Eurofound

Restructuring in SMEs: Italy

Click for contents

Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
email: information@eurofound.europa.eu - website: www.eurofound.europa.eu

Contents

Introduction

Small and medium-sized enterprises are different from larger enterprises in that they tend to attract less funding and therefore encounter more difficulties in investing in technology and in implementing innovative technological processes. They also tend to have limited managerial capacities due to their organisational and governance structure, and they are characterised by lower productivity. Nonetheless, their size also means that they have greater flexibility compared with their larger counterparts: this implies that SMEs are more able to respond to markets and customers' demands. For these reasons, restructuring in SMEs can be substantially different from restructuring in larger companies. Furthermore, SMEs are, typically, family-run; in many cases, ownership and management are concentrated in the same person. Often there is great friendship and trust between the owner and the employees, as the enterprise is often seen as a big family. This makes decisions involving job cuts during restructuring, or even short-time working schemes, very hard to make, especially as the entrepreneur often views the business as a lifetime project where all their time, money and life have been invested.

There is a substantial body of literature on company restructuring, especially regarding crisis turnaround and internationalisation. However, there is limited research on restructuring in SMEs, and most literature about this seems to focus on SMEs' internationalisation.

Furthermore, in the Italian literature, the definition of SMEs does not always reflect the European Commission's definition (enterprises employing fewer than 250 employees). A number of studies, for example, refer to medium-sized enterprises as those employing between 49 and 499 people (for example, Mediobanca Unioncamere, 2011). At the same time, much of the Italian Labour Law provisions use 15 employees as a threshold, with medium-sized and large enterprises being defined as those employing more than 15 employees. This implies that observing the effects of support measures by firm size can be difficult for those enterprises employing fewer than 15 employees. For these reasons, while SMEs are the backbone of the Italian economy, and restructuring is a topic of public debate, there is not often explicit reference to SMEs. In particular, and even more so in times of recession, there is quite an animated debate on what measures can be used to help firms restructure that have the least effect on employees. Indeed, while there has always been a public debate on SMEs' restructuring and support in terms of business expansion and internationalisation, the public debate on the kind of restructuring that might negatively affect employment has been more prominent since the economic recession. This has resulted in the extension of support measures to SMEs that enable restructuring without impacting on employment levels.

Italian SMEs

The Italian economic structure is based almost entirely on micro, small and medium-sized enterprises (Istat, 2009). In 2009, Italy had over four million enterprises in industry[1], services and construction, employing almost 17 million employees, and with an average size per firm of only 3.9 employees. In fact, 99.9% of Italian enterprises are micro, medium and small enterprises employing less than 250 employees. Micro enterprises (fewer than ten employees) represent 94.8% of all Italian enterprises and they alone employ almost half of the total active Italian workforce (47.5%). Micro enterprises have a turnover of over €675 million and they produce almost one third of the added value produced by all Italian enterprises. In fact, in order to stress the importance and incidence of micro enterprises within the Italian productive system, a number of studies started to refer to Italian SMEs as micro, small and medium-sized enterprises, (MSMEs). In Italy there are also 200,000 small enterprises (10–49 employees) employing 3.5 million employees, producing €617,919 million in turnover and €141,535 million in added value. Medium-sized enterprises (50–249 employees) employ over two million employees, in a total of 21,962 enterprises. They produce a turnover of €538,593 million and an added value of €102,915 million.

[1] The Italian national institute of statistics ISTAT classifies industry as economic activities under mining and quarrying, manufacturing, utilities.

Table 1: *Italian enterprises in industry, services and construction, 2009*

Number of employees	Number of enterprises	Employees	Average dimension	Turnover (€ million)	Added value (€ million)
0–9	4,156,913	8,060,699	1.9	675,614	194,288
10–19	144,957	1,899,652	13.1	296,690	69,189
20–49	56,210	1,672,930	29.8	321,229	72,346
50–249	21,962	2,124,303	96.7	538,593	102,915
250+	3,502	3,202,958	914.6	816,406	191,414
Total	**4,383,544**	**16,960,542**	**3.9**	**2,648,532**	**630,153**

Source: *Istat, 2011b.*

Almost all service sector enterprises in Italy are SMEs (there are 3,305,187), employing over 8.5 million people. Service sector SMEs also employ more people than SMEs in any other sector and produce the largest total turnover (€1,088,257 million) and the largest added value (€249,440 million). Although the majority of SMEs in construction are micro enterprises (94.8%), the majority of employees are employed in small enterprises (1,344,635). Large enterprises (250 or more employees) produce the highest turnover (€417,629 million) and added value (€81,014 million) (Istat, 2011b).

Table 2: *Italian enterprises per sector of economic activity, 2009*

Sector	Number of employees	Number of enterprises	Employees	Turnover (€ million)	Added value (€ million)
Industry	**0–9**	370,168	1,046,624	100,971	26,517
	10–19	48,233	645,125	91,691	23,628
	20–49	23,248	699,510	128,928	31,302
	50–249	9,936	967,231	259,815	53,082
	250+	1,495	1,109,871	417,629	81,014
	Total	**453,080**	**4,468,361**	**999,035**	**215,543**
Construction	**0–9**	591,475	1,222,707	74,707	28,575
	10–19	23,422	302,002	32,244	10,790
	20–49	6,861	197,507	28,222	8,007
	50–249	1,512	132,012	27,291	7,399
	250+	85	57,129	27,291	4,261
	Total	**623,355**	**1,911,357**	**181,150**	**59,031**
Services	**0–9**	3,195,270	5,791,368	499,936	139,196
	10–19	73,302	952,525	172,755	34,771
	20–49	26,101	775,913	164,079	33,037
	50–249	10,514	1,025,060	251,487	42,435
	250+	1,922	2,035,958	380,090	106,139
	Total	**3,307,109**	**10,580,824**	**1,468,347**	**355,579**

Source: *Istat, 2011b.*

A study on Italian manufacturing SMEs carried out by the Istituto Tagliacarne (2011) shows that:

- 18% of Italian SMEs are involved in metal manufacturing;
- 12.5% are involved in food manufacturing;
- 8.2% are involved in clothing manufacturing;
- 7.9% are involved in wood and wooden products manufacturing.

Furthermore, SMEs are also dominant in sectors characterised by economy of scale. SMEs represent:

- 89.3% of the entire pharmaceutical manufacturing;
- 95.4% of the entire auto-manufacturing;
- 95.7% of the entire coke production and oil refining;
- 98.5% of the chemical industry.

In terms of geographical distribution, manufacturing SMEs tend to be more concentrated in a few regions in the centre and north of Italy, than in the south. Nonetheless, looking at the specific sizes of SMEs, it can be observed that, in the south there is a tendency to establish micro enterprises. For example, in Calabria micro enterprises comprise 93.6% of the total number of enterprises in the region, while in Sicily and in Sardinia these figures are 91.8% and 91.4%, respectively. However, in north western regions, there is a tendency to establish medium-sized enterprises: while 2.1% of total manufacturing enterprises in Italy are medium-sized enterprises, in north west regions medium-sized enterprises are 3% or more.

In north eastern Italy there is a concentration of SMEs involved in mechanical manufacturing (37% of the total) and furniture manufacturing (33.2%). In the south there is a high concentration of SMEs involved in mining and quarrying (54%), in food (44.9%) and beverage manufacturing (45.8%), while in central regions there is a high incidence of SMEs involved in the manufacture of leather goods (55%) (Ministero dello Sviluppo Economico, 2011).

In terms of employment levels in manufacturing SMEs:

- the metal products sector employs the most people (17.9%);
- mechanics (10.5%);
- food manufacturing (9.7%);
- clothing (6.7%);
- non-metallic minerals (5.7%).

In terms of geographical distribution, northern regions employ the vast majority of the total workforce employed in manufacturing SMEs. For example, Lombardy employs 25% of the total SME workforce in the country. However, it must be underlined here that southern regions have specialised in activities other than manufacturing, such as construction and particularly services (generally traditional). Among the southern regions, 4.9% of the total manufacturing SME workforce is employed in Calabria and 4% in Puglia. Nonetheless, it is important to highlight how in southern regions the majority of the regional workforce is employed in manufacturing SMEs. For example, in Calabria, 97.7% of the total regional workforce is employed in SMEs. In the northern and central regions, SMEs employ, in general, between 60% and 70% of the total workforce in the region. This implies that large enterprises have a more important role in terms of employment levels in northern and central regions, than in the southern regions. (Istituto Tagliacarne, 2011)

Finally, in terms of governance, a survey coordinated by the Confindustria's research centre Centro Studi (CSC) and carried out by Demos and Pi on a sample of 508 manufacturing SMEs associated to the employers' organisation Confindustria shows that:

- over half the sample (55.1%) are family-run;
- ownership and control tend to be concentrated;
- decision making is more centralised;
- governance tends to stay within the family even when next generations become involved in the firm.

This survey also showed that:

- 37.7% of enterprises had fewer than 20 employees;
- 32.7% had between 21 and 50 employees;
- the remaining 29.6% had more than 50 employees;
- over 33% declared a turnover of less than €5 million in 2010;
- 14.4% declared less than €1 million in turnover;
- 19.9% of SMEs declared a turnover of €5 to £10 million;
- 27% of SMEs in the sample declared more than €10 million in turnover (Corò and Gurisatti, 2011).

Relevance of different types of restructuring for SMEs

Overview

Internal restructuring can be seen as the primary type of restructuring for SMEs as, by doing this, firms can:

- reduce costs;
- apply processes of rationalisation;
- temporarily safeguard employment levels with the support of the wage guarantee fund (CIG).

During the crisis, the relevance of internal restructuring increased dramatically and in many cases, when the procedure did not reach the set aims, there were mergers and acquisitions, as well as a rise in bankruptcy and closures. Not much literature is available on relocation, as this has always been seen as standard practice for a firm that wants to reduce costs, although during the crisis it was observed that a number of enterprises decided to relocate in order to flee from creditors.

Most of the literature on SME restructuring focuses on internationalisation, especially in terms of export and commercial and trade agreements with foreign partners, as strategies aiming at business expansion. Also, international outsourcing is often used as a tool for internationalisation either with the aim of expansion in foreign markets or of reducing costs. In order to reduce production costs, Italian SMEs have also been quite active in delocalisation and offshoring.

Finally, a substantial part of the literature available on restructuring in SMEs focuses on enterprise growth, in terms of size and output via innovation, access to credit and growth on foreign markets.

Relocation

As briefly discussed above, there is not a great deal of literature on relocation, as this strategy has been often regarded as the result of an event such as a merger or a fusion or a division of an enterprise, or simply as necessary for reducing costs. In the last five years, though, data from the Cerved Group (2010) show that over 70,000 Italian enterprises, of all class sizes, relocated, and of these the majority were limited liability companies (58%), followed by individual companies/sole traders (24%) and general partnership (13%). Furthermore, the data showed that, in the last few years, relocation has also been used as a way of escaping creditors. In fact, Cerved's econometrical model shows how those enterprises that relocated have a 24% greater chance of going bankrupt within a year, than those that did not relocate. Moreover, those enterprises that relocated more than once within a year have an 85% greater chance of going bankrupt than their counterparts that did not relocate.

