



## **Governance and Agencies: New Policy Instruments up against the Crisis**

Valentina Pacetti / Angelo Pichierri

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# Governance and Agencies: New Policy Instruments up against the Crisis

*Valentina Pacetti / Angelo Pichierri*

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## Foreword

The present paper has its origins in two EU-funded international research projects (Eurocap and Capright) in which the authors were members of the Italian team<sup>1</sup>. Detailed information about the two projects (the second of which is still in progress) and their outcomes can be found in their websites.<sup>2</sup> Their theoretical background is the capability approach of Amartya Sen. In the first project, one important focus was the attempt to develop the notion of collective capabilities (i.e., the capabilities of firms and territories), and the authors produced a first report on the Torino metropolitan area. In the second and ongoing project, the focus is on agencies (mainly employment and welfare agencies) as conversion factors and facilitators in the development of capabilities. Our contribution, which again centers on Torino and the surrounding region, concerns agencies whose aim is to improve the capabilities of the local production system. In addition to its basis in the capability approach, our contribution draws on the latest developments of the governance approach (Crouch et al. 2001, 2004) and its notion of local collective competition goods. In analyzing agencies and how they work in the mechanisms of local governance, we have also attempted to make use of our training and skills as organizational scientists.

This contribution thus deals with public policies designed to produce local collective goods (resources), potentially creating and/or improving (individual and collective) capabilities, via the operation of agencies (conversion factors).

The paper devotes special attention to the local (metropolitan) production system. In our view, the European discourse on (local) development tends to take the compatibility and synergism of positive economic performance and high social cohesion for granted. In the perspective we propose, mutual reinforcement of the two is by no means a “spontaneous” process. At best, it is the result of public policies whose effectiveness depends to a great extent on the nature and combination of actors that formulate them and on the organizational structures that implement them.

The policies and agencies under analysis are recent and relatively innovative ones, to be found especially in metropolitan contexts. Torino is a case in point: given its recent Fordist past, the ongoing changes in the regulation of both the economic and political systems are visible and exemplary. The agencies to be

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1 Angelo Pichierra wrote foreword and chapter 1-3 (except paragraph 3.3). Valentina Pacetti wrote chapter 4-5 and concluding remarks.

2 [www.capright.eu](http://www.capright.eu)

discussed are organizational instruments of a new governance model that can be seen as both a result and an answer to the economic and political changes of the last 20 years.

In the first section of the paper, no attempt will be made at giving a full description of the Torino metropolitan area's socioeconomic situation, as such a description was provided for the earlier Eurocap project. On the basis of available evidence, we will try instead to emphasize the trends, characteristics and challenges of the ongoing change to be faced by the local governance, and the emerging features of the latter.

In the second section of the paper, we will introduce Local Agencies, using three different interpretative keys. On this basis, we will describe some experiences from the territorial case study, looking for elements of a possible typology.

In the concluding remarks, we will focus on the strengths and weaknesses of new modes of governance and of agencies themselves.

After our study was designed and got under way, the financial crisis and the drastic worsening of the economic situation put local governance and its agencies under stress. While we originally proposed to concentrate on a very small number of significant agencies, we later opted for a more general overview of the characteristics of the system which are likely to influence its capacity to confront the crisis, and which the crisis can be expected to change.

## **1 The transformations of local governance in Torino. The context**

### **1.1 Extra-local context**

Basic exogenous factors explaining the emergence of an innovative and relatively original model of urban governance – far more pluralistic and cooperative in the '90s than in the rest of the 20<sup>th</sup> century – can be included under the labels of *globalization* and *Europeanization*.

The challenges of globalization are especially visible in Torino, first of all because its export-based industrial system involves a constant exchange with global markets.

European policies have had a structuring influence on local governance, especially through the selective allocation of structural funds. At the beginning of the '90s, Torino was included in the “Objective 2” areas, thus becoming a

territorial target for policies aiming at reversing industrial decline. Although the city's government was not officially a counterpart to Bruxelles, the metropolitan character of many of the projects that were financed, and the participation of the city in some of the most significant ones (e.g., industry parks, the inward investment promotion agency) made it a central actor.

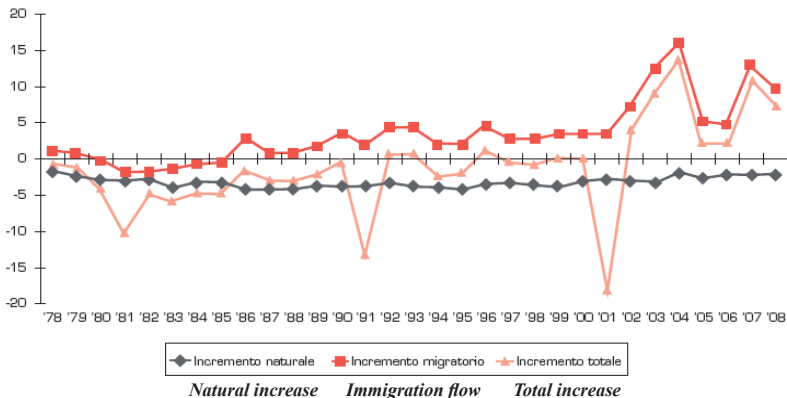
The structuring influence of European policies acted in combination with another set of exogenous factors that can be included under the label of regionalization and decentralization. The reform introducing the direct election of mayors (and regional presidents) was especially effective in legitimizing and stabilizing the mayors of regional metropolises: charismatic and entrepreneurial mayors were now much less hampered by political parties and town councils than in the past.

## 1.2 Local context<sup>3</sup>

### 1.2.1 Population, labour market and human resources

The fertility rate in Piemonte is below the (also low) national average. A constant if modest population growth is the result of an increasing immigration flow.

Chart 1: Population trends in Piemonte from 1978 to 2008  
(% annual increase)



Source: Ires Piemonte

3 Here and elsewhere, the statistics used come from official sources, especially Istat and Eurostat; a constant problem is that the most interesting ones refer to the region (NUT 2) or at best to the



Regarding immigration flows, Eurostat data show that “the population of Piemonte followed a downward trend throughout the 1980s. This drop is the result of the natural negative balance (of some 3 to 4% per year), while the migratory balance since 1986 has again become positive because of an excess of new immigration over a stable figure for emigration. The population as a whole has remained stable in the 1990s, although this is the result of a negative natural balance and a positive net migration.”

The population is also ageing: “in the year 2001, young people below 25 amounted to 21.7% of the population, compared to a national average of 25.6%, whereas ... people over 65 amounted to 20.7%, compared to a national average of 18.2%.” (Eurostat)

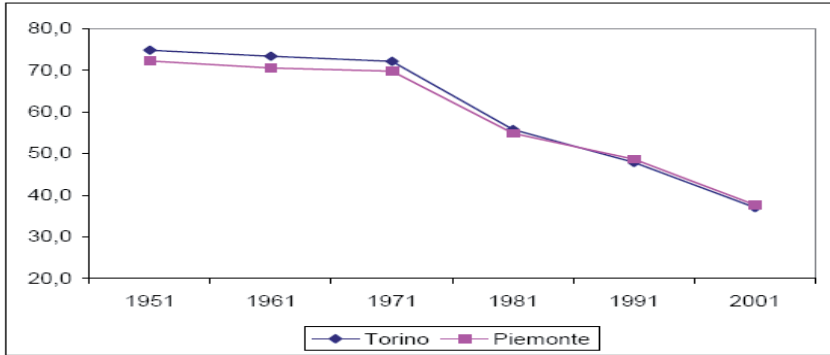
The most important transformations in the socio-economic structure of the Torino area in the last twenty years are the result of an ongoing transition from manufacturing to a service economy, especially impressive in a traditionally industrial region like Piemonte:

Since the 70s, industrial employment has been constantly decreasing, and the share of the service sector increasing, although an important part of the latter can be seen in “industrial” terms (firms providing services for other firms, often as a result of deverticalization processes). Industrial employment in the region totaled 776,000 in 1971 and 519,000 in 2001, while employment in the service sector rose from 512,000 to 775,000 in the same period.

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province (NUT 3) of Torino. Resort is also made to databases and reports by several regional research institutes: Ires Piemonte (the regional research institute of which Angelo Pichierrì is president), Comitato Rota, Ceris/Cnr, and the research office of Unioncamere, the national union of chambers of commerce.

Chart 2: Percentage share of industrial employment in total employment (industry and service industries)



Source: Istat, Ceris-Cnr

The share of employment in industry is nevertheless still higher than the national average, and remains one of the highest in Europe.

Table 1: Percentage share of industrial employment in total employment by region

	Agriculture	Industry	Services
Baden-Württemberg	2,4	40,8	56,8
Pais Vasco	1,6	37,2	61,2
Cataluña	2,5	39,2	58,3
Alsace	2,5	35,3	62,2
Rhône-Alpes	3,5	30,3	66,2
Piemonte	3,9	37,7	58,4
Lombardia	2,1	40,4	57,5
Veneto	4,2	40,0	55,9
Emilia-Romagna	5,7	36,1	58,2
Toscana	4,2	34,1	61,7
Südösterreich	7,8	32,5	59,7
Norte	12,7	43,9	43,4
East Midlands	1,4	30,7	67,8
West Midlands	1,3	31,4	67,0

Source: European Commission 2002

The regional unemployment rate, around 4%, was one of the lowest in Europe before the ongoing crisis. According to Eurostat, the employment rate (% of the working population in relation to the corresponding population of working age) is well above the national average (61.2% compared to 54.5%), and has increased by 6% since 1990. This growth has been due exclusively to the rise in the number of working women, as the female employment rate has passed from 43% in 1990 to 50.8% in 2001 (female employment is even higher in the province of Torino).

Labour market problems are thus more qualitative than quantitative: they chiefly concern the increasing share of precarious employment and nonstandard working conditions. Wages and salaries in the private sector are also lower than in comparable regions elsewhere in Europe.

Another typical feature of the labour markets in Italy and Torino is the constant increase of self-employment. “Autonomous” workers, as they are called in Italy, can be very different in terms of skills, income, labour and market situation: their growth is interpreted by some in terms of increasing pauperization of dependent employment in disguise, while others consider it as a sort of “personal capitalism” (Bonomi/Rullani 2005), especially among “new professionals”, “creative workers” and the like (Butera 2008). In Torino, the growth of ICT and the importance of industrial design provide an excellent vantage point for observing the latter (as well as the operation of some of the agencies we will describe later).

Until very recently, the transition from manufacturing to a service economy was not accompanied by any upgrading of human resources in terms of education and skills. The number of employees with a university degree, for instance, was and still is comparatively low, especially in the private sector. Moreover, the Italian educational system is considered on the whole to be in a serious crisis, and its performance and results rather poor. Alongside these unsatisfactory trends, however, some recent developments seem to permit a less pessimistic view.

Although the Italian educational system’s performance is considered especially poor at the secondary level, and although, according to the PISA studies, the performance of Italian 15 year old students is far from satisfactory in comparative terms, the situation differs among regions, and is much better in the North.

