

‘Le défi américain’ in Southern Europe
The History of Big Business in Italy and Spain during the second half of the XXth
century

Veronica Binda
Bocconi University
Milan (Italy)

veronica.binda@unibocconi.it

FIRST DRAFT - PLEASE DO NOT QUOTE

1. Reasons for an investigation on big business and research questions

Big business is one of the most relevant institutions of contemporary capitalism. It controls enormous market shares, has a fundamental impact on employment, acts in strategic productive sectors, greatly influences politics and policies. It is difficult to understand the history of most advanced economies without considering very carefully the peculiarities of the evolution of large corporations in every national case. On the other hand, it is not possible to explain the typical forms and the behavior of the enterprises without taking into account their development inside the history of their own country.

Italy and Spain have been quite similar countries in many ways, but they also differentiated a lot during the Twentieth century. Both of them are in fact industrial late-comer countries, experimented an high level of government’s intervention for favoring the economic development, had a significant presence of family firms and received huge flows of capital and foreign direct investments in sectors which were crucial for their national growth. But Italy and Spain have been also quite different nations during the second half of the last century. For instance the extent of industrial delay was minor in the first than in the second case, the political regime that countersigned them differed during the first decades of the second half of the century and Italy had, at least up to the 1980s, an higher level of international and European economic integration.

This investigation addresses three specific questions on the role and the development of big business in Italy and Spain in a particular time period - the second half of the last century.

1. *The relevance of the topic.* The first aim of this work is to understand if it’s really worth researching on large corporations and which is the real importance of “big business” within

the economic history of these two nations, concretely identifying the role played by the main firms in their national economic, political and social context.

2. “*Universalism*” vs “*Contextualism*”. Secondly, the research aims to describe the ownership, control practices, strategies, organizational structures and performances of the largest corporations in Italy and Spain. “Universalists” and “Contextualists” scholars debated during the last decades claiming on one side that strategies and structures of large corporations in advanced economies were destined to a convergence towards the model of growth followed by the large American corporations¹ and on the other side that it is impossible to hypothesize the emerging of a same entrepreneurial behavior in nations characterized by different contexts and institutional peculiarities². The broader purpose of this part of the investigation is thus to test if the largest corporations’ managerial practices originated in the United States and quickly spread in Western Europe beginning from the Postwar period have been - partly or entirely - adopted also in some Mediterranean industrial late-comer nations.

3. *Technology, strategy, structure and... History*. Last, but not least, this research tries to explain which elements could have spurred entrepreneurs and managers to take some and not others decisions.

2. Methodology, definitions and sources

The investigation grounded on a chandlerian-inspired methodology, adopted since the 1970s by those scholars who studied the behavior of large corporations in Europe³.

Thus three benchmark-years on which basing the empirical analysis have been selected: 1950, 1973 and 2002. Then, for every benchmark years and in both countries, a sample composed by the 100 largest non financial corporations according to their sales in 1973 and 2002 and

¹ Alfred D. Chandler Jr., *Strategy and Structure: chapters in the history of the American industrial enterprise*, The MIT Press, Cambridge, Massachusetts, 1962; Alfred D. Chandler Jr., *The Visible Hand. The managerial revolution in American business*, The Belknap Press of Harvard University Press, Cambridge, Massachusetts, 1977; Alfred D. Chandler Jr., *Scale and Scope. The Dynamic of Industrial Capitalism*, Cambridge, Massachusetts, 1990.

² Richard Whittington and Michael Mayer, *The European Corporation: Strategy, Structure and Social Science*, Oxford University Press, Oxford, 2000, chapter 2.

³ Bruce Scott, *Stages of Corporate Development*, Harvard Graduate School of Business Administration, Boston, 1970; Leonard Wrigley, *Divisional Autonomy and Diversification*, unpublished PhD dissertation, Harvard Business School, 1970; Richard P. Rumelt, *Strategy, Structure and Economic Performance*, Harvard University Press, Cambridge, Massachusetts, 1974; Derek F. Channon, *The Strategy and Structure of British Enterprise*, The Macmillan Press, London, 1973; Gareth P. Dyas, *Strategy and Structure of French Enterprise*, unpublished PhD dissertation, Harvard Business School, 1972; Heinz T. Thanheiser, *The Strategy and Structure of German Enterprise*, unpublished PhD dissertation, Harvard Business School, 1972; Gareth P. Dyas and Heinz T. Thanheiser, *The emerging European enterprise*, The Macmillan Press, London, 1976; Robert J. Pavan, *Strutture e Strategie delle Imprese Italiane*, Il Mulino, Bologna, 1976; Richard Whittington and Michael Mayer, *The European Corporation*.

