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Financing Firms’ Networks: The Italian Case
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3.1 Introduction

The recent financial crisis has highlighted that enterprises, in particular small- and medium-sized enterprises (SMEs), need to become more competitive, to expand internationally and to have access to new funding channels.

In order to survive the financial crisis, firms’ networks are becoming increasingly important to create projects and share investments, allowing firms to join without losing their autonomy. The network contract is a hybrid aggregation form that allows participants to maintain their independence and their identity and to grow closer to a proper size for competing in global markets.

The main reasons that lead to the creation of firms’ networks are the research for technological innovation, growth in foreign markets, optimization of know-how, share of R&D and achievement of organizational synergies (Marshall, 1919).

The establishment of firms’ networks is encouraged by the Bologna Charter adopted by OECD countries that assert they can stimulate innovativeness and competitiveness for SMEs (OECD, 2000). The Bologna Charter recommends facilitating development strategies and partnerships involving private actors, non-governmental organizations (NGOs) and different sectors of public administration in local clusters and networking. Moreover, for the Bologna Charter the public sector should play a catalytic role for network initiatives in the private sector, for example facilitating private investments with public incentives and facilitating seed funding. Public and private sector bodies should foster the growth of firms’ networks by improving their access to accommodation and efficient communications and transport.
infrastructures; facilitating local specialization in university/industry linkages; disseminating targeted information, including on location advantages and investment attractiveness; promoting suppliers’ networks, technical support services, learning circles and other collaborative undertakings.

Firms’ networks are deemed important also in the Small Business Act (SBA) in 2008 – that defined lines of action to promote the development of SMEs (European Commission, 2008). The SBA promotes an entrepreneurial culture through the creation of firms’ networks. In this sense, European states should also take measures in the fields of education, training, taxation and assistance to entrepreneurs. Moreover, the SBA should also be seen as an opportunity for entrepreneurs themselves to contribute to a better business environment by stepping up their cooperation and networking, by exploiting more fully the potential of SMEs and especially family enterprises, as important training grounds for entrepreneurship.

In this study, we aim to treat firms’ networks as an instrument for firms to promote growth, enhancing their performances and improving the conditions of access to credit. The analysis focuses on the Italian context where has been recently introduced the network contract (Italian Legislative Decree no. 5/2009) – the first legislation in Europe to regulate firms’ networks (Ricciardi, 2009). In addition, in Italy there is a good economic environment for the development of firms’ networks, as there are many SMEs that need to join and grow. Besides all this, in Italy there are many cooperation forms that have preceded and been conducive to the formation of firms’ networks.

The purpose of this work is to find the differences in the performance and financial variables of Italian firms that have signed network contracts with a control sample of non-networked firms and to investigate the characteristics of network contracts that involve the best performance for networked firms. We found that network contracts have a positive effect on the financial aspects and profitability of firms. In particular, firms belonging to small networks present better characteristics.

The structure of this chapter is as follows: the second section discusses the literature about the firms’ networks; in the third section we focus on the Italian legislation on firms’ networks; in the fourth section we develop the research hypotheses; then, in the fifth section we describe data collection process and research methodology; and in Section 3.6 we report and discuss the results of the analysis. In the final section we state the major conclusions and confer the implications for entrepreneurs and provide recommendations for further research.