The Internationalization of the Firm

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Fabrizio Onida, Giuseppe Berta and Mario Perugini

1. Introduction

Within the whole architecture of the volume, this chapter must be seen as a peculiar mix of some short business histories and a survey of available data on Italian direct investment abroad.
Our protagonists are strictly defined as multinationals (or transnationals), i.e. groups that sooner or later decide to go beyond the pure export strategy (i.e.producing domestically in single or multiple plants and selling to foreign commercial intermediaries or direct foreign clients), by undertaking direct investments abroad, with domestic housequarters keeping majority or full control of production units, or at least commercial units (distribution and after-sale) located outside the domestic boundaries. A rather consolidated body of economic theories explains the decision to "go multinational" rather than simply "selling abroad". This theoretical framework applies to manufacturing and service activities. In a nutshell, the determinants of this decision of a national exporting firm to become a multinational firm can be summarized in the following way. The home country firm's "ownership advantages" (knowledge, experience, technological and other invisible assets) become more profitable and growth-enhancing in the medium and long run either by: a) achieving a better proximity to local customers, making faster adaptations to the standards of local demand ("*market seeking*" strategy, looking for a crucial source of market power in pricing and distribution channels: so-called "horizontal FDIs), and/or b) exploiting input cost differentials ("*cost-saving*" strategy: so-called "vertical FDIs), given the role played by economies of scale (multiple plants located in different countries rather than a single domestic plant) and taking distance and related transport costs into account, and/or c) gaining new knowledge from the economic and technological environment of the host country ("*invisible resource seeking*"). A large empirical evidence, through direct opinion surveys as well as econometric tests, leads to conclude that "market seeking" is by far the major determinant of foreign direct investments, compared to the more popular "cost saving" (delocalization) and to the rather episodic "knowledge resource seeking".
The choice between undertaking the direct investment abroad or just opting for a "non equity investment", such as licensing own "blueprints" to an independent or majority local partner, depends on the degree of risk aversion, managerial resources, financial strength and ultimate growth targets of the domestic firm. Thus "ownership advantages" combined with "locational advantages" and with "internalization advantages" are the basic ingredients of FDIs. [1]
We divide the 20th century into five periods: until World War I, the interwar period, 1945-1969, 1970-1992, and after 1992. While 1914 and 1939 are obvious milestones, a bit of explanation may be in order for the other dates. The so-called "hot autumn" of 1969, a wave of massive strikes and social unrest, that combined with the later 1973 oil crisis, put an abrupt end of post-World war II prolonged period of fast and steady growth of Italian economy (the so-called "miracolo economico"). 1992 was another cut-off point, as the year in which the Italian lira was last devalued

[1] (Dunning 1983), (Cantwell 1989), (Markusen 1998). For an in-depth survey of the literature see (Barba Navaretti-Venables 2004). A special section on new forms (non-equity forms) of multinational growth can be found in (UNCTAD 2011).

and authorities launched a far-reaching, albeit still partly unfinished, program of economic reforms that radically changed the environment in which corporations acted.
Section 2, 3, 4, 5 and 6 contain the historical profile of Italian multinational growth along these five periods. Section 7 addresses the question of why Italia multinationals can be seen as latecomers in the world scenario. Section 8 summarizes some concluding remarks.

2. From 1880s to World War I

Multinational growth of Italian companies lagged behind the historical record of other European countries, where the first internationalization phase for the manufacturing industry started in 1880.[2] Based on data from the only available study on investments by Italian multinationals from 1900 to 1981[3], the first isolated cases of foreign production expansion date back to the first decade of the 1900s (Table 1). This source shows that in 1880-1914, despite a late start and a limited weight, Italian industry did participate in the first wave of intense economic internationalization. Italian investments were mainly directed towards less advanced countries, especially towards Latin America and Argentina *in primis*. In fact the complementarities between migration and investment flows are a distinguishing feature of the Italian participation in the first globalization[4].
In the first fifteen years of the century, foreign subsidiaries included textile and food producers (in particular vermouth and alcoholic beverage), yet there were also firms operating in more modern sectors of the Second Industrial Revolution.
A case in point is rubber, with Pirelli's production facilities or subsidiaries spread over several countries, as well as an extensive export business since the first decade of the 1900s[5]. Pirelli opened its first commercial subsidiary in 1901 in Spain, thanks to the valuable contacts that the company had established with this country in previous years.[6] At the turn of the century, following a decision taken by the Spanish government to raise customs duties on certain products, including electrical conductors, Pirelli had to rethink its penetration strategy for that country. To bypass the costly new import tariffs, and to ensure a greater scope of operations in Spain, the Milanese parent company opted to open a factory near Barcelona, in Villanueva y Geltrù[7].
In Great Britain the company first established a trading partnership, Pirelli Ltd. of London in 1909, and later built a factory for producing rubber goods in Burton-on-Trent in 1929. Prior to this, Pirelli had already constructed two manufacturing plants for cable production located in Southampton (in 1913) and in Eastleigh (in 1927), partnering with General Electric Co. of London. In the same way, Pirelli founded commercial subsidiaries in Austria, Belgium, France, and Argentina in the first decade of 1900; these subsidiaries too were quickly transformed into local companies.
The aggressive commercial strategy, which characterized the group's entire initial internationalization phase, came to an end with the conclusion of World War I. Until that point in time the company's leading products were linked to the electro-technical sector (as we also saw in the development of foreign subsidiaries). However, from the mid-1910s, starting around the time of

[2] (Dunning 1983).
[3] (Sanna Randaccio, 1885, in Acocella 1985).
[4] (Barbero,1990)
[5] Pirelli was founded in 1872 and started production of insulated electrical conductors in the last quarter of the 19th century. In this high-tech sector, it established itself as the only Italian firm in the field and one of the few European ones. In 1900, Pirelli mastered a conductor technology similar to the one exploited by Anglo-American competitors and was probably superior in the field of high tension cables (selling its patents on the U.S. market). In the early 1910s, exports amounted to over 30% of total turnover, 15% of which were in the United States. See Bezza (1987) and Montenegro (1993).
[6] In fact, after successfully laying underwater cable in the Mediterranean for the Italian government, the Milanese firm was awarded contracts for lines that would connect the Balearic Islands with the Iberian Peninsula; see (Pirelli 1946).
[7] (Bezza 1987, p. 411).

the crisis of 1907, tires took on greater importance. Tire production had actually begun at the end of the 1800s, with the first bicycle tires produced in the early 1890s. However, it was only with the new century and the advent of the automobile that tires began to have a sizeable impact on the company's revenues. For example, in 1907, tires accounted for only 8.3% of Pirelli & C's turnover, but in 1912 this quota rose to 23.7% of total sales. [8]

The Italian automobile sector, within the broader context of the Italian industry, was the second notable exception to the development model based on import substitution. Italian companies succeeded in acquiring new product and process technologies in a timely fashion and in so doing could compete with the most industrially advanced countries in the world, both on domestic and foreign markets. Fiat, founded in Turin in 1899, rose to prominence for having based its initial development phase on an export strategy.[9] The company's expansion from 1905 to 1907, for example, was fuelled by foreign sales, which accounted for around two-thirds of turnover.
As regards foreign production, instead, before the war Fiat had acquired minority shares in two licensees in Austria (1907) and the US (1909). This was a step toward a direct investment strategy in production. However, implementation of this strategy was slowed by the inconsistent results attained from these initial production agreements with foreign companies, which were profoundly shaped by political issues as well as market instability involving various countries in question.[10]

3. The interwar period

After WWI, the international expansion of Italian manufacturing enterprises gained renewed momentum, in particular between the late 1920s and the early 1930, in reaction to the deflationary policies implemented since 1926 by the Fascist regime. This reaction, by those companies more oriented toward foreign markets, was intended to compensate for fluctuations in domestic demand on one hand, and on the other hand to reinforce exports, despite the new unfavourable conditions.[11]

In the case of Fiat, for instance, the company, after opening a Spanish subsidiary in 1919, founded other subsidiaries in almost all the countries in Europe, and some others outside the continent as well.[12] The transition from assembly to production in some of the main sales markets coincided with an increasingly difficult export climate, due to the revaluation of the lira, an increase in customs duties, protectionist measures implemented on all markets, and the war against imports waged in several countries by local producers. As a result, at the end of 1928, Fiat began experimenting with assembly lines. In Germany, the company partnered with NSU to buy a factory in Heilbronn, while in England and France Fiat opened plants in collaboration with local companies. In 1930-31, it was Spain's turn, where the Turinese company entered the market with a majority share in the *Fabrica nacional de automòviles* of Barcelona and *Hispano* of Guadalajara, retooling the latter's factories in order to assemble cars locally.
Until the start of World War II, the foreign market remained vitally important to Fiat's growth, in particular throughout the '30s. During this period, in fact, exports proved necessary to guarantee the plants in Turin a sufficient scale of production, due to the crisis and, above all, the monetary

[8] (Bigazzi 1981).
[9] (Bigazzi 1986, pp. 209-264; Bigazzi 1991, pp. 77-168).
[10] For more information on the Fiat experience in the American market in the years prior to World War I, see (Volpato 1993)
[11] (Paradisi 1976).
[12] Poland and Turkey (1920); Romania and Switzerland (1921); Yugoslavia and Germany (1922); Argentina (1923), England (1924); West Germany, Bulgaria, Ireland, Austria and Czechoslovakia (1925); Greece and France (1926), Brazil 1927; Egypt (1928); Portugal (1929); Denmark and Sweden (1930); see (Bigazzi 1991).

restrictions implemented along with the autarchic policies in Italy. Nonetheless, export represented an activity capable of ensuring acceptable profit margins only in markets that were large in size and easy to reach, both geographically and in terms of demand segmentation.
Fiat found these conditions on the French market. In 1926, a subsidiary was created called *Société anonyme française des automobiles Fiat* (Safaf), entirely controlled by Fiat. The new organization quickly achieved impressive results. In 1930, the transition from an *ad valorem* tariff to a weight-based tariff, more costly for imports, prompted Fiat to make a substantial increase in assembly activity in France, and finally in 1934 the company founded Simca (*Société industrielle de mécanique et carosserie automobile*), with the aim of further boosting the share of value added realized in France. Sales topped 7,000 units in 1936 and peaked at 20,935 units in 1938[13]. With this exploit Simca became the fourth largest car manufacturer in France.

The geographic distribution of Italian investments abroad also reveals a number of remarkably new phenomena. Before the first World War, Italian companies had invested primarily in Latin America (particularly Argentina), while foreign subsidiaries founded in developed countries accounted for only a third of Italy's total, compared to two-thirds for continental European countries. On the contrary, approximately 70% of the new Italian subsidiaries in the interwar period were located in developed countries with a medium to high level of industrialization. In addition, FDIs encompassed a wider variety of sectors with higher levels of specialization. From 1920 to 1939, the more technologically advanced sectors made the greatest contribution to the expansion of Italian manufacturers beyond national borders, including rubber and tire, transport equipment, chemicals and artificial fibers, paper, electromechanical engineering, office machines. Some new companies entering the international market, such as SNIA (artificial textiles), Montecatini (chemical products) and Olivetti (office machines).We define this three firms "one season protagonists" since their international success only lasted few decades, largely coinciding with the so called Italian "economic miracle".

