Legal and Managerial Implications of the Italian ‘Contratto Di Rete’

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Today, innovation and internationalization processes need more programming and high investments in new knowledge and relationships. Through trans-sectorial and trans-territorial networks, *smes* can participate to global dynamics, especially in terms of knowledge sharing and absorbing. We propose that the ‘Contratto di Rete’ (Network Contract) is an innovative type of formal contract and a central solution in these dynamics. Since its introduction in 2009 by means of the Law Decree 5/2009, the brand-new networking tool has achieved broad success among Italian entrepreneurs. The authors provide an overview of the discipline regulating the tool; a background concerning network and contract theory; and finally a presentation of some best practices through insightful case studies. This approach integrates legal and managerial perspectives, delivering useful implications for scholars and practitioners.

Key words: contracts, Contratto di Rete, networking, *smes*, interfirm aggregations, competitiveness, innovation

Introduction

Most Italian *smes* show unsatisfying results compared to the competitive performance achieved from other European competitors. What is more, they are seriously suffering the competition from emerging market economies’ enterprises.

For many Italian *smes* it is difficult to follow modern innovation and internationalization paths. Innovation is the ability of creating products/services that not only are technologically advanced, but also provide original experiences from a psychological and socio-cultural perspective. To support effective innovative processes, companies need to ‘open up’ as much as possible to external flows of
knowledge, and strategically relate with a plethora of actors. Among them, with an increasingly partaking and central role, there are the consumers. Hence, innovation is more and more a ‘collective enterprise that needs the effort of many entrepreneurs, both in the public and private sectors’ (Van de Ven et al. 2008). Furthermore, the strong cognitive component, which is at the base of competitiveness, bridges innovation to internationalization. The latter is increasingly a process of transnational dissemination of knowledge, in which enterprises should be able to fit in and seize opportunities for development.

Many scholars relate the Italian smes lack of competitiveness to the so-called ‘size issue.’ Several endogenous and exogenous reasons, but also the Italian entrepreneurs culture, characterized by autonomy and individualism (del Junco and Brás-dos-Santos 2009; Hofstede G. 2001) have made difficult for smes to grow in size, especially when it comes to mergers or acquisitions.

However, as pointed out by Ricciardi (2008): ‘the small size is no longer an intermediate stage compared to the large company, but an independent phenomenon triggering alternative development paths to grow in size.’ This is backed by the principles outlined in the European Small Business Act (think small first), but also at the industrial level with the with the new ‘Makers’ phenomenon (Anderson 2013).

According to Furlan and Grandinetti (2011) smes growth has to be realized in a multidimensional way. First, the smes have to improve the relational capabilities, making efficient and effective the use of the existing relationships and expanding the network of relationships (‘relationship growth’). Then, smes ought to increase knowledge and capabilities needed for innovation purposes, becoming more capable in revising products, processes and organization (‘capability growth’). Relationship growth and capability growth are tightly connected to the absorptive capacity, a key dynamic capability for boosting smes’ innovation processes and competitiveness, as it expresses their ability to acquire, assimilate, transform and exploit external resources (Zahra and George 2003; Cohen and Levinthal 1990; Liao, Welsch, and Stoica 2003; Noblet, Simon, and Parent 2011).

As demonstrated by the success of smes in Italian industrial districts, a solution based on relational assets lies in network cooperation, representing an alternative to short-term growth (Rullani 2003). According to Rullani (2003): ‘the competitive strength of a firm depends not so much on its size as an isolated company, but by the size of the networks to which it belongs, and by the efficiency of their channels in transferring knowledge.’
Legal and Managerial Implications of the Italian ‘Contratto Di Rete’

Networks allow companies: to adopt a global orientation searching for new opportunities and knowledge; to take advantage of external specializations and focus more on what they excel; to differentiate knowledge and skills in various fields; to benefit from various types of economies and cost reductions; to share with other entities, investments (and associated risks) in new technologies, marketing strategies; to disseminate new standards and launch new technologies on the market; to enter into international markets easily and quickly; to collaborate without difficulty with public and private entities that are essential to create innovative and customer relationship based business models; to be part of multi-sectorial alliances that, thanks to knowledge sharing, allow to implement highly complex innovations; to use human capital more effectively and more efficiently (Gulati et al. 2000; Rullani 2006; Ahuja 2000; Capaldo 2007; Johanson and Vahlne 2009; Oviatt and McDougall 2005; Bell, McNaughton, and Young 2001; Van de Ven et al. 2008; Parolini 1996; Russo 2011; Ricciardi 2013).