Table 2: Average PISA Score

	Reading		Mathematics		Sciences	
	2003	2006	2003	2006	2003	2006
Piemonte	501	506	494	492	522	508
Italy	476	468	466	462	486	475
OECD average	494	492	500	498	500	500

Source: PISA-OECD project, Ires Piemonte Education Observatory

In the last ten years, the number of enrolled university students showed minimal growth in Piemonte, lower than the Italian average. In Piemonte as in other prosperous regions of Northern Italy (Lombardia, Venezia Giulia), the ratio of university students to the total population is below the national average. In recent years, however, the number of university degrees increased considerably (+ 27.9% in the Università di Torino in 2004-5). The most important factor for this increase was the reform introducing the so-called 3+2 (bachelor's and master's degrees). The reform and its implementation were the subject of sharp and partially justified criticisms, but there can be little doubt that they reduced the number of university dropouts.

The universities in Piemonte have been heavily (and often irrationally) decentralized in the last few years, and 19 municipalities now have a university facility of some kind. Eight out of ten university students, however, are still studying in Torino. Thus, 66% attend the Università di Torino, 24.3% attend the Politecnico di Torino, and 9.5% attend the Università del Piemonte Orientale.

### 1.2.2 The local production system

Although the regional economy, and the metropolitan production system, have on the whole successfully survived a long period of deindustrialization, and although Torino's (industrial) economy is at the moment one of the most dynamic in the country in terms of innovation and internationalization, the long-term background is one of relative decline. This was especially clear in the years 1995-2001, when the region's performance was among the worst

in the country, especially because of the decrease in added value generated by manufacturing. Reversing (relative) decline is thus the most important challenge proposed by the recent evolution of Torino’s (and Piemonte’s) economy.

**1.2.2.1 Diversification**

One key word for understanding this recent evolution is diversification.

During the long decline and the radical crisis preceding the present turnaround of FIAT,

- Automotive component manufacturers in Piemonte were able to “survive the fall of a king” (Enrietti/Whitford 2005);
- The urban/regional economy diversified away from its original industrial/automotive specialization.

The process of autonomization of its component suppliers was fostered by FIAT itself in the 90s, and it produced partially unintended results in the last ten years: the choice of *buy* versus *make* went hand in hand with a dramatic reduction in the number of suppliers.

*Table 3: Vertical disintegration at FIAT Auto (percentage of outsourced design and production)*

	1982	1987	1992	1996	1998	1999	2000
Production	50	52	65	70	70	73	72
Design	30	30	45	59	70	73	72

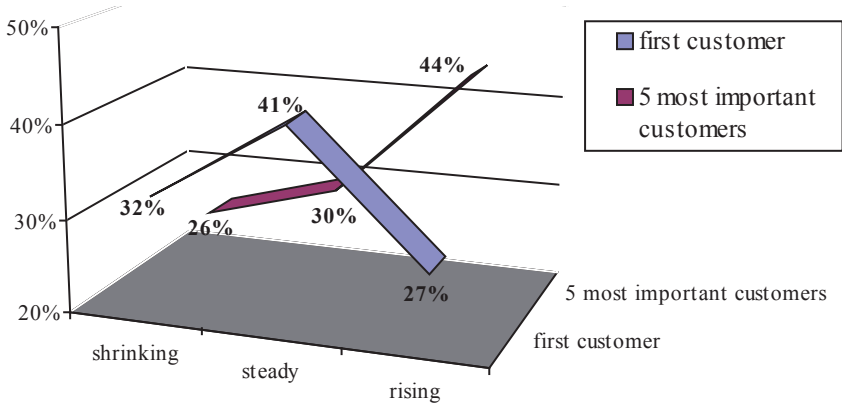
*Table 4: Number of FIAT Auto suppliers*

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	2001
1,200	1,050	990	723	670	560	520	410	380	370	350	364	330
(100)	(87.5)	(82.5)	(60.2)	(55.8)	(46.6)	(43.3)	(34.2)	(31.7)	(30.8)	(29.2)	(30.3)	(27.5)

Source: Enrietti / Lanzetti (2002)

As early as in 2001, just before FIAT’s major crisis, the Italian automotive industry had become one of parts/components/systems producers rather than of car producers. In 2006, only 12.8% of Italy’s automotive firms sold more than 50% of their output to FIAT, while 75% sold less than 25 to FIAT %.

Chart 3: Customers system diversification – Turnover



Source: Chamber of Commerce

The automotive industry, moreover, is a sector in which it is possible to observe one of the most interesting trends in Italian industrial organization, viz., the growth of a remarkable group of dynamic, successful medium-size firms, which have sometimes been dubbed “pocket multinationals”. This kind of firm is a result of the growth of small firms in the industrial districts (typically in the Northeast) and of processes of deverticalization of large firms (typically in the Northwest). According to the definition used by Mediobanca-Unioncamere, these are joint stock companies, with independent ownership, 50 to 400 employees, and 13 to 260 million euros in turnover. Forty such firms are located in the province of Torino: most of them are in the automotive business, while machine tool makers are also represented.

This trend is not unknown in other European countries, where a number of such “hidden champions” (Simon 1996) have recently been discovered. It is, however, especially important for Italy, where the industrial structure was traditionally characterized by a very small number of large firms and an immense number of very small ones.

Torino's industrial system started to diversify away from the automotive industry long ago. That is to say, specializations born for the automobile extended to other kinds of products. Cases in point are industrial automation and industrial design. Other significant clusters developed in a less "spontaneous" way, i.e., their growth was at least partly due to state or regional policies. Here, cases in point are aerospace and, more recently, information and communication technology.

Torino is also an important location for banking and insurance, which both show a contradictory process of growth and of shifting headquarters and "intelligent functions" towards Milano. The most impressive examples are the mergers of the two main banks, CRT (Cassa di Risparmio di Torino, now Unicredit) and San Paolo (now Intesa San Paolo). Unicredit can no longer be considered a Torino bank, although some important facilities remained in the city and others were added, including the group's management school. In the more recent merger involving San Paolo, whose headquarters are still formally located in Torino, the real decision-making power and certain key functions shifted to Milano. Torino remains, however, the location of the main shareholder, Compagnia di San Paolo, one of the banking foundations to be discussed later. The banks' relationship with the local production system is, again, a contradictory one. On the one hand, the big banks certainly tend to act as global players, less interested in local concerns than in the past: the most active and dynamic firms can, however, benefit from the extended networks of the two big banks. Nor should we forget that both big banks (Unicredit more explicitly) have started to promote and/or support local stakeholders' initiatives for local development.

In the service economy, one of the most interesting features is the growth of tourists flows towards the city that, unlike other parts of the region (the Alps, the lakes) was never thought of as a tourist destination. The 2006 Winter Olympic Games were an effective catalyst in this respect. The number of foreign and Italian visitors to Torino, unlike the rest of the region, decreased in the last two years, as expected after the Olympic peak. Nevertheless, Torino has at last been "discovered" by Italian and foreign tourists, and perhaps also by the local (regional) tourists that apparently contribute to the remarkable increase in the number of visitors to the city's museums.

Table 5: The growth of tourism in the metropolitan provinces

	1999		2007		% Change 1999-2007	
	Arrivals	Overnight Stays	Arrivals	Overnight Stays	Arrivals	Overnight Stays
Torino	863,295	2,766,621	1,362,130	3,921,802	57.8	41.8
Milano	3,732,033	8,843,570	5,075,590	10,580,050	36.0	19.6
Venezia	5,244,874	22,058,189	7,435,396	33,556,803	41.8	52.1
Genova	1,034,020	3,142,611	1,251,430	3,296,231	21.0	4.9
Bologna	1,267,033	2,858,397	1,409,670	3,061,031	11.3	7.1
Firenze	3,328,936	9,096,928	4,082,656	11,121,109	22.6	22.3
Roma	7,077,015	17,002,778	9,617,458	27,308,233	35.9	60.6
Napoli	2,605,274	9,994,668	2,944,315	10,868,805	13.0	8.7
Bari	425,775	1,063,112	648,581	1,465,743	52.3	37.9
Palermo	1,006,240	3,110,754	1,192,084	3,406,758	18.5	9.5
Catania	543,927	1,580,668	724,048	1,840,932	33.1	16.5
Cagliari	516,674	2,552,158	581,290	2,832,493	12.5	11.0
ITALY	74,320,938	308,314,729	96,150,083	376,641,751	29.4	22.2

Source: Istat

### 1.2.2.2 Innovation and internationalization

We focus on these two sets of variables because, unlike other very important ones – e.g., those connected with the labour market – they present certain specific features in Torino. In a highly internationalized local economy, exposed as such to the threats and challenges of globalization, it is precisely through innovation and internationalization that firms and local governance react proactively to support their competitiveness.

In Torino, the “local collective competition goods” that firms need in order to innovate (in a Schumpeterian perspective, opening new markets is also an innovation) were provided by the market but also by the “organization” (Crouch et al. 2004) i.e., by FIAT, the global industrial player controlling the core of the region’s industrial system. Both innovation and internationalization are now a decisive field in which local governance (and especially the regional government) try to show their capacity to improve regional competitiveness. The organizational instruments they produced will be discussed in the second part of the paper.



According to Eurostat's innovation indicators, Piemonte is rather well positioned compared to other Italian regions. The ratio of Research & Development (R&D) expense to GDP is the highest in Italy, while in the number of patents per million inhabitants, Piemonte comes third after Emilia-Romagna and Lombardia. The situation is less positive in comparison with other European regions: according to the same indicators, Baden-Württemberg, Bayern and Rhône-Alpes are far better placed. Regional R&D expenditure is 13.5% of the national total: third after Lombardia and Lazio. It accounts for 22.2% of Italian private sector R&D spending, and 5.1% of public sector R&D spending.

As far as R&D activities are concerned, the region and the city thus show two specific features in common with technologically advanced regions such as Baden-Württemberg and Rhône-Alpes: expenditure represents an important share of the national total, and the majority of these investments are private ones. Investments in R&D by firms can certainly be considered as a competitiveness indicator. It has been observed, however, that this situation cannot be considered an unqualified advantage for foreign investors, for whom public research facilities are more accessible than private ones (Pacetti 2008). Moreover, R&D investments are typical of the large firms that (used to) characterize Torino's industrial organization. Given this situation, the regional government made a major effort (e.g., with recent legislation on research) to promote relationships between firms and universities.

Piemonte is an exporting region and, although exports of services have been growing, the largest share of exports still consist of industrial products, especially automotive and mechanical goods. Although exports are still growing in absolute terms, they have been decreasing for years both in terms of global market share (which is understandable, given the transformations of international commerce) and in terms of their share of total Italian exports (which can be considered as an indicator of relative decline). Piemonte is the fourth-largest exporting region in Italy, after Lombardia, Venezia Giulia and Emilia-Romagna. It must be added that Piemonte is the only Italian region whose technological balance of payments has been positive in the last five years.

Another indicator of Piemonte's internationalization is its position in the flow of foreign direct investments. Between 2002 and 2006, the region's share of foreign investments in Italy was 17.4%. In the same period, Piemonte was the third Italian region for direct investments abroad (after Lombardia and Lazio).