SNIA (Società di Navigazione Italo-Americana), for instance, was the first Italian chemical company to attain extensive international reach. Founded by entrepreneur Riccardo Gualino in Turin in July of 1917, SNIA's original business was transporting coal to the US[14]. In 1920 a serious crisis in the shipping business prompted top management to convert the company's production to artificial textile fibers derived from cellulose, in particular rayon (or viscose). To reflect this new development, the company's original name was changed to SNIA Società di Navigazione Industria e Commercio, and again in 1922 to SNIA Viscosa (Società Nazionale Industria Applicazioni Viscosa). In the years to follow, SNIA Viscosa continued its expansion, taking over other Italian companies specialized in rayon production (Unione Italiane Fabbriche Viscosa, Viscosa di Pavia, Società Italiana Seta Artificiale). At the same time, the company achieved vertical integration by buying a majority stake in Rumianca, a producer of chemical compounds which were indispensable for manufacturing artificial threads, and SILM, a supplier of plant machinery and equipment needed to produce rayon.
These investments enabled SNIA Viscosa to participate fully in the international expansion phase of new technology in artificial cellulose fibers. In 1925 the quantity of artificial fibers produced by SNIA totalled 43,000 quintals a day, equalling 70.3% of Italian production, 16.6% of European production, and 11.3% of world production. Along with these results came other important accomplishments: SNIA became the Italian company with the largest share capital (one billion lire), and was also the first to be listed on foreign stock exchanges (London and New York).

[13] (Volpato 1993, p. 190).
[14] (Spadoni 2003).

The Turinese group also sought to extend its field of action internationally, not only through exports, but also via direct penetration in foreign markets through the establishment of commercial and production branches. By the end of 1920, SNIA Viscosa had created two companies in the US, the Commercial Fibre Corporation and the Industrial Fibre Corporation of America; the latter was to launch rayon production in a factory built in Cleveland (Ohio).[15]
In 1925, thanks to intermediation by the Banca Commerciale Italiana, SNIA acquired majority shares in the Polish company Tomaszowska Fabrika. This investment gave SNIA two distinct advantages: first, the company was able to extend its market share in Poland while avoiding high customs duties, and second, it could exploit the factory's strategic position in close proximity to the Russian market. Over the years, SNIA also opened business firms abroad, and owned as many as six in 1931.[16] However, SNIA's golden age came quickly to an end. Mussolini's monetary revaluation, which took effect in August of 1926 ("Quota 90"), dealt a heavy blow to the company, which exported 80% of its turnover and imported only a minimal portion of raw materials (from 7 to 11% of the cost of production).
The company did not recover completely until the second half of the '30s when the autarchic policies implemented by the Fascist regime not only spurred domestic consumption of artificial textile fibers, but drove exports as well. In order to boost foreign sales of goods made of artificial fibers, a sizeable increase in export bonuses took effect in February 1934. SNIA diversified production when it began making viscose staple, a short fiber that could be used as a cotton substitute; in 1934-1935 the company became the world's number one producer of this fiber. SNIA Viscosa also launched domestic production of cellulose, most of which had previously been imported.[17]. As regards the group's foreign business, instead, exploiting the political affinity with the Franco regime in Spain, in the late '30s SNIACE was founded, a company headquartered in Madrid with production facilities in Torrelavega (Santander).[18]

Nevertheless the most important Italian foreign direct investment in the chemical sector during the interwar period was made by Montecatini. The company, founded in 1888 to mine a copper deposit in Tuscany, had entered the chemicals sector with a series of acquisitions undertaken from 1913 to 1920. The most significant industrial initiative involved the field of nitrogen-based fertilizers, with the creation in 1921 of a company which would exploit a process for production of synthetic nitrogen invented by Giacomo Fauser. This move, enabling Montecatini to bypass the technological monopoly created in this sector by the German company Basf, marked the start of a large-scale development plan which led to the construction of five nitrogen fertilizer plants in Italy from 1925 to 1927.
In 1926, building began on the first foreign factory (in Willebroek, Belgium) managed directly by Montecatini through the Belgian company SA Ammoniaque Synthétique et Dérivés (ASED). In January 1929, Montecatini founded the Compagnie Neerlandaise de l'Azote, headquartered in Brussels, with the aim of building a large synthetic ammonia and fertilizer plant in Sluiskil, a small village in the Dutch Flanders. The objective this time was not only entering the promising Dutch market, but also the opportunity to access world export markets thanks to the low production costs available in Holland. The Sluiskil plant began operations in November 1930, and until 30 June 1931 production was restricted by quotas set by an international nitrogen cartel, which Montecatini joined in summer 1930, in the interests of the Neerlandaise. In June 1932 a new international nitrogen cartel took over, lasting two years, and counting almost all the world's producer countries as

[15] (Wilkins 1989, p. 152).
[16] (Spadoni 2000, p. 107).
[17] To produce cellulose a 6,000-hectare plantation was created for a particular type of cane, *Arundo Donax*, in Torre Zuino near Cervignano del Friuli, from which substantial quantities of alpha-cellulose were extracted.
[18] (Spadoni 2003, p. 140).

members. This cartel established a series of agreements setting prices and curtailing production. One of the key accords addressed compensating producers who agreed to limit production. The highest compensation was to be paid to Neerlandaise: 4.5 million gold marks per year in exchange for restricting Sluiskil annual production to 15,000 tons of nitrogen, 30% of the actual production capacity. [19] For Montecatini, faced with a difficult financial situation in Italy due to the global crisis, the agreement also guaranteed protection of the Italian market by preventing other cartel members from exporting to this country. The agreements with the International Nitrogen Cartel remained in effect until the outbreak of World War II, and marked the end of Montecatini's internationalization process, for all intents and purposes.

4. 1945-1969: Italian multinationals during the "miracolo economico"

Foreign expansion of Italian firms was accelerated during the '50s and early '60s, a period coinciding with the strongest Italian economic growth performance in the postwar period, pulled by a record expansion of both domestic demand, domestic saving and export in a rapidly integrating European market (the so-called "economic miracle"). Keep in mind that in the two decades 1950-71 Italy managed to achieve a 4.9% annual growth of per capita income, well above the 3.8% for the European average. While in 1950 the Italian per capita income was one third that of the US, in 1970 it had become two thirds.[20]. In 1963 the investment/GDP ratio reached a record 25%, the Italian saving propensity in those two decades was second only to the Japanese one, well above 20%. Until the 1969 "Hot Autumn", which signed a turning point in industrial relations, in those two decades Italy went through a record growth of output and productivity (pulled by rising capital/labor ratio and younger stock of capital) with a prolonged wage moderation. At the same time an excellent profit performance was a powerful incentive to new investments, which in their turn induced rapid shifts of labor force from traditional to more modern and faster innovating sectors.[21] Thus investing abroad was not a clear priority for business reaping the benefits of a lively domestic expansion.
Anyway, in the '50s, 35 new manufacturing subsidiaries were opened, more than the total number for the entire first half of the century. Direct investment was no longer an exception, but rather it was becoming a common growth path for major companies already more or less strongly export-oriented. In particular, from 1945 to 1954 Italian firms were most active in electromechanical engineering and the office machines sector, with eight international subsidiaries (see again Table 1), mainly reflecting Olivetti's internationalization strategy.

The company founded in 1908 by Camillo Olivetti, for the purpose of designing and producing typewriters had already made some FDIs before 1945, for instance opening its first subsidiaries with their own production facilities in Spain (Barcelona) and Argentina (Buenos Aires). The company's post-war recovery was led by Adriano Olivetti, son of the founder, and was underpinned by a deep transformation of the production structure and commercial strategy. Advances in terms of efficiency and cost cutting were considerable, and made production diversification possible in the direction of the first calculating machines, a market segment that promised significant opportunities for international expansion. By the mid-'50s more than half of Olivetti's production was exported; from 1950 to 1961 Olivetti's export of typewriters grew seven times and export of calculating machines an amazing 23 times.

[19] (Devos 1992).
[20] (Toniolo 2004)
[21] See among others (Rossi-Toniolo 1996), (Rey 1982).

Olivetti expanded its business in Latin American by creating commercial branches in Mexico and Colombia, and by opening a new factory in Argentina. In Europe, instead the company founded British Olivetti Ltd and Olivetti Buromaschinen A.G in Austria. By 1958 three more foreign production facilities opened in Scotland, Brazil and South Africa.[22] Olivetti shored up its commercial network in the years that followed by opening new subsidiaries both in Europe (Demark, Sweden, Netherland, Greece, Finland) and in South America (Venezuela, Peru, Uruguay and Chile).
By the end of the '60s, Olivetti had fully achieved a multinational status, with operations in the biggest markets in Europe, North and South America and 30 foreign commercial subsidiaries. In 1968, the group's Italian turnover accounted for less than 20% of the total, lower than US turnover (27.3%). The company had 33,255 foreign employees, as compared to 27,426 in Italy. Again in 1968, around 35% of Olivetti's production was realized outside of Italy. In 1969, the group's industrial plants numbered 11 in Italy and 10 abroad, counting assembly plants (Johannesburg, Toronto, Bogotá, and Santiago, Chile) and integrated works (Barcelona, Glasgow, Buenos Aires, San Paolo, Mexico City, and Harrisburg in Pennsylvania).[23]
The most important internationalization experience for the company had begun in 1950 when Olivetti embarked on its commercial penetration of the enormous American market, founding the Olivetti Corporation of America (OCA) in New York. Finding a low level of competition in the calculator segment (with Remington Rand representing the only real competitor), Olivetti was able to base its growth strategy on product quality and innovation, rather than price leadership. By 1958, America had become Olivetti's main export market, with more than 20% of total export.
In October 1959, after brief negotiations, Olivetti signed an agreement to pay 8.7 million dollars for 35% of Underwood stock, a company with an extensive sales network and a prestigious name in American industry. The aim of the acquisition was to create a solid direct presence on the American market, which was considered crucial to achieving growth. But there was an underestimation of the serious obsolescence of Underwood's factory in Hartford (Connecticut), due to lack of investments in previous years. Then Olivetti management carried out a deep reorganization of Underwood at a production and organizational level; in 1960 the daily output of the Hartford factory nearly tripled, while production costs dropped by 30%. Nonetheless, results were very disappointing. The financial commitment required to turn the American company around was particularly burdensome; additional losses were discovered, previously concealed in Underwood's balance sheets, factories were dilapidated, and reorganizations proved more costly than anticipated. A few years later, Olivetti claimed that it had spent 48 million dollars from 1959 to 1964 to acquire and reorganize Underwood, but according to a Harvard study the actual amount was closer to 100 million.[24]
By early 1963, the costs of the Underwood deal, combined with enormous investments in electronics made by the company beginning in the mid-'50s,[25] had sunk Olivetti into a severe financial crisis, further aggravated by a drop in demand on international markets. In May 1964 a rescue consortium made up of industrial concerns (Fiat, Pirelli) and financial institutions

[22] (Caizzi 1962, p. 234).
[23] (de Witt 2005).
[24] (Barbiellini Amidei, Goldstein and Spadoni 2010); (Soria 1979, pp. 15-25).
[25] Olivetti made its first foray into the electronics sector in 1949, when the company finalized an agreement with the French firm Compagnie des Machines Bull to create a joint-venture, Olivetti-Bull, to commercialize punch card machines. But it was only in 1952 that Olivetti made a clear commitment to the new technology by opening a dedicated US research center, in New Canaan (Connecticut). This was followed in 1954 by collaboration with the University of Pisa to design an electronic computer. In 1957 Olivetti partnered with Telettra and Fairchild to establish a new company, SGS, the first European industrial initiative in the field of semiconductors. In 1958 the Electronic Research Laboratory was founded in Pisa, which in 1959 created the *Elea 9003*, the first electronic calculator entirely designed and built in Italy. In 1962 the Electronic Research Laboratory and Olivetti-Bull both became part of Olivetti's Electronics Division.

