

THE GOVERNANCE OF INDUSTRIAL DISTRICTS: A THEORETICAL FOOTING PROPOSAL

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Summary:

1. Introduction to the topic; 2. The governance of industrial districts: a literature review; 3. Towards a theoretical footing; 4. Contributions from theories in corporate governance literature; 4.1. Agency theory vs. Stewardship theory; 4.2. A stakeholder approach; 4.3. The contribution of other theories; 5. An integrative theoretical framework; 5.1. Integrating insights from different perspectives; 5.2. An integrative theoretical model; 6. Agenda for future research and concluding comments; 6.1. Limitations of previous research; 6.2. Future research directions.

1. Introduction to the topic

Industrial districts represent a fundamental basis for the economy of Italy, but they are also peculiar economic phenomena involving other different countries. A number of regions have been appointed as industrial districts, mainly because of their growth, competitiveness and agglomeration patterns and certain similarities to the model of industrial district provided by Marshall have been recognised (Piore and Sabel, 1984). The most well known North-American examples are the regions of Hollywood, Silicon Valley and Orange Country (Hall and Markusen, 1985) even if many others have been explored (Porter, 1998). In UK the area between London and Bristol; in France, Grenoble, Montpellier and Sophia-Antipolis; in Sweden the area of Gnösjo; in Germany, Baden-Württemberg; some areas of Spain and Denmark and others outside Europe, such as Ishikawa and others in Japan (Pyke, 1990), India, Brazil and Mexico (Schmitz, 1995; Rabellotti, 1997).

The concept of industrial districts referred to as 'classical' is that proposed by Becattini (1987, 1989, 1990) and complemented by his scholars (Bellandi 1982; Dei Ottati 1986; Sforzi,

1991). The sociologist Trigilia (1987) and Brusco (1989, 1991) can also be included in the 'classical' school, although the latter built up the concept of industrial district on a different basis.

Becattini (1990) provides a conceptualisation of the industrial district: the idea is widely perceived as a revitalisation of the Marshallian concept whereby the notions of external economies and of economies of agglomeration are the two basic pillars. In one of his most influential books on the subject, Becattini provides the following definition of an industrial district: “[...] a socio-territorial entity which is characterised by the active presence of both a community of people and a population of firms in one naturally and historically bounded area” (Becattini, 1990).

Most references to the origin of industrial districts go back to the economist Alfred Marshall. In *Principles of Economics* (1922) the development and features of industrial districts, or as the author labelled the phenomenon “the concentration of specialised industries in particular localities” is discussed. Marshall (1922) stressed not only the business relationships instituted in a local environment, but also the importance of undertaking other socio-cultural aspects of this phenomenon. It is therefore not surprising that many disciplines have investigated the topic of industrial districts both in general terms and specific ones .

In order to sketch an overview of different perspectives involved in the study of industrial districts it is possible to identify direct contributions from some disciplines: industrial organisation, sociology, political economy, economic geography, economic history and organisation and management theory.

The present paper moves from organization and management theory and, building on the suggestions made by Coda (1989), considers the industrial district as a unit of analysis, focusing on the topic of its governance.

During the last decade this issue has been addressed more and more intensively by Italian scholars and policy makers both interested in exploring the drivers of competitiveness for industrial districts and in proposing solutions for helping some industrial districts to overcome crisis periods (Brunetti & Visconti, 1999). More precisely, some authors (Marelli 1997, 1999; Mistri, 1998; Brunetti & Visconti, 1999) have noticed how in some industrial districts, especially the ones based on a network of micro and small firms, there is a gap between the localised manufacturing competencies (often very strong) and the diffused ability of strategic thinking (often very weak), especially as an organic system of firms. This underlines the relevance that collective and meta-actors (whether they are leading firms or local institutions) could exert in these contexts for recovering an overall strategic view of the system and for

sustaining the competitiveness and the existence of the district itself. Regarding this, Garofoli (1991) referred to actors like ‘catalysts’ and ‘pivots’ of local development, Marelli (1997, 1999) and Brunetti & Visconti (1999), among others, have spoken about meta-managing actors, even if all these contributions fall in the broader issue of the governance of industrial districts. In line with this, Brusco (Pyke et al., 1991) stated that the lack of an apex, a hierarchy, a governing centre, may constitute a major weakness for some industrial districts. “This lead to the more far-reaching topic of governance, in the sense of the capacity of local administrations on the one hand in a dialectic exchange with social organisations and enterprises on the other, to guide the industrial growth processes in the industrial districts” (Mistri, 1998).

The literature that so far has touched upon the applicability of the concept of governance to industrial districts has mostly used the term ‘meta-management¹’ to refer to this issue (Marelli & Visconti, 1990; Molteni & Sainaghi, 1997; Visconti, 1996a; Brunetti & Visconti, 1999); the next section will briefly review such literature, in order to introduce the aim of the present paper, i.e. to propose a theoretical grounding for researching the issue of the governance of industrial districts.

2. The governance of industrial districts: a literature review

Even though the authors addressing the topic of the governance of industrial districts are very few, still some literature has been developed on correlated themes. In general, except from Mistri (1998), there is no explicit consideration of the governance of industrial districts as such, but most of the authors indirectly address this topic investigating meta-managing actors, i.e. actors in charge of governing and supporting the development of the district as a whole, combining different interests together. As far as this literature is concerned, we should note that there is not even a consensus on how to define actors in charge of the governance of the industrial district. Many authors address this role, labelling it meta-managers, others have written upon social architects, catalysts, pivots, collective entrepreneurs, etc.. In 1991, an Italian law defined these actors as district committees, disciplining in very broad terms the governance of industrial districts. The rest of this paper will adopt the definition of district committees to indicate actors in charge of the governance of industrial districts.