With the changing of environmental dynamics, the district is losing its competitive advantage, even though it is still important for the Italian productive system (Ricciardi 2013).

Especially for Italian smes, modern innovations and internationalization processes require networks that are: stable and governed; equipped with effective knowledge sharing mechanisms; based on the participants’ sense making, extended in terms of ‘cross-sectorial’ and ‘cross-territorial’ dimensions (networks designed in order to exploit both global and local opportunities) and developed selecting carefully partners and their competences (Dyer and Singh 1998; Powell, Koput, and Doerr-Smith 1996; Ricciardi 2013; Rullani 2006).

After a description of the cr and its characteristics, we propose it is an innovative tool, which supports the management of the above-mentioned networks and then improve the competitive performances of participants (the Italian smes). As of 1st March 2015, there were 2,012 crs, involving more than 10,000 enterprises (see http://www.infocamere.it). Figure 1 shows the number of crs from 2010 to March 2015.

Literature Review

The law decree 5/2009 and its subsequent integrations introduced the Contratto di Rete in the Italian legal system. According to it:
‘through the cr, a group of entrepreneurs aims to accrue, individually and collectively, their innovative capacity and their competitiveness on the market. In order to fulfil their aim, they commit themselves: 1) to cooperate in forms and fields fitting their business activities; 2) to share industrial, commercial, technical or technologic knowledge or services; 3) to carry out together one or more activities convenient with their business activities.’

A relevant literature defines the cr as ‘a multilateral contract with a shared purpose’ (Cafaggi 2010a; 2010b; 2011; Gentili 2011; Guererra 2012; Maltoni 2011; Villa 2010a; 2010b; Arrigo 2014), where the shared purpose lies in increasing the innovation capacity and competitiveness of the members and the network itself.

From a legal point of view, it is a formal contract with mandatory effects, in the sense that each member has to fulfil the collaborative duties set out in the common program and has the right to require the other members to do the same (Camardi 2009).

The law indicates the essential elements of the cr:

- The group of participants (only Italian single entrepreneurs, companies, cooperatives and Consortiums can participate to the cr);
- The strategic goals and their assessment system;
- The program, specifying rights and duties of the members and the planning to fulfil the aim of the cr;
- The length of the partnership (according to Unioncamere, see http://www.unioncamere.gov.it, more than one third of the crs plan to last more than 10 years);
- The enter conditions for new members;
- The decision making rules on topics of common interest.

The cr can include the creation of a common fund and the establishment of a central governance board, which manages the execution of the contract in behalf of the members. Although these last elements are voluntary, most of the crs include them. At present, also
the attribution of legal subjectivity is optional. The contract alone configures a network called ‘Rete Contratto.’ Members can transform it into the so-called ‘Rete Soggetto,’ which is an autonomous legal entity.

The cr allows enterprises to formalize their collaboration. First, formalization is important for the purpose of enforceability against third parties and relevant stakeholders that can interact with an established and institutionalized entity. The cr has also an important role in terms of internal control without making the cooperation too rigid. Members can easily modify the contract, including new clauses and rules.

As stated before, Italian smes need more stable and managed networks in order to develop their competitiveness. At the same time, the strategic behaviour of Italian entrepreneur is tightly connected to individualism and autonomy (Ansoff 1987). The cr could provide an innovative answer balancing these two needs. The cr is a broad frame that the members can customize in autonomy, according to their cooperation needs. Moreover, the identities of the members are safe. The lawmaker designed only a broad frame that the members can customize with their own intentions (Cafaggi 2010a). The cr discipline is ‘purposely essential’ conceiving the same as a ‘work in progress’ that is completed and modified while used by the members.

Another strength of the cr is its strategic coordination function. The program acts as a platform for stimulating the dialogue among the members. Strategic objectives, the rights and the duties of the members, the definition of the roles and behavioural rules, the planning and control tools are other elements from the cr program that play a central role in enhancing the cooperation among the network participants.