Outsourcing

Traditionally, outsourcing in Italian SMEs has been explained as a strategy to overcome the inherent limits of SMEs size in order to exploit economies of scale. However, this does not properly represent a restructuring tool. Moreover, there is not much literature on outsourcing. Results from Confindustria's 'Focus Group' study carried out by the Centro Studi Confindustria CSC (Arrighetti et al, 2011) recorded the experience of 450 Italian manufacturing SMEs that have implemented challenging, but successful strategies, highlight that only 11.1% of SMEs with fewer than 50 employees, and 10.6% of SMEs with 50–249 employees have outsourced activities previously done by the SME. However, it is interesting to note that these data show higher figures than those for larger enterprises in the sample (10.2%). This implies that, in general, outsourcing might not be seen as a common strategy in Italian firms.

However, in the context of restructuring, outsourcing seems to be quite relevant to Italian SMEs as a tool for internationalisation. Data from the Istituto Tagliacarne (2011) on a sample of 602 manufacturing SMEs involved in some sort of internationalisation process show that, at the beginning of 2011, almost 30% of Italian manufacturing SMEs said they had implemented some sort of international outsourcing process. In this context, outsourcing agreements can be horizontal (56.7%) when the SME outsources to its partner company the distribution of final goods destined to the end consumer. Obviously, these kinds of agreements can go in the opposite direction (21.3%), when the foreign enterprise outsources to an Italian partner the distribution of final goods destined to the end consumer. Outsource agreements are instead called vertical (19.1%) when the partner company supplies intermediate goods to be used in the productive chain. In terms of sectors, ‘Meccatronica’ (Mechanics, Electronics, Transport) is the one to have the most outsourcing agreements (33.2%), compared with 29.8% of SMEs in chemicals and 25.7% in the ‘Made in Italy’ sector (clothing, leather goods, textiles, wood and furniture manufacturing, and print).

Offshoring/delocalisation

Processes of delocalisation have been taking place since the 1930s, when FIAT offshored production of some of its models to Poland and to the former USSR (the so called Togliattigrad). Piaggio did the same and still, today, produces its Vespa motor scooters in India. Nonetheless, these are cases of large multinational companies while the majority of the Italian enterprises are micro, small and medium-sized. For SMEs, the process of globalisation has been implemented in terms of the internationalisation of their products. This type of strategy runs counter to the traditional model of placing the factory next to the consumer. Instead it looks at efficiency in logistics and transport, fiscal regimes, relevance and pressure of trade unions, and the cost of labour. For these reasons, the delocalisation of Italian firms is low-cost seeking and concentrated in those sectors without high added value, and it is especially used in the textile and clothing sector. In the 1930s Tuscan SMEs started to offshore part of their textile and leather production, while in the late 1940s SMEs in the Veneto region started to offshore production to Romania, given they had already experienced internationalisation with its abundant use of Slovenian labour. In both cases, the main reason for delocalisation was to reduce costs. Indeed, SMEs started increasingly to offshore the simplest and more labour-intensive phases of their production to foreign countries, while the design, quality control and trade mark were kept in the Italian units in order not to damage the label’s public image. In fact, SMEs in Marche and Tuscany off-shored part of their low and medium-level production, while maintaining their elite production in Italy. However, SMEs in Veneto off-shored all their production phases to Romania. Nonetheless, in general, it can be said that 90% of SMEs’ delocalisation involve labour-intensive, low-end productive phases (Giusti, 2007).

Anyway, due to their small size and consequent difficulty in attracting financing and in finding the necessary information on legislation and bureaucratic processes, Italian SMEs have difficulties in implementing processes of delocalisation and offshoring, and therefore do not use these strategies much. This emerges also from the results of the CSC-Demos and Pi survey (Corò and Gurisatti, 2011) as 70% of enterprises declared that their trade relations with foreign markets were limited to the sale of goods, with 25% saying they buy intermediate goods and raw materials from foreign markets. Only 11.8% of the enterprises in the sample said they had created commercial units abroad, while only 7.2% said they had created production units. In fact only one quarter of enterprises in the sample (with more than 50 employees) said they had a commercial unit abroad, while only one sixth had production units abroad. Moreover, fewer than 10% of enterprises said they had implemented delocalisation processes and 70% said they would not consider it.

Bankruptcy/closure

When profits start to fall and enterprises are in difficulty, companies might be left with no other option but to close down or, if unable to repay creditors, to declare bankruptcy.

Data in the Cerved Group archives (Cerved, 2012) show that, after a decline in the rate of bankruptcies in 2006 and 2007, due to a reform of the bankruptcy procedures that excluded a significant number of micro enterprises from the provisions of the procedure, the economic crisis resulted in a continued and prolonged increase in the number of bankruptcies. Between 2009 and 2011 almost 33,000 enterprises, of all class sizes, were declared bankrupt. These enterprises employed over 300,000 workers. Between October and December 2011, there were 3,500 new applications for bankruptcy; 1.9% more than those recorded in the fourth quarter of 2010. This represents the fifteenth continuous quarter in which bankruptcies increased. In total, in 2011, there were over 12,000 bankruptcies, an increase of 7.4% compared with the 11,000 bankruptcies recorded in 2010 (that in turn was 19.8% higher than those bankruptcies recorded in 2009). In 2011 compared with the previous year, bankruptcies have increased among all limited liability SMEs. Bankruptcies have increased by 2.5% in micro enterprises, by 3.5% in small enterprises and by 6.6% in medium-sized enterprises.

Data for 2011 show that the use of 'Concordato Preventivo', an agreement between the entrepreneur and creditors aimed at avoiding bankruptcy, decreased for all SMEs apart for those small enterprises with a turnover of €2 million to €10 million, where it remained stable (0.3%). In particular, the use of this instrument among micro enterprises decreased by 22.4% (Cerved group, 2012). In January 2012 a new law established a new instrument to support those micro enterprises not regulated by the provision of the bankruptcy law. These micro enterprises in difficulty are now able to reach a similar agreement with their creditors (*PMI.it*, 2012a).

In terms of closures, data from the Movimprese database collected from the Chambers of Commerce Unioncamere (Ministero dello Sviluppo Economico, 2011) show that in the first semester of 2011 there have been almost 232,000 new enterprises starting up, almost 30,000 more than the 202,559 enterprises that ceased to exist. It is also interesting to note that the number of those enterprises that closed, although showing a marked increased between 2006 and 2007, remained stable and actually decreased slightly between 2007 and 2010, although it increased slightly once more in 2011.

Table 3: *Growth and mortality of Italian enterprises, by year*

Year	Registered enterprises*	New enterprises	Ceased to exist	Net
2006	6,125,514	246,755	206,171	40,584
2007	6,123,272	258,754	232,665	26,089
2008	6,104,067	243,179	228,124	15,055
2009	6,085,105	216,248	218,948	-2,700
2010	6,109,217	230,400	199,360	31,040
2011**	6,119,975	231,880	202,559	29,321

* It must be underlined that the definition of enterprise adopted by Unioncamere is different from the definition adopted by ISTAT and for this reason Unioncamere records about six million enterprises in 2011 against 4.3 million enterprises recorded by ISTAT in the same year.
** data at 30 June,2011
Source: *Ministero dello Sviluppo Economico, 2011*

However, there are signs of difficulties for artisan SMEs, as in the first semester of 2011, there were 4,000 fewer new enterprises than the number of those that closed. Nevertheless, it is important to notice that while, once again, the number of enterprises that ceased to exist remained quite stable at the peak of the crisis (2007–2009), the number of closures has decreased dramatically since 2010 and resumed pre-crisis values by 2011. On the other hand, since the onset of the recession in 2007, the number of new artisan enterprises decreased dramatically, implying that the difficulties are due to a decreasing number of artisan start-ups rather than to the mortality of existing enterprises.

Table 4: *Growth and mortality of Italian artisan enterprises, by year*

Year	Registered enterprises*	New enterprises	Ceased to exist	Net
2006	1,483,957	67,831	68,746	-915
2007	1,494,517	78,019	74,017	4,002
2008	1,496,645	71,365	74,095	-2,730
2009	1,478,224	61,160	75,692	-14,532
2010	1,470,942	62,316	70,331	-8,015
2011**	1,464,322	64,292	68,493	-4,201

* It must be underlined that the definition of enterprise adopted by Unioncamere is different from the definition adopted by ISTAT and for this reason Unioncamere records about 6 million enterprises in 2011 against 4.3 million enterprises recorded by ISTAT in the same year.
** data at 30 June, 2011
Source: *Ministero dello Sviluppo Economico, 2011*

It is also important to underline that the Movimprese database, compiled and managed by Unioncamere, collects the details of registered and closed enterprises by sector and geographical distribution, regardless of their size. However, given the high prominence of micro, small and medium-sized enterprises in the Italian system, these data can be a good indicator for micro enterprise and SME developments.

Mergers and acquisitions

Merger and acquisitions are ways of restructuring, both for expansion, as they enable enterprises to grow, even with a lack of liquidity, and for companies in crisis, as they allow a more rational use of facilities and as a result a better distribution of fixed costs.

There is not much literature on the relevance of mergers and acquisitions for SMEs as they seem to be used more by larger enterprises, especially the acquisition of foreign companies. Results from Confindustria's focus group study (Arrighetti et al, 2011) show several interesting comparisons.

- Only 6.2 % of SMEs with fewer than 50 employees and 14.8% of SMEs with 50–249 employees have acquired foreign companies operating in the same or similar sector (compared with 46% of larger enterprises).
- Only 11.1% of SMEs with fewer than 50 employees and 19% of SMEs with 50–249 employees have acquired an Italian company operating in the same or similar sector, compared with 27% of larger enterprises.
- Only 14.8% of SMEs with fewer than 50 employees and 10.6% of SMEs with 50–249 employees have established a partnership with other Italian companies, compared with 15% of larger enterprises.
- Only 12.3% of SMEs with fewer than 50 employees and 14.8% of SMEs employing 50–249 employees have established partnerships with foreign companies, compared with 28% of larger enterprises.

Most of the literature on the topic seems focused on joint ventures and aggregations of activities or projects, especially as a growing strategy in internationalisation, rather than on firms' mergers/acquisitions.

Internal restructuring

As already discussed, given the prominence of the Italian system of social shock absorbers in the management of the restructuring process, internal restructuring appears to be the first strategy in cases of restructuring not characterised by business growth. In fact, by internally restructuring, enterprises can try to reduce production and workforce costs, while maintaining their workforce. The current economic crisis has hit Italian SMEs hard. Between 2007 and 2009 their turnover decreased by 12%, and despite an improvement in 2010 (+4.4% for medium-sized enterprises), their turnover is still at 2007 levels. Micro and small enterprises were the hardest hit. As a result, in order to compensate for the loss of revenue, SMEs implemented restructuring processes aimed at reducing costs including labour costs via internal restructuring (Romano and Schivardi, 2011).