In this section of the paper, the literature on the governance of industrial districts is reviewed through the identification of core themes investigated or conceptually developed so far: roles, activities, threats and obstacles, and a set of prescriptive suggestions. Finally, considerations on the empirical evidence, published so far on the governance of industrial districts, is presented.

Roles attributed to governing bodies in industrial districts

Some authors have elaborated on roles for governing bodies in industrial districts, relating to the assessment of local entrepreneurial dynamics, especially referring to processes of innovation, the formulation of development strategies for the whole system, the recognition of opportunities for new firms, new networks and new consortia, etc. (Coda, 1989)

Authors referring to the concept of meta-management, build on the suggestions of Normann (1979) and indicate three main roles:

- designing an overall strategic imprinting for the all district;
- governing relationships among actors, in terms of power, stakes and resources;
- supporting the local socio-economic tissue, through a favourable cultural, economic and social context.

In general, the literature on the governance of industrial districts identifies three main roles for meta-managers (Colombo & Dubini, 1988):

- the social architect, that acts as a planner for the whole district and that is in charge of the analysis and integration of various demands, emerging from different actors (Colombo & Dubini, 1988);
- the sponsor, that is in charge of the legitimisation and sponsorship of local development
- the coordinator, that is in charge of translating collective strategies in actual plans and monitoring their achievement.

Activities suggested for governing bodies in industrial districts

As far as specific activities for governing bodies of industrial districts are concerned, some authors suggest (Invernizzi, 1993; Visconti, 1996a; Sinatra, 1994; Brunetti & Visconti, 1999):

- the creation and continuous support in maintaining a favourable socio-economic context, through the presence of efficient and effective infrastructures, the supply of services towards the business environment, the promotion of the image of the industrial district, the development of collective marketing strategies, etc.;
- the identification of the various demands from local economic actors;
- the formulation of collective strategies for the local development;
- the promotion of entrepreneurial initiatives;
- the use of central government resources for local industrial policies;
- the generation of a shared consensus around the activities of the governing body;
- the representation of local interests towards central government authorities.

Threats and obstacles for governing bodies in industrial districts

The complexity and heterogeneity of roles attributed by the literature to governing bodies within industrial districts have stimulated the reflection of some authors upon threats and obstacles that can negatively affect the performance of these actors:

- a strong individualism in the economic and political tissue;
- the expected incompatibility of positions between local authorities and local firms;
- the difficulties connected to a continuous change in the tenure of institutional and political actors.

Prescriptive suggestions from literature

The literature on the governance of industrial districts is characterised by the presence of prescriptive suggestions on how governing bodies are expected to cope with the effectiveness of their role. Molteni and Sainaghi (1997) indicate the following requirements for effective district committees, that in some aspects build also on the contributions from other authors (Airoldi et al., 1995; Grandori et al., 1983; Marelli, 1999; Mintzberg et al., 1967):

- demography (organisational structure, composition, criteria for membership, tenure, etc.);
- resource availability (mainly financial resources for supporting public and private projects);
- shared values (shared mission, norms of conduct, ethic codes);
- planning and control capabilities (analysis, planning, controlling and reporting);
- supply of specific services (both directly and indirectly).

Empirical evidence published on the topic

Despite this theme has only recently appeared in literature and so far has dealt more with normative/prescriptive studies than with theoretical ones or based on empirical research, it is possible to identify empirical material about the governance of districts, even if with a special descriptive characterisation.

Many experiences in literature are included within the broader theme of governance of districts. An explicit reference goes to the long experience of service centres (Centro Tessile Cotoniero Busto Arsizio, Texilia Biella, Promosedia Udine, Citer Carpi, Centro Ceramico Bologna, Tessile Como, Pratofutura, etc.). Nevertheless, even if it is not possible to exclude that these centres could play a role of strategic governance within a local industrial system, they are characterised, consistently with their mission, by providing services to single enterprises.

Moreover, quite recently, empirical evidence has been collected on the consequences of the Italian law 317/91 which disciplined the creation of district committees for the governance of industrial districts. With reference to this, Marelli (1999) notices that very few district committees have been created so far and these ones have experienced also inefficient and ineffective results. Nevertheless, apart from prescriptions by the law, there is no significant evidence of bodies in charge of the governance of industrial districts. Visconti (1996a), in its review about the meta-management of industrial district includes the experience of various actors:

- the experience of local governmental offices, especially in the south of Italy;
- the activities of Provinces, Chambers of Commerce, local banks and other financial institutions towards the local economic development;
- different types of service centres;
- the constitution of the Club of Italian Industrial Districts;
- other minor initiatives, from private actors.

In summary, the empirical material, still scarce due to the lack of experiences on this topic by local actors, is also very sparse, not focused and especially anecdotal.

It is worth noting that the previously mentioned forms of governance, addressed in anecdotal empirical findings, represent just a preliminary attempt to understand how the governance may take effect at the local level. The increasingly strong competition and the trend towards market globalisation induce the firms located in industrial districts to progressively find more and more sophisticated forms of cooperation in order to reinforce those external economies, that represent a strategic element for districts on which to anchor the results of the localised enterprises. Brusco (1991) called these the “second-generation” district firms, characterised by the creation of interactive relationships between local administrations and enterprises, and, above all, by the design of a global development project at the local level.

It is worth noting that the shift from the first to the second generation of industrial districts calls for a more active involvement of the local administrations.

Even if industrial districts are somehow the outcome of spontaneous processes within a territory, the role played by local institutions² can account for a significant share of the factors determining the competitive advantage of industrial districts. In various ways, Sgobba (1992), Leon (1992), Sforzi (1992) and Becattini (1992) have pointed out the importance of a formal acknowledgement of the district and its governance.