Formalizing the program and the objectives is fundamental for institutionalizing the collaboration and sense making processes among the members (Ring and Van De 1994). The objectives, the roles and the rules, the responsibilities, the mechanisms regulating integration and mutual expectations, the communication channels, the standards and languages (required to best operate) are all elements that funnel the actions of the members in a strategic way (Mellewigt, Madhok, and Weibel 2007; Gulati, Wohlgezogen, and Zhelyazkov 2012; Mayer and Bercovitz 2008; Argyres, Bercovitz, and Mayer 2007). Consequently, each member knows exactly its role, tasks, rights and duties within the network and configures its position conveniently with its resource and competences. In addition,
the cr is a learning tool to understand what is not working in co-operation. As collaboration problems are resolved, cr gradually incorporates the solutions and codifies the parties’ knowledge about efficient ways to collaborate (Mayer and Argyres 2004).

The possibility of considering a long-term oriented programming is what differentiates the cr from other aggregation forms. Both the ati (Temporary firms’ aggregation) and the Consortium are purpose related aggregations. Their scope is limited to the achievement of a particular target and the management of specific operations. In particular, the cr is different from the ati in structuring a lasting alliance, with the specific purpose of increasing the competitiveness (innovation, internationalization, etc.) of the members. ati is usually involved in public contracts’ participation. Enterprises (usually of the same sector) create Consortiums typically for achieving scale economies and cutting costs related, for example, to r&d activities, without a shared competitive target. This does not mean that the cr is opposed to ‘natural’ networks, non-formal aggregations or the usage of above-mentioned tools. Instead, it contributes to enhance the cooperation already existing within such systems, making it more effective (Ricciardi 2013).

Trust, reputation and professional reliability are critical assets in the internal dynamics of the cr, considering its orientation to the long term and its focus on shared objectives (Larson 1992; Dyer and Singh 1998; Granovetter 1985). In particular, trust is a central mechanism of ‘cognitive coordination’ which determines the knowledge flows among the members (Lorenzen 2001, 16). Such interactions create the conditions for the ‘social capital’ to emerge, making the processes of knowledge sharing easier and fostering once again innovation and internationalization (Nahapiet and Ghoshal 1998). In the case of smes, interpersonal trust is even more important, as the innovative potential is strictly related with the entrepreneur’s personal networks (Ahlin, Drnovsek, and Hisrich 2014).

Research Question
Taking into account the above-mentioned characteristics of the cr, our research question is the following:

Q1 Is the cr an innovative tool for supporting the creation of networks where Italian smes can improve their competitiveness?

Methodology
To answer our research question, we adopted a multiple case study design (Yin 2009) with the aim of analyzing the competitive improve-
ment realized by SMES since they entered in the crs. The four crs analyzed regard various sectors and have at least two years of operation in order to obtain more reliable results (data from regular monitoring of the Italian Camera di Commercio reports). We selected and described some cases whose experience has shown higher managerial and organizational implications (Eisenhardt and Graebner 2007).

We adopted a longitudinal perspective to observe how events unfolded over time (Langley et al. 2013; Langley 1999). We administered semi-structured interviews to business owners, which are the main responsible for strategic decisions in SMES (Johannisson 1988; Desouza and Awazu 2006; Ahlin, Drnovsek, and Hisrich 2014). Data collection in a longitudinal sense was achieved through follow-up interviews and mail updating for a period of at least 2 years (Langley et al. 2013; Langley 1999). For each case, we collected interviews from different point of views (CR President, CR Manager, etc.), assuring the validity and coherence of information (Wellin 2007). Finally, we triangulated data with relevant internal documents provided by the interviewees, such as reports, presentations, brochures and legal documents.