In order to facilitate enterprises' need to restructure, the Italian system provides for social shock absorbers based on a wage guarantee fund (*Cassa Integrazione Guadagni*, CIG), which allows enterprises facing difficulties to reduce temporarily the number of worked hours, while preserving employment numbers. Employees in CIG receive a wage supplement for the non-worked hours. CIG, the main instrument available, is managed by the National Social Security Institute (INPS) and mainly used by enterprises with more than 15 employees in the manufacturing and construction sectors. The system operates two different schemes: the ordinary wage supplement (*Cassa Integrazione Guadagni Ordinaria*, CIGO) and the extraordinary wage supplement (CIGS), the latter specifically aimed at enterprise restructuring, with the alternative of the solidarity contract (*Contratto di Solidarietà*). A second system aims at maintaining jobs in the small businesses and craft sectors, which do not have access to the CIG system. These bilateral bodies (*enti bilaterali*), jointly managed by social partners, pay specific subsidies, as an integration to the unemployment benefit, to workers in the event of working hours reduction or suspension, with the contribution of the Employment Fund managed by the Italian Ministry of Labour and Social Policies (Salvatore, 2010).

The CIG proved to be a very effective tool in terms of meeting the needs of companies facing difficulties, as it enables companies to undertake restructuring while retaining jobs, at least in the short run. Data from ISTAT show that the use of CIG has differed quite notably for firm size, and hours of CIG have increased more rapidly in larger enterprises (500+ employees) than in smaller enterprises (10–499 employees).

In particular, large industrial enterprises reached a peak of 116 hours of CIG for 1,000 hours worked in the second trimester of 2009, while in the second trimester of 2010 the value went down to 80 hours of CIG for 1,000 worked hours.

Smaller industrial enterprises implemented a more gradual use of the CIG up until end of 2009 (facilitated also from the extension of applicability of the CIG, especially of CIG in derogation, CIGD), reaching a level of 80 hours of CIG for 1,000 hours worked by the last quarter of 2009. By the end of 2009, the use of CIG started to decrease and by the end of 2010 it stabilised at a level of 50 hours of CIG for 1,000 worked hours.

CIG is generally less used in the service sector and, up to the third quarter of 2008, on average only two hours of CIG for every 1,000 hours worked were used. However, by end of 2008, the use of CIG in the service sector started to increase, although this stabilised in 2010.

The incidence of CIG increased firstly in large enterprises: from an average of two hours of CIG for 1,000 worked hours, by the third quarter of 2008, to eight hours of CIG in 2009 and 2010.

Smaller enterprises resorted to CIG more gradually but, due to the extension of CIGD, implemented in the second half of 2009, smaller enterprises resorted in 2010 to using more hours of CIG than their larger counterparts (Istat, 2011a).

Business expansion

Although restructuring processes have been traditionally associated with job losses, restructuring, as understood in this project, can also have a positive aspects and result in business expansion.

Results from Confindustria's focus group study (Arrighetti et al, 2011) outline that the large majority of SMEs have a strong desire for growth as they believe it is crucial for:

- obtaining more resources for research and development and innovation;
- acquiring a stronger presence in foreign markets.

Growth and change are particularly necessary for micro and small enterprises with 32.1% of them stating that it was necessary for their survival, and 18.5% of them stating that it was necessary in the long-term in order to guarantee their competitiveness. Moreover, 26.1% of medium-sized enterprises (50–249 employees) declared that growth was necessary for their survival, while 31.7% said it was necessary in the long term in order to guarantee competitiveness.

These results are consistent with those drawn from the CSC-Demos and Pi survey (Nardozzi and Paolazzi, 2011). Here, it clearly emerged that all enterprises understood the added value of growing. This was to:

- increase productivity (53.9%);
- reach economies of scale to be able to invest consistently in research and development (65.8%);
- to have greater presence in foreign markets (62.2%);
- to control and manage the markets in a more efficient way through commercial networks (67.5%).

Moreover, only 13.5% of the SMEs in the sample said they were happy with their size.

A study by Mediobanca Unioncamere (2011) showed that there is a very high number of medium-sized enterprises[2] that increase or decrease their size. Some 20% of enterprises in Italy are dynamic (the number of those expanding between 2001 and 2008). Even if there are fewer of these enterprises than stable enterprises (50% of the sample) or those that downsize, they still contribute to the creation of added value and new employment, which compensate for the losses of static and diminishing enterprises. Furthermore, there is a greater proportion of dynamic enterprises among small enterprises. According to the Mediobanca Unioncamere study, the factors contributing to an increase in size are:

- innovation in terms of products and processes;
- strengthening and modernisation of the governance system (separating the shareholders and the management);
- presence in international markets.

Furthermore, it seems that dynamic enterprises are younger: they have, on average, been operating for fewer than seven years, and they have a CEO who is younger than 45.

[2] As already mentioned here it is important to underline that contrary to the EU definition of SMEs, in the Mediobanca Unioncamere study medium-sized enterprises are those enterprises employing between 50 and 499 employees.

These results are consistent with those reported in Barba Navaretti et al (2011). The employers' organisation Confindustria, using information from Bureau van Dijk, a publisher of company information and business intelligence (which had collated a sample of 14,911 European manufacturing enterprises in seven European countries[3], from the Efige and Amadeus datasets) estimated the trend of these enterprises in terms of size variation for the years 2001–2008. Enterprises were thus grouped into six size classes:

- 10–15 employees;
- 16–29 employees;
- 30–49 employees;
- 50–99 employees;
- 100–249 employees;
- 250 employees or more.

As a result, those enterprises which went into the next size class are called upsizers, those which stayed in the same class were called persistent and those which fell into a lower class were called downsizers. Results of these estimates outline that, in Italy between 2001 and 2008, 44% of enterprises employing between 16 and 249 employees were downsizers, compared with an average of 25% in the UK, Spain and France. This is observed for all Italian enterprises in the sample, apart from those enterprises employing between 10 and15 employees, which mainly seem to be persistent (70%), although 30% of them were upsizers. Almost 50% of those enterprises with 16–29 employees were downsizers in the years considered, and only 10% of them were recorded as upsizers. Furthermore, 20% of enterprises with 30–49 employees were upsizers, while those enterprises with 50–99 and 100–249 employees seem to be mainly persistent (over 50% in both cases), and the percentage of those enterprises increasing in size is less than 10% for both.

These results are interesting since, in literature, it is often argued that growth is associated with investments in activities with high fixed costs, which is difficult for small enterprises to implement, while data here show that the highest percentage of upsizing enterprises in the years considered was reported for SMEs with 10–15 employees, which traditionally are regarded as having fewer resources to attract finance.

Considering employment levels, a total of 17,000 new jobs were created among all European enterprises between 2001 and 2008; of these 4,100 new jobs were created by Italian enterprises. Even though it might be obvious that business expansion creates new jobs, one must consider that even those enterprises remaining in the same size category can still contribute to the aggregated number of new jobs created.[4]

Moreover, it can be interesting to analyse if, and to what extent, the creation of new jobs can offset the destruction of jobs due to downsizing enterprises. Considering those enterprises with 16–249 employees, once again the highest contribution to employment growth comes from upsizing enterprises (10%), while downsizers and, to a lesser extent, persistent enterprises destroy jobs by 15% and 2.5% respectively. Considering also large enterprises (250+ employees) it can be observed that while the highest contribution to employment growth is still given by upsizing enterprises (11%), persistent enterprises also contribute substantially to the creation of new jobs (by about 7.5%). This implies that new jobs

[3] Italy, France, Spain, UK, Germany, Hungary, Austria.

[4] Here it must be stressed that also the opposite can hold true.

are created in persistent enterprises only when these are large (250+ employees). Indeed, in 2001–2008 among Italian SMEs new jobs were created only by upsizing enterprises and those new jobs were not enough to offset the negative impact on employment levels of persistent and downsizer enterprises.

From an econometrical analysis the authors were able to show that dynamic enterprises were substantially different from the other types of enterprises as they:

- are younger by about 30%;
- have a higher labour productivity (20%);
- pay on average higher wages (10%);
- have a more complex governance;
- their CEOs are younger;
- have implemented innovation in products and processes;
- are present on several foreign markets.

The CSC-Demos and Pi survey (Corò and Gurisatti, 2011) furthermore highlights how many efforts in business expansion have been channelled through internationalisation processes. Among the sample of 508 manufacturing SMEs associated with Confindustria:

- 32.6% of the total value of production seems to be generated from sales on international markets;
- 18% is gained from sales on regional markets within Italy;
- almost 50% of the turnover seems to be generated from national sales.

Nonetheless, internationalisation does not depend only on firm size. Indeed it is interesting to note that the latest generation of entrepreneurs (those aged under 30) is more likely to open a commercial unit abroad (15.3%) and to outsource production to foreign suppliers (29.4%) than the average.

In terms of turnover by sector, 50.6% of turnover in 2011 for ‘Meccatronica’ was achieved abroad, while for ‘made in Italy’ and chemical sectors it was at about 37%. In particular, SMEs argued that the improvement in the turnover originating from international activities was mainly due to:

- an increase in the demand (64.8%);
- better quality and wider range of products (30.4%);
- access to new markets (22%);
- more competitive prices (17.6%);
- better knowledge of market opportunities (11%).

The majority of SMEs with international activities maintained stable employment levels (also helped by the Italian social shock absorbers), while 21.6% of those SMEs decreased their employment and 16.1% increased their employment levels (Istituto Tagliacarne, 2011).

Drivers of restructuring

The main drivers for restructuring seem to be not only the survival of the firm but also a desire for growth, especially in terms of increased turnover.

In terms of their specific objectives, the results of Confindustria's focus group study (Arrighetti et al, 2011) outlined that the main intermediate objectives of the sampled SMEs that had successfully restructured were:

- production diversification (42% micro and small enterprises and 55.6% medium-sized enterprises);
- expansion on foreign markets (22.2% micro and small enterprises and 33.1% medium-sized enterprises);
- improve the quality of their products (32.1% micro and small enterprises and 32.4% medium-sized enterprises);
- marketing and emphasis on the trademark (24.7% micro and small, enterprises and 28.7% medium-sized enterprises);
- upgrade in production upgrading (25.9% micro and small enterprises and 33.8% medium-sized enterprises).

However, in terms of final objectives:

- 49.4% of small enterprises and 49.3% of medium-sized enterprises said they were driven by the desire to expand their turnover;
- 14.8% of small enterprises and 23.9% of medium-sized enterprises aimed at increasing their added value and productivity;
- 18.5% of small enterprises and 14.1% of medium-sized enterprises were looking to improve their profitability;
- 3.7% of small enterprises and 8.5% of medium-sized enterprises were looking to acquire a larger market share.

It is also important to underline the point made in the business expansion section that, when asked to outline the main reasons leading to growth:

- 32.1% of micro and small enterprises and 26.1% of medium-sized enterprises in the sample declared that change was deemed necessary for the survival of the enterprise;
- 18.5% of micro and small enterprises and 31.7% medium-sized enterprises declared that even if change was not necessary in the short term, it would have been necessary in the long term;
- 24.7% of micro and small enterprises and 28.2% of medium-sized enterprises said that change resulted from their desire for growth (Arrighetti et al, 2011).

As regards those SMEs engaged in activities in foreign markets, SMEs involved in internationalisation seem to be mainly driven by the desire to:

- access strategic markets (35%);
- reach efficiency in market distribution (27.6%);
- obtain raw materials more cheaply (17.6%);
- cut costs and bureaucracy (15.1%).