In conclusion, it is the case of defining a framework for the governance of industrial districts, a theoretical apparatus that could support both the empirical investigation on the

governance of industrial districts by academic scholars and the collective action at the local level promoted by policy makers.

3. Towards a theoretical footing

Research about the governance of industrial districts, still in its adolescence, is dominated by a prescriptive tone. There are many shortcomings in this line of mainstream: above all, using the words of Pettigrew, there is a need “to redress the overwhelmingly prescriptive bias in [...] literature, and begin to provide some basic descriptive findings about boards of directors (Pettigrew, 1992).

Udo Staber (1996), debating about the theoretical footing of research regarding industrial districts, has argued that: “Most writers on industrial districts are not even explicit about the theoretical perspective they follow. When questions are asked about district structures and outcomes, the source of these questions are usually other theories, such as management and organisation theories. District analysts generally do not ask how their perspective handles a particular theoretical problem, and so it is not clear what theoretical contribution the district model makes” (Staber, 1996).

This paper proposes to infuse the concept of district committee and local governance with a greater concern for the theories applied to corporate governance.

The rationale is that corporate governance literature may help to understand also the local governance of industrial districts, shedding some light on the factors that merit consideration in analysing the governance of districts and proposing a theoretical frameworks to interpret empirical evidence.

Therefore, the objective of this paper is to put the governance of industrial districts on a firmer theoretical footing, clarifying how this topic can be informed by concepts and propositions from the theoretical body of corporate governance, and board of directors in particular.

It is possible and fruitful to apply the general corporate governance models and theories to industrial districts? Why and how?

We claim it is, and in the rest of this paper we will show how this can be done and what the possible insights could be.

In order to pursue the aim of this paper, some characteristics of industrial districts have to be considered in order to clarify the way a governance approach can be undertaken:

1. There is no formal ownership of the industrial district itself: who are considered to be shareholders in corporate governance literature are the local stakeholders (resident individual actors) for an industrial district.
2. Internal stakeholders in industrial districts are very heterogeneous with multiple objectives and demands. In general two broad categories can be considered: individual stakeholders (inhabitants, workers, entrepreneurs, etc.) and collective stakeholders at various levels (firms, local authorities, business associations, etc.).
3. Many authors have considered the simultaneous presence of co-operative and competitive behaviours among local actors in industrial districts: this is supposed to make the relationships among internal stakeholders more complex.
4. The literature on industrial districts and on entrepreneurship has vastly depicted micro and small firm behaviours as highly individualistic and trust is not considered anymore to be an underpinning of industrial districts in all cases.
5. There is a shared belief among some scholars, practitioners and policy makers that industrial districts are spontaneous entrepreneurial phenomena and therefore attempts to construct a common governance are not only useless, but intrinsically inclined to failure.
6. A blurred delimitation in the governance structure is expected, especially building on previous cases that have experienced heterogeneity of solutions and mingling of roles played by actors within the district.
7. Industrial districts have generally their roots in a common culture, history and tradition and in a majority of cases are industry-specific. This permits to address an industrial district as a whole, interpreting it as a corporation.
8. Industrial districts generally share an internal homogeneity in terms of resources, whether they are capital, training, services or workforce.

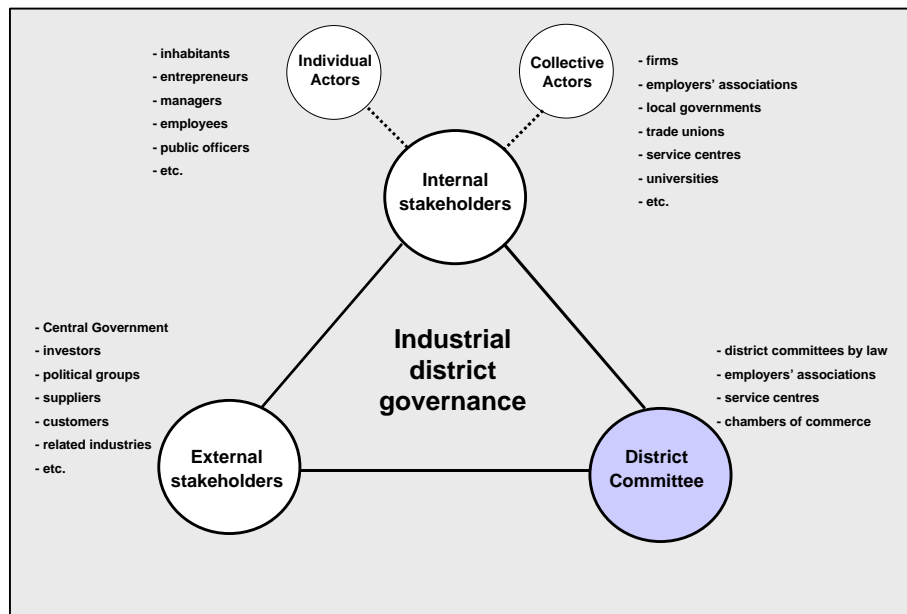
Given these premises, that will shape the rationale in the rest of the paper, we can borrow the definition³ that Monk and Minows (1995) give of corporate governance, stating that the governance of industrial districts is the relationship among various participants in an industrial district who determine its direction and performance.

More precisely, building on Sven Collin's view on corporate governance, we can state that the governance of industrial districts is the interaction between three kinds of actors: the internal stakeholders, the board (in this case the district committee) and the external stakeholders in directing the industrial district⁴.

Figure 1 illustrates the concept of governance of industrial district that it is suggested in the present paper. According to what has been previously stated, internal stakeholders are

considered both at an individual level (inhabitants, entrepreneurs, managers, employees, public officers, etc.) and a collective one (firms, employers’ associations, local governments, trade unions, service centres, universities, etc.).