*Table 6: Expenditure (in millions of Euro) and personnel for Research and Development sector per European region Year 2005*

	Private concern		Public sector		Higher education		Non profit sector		Total	
	Expenditure	Personnel	Expenditure	Personnel	Expenditure	Personnel	Expenditure	Personnel	Expenditure	Personnel
Jihozápad	56,4	1.736	15,5	747	19,6	2.202	0	31	92	4.716
Stuttgart	6.286,00	48.274	304,2	3.173	306	7.345	-	-	6.896,20	58.792
Oberbayern	6.142,00	51.658	816,3	10.108	660	16.294	-	-	7.854,30	78.060
Leipzig	63	1.304	137,6	1.888	155	4.581	-	-	354,6	7.773
PaisVasco	644,7	12.365	34,4	1.365	149,7	6.229	0	13	829	19.972
Cataluña	1.454,80	25.469	263,2	6.211	578,6	22.965	5,7	145	2.302,40	54.790
C.dad Valenciana	325,9	7.974	114,4	2.713	426,9	14.940	0	27	867,7	25.654
Kentriki Makedonia	36,2	2.018	26	842	97	9.193	1,5	26	160	12.079
Dél-Alföld	14,5	639	20,1	1.218	24,4	3.885	-	-	59,1	5.742
Border, Midlands and Western Region	341	3.610	27	152	80	2.937	-	-	448	6.699
Piemonte	1.598,00	14.923	77	1.706	296	7.478	28	1.115	1.999,00	25.222
Zuid-Holland	776(a)	11.341	336(a)	3.927	-	-	<	-	1.699,10	24.210
Lódzkie	15	894	24,1	1.538	40,5	5.309	-	22	79,7	7.763
Malopolskie	58,9	2.014	42,5	1.457	79	12.072	1,5	0	181,9	15.543
Norte	114,5(a)	2.807	14,1	978	116	5.933	42,9	1.688	287,5	11.406
Västsverge	2.586,20	17.324	72,3	297	396,7	7.384	-	2	3.055,20	25.005
Stredné Slovensko	15	1.078	3,2	317	4,6	2.361	0	-	22,8	3.758
Greater Manchester	212,1	2.634	4,4	30	425,6	-	-	-	-	-
West Midlands	527,9	5.461	7,3	52	394,9	-	-	-	-	-
S.W. Scotland	235,4	2.109	51,2	339	298,3	-	-	-	-	-
European Union	127644,5(a)	1301328 (a)	27508,9(a)	399467(a)	44452,8(a)	1298748(a)	1915,5 (a)	34117(a)	201542(a)	3033660(a)

(a) Eurostat estimates  
Source: Eurostat, web site: <http://eurostat.ec.europa.eu> (Update may 2009)

Table 7: Net direct Italian investments abroad (in thousands of euros)

	2003	2004	2005	2006	2007	2003-2007 average
Abruzzo	26,442	98,896	82,065	-60,765	102,657	49,859
Basilicata	599	1,393	5,563	2,705	3,481	2,748
Calabria	1,096	2,094	1,578	19,794	348	4,982
Campania	210,051	353,846	264,852	277,849	333,005	287,921
Emilia Romagna	425,695	320,290	451,236	239,037	1,072,334	501,718
Friuli Venezia Giulia	228,775	569	114,229	143,977	866,479	270,806
Lazio	1,711,544	2,969,495	1,983,167	6,824,665	28,560,060	8,409,786
Liguria	219,056	124,984	-84,591	456,932	725,667	288,410
Lombardia	575,185	6,865,569	10,002,788	14,917,557	12,297,631	8,931,746
Marche	22,967	64,646	41,596	69,230	25,036	44,695
Molise	64,678	3,700	-1,019	101,225	4,556	34,628
<b>Piemonte</b>	<b>-1,077,693</b>	<b>1,135,129</b>	<b>-220,120</b>	<b>1,217,680</b>	<b>-289,076</b>	<b>153,184</b>
Puglia	34,061	51,700	166,198	81,740	129,799	92,700
Sardegna	5,180	-5,669	1,233	-11,419	106,567	19,178
Sicilia	-13,837	-21,045	33,082	13,900	31,726	8,765
Toscana	114,506	64,319	231,283	298,955	410,225	223,858
Trentino Alto Adige	74,028	42,013	13,802	117,223	97,567	68,927
Umbria	13,952	31,392	39,254	21,212	44,635	30,089
Valle d'Aosta	-582	2,687	6,625	2,446	3,011	2,837
Veneto	1,225,010	752,062	871,263	1,015,082	771,498	926,983
Total for Italy (a)	6,914,371	15,589,654	15,721,694	28,028,035	47,357,503	22,722,251

(a) The total includes investments that cannot be broken down by region, but not direct investment abroad by banks

Source: Calculated by Unioncamere Piemonte from Bank of Italy data

Both inward and outward investments are mainly industrial ones, and still reflect the importance of the automotive sector. To promote and assist these investments, local governance (regional and city governments, Chamber of Commerce) has been especially active, creating agencies that will be discussed later.

## 2 The transformations of local governance in Torino. The Actors

### 2.1 Local government

In the Italian system of local government, the regions have significantly increased their power over the last twenty years. It must be added, however, that the Italian institutional system is still changing in a direction whose main feature is supposed to be “fiscal federalism”.

The major industrial policies for small & media enterprises (SME) are by now regional ones. This is especially important since the number and relevance of large firms and industrial groups has been significantly decreasing, thus further emphasizing the role of SMEs in the Italian economy. Large firms still have a significant presence in Northwestern Italy, FIAT being the most important. The political counterpart of large firms is normally the central government (“What is good for General Motors is good for America”, and the same applied to FIAT and Italy): this is why we consider the recent attempts of local government in Piemonte to deal directly with FIAT, involving a global player in local cooperative games, as especially interesting.

The province (NUTS 3 level in Eurostat’s terminology) is the most “Napoleonic” component of the Italian system, originally having the French *département* as a model. While most provinces continue to perform their traditional functions (e.g. upkeep of certain roads, public buildings, etc.), others have interpreted their role in more dynamic terms, with the stated goal of fostering local development. The province of Torino is a case in point, since it had an important role in fostering certain forms of “negotiated planning” such as territorial pacts (see later) and in the production of local collective competition goods such as vocational training, technology transfer, and internationalization, via the control of minority shares in different agencies including TNE, which will be discussed in the second section of the paper.

The ongoing constitutional discussion and the expected change in the modalities of metropolitan government (i.e., the government of cities with more than 350,000 inhabitants) can be seen as a sort of acknowledgement of the new central role of “medium-sized cities” (Bagnasco/Le Galès 2000). This is especially true for Torino, where the city’s interventionism in economic and foreign policies was an innovation of the 90s, implemented through a number of new initiatives and agencies that will be dealt with in the second part of the paper. This process has been marked by a number of turning points. The first is the aforementioned inclusion of the province of Torino in the Objective two

areas, which promoted a “Europeanization” of local governance in the city in a pluralistic /cooperative sense. The other is the candidacy for the 2006 Winter Olympic Games and their successful implementation, which were something of a test for this new governance.

An important set of innovations in local government concerns the relationships within and between different levels. New forms of institutional cooperation were introduced both “horizontally” and “vertically”: some take the form of what is called in Italy “negotiated planning”.<sup>4</sup>

## 2.2 Associations

In the new model of “European” local governance, interest associations, and especially unions, are supposed to be an indispensable component of local governance, where their active presence is a sort of test: in fact they are regularly, if only formally, present in the initiatives sponsored directly by the EU and especially in those mentioned earlier under the label of “negotiated planning”.

At the peak of their presence and power in the city’s economic system, the three metalworkers’ unions were able to overcome their divisions for a short period. Fragmentation is a weakness of Torino’s unions. The strongest one, FIOM-CGIL, maintains a highly conflictual attitude, often refusing agreements that the other two are ready to sign. For CGIL especially, the division is also an internal one, between the metalworkers’ union (with other categories of worker) and the “horizontal” (= territorial) level of the organization. In all three main trade unions, internal division also takes the form of a sort of “political” and “functional” specialization, where the territorial organizations take participation in the “new” local governance seriously, while the behaviour of the industrial unions is much more “path dependent” in their Fordist past.

As for the employers’ association (Unione Industriale), the most important factor hindering its representativeness used to be its dependence on FIAT. The situation is different today, but the association has serious difficulties in representing the interests of both the more innovative and dynamic sectors

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4 “Horizontal” initiatives for the Torino area include *territorial pacts*, agreements promoted by municipalities and involving other local public and private actors; *strategic planning* promoted by the city of Torino but involving municipalities in the metropolitan area, and different forms of functional agreements involving public services and utilities. The most important “vertical” initiatives, substituting traditional hierarchical relations with “contractual” ones, concern the region and its relationship with the central government (“*intese di programma*”, analogous to the French “*contrats de plan*”).

of its constituency (i.e., medium-sized firms) and traditional ones, especially micro- and small firms.<sup>5</sup>

Artisans' associations also sometimes compete with the traditional workers' unions to represent "autonomous" (= self-employed) workers. All of these associations, and others, from retail groups to those of the so-called "third sector", are striving for a role in local governance. This is why their signatures are often to be found in "territorial pacts" and other initiatives and organizations generally connected with "negotiated planning".

## **2.3 Functional autonomies**

All over Europe, the formulation and implementation of public policies and the production/allocation of collective goods is increasingly carried out through non-elective self-governing bodies performing public functions contemplated by law, even if, unlike other "agencies", they are not a part of the public administration: such bodies are "autonomie funzionali" in the language of Italian jurists.

### **2.3.1 Chamber of Commerce**

The more innovative aspects of the Chamber of Commerce's recent evolution lie in "fostering and support to business", namely in the production of local collective competition goods (and possibly, given the Chamber's public nature, in increasing collective capabilities), according to the definitions that will be proposed in the next section. From this perspective, the Chamber of Commerce is an important actor in the governance of the local production system: a "principal", so to speak, and not an agent or agency, as shown by the fact that the Chamber of Commerce increasingly has its own agencies and/or participates in joint agencies.

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<sup>5</sup> Concerning the latter, the Unione Industriale has a representation conflict with the employers' associations representing "artisan" firms (the smallest). There are at least two important "artisans'" associations, which used to be politically right- and left-oriented: though these such political allegiances still exist, there can be no doubt that they are less important than in the past.

### 2.3.2 Public utilities

Public utilities (i.e., organizations that provide infrastructures and public services like electricity, transportation, sewage, etc.) are at the center of the debate on different forms of privatization and different forms of public control. Even where public ownership persists and top managers are “politically” appointed, the independence of these organizations is growing, especially when they are economically successful. For cash-strapped cities, the market-oriented operation of such companies is extremely important. In Torino as elsewhere, however, considering public utilities mainly or only in terms of financial gains or losses can have the unintended consequence of a *de facto* abandoning of the local government’s role as a policy maker. The result is that policies for transportation, electricity, logistics, etc. are no longer formulated (at least not directly) by city governments that now lack both political will and technical expertise.

### 2.3.3 Banking foundations

Foundations of banking origin are a typical and important component of Italian local governance. While elsewhere foundations with “social” goals were the late invention of industrial and financial enterprises, in Italy the sequence was in a sense the opposite. For instance, Torino’s *Compagnia di San Paolo*, one of the most important in the country, was established in the XVI century as a charity, becoming a real bank (Istituto Bancario San Paolo) in the first half of the XX century. The bank then created the foundation bearing the original name at the end of the century.

