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Abstract

The aim of the contribution is to focus on the innovation of Italian medium and medium -large multinationals who represent the "fourth capitalism" and also to evaluate their performance. The enterprises of "fourth capitalism " are the set of medium and medium-large enterprises who seem to be stronger on foreign markets, either through exports or through foreign direct investment. The paper uses the data set from Mediobanca Research Unit to provide a descriptive analysis of the performance of Italian multinational enterprises of the "fourth capitalism", showing the complex approach to the internationalization of these enteprises, where innovation plays a key role. Flexibility and specialization in the production are also important elements that drive the decision to invest and produce abroad for these enterprises. The commercial dimension also plays a key role for the firms of the "fourth capitalism", as it leads to the direct control of foreign markets. The study points out that one of the strategic objectives of Italian multinationals of the "fourth capitalism" is their strong customer focus and organizational effort to provide their services to the customers, which require substantial investment in immaterial assets.
Finally, the work highlights some external constraints that penalize the Italian multinational enterprises of the "fourth capitalism", as the high cost of bureaucracy, excessive and unfair taxation, lack of support to internationalization by public institutions.

Keywords: Italian multinational firms, fourth capitalism, innovation, internazionalization.
JEL Classification: F23, L10, O30

Introduction*

This paper deals with the Italian multinational enterprises of the "fourth capitalism", ie the set of medium and medium-large that are gaining weight and growing role in the Italian productive system, and who seem to outgrow on foreign markets, both through exports or through foreign direct investment, so as to represent a new component of the industrial system we tend to call "fourth capitalism".
In the present work the key role played by innovation in multinational enterprises of the "fourth capitalism" is emphasized and also made explicit the particular underlying innovation model; moreover, the strong link of innovation with the process of internationalization is pointed out. With regard to internationalization, in particular, it is put in evidence the ongoing reorganization of production and distribution chain. Therefore, the paper underlines the strategic role of the commercial dimension that leads the medium and medium-large Italian multinational enterprises to the direct control of foreign markets.
In addition, the work aims to evaluate the performance of Italian multinational enterprises of the "fourth capitalism" through a descriptive analysis using aggregated data mainly by the Research Unit of Mediobanca, but also through a set of information on medium and medium-large enterprises that are obtained from case studies in the literature on the "fourth capitalism".
The study shows that one of the strategic objectives of Italian multinational enterprises of the "fourth capitalism" is their great customer focus and organizational effort to provide them with targeted services, which require substantial investment assets. Finally, some external constraints are identified that limit the operational capacity and competitiveness of these enterprises, among them the lack of transparency and the high cost of bureaucracy, excessive and unfair taxation, lack of support to internationalization by public institutions.

1. The Italian enterprises of the "fourth capitalism".

The Italian industrial enterprises of the "fourth capitalism" in recent years have become increasingly involved in foreign markets showing a remarkable ability to compete. These enterprises, despite the diversity of territories and sectors to which they belong, have similar characteristics and share common strategies, where innovation and internationalization (the "2i")[1] are certainly the most significant.

**I thank the Research Unit of Mediobanca for providing the data sets that have made possible the empirical analysis conducted in the assay. Thanks to Maria Musca, Emanuele Millemaci and Davide Provenzano for helpful discussions and observations. The usual disclaimer applies.*
[1] Quadrio Curzio 2008.

The term "fourth capitalism" wants to identify those enterprises that belong to the intermediate size range between small businesses and corporations. However, as argued by Colli (2002) – and the literature on the "fourth capitalism" tends to confirm[2] – the enterprises of the "fourth capitalism" are not in a phase of transition between the small and large size, but are intended to persist over time and represent a well-structured economic reality.
Conventionally, in the definition of the Research Unit of Mediobanca, the "fourth capitalism" includes both medium enterprises, which are made by firms with a workforce between 50 and 499 employees and a sales volume between 15 and 330 million euros, and the medium-large enterprises, which are societies with more than 499 employees and a turnover between 330 and 3000 million euros[3].
This definition, based on a few dimensional parameters, it may seem oversimplified. Of course, the definition has undoubtedly limitations, but catches with good approximation the phenomenon of enterprises of intermediate size. It should also be added that firms of the "fourth capitalism" are very often strongly rooted in the districts, which constitute the context in which these industrial enterprises were born and developed, taking many of their skills (entrepreneurship, expertise, creativity and innovation)[4]. These medium and medium-large enterprises often assume a leadership role in the hierarchical organization that characterizes the new industrial districts, where you observe large networks of small producers around a company which is the leader, united to conquer the international markets (Colli 2005).
In 2007, according to data from the Research Unit of Mediobanca, the Italian enterprises of the "fourth capitalism" were about 5,100, of which almost 4,500 were medium enterprises and 600 medium-large companies. Furthermore, as shown in Table 1 that displays the percentage distribution of the value added of enterprises representing the Italian manufacturing, in 2007 the set of firms of the "fourth capitalism" represented about 29% of the total value added of manufacturing industry, while large companies accounted for just 8%. But if one takes into account the small subcontracting firms – that is, the induced activity of the system of enteprises of the "fourth capitalism" – the "fourth capitalism" reaches a dimension of more than 40 % of total value added.

Table 1: Value added distribution of the companies in Italy % (2007)

Fourth Capitalism	29.0
Major Italian Groups	8.0
Branches of foreign multinazionals	14.0
Small firms	49.0

Source: Mediobanca Research Unit

The industrial enterprises of the "fourth capitalism", despite the low utilization of capital, are able to succeed in international markets, since they focus on the quality of the workforce, on the training of human resources, on the maximization of the value produced per employee, which translate into a strong ability to generate innovations. These enterprises usually express a virtuos finance, characterized by a contained debt structure, but also the ability to control the organization focusing primarily on the competitive advantages, including intangibles (brand, communication, customer relations) which are the ones that have gained importance (Coltorti 2010)[5].
In a previous paper (Schilirò 2010) I pointed out that the "fourth capitalism" was born from the crisis of *Fordism*, whose crisis was determined, around the middle-seventies, from the emergence of lean production system - ie a flexible manufacturing system, where the whole value chain for the product is created inside the main business - and from globalization. The implementation of lean production system, in particular, passes through the de-verticalization of production processes, with the relative downsizing of the size of large enterprises and the creation of business networks, and it requires a more skilled workforce for the production of products. The model of "fourth capitalism" also establishes itself as a result of changes in product demand, of a deep change in consumer behavior and patterns of consumption. As highlighted by Gereffi, Humphrey and Sturgeon (2005), the globalization of production and trade of the last thirty years has inevitably changed the organization of industrial production and international trade. So enterprises, starting from large multinational corporations to smaller ones, have faced a continuous redefinition of their basic skills (*core competencies*) to focus on innovation, product strategies, marketing, and on the segments with high value added of

[2] Coltorti 2006; Coltorti 2008; Gagliardi 2008; Varaldo *et al.*2009; Schilirò 2010.
[3] These minimum and maximum levels are updated to 2008 by Mediobanca Research Department.
[4] For an analysis of the origin, evolution, characteristics and problems of fourth capitalism, Schilirò 2010, 60-74.
[5] On the industrial enterprises of the "fourth capitalism"see also Coltorti 2006; Gagliardi 2008; Varaldo *et al.* 2009, Schilirò 2010.

manufacturing and services, while reducing the direct properties on non-core functions, such as generic services and the volume of output. This has led to a different model of governance of the global market-oriented productive sectors and a different organization of global value chains[6]. The de-verticalization of production processes and the globalization of business value chain pose to the enterprises the question of what activities and technologies they need to keep within themselves and which are not, but also the question of where (geographically) the various activities should be located. In the economic literature there has been a discussion about international "fragmentation" of production (Arndt and Kierzkowski 2001), to describe the separation of different parts of a production process in an international dimension. Someone has long maintained (Feenstra 1998) that in the global economy there is a relationship between integration of trade and processes of 'disintegration' of production. Feenstra in fact says that: "the disintegration of production itself leads to more trade, as intermediate inputs cross borders several times during the manufacturing process" (Feenstra 1998, 34). The geographical fragmentation of production can in turn lead to the separation of ownership of those assets held abroad, or give rise to foreign direct investment by the firm.

