.

Vincenzo Stefano BREDA, the first leader of Terni, a steelworks founded in 1884 with the support of the State. The State was forced to bail the company out 3 years later when it was on the verge of bankruptcy.

Pio and Mario PERRONE, the leaders of Ansaldo, a huge metallurgic and mechanical company that they continued to grow-- being certain of the State's support-- without keeping track of the market's real needs.

We also need to consider another kind of entrepreneur bound to the State: these are what I call the ***Italian samurai*** (true servers of the State). Visible since the turn of the century, they became especially important after 1930 with the creation of the State entrepreneur, IRI. They include:

Alberto BENEDEUCE, IRI's first president

Donato MENICHELLA, IRI's first managing director and a future Governor of the Bank of Italy

Oscar SINIGAGLIA and Agostino ROCCA, who struggled to solve the basic problem of Italian industry, that of ***steel***

As in my initial article, I will place Giovanni Agnelli (the founder of FIAT) in between the first two categories.

But this time I will also situate another entrepreneur that I later studied in the same category: Guido DONEGANI, the real creator of Montecatini, Italy's most important chemical company.

It's interesting that around 1930 both of them "signed a pact with the devil" (Mussolini and his favors).

Both enjoyed a tremendous level of protectionism from the government but Agnelli was able to break free while Donegani ended up setting Montecatini on a path to self-destruction.

A possibility for Italy to have a kind of managerial capitalism?

It can be found in the electric sector that-- in the 20s and 30s-- was the heart of Italy's economic power and was dominated by what appeared-- at least superficially--to be public companies.

In reality, these huge corporations (like Edison, Sade, SIP, and SME) were dominated either by big families of Italian capitalism or by the State-Entrepreneur so their leaders appeared to be

bureaucrats of a kind of capitalism of limited
suffrage.

The great convergence of the 50s and the 60s

These are the years of the Italian "economic miracle" promoted by the full involvement of Italy in the Western economic world.

Here we see the presence of Schumpeterian entrepreneurs like Vittorio VALLETTA (FIAT), Oscar SINIGAGLIA (Finsider), Enrico MATTEI (ENI), and Adriano OLIVETTI (Olivetti).

There is no distinction between ***State*** and ***private*** entrepreneurs. The basic idea is that they do not consider the market as a given. They risk considerable investments because they believe that the pie can expand to be enough for everyone.

At the same time, there are new protagonists who—from scratch—develop completely new sectors such as white goods (BORGHI, ZANUSSI, MERLONI).

A considerable limit of this glorious period is that the entrepreneurs did not take into serious consideration the social movement that their actions had provoked.

The epitome of this was Fiat's leader, Vittorio Valletta, who thought that his social task was simply that of creating work (no matter where and no matter how much).

The only exception was Adriano Olivetti, an entrepreneur as well as social reformer who was deeply concerned with the social life inside the factory and

of the relationship between his enterprise and the surrounding territory.

The turning point of contemporary Italian economic history is found in the period between the 60s and the 70s.

It is the so-called ***Failed Landing***, meaning that the country could have had a Japanese-like landing (i.e., a frontier position in the world's economy).

In this respect, I don't believe we can hold the entrepreneurs too guilty.

- ◇ It was the political and institutional element that didn't work. Instead of starting a privatization process, the Italian state increased its direct economic activities, aiming especially to expand in order to gain political consensus.
- ◇ On the other hand, the State does not prepare an institutional or legal framework in which big business can prosper.
- ◇ In Italy there is no antitrust, no protection for investors in the stock exchange, no promotion of

institutional investors, and an inadequate banking legislation. Finally, the government does not shape the social conflict, inevitable in such a phase of transformation.

From the 70s on, in Italy begins a crisis of big business even though in the 80s the so-called *CONDOTTIERI* (people such as Carlo DeBenedetti or Cesare Romiti or Raul Gardini) appear on the scene.

The latter will be examined later.

Being active protagonists of "a capitalism without rules", their success will prove to be ephemeral.

A serious consequence of Italy's failed landing is the crisis and the defeat of the State as Entrepreneur as well as the downfall of the heirs of people such as Beneduce and Sinigaglia.

They are substituted by bureaucrats who navigate by sight, with short-term perspectives and an interest in making the political powers happy. Very eloquent cases can be found in the steel, oil, and automotive sectors.

In turn, another serious consequence of the failure of the State Entrepreneur is the deep crisis of the economy in Southern Italy. This area's economy was characterized by heavy investment in State-Owned Enterprises (SOEs). But here, together with the crisis of the State Entrepreneur, there is a crisis of the State *tout-court* out of which emerges a new kind of entrepreneurship, including the darkest side: criminal entrepreneurs who dominate the economy of at least 3 Italian regions.

Good capitalism, bad capitalism

Let's also consider the case of Raul GARDINI, leader of the Ferruzzi Group, a group which operated between the agricultural and industrial sectors.

In the mid-80s Ferruzzi took over Montedison (at the time the most important Italian chemical company as well as a conglomerate).

Gardini understood Montedison's problem: it needed a huge restructuring so as to get rid of the deadweight that had accumulated since Donegani. To do that, he extended huge bribes to politicians (the so-called *Tangenti Enimont*). It was the era of the "Clean Hands" operation and, when he felt trapped in a corner, he opted for suicide.

Gardini was, in a certain sense, the exponent of what could have become a *dynasty*.

How do Italian dynasties behave in the course of the second half of the 20th century? They didn't do so poorly as we can observe looking at the histories of families such as AGNELLI, PIRELLI, MARZOTTO, BARILLA, PESENTI, BORLETTI.

Of course they suffered some defeats but this is business as usual. Certainly they understood that they needed the support of managers.

Certainly the dynasties were not the most dynamic element of the Italian economy in the last 3 decades of the 20th century.

Rather, it was the small entrepreneurs operating in industrial districts, territories dedicated to the production of a good where a sophisticated division (horizontal and vertical) of labor was developed. This meant that not only did they produce a good but they also created the machinery necessary to manufacture it.

In many cases, inside the districts able to exploit niches emerged entrepreneurs who were capable of homogenizing the entire district. These entrepreneurs became part of the so-called ***Fourth Capitalism*** meaning neither "big" business (either public or private) nor "small" business. In Italy nowadays there are about 1500 entrepreneurs who run companies with a turnover between 150 million and 1.5 billion euros. They attack global niches so they are also named "pocket multinationals".

In the final analysis, today (but also in the entire course of Italian history) when speaking of entrepreneurs, we can observe a great vivacity. We see entrepreneurs in all fields, labor intensive or not, simple as well as complex technologies, traditional and advanced industries. The problem with Italian entrepreneurs is that they act as ***individuals*** rather than as components in a larger system. This is another consequence of Italy's failed landing which keeps Italy from assuming a front-row position in the global marketplace.