their assets in 1950, when the information on sales were no available for many firms, has been selected. As it regards the samples' composition, this work presents a substantial discontinuity with the previous studies which exclusively included manufacturing domestically-owned corporations. Neglecting the existence and the behavior of non-manufacturing and foreign corporations in these countries would in fact make impossible not only to understand the relationship between the wealth of a nation and the great enterprises that contributed to it, but also to identify which were the largest firms in a specific historical period. That's why it has been decided to include in the samples all non-financial firms present in Italy and Spain in the three benchmark-years, both domestically and foreign-owned.

Once composed the samples, extensive basic information on the firms - such as their budget items, sectorial belonging, employment, and so on - have been gathered in order to better understand the kind of activity of these companies, their size and their contribution to the national economy.

Chart 1 - Categories and definitions of companies' ownership, strategies and organizational structure

	Category	Definition
Ownership	firm ownership (fir)	if at least one owner owned more than 5% of the capital and the main shareholders was one or more firms
	bank or financial ownership (ban)	if at least one owner owned more than 5% of the capital and the main shareholder was a bank, a saving bank or an institutional investor
	cooperative / foundational ownership (coo)	if at least one owner owned more than 5% of the capital and the main shareholder was a cooperative or a foundation
	dispersed ownership (dis)	if no one owner owned more than 5% of the capital
	personal ownership (per)	if at least one owner owned more than 5% of the capital and the main shareholder was a person or a family
	state ownership (sta)	if at least one owner owned more than 5% of the capital and the main shareholder was the state
	foreign ownership (for)	if at least one owner owned more than 5% of the capital and the main shareholder was a foreign company
Diversification strategy	single business (sb)	if at least 95% of the revenue was aggregated from one business area ⁴
	dominant business (db)	if one business area had at least 70% but less than 95% of the revenue
	related business (rb)	if no business area had more than 70% of the revenue but there was market of technological correspondence between the business areas
	unrelated business (ub)	if no business area had more than 70% of the revenue and there was none or only limited market - or technological correspondence between the different business areas
Internationalization strategy	home oriented (ho)	if less than 10% of the revenue was aggregated from the international activities ⁵
	partly home oriented (pho)	if less than 50% but more than 10% of the revenue was aggregated from the international activities
	partly internationally oriented (pio)	if more than 50% but less than 90% of the revenue was aggregated from the international activities
	internationally oriented (io)	if at least 90% of the revenue was aggregated from the international activities
Organizational structure	Functional (fun)	if a firm was centralized around key functions such as manufacturing and marketing
	functional / holding (f/h)	if a company had a functionally centralized core and a substantial periphery of free-standing businesses
	Holding (hol)	if a firm was highly decentralized, lacking central administrative control over activities
	Multidivisional (md)	if a company decentralized operations into clearly defined divisions, while keeping central headquarter control over strategy and investments through systematic accounting and planning mechanism

⁴ A business area is defined by the UN ISIC codes.

⁵ International activities cover both traditional export and revenue generated by production in foreign countries.

Following this macroeconomic picture, the identity, the strategies and the structure of each enterprise in the three benchmarks and in both countries have been studied through their cataloging in specific categories (chart 1).

In order to answer the research questions, it has been used a vast and heterogeneous documentation. To identify the ownership, strategies, structures and performances of the enterprises in the sample and to study in details the history of some of them, both internal and external sources to the firms have been considered. Information on performances have been gathered basing on firms’ annual reports and Stock Exchange yearbooks. Qualitative information on firms have been drawn both by external - yearbooks, economic press, business histories and cases, biographies of entrepreneurs and managers - and internal - annual reports, commemorative publications, management reports, Internet websites - sources.

3. Big business’ role in Italy and in Spain

It is not easy to understand the role played by the largest firms in the Italian and Spanish growth during the last decades. Unfortunately an indicator that makes it possible to calculate how much big business helped the development of a country does not exist. But, just to provide an idea of what big business represented, it has been chosen to adopt an indicator commonly used by various scholars in other countries’ studies: the 100 largest enterprises’ turnover on Net Product percentage. Thanks to the information provided by Leslie Hannah on some of the most advanced nations in the world, it is possible to compare the Italian and Spanish findings to the result obtained on other nations (chart 2).