A handful of Italy’s large banks and a number of smaller ones (like the *casse di risparmio*) used to have a public character, meaning that their profits had to be devoted to “social” functions ranging from relief to the poor to financing art exhibitions. Non-economic functions were often performed fragmentarily, sometimes with a heavy dose of favoritism, while economic functions were often carried out according to the needs of the Italian national and local political system and its increasingly invasive parties. The results, however, were not always bad: local banks, for instance, had a decisive role in the local development of certain Italian regions. In general, and in order to understand the present situation, it should be borne in mind that investing banking profits in social activities was not a choice for these banks, as it was required by law.

When the banks were “privatized” in the early 90s, and thus transformed into true economic enterprises, their social functions were transferred to the foundations, and the latter were endowed with shares of the capital of the new private banks. As a result, some of the foundations became, and still are, powerful economic actors. Their institutional social functions are now vital, since they cover needs (starting from local welfare) that municipalities and regions have difficulty in fulfilling because of their fiscal crisis. At the same time, their position as shareholders of big banks allows them to play an important role in both the local and national economy.

What happened in Torino is a case in point. All in all, as mentioned earlier, the mergers resulting in the new Unicredit and Intesa San Paolo banks shifted power and strategic functions from Torino to Milano. Torino’s Compagnia di San Paolo, however, remains the main shareholder in Intesa San Paolo. As for other foundations, but to a larger extent, its spending capacity, coupled with a less fragmented and more long-term strategy, has given the Compagnia di San Paolo an increasing role in financing (as well as in formulating) public policies for welfare, research, education and culture. To give a rough idea of their financial (and hence political) influence, the foundations distributed 142,500,000 euros in the province of Torino during 2007. Local governments and other public bodies are the direct beneficiary of 34% of these funds which are chiefly earmarked for art, education and research.

The law gives local stakeholders (starting from local government) an important say in the appointment of the foundations’ top management. Generally speaking, however, we can say that the power and independence of this kind of foundation is growing, their ability to produce collective goods (and collective competition goods) is improving, though problems of transparency and democratic control have only been partially solved at best. The implementation structures of the Compagnia are on the move, as we will see in the second part of the paper.

### **2.3.4 Universities**

Formerly almost completely dependent on the central government in financial and organizational terms, universities received a larger measure of autonomy from the legislative reforms of the 90s. This autonomy is first of all financial: the universities’ own resources increased; even more importantly, the universities became far freer to decide how to spend the resources transferred by the state. The results of this “autonomy without control” (Kern 1999) were in certain



respects rather negative. One of the perverse effects was an enormous increase in the number and variety of courses and curricula, sometimes justified as an answer to the needs of the territory and of its labour market, but in fact having its roots in the academic system's needs.

The universities (and the Politecnico in particular) are especially helpful in producing local collective competition goods such as technical education and technology transfer. Nor should we neglect their new attention to common-pool resources such as landscape, and more generally to "sustainable development".

Here too, however, the intensified interaction between the university and other local actors has several perverse effects, especially visible in a period in which the legitimation of university is decreasing for a variety of reasons. The relationship between autonomy and control (*rückgekoppelte Autonomie*, Kern 1999) is far from established, and a clear contradiction is emerging between the university's *supra partes* role as monopolist of "legitimate expertise" and its role as a competitor for diminishing financial resources.

### 3 Interpretative keys

In order to describe recent developments in Torino's governance, we suggest three different interpretative keys:

1. The evolution of public policies
2. The capabilities approach
3. The production of public goods, commons, local collective competition goods.

These interpretative keys are not mutually exclusive, and can be mixed and combined in order to describe and explain the phenomenon under examination.

#### 3.1 Evolution of public policies

As noted in the first part of the paper, Torino's "governance model" underwent an important change in the last fifteen years, i.e., a transition from hierarchical policies to more pluralistic and interactive policy-making. The emerging new model (which can be at least partially explained with reference to the

recent “governance approach”) was undoubtedly influenced by the European “discourse” and policies (para. 1.1). The main features of the “new” public policies concern:

- Goals, which stress the enhancement of territorial capabilities, sometimes (but not always) combined with attempts to enhance individual capabilities;
- Modes, which increasingly involve the representatives of the interests concerned in a sort of concertative policy-making;
- Instruments, i.e., new implementation structures involving both existing administrative apparatuses and new agencies;
- Growing attention to the implementation of policies and to the evaluation of their results.

According to this probably over-optimistic interpretation, the ongoing change thus concerns both strategies and organizational tools.

In substantive terms, the most recent strategies for the development of the local system can be described as the pursuit of growing internationalization, innovation and diversification of the local economy.

As regards the implementation of strategies through different initiatives and organizations, our attention will be devoted to agencies that are at least relatively stable, as they were created for long-term or permanent goals. We will not discuss “short-term” or “project-oriented” organizations created to manage specific events, such as the 2006 Winter Olympic Games and other “events” involving tourism, the celebration for Italy’s 150th anniversary, the nomination as World Design Capital in 2008, etc. The importance of such events and initiatives must not be underestimated, since they made a significant contribution to diversifying the local economy and to changing Torino’s image as a purely “industrial” city.

### **3.2 Capabilities**

The second interpretative key comes from the “capability approach”, in the version developed during the Eurocap and Capright projects, starting from the work of Amartya Sen. As far as our subject is concerned, the most important

implications of this approach focus on two points: attention to “freedom”,<sup>6</sup> and the use of a “dynamic” perspective, i.e., attention to the processes that transform resources into capabilities and functionings.<sup>7</sup>

If we try to use the capability approach with regard to regions and cities (“collective” versus “individual” capabilities), we can observe that the focus on “freedom” takes on new meaning: the possibility, for a local system, of following different paths for territorial development. As it relates to our case study, “freedom” thus means the possibility of building new opportunities for the local economic and social system. This is why we insisted in the first part of the paper that sectors must differentiate, leaving the previous “one-company town” model behind, and thus breaking with a path-dependent view of development.

The process of diversification of the local economy can significantly change individual conditions of life, since it includes not only a quantitative but also a qualitative broadening of job possibilities. Such a broadening took place in Torino, starting from the original manufacturing core. In the labour market, this means a considerable increase in the number of “knowledge workers” (managerial, professional, technicians) working in the service sectors directly connected with industrial firms, and in an urban context. Their skills are generally speaking higher and less sector- and firm-specific than those of the traditional blue- and white-collar workers; but their position on the labour market is not necessarily more secure.

As already noted in the first part of the paper, employment problems were not dramatic at the time of the study in quantitative terms. The role of public policies is all the more vital in qualitative terms, if “freedom” is to be enhanced.

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6 “The key idea of the capability approach is that social arrangements should aim to expand people’s capabilities – their freedom to promote or achieve valuable beings and doings. An essential test of progress, development, or poverty reduction, is whether people have greater freedoms. [...] Income, happiness, and commodities are obviously important. The problem is that if policies aim only to increase one of these, they may unintentionally create distortions. This is because policies are blind to common sense adjustments. For example, if a program aims to maximize individual income, it may force indigenous people, subsistence farmers, or stay-at-home mothers to take paying jobs because otherwise they appear to have no income. The capability approach argues that focusing on freedom is a more accurate way to build what people really value. Focusing on freedom introduces fewer distortions.” (HDCA Briefing 2005)

7 “Resources are only the means to enhance people’s well-being and advantage, whereas the concern should be with what matters intrinsically, namely people’s functionings and capabilities. Resource-based theories do not acknowledge that people differ in their abilities to convert these resources into capabilities, due to personal, social or environmental factors, such as physical and mental handicaps, talents, traditions, social norms and customs, legal rules, a country’s public infrastructure, public goods, climate, and so on.” (Robeyns 2003)

The role of public policies is a key one in the field of what we have termed a “dynamic” dimension, related to the transition from “resources” to “capabilities”. For regions, this means that we are looking at local policies as conversion factors: local policies can transform local resources into capabilities, or in other words into the freedom of choice among different paths of development. According to the European discourse, such an increase in collective capabilities should be connected with an increase in individual ones.

In our case, the resources to be transformed by the local governance are both “old” and “new”. For the former, a difficult challenge lies in innovative use of “what is left” of the previous Fordist model, both in tangible and intangible terms. The “new” resources that must be put to innovative use include those that have been devolved from the center, which federalist reforms plan to increase, and those provided by prosperous banking foundations. The Agencies we took into consideration were those especially concerned with these two sets of challenges.

At the end of the investigation, and in the middle of a financial and economic crisis, further challenges spring to mind: achieving innovative goals with diminishing resources, or mobilizing other yet to be discovered “hidden resources”.

### **3.3 Local collective competition goods**

The third interpretative key concerns the production of public goods, commons, and the so-called “local collective competition goods”. All these concepts, and above all the last one, deal with policies for territorial competitiveness. According to the literature, many (local) public policies can be interpreted as strategies for producing and allocating local collective competition goods.

As recently observed<sup>8</sup>, the concept of ‘local collective competition goods’ achieved immediate success. Nevertheless, it is not easy to find an univocal definition of the concept. We can define these goods as territorial factors that can meet the needs of firms. All firms, in order to be competitive, but even simply to stay in the market, must perform functions such as recruiting employees with the necessary skills, obtaining information about their markets, and acquiring orders. A local system can thus support the competitiveness of

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<sup>8</sup> The following pages about local collective competition goods are a translation of part of an article published by Valentina Pacetti in the Italian journal “Stato e Mercato” in 2008.

the firms located within its boundaries by providing them with the means to satisfy these needs.

A more composite definition of ‘local collective competition goods’ can be constructed from the terms that make up the expression. Firstly, these are *collective* goods which should be appropriately distinguished from public goods. Despite the extensiveness of the interdisciplinary debate on the matter (consider, for instance, the works of Elinor Ostrom, or of Mancur Olson), the sociological literature has often neglected the contribution of other disciplines, law and economics in particular. But it is precisely these which furnish the requisite instruments. In our case, for instance, it may be useful to take up Brosio’s (1993) suggestion and consider the relationship between ‘pure’ public goods and ‘pure’ private goods, not as a dichotomy but as a continuum along which a series of intermediary positions can be plotted. Local collective goods can be placed among these intermediary positions according to the different levels of rivalry and exclusion that distinguish them. Hence, as Pichierra (2003) suggests, the concept of collective local good has affinities with that of ‘club good’ (Buchanan 1965). Club goods are by their nature available only to a distinct group of users (those that belong to the club).

We may now move to the second term in the expression. The ‘club’ in question is defined by the local dimension. Local collective goods are accessible only to those who belong to the local system, to those who reside within a specific geographical area. This aspect is extremely important for understanding how these goods constitute “the missing element in the success of local economies”. Because they are defined by a local dimension – because, that is to say, they are by their very nature rooted in a territorial context – they explain why having a certain location in space can define the potential for success of an entrepreneurial activity. One can hypothesize that the importance of local factors is inversely proportional to the size of the firm. However, every firm, whatever its organizational model, uses local resources. The presence of collective goods and services therefore decisively influences the competitiveness of firms.