(Mediobanca, IMI, and La Centrale) intervened by acquiring 25% of the group's share capital, and effectively taking over control from the Olivetti family.
In 1964, in order to restore the company to financial health, the new owners decided to sell a 75% stake in the Electronics Division to a new joint-venture – Olivetti-General Electric – created with the participation of the American colossal General Electric, which bought the remaining 25% in 1968. With this deal Olivetti left the sector of medium and large electronic calculators, but kept designing and producing terminals and small systems.[26] The technological transition from electromechanics to electronics and computers initiated in the '50s came to a standstill. Thus an historical opportunity was lost: to move into the new world of computers with a head start on many international competitors.

In the chemicals sector, mainly due to Montecatini and SNIA, between the second half of the 1950s and the first half of the 1960s there was a remarkable surge of FDIs. After the Second World War, SNIA continued its foreign activities with direct investments concentrated in Third World countries, mainly Latin America. During the '50s and '60s, SNIA's foreign production arm extended to other countries as well, India and Russia among them,[27] a strategy aimed at offsetting diminishing exports on European markets with larger "tariff jumping" market shares in developing countries implementing hard import-substitution policies. SNIA's technology gaps were accruing in this area were becoming more and more serious.[28]
The Turinese group made its fortune from rayon, but by the late '50s this material had reached the apex of its commercial success, and was on the verge of a rapid decline due to the increasing popularity of synthetic fibers, whose worldwide production kept growing until 1973, matching a decrease of cellulose production in most industrialized Western countries. The 1973-1974 oil crisis triggered a similarly critical situation in the sector, exacerbated by a sizeable accumulation of excess capacity. From 1973 to 1975, SNIA's sales plummeted by more than 40%, and the subsequent financial crisis ultimately moved the company into the orbit of Montedison, which acquired 30% stock in the Turinese group in 1974. In the years that followed, SNIA gradually began spinning off its activities in the fiber sector, including participation in foreign companies, and started diversifying its business in the sectors of chemical products, explosives, and arms. By the late '70s, turnover in the fiber sector accounted for only 40% of the total, and on a downward trend.
The path of Montecatini in this period was more complex. In the early '50s, Montecatini successfully led the way into the new era of petrochemicals by financing research led by Giulio Natta, whose discovery in 1953 of a new thermoplastic polymer, isotactic polypropylene, launched production on an industrial scale in 1957 in Ferrara plant. Natta's discovery gave rise to opportunities for the company to develop new initiatives in the field of plastic materials and synthetic fibers, based on owned technology and not depending exclusively on buying licenses or patents.[29] In the second half of '50 Montecatini decided to explore again the possibility of multinational expansion with the aim of fully exploiting the technical capabilities and know how gleaned from industrial processes patented by Fauser and from Natta's more recent discoveries.
In 1955, after having explored the opportunities of the domestic markets, Montecatini management opted to build a chemical plant in the US for the production of polyvinyl chloride (PVC) and eventually production of plastic materials with the technology being developed by Natta's research team. Besides a little economic motivatio to invest in the US, the most sophisticated market in the

[26] In 1968, the company ended its initiatives in the field of electronic components, selling SGS to Stet, from the IRI Group.
[27] (SNIA 1970)
[28] Synthetic and artificial fibers differ because while the latter derive exclusively from cellulose extracted from plants, the former are obtained by transforming organic polymers into threads, polymers obtained from a completely synthetic process beginning with raw materials derived from hydrocarbons.
[29] (Saviotti 1990).

world, building a direct production hub in America was a prerequisite for listing Montecatini on the New York Stock Exchange, and facilitating the extension of the company's patents to encompass the United States.[30]

Despite the modest size, the new company Novamont had a turbulent existence from the outset. In 1959, after putting the investment plan on hold for two years, Montecatini issued a 20-year bond worth 10 million dollars on the US market, in view of building a plant for isotactic polypropylene production and other petrochemical products in Neal (West Virginia), while abandoning the original project of producing PVC. However almost immediately Novamont began to encounter serious difficulties in commercializing polypropylene, stemming from a series of industrial problems such as the failed attempt to secure patents, and the consequent bitter competition from local companies such as Hercules and Standard Oil, which were able to introduce process innovations that seriously damaged Montecatini's position on the American market[31].

The establishment of Novamont, therefore, proved tantamount to "beating a hasty advance." Despite the unquestionable capacity for innovation, demonstrated with the development of propylene, the company was fundamentally ill-prepared to move forward on its own with a direct investment strategy in intensely competitive markets: indecision regarding production options, financial difficulties and an inadequate commercial network[32].

The strategy for expanding into petrochemicals, initiated after World War II, called for major investments which gradually pushed Montecatini beyond the limits of its managerial and financial capabilities, to the point where in the mid-'60s the company was forced to tap external resources, both industrial and financial[33]. In doing so, Montecatini embarked on two major initiatives in 1964: absorbing the former electric company Sade, which brought in large sums of fresh capital from the nationalization of the electric sector; and setting up a joint venture with Shell. Monteshell took over the Ferrara and Brindisi petrochemicals plants. The Anglo-Dutch group contributed technological know-how, market expertise, capital and new management techniques, but soon it was clear that the two companies had managerial and technical routines far too different to allow them to work together. After this initiative failed, Montecatini's new goal was to merge with Edison, as it happened in 1966.

Unfortunately the merger of Montecatini and Edison, which was supposed to resolve the "chemical war" at home and create an internationally competitive Italian champion, did not live up to the expectations[34]. The impressive size of the new company, which in 1969 took the name Montedison, made it the tenth largest group in the world in terms of turnover in the chemicals industry. Thus the company enjoyed a fairly prominent position in international rankings, but only in basic chemicals and derivatives, since the company had little or no business in the sectors of fine chemicals and special chemicals,

Another serious weakness of the Italian company was a much lower level of internationalization, compared to key competitors, and consequently a greater dependency on the domestic market. Despite an established commercial presence in 20 countries, in 1968 the company's foreign turnover accounted for 36.3% of the total (88% of this was realized in Europe); of this percentage, 81% was exported from Italy and 19% was produced by foreign subsidiaries. This last figure, therefore, corresponded in absolute terms to only 6.8% of the group's global turnover, little more than half the average value compared to the major German companies (Basf, Bayer, and Hoechst)

[30] (Bezza 1990, pp. 346-349).
[31] (Saviotti 1990, pp. 393-394).
[32] (Amatori 1990).
[33] (Saviotti 1990, p. 395).
[34] Despite the potential benefits accruing from the technological complementarities between the two entities – Montecatini had pursued excellence through an indigenous effort, while Edison's entry into chemicals had stemmed from cooperation agreements with foreign partners – it was the Edison's more modest and finance-driven strategy that prevailed, leading to a radical downsizing of Montecatini's R&D activities; see (Amatori 1990).

and a great deal less than the 32.5% of the British ICI and the 33.6% of the French Rhône Poulenc.[35] Moreover, the new company had been founded without any clear internationalization strategy, merging two companies with serious financial and industrial problems[36].

In the transport equipment sector, the second half of 1950s saw a temporary slowdown in the growth of foreign subsidiaries, due to a strong focus of Fiat's growth strategy toward the booming domestic automobile market. In Italy, as reconstruction gradually made headway, a strong latent demand for private automobiles emerged. What the market needed was a small size car which, thanks to its low running costs, could satisfy a clientele with limited buying power; this car was to be produced in large volumes in order to exploit the economies of scale made possible by new technologies. In 1955 Fiat presented the first authentic Italian people's car – the *600* – followed by a further consolidation in 1957 with the launch of the *Nuova 500.* The surge in production was spectacular: in 1950 for the first time more than 100,000 vehicles were produced in a year, but in 1960 production topped 500,000 units and in 1966 it exceeded 1.5 million mark.
As regards the internationalization process, this strong quantitative dynamics should have had a powerful impact on export opportunities for Fiat. Actually, however, the main focus was on serving the domestic market, characterized by a strong preference for vehicles which, on average, were much smaller in size than the prevailing demand in other major industrialized countries. Fiat's forced specialization on small cars not only meant a limited foreign market, but also fewer research and development opportunities capable of generating sophisticated technological innovations in car design. Even the impact on Fiat's image was not insignificant, since outside Italy the company became known as a carmaker specialized in small vehicles.