While 27.9% of SMEs said the reason for their delocalisation was lower costs, 22.1% of offshoring SMEs said they were seeking not only lower production costs, but also lower costs due to bureaucracy. In fact, 23.3% of the manufacturing SMEs in the sample declared that apart from those countries offering competitive costs, they chose to delocalise to solid and structured markets where there is a high quality supply, such as North and Central America (Istituto Tagliacarne, 2011).

Distinctive characteristics of restructuring in SMEs

Anticipation, planning and preparation of restructuring event

Restructuring processes can happen at various phases of an enterprise's life. They signal the need for change and if this change is anticipated, planned and properly managed, they can also result in the strengthening of the enterprise.

A well-planned and managed restructuring event may result in an improvement of the skills of the members of the organisation and in the introduction of innovative processes and outputs.

However, there is limited research on anticipation of restructuring in SMEs, and literature suggests that restructuring is often implemented in an unplanned and unanticipated manner. In particular, literature suggests that in restructuring, which negatively affects employment levels, entrepreneurs often do not understand the symptoms of changing situations, often only acknowledging them when it is too late. This is also due to the lack of diagnostic tools; crises are often signalled by phases of decline and, if diagnosed in time, the degenerative process can be stopped and restructuring can indeed represent an opportunity for innovation, progress and growth. However, too often crises happen, not because they are inevitable, but because enterprises do not heed the warning signs. This is the reason why much crisis management literature suggests developing, within firms, a culture of change aimed at facing crisis, not as an extraordinary event but rather as a key element of strategic planning (Arcari, 2004).

Ways of anticipating restructuring are also closely linked with monitoring and identifying structural shifts, particularly with the development of new competences and skills, but also innovation in terms of technology, as well as organisational innovation. However, given the relatively small size of SMEs and the extremely high incidence in Italy of micro enterprises (1–9 employees) it must be highlighted that SMEs not only struggle in finding available resources to implement innovative processes and technologies, but are also less likely to have a proper Human Resources department, a written HR strategy or a clear strategy for staff development. However, these results should not be misinterpreted. Indeed from Confindustria's focus group study it emerges that SMEs recognise the importance of skills development. The survey shows that some competences and skills seem to have a favourable effect on restructuring. In particular, according to the respondents, these were:

- technological competences (24.7% of micro and small enterprises and 24.6% of medium-sized enterprises);
- human capital skills and competences (12.3% of micro and small enterprises, and 13.4% of medium-sized enterprises);
- organisation of production (8.6% of micro and small enterprises and 9.9% of medium-sized enterprises) (Arrighetti et al, 2011).

Table 5 clearly shows that the amount of firms offering training to their staff increases with their size. In general, 84.9% of large firms (500+ employees) offered training courses, either internal or external, to their staff in 2010, compared with only 29.4% of micro enterprises, and 45.2% of small enterprises. The fact that 70% of medium-sized enterprises offered training should not be surprising as, in Italian terms, they are already considered as big enterprises, and they tend to operate in much the same way. It is interesting to highlight, however, that the share of training offered by the public utilities sector is also considerably high for micro businesses (42%) and small ones (62.1%). Notably high shares are also identified in the construction sector (35.1% of micro businesses and 53.8% of small ones) (Isfol, 2012).

Table 5: *Enterprises offering training courses to staff in 2010 (%)*

Sector	Enterprise size					
	1–9	10–49	50–249	250–499	500+	Total
Industry	28.8	42.8	64.6	83.6	84.5	33.2
Strict industry	21.8	38.0	63.6	83.9	85.1	28.9
Public utilities	42.0	62.1	74.3	84.2	88.1	55.7
Construction	35.1	53.8	67.0	81.0	75.4	37.5
Services	29.7	47.6	70.4	80.2	85.1	33.7
Total	**29.4**	**45.2**	**68.0**	**81.3**	**84.9**	**33.5**

Sources: *Unioncamere-Ministero del Lavoro, Sistema Informativo Excelsior, 2011, ISFOL, 2012.*

From Table 6 we can see that the majority of training is aimed at improving and updating skills on current tasks and responsibilities (84.3%), rather than on the acquisition of skills for new tasks and responsibilities (10.1%). This is particularly relevant for SMEs, as Table 7 shows over that 80% of all SMEs that offered some sort of training to their staff in 2010, have offered training aimed at improving and updating competences and skills on current tasks and responsibilities.

Table 6: *Objectives of the training by sector of the enterprise in 2010 (%)*

Sector	No. of firms offering training (% of total)	Aims (%)		
		Train new recruits	Training on current tasks or responsibilities	Training for new tasks or responsibilities
Industry	33.2	5.8	83.2	11.1
Strict industry	28.9	6.8	81.6	11.6
Public utilities	55.7	7.1	83.4	9.5
Construction	37.5	4.8	84.6	10.6
Services	33.7	5.6	84.8	9.5
Total	**33.5**	**5.7**	**84.3**	**10.1**

Sources: *Unioncamere – Ministero del Lavoro, Sistema Informativo Excelsior, 2011, ISFOL, 2012.*

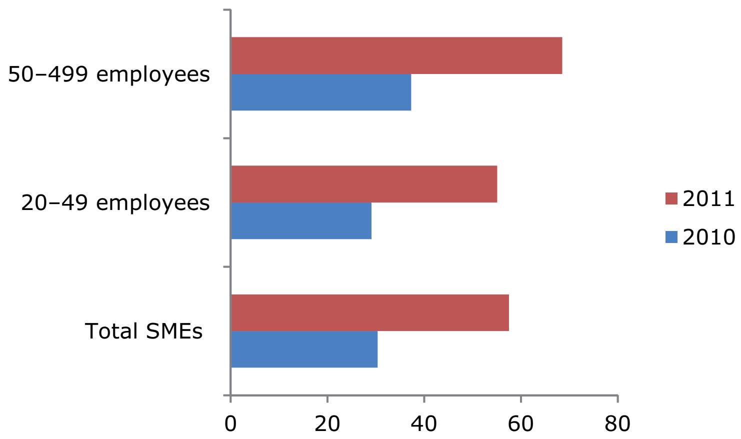
Table 7: *Objectives of the training by size of the enterprise in 2010 (%)*

Size	No. of firms offering training (% of total)	Aims (%)		
		Train new recruits	Training on current tasks or responsibilities	Training for new tasks or responsibilities
1–9	29.4	4.9	84.8	10.2
10–49	45.2	5.1	84.4	10.5
50–249	68.0	5.9	87.7	6.4
250–499	81.3	15.7	71.8	12.5
500+	84.9	20.9	69.5	9.6

Sources: *Unioncamere – Ministero del Lavoro, Sistema Informativo Excelsior, 2011, ISFOL, 2012.*

Furthermore, the report GreenItaly (Unioncamere-Symbola, 2011) says that as a response to the economic crisis, more and more Italian firms, and particularly SMEs, have been trying to improve their competitiveness by investing in innovation. In Italy, in 2010, 30% of SMEs invested in green products and green technologies, with 57.5% of SMEs doing this in 2011[5] (ISFOL, 2012). This trend is also confirmed in the Demos and Pi study by Corò and Gurisatti (2011) where 72.3% of surveyed SMEs declared that environmental issues were an opportunity for business expansion and innovation, rather than a constraint to growth. In particular, as Figure 1 shows, the share of SMEs with 20–49 employees that invested in green products and technologies increased sharply between 2010 and 2011, from about 30% in 2010 to over 55% in 2011.

Figure 1: *Share of manufacturing SMEs investing in green technologies (%)*



Source: *Unioncamere-Symbola, 2011*

Managing restructuring

The majority of restructuring processes in Italy are managed through the use of social shock absorbers, the collective dismissals legislation and the mobility procedure. The main instrument available is a system based on a wage supplement, the wage guarantee fund (*Cassa Integrazione Guadagni*, CIG) managed by the National Social Security Institute (INPS) and mainly used by medium-sized and large businesses (in Italian terms, those with more than 15 employees) in the manufacturing and construction sectors. Within the system there are two different schemes: the ordinary wage supplement (CIGO) and the extraordinary wage supplement (CIGS), with the alternative of solidarity contract (*Contratto di Solidarietà,* CS). A second system aims at maintaining jobs in the small businesses and craft sectors, which do not have access to the CIG system. These bilateral bodies jointly managed by social partners, pay specific subsidies, as part of unemployment benefit, to workers if their hours are reduced or suspended, with the contribution of the Employment Fund managed by the Italian Ministry of Labour and Social Policies.

The CIG is the primary intervention designed to support workers affected by reduced working time and temporary suspension of work. Established in 1947, the CIG plays a key role in the Italian social shock absorber system. It was created after the Second World War to protect the income of industrial workers whose jobs had been destroyed during the war. Its origin, therefore, lies in the safeguarding of workers' income from events that are not the employer's fault. Later, the measure was used to help during temporary market shrinkages and was intended as a means of temporary

[5] These data refer to the study carried out by Unioncamere-Symbola, 2011 and it must be highlighted that for the purpose of this study, SMEs are considered as those enterprises employing between 20 and 499 employees.

income protection for employees, in the expectation that the company and its employees would soon resume normal activity; this is nowadays known as CIG ordinaria (ordinary wage guarantee fund, CIGO). Indeed, CIGO is used when an enterprise reduces or suspends the activity of its entire workforce (or parts of it) due to temporary events which are beyond its control, such as temporary market difficulties, or seasonal weather conditions. CIGO can be used for blue and white collar workers (full-time and part-time) in the industrial sector regardless of the number of employees the firms employs (the crafts sector is excluded), as well as in the construction and building supply sectors (subject to seasonal working time reduction due to the weather) and for workers on fixed-term contract. It does not cover, however, senior executives, temporary agency workers, home workers and apprentices. CIGO pays a wage supplement for non-worked hours equal to 80% of the salary the worker would have earned for full-time employment. Working time may be reduced by a maximum of 40 hours per week and the wage supplement cannot be higher than a monthly ceiling established annually by the Italian Statistics Institute (ISTAT) based on the Consumer Price Index (CPI). The measure can last for a maximum of 13 consecutive weeks, with a possible and exceptional extension to 12 months (52 weeks not necessarily consecutive); in the construction and building supply sectors the benefit can be exceptionally extended to 12 months (52 weeks) only in the event of reduction of the working time, but not if working time is reduced to zero hours worked per week (CIG zero hours). For the same production unit, at the end of the treatment equal to 52 consecutive weeks, it is possible to apply again for the benefit, but only after production has resumed for at least 52 weeks. If the enterprise benefits from the measure for non-consecutive periods, the maximum length of the treatment is for 52 weeks in two years.

To face the crisis, INPS notice No. 58 of 20 April 2009 modified the criteria to calculate the periods during which benefits are paid by CIGO: previously, each week in which there had been even a partial reduction of working hours was counted as a whole week of CIGO, now this calculation is based on the days in which working hours have been reduced. In practice this results in a longer period of CIGO availability. In terms of funding, the CIGO is based on an insurance mechanism and it is entirely financed by contributions paid by the employers, who pay a contribution on all wages to the INPS in order to provide for CIGO. In periods when CIGO is used, the employer pays the wage support to the employees, and then recoups the amount from INPS. Since its introduction, the CIGO budget has always been in surplus and, even during the current crisis, its budget is in balance.