Local collective goods are thus the responses furnished by the territory to the needs of firms. The presence of these goods then influences the competitiveness of the economic actors in that territory. A firm situated in a context rich with collective goods will be able to obtain the personnel and the information that it needs, introduce innovations, and enter new markets more easily (and at lower costs) than a competitor located in a context devoid of such goods. Accordingly, local collective goods are also able to sustain the

competitiveness of the firms belonging to the system because they prevent firms which do not belong from accessing them.

Therefore, we can consider the availability of local collective competition goods as prerequisites for companies' competitiveness. Since we define territorial competitiveness as a result of local companies' competitiveness, a region (or a town) can be considered "competitive" if it provides an adequate combination of collective goods.

Hence, as far as our subject is concerned, local agencies become an important focus of interest, since they assume the role of central actors in the production or "activation" of these kinds of collective goods and capabilities as well as the role of "implementation structures" for innovative strategies.

## 4 Local Agencies

According to our interpretative keys, local agencies can be then seen in different ways:

1. As "implementation structures" for innovative tasks (e.g., in the field of technology transfer, internationalization, etc.)
2. As "conversion factors", transforming resources into *Capabilities*
3. As organizational "*relais*"

### 4.1 Agencies as implementation structures

Firstly, as we said, we can consider agencies as implementation structures for innovative strategies. This means that agencies are created in order to put into practice something "new" that is not yet performed within the local system.

According to Chandler's (1962) definition of the relation between "Strategy and Structure", when a new strategy must be implemented, organizations need to set up a new "structure" to accomplish it. The same process can be referred to a local system: when a (really) new strategy is formulated, its implementation calls for creating a new structure. This can be achieved by reforming existing administrative structures or creating new ones: the latter often take the form of "local agencies".

The creation of a new agency is primarily indispensable when implementing the new strategy requires the involvement of different (e.g., public *and* private) actors. Even when the new agency is the result of the initiative of public actors

(the city, region etc.) only, it is normally assumed that innovative tasks cannot readily be pursued within the rules of the traditional civil service and by traditional bureaucracies. Innovative strategies thus require new organizational structures (with non-bureaucratic management and skills), and the creation of agencies is a recurring solution for implementing innovative local policies mainly (but not only) when they result from concertative practices among different actors (involving both public and private actors, and often associative or “mixed” groups).

This perspective is especially important when we think about new modes of local governance: agencies frequently become a typical “meeting place” for governance actors, so that they can be interpreted as “governance structures”.

## 4.2 Agencies as conversion factors

Secondly, the mission of agencies can be interpreted in terms of converting resources into capabilities. In fact, local agencies are expected to “transform” local resources into real “capabilities” for the local system, and subsequently for its inhabitants. Thus, we can affirm that agencies aim at some sort of “activation” of territorial potentialities.

Effective agencies are those that can connect the often unclear and confused perception of their own needs by the recipients with the production of the resources (in our case, some kind of local collective goods) intended to fulfill such needs. To do so, agencies need competent and dedicated operators who are able to “speak the language” of the recipients. In other words, converting resources into capabilities requires a connection between the producers and the recipients: a connection that cannot be taken for granted. This brings us to the third role of local agencies, which is strictly connected and partly overlapping, at least in the case of Torino.

## 4.3 Agencies as organizational “relais”

Thirdly, local agencies often assume the role of what organizational theory calls “*relais*”: actors who can connect structures that normally are not connected (Crozier/Friedberg 1977; the concept also recalls the notion of “structural holes” in network analysis (Burt 1992). Since agencies are created in order to implement strategies that are often formulated by different actors, they serve as

a “bridge” between (individual but mainly collective) actors who are not able to “speak” to each other easily.

As the result of cooperation among different actors, agencies are thus able to effect a real interaction among different “worlds” (public and private actors; universities and enterprises; public authorities and foreign investors, etc.).

This is probably the reason that many agencies see their own strong points as being the ability to work as a *one stop shop*, i.e., as a place where “customers” can find everything they need, primarily in terms of contacts and relations. The inward investment promotion agency, for example, was intended to solve every kind of problem encountered by new investors, in terms of location, information, and advice, but above all in terms of relations with local authorities, professionals, lawyers, other companies, schools, universities, etc.

From this point of view, agencies can also be considered as an important meeting place for governance actors.

#### 4.4 Some examples

In the following pages, we will provide a short overview of the agencies we selected in order to illustrate our theses about the ongoing changes in local governance and implementation structures. The list is far from exhaustive, and does not necessarily include the most important organizations. It includes, however, those we considered especially significant from two points of view:

- Agencies that perform “new” functions and pursue “innovative” goals;
- Agencies that, as instruments of the “new” governance, are normally not the administrative apparatus of one actor, but “meeting places” for different ones.

Some of the following agencies work chiefly in the metropolitan area, while the majority cover the entire region; all, however, are headquartered in Torino.

Selected agencies:

1. ITP (CEIP) – An agency dedicated to attracting foreign investments
2. Torino Automotive – A failed venture for technology transfer in the automotive supply chain



3. TNE – Repurposing and technology transfer in the Mirafiori industrial areas
4. Torino Internazionale – Urban strategic planning
5. SiTI – Research and training in territorial systems and urban development
6. UCM – Urban design
7. Torino Wireless – Promotes the ICT cluster
8. Istituto Mario Boella – Technology transfer and higher technical education
9. FINPIEMONTE

#### **4.4.1 ITP – Invest in Turin and Piedmont / CEIP**

ITP was founded in Torino in the '90s to attract foreign investment, and, endowed mainly (but not only) with public funds. It worked for the city and the region between 1997 and 2007. Local government (regional and city administrations) spearheaded the initiative and financed it, using European funds for this purpose. Though financial participation by business associations was minor, the first and the second chairmen were prominent and highly influential Torino entrepreneurs. This probably contributed to boosting the business community's confidence, and introduced a certain amount of attention to the effectiveness of the agency's operation. The first chairman, in fact, asked for a thorough benchmarking with similar agencies in Europe and the USA; systematic (even if sometimes apologetic) attempts at evaluating results were made until the unfortunate end of ITP's independent existence.

Especially noteworthy is the fact that, unlike other European regional agencies of the same kind, ITP was supposed to promote both the city and the region abroad.

ITP endeavored to extend and differentiate its original mission several times, partly in anticipation of drastic cuts in the Italian share of “structural funds” (an important financial resource, since Torino was still an “Objective 2” area). The agency thus managed to add other aspects of local development to its original mission of attracting foreign investment, with new services to firms in Piemonte. One of the new tasks – the preparation of Torino's candidacy for the Winter Olympic Games – was accomplished successfully, while another, the attempt to introduce some form of coordination in the “automotive cluster” by creating a new agency, failed (see next paragraph).

After the 2006 elections, the new regional government introduced sweeping changes in internationalization policies, creating a sort of super-agency in which ITP was merged. The new agency was called CEIP – Centro Estero per l’Internazionalizzazione del Piemonte – and was created by the Piemonte regional administration and Unioncamere Piemonte, together with business associations. It was presented as a “holding company” responsible for managing internationalization policies, including exports (formerly managed by the “Centro Estero” of the Chamber of Commerce and by the ICE – Institute for External Trade), foreign investment promotion (formerly managed by ITP) and tourism. In other words, the agency brings together the projects and competences of several bodies that played roles in inward and outward internationalization: Centro Estero Camere Commercio Piemontesi (founded in 1976 to support the international business relations of local SMEs); ITP, Invest in Torino and Piemonte (the first Italian regional agency for inward investment); Consorzio Piemontese di Formazione (created in 1982 to organize managerial training programs on international trade for both Italians and foreigners); MKTP (planning and implementing location marketing strategies since 2001); all international activities run by IMA (Agrobusiness Marketing Institute) and by the regional tourist board, ATR.

Given its origins, the agency’s goals are highly diversified. According to the website ([www.centroestero.org](http://www.centroestero.org)), CEIP:

- “Provides free, responsive and tailored assistance to all foreign companies that want to locate in the region, in all stages of the investment project (Invest in Torino Piemonte)
- Matches the regional production offer with the needs expressed by international markets and proposes targeted activities to connect highly qualified local companies with foreign partners (Business Promotion)
- Promotes abroad the fine wine and agrifood tradition, appreciated by buyers from all over the world and one of the symbols of Italian excellence (Agrifood Marketing)
- Promotes the region’s tourist resources, natural beauties, history, culture and exquisite cuisine as the perfect host for leisure and business travel (Tourism Promotion)

- Trains local and foreign entrepreneurs, executives, officers and the future managerial generation on international trade subjects and the most advanced commercial strategies (Foreign Trade Training).” ([www.centroestero.org](http://www.centroestero.org))

The creation of CEIP resulted from an idea of internationalization as a function or set of activities that, although trans-sectoral, can be managed in an unified way, thus reducing overlap and waste of resources. By contrast, its critics favor cluster-centered policies, believing that managing internationalization in such diverse fields as tourism, the automotive industry and ICT calls for different skills.

It is probably too early to evaluate the results of the merger and of the new agency it produced. Implementing the reform, however, was laborious and by no means free from conflict; one perverse effect of the process was that the pool of expertise created around ITP was at least partly dispersed. In the power game which led to the present situation, emerging winners are the regional government (i.e., the department dealing with internationalization) and the Chamber of Commerce, which extended the scope of its former Centro Estero. The losers include the city administration, which lost a vehicle for its own internationalization policies, and of course the former management of ITP, which was forced to resign. At the moment, the city and several associations representing small and “artisan” firms are in the process of abandoning CEIP.

#### **4.4.2 Torino Automotive**

“Torino Automotive” differs from the other cases considered here, as it is a concluded “failure story” in the field of development agencies: a project that never came to fruition. Nevertheless, its history is interesting and serves to underline the relationship between goals and tools in local development policies, and also helps shed light on the effects of the organizational dimension (structural elements together with relational ones) on the chances of success shown by new strategies and projects.

The “Torino Automotive” experiment started between 2002 and 2003. It was conceived as an answer to one of most profound crises at FIAT Auto. The main idea was to create conditions that would enable small and medium sized automotive subcontractors to be part of a business context capable of increasing their competitiveness. To achieve this end, a number of actors tried to set up an agency whose role would have consisted of “networking”

companies and supplying them with services that would make them less dependent on the local customer (FIAT).

The role played by FIAT as the fulcrum of the whole local automotive system had both positive and negative consequences. FIAT Auto played this role especially as a local collective goods producer for small and medium size enterprises (technological transfer programs, “Guided Growth Projects”, as well as co-design promotion, but also in improving SMEs’ internationalization, etc). Though these relationships between “the customer” and its subcontractors made the sector’s companies more robust, having a dependent relationship with a single customer (car maker or first tier supplier) who is the most important source of innovation and competitiveness also has negative consequences.

An agency designed to convert FIAT’s subcontractors into an automotive district is thus one of the ways in which the local system can attempt to cope with the carmaker’s crisis. “Torino Automotive” was thus public and private actors’ first tentative answer to the crisis: a bid to sustain territorial competitiveness, to free small and medium subcontractors from the major manufacturer’s fortunes, and thus enable companies in the sector to react independently to the crisis affecting FIAT Auto.