5. 1970-1992: from the oil shocks to the disappearance of "one season protagonists"

The overall economic scenario changed dramatically during the '70s and early '80s: dwindling profit margins under the pressure of rising wages and slowing productivity growth (labour unrest), inflationary impact and rapidly deteriorating trade balance from the first oil shock, accompanied by marked depreciation of the lira following the breakdown of the Bretton Woods exchange rates regime. The slowdown in domestic demand spurred major efforts to expand exports, while attempts by the Bank of Italy to put credit ceilings and penalties on short term capital exports created a domestic macroeconomic environment relatively unfavourable to long-term planning of business multinational expansion.
The '70s were also a time of major divestments, in particular in automotive, electric machines and office machines, and in the chemicals industry. As regards the first two sectors, this was primarily the result of reorganizations by Fiat involving its foreign operations, and by Olivetti, preparing for a new internationalization phase which would begin in the early '80s. Divestures recorded in the chemicals industry, instead, were attributable to a sector crisis rather than foreign portfolio reorganization.[37]

In the case of Fiat, by the mid-'60s, it was clear to owners and top managers that the only solution to the weakened international reach of the group was an alliance with another European producer. In 1967, Fiat decided to sell its shares in Simca to Chrysler, in light of an imminent opportunity to buy into Citröen share capital with a sizeable quota. This plan went in effect in October 1968

[35] (Marchi-Marchionatti 1992, pp. 40-41).
[36] (Barca-Trento 1997, pp. 533-559).
[37] (Sanna Randaccio 1985 and other chapters in Acocella 1985)

through a cooperation agreement and the purchase of 15% stock in the French group by Fiat, which consequently became the number two shareholder after Michelin. The next step was taken in 1970, when after a capital increase by Citröen, Italian participation rose to 26.9%. At this point, however, opposition from French shareholders began to grow. What Fiat had in mind was to gradually integrate the two product ranges and to rationalize the production capacity to pave the way for a marked increase in productivity and competitiveness of the two brands. For Citröen, instead, the primary intention was to safeguard the identity of the French manufacturer by keeping the two brands quite distinct.
In addition, opposition from French government circles and from other European carmakers played no small role. In fact, the former objected to the merger on the grounds of national prestige, and the latter was against Fiat strengthening its position on the French market. Finally, the partnership was dissolved in 1973. In 1976 Michelin sold to Peugeot its controlling stake in Citröen, with the approval of the political powers, who preferred an all-French solution. The failure of the Citröen agreement coincided with the start of a drastic decline in car demand on the European market, the first after a period of unprecedented, uninterrupted growth since the end of World War II. Following the recessionary impact of the first oil crisis 1973-75 and a longer downslide from 1980 to 1984, when signs of market recovery - and more importantly Fiat's competitiveness - were in sight, the company started to envisage striking a deal with another car maker, specifically Ford. A merger between these two industrial concerns appeared particularly attractive in terms of production economies, given the extensive overlap in the product ranges of the two brands.
The simple merger would have made it possible to create a formidable industrial concern with a production capacity of over 3 million cars per year, a quarter of the European market share.[38] However, despite the impressive potential of profitable synergies, the very size of the deal emphatically underscored the issue of control of the joint venture which would come into play with the merger. The rift between the two partners on questions of control and governance of the new group led to a breakdown in negotiations in the fall of 1985.
This setback forced Fiat to realize that partnerships were only feasible if decision-making power was clearly allotted to the respective parties from the outset. Consequently, as the group resumed its internationalization process during the second half of the '80s, Fiat gave priority to projects involving foreign partners who were both financially and industrially weak. The strategy Fiat adopted was therefore to expand and consolidate the group's presence in Eastern Europe and in emerging economies.

Failed attempts to carry out alliances and/or mergers with other foreign large and medium-large competitors characterize even the path of Pirelli, Olivetti and Montedison during the 1970s and 1980s.
In the mid-'60s, after an unsuccessful attempt to form a partnership with Europe's leading group Michelin, Pirelli began lengthy negotiations with the English company Dunlop in the spring of 1970, with an eye to a merger between the two companies. Weakness in the tire sector was a serious problem for both groups. Dunlop's market share was negatively affected by growing international competition[39]. Likewise, Pirelli was facing competition of American companies – Firestone and Goodyear above all – in Italy, as well as market penetration by Michelin, which had opened a factory on the peninsula in the '60s. Toward the end of the decade Michelin signed an agreement with Fiat stipulating that the Italian car manufacturer would buy part of Michelin's shares in Citroën, and more importantly, that Fiat would abandon Pirelli as a supplier and put Michelin tires on its automobiles instead.

[38] (Volpato 1999)
[39] (West 1984, p. 289).

An agreement between Pirelli and Dunlop was signed in June 1971, with a complex share swap. Pirelli's Italian assets were concentrated in a new operating company – Industrie Pirelli SpA. All this resulted in the creation of a multinational group that ran 210 factories located on five different continents, and employed 178,000 people. The new group – the Union Pirelli Dunlop - achieved a global turnover in excess of 2 billion dollars, which was third in the world ranking of the tire industry, after Goodyear and Firestone. The Union had plenty complementarities both in terms of product supply and geographic distribution of its business (at least on paper). If indeed Pirelli was predominantly in the European and South American markets, Dunlop had substantial business in the US, Asia and Africa. Overlap was negligible, limited only to a few European countries: Great Britain, France, Germany and Spain.[40]

Despite the high degree of complementarity, this entity created in the summer of 1971 was never conceived as a true merger. Instead it was seen as a "partnership between equals", limited to the symmetrical exchange of shares with no real repercussions in terms of the financial or production synergies of the two groups, which continued to run their respective industrial operations in almost total autonomy. The performance of the Dunlop partnership was immediately jeopardized by the rapid worsening of Pirelli's position on the Italian market, due to a sharp increase in labour costs, a drop in the demand for cars, and competition from Michelin. The heavy losses incurred by Industrie Pirelli SpA (in 1972, over 80 million dollars, more than a third of total share capital) prompted Dunlop to "freeze" its shares and to refrain from to recapitalizing the company. In subsequent years, Industrie Pirelli SpA underwent an extensive series of reorganizations, but the company would not return to profitability again until 1980. In the meantime, by the late '70s the fallout from the international crisis in the tire sector had impacted the English side of the Union, creating additional friction between Dunlop and Pirelli, until the partnership was dissolved in April 1981.

With the dissolution of the Union, Pirelli found itself in the same situation as ten years before, namely, the group's activities were still undersized for the tire sector. In a context of progressive market concentration, a global strategy became more and more critical.

Pirelli stepped up its expansion strategy again in 1988, trying to carry out two major acquisitions on the international market: Firestone and Armstrong, respectively a big and a smaller American tire producer. The first was a defensive move, intended to thwart a merger between Firestone and Bridgestone. By acquiring the American company, Pirelli would have risen to the third place in the world ranking, behind Goodyear and Michelin, with a turnover in the tire sector of over 5 billion dollars. The move would also have solved another troublesome problem: the lack of a direct presence on the US market. Nonetheless, the deal was never finalized, as Bridgestone reacted to Pirelli's takeover bid by presenting a counteroffer which the Italian group's executive management considered disproportionately high. So the takeover attempt was abandoned.

Pirelli had greater success in the Armstrong takeover, which took effect in the spring of 1988. Obviously this last acquisition did not carry the same weight as the Firestone deal would have done. Clearly, there is little comparison between the two groups: one was a local producer, albeit a fair sized one; the other a major international group, with the third highest turnover in the world. Pirelli achieved its goal of initiating production activities directly in the US, but had to abandon its hope of dimensional growth, a key to success in the globalized market that was coming into being.

The early '90s marked a critical juncture for the Pirelli Group, with a change of strategy that would significantly shape subsequent development. The first decision was to specialize the company in few production niches of high value added, giving up the search for an alliance with another major European producer. This reversal followed the company's latest major defeat in the field: an attempt to make a merger with the German company Continental, which took place between mid-1990 and the end of the following year. The merger would have turned out in a company with a

[40] (Bolchini 1985).

global market share of approximately 16%, and a business volume of over 9 billion dollars, placing Pirelli on par with Bridgestone-Firestone, behind only Michelin and Goodyear.
However, following prolonged negotiations, the Continental's corporate board featuring the major German shareholders (Daimler-Benz, Volkswagen, BMW, Deutsche Bank and Dresdner Bank) in November 1991 rejected it as a hostile takeover contrary to the interests of the company. The costs of this failure were enormous: the Pirelli Group had agreed to indemnify the investors who backed the Continental project by 31 December 1991 for loss of assets and costs incurred if the tire business were not unified in a single company. This debt, in addition to the devaluation and the expenses sustained directly by the group, brought the total estimated cost of the Continental operation to over 295 million dollars in 1991.[41]
The catastrophic impact of the deal on the group's finances and the new decline in global tire demand from 1990 to 1991 forced Pirelli to abandon the strategy it had followed since the first decade of the twentieth century, namely trying to become one of the major world players. Instead, the group decided to downsize its production capacity and specialize in market segments with higher value added. This goal was achieved in the '90s by decreasing the level of production diversification and spinning off less profitable production lines. [42]

With regard to Olivetti the recovery strategy that management decided to implement from the late '60s to the early '70s involved consolidating the company's position as world leader in "mature" office products: printing calculators (30%), portable and professional typewriters (25%), and adding machines (20%). The company's shares of the global market in these products, in the late '60s, appeared to be of utmost importance.
The first goal the company set for itself was to make the American branch profitable again. The obsolete Hartford plant was closed in 1968 and its typewriter production transferred to the Scottish factory in Glasgow. Olivetti's continuity on the American market was guaranteed by the construction of a new factory in Harrisburg (Pennsylvania) in 1969.
In the short term, reorganizing the production structure around a line of mature office products made recovery possible and also generated solid market success. However, this decision reflected the absence of a strategic outlook, and an inability to grasp the long-term implications of micro-electronic innovation. Olivetti's subsequent reorientation toward computers and office automation, after the early '70s, was for the most part the result of an adaptation dictated by the market and was implemented with difficulty and delays by the company.[43]
The crisis that hit the company in the '70s led to a change in the production internationalization strategy. The strong development phase of the '50s and '60s had been characterized by growth in protected markets, with production based on multi-product factories that could manufacture a wide product range and low product volumes, gauged to the size of individual national markets. In the late '70s a new phase of rationalizing production sites began, targeted to an industrial structure based on mono-product factories. In 1978 a new management team took over, led by Carlo De Benedetti, during a period of corporate recapitalization and financial recovery. This marked the start of a new season of internationalization for Olivetti, based on renewed decentralization of the group's multinational production. The production lines for manual typewriters were transferred to San Paolo in 1979. In 1980 a new factory was opened in Singapore to fill the demand for calculator production for the entire group. Global production of portable typewriters was concentrated in the Mexico City factory from 1982 to 1984.. In the meantime, the crisis in the American branch was becoming increasingly severe: the American contribution to Olivetti's sales had collapsed to less

[41] (Bagley, Dick and Pai 1993).
[42] (Sicca-Izzo, 1995, pp. 77-126).
[43] (Ciborra 1986).

than 10% of the total at the end of the '70s. This led to the closing of the Harrisburg plant in the 1981[44].
In addition, the strategy focused on a systematic search for commercial penetration in European and North American countries, and the development of technological interdependencies with new innovative companies that emerged in the international market subsequent to the microelectronic revolution. From 1980 to 1996, Olivetti made 66 venture investments, including 19 companies that then went public, generating a net internal rate of return above 18%.
In 1982 the attempt of solving the serious crisis of OCA culminated in the merger of the latter with Docutel, a leading ATM manufacturer. In 1984 the American telecommunications giant AT&T bought a 25% stake in Olivetti. According to the agreement, Olivetti would distribute AT&T products in Europe, while the latter agreed to buy approximately 250 million dollars worth (in 1984) of Olivetti products to be resold in the US. The agreement also made provisions for collaborating on new product development, trading manufacturing licences, and accessing research labs. In these exchanges between the two companies, the new Olivetti personal computer, the M24, took on a key role. This machine was sold in the US with the AT&T brand. By supplying its American partner over 200,000 units in 1986, Olivetti's PC production reached nearly half a million units per year. Remarkably, at that time the company became the third producer in the world, and number one in Europe.
Nonetheless, all this was Olivetti's swan song in the international market. Despite the positive sales results from the AT&T deal, the failure to integrate production between the two companies and the inadequate cooperation on new product development prevented Olivetti from competing in the IT sector at the same level as IBM and other market leaders. After Olivetti's management refused to relinquish control of the company, the partnership was dissolved in 1989 with AT&T pulling out of its share capital.
In the early '90s, Olivetti sunk into a deep profitability crisis, with rapid deterioration of its financial situation. Once again a profound group-wide reorganization became necessary, leading to factory closures in Singapore, Spain and Brazil in 1996, and the sale of the personal computer business the following year. The company's center of gravity shifted toward the Italian telecommunications market, with the creation of two new subsidiaries in the mid-'90s: Omnitel, a mobile telephone provider, and Infostrada, active in landline telephone service. In 1999, Olivetti took control of Telecom Italia, via a mixed takeover bid. The deal was financed with Olivetti selling its Omnitel and Infostrada stock to the German company Mannesmann, and resorting to loans and capital increases. In 2003 Olivetti merged with Telecom Italia and the new company took the latter's corporate name.