Following Yin’s (2009) suggestions, we maintained a database of all the recorded interviews, transcripts and notes. Recording is a standard practice in all qualitative interviewing (Hermanowicz 2002) as it also includes paraverbal attributes such as pauses, intonation, laughter. Those details help the researcher to understand the production of meanings by the interviewee. Each interview regarding the business owners lasted on average 45 minutes, covering as general topics: a brief presentation of the interviewed (SME business owner); the motivations that led the entering inside the network and subscribing the CR; the role of the enterprise inside the CR; the types of relationships eventually existing with other members of the CR; the processes of negotiation and formalization regarding the governance structure, the partners selection, the programming, the roles and the rules; the cooperation dynamics that are growth inside the CR; the processes of knowledge sharing and absorbing experienced by the enterprise as a member of CR; the new partners acquired by the enterprise after the entry in the CR; the joint activities and investments with other members developed by the enterprise in the CR; the effects of the CR on the sense making and coordination processes; the results that the CR provided in terms of innovation, internalization, marketing and commercialization; the difficulties experienced by the enterprise in the CR dynamics.
### Table 1: Summary of Case Details

<table>
<thead>
<tr>
<th>CR</th>
<th>Number of participants</th>
<th>Sector</th>
<th>Focus</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calzatura Italiana</td>
<td>7</td>
<td>Footwear</td>
<td>Innovation</td>
<td>Development of an environmentally friendly shoe sole, creating a new safety shoe addressed for military use.</td>
</tr>
<tr>
<td>Crisalide</td>
<td>3</td>
<td>Green/clean tech</td>
<td>Innovation</td>
<td>Development and commercialization of sorc fuel cells with an innovative business model.</td>
</tr>
<tr>
<td>Almax</td>
<td>8</td>
<td>Textile/fashion</td>
<td>Innovation/marketing</td>
<td>Protection and evolution of the local cultural heritage related to leatherworking through networking synergies.</td>
</tr>
<tr>
<td>Massafra Industrial Group</td>
<td>4</td>
<td>Mechanic</td>
<td>Internationalization</td>
<td>Providing a complete proposition to international customers.</td>
</tr>
</tbody>
</table>

### Findings

**Calzatura Italiana**

The CR ‘Calzatura Italiana’ was born in 2011 in conjunction with a project aiming to develop new materials for shoe safety and in particular responding to the need of producing a military boot. The CR arises from the desire of connecting different skills and knowledge, developing new innovative projects and willing to internationalize.

The participants to the network are Eurosuole Joint Stock Company, Elettromeccanica Pantanetti Limited Partnership and Calzaturificio London Limited Liability Company, Formificio Enzo Limited Liability Company, Infor-ma limited liability Company, Tacchificio Ares Limited Liability Company and Josephine Limited Liability Company (start-up created inside the CR). The network has designed and manufactured safety and military shoes with high technology soles. These soles are multimaterial and environmentally sustainable with a high customization.

As it is possible to note from table 2, we have many enterprises participating to the Calzatura Italiana. The seven local companies participating to the Network belong to the shoe industry and form a wide vertical chain.

**Crisalide**

The CR ‘Crisalide Net’ born in 2011 is a network of company operating in the clean energy sector, located in the BIC (Business Inno-
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**Table 2 Members of the Cr Groups**