Finally, the idea that the organizational structure of multinational is convenient has been demonstrated valid not only in the case of large corporation, but also in the case of small and medium firms (Cowling, Sudgen 1987).

Multinationality would generate several advantages since, for instance, reduces the marginal cost of foreign investments of the firms already involved in the process of internationalization. In addition, multinational enterprises are able to increase their competitive advantage by coordinating the international activities and obtaining benefits in terms of economies of scale, economies of scope and economies of learning (Bartlett and Ghoshal 1989). A further source of value creation is the ability to exploit the different markets, employment and tax laws in the host country.

These references to the literature of industrial organization and international trade not only helps to better understand the internationalization strategies of enterprises of the "fourth capitalism", and some of their motivations to become "pocket-multinational," but also, as we shall see, to seize the importance of innovation as a strategic weapon, tring to understand the unique model of innovation that characterizes these companies.

2. Networks of firms in the fourth capitalism

The "fourth capitalism" appears in Italy as an evolution of the capitalism of Industrial Districts (the "third capitalism"), rather than an entity that aims at chasing the capitalism of big private companies or large public corporations[7]. The economic and statistical information and the business studies on the enterprises of the “fourth capitalism” confirm that firms operate by maintaining a strong relationship with the territory of origin, but at the same time they look towards wider and extended horizons. Firms' competitive model of the "fourth capitalism" is, however, quite different from the competitive model of the small firms in the districts. The medium and medium-large enterprises looks for a strong differentiation (intrinsec and estrinsic) of the product, determined largely by the construction of the brand image. The importance of the brand image guides the enterprises of the "fourth capitalism" to look at the sources of value even further down the value chain. Thus, their decisions on direct investment are taken with choices motivated by the geographic expansion of the market and/or by the interest to exploit the foreign technology and, therefore, not only dictated by mere logic of cost savings[8]. But companies also act through long-term and/or exclusive agreements with distribution companies or integrating downstream to the customer service in a direct form (Bonaccorsi 2008).

Consequently, the implications of the combination of local/global change. Enterprises in the "fourth capitalism” aim to combine the presence of networks, based on historical and well-established relationships within the fabric production[9] – which provide them with valuable external economies in terms of productive efficiency and stimuli to innovation – with the new opportunities for relationships that arise at the international level, thus they create “long networks”. These networks then become a constitutive element of the industrial enterprises of medium and medium-large sizes. These enterprises are in fact able to withstand the challenges of globalization with a business model characterized by high flexibility, that combines economies of scale within the firm with economies of networking between businesses (Marini 2008). A model that shows a remarkable ability to establish business networks increasingly large and developing services to customers, even "custom", so to appropriate a significant share of global demand. These capabilities of commercial and customer care are configured so as to be a strategic key element for the success of entreprises of the "fourth capitalism" in the global competition. In particular, the enterprises of the “fourth capitalism”, in their

[6] The development of information and communication technology has in tun strengthened the creation of networked systems of production, facilitating the processes of internationalization and globalization of value chains.

[7] Varaldo *et al.* 2009, 14.

[8] With regard to the motivation to create networks and alliances between companies see Hagedoorn 1995.

[9] As with many of them, which have a district matrix.

internationalization of production and trade, tend to involve the most dynamic economies and markets. They aim to affirm their brand and its image in order to achieve and consolidate their leadership.
Finally, the enterprises of the “fourth capitalism” represent a business model specialized in quality products with a strong presence in the sectors of *Made in Italy* and with a strong identification between the company and its flagship product (Gagliardi 2008). In fact, the typical sectors *Made of Italy* represent 62.4% of turnover and 67.7% of exports of medium enterprises and 47.9% of turnover and 55.7% of exports of medium-large companies[10]. Such a business model, as outline above, aims to differentiate the products, which are often placed in high-income customer segments, tending to create global niches of market that are relevant in terms of turnover and profits with the purpose to establish their own leadership within these niches (Schilirò 2010).
In conclusion, the Italian industrial enterprises of the “fourth capitalism” have a strong international outlook that becomes a necessity for their growth and for beating their competitors, without neglecting the territory. Their strategies of internationalization take more and more complex configurations up to cover the entire value chain. The literature of case studies on the Italian medium and medium-large firms (Chiarvesio, Di Maria, Micelli in Tattara, Corò,Volpe 2006; Ferraro in Marini 2008; Resciniti, Tunisini in Varaldo et al. 2009; Bertoli, Codini in Varaldo et al. 2009) have shown that internationalization processes concern the various stages of production and trade: from the management of suppliers, to distribution channels and to research and development. Furthermore, it has been emphasized that among the strategic goals of firms there is the particular attention to the needs and demands of customers. This inevitably leads to provide customers with a wide range of services and, also, to make significant investments in intangible assets (i.e. communication, marketing). The commercial dimension thus plays a considerable importance as is not only aims to increase sales volume, but also and mainly because it operates through a special care of the customers.

3. Innovation model of multinational enterprises of the fourth capitalism

The internationalization, that has characterized the enterprises of the “fourth capitalism” in the decade 1998-2009, determined an increase in exports, a more diversified portfolio of countries with a substantial confirmation of the model of international specialization, i.e. in the same sectors where Italian firms possess a competitive advantage. However, in recent years and even more in the years of the global crisis (2008-2009), Italian firms of the “fourth capitalism” have constantly reorganized the supply chain in terms of production and trade and have made innovations (Mauriello 2011). Firms have sought to further develop the skills, the distinctive capabilities and the intangible resources. This strategy is strongly linked to the internationalization processes with the goal of expanding and/or to acquiring new markets and “to follow the customer”.
The literature (Tybout 2001; Bugamelli, Infante 2003) suggests, for some time now, that costs of entry into foreign markets have increased and that firms have to incur quite high fixed or sunk costs to internationalize. This requires firms to search for larger markets and a product portfolio that can fuel the growth in volumes. The turnover of product portfolio needs a systematic innovation activity. Thus, internationalization and innovation are closely related, pushing up the level of risk, but also the return of capital (Bonaccorsi 2008).
The enterprises of the “fourth capitalism”, greatly exposed on international markets, are qualitatively different from the small district enterprises and from the great enterprises. The process of advanced internationalization is based on expensive direct investments of productive and commercial type to foreign countries and on strategic agreements on a long term. This process, that characterizes the enterprises of the “fourth capitalism”, implies a strong effort to innovation by these firms. This is why their strategy based on non-price differentiation requires a systematic innovation activity, characterized by high and risky investments often of intangible kind, that unfolds into a long-term time horizon. These firms often use patents as a strategic weapon to valorize innovation. However, the model of innovation that characterizes these firms is not based on R&D, which is typical of the science-based industries that produce goods with high technological content and that particularly concern large industrial companies but also, to a less extent, firms of smaller size, which operate in high-tech sectors[11]. The business model of innovation of the "fourth capitalism" is not even that of "innovation without research" (Corò 2008), not based on R&D, which others call "*engineering-based*" (Thompson 2004; Schilirò 2008). This second model emphasizes the importance of design and craftsmanship, focuses on new process technologies in the traditional sectors and instrumental mechanics. Such a model is very popular among small firms of the districts; in fact according to this framework, networks and ITC reinforce the existing configurative production environment and enhance the potential productivity gains of firms, but it is not a comprehensive representation of the innovation in the firms of the “fourth capitalism”. The data on balance sheets of the enterprises, exposed in the next paragraph, are not able to provide a direct representation of the model of innovation. However, by analyzing the overall performance of Italian enterprises of the “fourth capitalism” and the available information on patents, these enterprises