The crisis of Montedison intensified throughout the '70s, accompanied by further retreat from foreign markets. Only in the early '80s did the financial situation improve perceptibly, after completing the long painful reorganization process started in the late '60s..[45] The most prominent casualties of this process were the group's major foreign subsidiaries (Novamont and Compagnie Neerlandaise de l'Azote), sold in 1979. The sale of Novamont sealed Montedison's abandonment of its plan to win a significant share of the American market, precisely when this same market was attracting more and more investments from the major European chemicals groups.[46]
In the early '80s, Montedison fielded a new internationalization strategy based on alliance building with foreign firms.In 1983 Montedison set up a joint venture with Hercules and founded Himont,

[44] (de Witt 2005).
[45] For more information on this process, see (Mutinelli 1995; Onida-Viesti 1988).
[46] (Marchi-Marchionatti 1992, p. 137).

the world leader in Europe and the US in the polypropylene sector[47]. Himont was by far the group's most important foreign subsidiary, featuring 1,000 employees and turnover of nearly 500 million dollars. Collaboration with established foreign companies, along with enormous investments in new technological competencies, finally seemed to open the door to internationalization for the Italian chemicals giant. Montedison attempted a similar approach in the pharmaceutical sector and in fine chemical products by creating a holding, Erbamont, listed on the New York Stock Exchange in 1983. In this case, internationalization was promoted through cross-licensing agreements with major international competitors, and the acquisition of pharmaceutical research and development facilities, located primarily in the United States.[48]

In 1985, Ausimont, the Montedison subsidiary active in the production of special plastics, merged with the American company Compo Industries, becoming one of the largest international producers of fine chemical products. Montecatini achieved a greater concentration in its core business, enabling the company to lay the foundations for raising the level of group internationalization. In fact, foreign turnover rose from 35% in 1983 to more than 40% in 1986, while the portion of production realized abroad increased from around 7% to 16% in 1985.

In the mid-'80s, however, the group's improved international reach was not enough to enable it to rebalance its precarious financial situation, due to chronic undercapitalization and the heavy investments of previous years. Instead of reorganizing the chemicals business more extensively, the management pursued an aggressive growth strategy, backed by major leveraging.[49]

In 1986 Montedison was the target of a takeover bid by the agro-chemical group Ferruzzi; this move further exacerbated the company's financial position. To avoid bankruptcy, Montedison ended up creating a joint venture with Eni, merging the basic chemicals production of the two companies. The new firm, initially called Enimont, was renamed Enichem in 1991 after Eni bought the remaining Montedison stock. During the '90s Montedison progressively abandoned the chemicals industry, and reconverted into an energy company. In order to finance this transformation, in the late '90s Himont was sold first to a joint venture with Shell (Montell) and later to the newly-established Basell (today Lyondell Basell), which united the plastics production of Shell and Basf.

6. 1993-2011: the rise of new players

Since the mid-1980s the process of "going abroad" to become multinational companies has been on an upswing trend and a new phase began, marked by entry of new players and diffusion of new internationalization models.[50] As shown in Figure 1, in the fifteen years from 1986 to 2001 the number of foreign affiliates increased more than eight times, the number of foreign employees more than quadrupled. A significant number of medium-sized firms took the lead, replacing to some extent the large groups which slowed down their multinational growth. Underpinning this new phase was the development of specialized medium-sized firms, characterized by high organizational flexibility. These companies, often organized in multi-plant groups, operated in sectors which previously had seen relatively little multinational growth, such as textiles, clothing, specialized mechanical engineering, household appliances, food and steel[51]. At the same time, new opportunities arose from the fuller integration of the Single European market, the fast growth in China and other Asian countries, the opening of the economies in Central and Eastern Europe.

[47] Thanks to the new Spheripol technology, developed by Montedison, by the mid-'80s Himont had succeeded in securing 20% of the world market; Marchi-Marchionatti, (1992).
[48] (Onida-Viesti 1988).
[49] (Amatori-Brioschi 2010)
[50] (Cominotti-Mariotti 1996).
[51] (Onida 1994)

It must be emphasised that, given the three main determinants of outward direct investment recalled in the Introduction (market seeking, cost saving, resource seeking) the growth of Italian multinationals was mainly pushed by the first one (better market penetration of foreign markets, through both purely commercial affiliates and production facilities closer to final customers) than by the other two. One should only add a peculiar propensity, mainly by small and medium-sized Italian companies, to undertake a softer approach to international business, through minority joint ventures and a wide range of "non equity investments" (licensing and other forms of technology transfer, commercial agreements, production sharing and the like, especially when entering the market of newly developing countries[52].

Nevertheless, Italy being a latecomer in this respect, the Italian share of the world stock of outward direct investment (3.06%) still today is between one half and one third compared to the major European countries even less than Spain (Figure 2), The ratio of this stock to GDP grew very fast from 5.3% in 1990 to 27.4% in 2009, but this trend was also shared by other European countries, so that in this respect in 2009 Italy was much behind Germany , Spain, France and UK (Figure 3).

According to Istat (Istituto Nazionale di Statistica) in 2009[53] there were more than 21.000 foreign affiliates under control by Italian residents in 165 countries, with almost 1.5 million employees and turnover of €378 billion euro. In 2008 almost the same amount of foreign affiliates generated an estimated local value added of € 93 billion euro (net of financial intermediation activities). Manufacturing affiliates were less numerous than service affiliates (31% of the total) but accounted for 50% of employees, 38% of turnover and 44% of local value added. Employees in these foreign industrial affiliates were 16.4% of Italian industrial employment. This "degree of internationalization" was far lower in service sectors (trade, transport and logistics, hotels-restaurants, real estate, business services), except banks and financial intermediation where it was almost 37%[54].

Another unofficial but very accurate and much more detailed source of information concerning outward and inward Italian FDI is Reprint, a database collected by Politecnico di Milano, which for many years was restricted to manufacturing activities but has subsequently been covering main non-financial services.

According to the latest available report from Reprint[55] on January 1st 2009 there were 6.426 Italian direct investors with 22.715 affiliates abroad (82% under full control), accounting for 1.352.070 employees (75% in fully controlled affiliates) and a turnover of 460 billion euro (80% by fully controlled affiliates) (Table 2). Only 5.052, out of the 18.692 affiliates under control, were operating manufacturing units (although accounting for more than two thirds of the total employment abroad), while 9.605 were wholesale affiliates. The remaining 4.035 affiliates were classified within energy, extractive and construction industries as well as transport, telecom and other professional services. [56]

The comparison with two decades earlier from the same Reprint database can only be made for manufacturing groups. Since the mid-80s the number of manufacturing investors has grown more than tenfold (from 180 to 2327), while the size of employees abroad has grown about 4.5 times

[52] (Oman 1984; Onida *et al.* 1985; UNCTAD 2011b).

[53] Only in 2010 Istat has started to monitor the Italian outward FDI according to the European standard definitions of FDI.

[54] (ISTAT 2011a, 2011b).

[55] (Mariotti-Mutinelli 2010)

[56] (Mariotti-Mutinelli 2010), Appendix, Table 2. About 80% of investors, with same proportion of affiliates and foreign employees, are companies located in Northern regions. Lombardy's weight alone is 35% of the total, followed by Veneto and Emilia-Romagna, each with 14% of affiliates and around 11% of foreign employees: (Mariotti-Mutinelli 2010), Table 2.18.

(from 152.010 to 689.000), a clear evidence of the rapidly increasing weight of small and medium-size investing companies[57] (Figure 1).
The trend of yearly flows (new affiliates) has topped at the end of the 90s, before shrinking dramatically until 2003, then slightly recovering since 2004, albeit more slowly compared to the prevailing trend in worldwide foreign direct investments. [58]
Looking at long-run trends in the percentage composition of investors and their affiliates in terms of the four-fold Pavitt classification,[59] the major change has been a substantial increase of "supplier dominated" or "traditional sectors" (food, textile-clothing, leather-shoes, furniture, eyewear and other miscellaneous manufacturing) in the first period from 1986 to 2001, reaching a share of 33% of investors and 23% of affiliates, followed by a slight decline, basically at expense of the share of "scale intensive sectors" (fallen from 75% of employees in 1986 to 53% today). [60]

The last two decades have seen a remarkable turnover of major protagonists, as it appears when comparing today's situation with the list of 263 Italian multinational manufacturing investors on 1.01.1992 published by Reprint[61]. Almost two decades later, not only (as just noticed) did the small and medium investors greatly increased their participation, but half of large and very large size groups and about one third of the medium-large ones have disappeared or have been replaced or have undergone profound restructuring. On the other hand, one third of top 15 Italian multinationals includes today major groups operating in non manufacturing activities such as bank-insurance (Unicredit, Intesa SanPaolo, Generali) and extractive-energy-telecom services (ENEL, ENI, Telecom Italia).