<table>
<thead>
<tr>
<th>Calzatura Italiana</th>
<th>Crisalide Net</th>
<th>Almax</th>
<th>Massafra Industrial Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurosuole,</td>
<td>Electricity</td>
<td>Almax Pelletteria,</td>
<td>Stoma Engineering,</td>
</tr>
<tr>
<td>Elettromeccanica</td>
<td>Producers,</td>
<td>Pelletteria Vittoria,</td>
<td>Modomec,</td>
</tr>
<tr>
<td>Pantanetti,</td>
<td>Primiero Oil Free,</td>
<td>Nanni Pelletteria di Allocca,</td>
<td>Rima Fluid,</td>
</tr>
<tr>
<td>Calzaturificio</td>
<td>Municipalities</td>
<td>Allocca</td>
<td>Rescold Engineering,</td>
</tr>
<tr>
<td>London,</td>
<td>Consortium,</td>
<td>Massimiliano,</td>
<td>Elsac Engineering,</td>
</tr>
<tr>
<td>Formificio Enzo,</td>
<td>Agency (APE),</td>
<td>Beccattini,</td>
<td>Trillary Limited company,</td>
</tr>
<tr>
<td>Infor-ma,</td>
<td>Enaip,</td>
<td>Giovanni,</td>
<td>Trentino Development,</td>
</tr>
<tr>
<td>Tacchificio Ares,</td>
<td>Trento University,</td>
<td>Samar di</td>
<td>Mezzolombardo Trento,</td>
</tr>
<tr>
<td>Josephine,</td>
<td>Mach Foundation,</td>
<td>Monteleone</td>
<td>Trentino Development,</td>
</tr>
<tr>
<td>University of</td>
<td>Habitech Trentino,</td>
<td>Salvatore,</td>
<td>Mezzolombardo Trento,</td>
</tr>
<tr>
<td>Marche</td>
<td>sofcpower,</td>
<td>Pelletteria</td>
<td>Habitech Trentino,</td>
</tr>
<tr>
<td></td>
<td>Dolomiti Energia,</td>
<td>Demipelle di</td>
<td>Habitech Trentino,</td>
</tr>
<tr>
<td></td>
<td>Trillary,</td>
<td>Grazia Maria</td>
<td>Habitech Trentino,</td>
</tr>
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<td></td>
<td>Algorab,</td>
<td>Laura,</td>
<td>Habitech Trentino,</td>
</tr>
<tr>
<td></td>
<td>Trentino Network,</td>
<td>Miranda Bernardo,</td>
<td>Habitech Trentino,</td>
</tr>
<tr>
<td></td>
<td>Trilogis,</td>
<td>Pelletteria Anna</td>
<td>Habitech Trentino,</td>
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<td></td>
<td>Confindustria</td>
<td>Trento</td>
<td>Habitech Trentino,</td>
</tr>
</tbody>
</table>

It arises in the wake of the project Crisalide, which aims to develop the innovative technology of the micro combined heat and power or also known as micro-CHP with Solid Oxide fuel cell (SOFC) technology. Three local companies make up the network: sofcpower joint stock Company, Dolomiti Energia joint stock Company and Trillary limited company. The network is composed by the President, the vice-president and the board meeting. The members created a common fund and common body.

The project Crisalide is an industrial supply chain initiative promoted by the companies participating to the cr and from a special collaboration with Habitech Trentino – Energy and Environment Cluster. Many other entities coming from different sectors, participate to the supply chain like plant design, energy conservation, university and professional institutes with high-level international references. SOFCpower Joint stock is an Italian excellence in SOFC technology. Inside the network it takes care of the scientific R&D. Dolomiti Energia Joint stock company is one of the most important Italian multi-utility. Within the network, it deals with corporate governance and management consultancy, linking the technology to market needs. Trillary is a spin-off of the Crisalide project, born shortly before the creation of Crisalide Net. Inside the network, it
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deals with the production of software, consultancy and other ICT related activities.

ALMAX NETWORK

Almax Network was born in 2011 in the leatherwork district of Scan-dicci, Tuscany. It includes eight SMEs, whose leader is Almax Pel-letteria, a firm established in 1986. Its management board has appointed an external Network Manager and established a common fund. The Network total turnover is over 100 million euro.

The network’s broad aim is to enhance the competitive power and the innovative capacity of the members through the exchange of resources, knowledge and competences. Nevertheless, Almax Network has a more specific target that is the protection of the local cultural heritage related to leatherworking.

Indeed, Tuscan leatherworking is worldwide famous because of its superior design and quality, achieved through a distinctive set of skills developed by artisans over the centuries. The district model, characterized by numerous and small handcrafters, has always guaranteed such differentiating features, but is now suffering from lack of innovation and competitiveness: in 2009, its turnover decreased by 40%, inducing many SMEs to go bankrupt. Almax Network aims at protecting this traditional business model, allowing its evolution without betraying its original spirit and dynamics.

Almax Network is part of a bigger network-of-networks, which includes 6 CRS, sponsored by the prominent manufacturer Gucci. The Maison believes that its competitive advantage lies in exclusive relationships with local highly skilled artisans. For this reason, Gucci is supporting the development of a stable and organized supply network endowed on one hand with the local and traditional craftsmanship, and on the other hand with modern and innovative dynamics. Almax is cooperating with Gucci’s CSR department in order to meet their business ethics requirements in terms of social equality and inclusion, health and safety, environmental protection, energy saving and good practices.