The CIGS is the main measure aimed explicitly aimed at managing restructuring. It was introduced in 1968 to help firms avoid making dismissals. CIGS cannot be used for senior executives, temporary agency workers, home workers or apprentices. It applies to blue and white collar workers (full-time and part-time), employed for at least 90 days in the following enterprises:

- enterprises in the industrial, construction and building supply sectors, with more than 15 workers;
- enterprises in the commerce sector with more than 50 employees;
- publishing companies with any number of employees;
- enterprises in the craft sector with more than15 employees and complying with Law 223/91;
- enterprises in the restaurant and catering sector with more than 15 employees, only if the contracting enterprise is using CIGS;
- enterprises providing cleaning services only if the contracting enterprise is using CIGS;
- service enterprises with more than 15 employees;
- cooperatives with more than 15 employees;
- travel agencies and tour operators with more than 50 employees;

- enterprises providing security activities with any number of employees;
- enterprises operating in air transport and other supporting air transport activities with any number of employees.

It also applies in the following cases:

When the enterprise reduces or suspends its activity due to:

- restructuring, reorganisation or change of activity;
- crisis of the enterprise;
- bankruptcy.

Furthermore, a necessary condition for access to CIGS requires that the enterprise draws up a plan for relaunching production and safeguarding jobs.

The CIGS pays a wage supplement for non-worked hours equal to 80% of the salary the worker would have earned for full-time employment. Working time may be reduced by a maximum of 40 hours per week. The wage supplement cannot be higher than a monthly ceiling established annually by ISTAT based on the CPI. In the event of restructuring, reorganisation or change of activity the measure can last for 24 months, with a possible extension of 12 months that can be granted twice, after two separate applications. In the event of crisis of the enterprise the measure can last for 12 months that can be extended only once for a maximum of 12 months. In the event that the enterprise goes bankrupt, the measure can be used for 12 months and can be extended for six more months.

For each production unit the CIGS cannot be used for more than 36 months in a five-year period, including periods of CIGO due to temporary market difficulties (periods of CIGO for bad weather conditions, natural disaster or other reasons are not included in this limit). This means that the full possible duration of receiving benefits from CIGS (as listed above) for some events is only possible if several units within the company are concerned. As with CIGO, the CIGS is based on an insurance mechanism and it is financed by contributions paid by employers and by the employees. In addition to this, there is a principle of bonus-malus: enterprises using the CIGS have to pay an additional contribution equal to 5% of the wage supplement given to the employees (3% for the enterprises with up to 50 employees). This additional contribution is doubled from the twenty-fifth month of wage supplement. As for CIGO, in periods when CIGS is used, the employer pays the wage support to the employees, and then recoups the amount from INPS.

CIGS is very reactive to economic cycles. In the last few years the crisis has had a huge impact on its use, but historical trends show that, on average, the budget has been balanced. This underlines that CIGS is a well-working self-financing system. The employees to be placed in CIGS must be selected according to specific criteria in compliance with the principle of direct and indirect discrimination. Italian law also provides for mandatory rotations of workers working in the same production unit and with the same duties. If the enterprise fails to comply with this provision without having reasonable organisational and technical reasons, the enterprise is obliged to double its additional contribution, and after the twenty-fifth month of this, the enterprise has to pay an additional contribution equal to 150% of it.

Solidarity contracts (*Contratti di solidarietà*, CS) are an alternative route to the CIG and, in the budget of the INPS, are calculated under the CIGS. CS were introduced in 1984 and are company-level agreements based on the principle of solidarity among all the employees of a productive unit in an enterprise who all reduce, to the same extent, their working hours in order to avoid dismissals (*difensivi*) or to allow the recruitment of new employees (*espansivi*). These contracts can be stipulated by all enterprises having access to the CIGS with the exclusion of:

- senior executives
- temporary agency workers
- home workers
- apprentices
- employees working in the firm for fewer than 90 days
- seasonal workers.

Part-time workers are eligible only if the firm shows that before the CS, the part-time job was a structural aspect of the firm's organisation of work.

The agreement compensates for a reduction in wages, because of a cut in working hours, up to a maximum of 60%, corresponding to the reduction in pay. This ceiling has been temporarily raised to 80%, because of the global financial crisis. The measure can last up to 24 months, after which it can be extended for a further 24 further months (36 months for southern Italy); once the maximum extension has been reached, a new CS for the same units can be agreed only after production has resumed for at least 12 months from the end of the last agreement. Contratti di Solidarietà are funded by the same contribution paid for the CIG, and this contribution is administered by INPS. Furthermore, in order to incentivise employers to use them, there is a reduction in the amount of social security contributions to pay for the workers affected by the CS. If the working time is reduced by more than 20%, employers' contributions are reduced by 25%; if the working time is reduced by more than 30%, employers' contributions are reduced by 35%. In addition to this, unlike the CIG, for Contratti di Solidarietà there is no maximum ceiling of wage support received per month.

For those companies not having access to the CIGS, Law 236/93 Art. 5, modified by Law 33/2009, allows enterprises not having access to the CIGS to use Contratti di Solidarietà for their workforce (including apprentices and employees on temporary contracts) with the exception of senior executives. In this case, both the employees and employer receive wage support for the non-worked hours, equal to 25% of the lost wage. The treatment can last for up to two years.

The only universal social shock absorber in the Italian system is unemployment benefit, and as CIGS and CS cannot be used by all companies, the Italian government provided for special social shock absorbers in 2004 to help workers who would otherwise not be covered. These social shock absorbers in derogation *(ammortizzatori sociali in deroga)* are put in place on a yearly basis if state funding is available. For those enterprises that cannot use CIG, or that already exhausted all their treatments of CIG, the special social shock absorber that can be used is the CIG in derogation (*Cassa Integrazione Guadagni in deroga*, CIGD). Since the second half of 2008, *ammortizzatori sociali in deroga* have represented the only feasible tool to face the crisis in a timely manner, thus with Law 2/2009 the Italian government extended the use of the CIG to any category of worker of any firm through the CIGD. In order to establish the CIGD the State and Regions signed a special agreement in February 2009, that they both share the cost of these measures. In particular the State contribution finances the income support provided in the CIG in derogation, while the regional funds finance actions of active labour market policies linked to the CIGD. Regions are responsible for the management of the measure and each region held separate negotiations with all social partners to establish the criteria and modalities of the measure. This implies that there have been 20 different negotiations in Italy, one in each region.

All workers, including temporary agency workers, home workers and apprentices, employed for at least 90 days in enterprises operating in sectors or areas specified in ad hoc government agreements can receive income support via CIGD.

As CIG, CIG in derogation pays a wage supplement for non-worked hours equal to 80% of the salary the worker would have earned for full-time employment. Working time may be reduced by a maximum of 40 hours per week. The wage supplement cannot be higher than a monthly ceiling established annually by ISTAT based on the CPI.

The duration of the measure is decided in the various regional agreements. Periods of CIG in derogation do not account for the limit of 36 months maximum period of CIG per unit. Interestingly, the wage support is conditional to a declaration of immediate availability (*Dichiarazione immediata di disponibilità,* DID) for a job or for a training course. If a worker refuses to sign this declaration or, having signed it, then refuses the offer of a suitable training course or job the wage support is stopped. CIG in derogation is financed by State and regional funding; the regional funds used to finance the measure come from the European Social Fund, and as ESF funds need to comply with specific criteria for their utilisation, this implies that a special connection with active labour market policies had to be created.

Given the sectoral characteristics of the CIG, and that many types of enterprises are excluded from its use, some sectors, including the crafts, services, and credit sectors, established, from collective agreements with social partners, bilateral bodies. The first, in 1988, was for the craft sector. Bilateral bodies operate at regional level, and the number of their members varies sharply from region to region. They seem for example to be very active and have a large membership in northern Italy, with fewer members in the south. Membership is voluntary, with each enterprise that joins paying a contribution. These funds are jointly managed by the social partners and are used to pay specific subsidies to workers in the event of a reduction or suspension of working time.

With the crisis, and in order to extend social shock absorbers to those sectors that cannot use the CIG, Art. 19 of Law 2/2009 provided that employees temporarily suspended from firms not benefiting from CIG could benefit from the unemployment benefit, conditional on a 20% integration of the amount of support under the unemployment benefit paid by the bilateral bodies. This means that, given that in Italy the unemployment benefit is equal to 60% of the lost wage, the bilateral body would pay an integration of 20% of the support received by the unemployment benefit, meaning that the temporarily suspended employee would get a wage support equal to 72% of the lost wage. This latter provision encountered some resistance due to the conditionality of the integration by the bilateral body; in fact if the bilateral bodies do not exist for a specific sector, or have no funds to provide for the integration, the suspended worker has no right to benefit from the unemployment assistance at all. In order to solve this problem, Art. 7 of the Law 33/2009 provided that if the bilateral body for a specific sector does not exist, or if the bilateral body exists but the enterprise is not a member of it, or if the bilateral body has no funds to integrate the unemployment benefit by 20%, the affected employees can directly benefit of the CIG in derogation (Salvatore, 2010).

If the crisis persists and efforts to contain it via the social shock absorbers fail, the employer may decide to proceed with permanent redundancies applying the law on collective dismissals. This procedure is applied to all enterprises employing 15 or more employees which, within a period of 120 days, intend to dismiss at least five employees in the same production unit or at several production units within the same province. Enterprises with fewer than 15 employees may make multiple dismissals, which need to be justified by 'objective' reasons.

In the case of collective dismissals and more generally for those enterprises eligible for CIGS, enterprises may initiate the mobility procedure. Under this, the dismissed employees are placed on special job placement registers compiled to promote the re-engagement of the dismissed employees. Employees of those enterprises eligible for CIGS also receive a mobility allowance equal to 80% of their last wage (100% of CIGS if the enterprise benefited from CIGS) in the first year and 80% of the CIGS in the following years. The benefit is paid:

- for 12 months to those employees aged up to 39 years;
- for two years to those employees aged between 40 and 49;
- for 36 months to those employees aged 50 and over.

Dismissed employees in the south get an extra year of mobility allowance. When it expires, those employees not qualifying for retirement receive an extraordinary allowance until they reach retirement age. Enterprises pay a fee in 30 monthly instalments for each employee they place in mobility; this fee is higher if the enterprise goes into mobility without applying CIGS first. The instalment payments cease if the enterprise helps its redundant employees to find a permanent job. Italian law provides incentives for enterprises willing to recruit workers in mobility (Ricciardi et al, 2009).

Research findings on management of restructuring

There is not much academic literature on management of restructuring in Italian SMEs; however a number of examples of different management strategies in SMEs' restructuring have been identified in the existing literature. Here are some examples.

Internal restructuring

Results from the Demos and Pi survey in Corò and Gurisatti (2011) show that, in the last five years:

- 74.7% of SMEs implemented innovative strategies in terms of products;
- 69.9% of SMEs implemented innovative productive processes;
- 63.8% innovated in terms of organisation;
- 52.3% innovated in terms of communications strategies.

SMEs also increased their resources for research and development activities, although only 31.6% registered patents, and only 37.7% registered trademarks. As for future strategies:

- 90% of SMEs plan to innovate in products and/or in processes;
- 80% plan to enter into new foreign markets;
- 70% of SMEs declared they plan to introduce new managerial positions in order to gain new competences;
- 60% plan to invest in trademarks.