The two surviving "old protagonists"– Fiat and Pirelli – have known in the last two decades many deceptions, when not failures. The reorganization of Pirelli group after the failed Continental takeover succeeded in regaining financial equilibrium by the mid-'90s, and set a slow transformation of the group in motion. In fact, Pirelli gradually abandoned some of its traditional

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[57] After a careful classification of company size taking into account their belonging to groups, at the beginning of 2009 even micro and small companies (up to 49 employees) were responsible for almost 30% of the total number of investors, although for only 12.7% of the number of affiliates, 6.9% of employees abroad, 3.8% of foreign turnover. Almost 53% of investors, with 38% of affiliates and less than 18% of foreign employees, were medium size groups (50-249 employees). Medium-large and large Italian multinational groups (250 employees or more) were only 17% of the total number of investors but were responsible for 49% of foreign affiliates, 75% of foreign employees and 87% of foreign turnover. (Mariotti-Mutinelli (2010, Table 2.13).
[58] (Unctad 2010).
[59] (Pavitt 1984)
[60] At a more disaggregated level, from 1992 to 2007 the sectoral composition of employees abroad by Italian multinationals saw little changes in food and beverages (around 8%), machinery and equipment (around 13%), chemicals-plastic-pharma-rubber-tires (around 16%) and metals (5.0%): Mariotti-Mutinelli (2010), Major changes were a big rise in the share of textile-clothing-leather goods (from 5% to 19%) , matched by a substantial decline in the share of automotive from 23% to 12% and of the information electronics-telecom (from almost 9% to about 4%). The ratio of employees in foreign affiliates under control and domestic employment in Italy ("degree of outward internationalization") ranges from about 30% in traditional consumer sectors (fashion and food) to 45-50% in scale-intensive and technology-intensive sectors (Mariotti-Mutinelli 2010).
[61] Drawing from the Reprint which published a full list of 263, we could find: (a) 6 very large-size investing groups (at least one affiliate under control with 5000 or more employees) namely IFI-Fiat, Pirelli, STET-Italtel, Poligrafici editoriali, IRI-Finmeccanica, IRI-Ilva (ENI being ruled out as an extractive and service multinational); (b) 10 large size groups (at least one affiliate under control with 1000-4999 employees): Bonomi-Saffa, CIR (Olivetti-Valeo-Sasib), Cragnotti Partners, ~~ENI~~, Fata, Ferrero, Ferruzzi (Montedison, Eridania, Farmitalia Carlo Erba, Gardini Srl), ~~GFT,~~ GIM (Orlando), Marzotto, Perfetti, Ruggerini; (c) 22 medium-large groups with at least one affiliate with 500-999 employees): Alpi, Barilla, Belleli, Benetton, Beretta, Buzzi, Candy, Cartiere Burgo, El.Fi (Ocean), Fochi, Findim (Star), GFT, Riva, IRI-Fincantieri, Lanificio Zegna, Merloni Elettrodomestici, Fidenza Vetraria Spa, Parmalat, Piaggio, Redaelli Tecna, Romalfa (Rifil Saninvesti), Rusconi Editore. (Cominotti-Mariotti 1992)

sectors in order to diversify in new areas: real estate and telecommunications[62]. From 1999 to 2001, the optical systems and optical components businesses were sold to the American companies Cisco and Corning respectively for approximately 4 billion euro. In 2001, this liquidity was used to buy controlling interest in Telecom Italia, previously the public telephone monopoly. Only four years later, after the heavy debt incurred to finalize this buyout, Pirelli was forced to sell its historical Cables Division along with Energy Systems and Telecommunications, to Goldman Sachs. With the sale of the Cables Division, Pirelli lost one of its historical production lines, which in the first years of business had enabled the company to perform as an international player in a high-tech segment, and later to survive the crises of the '70s and the reorganizations of the '80s.
In April 2007, after several months of tension – at a political level as well –, Pirelli sold its shares in Telecom Italia to Telco, a new finance company created for the purpose of allowing the Spanish firm Telefónica to buy into Telecom Italia's share capital. Thus, Pirelli abandoned the telecommunications sector to focus once again on tires, with investments in new factories in Romania, Russia and China. However, the Group's industrial component, after the divestments of the '90s and '00s, proved to be irreversibly weakened, against the predominant financial and real estate businesses.

Fiat was definitively overtaken by Volkswagen in the ranking of European car maker in the early 1990s. A strategic expansion into emerging markets was implemented beginning in 1993 with the development of global production of a family of *world cars*[63] called Project 178. These would be adaptable to a wide range of uses and a number of different emerging markets. These new models were produced first in Brazil in 1996, and later in Argentina in 1996-97. In 1997 production started in Poland and in 1998 in Turkey. Again in 1997 an assembly plant opened in Morocco, followed by others in India and South Africa (1999), Egypt (2000) and China (2002). Unfortunately actual sales of world cars were much lower than anticipated, peaking at 442,180 vehicles in 1997, and falling in the following years.
From 1990 to 2001 Fiat's share of the Italian and European market dropped from 52.8% to 34.7% and from 14.3 to 9.6% respectively, only to suffer even more drastic contractions from 2002 on, as the company was hit by an extremely severe crisis. In 2001, the Fiat Group as a whole incurred losses of 4.2 billion euro, with an overall debt exceeding 6 billion euros. In 2002 losses in the automobile sector alone totalled 2.7 billion euro. A rigorous cost containment plan and an industrial relaunch enabled the group to return to profitability in 2005, but because of the crisis, foreign direct investments were curbed. The critical situation facing Fiat brought about a strategic transformation, since partnerships with other big manufacturers became unavoidable.
Fiat's search for another carmaker as a potential partner in order to survive the crisis in the automobile market seemed to have reached a successful conclusion in 2000, through an exchange of share capital and a cooperation agreement with General Motors in the field of engine and platform production. However, the GM partnership, which was to lead in the long term to Fiat Auto's incorporation in the American group, was dissolved in 2005. This was mainly due to the precarious financial health of the American group, which was forced to pay Fiat 2 billion dollars following a smart put option by Fiat Auto included in the 2000 agreement.
At the outbreak of the deep crisis of 2008, Fiat envisaged the necessity of a new alliance, perceiving the risks deriving from its insufficient volumes of production and from the limits of its international presence. So, when the Obama administration was looking for a foreign partner as a saver for the smaller of the Usa carmakers, Chrysler, Fiat came out as the only candidate for this role. The alliance, which in perspective was due to evolve in a real merger, so far has worked rather well. At

[62] (Sicca-Izzo, 1995).
[63] This consisted of five models; a two-box, three-door car named *Palio*; a station wagon called *Palio Weekend*; a three-box, four-door sedan called *Siena*, a van and a pickup.

the end of 2011 Chrysler returned to profit, selling about 2 millions of car in a year (like Fiat, which suffered a serious fall in its sales in Europe, especially in its domestic market)[64].

Let us now focus on the still small but recently fast growing group of medium-size companies that in the last decades made the transition from purely exporters to new multinationals. Some of new players had been founded back in the XIX century (Marzotto, Italcementi, Piaggio), some others in the first half of the XX century (Zegna, Indesit, Danieli, GD-Coesia, Sacmi, Recordati, Bracco), but their true multinational expansion took place much later in the last decades of the XX century. This is why we have included them among "new protagonists".

They all share some characteristics that are typical of the Italian "fourth capitalism" of medium-small and medium-large firms.

The size of their turnover covers a full range: a) 300-1000 m€ for many specialized suppliers of mechanical equipment and components (such as Carraro, IMA, Coesia, Brembo, SACMI, Interpump, Manuli, SCM, Datalogic, Esaote, Prima Industrie), a few fashion producers (Zegna, Marzotto, Miroglio, Geox) and medium-high tech pharmaceutical producers (such as Menarini, Recordati, Zambon, Bracco, Dompé, Chiesi); b) about 1000-2000 m€ for few producers of motorvehicles and components (Piaggio), construction materials (Mapei, Marazzi, Permasteelisa) and plastics (Mossi&Ghisolfi); c) from 2000 m€ up to around 10.000m€ for several groups supplying large scale intermediate products (steel, cement), specialized engineering and appliances (Riva, Danieli, Tenaris, Buzzi Unicem, Italcementi, Indesit) as well as fashion and food producers selling in the mass market (such as Luxottica, Benetton, Ferrero, Parmalat, Barilla, Perfetti, Lavazza). On average their size is far below their major American and European competitors, which implies less ability to enter and steadily position themselves in distant large fast-growing markets like China, India, Brazil.

They are all family firms with a strong external managerial involvement. There are few examples of cooperative organizations that have grown multinationals in recent years (SACMI, CMC) Their business is focused on relatively small market niches, with a high diversification within the same medium and high consumer market segments) and a genuine propensity and ability to customize their product for sophisticated users (in all equipment and components for producer durable goods).

Their motivation to become multinationals (not only strong exporters) is predominantly "market seeking", only occasionally "cost saving" (e.g. Benetton, Miroglio, Italcementi, Buzzi Unicem, Riva, De Longhi), sometimes "knowledge resource seeking" (e.g. Recordati, Dompé, Bracco, Datalogic, STMicroelectronis, Mapei). Their mode of multinational expansion is predominantly based on greenfields, although M&A strategies have often played an increasing role in more recent years, following their consolidation as multinational players.

Manufacturing abroad is of course a central feature, sometimes aimed at being in the physical proximity to large downstream customers (e.g. Brembo, Sacmi, Carraro) but a crucial element of their multinational growth almost always is also a strong investment in the downstream phases of the supply chain. This holds for both proprietary distributive networks of retail shops (for fashion companies such as Zegna, Armani, Bulgari, Ferragamo, Benetton, Marzotto, Luxottica, Geox) and for the extended network of affiliates for sale and after sale assistance (for all producers of consumer durables, equipment and components such as Indesit, De Longhi, Danieli, Piaggio, Coesia, STMicroelecronics, Datalogic).

In almost half of the cases these companies still keep solid roots in their original "industrial district" area, although the range of their specialized suppliers has expanded much beyond the district itself.

[64] (Berta 2011)

The most technology-oriented among them are quite keen on networking with Italian and foreign Politechnics and science research University departments, investing in R&D significant shares of their turnover (up to 5-10%).
Their financial structure tends to be quite solid, as a result of relatively small leverage and low dependence on bank credit.

Finally one should also mention four very special cases of recent big protagonists of the Italian multinational growth, both belonging to the area of listed companies still today under State majority control: Finmeccanica, ENI, Telecom Italia and ENEL. Here follow a quick glimpse to these representative of the Italian relatively "big multinational business".