Chart 2 - Largest 100 enterprises’ turnover on Net Product, 1947, 1970 and 1990 (%).

	1947	1970	1990
USA	23	33	33
Japan	28	22	21
Germany	20	30	23
UK	22	40	36

Source: Lesley Hannah, *Delusions of a durable dominance or the invisible hand strikes back*, LSE, London, 1995.

According to these data, the 100 largest manufacturing and non manufacturing companies had a quite different impact in different periods and different nations. But apart from the Japanese case, where big business’ impact on national product continuously declined since 1947, the largest corporations in most advanced nations had their golden age in 1970, representing percentage between 30 and 40% of the national product, and slightly declined during the following decades for what concerned their contribution to the wealth of their nations. Unfortunately Hannah’s work stops in 1990, and this indicator does not provide information

on the amount of large corporations' contribution to their nations' wealth during the last two decades.

Following this methodology, it has been decided to measure the economic role of big business in Italy and Spain through the comparison of assets' (in 1950 sample) and sales' (in 1973 and 2002 samples) impact on Italian and Spanish current prices GDP in the three benchmark-years. This indicator is obviously not free from defects, and it is quite approximate. It is moreover necessary to be cautious in comparing these findings to Leslie Hannah's results because in this latter work multinational companies are not included in the sample, and it has been considered the Net Product in different benchmark-years. Even so, using this indicator provides an important way of measurement and comparison of the role played by large corporations in different countries.

The industrial backwardness of Italy and Spain during the first half of the last century would spur to think that big business and its role in these countries were quite small in 1950 and then grew during the following decades. The information gathered on this topic (chart 3), provide a quite different and to some extent unexpected picture.

Chart 3 - Largest 100 enterprises' assets (1950) and turnover (1973, 2002) on Italian and Spanish GDP, 1950-2002.

	1950	1973	2002
Italy	23,32	24,68	31,57
Spain	33,92	29,59	44,50

Source: own elaboration on information of 1950, 1973 and 2002 samples; Nicola Rossi, Andrea Sorgato and Gianni Toniolo, *I conti economici italiani: una ricostruzione statistica, 1890-1990*, in "Rivista di Storia Economica", vol. X, fascicolo 1, febbraio 1993; Albert Carreras, Leandro Prados de la Escosura and Joan R. Rosés, *Renta e Riqueza*, in Albert Carreras and Xavier Tafunell (eds.), *Estadísticas Históricas de España*; www.istat.it; www.ine.es.

The empirical evidence in fact proves not only that the 100 largest companies did not have a marginal role neither in Italy nor Spain in 1950 but also that, while the Italian big business' contribution to the national wealth has been very similar to the most advanced nations' one, the Spanish value has been even major. The information gathered on 1973 substantially confirm big business' important role in the Italian and Spanish economic system, even if this value experimented a slight increase and Italy and diminution in Spain. Also 2002 data do not demonstrate any decline in great enterprises' importance inside these nations' general economic panorama: both in Italy and in Spain the 100 largest companies' weight on GDP grew. Italian and Spanish big business was important in sustaining the wealth of their nations at least as it occurred in most advanced nations. Even if Italy and Spain are countries with a strong competitive advantage in small and medium-sized enterprises, the importance of big business has been very similar to what occurred in nations where big business has

traditionally represented a fundamental part of national wealth - just as the US, UK, Germany, France and Japan.

Even so, the fact that big business in Italy and Spain was not less important than in other nations should not hide that large corporations in these two countries have generally been quite tiny if compared to homologous “national champions” grown in the most advanced nations. The relative size - measured by sales and by assets - of the major enterprises in Italy and Spain has been in fact very small in comparison to the largest corporations worldwide mainly in 1950 benchmark, even if Italian companies decidedly achieved a best performance in comparison to the Spanish one in the years following World War Two⁶.

4. Ownership, strategy and structure

Understanding the features and role of the different types of enterprises’ ownership structures has been a fundamental objective of a lot of investigations since when the large corporations emerged in the United States. Adolf Berle and Gardiner Means stated that already in the 1930s an irreversible fragmentation of the ownership and a progressive separation of the ownership from control was occurring in the largest corporations in America⁷. Further investigations dealt with the analysis of the prevailing ownership kinds in the different varieties of capitalism in Europe. Whittington and Mayer, in their analysis on the 100 major enterprises in France, Germany and Great Britain, substantially proved that, differently from what occurred in the US, a fragmentation of big business ownership did not spread in Europe⁸.