Internationalisation

Over half of the Demos and Pi sample (Corò and Gurisatti, 2011) said they had some trade relation or productive relation on foreign markets. In particular:

- 34.1% said they exported less than 25% of their turnover;
- 15.3% said they were exporters in competition with other advanced economies;
- 4.5% said they were exporters in competition with China and other emerging economies.

In terms of types of internationalisation:

- 69% of SMEs sell products abroad;
- 23.6% outsource production to foreign suppliers;
- 11.8% have established commercial units abroad;
- 7.2% have established productive units abroad.

Furthermore, these dynamics differ according to firm size. Medium-sized enterprises, given their size and the consequent available resources – both in terms of attracting finance and in terms of having the necessary human resources and competences – are more likely to have a commercial unit abroad (24.9%) and to have a productive unit abroad (16.8%).

These values are much lower for smaller enterprises. Figures from Istituto Tagliacarne (2011) show that:

- 37.4% of SMEs say they have more than ten foreign partners;
- 27.7% say they have between two and five foreign partners;
- 71.3% of the commercial agreements have been in place for over ten years; in 5.3% of cases the agreement was signed fewer than three years ago;
- 88% of SMEs declared having trading relationships with firms in EU countries.

SMEs have established relations not only with those partners permitting competition in terms of costs as for example Asia – excluding China and India – and Oceania (21.8%), Africa (17.6%), China (11.8%) and India (4.3%) but they also choose to operate in solid and structured markets where there is a high quality supply such as in Central America (22.3%). In particular SMEs in the 'made in Italy' sector tend to have more relations with EU partners (89.6%) and other European countries (28.3%), while those SMEs in chemicals have most relations with partners in EU countries (92.4%) but also tend to have relations with China (14.5%) and India (5.3%), while SMEs in 'Meccatronica', apart from relations with other EU partners (84.2%), tend to have relations with emerging Asian economies (29%) and Latin American countries (17%).

International outsourcing

Results from research by Istituto Tagliacarne (2011) outline that legal and contractual activities are the most internationally outsourced activities (45.5%), followed by the management of ICT processes (21.3%), commercialisation and distribution (16.5%), design (11.6%), marketing and communications (8.8%), testing (8.8%), audit and actuarial activities (8.5%), research and development (8%) and packaging (6%). In general, those SMEs who have outsourced internationally for at least ten years outsourced legal and contractual activities, while more recently enterprises have started to outsource research and development, testing activities and communications and marketing activities. In the last three years there has been an increase in the outsourcing of packaging (11.1%) and design and planning activities (7.1%).

Actors involved

Social partners, the Ministry of Labour and various agencies are involved in SME restructuring. Social dialogue is deemed essential in enterprise restructuring. In fact, the involvement of social partners is expected in all social shock absorbers. Indeed, while enterprises willing to apply for CIGO must first contact the trade unions to inform them of the reasons for the suspension of employees, and of the number affected, the enterprise does not have to stipulate collective agreements with a trade union in order to apply for the CIGO; although the application must be made within 25 days of reduced working hours to the Ministry of Labour. In the case of CIGS instead, before applying for it, the enterprise must organise a phase of consultations, that must lead to collective agreements with the trade unions. During this phase the employer must inform the trade unions of the reasons for the suspension/reduction of activity, of the criteria used to select those workers to be placed in CIGS and of the modalities of rotation of the workers. Within 25 days after introducing the reduced working hours the employer must apply for the CIGS to the Directorate Income Support Measures of the Ministry of Labour and Social Policies, and must attach to the application a plan providing for the resumption of the activity and protection of jobs, even if only partial. This plan is examined and approved with a decree by the Ministry of Labour and Social Policies after 30 or 90 days. As stated above instead, solidarity contracts are the result of an agreement between the enterprise and social partners, while bilateral bodies are the expression of social dialogue. In the event of mobility procedure instead, while the enterprise must inform the local offices of the Ministry of Labour and must inform the trade unions, the procedure can proceed even without a collective agreement.

In order to strengthen the link between active and passive labour market policies, Law 2/2009 Art. 19 c.10 prescribes that any income support measure, including social shock absorbers in derogation, is conditional to a declaration of immediate availability (*Dichiarazione immediata di disponibilità,* DID) for a job or training course. In this context other actors, such as PES and INPS become involved. Generally the declaration has to be signed in the INPS local offices at the same time as making the application for the wage support measure. In order to implement these welfare to work policies the law prescribes that INPS must pass on the names of the employees benefiting from the wage support schemes to the relevant job centres, in order for them to organise job counselling and relevant training. Obviously, in order to honour the provision and intentions of this law effectively, job centres will have a key role in ensuring that the declaration of availability will result in suitable job offers and suitable and meaningful training courses. It should also be stressed that under Article 117 of the Italian Constitution, regions have sole legislative power regarding training. The general agreement *Linee Guida per la formazione nel 2010*, signed by the state, regions and all the social partners in February 2010, provided the guidelines for training in 2010. In particular, the agreement stressed the need for a better link between active and passive labour market policies, with a key focus on effective and relevant training, while benefiting from a social shock absorber. The agreement, which has five main guidelines, aims at a more efficient use of training funds, which, for 2010, amounted to around €2.5 billion. The objective is to enhance the skills of those workers who are unemployed, out of the labour force, in mobility or in CIG. Each region has the power to decide on which actions to implement in order to improve the link between training and income support measures. A report from Isfol and Italia Lavoro (2010) on the measures implemented by regions to deal with the effect of the crisis on employment shows that the level of implementation of those actions varies among regions. Some regions such as Lombardy, Veneto, Friuli Venezia Giulia, Emilia Romagna and Lazio as well as the province of Trento, have already started implementing training activities for those workers on wage support measures in the second half of 2009; some regions such as Piedmont and Molise started implementing actions by March 2010, while other regions started to ask for tenders for training activities only during the first months of 2010.

The agreement also provided for a strengthened role of bilateral bodies, in the sectors where they exist, and also provided for the provision, within the bilateral system and within the public and private actors, of information points and of education and career guidance in order to help workers in their transition to another job. This process is monitored at national level, with the establishment of a national task force, responsible for locating at local and sectoral level what skills are needed. Regions and social partners (also bilateral bodies where they exist) are responsible for gathering the information on the professional figures needed on the market. This information will be used to design the appropriate training and to use effectively the available funds.

Moreover, Law 388/2000 (Art. 118)[6] established *Fondi Paritetici Interprofessionali* (or *fondi settoriali*), in order to enhance competitiveness and to guarantee employment levels via the promotion of lifelong learning. These funds are the result of a collective agreement among social partners, which was later translated into Law 388/2000. This agreed that a mandatory contribution, paid by all enterprises since 1978 to the INPS to finance continuous training, could be paid instead to specific sectoral funds established in 2000 to manage these contributions that equal 0.30% of salaries. These funds are entirely managed by social partners, and are created on a sectoral base; nonetheless firms can join any fund, not just the one for their specific sector. Membership is also voluntary as a firm can opt to pay the contribution for continuous training to the INPS. Unlike the bilateral bodies, which have a very uneven membership, the membership

[6] http://www.lavoro.gov.it/NR/rdonlyres/6676BAB9-7933-4857-8752-E8459BADC188/0/013_Legge_388_art118.pdf

rates of sectoral funds are quite high. The funds have been very successful with their training projects. The training processes established by the funds are collectively agreed by the social partners at company level (Salvatore, 2010). There are around 20 sectoral funds, and the most important funds for SMEs are Fondo Formazione PMI (FAPI)[7] and Fondo Dirigenti PMI, which offers training to SME managers. FAPI, during the difficult economic times between 2009 and 2011, made almost €60 million available to finance measures for developing skills needed to strengthen competitiveness and innovation (Isfol, 2012).

There are also a number of actors involved in internationalisation. The main ones are banks, sector associations and chambers of commerce. Consulting firms, embassies and consulates might be important actors for SMEs willing to internationalise while, to a lesser extent, other actors are regions, local entities and export consortia.[8] Not surprisingly, those SMEs involved in offshoring make more use of support services for internationalisation, particularly banks, trade associations and chambers of commerce (six out of 10 SMEs). Export consortia are little used. Offshoring SMEs also make more use of services offered by Italian consulting firms and embassies and consulates, while they make little use of foreign organisations. Exporting SMEs make less use of the support services for internationalisation (only 40% of exporting SMEs), instead turning mostly to banks, chambers of commerce and trade associations (Istituto Tagliacarne, 2011).

[7] **http://www.fondopmi.it/fondopmi/Il_Fapi.asp**

[8] While there is no literature available on the relevance of banks, employers' organisations and consultants for other forms of restructuring, it can be assumed that these actors are indeed relevant also for other forms of restructuring.

Main challenges and constraints facing SMEs in restructuring

SMEs have intrinsic characteristics that make their restructuring substantially different to restructuring in large enterprises. Their size and more limited access to instruments to anticipate and manage restructuring means they are more vulnerable to cyclical economic downturns and, again, their size seems to undermine their bargaining power with banks and other financial institutions so that they find it more difficult to access credit. In fact, due to their limited size and resources, not only financial but also in terms of human resources and their capabilities, many SMEs are viewed as lacking the formal business plans and/or cash flow projections and the type of planning and information usually required by banks to secure credit. As a result SMEs score higher than average failed loan requests or have to pay higher interest rates to compensate for perceived risk. Either way, credit and funding support dries up when most needed and no investment or restructuring can be implemented without financing and credit. Indeed, from the study by CSC-Demos and Pi (Corò and Gurisatti, 2011) the main reasons for not investing in innovation were given as:

- uncertainty of the economic situation (49.3% of the sampled enterprises);
- lack of credit (22.9%);
- less favourable normative and administrative framework (11.6%).

The same sampled SMEs, asked about obstacles to business expansion, pointed to:

- weak demand (48.5%);
- lack of capital (47.9%);
- bureaucracy (27.8%).

The emphasis on costs is also highlighted in the results from Istituto Tagliacarne (2011) where SMEs said the main reasons preventing them from international outsourcing, were:

- unsustainable costs (61.2%);
- inadequate quality of the offered services (30.8%);
- lack of an adequate network of services (21.9%).

The economic downturn prompted financial institutions to review their lending policies and define credit worthiness using stricter guidelines. SMEs have been profoundly affected by these changes, largely in the form of reduced access to capital. This is extremely important as the lack of finance might cause SMEs to postpone investments, thus constraining their business. Indeed, financial uncertainty haunts Italian SMEs as they still battle to get through the recent economic turmoil. In October 2010, Forbes Insights (2010b) conducted a survey in Italy and five other countries (Canada, China, Singapore, South Africa and the UK). In total, 266 Italian SMEs participated in the survey. Asked about their greatest concerns during the past year, the Italian SMEs cited:

- economic uncertainty (29%);
- finding new customers and prospects (29%);
- finding financing (25%).

Also, cash flow issues are a major challenge for many Italian SMEs. Overall, 43% of Italian SMEs told the 2010 survey that it was harder to manage cash flow then than it had been a year ago; just 12% said it was easier; and 44% indicated it was about the same. The study showed that slow receivables and low revenue, in particular, were straining cash flow for Italian SMEs. A significant number of respondents were anxious that they didn't have a strong enough capital position to survive another downturn. Asked whether or not they felt they had adequate cash reserves to face another financial crisis, 45% of Italian SMEs said they did not. Small businesses (10–49 employees) appeared the least anxious, with 52% saying they had adequate cash reserves to face another financial crisis. However, even under economic pressure, more than 40% of Italian SMEs said they secured all or most of the finance they sought over the past two years. Overall, 86% of SMEs in Italy said they applied for financing over 2009 and 2010; of those:

- 12% said they secured the full amount;
- 32% secured most of it;
- 42% secured a little;
- 14% received none.