MASSAFRA INDUSTRIAL GROUP

Massafra Industrial Group (MIG) is a network established in 2012 in Puglia, connecting four firms – Stoma Engineering, Modomec, Rima Fluid and Elsac Engineering located in Taranto, Bari and Massafra.

MIG network operates in the metallurgical industry, combining the offerings of the four firms in order to provide a complete proposition to the customers. Indeed, the core competences of MIG include
mechanics for realizing iron and steel engines; carpentry, industrial plants; oil-pneumatics; for enlivening industrial engines and plants; automation of industrial plants.

The Italian metallurgical industry has been suffering heavily the impact of the economic crisis: the national mechanical production decreased by 38% since 2008 (http://ec.europa.eu/eurostat). To face this dreadful setting, the overarching strategy of the group is to develop the international dimension of their business. The cR allows the member firms to integrate their specific competences, overcoming the limits related to their dimensions as single units. The group boasts 30,000 square meters of factories and competences to operate in the metallurgical, oil and chemical, energy and aeronautical industries.

Moreover, the networking model is providing the members with two sets of strategic advantages. First, the group has attained the minimum dimension to contract directly with big customers, allowing the firms to evolve from their initial status of subcontractors. Second, non-internationalized members, such as Elsac Engineering and Rima Fluid, took advantage of the experience and international relations of the other partners who already operate globally. In this sense, the cR fostered the sharing of information and contacts related to foreign markets, overcoming the liability of foreignness.

In particular, mig is today operating in Brazil, Morocco and Russia. In Brazil, Stoma Engineering acquired a contract for realizing a lift bridge. Hence, together with Modomec and Elsac Engineering, they established a local subsidiary in order to carry out the project. In Morocco, mig has a commercial office to acquire contracts from local customers. Finally, the network is building a strategy to enter in the Russian market, where the metallurgical industry is attractive and distinctive competences are required.

**Extracts from the Interviews to the Business Owners**

**CALZATURA ITALIANA**

‘Thanks to the network it was possible to develop materials and products which are now part of the competencies of all the companies participating to the network. It is always more important to work in-group and make a critical mass by entering in a network. The product that the network develops need to be internationalized, especially operating in the logic of a network that brings different benefits.’

‘The contract has given us the possibility of formalizing existing
<table>
<thead>
<tr>
<th>CR</th>
<th>Relationship improvements</th>
<th>Size improvements</th>
<th>Capability improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calzatura Italiana</td>
<td>The members institutionalized existing cooperative relationships (vertical relationships) in the local industrial district. The members engaged with large enterprises and public administrations.</td>
<td>The members improved their coordination and shared knowledge on product innovation processes.</td>
<td>The members patented their innovations.</td>
</tr>
<tr>
<td>Crisalide</td>
<td>The members transformed existing institutional relationships (in the local industrial district) in a cooperation with innovative purposes. The members institutionalized their collaboration (as a means to make sense). The members engaged with foreign enterprises, large enterprises, universities, public administrations, vocational training schools and international institutions.</td>
<td>The members created a new spin-off. The members received external funds for supporting network activities.</td>
<td>The members improved their coordination and shared knowledge on product innovation and commercialization. The members patented their innovations.</td>
</tr>
<tr>
<td>Almax</td>
<td>The members transformed existing competitive relationships (in the local industrial district) in coopetitive ones. The members institutionalized their collaboration (as a means to make sense). The members engaged with large enterprises and banks.</td>
<td>The members acquired new technologically advanced equipment.</td>
<td>The members improved their coordination and shared knowledge on product innovation processes. The members improved the efficiency of their value chain, developing functional capabilities.</td>
</tr>
<tr>
<td>Massafra Industrial Group</td>
<td>The members formalized existing coopetitive and institutional relationships in the local industrial association. The members institutionalized their collaboration (as a means to make sense). The members engaged with international markets, foreign enterprises and large enterprises.</td>
<td>The members created subsidiaries and commercial offices in foreign countries. The members received external funds for supporting network activities.</td>
<td>The members improved their coordination and shared knowledge on internationalization processes.</td>
</tr>
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</table>
relationships. The network increases future growth reaching competitive advantage.’