The project failed, mainly because of the difficulties encountered in coordinating the actors’ interests, in an approach that was often too short-sighted. However, we must also bear in mind that the project was abandoned as soon as FIAT changed its plans, i.e., the earlier decision to subcontract the activities of its own R&D facility, the FIAT Research Center (CRF – Centro Ricerche FIAT), which was slated to become the core of the project. The R&D center’s planned “externalization” was abruptly canceled when the Master Agreement with General Motors was signed. This agreement initially brought new confidence to the company, leading it to abandon the idea of investing in the Torino Automotive agency.

The case of the Torino Automotive agency project confirms the importance of the role played by FIAT Auto in the regional economic system: the company is not only responsible for supplying local collective competition goods, but its decisions are also determining the success or the failure of other initiatives (e.g., those that attempt to override the market mechanism, and to free SMEs from dependency).

#### **4.4.3 TNE – Torino Nuova Economia**

TNE (Torino Nuova Economia) is a new actor set up by the Piemonte regional government, the City of Torino, the Province of Torino and FIAT. It is an excellent vantage point for considering the possible uses of the Mirafiori industrial areas (i.e., for considering the current potential for increasing regional capabilities in innovation, technology transfer, higher education, etc.) and for observing the interactions between different actors, different interests, and different visions of the future of the city (those concerning, for example, the evolution of a possible new mode of governance).

Mirafiori is one of the symbols of Italian industry. The industrial complex grew together with the city, almost in symbiosis with it. On the one hand, Torino refined its position of excellence in industrial production, especially car production, on the other, the plant blended in with and became an integral part of the urban fabric. Torino is currently undergoing a far-reaching transformation process. Starting as a factory town, it has become a center in which traditional manufacturing operates in harmony with services to create a more modern and efficient industrial system. Alongside its traditional excellence in engineering and design, new and particularly dynamic efforts are being made to offer companies services in the areas of ICT, marketing and innovative finance.

The Mirafiori area lies in the southern part of the city, where FIAT plants are central components of the urban landscape. The complex was built at the end of the Thirties and over time expanded to occupy an area of around 3,000,000 square meters. Starting in the Eighties, in the midst of a worldwide move towards industrial relocation and rationalization of production sites, certain areas of Mirafiori became under-utilized.

In 2005, during the worst crisis in the history of FIAT, the disuse of certain sections suggested that the City of Torino could invest in the redevelopment of a previously inaccessible area. Therefore, in Torino's most extensive plan for urban and cultural renewal, local institutions promoted the purchase of the disused part of the Mirafiori complex (about 300,000 square meters) through the company TNE. Plans call for creating a new technological center in this area, promoting integration between production and research activities and top-level training supported by the Politecnico di Torino. For Torino, the Mirafiori center should be a symbol of the city's new role, focused on the themes of knowledge, research, technological production and innovation, creativity, environment and energy.

The mission of TNE – Torino Nuova Economia S.p.A., founded on October 14, 2005, is to redevelop and utilize the areas purchased from FIAT S.p.A. to create a new Technological Center. Shareholders in TNE include the Piemonte regional administration (through Finpiemonte S.p.A.), the City of Torino (through F.C.T. S.r.l.), the Province of Torino and FIAT S.p.A.

TNE SpA was first intended to promote the creation of a site that would host technologically advanced firms in the Mirafiori area, especially those operating in the automotive sector, as well as those conducting research or providing services in the field of sustainable mobility.

The area now hosts the Design Center, though plans also call for research laboratories, experimental centers and companies that are heavily involved in research and innovation, of which there are as yet no traces.

The idea of transforming the Mirafiori area into a new hub for local and outside companies inspired new hope for the local system's development: firms locating there were expected to benefit from proximity to the Politecnico di Torino, which still intends to set up research laboratories, service centers and training activities in the area (which includes workshops, office blocks and plots of building land available in various sizes. There is also a railway link that firms located on the site will be able to use).

To assess Italian and foreign firms' potential interest in locating their operations at the Mirafiori site, TNE promoted a survey in 2006 to ascertain a "show of interest" on the part of firms that have the required characteristics. The agency reported that more than 20 companies had filled in the form indicating a show of interest as of June 15, 2007, but has not yet produced a list of the selected companies. While TNE's first steps were hindered by the bureaucratic and legal difficulties that are not uncommon in Italy, more serious threats include the ongoing crisis – which doubtless discourages companies from relocating to the area – and FIAT's increasing involvement abroad (i.e., in the US), which tends to reduce the practical and symbolic value of this initiative.

#### **4.4.4 Torino Internazionale**

In 2000, the municipality of Torino organized a complex process of coordination and concertation among different local actors in order to formulate a "strategic plan" for the Torino metropolitan area. This was the first attempt at strategic planning in Italy, and became something of a "model" for local development policies around the country.

The agency in charge of coordinating the effort, Torino Internazionale, was created in 2000. Distinctive aspects of the Torino Internazionale approach include:

- Its “pro-active” process, rather than the traditional re-active process;
- The use of the local socio-economic crisis as an activation factor;
- The role played by the universities and by “culture” in the debate.

The production of the “First Strategic Plan” was an useful way to attempt a sort of turnover in managing the crisis that was stressing the local economic system. In fact, the Plan was proposed around 1999, during one of the automotive industry’s most serious crises, and was also conceived as a way of producing an alternative image of the city for both outside observers and residents.

A scientific committee was created, whose work went through a number of stages: first performing a diagnosis of the initial situation, then creating several “thematic” workgroups, and finally identifying six “priorities” for the local system’s future, which inspired six areas of action, or “strategic lines” in the Urban Strategic Plan:

- Improvement of Torino’s international position, using efficient communication and transport connections and improving the area’s international economic competitiveness;
- Coordination of the entire metropolitan area;
- Focus on training and research as a decisive resource for local development and for the area’s international image;
- Evolution from “company town” to competitive area in terms of enterprise and employment, thanks to the introduction and encouragement of new technologies;
- Development of the enormous potential provided by the area’s historical, artistic and cultural heritage, and creation of new tourist and conference services;

- Creation of a new approach to environmentally sustainable development, together with stronger social cohesion.

Six years after launching the first strategic plan, the association, whose membership has increased to include all the area's major institutional actors, approved a second strategic plan dealing with a metropolitan socio-economic structure that has significantly changed. It must also be said that the Torino Internazionale staff promoted interesting attempts at monitoring and evaluating its own operation and results.

In the meantime, urban strategic planning spread throughout Italy, including much smaller cities: a good example of "institutional isomorphism" in which, however, quality and diffusion did not go hand in hand. Even in Torino, whose plan is still considered a model, and is managed by a highly sophisticated staff, the formula is showing signs of routinization and fatigue. A recent attempt to promote greater mobilization in the form of a sort of "general conference" of the city, was far from successful.

Generally speaking, one has the feeling that many of the association's members – and especially the stronger ones – came to think that in the current severe crisis one cannot afford the patient and time-consuming process of consensus building which was a historic merit of the Association.

What we considered an "agency" is in fact, technically speaking, a voluntary association. In its most successful period, it was hybrid in nature (Baraggioli 2007), being at the same time a "meeting place" for local actors and a sort of agency promoting specific policies. In both capacities, Torino Internazionale has to some extent been able to perform functions that the metropolitan area's government does not provide<sup>9</sup>.

#### **4.4.5 SITI – Higher Institute on Innovation Territorial Systems**

As in other cases presented in this section of the paper, the "business idea" leading to the foundation of SiTI originated at the Politecnico (School of Architecture). The agency, also funded by the Compagnia di San Paolo, was supposed to work in close association with the City of Torino in the field of research, training and assistance for projects with distinctive "territorial" aspects. In the last few years, SiTI has in fact been very active, both for the city

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<sup>9</sup> The Association includes 22 municipalities surrounding Torino. While in the first phase, the mayor of Torino was its chairman, the mayor and the president of the province are now co-chairmen.



and the region. For the former, SiTI conducted research on the future of the Mirafiori area and provided technical assistance at the time Mirafiori's disused areas were purchased by local government (see the paragraph on TNE). For the region, SiTI was especially active in logistics, with several important regional and interregional projects.

According to the official website ([www.siti.polito.it](http://www.siti.polito.it)), the activities of the agency can be grouped in six areas of action: "city and territory" ("cities need to re-examine and reorganize their structure, as well as grow in accordance with a new balancing between economics, environmental safeguarding and quality of life"); "environment and landscape" (where the idea is to create "a fertile environment for a harmonious socio-economic development, even by restoring the potentialities of a territory"); "innovation and development" ("SiTI develops activities of territorial benchmarking, studies of urban marketing and research on 'negotiated planning' to adjust entrepreneurial capabilities and knowledge typical of a particular territory"); "architecture and heritage" (SiTI offers "professional advice and technical support for the preservation, conservation and valorisation of historical heritage"); "infrastructure and transport" (it proposes "concrete responses, scientifically state-of-the-art and coherent with the preservation of natural resources"); "integrated Security Systems" ("SiTI develops tools and methodologies to sustain security policies and actions organized by Governments and the European Union in order to cope with natural calamities, accidental events, external attacks, deterioration or upheaval of the environment").

SiTI's operation, however, has attracted increasingly harsh criticism, partly in connection with its growing market presence, which is seen as detrimental to its technical and scientific mission. On the part of the Politecnico, criticisms especially concern the fact that the agency has become the sole recipient of funds from the Compagnia, thus potentially creating a powerful *de facto* counterweight to the institutional authorities of the Politecnico and of its schools and departments. On the part of the market, SiTI's competitors (both public and private) complain about unfair competition from a heavily protected and subsidized actor.

As a result of the review carried out by the newly appointed top management of the Compagnia, and in a period of increasing financial shortage, the agency's field of action is likely to be substantially reduced. The proposed organizational solution, consisting in an association with the Boella Institute (see below) in a so-called "technological platform" seems rather questionable, given the fact that the mission and nature of the two agencies are quite different.

#### **4.4.6 UCM – Urban Center Metropolitan**

UCM was created in 2005, during a period of intense urban transformation, in which the city (i.e., its mayor and Department for Urban Planning) tried to remain in control of the qualitative, and even aesthetic aspects of the ongoing change, bringing in outside advisors (university professors, as is usual in Italy in such cases) to support the normal operation of the municipality's bureaucracy. UCM was a species of enlargement and institutionalization of this kind of activity. Once again, the business idea originated at the Politecnico (Architecture) and, again, was funded by the Compagnia di San Paolo. Like SiTI, the staff consists mainly of junior and senior faculty members (from doctoral students to professors), thus constituting a sort of spinoff of the School of Architecture.

According to the website, "Urban Center Metropolitan performs its activities in complete autonomy and independence" ([www.urbancenter.to.it](http://www.urbancenter.to.it)), and, consistent with the guidelines provided in Torino's second strategic plan, "Urban Center Metropolitan's mission is to become the milieu of a confrontation among the economic, social and cultural participants involved in the city's transformation processes and to provide the public administration, institutions or private sector companies with a morphologic consultancy service on operations of greater complexity and relevance concerning the territory."