Finmeccanica's international activity has been characterized mainly by production sharing agreements with American and European governments in the field of defense (Alenia Aeronautica, Alenia Aermacchi, Oto Melara, Agusta Westland, Selex Galileo. Selex System Integration, Thales Alenia Space) and of rail transport and power generation (Ansaldo Breda, Ansaldo Sts, Ansaldo Energia). Through the recent acquisition of DRS Technologies, Finmeccanica has gained a leading role in US defense and security business. In 2009 the consolidated Finmeccanica turnover was €18.2 bn. with 57.000 employees of which 14.500 abroad.[65]

ENI (Ente Nazionale Idrocarburi), born in 1953 under the strong guidance of Enrico Mattei who died in an obscure air accident in 1962, has been privatized in 1995-97 for about 70% of equity capital but still operates under close control golden share by the State through its 30 % share (27 % Cassa Depositi e Prestiti, in its turn under 70% control of the Minister of Economy and Finance which formally holds the remaining 3%). ENI's strongest multinational presence in about 70 countries is pervasive in all its main five businesses: oil&gas exploration and production, gas and power, refining and marketing, petrochemicals (Polimeri Europa being today the largest Italian chemical entity), engineering and construction (Snamprogetti integrated into Saipem in 2006-07). ENI is today the fifth world oil-gas group after Exxon Mobil, BP, Shell and Total, with a consolidated turnover in 2010 of €98.5 bn. and about 80.000 employees.[66]

Since 1995 Telecom Italia, former Italian monopolist and today main domestic operator for cable and mobile communication, has undertaken a series of majority and minority acquisitions of foreign telecom operators in Greece, France, Austria, Spain. Turkey, Serbia, Mexico, Brazil, Argentina, Chile, Peru, Bolivia. Most of them have been subsequently dismissed since 2002, due to a Group's strategic operational refocusing. Today Telecom Italia is the second mobile operator in Brazil (with TIM Brazil) and keeps a 50% partnership with Telecom Argentina: both foreign activities generate about 35% of the consolidated turnover which has grown over €22 billion in the first three quarters of 2011.

ENEL, until recently monopolistic supplier and distributor of electrical energy in Italy, in the recent decade has undergone a strong international expansion, starting with Enel North America in 2000 and soon branching out in Latin America, Spain, Bulgaria, Romania, France (where it shares with EdF the construction of the first new generation nuclear European Pressurized Water Reactor), Greece and Russia.

[65] For an extensive treatment of the whole history of Finmeccanica see (Zamagni 2009). A short picture of recent acquisitions and agreements is in (Mariotti-Mutinelli 2010, p. 172-179).
[66] (Mariotti-Mutinelli 2010, p. 169-172).

7. Why latecomer Italian multinationals?

The main reasons for Italy being a latecomer as an outward investor in the postwar period can be summarized as follows.

a) A much higher share of micro and small enterprises (about 55% of manufacturing employment), who face greater entry cost as international producers; [67] This remark symmetrically calls into question the progressive disappearance of big business in the Italian postwar history, starting with the nationalization of the electricity industry in 1964 and going through the managerial failure of the big State holdings (IRI, EFIM, GEPI). But this issue goes much beyond the scope of this paper;

b) The composition of manufacturing output, with a significantly larger share of sectors producing traditional consumer goods and specialized machinery: sectors with a high export propensity but typically less oriented to FDIs, in comparison with scale-intensive and science-based industries which are structurally much more oriented to multinational strategies (such as basic chemicals, big pharma, steel and non-ferrous metals, road vehicles, electronic components, professional and consumer electronics)[68];

c) The macroeconomic environment until the early 1980s rather unfavourable to capital outflows: rising external deficit, foreign exchange controls, credit tightening. In addition the prolonged weakness of the lira exchange rate since the early 1970s throughout the 1990s contributed to increase the entry cost for potential Italian investors abroad (symmetrically an appreciation of the real exchange rate acts as an incentive to bear the cost of foreign greenfields or takeovers)[69];

d) The heavy share (until the early 1990s) of State-owned enterprises, again in those scale-intensive and research-intensive sectors that are more FDI-oriented: indeed for political reasons the State ownership (with the obvious exception of ENI) has always been focused on investing domestically, especially in the Mezzogiorno, much more than abroad. [70] Even in recent years, Italian champions of heavy industry such as Ansaldo-Breda-Finmeccanica have been rather domestic oriented in their production strategy, unlike close competitors like Siemens, Alstom, Abb;

e) As a complementary additional explanation of Italy's lagging propensity to cost-saving FDIs in developing areas – compared to major European countries and Japan – one must recall the strongly dualistic pattern of development, which at least in the 50s and 60s implied a relative availability of low-cost suppliers in most domestic Southern regions.

Therefore no wonder that in one of the earliest field studies on strategies of 75 Italian multinationals (in-depth questionnaires-interviews), performed in the mid-80s, the "cost reduction" motivation was far less important than "market penetration", "reaction to protectionism" and even "acquisition of international experience"[71];

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[67] In 2007 out of 510.000 manufacturing firms in Italy there were 430.000 micro-firms (1-9 employees), against 212.000 in France, 173.000 in Spain, 118.000 in Germany. These micro-firms accounted for more than 25% of total manufacturing employees (about 1,2 million) against a EU average of 13.9%; reciprocally the share of manufacturing employees in large firms (more than 250 employees) was 22% vs. the EU average of 40.6% (Germany 53.2%, France 46.3%, Spain 26.0%. (ISTAT 2010, p. 52). The anomalous size distribution of Italian firms compared with other major countries is a recurrent theme in the literature on Italian economic development: see among others (Traù 1999), (Onida 2004), (Banca d'Italia 2008).

[68] See among many others (De Nardis-Traù 2005), (Garonna-Gros-Pietro 2004), (Banca d'Italia 2008).

[69] (Ciocca 2007).

[70] (Nardozzi 2004, p. 61-64). An extensive analysis of the role played by Italian SOEs ("Partecipazioni statali") is provided, among others, by (Barca -Trento 1997). According to (De Cecco 2004) the political-economic crisis of the early 1970s in the aftermath of the "Hot Autumn" has been a turning point in the postwar Italian industrial development, ultimately leading to a progressive competitive decline in absence of repeated devaluation of the lira before the new euro regime.

[71] (Onida-Viesti 1988, p. 76). With few exceptions the bulk of major operations by Italian multinationals in that period was concentrated in Europe and USA. At the time of this study, aside from ENI-AGIP extractive investments in oil-gas producers and a substantial presence of FIAT group in Brazil Argentina and Turkey, major cost-saving investments by Italian multinationals in developing areas were GFT in Mexico, Miroglio in Tunisia (both in textile- clothing),

f) Finally one must mention the peculiar background of the Italian banking and financial system, which systematically failed to develop a modern and efficient equity market, in itself an important trigger for new and growing public companies willing to go multinational. Following the Bank Law of 1936 (separation of commercial from investment banking), the postwar period saw a combination of legislative, fiscal and regulatory environment basically aimed at channelling private savings towards bank deposits and securities issued by State-controlled special credit institutions (IMI, ICIPU etc.) rather than to equity financing. Despite successive legislation and privatization of the stock exchange (Borsa italiana 1998, eventually merged with London SE), the size and composition of the Italian listed companies still today remains far below major European standards. At the same time the dominant merchant bank (Mediobanca) played the role of defending a close intertwining of ownership controls within a small group of large private companies, rather than fostering more transparent competition and enlargement of the "capitalistic core" Even the latest reforms, with the new bank Law of 1993 (TUB) and the financial service Law of 1998 (TUF), aimed at implementing subsequent EU directives, were unable to modernize the so-called "via finanziaria allo sviluppo". [72] A stronger bank part in promoting forward-looking and risk taking strategies of firms' multinational expansion was also hindered by the deeply rooted propensity of Italian firms to rely on a multiple bank credit links ("multiaffidamento"), which easily provides greater risk sharing on the side of the lenders and diversified sources of short term loans on the side of the borrowers.

The relatively recent growth of Italian multinationals must be seen in the context of a changing macroeconomic framework started since the early 1980s. A major reversal in labor relations, with more accommodative Trade Unions and declining labor unrest, was triggered in Turin by a strong reactions of Fiat's white collars against the overflow of pro-communist TU leadership (the so called "march of 40.000" in October 1980), soon followed by inflation abatement through wage de-indexation (remember the potentially explosive impact of the second oil shock in 1981-82) . Other major events that basically contributed to a growing awareness by SMEs of the opportunities linked to multinational expansion were: the first entry of the lira in the European Monetary System in 1979 (a sort of a disguised crawling peg to the Deutsche Mark); the agreement by all EU members to start an ambitious project of "Single European Market" (1986) with strong commitments to gradual reduction of technical non-tariff barriers to intra-European trade and factor mobility; the crash of Berlin wall bringing about (after a first sharp downfall in output) a fast recovery of the new CEE (Central Eastern Europe), rapidly followed by and eventual enlargement of the old EC-16 to EC-27; the end of the Uruguay Round with the newborn WTO (1995) accompanying rapidly expanding international markets.
The dramatic crisis of the lira of 1992-93, quickly followed by a sharp fiscal consolidation and sizeable privatizations paving the way to entry of the lira in the newborn Euro (1998), also contributed to a domestic economic environment not particularly favourable to ambitious multinational expansion by Italian manufacturing firms subject to some financial squeeze and organizational stress.

8. Concluding remarks

Looking at the long term multinational evolution of major "old protagonists" and "one-season protagonists" of the Italian industry, one may notice the repeated failure in attempts to carry out

Farmitalia C.Erba (Montedison group) in Latin America and Indonesia, SGS Microelettronica in Singapore and Malaysia; see (Onida-Viesti 1988).
[72] (Nardozzi-Piluso 2010, ch. VII)

durable and successful strategies of alliances and/or mergers with other foreign large and medium-large competitors. The major cases in point that have been recalled are the following:

a) Fiat with Citroen (1970-73), Ford (1984-85), General Motors (2000-05);
b) Pirelli with Michelin (mid-60s), Dunlop (1970-81), Continental (1990-91), not to speak of the failed attempt to buy the American Firestone against the winning offer by the Japanese Bridgestone in 1988;
c) Olivetti with Underwood and GE (1960-68), AT&T (1984-89);
d) Montecatini with Shell (Monteshell 1964) with Hercules (Himont 1983) Ausimont (1985-late 90s).

The explanation of the episodes, and of the consequent failure by the major Italian industrial groups to join and solidly keep position within the world oligopolistic core, must be searched first of all in the myopia and lack of competence of the private capitalism (Fiat, Pirelli, Olivetti, Parmalat): a mixture of weak shareowner vision and leadership, volatility in strategic decisions, poor and/or ambiguous relations between family ownership and managerial control, ambiguities in governance rules following more ambitious international operations, excessive leverage. In addition, concerning the history of major public-private Italian multinationals (Montedison, Enimont, Ansaldo-Breda, Finmeccanica), one must point to a stubborn perverse interference or power sharing of the old-fashioned political parties' arm with the domestic big business.
The reasons for Italy being a latecomer in the postwar period as an international investors ("New protagonists") have been pointed out as a mix of: a) sectoral specialization (traditional and specialized suppliers industries inherently less induced to match export with FDI strategies); b) structural composition of industry (exceptionally high share of micro and small enterprises, far less equipped to undertake the cost of entry in world markets as international investors); c) macroeconomic environment up until the late 1980s unfavourable to multinational strategies, including the weak and unstable lira exchange rate; d) the peculiar State-owned enterprise system, whose strategies have been typically oriented (with few exception such as ENI and Finmeccanica) on domestic investment (particularly in the Mezzogiorno) and on job creation within domestic boundaries rather than implementing a fully-fledged role as multinational players; e) lack of a banking and financial system willing to play the role of merchant and investment banking deeply involved as supporter of their clients' strong multinational expansion .
On one side we notice the failure of large State-owned companies as well as their new shareowners after privatization to conquer and maintain solid positions within the big oligopolistic game of the world's top multinationals (unlike many European competitors). On the other side one may observe a rather robust multinational growth by hundreds of medium and medium-large companies well focused on their technological and commercial niches, gradually expanding their market penetration beyond the old and new European borders. These true representatives of the Italian "fourth capitalism", born inside and outside the traditional industrial districts, include not only producers of final consumer goods belonging to the well known "made in Italy", but a sizeable number of highly specialized suppliers of complex and often advanced products and components. They are often well positioned as designers and sellers of sophisticated machinery and equipment, as well as of advanced intermediate components within the global supply chain of big players on the global market in a variety of sectors, ranging from automotive to air transport, shipbuilding, construction, oil&gas, power generation and distribution, pharmaceuticals, specialty chemicals, engineering. Their competitive advantages are grounded not so much on price-cost margins, but rather on fast technological adaptation, innovative design, quality control, customer-oriented flexible supply.