[10] Mediobanca-Unioncamere, 2011, p. XVI.
[11] Acs, Audretsch 1988; Acs, Audretsch, Feldman 1994.

hint at, as they tend to assume the profile of multinational firms, following a different route, which is more complex and original. As the model of innovation for medium industrial enterprises proposed by Bonaccorsi (2008)[12] suggests, it can be argued that the innovation model adopted by medium enterprises and medium-large enterprises of the "fourth capitalism" is centered around three elements: i) extension of functions, ii) integration between product innovation and process innovation, iii) a focused activity of research and development. These elements outline an innovation model that Bonaccorsi calls "empathic", in the sense that it gives centrality to the understanding of the needs of customers, but at the same time goes beyond the explicit requirements to achieve creative solutions. What distinguishes this model is the ability to anticipate the unexpressed needs of the customer, the technology seen as a means, not as an end, R&D located close to the production and carried out when and as needed, the introduction of new products sequenced from the market opportunities (Bonaccorsi, 2008, 18). This model also offers a key to cognitive and functional analysis to understand the strategy to innovation. In essence, the "empathic" innovation framework is a non-linear model that hybrids elements of the model of innovation from research and development (but here the R&D is opportunistic and small scale) and the model of innovation without research (process innovation and design) in original way. In particular, the process innovation is not merely a phenomenon of adoption of technologies developed outside, but an essential component of an integrated redrawing between product and process. Furthermore, the ability of design goes up to the functional shift, or the repositioning of the emotional and symbolic meanings that change the perception of the product among customers (Bonaccorsi, 2008, 20). Finally, the "empathic" model of innovation requires a peculiar organizational model where management is able to interact with the property in an empathic and fruitful way.
The aspects of innovation aimed at *customer care* identified in the "empathic" model, outlined by Bonaccorsi, have found evidence in the trade and production strategies of Italian multinationals of the "fourth capitalism"[13], so it seems plausible to assume the "empathic" model of innovation as a model representative of the way of operating and innovating of these enterprises.

4. Analysis of the performance of Italian multinational enterprises of the fourth capitalism

The internationalization process is particularly important for medium and medium-large Italian manufacturing enterprises, often organized in groups and representative of our traditional *Made in Italy*, that several scholars (Colli 2002; Coltorti 2006; Gagliardi 2008; Varaldo *et al.* 2009; Schilirò 2010) have considered the protagonists of the "fourth capitalism".
Mariotti and Multinelli (2009) have shown that the expansion and strengthening of the so-called "club of multinational enterprises", which concerns the Italian-based companies, also involved small and medium enterprises. Their analysis, which uses the data base *Reprint* of the Polytecnic of Milan - ICE, has highlighted the structural composition of Italian multinationals and their evolution in the twenty-first century, focusing on dimensional characters[14]. De Girolamo and Piscitello (2010) in turn - using a sample of firms also extracted from the data base *Reprint* - have shown that small and medium Italian enterprises are able to excel on the international markets in niche areas such as *Made in Italy* fashion, food and light engineering, but also in some mass production industries such as construction chemicals, appliances and agricultural and earth moving machinery. These authors identify some characteristics that distinguish these multinational enterprises of small and medium size, in particular they focus on the specific skills in marketing and on managing the value chain. Furthermore, Italy – as Barba Navaretti et al. (2010, 33) argue – seems to be the country where the companies, particularly medium firms, have a high propensity to export and greater than that of firms from other European countries, regardless of the size, of the productivity and of innovation. In this section we try to assess, through a descriptive analysis, the performance of Italian multinationals of the "fourth capitalism" about a number of variables. The indicators that are used concern the turnover, value added, export sales, foreign direct investment, although of the latter variable there are not always sufficient and comprehensive data available, but also indicators of a financial nature as EBITDA, EBIT, operating income, etc. The analysis is carried out using a data set of the Research Unit of Mediobanca. This data set compares the budget data of large companies with those of medium and large enterprises and foreign-controlled enterprises.

4.1 The analysis on the Mediobanca data set of large companies, medium-large enterprises and foreign controlled enterprises.

[12] Bonaccorsi outlines some key elements of its innovation model using budget data from medium-sized enterprises and integrates them with other information on patents and trademarks.
[13] Corò 2008; Marini 2008; Mauriello 2011.
[14] The data from *Reprint* used by Mariotti and Mutinelli relate not only to manufacturing firms, typical of the "fourth capitalism", but also to service companies, particularly those of business services. In addition, the firm size identified by the authors consolidates either the activities carried out in Italy and those abroad, that is, all assets related to the firm are taken into consideration, regardless of their geographical distribution.

The descriptive analysis of this section shall be based on a data set of the Research Unit of Mediobanca[15], which contains the pooled data of 98 large industrial enterprises (companies established in Italy and belonging to major groups of Italian control with a consolidated turnover above the 3 billion euros), of 520 medium-large industrial enterprises of the "fourth capitalism" (companies at Italian control with a turnover between 330 million and 3000 million euros) and 483 Italian companies at foreign control (branches of foreign multinationals). This sample data, as it is composed of aggregate data, do not allow for an analysis of industrial sectors, since it is not possible to decompose the sample data according to the industries which they could belong, nor do they allow to identify gaps and / or differences between individual enterprises which certainly exist in reality. Despite these limitations, they allow you to capture some important aspects of the performance of the three types of enterprises represented in the sample. The data analyzed are drawn from the balance sheets of the enterprises, in particular from Mediobanca's annual survey on the major Italian companies, covering variables such as turnover, value added, exports, as well as financial information and regarding also the profitability. The period referred to by these data is from 1999 to 2008. In particular, the aggregate data of 520 medium-large industrial enterprises in the sample represent about 85% of medium-large companies surveyed by Mediobanca.
Table 2 shows the aggregate data on turnover, value added and export turnover, contained in the data set of Mediobanca. The reading of this Table 2, which compares the large enterprises (LE), medium-large enterprises (MLE) and foreign-controlled enterprises (FCE), suggests some valuable considerations.

[15] The data, provided by the Research Unit of Mediobanca, are available on the website www.mbres.it into the section: "Aggregates of Italian companies' 2009 edition.