CRISALIDE

‘We have a strong interest in bringing the technology outside the development phase, and so reaching the market. Relations of friendship, of context and proximity are favouring the success of the cr. The innovation that comes from our activities is not only technological, but allows our partner to build a new business model, offering new services and contractual forms to the customers.’

‘The goal of the network is to invest in innovation. The initiative has catalyzed a complete local supply chain all around the innovation of micro-chp fuel cell sofc. We want our territory to be at the pole position in Europe and worldwide regarding this technology.’

ALMAX

‘Achieving a critical mass is a key requirement for seizing the opportunities that eventually drive our growth. Having a critical mass means owning significant assets and bargaining power. The cr brings these elements together, creating a unique body without limiting our single identities. For third parties, we are a group of eight firms with a turnover of roughly 100 million euro. Still, we keep our autonomy safe, thanks to the cr. The network speeded up our research activities. We introduced a standardized best practice system, a rationalization of the business processes, and new production methodologies. This was possible through knowledge sharing and the availability of resources to acquire new technologically advanced equipment, which was too expensive when we were not in the cr.’

‘cr membership brought us new work opportunities, as well as new challenges to face. We entered in Gucci’s supply chain thanks to our skills and the trust we built over time. We have the chance to distribute the tasks among the members, so that we can specialize in our area of excellence. Networks are useful to give smes the same opportunities of larger firm.’

MASSAFRA INDUSTRIAL GROUP

‘Global markets seek complete technological solutions for their problems. The critical point is providing a multi-products offering, rather than competing on price. Without this, we would only work as subcontractors. We should not be afraid of working with big multinationals. We have a strong and complementary network. The network
allows us to obtain new orders, while we keep working with our own customers. This is cr’s main advantage.’

‘Entering in new markets is much easier through cooperation. As single firms we are not as strong as Ilva or Eni, but as a group of firms we can do lot on both the international and local market. The group leverages on each firm commercial network.’

**Discussion**

The smes can overcome the difficulties related to the ‘size growth’ adopting a holistic approach focused on networking and other two types of growth, which are very important for innovation and internationalization purposes: the ‘relationship growth’ and the ‘capability growth.’

Our findings show how the cr is supporting these growth processes for the members. Coherently with the Italian entrepreneur needs of flexibility and independence, the cr sustains over time cohesion, coordination and learning, in relation to strategic long-term goals (innovation, internationalization, commercialization, etc.) that otherwise would be difficult to achieve independently.

First of all the cr empowers sense-making processes and, consequently, enables participants: to create a common ground and construct accounts; to increase mutual understanding; to reduce cultural resistances and the levels of ambiguity and uncertainty; to focus the attention on core activities and decisions. Moreover, the cr works as coordination tool that is essential for partners’ knowledge sharing and absorbing (e.g. almax). Absorbing knowledge and capabilities form different sectors, smes can obtain innovative products and processes, as well as more competitive business models (e.g. Calzatura Italiana and Crisalide).

In terms of internationalization, the cr provides the participation in international networks and speeds up the global relational growth (e.g. Massafra Industrial Group). Moreover, the cr acts in global markets as a unique player, with an increased bargaining and competitive power, enabling processes of cognitive internationalization, raising the exchange of flows of knowledge and resources with foreign actors (clients, large enterprises, universities, etc.).

**Conclusion**

Integrating legal and managerial perspectives, the present study illustrates to academics, managers, entrepreneurs and public administrators how in Italy there is a new way for creating, sharing and absorbing knowledge through a network: the ‘Contratto di Rete.’
This exploratory study calls for an empirical and quantitative deepening to test further its propositions. However, from a legal point of view, it is possible to affirm that the cr is an innovation of the Italian legislature in relation to the ‘Economy of networks’ (Arrigo 2014). In addition, the European Commission found the cr very innovative and in line with the principles contained in the Small Business Act (sba). Indeed, it is considering a European version of the cr. From a managerial point of view, our findings show that the cr is effective for the competitive performance of the involved enterprises, transforming them in ‘real players’ (‘a firm grows by being a player; it does not become a player by growing’; Powell, Koput, and Doerr-Smith 1996).

References


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