Italian SME respondents stated that they have seen little easing of their financing markets:

- just 20% said their ability to secure financing improved over the past year;
- 35% said it worsened;
- 45% said it remained about the same.

The outlook by the Italian SMEs for the following year was more positive:

- 28% anticipate their ability to secure financing will improve;
- 21% expect it to be worse;
- 50% foresee no change.

Secured bank loans are the most common form of debt financing Italian SMEs use, and this should be the same over the next two years. Overall, the top forms of debt financing that Italian SMEs use (and expect to use for the next two years) are:

- secured bank loans (39%);
- business credit cards (28%);
- secured bank overdraft (27%);
- trade credit (25%).

Italian SMEs want to use debt and equity financing for domestic expansion and new technology. The top three things they expect to use debt financing for over the next two years are:

- domestic expansion (31%);
- new technology investment (30%);
- expanding capacity (27%).

Those seeking equity have similar goals (Forbes Insights, 2010a).

The European Central Bank survey on access to finance for SMEs reported that, between April and September 2011, Italian SMEs reported a deterioration in the net availability of bank loans (about -10%) (European Central Bank, 2011). Also a smaller percentage of SMEs applied for a bank loan than previously. Looking at the success rates of loan applications:

- about 60% of SMEs applying for a loan obtained the entire amount requested;
- 10% of them got most of it;
- 15% got a limited portion;
- 10% of them had their application rejected;
- about 5% refused the loan granted as the cost was too high.

Indeed, between 70% and 80% of SMEs reported an increase in interest rates and ‘other costs of financing’ (for example commission fees) (European Central Bank, 2011).

Moreover, given the specific characteristics of SMEs, entrepreneurs often tend to establish a relationship of trust and friendship with the employees. This can mean that restructuring decisions, especially those involving changes in the status quo, a reduction in employment levels or even worked hours, are often unpopular and difficult to make and obviously challenge the SME’s ability to restructure.

Business support from public and private sources

Supply

The Italian Ministry of Economic Development has implemented a series of measures to support SMEs, which are aimed to complement support programmes administered by the European Commission, and the Small Business Act (European Commission, 2008).

In order to prevent bankruptcies and to incentivise negotiating measures aiming at the survival of the enterprise the law on bankruptcies was reviewed. Furthermore in southern regions areas of 'zero bureaucracy' have been established (Law 122/2010).

In order to facilitate SMEs in accessing credit, law 662/96 established a central guarantee fund for SMEs (*Fondo centrale di garanzia per le PMI*) aimed at facilitating SMEs' access to finance via granting a public guarantee on financial operations. The fund is aimed at businesses in all sectors and covers all kinds of financial operation within the scope of their business activities. It guarantees between 60% and 90% (depending on the amount borrowed) of the amount borrowed, up to €1.5 million. Due to the economic downturn, in 2009 the fund was extended to enterprises in the craft sector and it was re-financed with about €1.6 billion for 2008–2012. By 31 October 2010 slightly more than 65,000 loan applications had been accepted granting total financing of about €12.5 billion.

In August 2009 an agreement between the government, banks and enterprises introduced a moratorium of one year on SME debts on mortgages and leasing repayments, and an extension of 270 days on short-term credits, in order to avoid liquidity constraints on SMEs during the economic crisis. In 2012 the moratorium was reviewed and strengthened along the lines of the agreement reached in 2009. The intervention provides for three actions:

- repayment of mortgages is suspended for one year;
- repayments on financial leasing are suspended for one year on business property leasing;
- repayments on financial leasing are suspended for six months on personal property leasing.

The suspension agreement can also be retroactive for a maximum of 90 days. Secondly, duration of mortgages and deadlines for short-term credit repayments are extended for 270 days. Finally, in order to promote the development of SMEs' activities, banks will grant finance proportional to the increase in capital (ABI, 2012). It is estimated that about 260,000 SMEs benefited from the measures by the end of February 2012 (*PMI.it*, 2012b).

The national fund for innovation (*fondo nazionale per l'innovazione*) aimed at easing SMEs, difficulties in obtaining the guarantees necessary in order to get financing and credit to innovate and produce goods based on innovative patents. The fund is allocated €80 million in order to put in place a mechanism of credit and investment risk-sharing for banks and other financial intermediaries financing projects connected to patents.

The high tech fund (*Fondo High Tech*) (Agenzia per la diffusione delle tecnologie per l'innovazione, 2010) aims at promoting access to risk capital for innovative SMEs using digital technology in areas of low employment, in order to promote the technological and process innovation in the south. The fund provides for the participation of the Government, through the plan E-Government 2012, Objective Enterprises, for a total of €86 million, against a total budget of €160 million (Agenzia per la diffusione delle tecnologie per l'innovazione, 2010).

The ministerial decree of 22 December 2009 launched the financing of projects realised in under-utilised areas aimed at promoting and spreading technologies among SMEs, as well as in high tech start-ups. The programme is allocated €12.5 million from the FAS Fund budget and 58 projects had been presented by 26 April 2010. Each selected project receives financing for 50% of the expenses amounting to €1 or €2 million for a maximum of 24 months (Ministero dello Sviluppo Economico, 2010).

Demand

As already outlined in the restructuring section, SMEs' top priorities are easier access to financing and credit and less bureaucracy. Indeed, as already argued, financial resources are indispensable for restructuring and for investing in research and development and innovation. Furthermore there is widespread agreement on the necessity to reduce bureaucracy, as too much can undermine restructuring processes. In fact, as has already been argued, if impending crises are recognised and addressed in time and their negative consequences can be limited, they can actually represent an opportunity for development, improvement, innovation and growth. However, too much bureaucracy can work against even timely interventions.

Moreover, several SMEs face major cash flow challenges due to non-paying and slow paying customers, especially in public administration. Public administration owes Italian enterprises about €70 billion in unpaid debts. Many of these enterprises are SMEs, which are badly affected from these delays, especially when securing financing and credit is already difficult (*Il Sole 24 Ore*, 2011).

Outcomes of restructuring

As discussed, given the relevance of the system of Italian social shock absorbers most of the restructuring events that do not entail business expansion usually do not impact on employment levels in the short term. However, these restructuring processes require some organisational changes. Conversely, business expansion, by its intrinsic nature, has some important effects on employment levels and on the firm's organisation.

Organisational effects

In terms of successful events, the results presented in the business expansion section show that when companies grow they tend also to modernise their governance, developing a managerial structure, where ownership and management are separated, actors external to the family can invest capital in the enterprise and CEOs are younger than average. Successful companies also tend to innovate more, invest in research and development and introduce innovative processes via innovation in technology.

Unlike other types of restructuring, the main consequence relates to the reorganisation of production and processes and also the subsequent training and re-training needed to implement the reorganisation in terms of issues such as functions and skills. Indeed, training is essential to fulfill the new processes and positions emerging from the restructuring process. Training is also essential during processes of restructuring management, as the rotation of workers in CIGS requires a redistribution of tasks, which requires an upgrade in skills and competences.

Employment effects

There is not much literature on the employment effects of SMEs' restructuring. This is most probably due to the fact that, as most restructuring processes in Italy are carried out with the assistance of the Italian system of social shock absorbers, the negative numerical effects of restructuring on employment are at least temporarily avoided.

Indeed, the CIG proved to be a very effective tool in terms of meeting the needs of companies facing difficulties, as it enables companies to undertake restructuring while retaining jobs at least in the short term. The use of the CIG before the 1990s was extensive, as rules about its duration were often disregarded and enterprises were allowed to be in CIG for many years, basically avoiding dismissing employees in the short and long term. From the 1990s, rules and monitoring on the CIG were tightened and the CIG became a very effective and useful tool to help in retaining jobs. In fact the CIG was mainly used as a tool to guide employees towards their pensions, as there was an implicit agreement with social partners at firm level that older workers would be placed in CIG, as they were the ones closest to pension time. In some cases after the CIG those workers would then be placed in mobility until they became eligible for pension. This meant a loss of experienced human capital for the firms but also that restructuring could be done without major social costs and social unrest. The current crisis has been too extensive to continue with this informal agreement; this is the reason for a shift in perspective: strengthening the link between active and passive labour market policies, and successful transitions in the labour market (Salvatore, 2010).

Selected outcomes from specific types of restructuring

While academic literature exists on the outcomes of specific forms of restructuring, there is not much literature on the outcomes of these restructuring processes for SMEs. However, a number of examples of different outcomes in terms of organisational and employment effects have been identified in the existing literature. Here are some examples.

Offshoring/delocalisation

In its survey, Istituto Tagliacarne (2011) noted the experiences of 172 SMEs involved in offshoring activities, 171 SMEs subject to passive foreign direct investment (bought by foreign enterprises), and 259 SMEs operative on foreign markets in terms of trade and commerce (exporting SMEs). Some 52.3% of SMEs that delocalised or enlarged their activity abroad improved their foreign turnover. In their view this was mainly due to:

- an increase in demand (66.3%);
- better quality and wider range of products (31.3%);
- access to new markets (25%);
- more competitive prices (20%);
- investments (13.8%).

The last reason is quite interesting, as it shows that investments in delocalisation, even if costly, can be a strategic choice in order to improve firm performance. Of the SMEs which delocalised:

- 55.2% maintained stable employment levels (with the help of the social shock absorbers);
- 20.9% decreased their employment levels;
- 22.1% increased them;
- 39.5% declared that delocalisation helped them to reduce costs (Istituto Tagliacarne, 2011).

Internationalisation

In implementing processes of internationalisation, the study by Istituto Tagliacarne (2011) showed that:

- 29.7% of SMEs said they had better access to new market segments abroad;
- 29.7% SMEs improved their production capability;
- 31.7% of exporting SMEs declared an improvement in productivity;
- 29% said they had an improved range of offered goods;
- offshoring companies reduced costs (39.5%)
- offshoring companies gained access to new market segments abroad (31.4%).

In terms of size, the survey shows that micro and small enterprises seem to gain more from accessing foreign markets (31.8%) while medium-sized enterprises gain from a reduction in costs (32.8%) (Istituto Tagliacarne, 2011). The survey also shows a strong relationship between presence on foreign markets and improvement of firm performance. In fact 42.2% of the sample said they had improved their turnover during 2010 due to sales on international markets. In particular a higher turnover was recorded for those SMEs involved in offshoring and delocalisation (52.3%), against 46.9% of those involved in passive FDI and 33.7% among exporting SMEs.

Bankruptcy/closures

It is interesting to note that, in a recent article, Filippi (2012), using ISTAT's archival data on new enterprises as a proxy for new enterprises, estimated that the number of new enterprises is correlated to their employees' turnover, or more precisely to the positive and negative variations of the employees recorded for each enterprise. In particular, when looking at data for provinces, the higher the number of jobs destroyed in enterprises, the higher the number of new enterprises. The vast majority of these new enterprises (88%) did not survive their first year. Furthermore, data show that the more enterprises are born the more enterprises cease to exist. Indeed, as most enterprises are born when other enterprises destroy jobs, it could be argued that many of these new enterprises are attempts on the part of dismissed employees to promote their self-entrepreneurship via one-person enterprises, rather than a real process of creative destruction (Filippi, 2012).