Figure 1. *The governance model proposed for industrial districts*



External stakeholders are considered to be all the actors that are physically external to the industrial district but still exercise a stake towards it. These are the Central Government, formal and informal investors, political groups, external customers and suppliers, related industries localised in other areas, etc.

What in the original model presented by Collin (1999) was the board, here is the district committee in the various forms identified in empirical evidence (district committees as disciplined by the Italian law, some employers’ associations or service centres acting as district committees, spin-offs of the local chamber of commerce, etc.).

Building on literature about governance of industrial districts and building on the studies conducted in the field of corporate governance (especially on board of directors, that are here assumed to be similar to district committees) some questions arise as crucial to which the present paper wants to offer a theoretical grounding:

- which are the roles expectations for district committees?
- which are the characteristics of a district committee in terms of its composition and attributes (such as legitimacy, distribution of power, etc.)?

- how internal and external contingencies influence roles and characteristics of district committees?
- how all these elements affect the performance of the district committee and by large of the district?

These questions bring us to the identification of core themes that, according to us, merit consideration both in theoretical and empirical studies on the governance of industrial districts:

- roles and related activities of the district committees
- composition of district committees
- attributes of district committees
- expected results from the district committee
- relevant contingency factors that affect the elements above

Different theoretical perspectives, frequently applied in the literature about corporate governance, are analysed through the identification of the core themes mentioned above, giving more emphasis to the roles of district committees. In fact, this theme among the others, is considered to be centred both in the tradition of corporate governance literature and in the seminal studies on the governance of districts.

According to this, Huse (1999) suggests two basic approaches to investigate the role of a governance body: a theoretical and an empirical one. The former suggests to dig into different theories and searches for different interpretations of the roles of district committees (in this case). The latter considers the expectations from different stakeholders to assign roles to the district committee. These two approaches will be undertaken in the following section: the theoretical approach will firstly be addressed towards agency theory and stewardship theory, since they both deal with the issue of consensus, that has proved to be crucial in dealing with heterogeneous actors within an industrial district. Secondly, moving towards the empirical perspective and consider which roles are expected by different stakeholders, a stakeholder approach will be applied.

Other theories will be then analysed (legalistic theory, resource dependence theory, resource based theory, interlocking directorates, intra-class/hegemony theory).

4. Contributions from theories in corporate governance literature

4.1. Agency theory vs. Stewardship theory

With reference to what stated in the preceding of this paper, internal stakeholders of industrial districts are heterogeneous and present different interests and demands, together with apart from different roles, both as individual and collective actors. Moreover, we have attributed the role of 'owners' of the district to local individual actors, unravelling, in so doing, a problem of agency in the district itself. According to this reasoning there seems to be a multiplicity of agents and a multiplicity of principals within an industrial district. Using the categories of agency theory, for instance, if local inhabitants are considered the 'principals' then the local government can be considered the 'agent' or if the principals are employees, trade unions act as agents for them (Eisenhardt, 1989; Fama & Jensen, 1983). This obviously configure two problems:

- the possibility that there are discrepancies between the action of the agents (typically, the collective internal stakeholders of a district) and the expectations of the principals (typically, the different categories of individual internal stakeholders identified before);
- a multiplicity of agents and principals within the industrial district that are strictly related among them. Therefore, for instance, the agency of inhabitants through their agents (local government) affects also the agency of employers through the action of their agents (employers' associations) and so on.

According to agency theory (Jensen & Meckling, 1976), losses to the principal resulting from interest divergence may be prevented by imposing control structures upon the agent.

If this framework is applicable to industrial district actors, and we argue it could be, it assumes that there are conflicting interests between the agents and their principals.

Information asymmetry, lack of trust, incompetence, moral hazard, personal interests are all factors that may affect the conduct of some agents in relation to their principals and therefore also to the industrial district as a whole (Jonnergård & Svensson, 1995). As far as this theory is concerned, the district committee has the role of controlling/monitoring and evaluating the activity of collective actors who act as agents, since it assumes that the interests of the agents diverge from the interests of the owners (Jonnergård & Svensson, 1995). "Agency theory provides a useful way of explaining relationships where the parties' interests are at odds and can be brought more into alignment through proper monitoring [...]" (Davis, Schoorman & Donaldson, 1997).

In contrast (Donaldson & Davis, 1989; 1991; 1994; Fox & Hamilton, 1994) to this theory, consensus theories do not assume a conflict of interests: collective actors are viewed as good stewards (Weber, 1936; Abrahamson, 1994). According to this, agents and principals share the same interests and the agents act in order to represent, sustain and promote the interests of their principals. Stewardship theory has its roots in psychology and sociology and aims at explaining situations in which 'agents', as stewards, are motivated to act in the best interests of their principals.

Accordingly, the district committee is not required to control or monitor but mainly to support internal stakeholders in strategic thinking and acting, counselling and advising them, and also legitimising and enhancing their action.

As suggested by Dalton et al. (1998), in the composition of district committees is expected to be a preference for external stakeholders (outside board members, in the corporate governance literature) when agency theory explanations prevail. On the contrary, stewardship theory suggests a preponderance of internal stakeholders in the district committee since it argues that they are trustworthy and not prone to mis-behave towards the interests of the district. This second perspective admits also the fact that some internal stakeholders serve simultaneously as district committees and as service centres, employers' associations or whatever. The preference for the separate district committee structure is largely grounded in agency theory (Dalton et al. 1998).