Tables and figures

Table 1. Breakdown by sector of foreign subsidiaries founded by Italian firms (1900-1981)

	1900-1914	1915-1919	1920-1929	1930-1939	1940-1944	1945-1949	1950-1954	1955-1959	1960-1964	1965-1969	1970-1974	1975-1979	1980-1981
Mineral Processing	-	-	-	-	-	-	-	-	5	4	4	10	1
Chemicals	-	-	2	1	-	2	2	7	7	2	9	5	1
Rubber	4	-	1	3	-	-	1	2	4	7	12	7	2
Mechanical engineering (non-electric)	-	-	-	-	-	1	-	3	7	7	12	9	7
Electromechanical engineering	-	-	1	1	-	3	5	4	6	6	9	10	15
Transport Equipment	-	-	1	1	-	-	4	1	3	4	10	10	5
Food	2	-	-	4	1	1	2	4	5	4	7	8	2
TAPCC (Fashion Industries)	-	-	-	-	-	-	-	-	-	4	2	8	2
Wood	-	-	-	-	-	-	-	-	1	1	2	3	-
Paper	-	-	1	-	-	-	-	-	-	-	2	0	1
Total	6	0	6	10	1	7	14	21	38	39	69	70	36

Source: N. Acocella (edited by), *Le multinazionali italiane*, Il Mulino, Bologna, 1985, p. 39.

Table 2 – Italian shareholdings abroad at January 1, 2009, by sector

	Investors	Firms	Employees	Turnover (€mil.)
		Total		
Mining and quarrying	33	237	12.124	39.783
Manufacturing	2.784	6.378	883.285	204.438
Electricity, gas and water supply	63	813	59.924	46.781
Construction	326	1.076	60.791	10.084
Wholesale trade	3.713	11.143	167.537	122.541
Trasportation and storage	383	1.373	32.704	13.349
Information and communication	189	606	44.983	12.279
Other professional activities	482	1.089	90.722	11.258
Total	6.426	22.715	1.352.070	460.514
		Fully-controlled foreign subsidiaries		
Mining and quarrying	20	182	8.365	37.053
Manufacturing	2.327	5.052	688.764	146.794
Electricity, gas and water supply	35	662	45.884	41.300
Construction	243	695	43.983	7.144
Wholesale trade	3.183	9.605	147.950	109.428
Trasportation and storage	329	1.082	23.405	9.714
Information and communication	153	514	26.375	9.592
Other professional activities	435	900	26.528	5.782
Total	5.699	18.692	1.011.254	366.807
		Equal and minority shareholdings		
Mining and quarrying	15	55	3.759	2.730
Manufacturing	894	1.326	194.521	57.644
Electricity, gas and water supply	30	151	14.040	5.481
Construction	106	381	16.808	2.940
Wholesale trade	994	1.538	19.587	13.113
Trasportation and storage	134	291	9.299	3.635
Information and communication	50	92	18.608	2.687
Other professional activities	103	189	64.194	5.476
Total	1.930	4.023	340.816	93.707

Source: database Reprint, ICE – Polytechnic University of Milan.

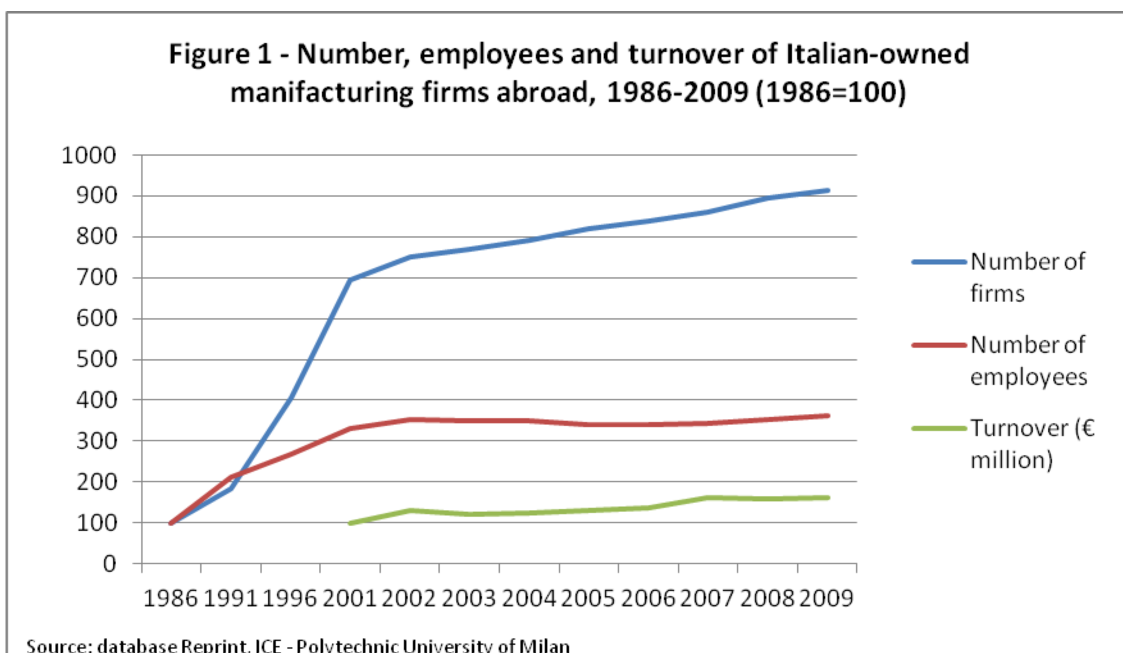
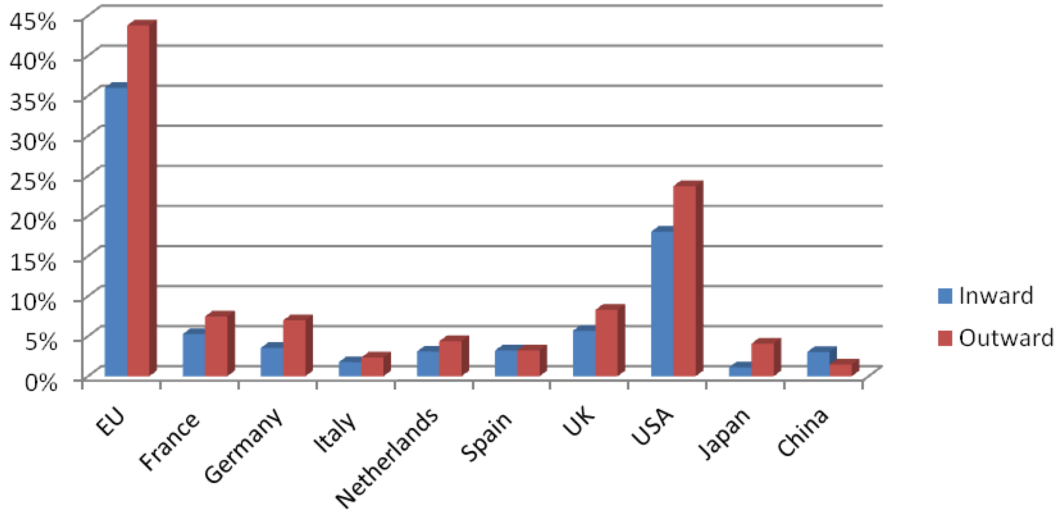


Figure 1 - Number, employees and turnover of Italian-owned manifacturing firms abroad, 1986-2009 (1986=100)

Fig. 2 Outward/Inward stock FDI/GDP, 2009

80,0



Source: UNCTAD (2010)

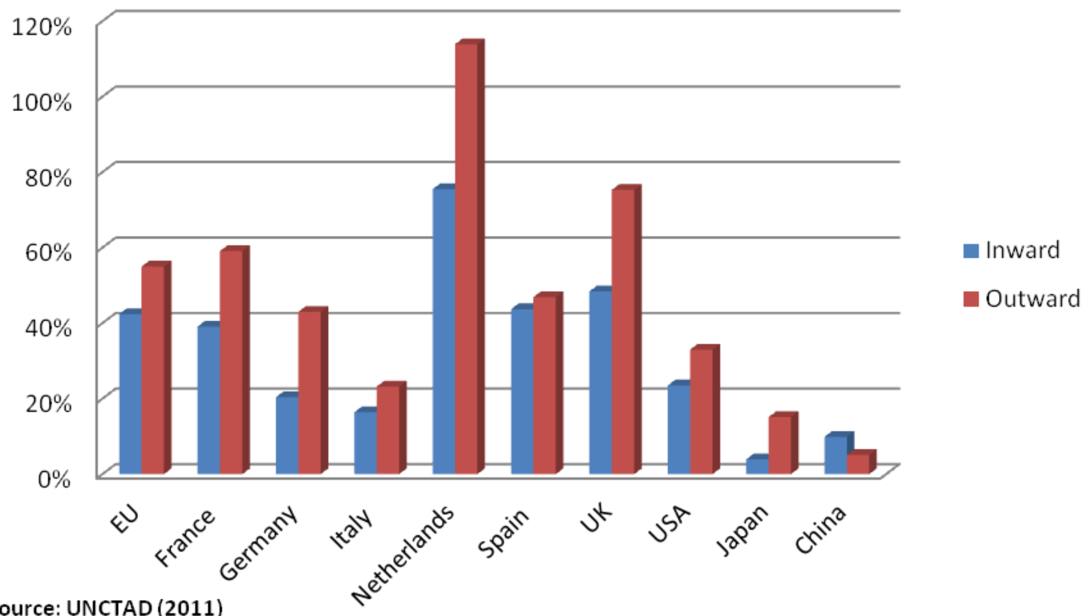


Figure 3 - FDI inward and outward stock as percentage of GDP, 2010
120%
100%
80%
60%
40%
20%
0%
EU
France
Germany
Italy
Netherlands
Spain
UK
USA
Japan
China
Inward
Outward
Source: UNCTAD (2011)

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