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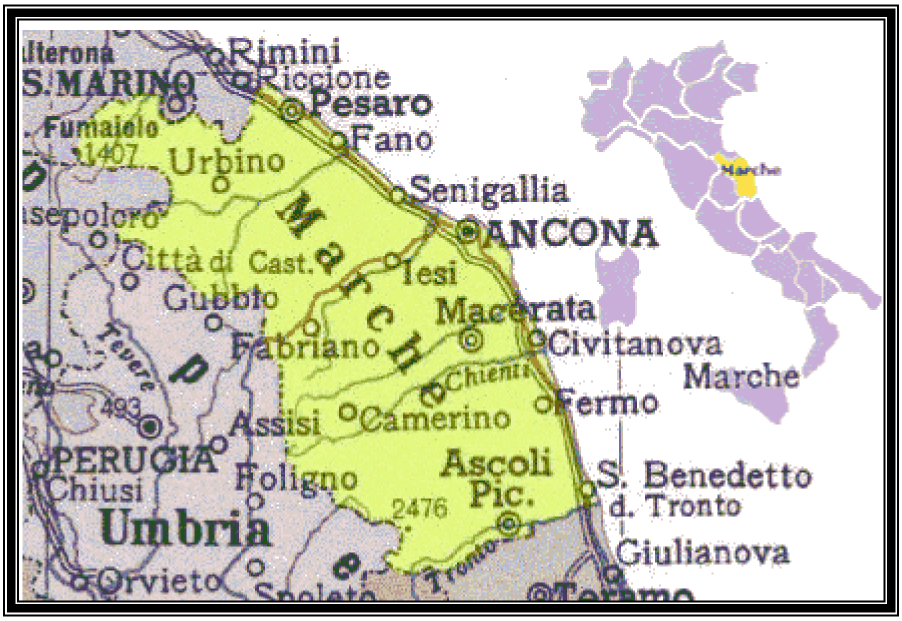
MARCHE REGION BACKGROUND INFORMATION



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ENTREPRENEURSHIP, SMES AND LOCAL DEVELOPMENT IN THE MARCHE REGION

Context information

The Marche region extends over an area of 9 694 squared kilometres, in a strategic position in the Balkan-Mediterranean area. Hills cover 68.8% of its territory, while the remaining 31.2% is mountainous. The region has five provinces (Ancona, Pesaro-Urbino, Macerata, Ascoli Piceno and Fermo, recently created), 1 569 578 inhabitants and 239 Municipalities. Almost all these municipalities are very small: only 15 of them have more than 20 000 inhabitants, with a rate of urbanization (45%) lower than in other regions of Central Italy (64.4%), and lower than the national average (51.9%).

With regard to the main economic indicators, Regional GDP passed from EUR 30 528 million in 2000 to EUR 41 280 million in 2008. In 2007, GDP per capita at market prices was about EUR 26 166, much above the national average of 21 369 (Source: ISTAT 2007). According to data issued by ISTAT, the Marche region registered the highest GPD growth among the other regions, in the period 1998/2008 (+18.2%), against a regional average (for the other regions) of +12.8%. On the other hand, Marche's per capita added value is lower than the national one and much lower than other Italian areas, such as Centre and Northern-East.

This gap can be explained by the regional productive structure. In Marche there are small or very small businesses usually that are labour intensive rather than capital intensive (Formentini, 2004). Moreover, regional production is negatively affected by poor infrastructure, with the exception of road and rail networks, better than the national average but poorer than the average in Central Italy. As to social, cultural, leisure, healthcare and education facilities, the Marche is in line with the national and North-East average, whereas it is at a lower level than Central Italy.

In respect of family welfare, Marche has higher values than the national average, both in terms of income and consumption, but lower than Central and North-East Italy. On the other hand, Marche has a good bank liabilities-posts ratio, as well as a good proportion of protests to population. These data show, from an anthropologic point of view, how sober Marche inhabitants are and why Marche's entrepreneurs are reluctant to get overly indebted. Furthermore, Marche is the region with the highest number of productive businesses: there is one active business for every 10 inhabitants, which is much higher than the national average (1 for every 15) and the European one (1 for every 25) (Source: Infocamere – Medimpresa, 2007). The economy of this region is, thus, among the top 15 industrialised economies in the EU.
As for tourism, in 2008 the tourist arrivals decreased by 2.2% and tourist presences by 4.9% (a trend opposite to 2007), according to the data drawn up by the Marche region. On average, stays lasted 7.2 days. In general, the number of foreigners was below 14%, while at a national level in 2007 this percentage was 43.4%.