The findings based on the empirical analysis gathered on Italy and Spain during the second half of the century substantially converge towards the European features, even if maintaining original characteristics (figure 1 and 2).

Italy and Spain have been characterized by similar ownership structures for a long period, while differentiated during the 1980s and 1990s. Contrarily to what happened in the United States, in none of these two countries the firms’ dispersed ownership significantly spread. In all benchmarks, and in both nations, the percentage of dispersed firms is less than 10%. On

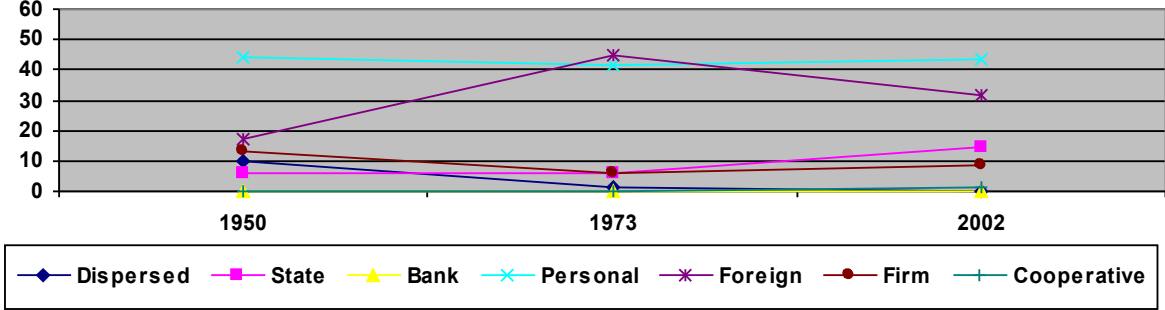
⁶ Albert Carreras and Xavier Tafunell, *National Enterprise. Spanish Big Manufacturing Firms (1917-1990) between State and Market*, Economics Working Paper, no. 93, 1994, p. 32-34; Franco Amatori, *Italy: the tormented rise of organizational capabilities between government and families*, in Alfred D. Chandler Jr., Franco Amatori and Takashi Hikino, *Big Business and the Wealth of Nations*, p. 267; Alfred D. Chandler Jr. and Takashi Hikino, *The large industrial enterprise and the dynamics of modern economic growth*, in Alfred D. Chandler Jr., Franco Amatori and Takashi Hikino, *Big Business and the Wealth of Nations*, p. 53; *Fortune*, May 1974, pp. 176-185; *Fortune*, 21 July 2003, pp. 1-42.

⁷ Adolf Berle and Gardiner Means, *The Modern Corporation and Private Property*, Macmillan, New York, 1932.

⁸ Richard Whittington and Michael Mayer, *The European Corporation*, p. 121.

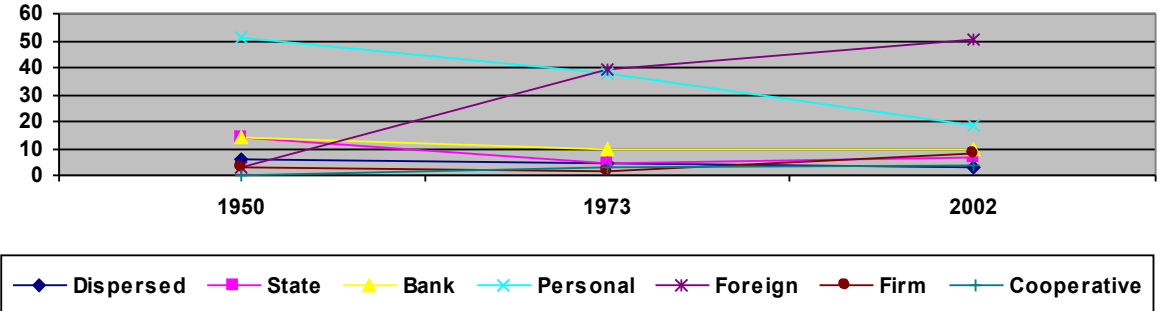
the other hand, big business' major shareholders have been families, State, foreign multinationals and banks.