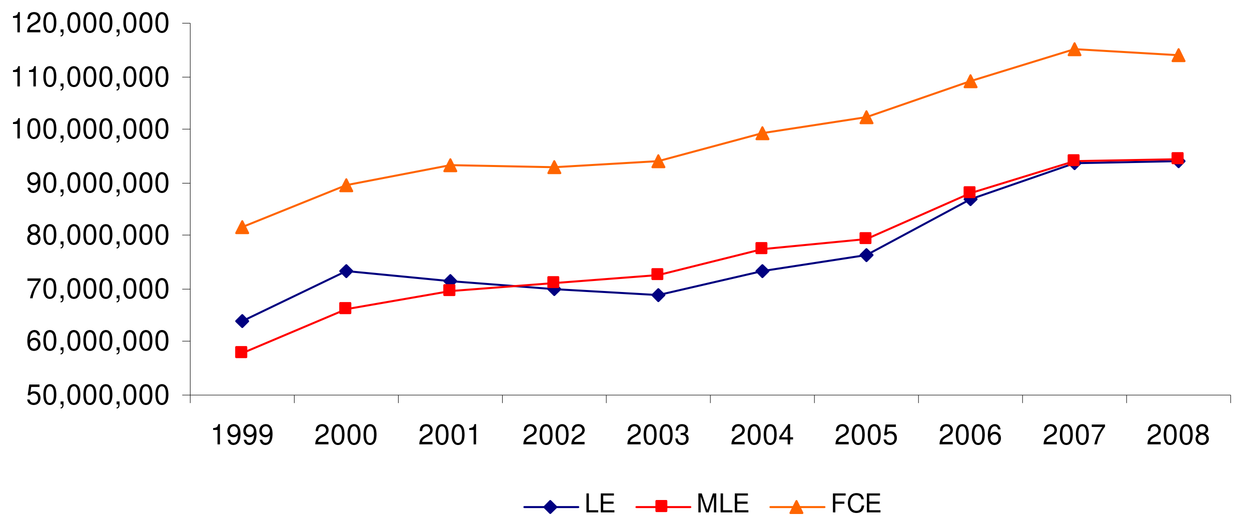
Table 2: Comparing samples of large manufacturing enteprises, medium-large enterprises and foreign controlled italian enterprises in terms of turnover, value added and export turnover. Aggregate data. Years: from 1999 to 2008. (Values expressed in thousands of euros).

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Large Enterprises										
Net Turnover	64,070,991	73,362,422	71,513,270	70,081,331	68,784,963	73,418,335	76,186,636	86,711,556	93,716,587	94,215,453
Value Added	13,061,542	15,170,688	13,250,155	12,103,731	13,247,173	13,783,404	13,547,019	15,168,909	16,942,455	15,043,701
Export Turnover	29,029,328	34,092,933	32,899,594	32,039,316	31,066,485	33,178,770	34,359,385	40,578,997	46,915,395	48,509,208
In % of Total Turnover	45.3	46.5	46.0	45.7	45.2	45.2	45.1	46.8	50.1	51.5
Medium-Large Enterprises										
Net Turnover	57,799,840	66,263,580	69,675,940	70,898,870	72,753,263	77,432,488	79,533,135	88,127,175	94,002,973	94,232,570
Value Added	15,234,709	16,563,279	17,008,538	17,290,876	17,387,540	18,184,828	18,727,552	19,630,161	20,705,732	19,661,901
Export Turover	21,381,201	25,945,094	27,303,986	27,718,045	27,462,992	29,485,416	30,571,473	34,868,782	38,708,696	39,878,471
In % of Total Turnover	37.0	39.2	39.2	39.1	37.7	38.1	38.4	39.6	41.2	42.3
Foreign controlled Italian Enterprises										
Net Turnover	81,792,439	89,702,671	93,210,999	92,871,335	93,951,331	99,168,827	102,134,320	109,200,214	115,104,344	114,009,141
Value Added	20,626,861	21,803,589	22,417,449	22,431,520	22,471,352	23,628,898	24,017,873	24,775,588	26,088,735	25,594,690
Export Turover	26,501,875	28,358,881	30,860,624	30,367,499	30,756,492	34,131,182	36,556,889	40,099,918	43,599,889	43,168,935
In % of Total Turnover	32.4	31.6	33.1	32.7	32.7	34.4	35.8	36.7	37.9	37.9

Source: Mediobanca Research Unit, 2009

The turnover data of Table 2 allow to obtain Figure 1, which shows the trend of turnover for large enterprises (LE), medium-large enterprises (MLE) and foreign-controlled enterprises (FCE) in the years 1999 to 2008. With regard to this variable can be observed that its performance has been increasing over the period 1999-2008 for the three groups of enterprises. Figure 1 shows that FCE have a better performance compared to LE and compared to MLE[16]. However, MLE of the "fourth capitalism" are performing better than LE, even using a smaller amount of capital. The favorable cycle, which began in 2004 but was strengthened especially in the period 2005-2007, has been caught very well by MLE, who were able to reorganize production, reduce costs, increase efficiency and competitiveness, focusing on product quality and taking advantage of changes in the volume of demand. Obviously, the situation changes in 2008 and will worsen further in 2009 in the midst of global crisis. So the crisis hits all three types of enterprises.

Figure 1 – Trends in Turnover for LE, MLE and FCE. Years 1999 - 2008.

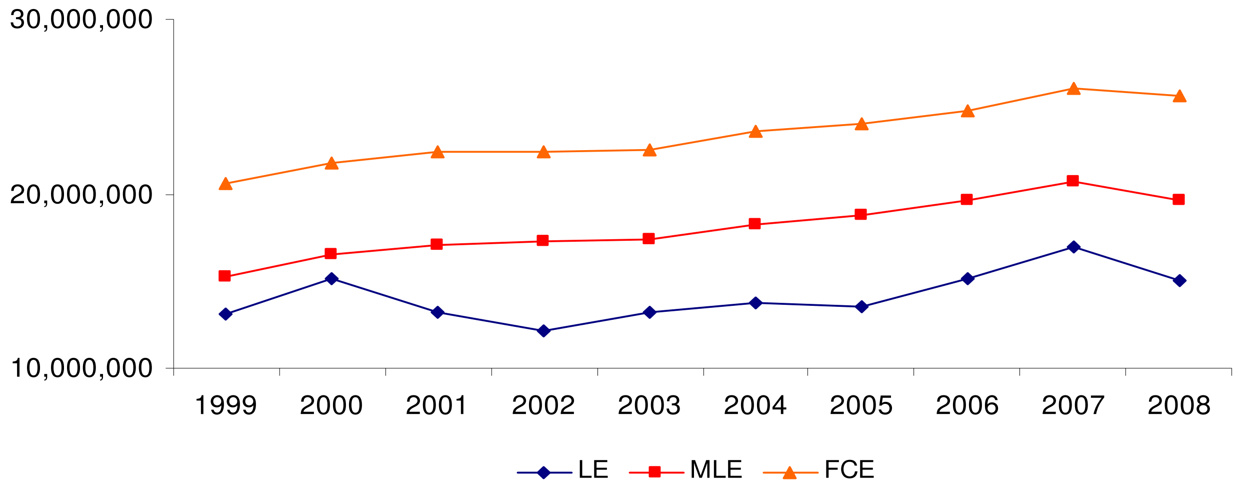


Source: Author's calculations based on Mediobanca data

The rate of growth of the turnover over the period from 1999 to 2008 was 47 per cent for LE, 14.5 per cent for FCE, while MLE was far greater and equal to 63 per cent.
The analysis of the value added (VA), expressed in thousands of euros, for the three categories of enterprises is highlighted in Figure 2. This Figure allows us to see that MLE recorded in the period under review a VA consistently higher than that of the LE. In addition, there has been a continuous growth of the VA by MLE, with a contained decreas in the time interval 2007-2008. The LE, instead, have developed a more fluctuating trend, with declines more pronounced; while FCE had a higher VA than MLE and LE, albeit with a growth rate lower than that of MLE.

[16] FCE are dependent on fiscal and trade policies of the mother companies.