Nevertheless, although UCM works especially in behalf of the municipality's urban planning, it is financed through Torino Internazionale. This administrative dependence, coupled with the fact that the two agencies are mutually independent and some of their areas of activity overlap, makes for recurrent friction.

According to its critics, UCM did not have a real influence on the quality of the buildings for the Winter Olympic Games, especially those to be used (e.g., for residential purposes) after the games ended. UCM's answer to this is that its real operations began when major decisions had already been made, and the buildings were already under construction. In the following years, UCM was very active in organizing a series of events (from exhibitions to meetings and guided tours) intended to promote the city, as it did for the "year of design". The resulting intellectual and organizational know-how is certainly noteworthy, and other Italian cities such as Milano and Modena are explicitly borrowing from it.

As in the case of SiTI, UCM's activity and its very existence are under review by the Compagnia di San Paolo, and its connection with Torino

Internazionale is probably not a viable one. Given the city's ongoing interest in its mission, UCM will probably continue its activity in a different juridical form.

#### **4.4.7 Torino Wireless**

Torino Wireless is one of the most important experiments in diversifying the local economic system. As we mentioned earlier, one of the weaknesses of the Torino metropolitan area was its excessive dependence on a specific economic sector (the automotive industry), and on a single company (FIAT). The desire to invest in a different sector regarded as "new" and "strategic" suggested that a "district" for the development of Information and Communication Technologies be created, by fostering of existing firms, incubation of new ones, technology transfer and financial facilities.

Torino Wireless originally centered around TILab, Telecom Italia's research center, but the initiative was continued even when Telecom decided to delocalize to Milano. From this perspective, the agency can be considered as an effective way of "embedding" new approaches to development (whose first steps may be prone to falter) in the local system.

The Foundation's mission is "to create and sustain a technological District in the Piedmont Region that is among the most innovative on an international level". In particular, Torino Wireless aims at "favoring synergies among public and private players coming from research, entrepreneurship and finance; guaranteeing a direct connection between research activities, development and market evolution, creating a shared set of values and behaviors; favoring the circulation and the sharing of knowledge, within Italy and with international leaders in this field; creating a values and behaviours background shared between the different partners; developing a precise identity for the Cluster and an international brand" ([www.torinowireless.it](http://www.torinowireless.it)).

Torino Wireless was founded in 2002, but earlier, in December 2000, Torino Internazionale had invited "some of the key players of the territory – the Piedmont Region, the Mario Boella Institute (ISMB), the Unione Industriale (Employers' Association) of Turin and ITP – to discuss the creation of an ICT district in Piedmont and involve them in the Torino Wireless project". Several workshops were organized to investigate the current ICT situation and the District's potential development in the Torino area, and in 2001, the partners signed a Memorandum of Understanding which established the common goal of creating the Torino Wireless District.

Currently, the Torino Wireless Foundation “promotes the growth of the ICT District in Piemonte”, where it “works out the strategic guidelines of the District and fosters synergies among the different players in development, granting coherence and integration to the ICT development policies of the local area.”

Given its ambitious mission, Torino Wireless has often been criticized by our informants for its failure to achieve concrete results concerning firms and their interaction with research institutions. Actual innovation and technology transfer in ICT are driven by institutes like that described in the following paragraph.

#### **4.4.8 Istituto Superiore Mario Boella**

This institute is a good example of a banking foundation (the Compagnia di San Paolo) setting up and financing agencies for the production of certain collective competition goods, in this case technological innovation and technology transfer in wireless technologies. While in the present period of acute financial shortage, the effectiveness of a number of other agencies is seriously questioned, ISMB, although expensive, is considered on the whole a success story.

ISMB was founded in 2000 as a joint venture of the Compagnia and of the Politecnico, mainly on the initiative of a charismatic president of the latter, who also spearheaded the founding of Torino Wireless (para. 4.6). ISMB was joined in the following years by several private partners (Motorola, STMicroelectronics, Telecom Italia, SKF). One distinctive feature of the institute is that the participation of private firms, although certainly minor in financial terms, is not a token one: membership in the association costs 100,000 euros per year, while if the associated firms ask for specific research programs, they pay for them.

Among the 250 researchers now operating at the institute, 10 are on the payroll of these private firms, as close cooperation with the client is seen as necessary in order to shorten development and engineering processes. The other researchers include 100 from the Politecnico (ranging from doctoral students to full professors) whose departments are paid for their work. About 40 of the remaining researchers are full-time ISMB employees, while the others work for ISMB with different types of contracts; 15% of the researchers are foreigners.

The fact that so many Politecnico teachers and researchers work at ISMB is considered a strong point, and a good indicator of effective cooperation

among different actors involved in regional governance. On the other hand (as in the case of SiTI, para. 4.5) critics consider the sense of “double belonging” resulting from this dual employment as a possible weakness for the Politecnico, which in certain circumstances thus lacks control over its own human resources.

Seventy research projects are now being carried out. Twenty are financed by national and regional institutions. Fifteen are European projects, in which co-financing is covered by the Compagnia di San Paolo. Thirty-five are financed by firms and other organizations. Although ISMB’s avowed mission is “industrial” research, several interesting projects concern innovation in the service sector (banking, insurance). Most clients are medium or large firms. Apparently, small firms are not a specific target: contacts with some of them were made through Torino Wireless, but this line of activity does not seem important at the moment.

The annual reports show a constant stream of publications and patents. ISMB is regularly evaluated by an International Advisory Committee. On the basis of their findings, the management of the institute is confident that it will be able to survive the process of severe scrutiny and rationalization the Compagnia has just began.

#### **4.4.9 Finpiemonte**

Unlike the agencies described up to this point, Finpiemonte is not a recent one. Founded in 1976, it belongs to a previous generations of local development organizations which accompanied the creation of Italy’s regional governments and the first stage of their activities.

These organizations, or regional finance companies, were and still are considered as an instrument of regional (economic and territorial) planning, aimed as such at giving financial support to the production of what we call *local collective competition goods*, especially in the field of innovation and infrastructure (with special attention to SMEs), and at providing financial support and technical assistance in this field to municipalities and provinces. Their capital is all public, and mainly regional: shareholders, however, include various municipalities (Torino among them), provinces and Chambers of Commerce.

Increasingly, in Piemonte as elsewhere, Finpiemonte worked through a host of different sub-agencies: it has holdings in business areas, technology parks, and in other innovative initiatives like the aforementioned Torino Wireless.

Moreover, an increasing share of activity was devoted to implementing financial services on behalf of the regional administration. The result was an increasing bureaucratization and reduction in strategic capacity.

The present regional government clearly signaled its intention of restoring Finpiemonte to its original mission, and of concentrating on its role as a local development agency. A brilliant young Politecnico professor was appointed to the post of chairman, and was able to accomplish this change by splitting (2007) Finpiemonte into two different agencies:

- Finpiemonte Partecipazioni, which manages the traditional participations, and has been attempting to reduce and rationalize them, in some cases by trimming their often plethoric boards down to size. It should be noted that the record of a number of these holdings (including a few technology parks) has regularly been one of heavy losses.
- Finpiemonte S.p.a., in charge of the more strategic and innovative aspects of local development. This agency allocates financial benefits to the firms: the agreement regulating the relationships between the regional government and Finpiemonte strongly emphasizes the need for openness in the allocation procedures and requires Finpiemonte to adopt measures for monitoring and evaluating the results achieved by the recipients, as well as sanctions for misuse.

Given its mission, Finpiemonte will devote special attention to innovation and technology transfer. Accordingly, it will still take care of holdings in certain technology parks and incubators. It should also manage the development of innovative formulas such as “technological platforms”, “innovation poles” and “metadistricts” (aerospace).

Again, it is too early for a serious assessment of the results of the transformation. It can be said, however, that the “defensive” aspect of the new strategy seems to work: boards were reduced, holdings disposed of.

As for the “offensive” aspects, there is still a risk of redundancy and overlapping with other agencies. Finpiemonte’s management is well aware of this: some recent moves seem to indicate an ambition to take on the role of a sort of “super-agency” in the field of innovation, supported by growing integration with the corresponding department of the regional government. On the other hand, the current crisis, in producing a credit crunch which has been

especially severe for SMEs, emphasizes Finpiemonte’s traditional mission as an agency providing the essential collective good of access to financing.

## 5 Interpretative summary

The “interpretative keys” we presented in the previous pages can be used to compare the agencies described above.

The framework we propose here permits comparison among case studies, dealing with goals, strategies and relations of the different agencies with the local system (both in terms of local resources and of local actors). Putting together the different interpretative keys also helps in testing their consistency.

Agency	Strategy to be implemented	Resources activated	Actors (“Worlds”) connected
ITP/Ceip	Internationalization,  Attraction of foreign investments,  Marketing the city	Attractive image of Piedmont,  “Business friendly” local system	Local government,  Functional autonomies (Chamber of Commerce), private companies
Torino Automotive	Creation and management of an Automotive Cluster,  Network of automotive suppliers	CRF FIAT Research Center,  Coordination provided by ITP	Enterprises (automotive suppliers) and R&D facilities, Employers’ Association
TNE	Revitalization of disused industrial areas in Mirafiori,  Creation of an innovative cluster	Disused industrial areas in Mirafiori Scientific and technical know-how, higher education facilities (Politecnico),  Automotive industrial tradition	Local governments ,  FIAT (+ other Companies),  Universities (Politecnico)

Torino Internazionale	Urban Strategic Planning	Plurality of actors and interests potentially cooperating	Public and private local actors: Universities, Local governments, Associations, Functional autonomies
SITI	Research and training about territorial systems and urban development	Know-how and competences (Politecnico), financial resources (Banking Foundations)	Universities (Politecnico), Functional autonomies (Banking foundations)
UCM	Urban design	Skills and competences of the Politecnico School of Architecture	Urban government, Politecnico, Compagnia di San Paolo
Torino Wireless	Fostering of ICT cluster	Local skills and know-how, Banking foundations' financial resources	Local government,  Local companies,  Universities (Politecnico)  Banking foundations
IMB (Boella)	Technology transfer and higher technical education	Local skills and know-how (Politecnico), financial resources (Banking foundations)	Local Authorities, Universities (Politecnico), Local companies, Functional autonomies (Foundations...)
finpiemonte	Financial services for the regional government,  Credit and financial support to firms, Management of industrial areas,  Fostering of innovation.	Region's administrative and financial resources	Regional government



As can be seen, the framework we are proposing shows one of the possible “weaknesses” of governance strategies: the overlapping of agencies, to be interpreted in terms of “redundancy” and “organizational slack”. Multiple agencies share the same goal. Furthermore, there are local actors involved in many projects, sometimes in the same field. As we will see in our concluding remarks, this point may become a reason or a pretext for abandoning expensive structures.

Now, a certain amount of redundancy is not necessarily negative. In regional studies, and considering regional agencies, even “waste” has been praised (Grabher 1995) for its possible positive effects. In organizational studies, organizational slack (Cyert/March 1963) can also be considered as a resource that can be mobilized in difficult times. Whether such a consideration will influence the local actors’ strategic organizational decisions in the current situation is an open problem.

## **6 Concluding remarks: local agencies and new forms of governance**

According to our interpretative keys, local agencies can be seen as an indicator of changes in the local mode of governance.