Business structure

At the end of 2007 in Marche there were 160 707 businesses (data provided by UnionCamere-Movimprese), with a growth of 0.8% in respect to 2006, when the percentage was, again, higher than in 2005 (+ 0.6%). This confirms a progressive, though moderate, growing trend, higher than the national average (only 0.3%). In most cases, these businesses are: individual concerns: 106 193 (66.1%); Partnerships: 30 390 (18.9%); Companies: 21 722 (13.5%); Others: 2 402 (1.5%). According to other data, the number of registered businesses in 2008 was 178 536, more or less like in the previous year and with an increase by 4.2% compared to 2004 (Observatory of the regional labour market based on data issued by Movimprese). In the first two quarters of 2009, the number of registered businesses is, respectively, 177 276 and 177 734, with a small decrease compared to the previous year (-0.1% and –0.3%). However, there has also been a reduction in the difference between the number of registrations and that of bankruptcies.
As to sector distribution, the share of the primary sector and of manufacturing is higher than the national average. In particular, the impact of traditional manufacturing on the regional economy is still quite significant. Small and medium businesses play an important role in the regional economic system, with a significant number of handicraft businesses specialised in manufacturing activities (16 businesses every 1 000 inhabitants, against 11 in Italy). Both in terms of establishments and of number of workers, in Marche the percentage of manufacturing companies out of the total number of handicraft enterprises is higher than in the North-Centre and in Italy in general. As for establishments, Marche is only surpassed by Veneto, whereas it is only surpassed by Tuscany as far as the number of workers is concerned. Moreover, according to data provided by Mediobanca-Unioncamere, from 1996 to 2005, the number of workers in medium-sized enterprises of the Marche (50-499 workers) increased by 36%. Only Puglia has a better result; all the other regions of Central Italy have a lower percentage than Marche's (Umbria, 26.8%; Emilia Romagna, 22.7%; Tuscany, 16.9%). The birth/death rate of businesses in the Marche is more or less the same as in the rest of Italy: Registration rate in the Marche, 7.0 (in Italy, 7.1); This trend shows, though slightly, that an overall

structural reorganization is taking place. Secondary businesses leave the market, other businesses are merged and there are new types of entrepreneurship (Censis, 2006). This is a sign of the strong liveliness of the enterprise system in the Marche, because these businesses are established by young people, aged between 30 and 40, and they are innovative in terms of business co-operation (for instance, in franchising), of products and services sold, of sales channels, and of the organizational system (Censis, 2006). The liveliness of the Marche's businesses is also witnessed by the fact that in 2005 35.4% of these companies were led by a manager younger than 30 and in 2007, 37.7% of companies were led by a manager between 30 and 40. However, this trend is less significant for women. In 2005, the percentage of women leading a business (16.9%) was lower than the national one (25%), thus confirming that the approach of women to business management is quite difficult. This is mainly due to a social model that rarely manages to identify a woman with an entrepreneurial activity, but it is also due to the fact that a certain number of women start a business after a period of inactivity or still try to find solutions to a critical period or to reconcile work and family commitments (Censis, 2006).

Export and internationalisation

As for the exports of Marche, in 2008 exports at current prices were down by 14.5%, but this figure can be reduced to 9.6% if we do not take into consideration some particular intra-group transactions in the chemical sector. While exports towards EU countries and the United States decreased (especially towards the United Kingdom, also because of the exchange rate between euro and pound) exports towards Asian markets increased by 10.6% (even if this is less than in 2007). This trend is above the Italian average in some of the most important countries with emerging economies: Brazil, India, China and Turkey. On the other hand, on the Russian market, the exports of Marche have increased by 10.6% per year, on average, to 17.2% at a national level, in a context of significant growth for that country (Source: Bank of Italy) . The "active internationalisation" in the Marche is also witnessed by the fact that between 2000 and 2006, if, on the one hand, exports towards some Western countries (included Germany) had a contraction, on the other hand those towards Eastern European countries (such as Romania, Ukraine, Croatia, Bulgaria, Hungary and Russia) significantly increased. As stated by CENSIS in 2006, in order to keep and implement this positive trend, it is necessary to strengthen every service, from logistics to professional tertiary sector, and to increasingly involve small businesses in the internationalization process. In general, between 2002 and 2007, the rate of exports positively varied by an average of 8%, thus placing Marche in the second place in Italy for the annual growth rate in exports. The Marche businesses do not import much (16.8% of GDP, compared to 23.6% of Italy): thanks to this, they have a constantly active balance (EUR 5 094 million in 2007), against the national negative one in the same year (EUR 1 972 million). These data confirm that the business system of the Marche is strongly directed towards exports. As to foreign direct investment, the participation of Marche firms to the capital of foreign businesses has increased, whereas there is a resistance to any form of control that foreign businesses could operate on regional firms. Between 2000 and 2005, the number of foreign businesses with a participation in Marche firms increased (from 373 to 436, with an increase by 16.9%), whereas the number of foreign firms controlling regional ones did not change much and is almost nil. The main consequences have been both an increase in people working abroad (+16.3% compared to the national average of + 4.8%) and an increase in turnover (25.6%, compared to the national average of 6.5%).