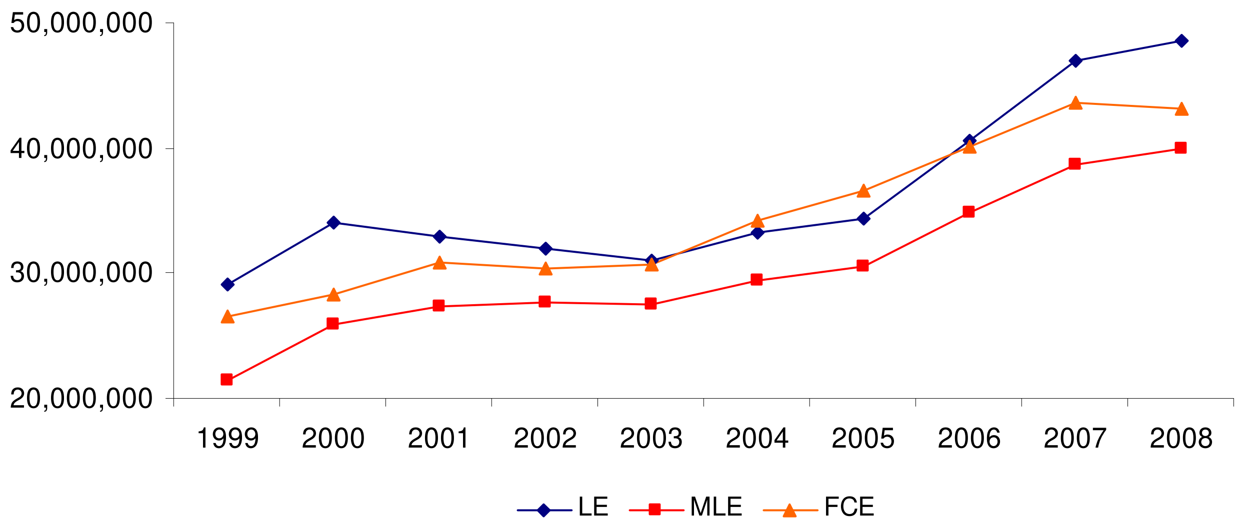
Figure 2 – Trends of VA for LE, MLE and FCE. Years 1999 - 2008.



Source: Authors' calculations based on Mediobanca data

Table 2 allows also to analyze the trend of the export turnover for the LE, MLE and FCE in the period 1999-2008. This trend is highlighted in Figure 3. The export turnover variable represents the ability to guard foreign markets by firms. MLE show to do better than FCE and, above all, than the LE. Obviously these are aggregate data that may hide strong diversity at the firm level. However, it can be argued that the ability of MLE to penetrate foreign markets and to ensure global niche product is undoubtedly important, it constitutes one of the characteristics of multinational enterprises of the "fourth capitalism" and a point of strength in terms of competitive advantage[17].

Figure 3 - Trends of Export Turnover of LE, MLE and FCE. Years 1999 - 2008.

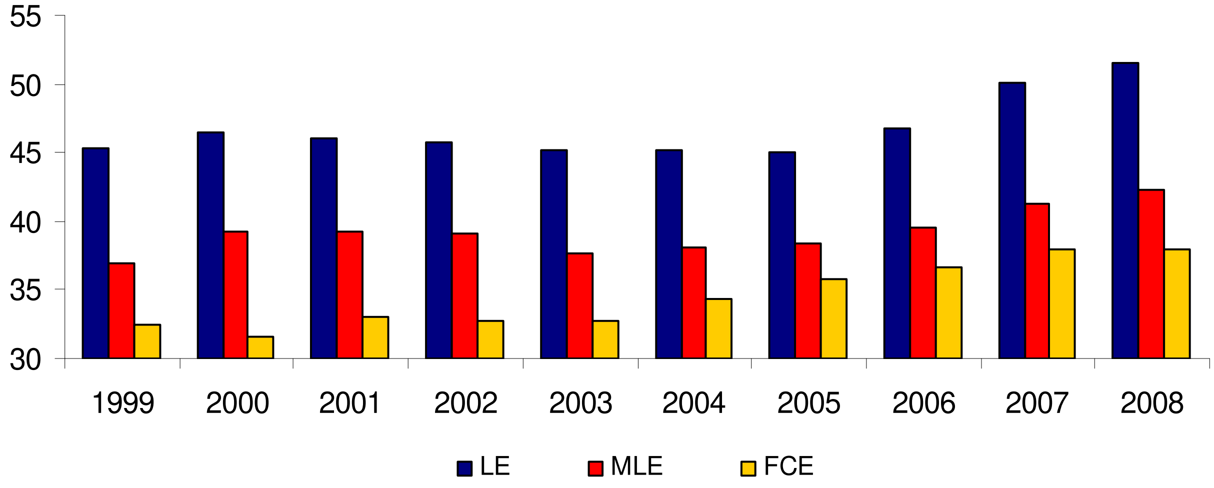


Source: Authors' calculations based on Mediobanca data

Figure 4 shows the average share of export turnover of the three types of enterprises in the period 1999 to 2008, data are always obtained from Table 2.

[17] Schilirò 2010. In addition, from the data on medium-large enterprises by Mediobanca-Unioncamere (2011) can be deduced that about one third of the total MLE has a share of foreign sales higher than 50%.

Figure 4 – Share of Export Turnover for LE, MLE and FCE. Years 1999-2008

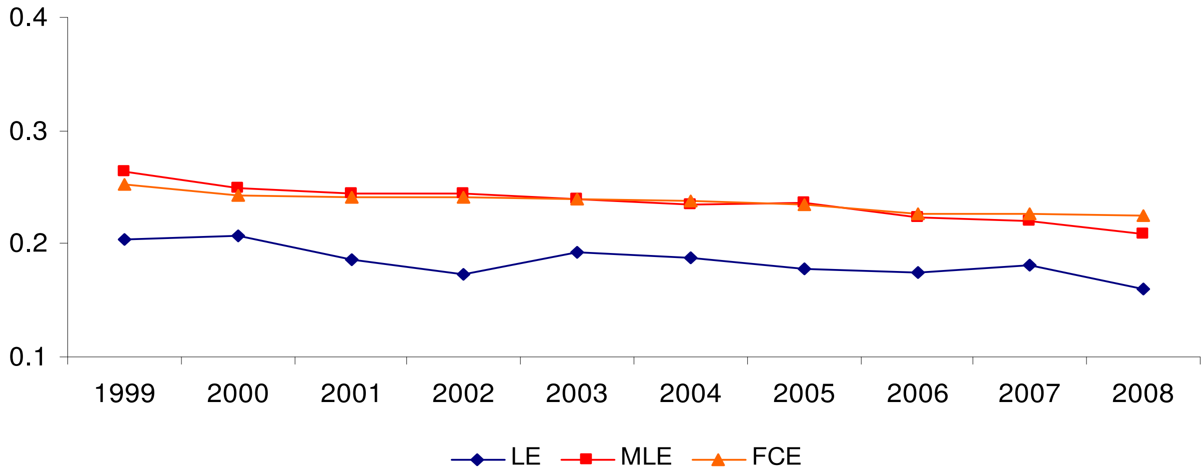


Source: Authors' calculations based on Mediobanca data

Figure 4 shows, by means of histograms, that LE tend to have higher average share of export turnover than other tpes of enterprises throughout the period examined. This trend can be reasonably explained by the fact that the LE, given their size, find usually the domestic market very limited for their needs, which are dictated by economies of scale and commercial strategy, and, therefore, must necessarily target foreign markets[18]. The figure of the share of export turnover of MLE of the "fourth capitalism" confirms the thesis that these entreprises have a major presence in international markets. Furthermore, it is evident that the rate of growth in their share of export turover is positive, despite the fall of 2003, and that it continues to increase until 2008.

From Table 2 it is possible to obtain another interesting figure represented by the ratio between value added and turnover[19]. This ratio reveals the process of value creation by the firms considered and it would also tend to indicate the presence and development of outsourcing processes. These processes are also confirmed by higher turnover growth than the value added in the period 1999-2008 . The trend of this ratio is shown in Figure 5.