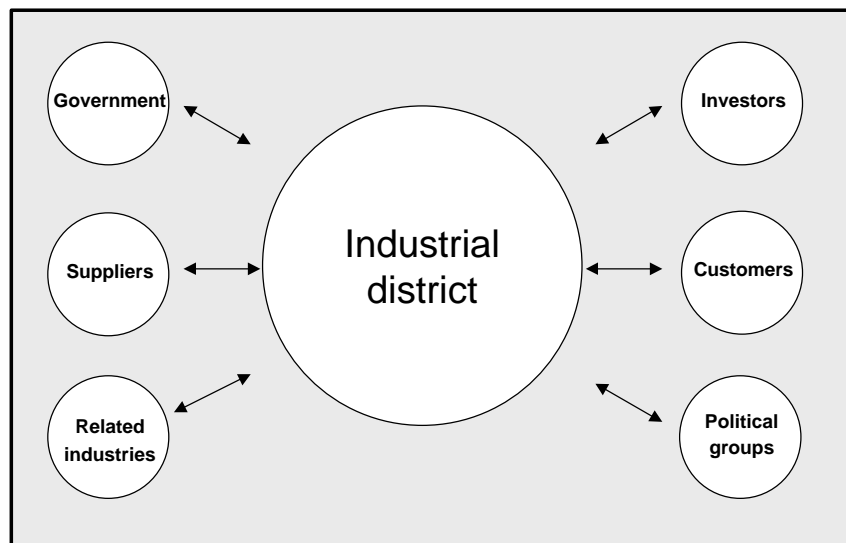
In any case this overlapping of roles poses problems of concentration of power and closure towards other actors. On the contrary, the preference for external stakeholders in the district committee, as suggested by agency theory poses great problems of legitimisation, lack of power and cohesiveness, inducing also the possibility that external actors do not possess sufficient knowledge about the situation one particular industrial district is facing.

4.2. A stakeholder approach

A stakeholder approach in understanding firms has evolved during the 1960s and the industrial democracy discussions. Stakeholder theory was, however, popularised by Freeman (1984) and "stakeholder" in an organisation were defined as "any group or individual who can affect or is affected by the achievement of the organisation's objectives".

Accordingly, a stakeholder map (Figure 2) for industrial districts tends to consist of all groups with legitimate interests that participate in an industrial district (Donaldson & Preston, 1995): government, suppliers, related industries, investors, customers, political groups and internal stakeholders (local collective actors and local individual actors).

Figure 2. *A stakeholder approach for industrial districts*



According to this view, the district committee is a formal body for stakeholders or principals to represent their reciprocal interests.

The rationale behind this approach is that without the support of different groups, both internal and external, the district will cease to exist or the particular interests of one stakeholder will prevail on the others.

Such arguments involve how the district committees may be used in integrating different expectations and demands from different categories of internal and external stakeholders, gaining in this way a legitimisation. For instance social actors (inhabitants, etc.) will demand a maximisation of the community welfare and, therefore, attribute to the district committee the role of controlling business actors and support local society; on the other side, economic actors (both individual and collective ones) will strive to maximise mainly their own welfare, therefore will expect the district committee to monitor and influence local institutions and firms in order to achieve an higher competitiveness and profitability for their own businesses. Moreover, the workers (managers, employees, etc.) are expected to have a stake in securing their employment and compensation and their social status, hence they will expect from district committees a support for maintaining a long term social welfare in the whole district, prevent unemployment and so on.

Together with the specific stakes of different actors involved in an industrial district, a major role for district committees, according to the stakeholder approach, refers to how it may legitimate the conduct of the district in relation to important stakeholders both internally and externally (Huse, 1995), while another one refers to a role of controlling/monitoring (Mace,

1971; Herman, 1981) of the conduct of some internal stakeholders by some others (especially individual actors) or even by external ones (related industries, external suppliers and customers, Central Government, etc.).

In particular, Huse (1995) suggests a typology of roles and activities in relation to different groups of stakeholders and under different contingencies. Huse (1995) indicates three main roles with reference to the stake and the power distribution among the stakeholders (legitimizing, advising and control/monitoring) that seems applicable also to district committees. Moreover, borrowing the analysis of Huse, each one of this three roles will prevail depending on the situation the district is facing and the industry type it belongs. Therefore, for instance, an industrial district in a traditional industry and in a mature phase of its life-cycle, struggling for re-establishing itself after a crisis is supposed to require a district committee focused on legitimizing, lobbying and disciplining. According to what stated so far in relation to the stakeholder perspective, the composition of a district committee is expected to cope with different categories of stakeholders and this posits a problem of stability, since as Huse (1995) points out, depending on contingencies different categories of stakeholders become central. In this perspective, different stakeholders confide in the district committee for achieving the results they demand. This obviously poses problems of effort norms (Forbes & Milliken, 1999), since an heterogeneous composition of the district committee favours a disequilibrium in the degree of effort exercised by different stakeholders. This also brings with it certain cognitive conflicts (Forbes & Milliken, 1999), together with problems of cohesiveness and power distribution.

4.3. The contribution of other theories

In the previous parts of this section, agency theory and stewardship theory have been analysed together with a stakeholder perspective. Nevertheless, even if these three are core perspectives both in relation to the governance of industrial districts and the literature on corporate governance, other theories seem to offer important insights for the topic under study in this paper.

Legalistic perspective

First of all, a legalistic perspective brings the discussion back to the Italian law 317/1991. This approach suggests that governing bodies (district committees, as the law define them) contribute to the performance of the industrial district by carrying out their legally mandate responsibilities (Zahra and Pearce, 1989). Through an interpretation of the Italian law, it seems that the legalistic will is to create a collective spokesperson for the whole district, able to

represent different demands from local actors and also a privileged referent for the Central Government. The composition and expected results from district committees are at least vague, according to the law.

A legalistic perspective poses a huge problem of legitimisation for the district committee since it configures this governing body as something imposed from the outside and not expressed by local stakeholders. This brings problems of conflict, stability and especially legitimacy.