As far as the Torino metropolitan area is concerned, agencies are one of the most visible aspects of the evolution of local policies, regarding both strategies (first of all the increasing diversification and internationalization of the local production system) and the growing presence of new actors (for example the Functional Autonomies we described in the previous pages).

As noted earlier, we are talking about transformations that are still “in process”. It is thus not easy to draw an unambiguous lesson. It would be more appropriate to look for possible scenarios, interpreting our case studies as open stories. To do so, we can focus on two points: a brief analysis of agencies’ strengths and weaknesses, and a note on the possible consequences of the current global economic situation on our subject. The financial crisis is now “stressing” some of the elements we described in the first part of this contribution: as a result, certain balances must be rapidly redefined. We must thus consider the possible effects of the crisis on the situation we describe, pointing out the possible consequences on the role of local agencies in governance.

## **6.1 Agencies: strengthes and weaknessnes**

Agencies' strengths can be summarized as follows:

- Agencies make it possible to introduce new visions of city development.

This aspect can be seen chiefly in the case of Torino Internazionale and the formulation of a shared “Strategic Plan” for the entire metropolitan area. The participation of many different actors in the project was one of the most important results of the experience and of the agency’s activity, because it first of all produced a “shared image” of the city and of its future, a framework capable of coordinating many initiatives, projects and tasks in the following months and years.

The other agencies we mentioned can also be considered as places for building new visions of local development, although in more limited field. They helped spread the perception of the city and the region as a more internationalized (ITP/CEIP) and differentiated production system (Torino Wireless, Istituto Mario Boella, TNE), with a more visible attention to architectural and environmental planning (Urban Center Metropolitan, SiTI, TNE), etc.

- Agencies are tools for the implementation of innovative policies

As we pointed out, agencies, if interpreted as “implementation structures” are useful in accomplishing truly “new” goals in local policies. When the local authorities acknowledge the internationalization of the local system as one of the main lines of development, they require that a new actor be created who can manage territorial marketing and offer services to assist new firms in locating in the area. This actor was a new agency (ITP).

One of the “strengths” of agencies is thus their ability to put policies into practice that the “traditional” structures (offices) of institutional actors would have had difficulty implementing.

- Agencies are “*ad hoc* instruments”

As a consequence of the previous point, agencies can be considered as “ad hoc”, “customized” instruments, adapted to their goals. As they are the implementation structure of a new strategy, they are explicitly created in order to tackle a specific issue, question or problem. Accordingly, agencies can be the best way to solve a problem.

The existence of an agency for urban strategic planning, technology transfer or urban renewal, for example, makes it possible to develop these policies using specific tools, skilled people, a specific budget, and also to avoid periodic re-negotiation.

- Agencies are the place for the new forms of concertation, negotiation and mutual control among actors involved, a place of “learning by monitoring” (Sabel 1994)

As we noted earlier, Agencies can be also considered as the “place” in which negotiation among different actors (of public, private or “mixed” nature) materializes. Agencies are often created and supported (and even sustained) by both public and private actors, becoming one of the main expressions of the new forms of local governance. This aspect also involves another important element: agencies are the place where different actors can keep an eye on each other and may be able to prevent collusion and misconduct.

It may also be possible that concertation (as opposed to negotiation), mutual control and learning by monitoring, introduce elements of “deliberative” or at least “better-informed” democracy into local governance, the kind of democracy in which discourse and dialogue can change the original preferences of the actors.<sup>10</sup>

Agencies’ weaknesses are to a certain extent the flip side of their strengths. The aspect to be mentioned is that these “weaknesses” may become more important

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10 Deliberative democracy, and its role in local governance, have been a special interest of social scientists in Torino (e.g., Bobbio/Ravazzi 2006), and of some of the social actors we mentioned. In 2007, the Compagnia di San Paolo financed the implementation in Torino of two “deliberative pollings” on difficult issues (construction of a new high-speed railway line between Torino and Lyon, and foreign immigrants’ right to vote). The pollings were prepared and held as a part of an international project (EWDP, Europe-Wide Deliberative Polling).

as the current economic crisis worsens. This is why they can provide insight into the potential effects of the changes now under way:

- The complexity and length of decision making processes

The involvement of a plurality of actors implies an increase in the duration and complexity of decision making processes. The creation of an agency is a significant expression of this problem: it implies the decision to create an agency, discussion about its characteristics (“mission”, number of employees, etc.), finding the necessary resources, finding a good site and setting up an office, recruiting the right people, some kind of training, etc. All these activities take time and must be managed.

Moreover, although the existence of an agency can become a resource for managing certain policies directly, it can also become a problem in times of economic crisis: as we will see, the complexity and length of the decision making process can mean, for a *governance* model, less ability to face problems immediately.

- Transparency, control, legitimation

The second weakness can be regarded as a “traditional” *governance* problem: does the involvement of a plurality of actors really mean that there is a better chance of achieving democratic processes? In other words, can the “governance” solution substitute “traditional” democratic control by citizens?

“Governance” cannot be considered as just a new form of representative democracy. Some of the “stakeholders” involved in governance processes are not the result of a democratic election, but the result of a selection among local interest groups. In other words, when we analyze governance processes we usually refer to “stakeholders”, as representative of specific local interests, either economic, political or simply cultural.

The creation of agencies reflects these problems. In the activity of Torino Internazionale, for example, different “institutional” actors were involved: from the world of the “third sector” (voluntary associations in social fields), to entrepreneurial interests (represented by their association, the *Unione Industriale*) to, especially, the mayors of the metropolitan area’s municipalities, who were involved in order to produce new forms of interaction with Torino and in order to produce shared and coordinated

policies, e.g., in the management of certain public services. In other words, the composition of the stakeholders in Torino Internazionale, as in other agencies, was determined by the agency's goals, and reflected the need to put together resources, power and consensus to accomplish them. From a certain point of view, then, the governance approach (and the creation and functioning of agencies as an important expression of governance) should be interpreted as a way to administrate a local system without a real negotiation of the strategies to be implemented, excluding interests that are not represented in meeting places as agencies. This problem involves the risk constituted by a version of "social cohesion" that neglects the important role played by the conflict of interests. Assuming that (certain) interests can be and remain different and contrasting, concertation is no substitute for negotiation; and not all issues in the local arena can be solved through representative and deliberative democracy.

- Stability of these forms of regulation: risks of instability or "hyper-stability".

The risk of instability mainly concerns the relationship between agencies and political cycles: some agencies may be modified or closed before they have reached their goals, simply because of their dependence on political balances. Among the cases we examined earlier, one of the clearest examples of this is provided by the history of ITP's "closing", and the creation of the Centro Estero per l'Internazionalizzazione del Piemonte (CEIP).

But the creation of a new "structure" for implementing an innovative strategy also leads to the risk of "hyper-stability", i.e., some form of persistence of the structure even when its goals have been reached. This problem can be at the basis of the overlapping among agencies we emphasized in our description. Closing these new structures always calls for explicit action by the actors involved in their construction, and hence a new (and perhaps long and complex ) decision making process.

## **6.2 The consequences of the economic crisis**

The current situation conjuncture may have important consequences for both agencies and governance itself. With the economic crisis, the weaknesses of the policies drawn up by an agency tend to be more clearly revealed, while at the same time the goals it pursues become less urgent.

The first (and possibly the most important) consequence of the crisis could be the decision to abandon agencies in order to cut costs. Agencies are always expensive structures, requiring dedicated resources and people. In a period marked by an intensifying financial crisis, the local political actors can decide to close the agencies, giving up some of the innovative strategies they put into practice.

But the costs of local agencies also include time: as we noted, agencies are “ad hoc” instruments, but they need long and complex decision making processes in order to involve different actors and different interests. A period of crisis requires fast decisions and rapid action, which may lead to “less governance” and “more government”.

As we noted, the problems associated with costs (time and resources) affect governance as such: a period of economic and financial crisis could lead local actors to reduce their involvement in concertative practices. This could affect local governments, as well as other actors involved in the development of the local system. As far as Torino and Piemonte are concerned, one of the most significant problems to be faced is the decreasing involvement of certain functional autonomies, above all the banking foundations, who are responsible for a large part of financial support to governance initiatives and for agencies (as we have seen in previous pages).

The local bank foundations are now starting to cut economic support to governance initiatives, and in some cases are also reducing their involvement in local agencies. Their support is no longer to be taken for granted, and agencies (as well as local authorities) have to negotiate more vigorously in order to obtain the same amount (but even often less) of funding that they enjoyed in the past.

Universities are facing similar problems, since the current Italian government is cutting their financial resources: a very small fraction of retiring professors is replaced, and new sources of funding for research must be found.

From our proposed perspective, FIAT’s involvement in some of the most important local projects, i.e., those carried on by TNE, is especially important. But recent developments have made FIAT a more “global” player (with the

acquisition of Chrysler), casting doubt on its future involvement in local development. The risk of a new marginalization of Torino and Piemonte on the economic scene goes hand in hand with the risk of a new separation (Pichierri, Pacetti 2008) between the company and the city.

The relationships among different actors that characterized the new type of governance we have described are thus threatened by the economic crisis. To a certain extent, each actor is driven to play its own role, reducing its involvement in issues far from its “core business”. This means, ultimately, less governance (non-public actors withdraw from public policies) and more government (local government just “governs”).

Other consequences specifically concern the role of agencies in the local systems. Naturally, since this is an ongoing process, we can do no more than make a couple of suggestions regarding certain points that require further attention.

One of these points is the growing importance of the evaluation processes: agencies’ activities are evaluated in order to improve their efficiency and obtain new resources. Their survival depends on a positive evaluation by the financiers. These mechanisms are often implicit or in some way indeterminate. In a period of crisis, they could (and perhaps should) become more clearly codified. The aspect to be noted is the consequences that these mechanisms would have on agencies’ activities and strategies: the need to respond to fixed levels of “results” may change the workings of structures that are often very young and flexible (Pacetti 2009).

Another point concerns the possible effects of agencies’ crisis on the local system: if the agencies were closed, would the “new strategies” be given up? Renouncing an expensive structure could represent a weakening of the strategy the structure was intended to pursue. Moreover, abandoning agencies could mean dissipating important skills that grew up in the new structures we described. Many of the “failure stories” we discussed (especially that of ITP and CEIP) can be seen as examples of this risk.

Even admitting that changes must be made in number of agencies and their endowments because of the current crisis, our final policy suggestion would be one deriving from the ambivalent meaning of *redundancy* and *slack*: waste that should be eliminated, but also a resource that can be mobilized.

From this standpoint, and in an (over)optimistic interpretation, some recent decisions of the regional government can be interpreted as an attempt at using the organizational slack of agencies whose effectiveness has been called into question: e.g., Torino Wireless and a few technology parks should be the

“strategic agencies” of the new “innovation poles”. The presence of agencies is thus a strong point for crisis management.

This kind of problem must also be reconsidered from the perspective of the capability approach. We have considered agencies as instruments for increasing territorial capabilities; now, their fragility becomes palpable when budget problems stand in the way of implementing new strategies, and put new pathways to local development in jeopardy. Their essential task of converting (mobilizing) resources into capabilities, however, must still be performed.



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