Figure 5- Trends of VA/Net Turnover ratio for LE, MLE and FCE. Years 1999-2008



Source: Authors' calculations based on Mediobanca data

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[18] The situation would be different if the large firm is a monopolist in a large field. In this case, the domestic market would be sufficiently large.

[19] See Corò 2008.

The ratio VA / Net Turnover for the LE was 20% in 1999 and 16% in 2008, while for MLE it was 26% in 1999 and 21% in 2008, for the FCE 25% in 1999 and 22.5% in 2008. As shown in Figure 5, there has been a steady decline in the ratio in the period 1999-2008 for all three categories of enterprises. It is also noted as the change in the ratio for MLE was more pronounced; this confirms the growth of outsourcing and highlights the characteristics of a flexible organization based on the flexible integration of production[20]. All these elements, emerging from the ratio VA / turnover, also demonstrate that MLE take the form of enterprises with a tendency towards outsourcing, which helps to make them multinational companies. This is one of the reasons why they can be defined multinational enterprises of the "fourth capitalism". The multinational enterprises of the "fourth capitalism" show to have an average return higher than larger firms, a more pronounced tendency to self-financing, a balanced financial structure between its sources and those of debt. These statements are supported by the data shown in Table 3. In fact, Table 3 shows some financial indicators and of profitability, taken from balance sheet data of the Mediobanca Reseach Unit's firms sample.

[20] The flexible integration of production allows to the enterprises of the "fourth capitalism" to respond in an effective way to a demand which is differentiated and variable as that of the sectors of *Made in Italy* (Corò, 2008).

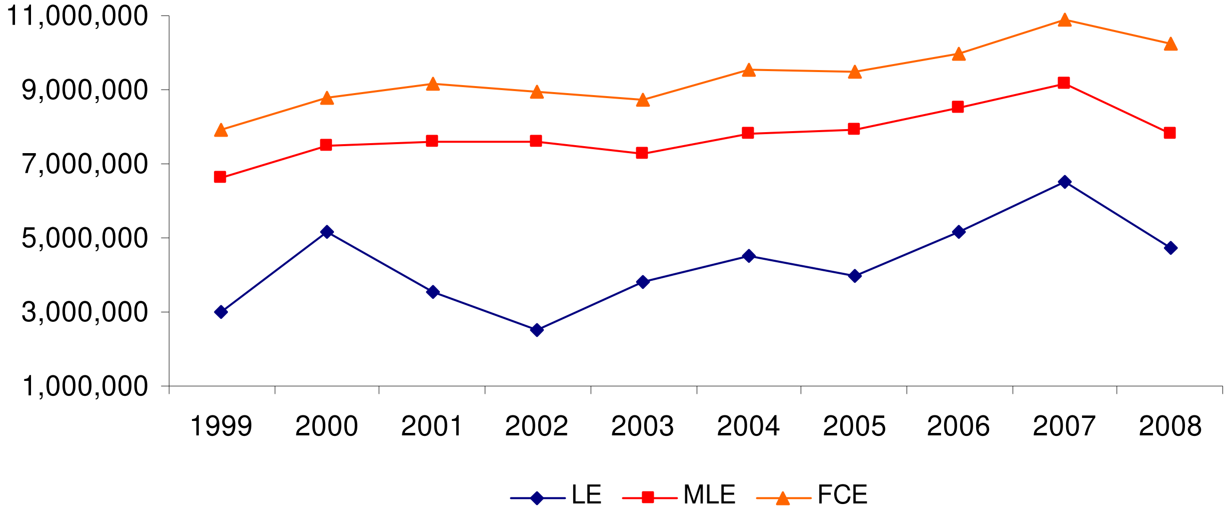
Table 3: : Comparing samples of large manufacturing enteprises, medium-large enterprises and foreign controlled italian enterprises in terms of EBITDA, EBIT, Operating Result, financial debts, self-financing. Aggregate data. Years: from 1999 to 2008. (Values expressed in thousands of euros).

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Large Enterprises										
EBITDA	2,994,948	5,164,303	3,560,399	2,519.300	3,809,837	4,513,297	3,990,091	5,175,898	6,497,879	4,718,703
EBIT	32,978	1,743,809	-226,085	-1,030,621	250,980	938,596	569,795	1,726,738	3,184,766	1,502,228
Operating Result	613,963	5,362,729	-1,720,900	-7,193,698	-4,758,312	56,269	936,558	4,646,290	4,167,691	2,879,075
Short Term Financial Debts	11,020,023	14,432,603	18,615,878	15,127,424	12,949,679	16,128,131	12,641,402	13,359,402	13,867,703	15,451,096
Self-financing	410,837	-977,852	-2,194,914	-2,031,298	-2,100,625	1,874,637	-190,826	1,707,191	2,590,355	1,868,394
Medium-Large Enterprises										
EBITDA	6,630,741	7,481,287	7,602,567	7,578,873	7,266,182	7,790,935	7,934,710	8,498,548	9,186,554	7,794,832
EBIT	4,208,167	4,205,618	4,084,664	3,996,490	3,404,460	4,121,039	4,489,923	5,118,505	5,782,681	4,352,132
Operating Result	2,360,982	2,236,188	2,060,423	1,938,564	1,112,010	2,824,187	2,786,330	3,657,013	3,601,607	2,167,950
Short Term Financial Debts	9,066,671	11,873,974	13,401,992	13,699,526	14,071,606	13,956,056	14,420,331	15,734,096	15,979,487	17,065,930
Self-financing	1,289,034	1,613,267	1,157,344	829,894	833,515	1,843,997	1,139,315	1,702,425	1,999,032	1,784,830
Foreign controlled Italian Enterprises										
EBITDA	7,933,555	8,802,667	9,139,880	8,933,953	8,738,444	9,556,063	9,484,290	9,967,950	10,912,136	10,249,630
EBIT	4,012,960	4,144,539	4,360,756	3,701,932	3,310,270	4,322,431	4,553,805	5,246,068	6,246,209	5,634,668
Operating Result	2,579,944	2,485,306	2,142,628	1,888,886	-168,576	3,554,300	2,580,718	3,600,531	3,257,343	2,044,080
Short Term Financial Debts	14,444,024	14,998,197	17,463,263	17,167,159	17,193,705	16,151,629	14,374,101	12,709,609	17,097,882	15,130,627
Self-financing	-391,180	-681,651	-1,240,892	-2,842,236	-1,521,559	-189,612	-1,653,211	-825,352	-2,207,714	1,766,193

Source: Mediobanca Research Unit, 2009

Figure 6, extracted from Table 3, shows the trend in gross operating margin (EBITDA) in the period 1999-2008 for the three categories of enterprises.