Resource dependence theory

Resource dependence theory is a predecessor of the resource-based theory. This perspective states that when there are elements in the environment that exert power over an organisation (in this case, the industrial district), it will strive for securing a more friendly environment or more independence (Pfeffer, 1972). Therefore, resource dependence theory applied to industrial districts expresses the extent to which it depends on external resources. To this respect the district committee has a role in acting as a catalyst of external resources, in reducing the uncertainty of internal stakeholders through operating as an intermediary with external environment and in co-optation. The last one is a strategy for absorbing powerful external actors in order to deal with environmental dependence (Selznick, 1949).

Representatives of external stakeholders, from whom the industrial district mainly depend could be put in the district committee as well as other internal influent actors. Even though the above elements can contribute to the aim of dealing with environmental dependence that this theory assumes, still we can expect problems of legitimisation in addressing the external environment for resources that differ for different internal stakeholders. Finally, the inclusion of representatives from external stakeholders in the composition of the district committee can imply a problem of cognitive conflict between different kinds of actors.

Resource-based theory

“One organisation frequently establishes linkages or exchanges with other organisations in order to meet necessary legal or regulatory requirements” (Huse & Eide, 1996). On this line, an industrial district or firms within them might establish linkages and exchanges with the outer environment to develop their strategic resource base (Amit & Schoemaker, 1993; Hall, 1993; Peteraf, 1993). Actually, while resource dependence theory focuses on dependencies, resource-based theory focuses on interdependencies between economic actors. According to this the district committee may play a twofold role: (a) it can constitute a resource in itself, through a composition that favour the presence of knowledge (also specific to the district); (b) it can

operate as a melting pot where interdependencies among different actors are cultivated in order to create a strategic resource base for the whole district.

Interlocking directorates theory

Theory on interlocking directorates (Richardson, 1987) focuses on a network approach to the understanding of the role and the composition of a governing body. The sociological assumptions of this theory date back to Granovetter (1985) embeddedness thesis reinterpreted by Mizruchi (1983).

An interlocking directorate exists when an actor is part of two or more governing bodies. Both direct and indirect linkages are possible: indirect linkages exist when actors from the organisations A and B do not sit on each other's board (Pettigrew, 1992), but are linked through their membership in a third board. With reference to this Borch & Huse (1993) point out how the board of directors seems to be an important arena for SMEs for networking. It creates "a meeting place where several persons with external contacts join in the strategic decision making [...]" (Borch & Huse, 1993).

Nevertheless, this seems hardly to be the case of Italian district firms, who, with some relevant exceptions (Lazerson & Lorenzoni, 1999) are in prevalence micro and small companies or even craftsmen. The possibility of creating a meeting place for governing exchanges, resolving conflicts and co-ordinating interests and actions seems achievable through what interlocking directorates theory calls an indirect linkage, i.e. a governing body where different actors sit together. On this line, a district committee may constitute a way of integrating different actors on a meta-level and meeting place for them. Such role poses problems related to the interpretation of actors not experienced in working together and this can imply different effort norms, conflicts and power-related issues (Forbes & Milliken, 1999).

Intra-class/hegemony theory

The fact that interlocking directorates research has been object of strong criticisms by many scholars⁵ (Mizruchi, 1983; Zajac, 1988) pushes our discussion to move rapidly to another perspective related to the previous one. Class-based theorists interpret governing bodies as a way of linking between powerful elite into elite class networks. Useem (1984) contributes to this perspective proposing a view of governing bodies as inner circles of elite (Pettigrew, 1992). Actually class hegemony theory is rooted in Marxist sociology (Mills, 1956; Nichols, 1969; Ratcliff, 1980; Rubner, 1965). It views governing bodies (in this case the district committee) as a way of perpetuating the power of one elite and therefore its composition is ruled by the will

of having members only from one class. By this exclusion of other stakeholders (both internal and external) the interests of one and only group is protected.

5. An integrative theoretical framework

5.1. Integrating insights from different perspectives

The preceding has illustrated how different theoretical and empirical perspectives, traditionally used in the literature on corporate governance, can give insights on the themes considered of central importance for the governance of industrial districts.

A summary of the concepts discussed in the preceding sections is presented in Table 1. For each perspective a summary of its rationale is presented as well as indications about (a) roles and activities for district committees; (b) their composition; (c) their attributes; (d) the expected results.

Table 1. *An integrative theoretical framework: different perspectives combined*

Perspectives	Rationale	Roles and activities	Composition	Attributes	Expected results
Legalistic approach	To fill in a normative gap and answer to critics on local policies	Dialoguing with central government authorities; Acting as a collective spokesperson; Interpreting different demands	Vague and open; Problem of stability	- problem of legitimacy - cohesiveness - cognitive conflict	Ambiguous, not specified
Agency theory	Agent and principals do not have the same interests, there is no consensus	- Control - Evaluation - Monitoring	Outside stakeholders, mainly	- lack of power - legitimacy - presence of specific knowledge - cohesiveness	Alignment between agents and principles
Stewardship theory	There are no conflict interests between agent and principals, there is consensus	- strategy - service	Inside stakeholders, mainly	- concentration of power - cognitive conflict with the outside	Enhancing the role of agents
Stakeholder approach	Without the support of different groups of stakeholders the district will cease to exist	- legitimating - advice - control/monitoring	Different stakeholders both internal and external; problem of stability	- legitimacy - distribution of power - cohesiveness - cognitive conflict - effort norms	Different results for different stakeholders
Resource dependence theory	Emphasis on dependencies. The district committee can work to span boundaries and as a key to external resources	- service - intermediary - catalyst - reduce uncertainty - diffuse information	Heterogeneous, to increase external contacts	- cognitive conflicts with external actors - problems of legitimacy in acting as a collective body	Degree of openness reached for the district, degree of internationalisation, attraction of investments
Resource-based theory	Emphasis on interdependencies. The district committee can constitute an important resource for the district	The district committee is a resource in itself or act as a collector of local resources	Heterogeneous, oriented to increase the presence of knowledge	- presence of knowledge - use of knowledge	An effective use and an increase in knowledge, competencies and resources of the district
Interlocking directorates theory	To have a directorate that act as an integrator of different actors in the district. District firms are not inclined to have direct interlocks between them	- integration - meeting place	Different stakeholders open to external stakeholders, problem of stability	- cognitive conflicts - effort norms - distribution of power	Obtaining an integration and cross-fertilisation of different actors
Intra-class/Hegemony theory	District committees are inner circles	To defend, represent, support the interests of one class	Homogeneous, internal stakeholders exclusively, high stability	- cohesiveness - power accumulation - legitimacy	To perpetuate the hegemony of one class, one actor, over time