Employment and unemployment

In 2008, the total regional employment rate was 64.7%, nearly the same as in 2007 and above the national average (58.7%), but lower than in all the other North-Centre regions, with the exception of Liguria and Umbria. The highest percentage is in the province of Ancona, followed more or less at the same level by Pesaro-Urbino and Macerata, then by Ascoli Piceno (Source: ISTAT, 2008). According to the Report relating to the workforce drawn up by ISTAT in 2008, the number of workers resident in the region increased by 0.6% (0.8% in Italy), less than in the previous year (1.0%): this increase is the result of a decrease in male employment (-1.1%) and of an increase in female employment (2.9%), both in wage employment (0.3%) and in selfemployment (1.6%).

However, in 2009, there still is a deep gap between male employment (72.3%) and female one (55.9%). This datum characterises all the sectors of activity, with the only exception of the service sector. This confirms a "feminisation" of the tertiary sector, in particular for some jobs (*e.g.* school teachers, post offices, local public institutions, etc.). From 2000 to 2006, the employment rate of people older than 55 increased by nearly 3 percentage points. According to Eurostat data, this rate is nearly 35%, still far from the EU benchmark (50% within 2010). The same source also shows that from 2000 to 2006 there has been a decrease by 4% in youth employment rate (15-24 years old). From 2005, there has been an increase in the "gender" gap referring to employment rates (with a penalization for women). A worrying signal is the fact that 19.3% of people looking for a job have a degree. Furthermore, the search for a new job really seems more difficult than looking for the first job: 70% of those who have been looking for a job for more than 12 months worked before, but then they lost their job. The percentage of employees classified by sector of economic activity was, in 2007, 2% for agriculture, lower than the national average (4%); 39% for industry, higher than the national average (30%); 59% for the service sector, much lower than the national average (66%). These data are offbeat, if compared to what happened in Italy: the manufacturing industry has often been replaced by the service sector. In the Marche, on the other hand, there has been an increase in the production of foodstuff, in metal working, in mechanics, in the production of household appliances and in the footwear industry. The definite growth of foreign population led to an increase in the workforce, with more than 700 000 workers in the last three months of 2008 (Source: Bank of Italy, *Regional economies*, 2009 – Marche). For 2008, at a regional level, ISTAT estimates that the unemployment rate will be 4.3%, better than in 2004, but worse than in 2006.

In the last twenty years, the general unemployment rate in the Marche has followed a worrying trend, especially in the last few years. As a matter of fact, if, on the one hand, between 1993 and 2007 this rate decreased, even despite some critical moments, on the other hand, from 2008, and in particular in 2009 (II quarter), it strongly increased. The unemployment rate is now at 6.3% for men and slightly more for women (6.4%), whereas at the end of 2008 it was "only" at 4.7%. Similar data haven't been recorded since the 90s.

At the beginning of 2008, about 115 000 foreign-born immigrants lived in the Marche, 7.4% of the total population of the region, against 5.8% at a national level. For the same year, according to the workforce data contained in the ISTAT Report, foreigners employed in the Marche region formed, on average, 8.8% of the total workforce (7.3% was the national average), while in 2005 they represented 6.3% in Marche and 5.2% in Italy. Throughout 2008 and as a result of the growth of the students' population, 34.2% of the immigrants living in Marche were less than 25 years old. According to the data gathered by the Italian Ministry of Education for the school year 2007-2008, almost 10 students out of 100 were foreign citizens, while the national average was 6.4%. As far as income support measures are concerned, in 2008 short-time allowances were more than twice compared to 2007 (104.7%) and in the first three months of 2009 they increased fourfold compared to the same period of the previous year. In 2008, the increase was mainly due to extraordinary intervention measures taken (112.7%) for restructuring, re-organising or improving sectoral or territorial crises.