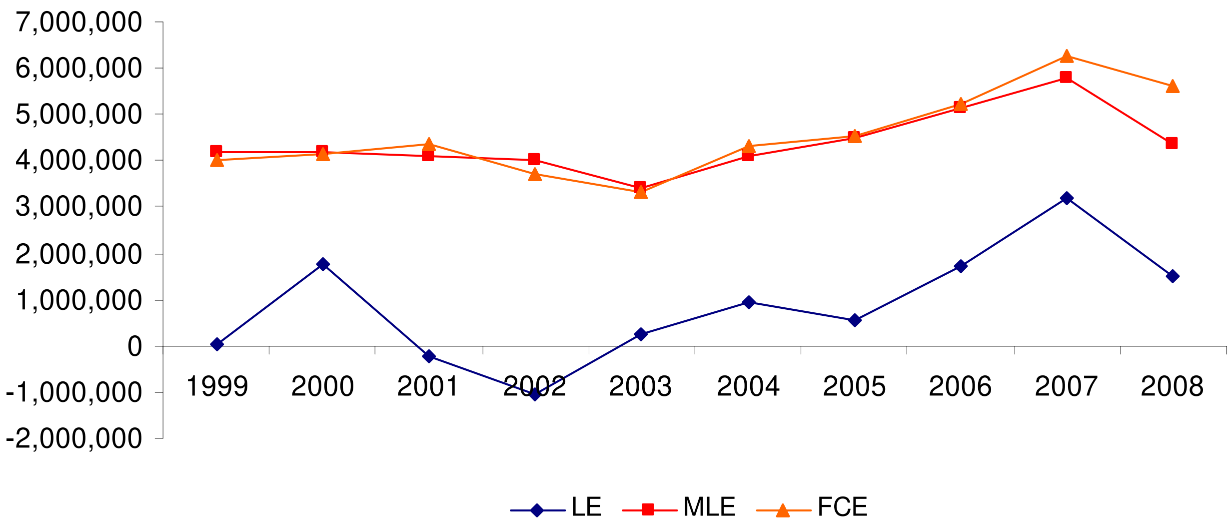
Figure 6 – EBITDA of LE, MLE and FCE. Years 1999 - 2008.



Source: Authors' calculations based on Mediobanca data

Figure 6 shows that the gross operating profit (EBITDA) grew from 1999 to 2007 for all three categories of enterprises with a maximum point in 2007, while it declined in 2008 as a result of the crisis for all the types of firms. However, it is interesting to note that the decrease in percentage terms was much stronger for the LE, that is equal to – 27.4%, smaller and equal to –15.1% for the MLE of the "fourth capitalism", while it was lowest and equal to – 1.4% for FCE. A first statement that can be done by looking at the data of Table 3 is that the Italian multinationals of the "fouth capitalism" have shown to generate wealth with their operational management and are able to do better than large enterprises.
Figure 7 shows the trend of EBIT – the net operating margin –, which is the margin of the industrial management of firms, in the period 1999-2008 for the three categories of enterprises.

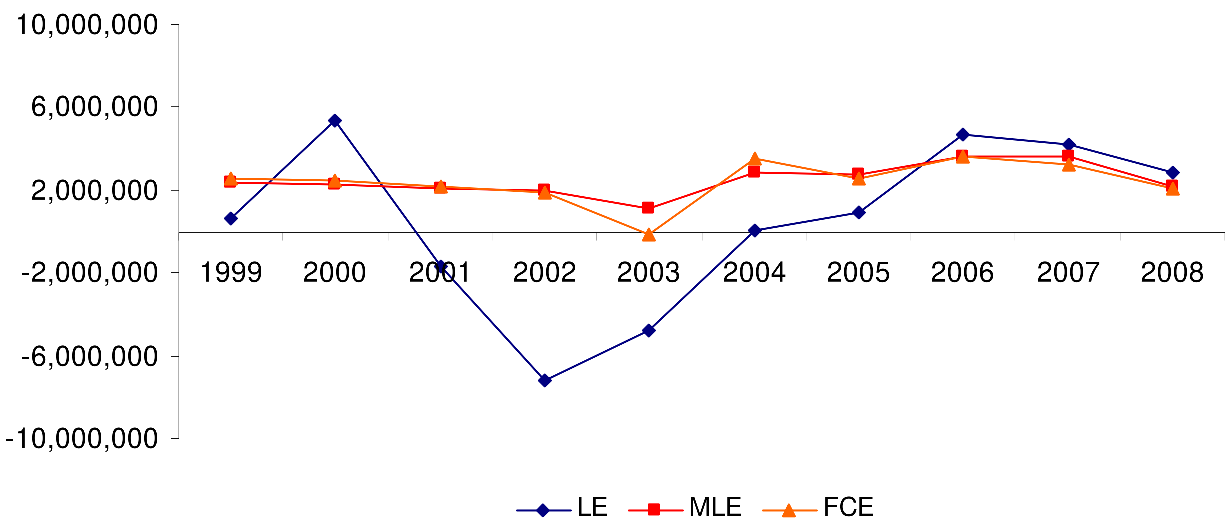
Figure 7 – EBIT of LE, MLE and FCE. Years 1999 - 2008.



Source: Authors' calculations based on Mediobanca data

The data of this important indicator of industrial management have a very different pattern in the case of LE respect to MLE of the "fourth capitalism". In fact, in the case of LE the EBIT has had ups and downs in the period 1999-2008, with years (2001, 2002) in which the figure was negative, and sometimes with low values (1999, 2003), then it recovered in 2006-2007, even touching its peak in 2007, before declining in 2008 due to the global crisis.
Instead, the EBIT of MLE of the "fourth capitalism" has been positive throughout the period 1999-2008 and its level was consistently higher in absolute terms than that of LE, reaching the maximum value of 5,782,781 in 2007 and then fall back in 2008 with a negative change in percentage of 24.7% against a negative change for the LE of 52.8% in 2007-2008[21]. FCE have had a trend of the EBIT similar to that of MLE of the " fourth capitalism", buy enjoing a higher level of the EBIT during the more favorable years (2006, 2007).
Figure 8 shows the performance of the operating result after tax for the period 1998-2008.

Figure 8 – Net Operating Result of LE, MLE and FCE. Years 1999 – 2008

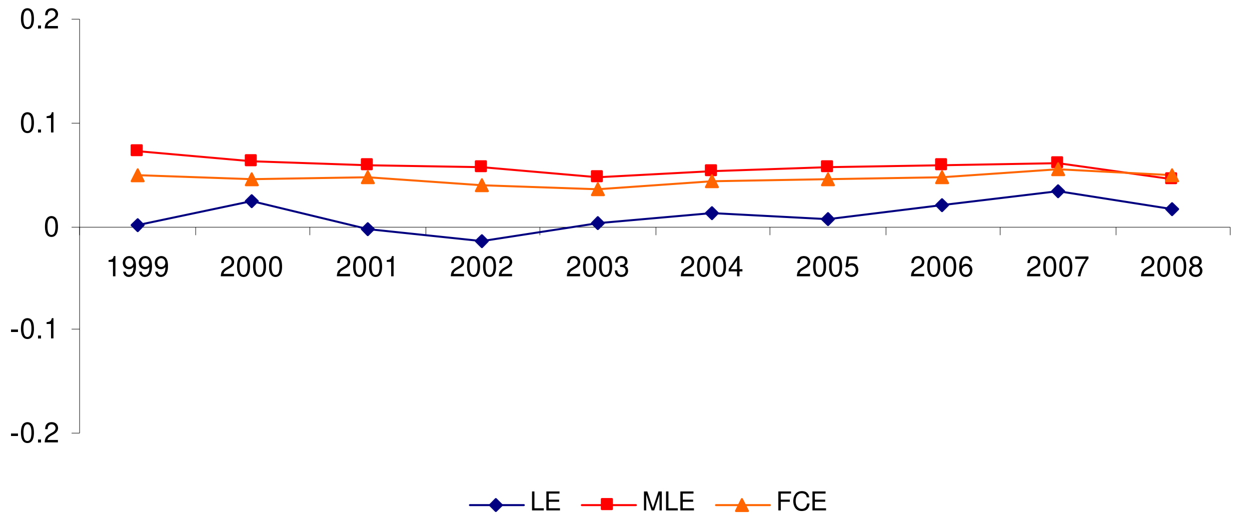


Source: Authors' calculations based on Mediobanca data

Figure 8 shows that the LE had a trend of net operating result similar to EBIT. These enterprises, in fact, have experienced in the years 2001, 2002, 2003 a negative operating result, but positive in the other years. The MLE of the "fourth capitalism" instead recorded a positive operating result over for the entire period 1999-2008, similar to their EBIT. The FCE recorded a negative operating result in 2003 amounted to – 168,576, whereas the EBIT in that year amounted to 3,310,270.
One can also look at another indicator of profitability: the ratio between EBITDA and net turnoever, whose performance for the period 1999-2008 is summarized in Figure 9. This EBITDA/Net Turnover ratio shows a good performance of MLE of the "fourth capitalism", which reveals more continuous than that of LE, that instead show a greater variability and instability in this indicator.