5.2. An integrative theoretical model

The various elements identified and defined in the preceding discussion are here combined in an overall theoretical framework, whose elements are expressed by a set of propositions developed below.

A classification of the roles of governing bodies, such as board of directors in corporations and district committees in industrial districts, is made by Zahra and Pearce (1989), who define three roles: control, service and strategy. According to the different theoretical and empirical perspectives presented in the preceding of this paper, all roles for district committees suggested seem to fall within the three categories proposed by Zahra and Pearce (1989) that are defined as follows:

- control role: to evaluate the performance of the district and to protect the interests of internal stakeholders, decreasing agency problems if present;
- service role: to legitimise and enhance the district reputation, establishing contacts with the external environment, counselling and advising internal stakeholders, and supporting the supply of specific services;
- strategy role: is related to specific issues rather than functions like the other two roles. It consists on counselling and advising internal collective stakeholders, conducting analyses, suggesting alternative strategies for the whole district, strategic planning on critical collective issues.

These three categories of roles seem also to be consistent with previous literature on the governance of industrial districts and demand for a rethinking of roles preliminary attributed to district committees in prescriptive terms (social architect, sponsor, co-ordinator, planner, etc.). Hence:

Proposition 1. *The district committee will exert three main roles towards the industrial district: control, service and strategy.*

Basing on the preceding discussion in the paper, different attributes of district committees seem to be relevant for analysing them. In particular, some categories arise as core, both according to the perspectives considered and other literature on corporate governance. In particular, Forbes & Milliken (1999) address factors like effort norms, cognitive conflicts, the presence and use of knowledge (both functional and district specific), and the cohesiveness of the governing body⁶, as attributes that affect the board effectiveness. To these attributes we have add the issue of power (Hardy & Clegg, 1996; Morgan, 1997) and the problem of legitimacy (Huse, 1995; 1998; Donaldson & Preston, 1993). Thus:

Proposition 2. *The attributes characterising district committees will be: (a) legitimacy; (b) power; (c) presence of knowledge; (d) use of knowledge; (e) cohesiveness*

Building on the preceding discussion and the contribution of the different theories considered, three elements seem to characterise the composition of district committees: the proportion of external stakeholders, the number of different stakeholders involved (only one stakeholder or more than one kind) and the stability of membership over time. The proportion of external stakeholders is a main topic also in the corporate governance literature (Forbes & Milliken, 1999; Davis, Schoorman & Donaldson, 1997) and more precisely on board demography, that has shown its relevance also for district committees, as the different perspectives examined have shown. Hence:

The number of different stakeholders involved (Huse, 1998; Donaldson & Preston, 1995) has been addressed as relevant by all the theories considered above. At one extreme, intra-class/hegemony theory (Useem, 1984) considers the case of only one class of stakeholders involved in the district committee. At the other extreme, the stakeholders perspective (Donaldson & Preston, 1995) refers to various classes of stakeholders involved simultaneously in the governance of the district. Finally, the stability of the composition of the district committee, referred as 'board tenure' by Forbes and Milliken (1999), is particularly relevant when different stakeholders are involved. Thus:

Proposition 3. *Elements like (a) the proportion of external stakeholders, (b) the number of different stakeholders involved and (c) the stability of membership over time will shape the composition of the district committee.*

Finally, contemporary research on industrial districts is experiencing an increasing account for concepts like the life-cycle of industrial districts (Carminucci & Casucci, 1997), the heterogeneity of organisational morphologies (Lazerson & Lorenzoni, 1999), the availability of resources (Lipparini, 1995), the average size of the firms that compose a district (Ferrucci & Varaldo, 1997), the type of industry in which the district operate (high-tech or low-tech), that disregard the unrealistic picture of industrial districts initially given by Piore & Sabel (1984). To this elements, that are here depicted as situational factors influencing the governance form that will prevail in an industrial district, as suggested by Davis, Schoorman and Donaldson (1997), who build on previous studies by Hofstede (1991), we will add some situational factors (specific of corporate governance literature) that consider mainly the characteristics of actors operating within an industrial district: individualism vs collectivism, risk propensity, power distance, confucian dynamism (perceived time frame). Finally, this elements are compared and integrated with the situational factors (internal and external) suggested by Zahra and Pearce

(1989), when they examine the contingency elements that affect board attributes and roles. Therefore a fourth proposition can be formulated as following:

Proposition 4. *Internal contingencies (i.e. (a) the phase of life cycle of the industrial district; (b) the average size of firms; (c) the resource availability; (d) the organisational morphology of the industrial district; (e) the risk propensity of district actors; (f) the degree of individualism; (g) the power distance among district actors; (h) the confucian dynamism of district actors) and external contingencies (i.e. (i) environmental macro variables; (l) the industry type; (m) the legal framework; (n) the competitive pressure) will play a decisive role in the governance form of industrial districts.*

6. Agenda for future research and concluding comments

This paper suggests that research on the governance of industrial districts is at a crossroad.