Figure 1 - Ownership of the 100 largest non financial enterprises in Italy, 1950-2002



Source: Veronica Binda, "Le défi américain" nell'Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo", unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 140.

Figure 2 - Ownership of the 100 largest non financial enterprises in Spain, 1950-2002



Source: Veronica Binda, "Le défi américain" nell'Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo", unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 141.

The role played by families has been preponderant in the Italian case: in all the benchmark-years family firms represent between 40 and 45% of the sample. Spain has been very similar to Italy in 1950 and 1973, when the companies owned by families respectively represented 51 and 38% of the whole samples. Even so, differently from Italy, family business' role diminished in the following period: in 2002 only 19 of the 100 largest corporations in Spain were family-owned. The subjects that were more able to take advantage of the families' decline in Spain have been the foreign multinationals, whose percentage in the sample ascended from 3% of 1950 sample to 39 in 1973 and 51 in 2002. The main origin of this change is the Spanish integration to the international economy and its adhesion to the European Economic Community in 1986: without being protected from the foreign competition, in fact, many family firms were not able to compete with the most efficient foreign rivals and had to sell their own activity to multinational companies. The presence of

foreign enterprises increased also in the Italian benchmarks: they represented 17, 45 and 32% respectively of 1950, 1973 and 2002 samples. State represented a fundamental protagonist in big business ownership in these two countries not only by the number of state-owned companies, but also by the size and the importance of state-owned firms in the national economy. Curiously, despite a substantial process of privatizations in 1980s and 1990s in both Italy and Spain, the role of state-owned companies significantly reduced in Spanish case up to an almost complete disappearance while, at least by numbers, increased in the Italian one. Maybe strengthened by the fact that abrupt political transitions have not happened in Italy while Spain were experimenting a fundamental passage from dictatorship to democracy, the Italian state seemed very more reluctant than the Spanish one to sell the ownership of its firms. Still nowadays, state-owned firms are among the major ones in Italy. A last important difference among these two countries is the role played by banks. While in Italy banks could not have significant participations in industrial firms by law since 1933 to 1993, in Spain banks were one of the most central owners of private corporations. In 1950, in a context of industrial delay and resources shortage, banks directly participated in the capital of 15% of the largest corporations in the country. All of them were at the very top of the ranking by assets. Firms owned by other firms and by cooperative or by foundations are present inside the samples, but in both cases and all over this period maintained a quite marginal role.

If the analysis of big business' ownership proves the peculiarity of Italian and Spanish cases, which did not converge at all towards the American pattern of dispersed ownership, the divergence from US and most advanced European countries is slightly less evident for what concerns the corporations' strategies and structures.

Thinking about the strategies pursued by the largest corporations in historical perspective, it has been quite commonly considered in particular a specific kind of strategy - the product diversification. According to Alfred Chandler⁹, the largest American enterprises in the first half of the Twentieth century had already adopted a strategy of related-product diversification which made them possible to invest the surplus coming from the scale economies achieved in their original production and to exploit synergies in their core business production and distribution also in other activities. Chandler claimed that, in order to be able to compete with the largest American corporations, big business in Europe had to follow their example and started a growth process through the adoption of a related diversification strategy. Whittington and Mayer proved that in France, Germany and Great Britain, during the second

⁹ Alfred D. Chandler Jr., *Strategy and Structure*.

half of the Twentieth century, the number of firms focused on a single or dominant business declined while significantly grew the number of diversified corporations. Related diversification has been in particular the most successful strategy everywhere, representing the most adopted behavior by the largest corporations in the most advanced European economies since the 1950s¹⁰. Even if Chandler suggested that related product diversification represented only one of the possible ways of growth for an enterprise, and the main alternative to this option was to expand not in different product areas, but in different geographical markets, scholars who analyzed the evolution of big business strategies in historical perspective often neglected to consider systematically the role of internationalization strategy. The studies on this theme have in fact predominantly concerned the American area¹¹ and they did not significantly spread in Europe. Nevertheless, in the following period, the main European nations started to foster important multinational companies and, more recently, also thanks to the increasing intensity of the internationalization and Europeanization process, “small” and “medium”-sized states in Europe started to get their own competitive advantage more on internationalization than on other growth strategies¹².