Businesses and number of workers

As for the businesses and the number of workers in key sectors, this is a brief description of the situation:

• *Leather, shoes, accessories*: 4 500 businesses/36 000 workers. In Italy, Marche is at the top in this sector: 90% of business workforce is located in the provinces of Macerata and Ascoli Piceno. The main markets for exports are the Russian Federation, Central-East European countries, Far East countries, EU countries (especially Germany) and North America, with a total value of more than EUR 2 billion in 2008.

• *Fashion*: 2 400 businesses/19 000 workers. This sector is distributed all over the region and has an export market mainly addressed to non-EU countries, especially the Russian Federation, then followed. The total value exceeded EUR 600 million in 2008.

• *Wood and furniture*: 3 000 businesses/27 000 workers. This sector is present mainly in the province of Pesaro-Urbino, although there are important businesses also in the other provinces. It also includes technologically advanced production of machine tools for woodworking. The group is made up of kitchen producers, which drives the whole sector, with exports towards the Russian Federation especially, representing a value of EUR 722 million (2008).

• *Mechanics*: 1 900 businesses/72 000 workers. This is the most important sector of the regional economy and is specialised in different activities, concentrated in different areas. Shipbuilding in Ancona, Pesaro and Fano (with 425 businesses and 2 000 workers), household appliances and hoods in Fabriano, electronic equipment in the provinces of Macerata and Ascoli Piceno, agricultural machines in the Jesi area, woodworking machines in Pesaro, moulds in the Ancona- Jesi-Osimo area. The value of exports, mainly towards the EU, the US and the Russian Federation, was EUR 3 billion in 2008.

• *Agro-foodstuffs industry:* 2 700 businesses/15 000 workers. This industry is really varied and clearly connected with agricultural and fishing activities. The peculiar feature of this sector is the fact that 95% of these businesses are small (up to 15 workers), while those with more than 50 workers employ 24% of the sector's total workforce. Almost 70% of businesses are specialised in the production of bakery, pastry products and pasta. Marche created the collective brand *Qualità Marche* (Quality Marche) – QM – as an instrument to give more value to the whole regional foodstuffs system. Exports are geared towards a wide number of countries: EU countries, Saudi Arabia, Arab Emirates, Tunisia, Turkey, Japan and Canada, representing a value of EUR 192 million (2008).

• *Rubber and plastic:* around 500 businesses/9 000 workers. Recanati is an area specialised in the production of plastic material, household items and whirlpool showers, whereas the province of Pesaro-Urbino is a centre for the production of plastic kitchen components. Finally, the area of Osimo and Recanati is clearing the way for "monocultural" activity. In fact, it is becoming a centre of different specialized productions (2 700 businesses and 23 000 workers): illuminating engineering, photovoltaic arrays, advanced telecommunications, music instruments, toys and giftware, electronic equipment and components, working of metals and of precious stones.

Universities and the research and innovation systems

There are four universities in the Marche region:

• Polytechnic University of the Marche: Among the best applied-science universities in Italy, it counts approximately 14 000 students (28% of whom from the region), five faculties, and 18 departments. The university has carried forward over the last years an internationalisation process that interests all activities, from teaching to research. As a result, the Polytechnic University has signed agreements with other EU and extra-EU universities to strengthen academic relationships and favour the mobility of professors, students, and administrative personnel.

• University of Urbino "Carlo Bo": An example of Italian city-campus, it boasts 16 000 students (33% of whom are from the Marche), 10 faculties, 6 departments, 20 postgraduate courses, nearly 70 research institutes, 6 laboratories, and one technology transfer office.

• University of Camerino: it has over 8 000 students (17% from the Marche), 5 faculties, 12 departments, and 5 specialisation schools. The University actively promotes the international mobility of both academics and students.

• University of Macerata: Among the oldest of Europe, this university counts over 11 000 students (22% from the Marche), 7 faculties, 13 departments, 9 institutes, 4 schools of specialisation, and a Higher Studies Institute. As with other universities in the region, Macerata is also actively embedded in a network of international relationships with EU and non-EU universities.

At a regional level, the number of technical-scientific degrees among the 20-29 year-old students (out of 1 000 residents) is 12.8%, while the national average is 12% (source: ISTAT, 2006). Furthermore, the percentage of 20-24 year-old people with a high school leaving qualification is 80.6%, and also in this case it is above the national average (75.7%).

However, in spite of the high number of degrees in the Marche (after Liguria, Umbria, Lazio, Emilia Romagna and Lombardy for number of graduates resident in the region in the respect to the population), the regional economy manages to keep fewer graduates than the national average (83.1% against 85.9%) (Favaretto-Zanfrei, 2007).