[21] In 2007 the value of EBIT was equal to 3,184,766 for the LE.

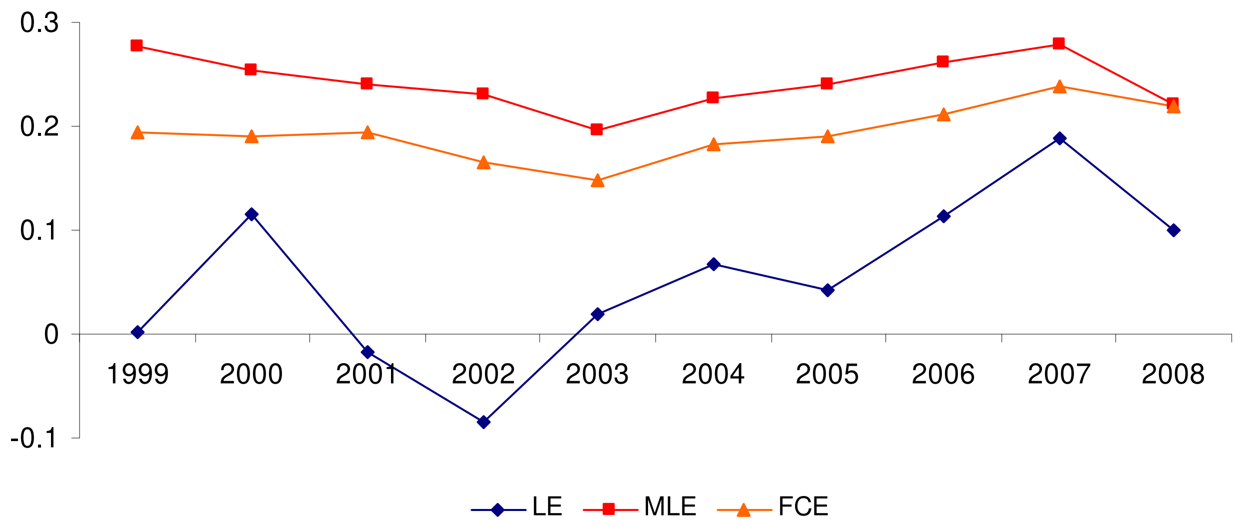
Figure 9 – EBIDTA/Net Turnover Ratio of LE, MLE and FCE. Years 1999 – 2008



Source: Authors' calculations based on Mediobanca data

Figure 10 shows instead the ratio between EBIT and the value added in the period 1999-2008.

Figure 10 – EBIT/VA Ratio of LE, MLE and FCE.Years 1999 – 2008



Source: Authors' calculations based on Mediobanca data

The EBIT/VA ratio, shown in Figure 10, reveals the industrial margin that the three categories of firms are able to produce. This ratio shows higher values for the MLE than LE and also a less variable trend with values that are always positive. The profitability indicators, on the whole, show a relatively better *performance* by the MLE with respect to the LE and also, in many case, to the FCE. Finally, as regards financial data, is often claimed that Italian industrial enterprises have a certain fragility in financial terms and are overly dependent on bank credit. If we look at the data on short-term financial debt and on self-financing contained in Table 3, we can say that there has been a more marked growth of short-term debt for the MLE compared to FCE and LE in the period 1999-2008, in particular since 2005. Self-financing has been an item always positive, despite ups and downs, for the MLE, unlike the LE which reported negative values. Yet, on the whole, the MLE show financial soundness as their ownership structure, usually in the hands of the founding family[22], which has demonstrated a good ability to finance the investment. Certainly remains the open question about the future prospects of these enterprises and the real possibilities of the ownership to finance their development through innovation and greater internationalization, since both things require more and more challenging investments.

Conclusions.

This contribution has highlighted the innovation model that seems to characterize the enterprises of the "fourth capitalism". This model is based on the integration between process and product innovation, on the strong focus on customer that requires innovation in the organization, in marketing strategies and in the cognitive positioning of these products. A model of innovation strongly related to internationalization that requires sunk fixed costs associated, for example, to the construction of settlements abroad and, therefore, pushes firms to innovate to recover those fixed costs, along a virtuous circle. The enterprises of the "fourth capitalism" therefore, follow a complex strategy towards internationalization, where innovation plays a key role, but equally important are the flexibility and specialization of production, because such factors drive the investment choices and the decisions to produce abroad. The commercial dimension, that carries out these firms to focus on product quality and point to the direct supervision of foreign markets, is no less important. It also leads to look with great attention to customers, offering them a wide range of services and requires considerable investment assets.

In addition, this work has offered, using mainly a data set on Italian industrial firms provided by the Research Unit of Mediobanca, a descriptive analysis on the performance of enterprises of the "fourth capitalism". These enterprises show a high propensity towards foreign markets and, in general, internationalization, supported in turn by their capacity for innovation and flexibility of their organization. In particular the data, shown above and related to the period 1999-2008, pointed out the continued revenue growth, high and increasing export propensity, a significant earning capacity. This confirms a continuous innovative activities, particularly focused on the product and a great attention to customers and their needs. The analysis of the data, albeit at a descriptive level, was instrumental in demonstrating that the performance of the enterprises of the “fourth capitalism”, with respect to the indicators examined, it is undoubtedly good and, in general, better than that of large enterprises (LE). This fact has made possible the success of the enterprises of the fourth capitalism” on foreign markets and in particular on important global niches, also contributing to the visibility and dissemination of products *"Made in Italy".* So the enterprises of the “fourth capitalism” have become, in the evolution of time, the protagonists in the global competition and, for this reason, they often take on the characteristics of true multinational firms.

Of course, within this attractive and fairly positive representative framework, which shows a good competitive ability of Italian multinationals of the "fourth capitalism", there are internal weaknesses such as, for example, an underlying trend growth in debt. But are especially some critical points external to the firms to weigh on their ability to operate and compete. Among these, particularly the high cost of bureaucracy, a higher level of taxation that Italian multinationals of the “fourth capitalism” have to suffer in relation to other European and international competitors, the insufficient support and assistance from government institutions to companies operating in foreign markets, especially in emerging or poorly explored. Other factors that hamper the competitiveness of Italian mutinationals are the difficulty in finding qualified human capital in the labor market due to inadequate training policy oriented to enterprises, the lack of a coherent and comprehensive policy for growth in a country that is growing very little over the last decade. The weak growth of Italy but also the trade deficit in our balance of payments, which reveals a long-term erosion of the external accounts, should lead to a debate on competitiveness policies.

Nevertheless, multinational enterprises of the "fourth capitalism", in the narrowness of their weight relative to the whole Italian production system, are the protagonists of global markets, striving to keep pace with innovation and the evolution of knowledge, trying to restructure and reorganize production, showing great attention to costs and quality, constantly reorganizing networks and supply chain and business strategies best suited to capture the new demand signals, just today in this post-crisis that inevitably will mark a new position on foreign markets for many of these enterprises.

[22] About 70% of the share of firms of the fourth capitalism is in the hands of the owner family since their origin.

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