On one side scholars can proceed in the direction taken so far, and conduct purely descriptive studies, collecting anecdotal data and formulating prescriptive suggestions to policy makers on how to structure the governance of industrial districts, but this should not be taken as scientific research.

On the other side, it seems possible to agree with the suggestions from various authors (Staber, 1996), sustained in this paper, to conduct empirical research, building on different theoretical frameworks able to define more precisely core concepts, relationships among them and to support the elaboration of empirical and theoretical contributions.

Therefore, in this section we will sketch some issues that appear to need examination in future research endeavours. Of course, in doing so, we build on the insights gained in the past by a vast community of district scholars and even by some scholars in corporate governance.

Before this, we think it is also useful to reflect briefly on some of the shortcomings of prior research on the governance of industrial districts.

6.1. Limitations of previous research

There are several limitations of past research that worth attention. First of all, the impact of contextual forces on the governance of industrial districts should be considered more precisely. Factors like district life cycle (Carminucci & Casucci, 1997), average size of district firms, industry-specific characteristics and so on have been lightly considered as key drivers for the elaboration of different types of governance committees. As a consequence many published

studies are open to speculation and interpretation, since they are not that precise on this aspect. In order to minimise misleading interpretations, future research should consider explicitly the effects of contextual factors (both internal and external to the district).

Secondly, there has been a stressed tendency among researchers to prescribe desirable roles and characteristics for district committees without a sufficient research in the field over time and across different contexts. This tendency to prescribe changes in the governance of industrial districts without a clear understanding of all the features of this complex socio-economic phenomenon is also evident in discussing their performance and survival.

Thirdly, also from a methodological point of view, the research conducted so far on the governance of industrial districts has been handicapped. Most of the empirical evidence is based on anecdotal data and it has not been collected according to a precise methodological approach.

Moreover, some researchers explicitly or implicitly admit of having collected data on the governance of industrial districts, acting directly in the field within some of the local institutions (even district committees), but they never address ethical issues, as suggested by Huse (1996) when he addresses methodological aspects of this kind of action research in the field of corporate governance.

More in-depth case studies, especially through ethnographic methods (in order to capture the complex and holistic nature of particular governance choices by different districts), are required as well as more quantitative cross-sectional analysis on particular topics, such as the impact of district committees characteristics on the performance of the industrial district as a whole. As far as the quantitative approach to research is concerned, the possibility of having a significantly large sample of district committees is determined by the limited diffusion of these institutions.

Finally, inconsistencies in the research studies on this topic are identifiable: measures of district performance have not been appropriately stated so that various cases of governance of industrial districts, generally considered successes or failures, are not consistent among themselves; moreover it is not clear according to what type of stakeholders they should be evaluated; some other authors have attributed a control function to district committees and even developed control tools for them (e.g. tableau de bord, balanced scorecards, etc.) without addressing the nature of these district committees or the problem of the governance of industrial districts at large.

6.2. Future research directions

The starting point for research directions in the future involves conducting extensive field work, since, so far, the empirical evidence collected (not only regarding Italian industrial districts) is very poor. This will permit to understand better, to document and to operationalise the variables referring to district committees suggested in this paper.

More descriptive and exploratory work is necessary before normative district committee models or theories can be advanced.

Another path for future research is to delineate how different stakeholders (both internal in the district and external) view the role of the board. It is unclear what existing district committees actually do, why they have been created or how they are evaluated by these various groups of stakeholders. According to this future research is also necessary to identify and elaborate contents for the roles identified in this paper.

A third path for future research is to develop a typology of district contexts and associate variables affecting their governance. By focusing on internal and external contingencies, we have underlined, researchers can identify different district committee settings both theoretically and empirically. Only subsequent studies may determine how these settings contribute to the determination of district committee characteristics, etc.

A fourth direction for future research involves conducting comparative research on district board attributes, including international comparisons. This implies that future research should examine differences in international governance practices and their implications for the district as a whole, its firms and society. Moreover, this will require attention to industrial districts at different stages of their life cycle, with different organisational structure (district morphology), in different industries.

Finally, considering the relevance of industrial districts both for Italy and other countries, and the urgency or the criticality which typically characterise the introduction of a district committee, it becomes almost imperative to define also the role and characteristics of district committees in practical terms, i.e. identifying which are the policy implications of concepts developed in theory.

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Notes

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- ¹ This concept is borrowed from Normann (1979) who referred to a set of managerial roles that lay on a meta-level of the business system, aimed at supporting the whole system in adapting dynamically to the environment.
- ² With reference to this point, there are numerous intermediate institutions operating in a district and these include the employers' associations, the trade-unions, the peripheral state organisations, the local administrations, or local authorities, the cooperative organisations, the service centres, and the regulations of governing relationships between these institutions. It is commonly assumed that, while the national institutions have some difficulty in communicating with enterprises on a local level, the intermediate institutions are more successful in finding an understanding with the local business world. This is the case of an institutional model that is centrally weak and relatively strong at local level; and it is just at this local level that interaction between intermediate institutions appears necessary and relevant when the convergence of interests focuses on clearly-defined objectives, as in the case of industrial districts.
- ³ This definition is quoted in Lubatkin et al., 1998.
- ⁴ This interpretation emerged during the seminar that Sven Collin gave in the Ph.D. course "Corporate Governance in SMEs" in Halmstad University, 2000
- ⁵ With reference to interlocking directorates Mizruchi (1983) says "that nobody really knows what they mean".
- ⁶ For an extensive analysis of these factors refer to Forbes and Milliken, 1999.