Marche's knowledge system is also carried out by the technological research centres, which support businesses in the research and transfer of technology, applied to production. They, thus, foster innovation and internationalisation processes and supply services to businesses:

• *Cosmob*: technological transfer centre in the sector of wood furniture, whose seat is in the province of Pesaro Urbino;

• *Meccano*: technological transfer centre for the mechanic sector, in the province of Ancona;

• *Asteria*: technology transfer centres in the agro-foodstuffs industry, in the province of Ascoli Piceno

In addition to these three technology centres, another centre of relevance in the Marche region is: *Tecno Marche,* a scientific and technological park supported both by public and by private funds (the latter are the majority,56.43%). Its fields of research deal with "key enabling technologies", for manufacturing and innovative sectors.

All the regional research activities need a complex evaluation. A research has recently done this by using some indicators, even though it did not take into consideration the typical activities of small and medium businesses of the Marche (that is, designing and engineering) (Calabrese, Coccia, Rolfo, 2002). The EU *Community Research and Development Information Service* (Cordis) registered all the financed research projects carried out within the Framework programmes for research and innovation between 1995 and 2004.

Furthermore, the national Research Registry Office has data about all the registered Centres. Thanks to all these data, it is possible to state that the Marche region does not carry out many research activities (the only exception is the province of Ancona), especially if compared to neighbouring regions (see Favaretto-Zanfrei, quote) and despite the fact that, in certain cases (such as the 5th Framework Programme for SME) Italy had the highest number of financed projects.

Furthermore, US Patent Office (USPTO) data show that the number of patents owned by businesses of the Marche, but whose inventors are not from this region, is really low. On the other hand, the number of patents by inventors from this region, but owned by external businesses, is high (Favaretto- Zanfrei, quote 170). Briefly, this shows that the Marche has competent human resources, but not enough businesses or organisations are capable of using them at best.

The number of trademarks registered by Marche businesses is lower than the national average and highlights the fact that the regional production is largely oriented towards subcontracting. Although some *brands* of the Marche are well known worldwide, the businesses of this region often seem not to invest enough in order to be recognised on the market and to be more competitive.

Similarly, they undervalue the importance of certifications, in particular the environmental one (ISO 14001). Also the number of sites certified by regional manufacturing companies is very low (8.6%), against a national average of more than 14% (Unitary Document about Regional Planning).

As far as R&D fund**s** are concerned, among industrialised countries Italy is the one that spends fewer resources on that (1.1% of GDP in 2006). At a regional level, the Marche passed from 0.42% of investments for R&D in 1995 to 0.57% of GDP in 2005 (Met3 Report 2008, Marche). Furthermore, the funds coming from the private sector should be two thirds of total ones, but in 2005 they were only 40% (Met Report quoted, based on Eurostat data). Based on data from the Unitary Document about Regional Planning (July 2008), total expense for research (Public Administration, Universities, businesses) ranges between 1.5% and 2% of the national one, which means that the value of this expense is still too low, both in terms of GDP (2.6%) and of population (2.6%). As far as the propensity for innovation is concerned, the activities of regional small and medium enterprises mainly belong to the sectors of components, intermediate goods and specialist equipment. "They form an innovative system based on products that are not necessarily highly technological, but with a higher level of design and quality than competing products" (Met Report, quote, 52). Innovation seems to derive from "*learning by doing*" processes, rather than from the cooperation with the research system. This is also due to the fact that small and medium enterprises are dynamic and flexible and, thanks to their interconnections (*e.g.* with suppliers and final clients), they are also innovative, without any link with the research system and with Universities.

This combination between micro enterprises and micro innovation clearly limits the evolution of the system towards new and more advanced forms of innovation. This is also witnessed by 2006 Censis data, according to which the expense for Research and Development activities was half of the Italian average and the number of those working in this field, out of all the inhabitants, is much lower than the national one (1.8 out of 1 000 inhabitants, against a national average of 2.8%), than Central Italy (4.1) and the North-East (2.9). Furthermore, although the Marche is one of the regions with the highest rate of internationalisation, in its companies the use of new communication technologies is lower than the national average. In 2005, out of 100 companies with more than 10 workers, 86.1% (against a national average of 91.7%) had an Internet connection; 48.7% (the national average was 56.7%) had a broadband connection; 51.4% (against a national average of 54%) had a web site and only 26.2% (against a national average of 30.2%) had an *intranet* system and 8.6% (against 12.2% at a national level) had an *extranet* system. It must be also added that micro enterprises usually work within a district and this accentuates individualistic behaviours aiming at protecting the competitive value of information. A research carried out by Censis (2006) not only showed this,but also the informal cooperation and the resistance of regional companies to create a relationship with other actors like Universities and research centres.