Conclusions and policy issues

SMEs are the backbone of the Italian economy; however there is not much literature on how and why they restructure. Most SMEs have attempted to counter these difficult times, by implementing measures including internal restructuring, mergers and even bankruptcies and closures when all other efforts in cutting costs and reorganisation proved unsuccessful. Internal restructuring is the main strategy for restructuring as it enables the reduction of costs and the introduction of reorganisation programmes while temporarily preserving employment levels. Nonetheless bankruptcies increased dramatically during the crisis.

However, respondents to the CSC–Demos and Pi survey (Nardozzi and Paolazzi, 2011) declared that business expansion was their ultimate goal, in order to improve productivity, to reach economies of scale necessary to be able to invest in research and development as well as to increase their market presence. In this sense, SMEs are every day more aware of the importance of innovating and expanding, sometimes via internationalisation. Regardless of the difficult circumstances over half of the interviewed SMEs said they had increased their budgets for research and development and for innovation, both technological and organisational.

All SMEs declared that access to capital was vital in order to implement any effective restructuring process, while delays in payments from debtors posed a further constraint on restructuring especially in times of economic difficulties.

Moreover, it must be underlined that the Italian system of social shock absorbers has proved to be crucial to SMEs' restructuring, especially during the crisis. However, some argue that the system has to be carefully implemented and monitored, in order to assist those enterprises that can effectively benefit from restructuring. For this reason these social shock absorbers should only be a temporary tool. When it is evident that restructuring cannot lead to positive outcomes, policy efforts should focus on shifting employees from downsizing, and in some cases on upsizing enterprises, rather than trying to secure the employment relations between employer and employee (for example, CIG) (Barba Navaretti et al, 2011).

The economic crisis caught the Italian entrepreneurial system in the middle of a restructuring process, while they were adapting to globalisation and the adoption of the euro. With globalisation low-cost labour suppliers (especially China) became fierce competitors of Italian SMEs, particularly in the traditional 'made in Italy' industries (such as textiles), while the adoption of the euro prevented SMEs from competing on production costs as currency devaluation was no longer possible. Indeed Italian manufacturing SMEs lost their competitive advantage, which resulted in a stagnation of productivity. However, pre-crisis evidence indicates that some successful enterprises, which modified their business models, chose to ignore the traditional path of focusing on investments relating to production phases, and instead invested in research and development, design, marketing and advertising as well as distribution networks, access to new markets and assistance. In this way they differentiated their products from those of their competitors, and they refrained from the pure competition of prices. The crisis did not stop the process of restructuring but rather started a process of selection. Evidence shows that those enterprises that were able to grow continued to do so during the crisis, while those enterprises that were not able to innovate and stayed in their traditional model were overwhelmed by it. SMEs that grew were those that made more immaterial investments, investing in intangible goods. Hence restructuring continued also during the crisis, indeed there was rather a polarisation of performances: those SMEs that were expelled from the market were already fragile, and as the financing was allocated in a selective manner they were left with poor prospects (Romano and Schivardi, 2011).

This is also stressed by the findings of a survey by Forbes Insights to which the Italian respondent SMEs declared that the recession essentially forced them to become better businesses. Overall:

- 71% said they were planning more effectively;
- 57% agree they are smarter today about running their businesses than they were before the recession;
- 60% feel they are in a stronger position today than they were prior to the downturn (Forbes Insights, 2010a).

In conclusion, a number of recommendations and policy pointers can be formulated to stimulate discussion and further research. Given the peculiarities of SMEs and their relevance at national and European level, more research should be focusing on exploring the characteristics and needs of SMEs' restructuring.

Access to credit and finance for SMEs should be eased, especially in times of economic difficulties. In particular, special focus should be placed on those SMEs investing in innovation.

Bureaucratic procedures should be simplified and a cultural and legal change might be necessary in order to reduce the stigma associated with failure (bankruptcy).

More efforts should be devoted to anticipating restructuring. Too often restructuring events are implemented in an unplanned and unanticipated manner. In this context more focus should be placed on developing tools to monitor and identify structural shifts. In particular, more focus should be placed on innovation, in terms of new skills and competences, but also technological innovation and organisational innovation.

The Italian Cassa Integrazioni Guadagni plays a key role in restructuring processes. However, this support must be temporary and used only for enterprises which can benefit from the restructuring events. When it is clear that enterprises cannot survive the restructuring event, support should be focused on easing the transition of employees towards other enterprises.

Bibliography

All Eurofound publications are available at www.eurofound.europa.eu.

ABI (Associazone Bancaria Italiana) (2012), 'Nuove misure per il credito alle PMI', 28 February, available at **http://www.abi.it/DOC_Mercati/Crediti/Credito-alle-imprese/Avviso-comuneealtre-misure-perlePmi/Nuove-misure-per-il-credito-alle-Pmi/133050734842329_g__servizi_1.pdf**.

Agenzia per la diffusione delle tecnologie per l'innovazione (2010), *Fondo High Tech*, 28 October, available at **http://www.aginnovazione.gov.it**.

Arcari, A. (2004), *Prevenire la crisi e gestire il turnaround nelle PMI attraverso le analisi economiche*, Università degli Studi dell'Insubria, Facoltà di Economia, Varese.

Arrighetti, A., Paolazzi, L. and Traù, F. (2011), 'I tratti, gli orientamenti e i comportamenti delle imprese vincenti', in *Costruire il futuro PMI protagoniste: Sfide e strategie*, Confindustria piccola industria, Servizio Italiano Pubblicazioni Internazionali, Rome.

Barba Navaretti, G., Castellani, D. and Pieri, F. (2011), 'Le imprese che cambiano classe: l'Italia nel contesto Europeo', in Nardozzi, G. and Paolazzi, L. (eds) *Costruire il Futuro PMI Protagoniste: Sfide e Strategie*, Confindustria Piccola Industria, Servizio Italiano Pubblicazioni Internazionali, Rome.

Cerved Group (2010), 'Osservatorio sulla crisi di impresa' (Business crisis observatory) February 2010, No. 2, Milan.

Cerved Group (2011), 'Osservatorio sulla crisi di impresa' (Business crisis observatory) November 2011, No. 9, Milan.

Cerved Group (2012), 'Osservatorio sulla crisi di impresa' (Business crisis observatory) January 2012, No.10, Milan.

Corò, G. and Gurisatti, P. (2011), 'Piccolo è ancora bello? Il ritratto di PMI in Confindustria', *Costruire il Futuro – PMI Protagoniste: Sfide e Strategie*, Confindustria Piccola Industria, Servizio Italiano Pubblicazioni Internazionali, Rome, available at **http://www.unindustria.na.it**.

European Central Bank (2011), *Survey on the access to finance of small and medium enterprises in the euro area: April to September 2011*, Frankfurt.

European Commission (2008), *A small business act for Europe*, Brussels.

Eurofound (2010), Salvatore, L., *Italy: Wage guarantee fund, solidarity agreements, bilateral bodies and wage guarantee fund in derogation*, Eurofound, Dublin.

Filippi, M. (2012), 'Imprenditori per necessità', 20 February, available at **http://www.lavoce.info**.

Forbes Insights (2010a), *Small and medium enterprises: Country Profiles*, Forbes, New York, available at **http://www.forbes.com/forbesinsights/SMECountryReports/**.

Forbes Insights (2010b), *Small and medium enterprises: Rebuilding a foundation for post-recovery growth*, Forbes, New York, available at **http://www.forbes.com/forbesinsights/SME2010/index.html**.

Giusti, M. (2007), *L'esperienza italiana di delocalizzazione produttiva all'estero tra incentivi e dissuasioni*, Dipartimento di Diritto pubblico dell'Università di Pisa.

Il Sole 24 Ore (2011), 'Pagamenti della pubblica amministrazione: i ritardi aumentano', 21 November, available at **http://www.ilsole24ore.com**.

Isfol and Italia lavoro (2010), *Report le misure regionali di contrasto alla crisi occupazionale*, Istituto per lo sviluppo della formazione professionale dei lavoratori, Roma e Ministero dell'Economia e delle Finanze, Roma.

Isfol (2012), XII Rapporto sulla formazione continua, annualità 2010–2011, Istituto per lo sviluppo della formazione professionale dei lavoratori, Ministero del Lavoro e delle politiche sociale, Rome.

Istat (2009), *Rapporto Annuale 2008*, Italian National Institute of Statistics, Rome.

Istat (2010), *Rapporto Annuale 2009*, Italian National Institute of Statistics, Rome.

Istat (2011a), *Rapporto Annuale 2010*, Italian National Institute of Statistics, Rome.

Istat, (2011b), *Struttura e competitività del sistema delle imprese industriali e dei servizi*, Italian National Institute of Statistics, Rome.

Istituto Tagliacarne (2011), *Le relazioni internazionali della piccola e medie imprenditoria Italiana*, Istituto Guglielmo Tagliacarne, Rome.

Mediobanca Unioncamere (2011), *Le medie imprese industriali Italiane (1999–2008)*, Ufficio Studi Mediobanca and Centro Studi Unioncamere, Milan.

Ministero del Lavoro e delle Politiche Sociali (2010), *Linee Guida per la Formazione 2010*, Rome.

Ministero del Lavoro e delle Politiche Sociali (2010), *Nuove linee guida per la Formazione professionale*, Rome.

Ministero dello Sviluppo Economico(2010), *Small Business Act, Le iniziative a sostegno delle PMI in Italia e nell'Europa a 27*, Ministry for Economic Development, Rome.

Ministero dello Sviluppo Economico (2011), *Le micro piccole e medie imprese nelle regioni Italiane*, *Report semestrale*, Ministry for Economic Development, Rome.

Nardozzi, G. and Paolazzi, L. (2011), 'Costruire il futuro: le PMI protagoniste', *Costruire il Futuro – PMI Protagoniste: Sfide e Strategie*, Confindustria Piccola Industria, Servizio Italiano Pubblicazioni Internazionali, Rome, available at **http://www.unindustria.na.it**.

PMI.it (2012a), 'Concordato per la ristrutturazione del debito delle Pmi', 20 January, available at **http://www.pmi.it**.

PMI.it (2012b), Moratoria debiti PMI, ABI rinnova l'Accordo, 28 February, available at **http://www.pmi.it**.

Ricciardi, L., Conclave, M., Corrente, E. and Lai, M. (2009), La guida dei lavoratori 2010, Edizioni Lavoro, Rome.

Romano, G. and Schivardi, F. (2011), 'Quali sono le imprese che battono la crisi', 4 November, available at **http://www.lavoce.info**.

Unioncamere (2011), Formazione continua e tirocini formativi sistema informativo excelsior, Formazione continua, tirocini e stage attivati nel 2010, Rome.

Unioncamere–Symbola (2011), *GreenItaly: L'economia verde sfida la crisi, Rapporto 2011*, Symbola e Unioncamere, Rome.

Lidia Salvatore, Eurofound

EF/12/47/EN 20