Even if also Italy and Spain participated to the process of diffusion of product diversification strategy, their big businesses maintained during the second half of the last century very particular features in their strategic choices (figure 3 and 4). The Spanish case experimented more drastic transformations than the Italian one, but the general trend has been quite similar in both countries. Single business firms constantly and significantly decreased in Italy. They represented 29, 26 and 19% respectively of 1950, 1973 and 2002 samples. On the other hand, single business companies remained quite important in the Spanish case, where they represented 23, 35 and 28% of the samples in the three benchmark years. Dominant business strategy maintained an impressive continuity through space and time. Both in Italy and in Spain, in fact, during the whole period considered in this investigation, dominant business strategy has been adopted by around 30% of the companies in the samples. As the Harvard scholars predicted, on the other hand, the strategy of product related diversification changed

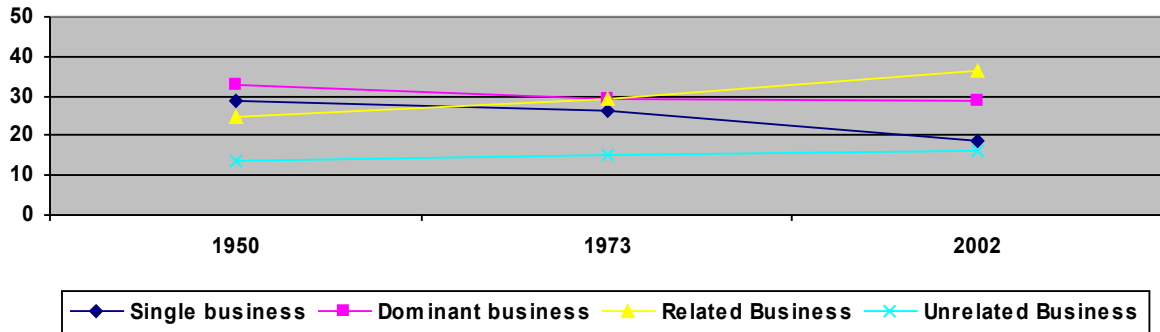
¹⁰ Richard Whittington and Michael Mayer, *The European Corporation*, chapter 5.

¹¹ Geoffrey Jones, *Multinationals and Global Capitalism: from the Nineteenth to the Twenty-first Century*, Oxford University Press, Oxford, 2005; Mira Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914*, Harvard University Press, 1970; and Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*, Harvard University Press, 1974.

¹² Veronica Binda and Martin Jes Iversen, *Towards a ‘Managerial Revolution’ in European Business? The Transformation of Danish and Spanish Big Business, 1973-2003*, in “Business History”, vol. 49, no. 4, 2007, pp. 506-530.

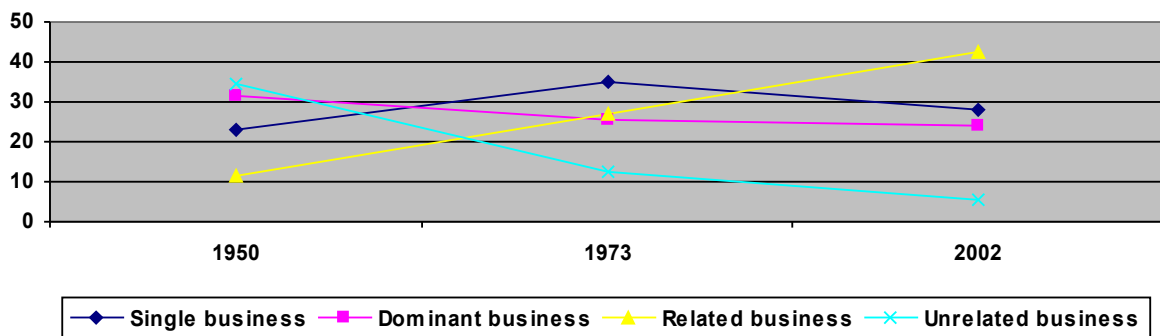
its importance and a more and more great number of firms decided to adopt this kind of strategy since the 1950s.

Figure 3 - Evolution of the 100 largest non financial firms' diversification strategy in Italy, 1950-2002



Source: Veronica Binda, "Le défi américain" nell'Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo", unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 205.

Figure 4 - Evolution of the 100 largest non financial firms' diversification strategy in Spain, 1950-2002



Source: Veronica Binda, "Le défi américain" nell'Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo", unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 205.

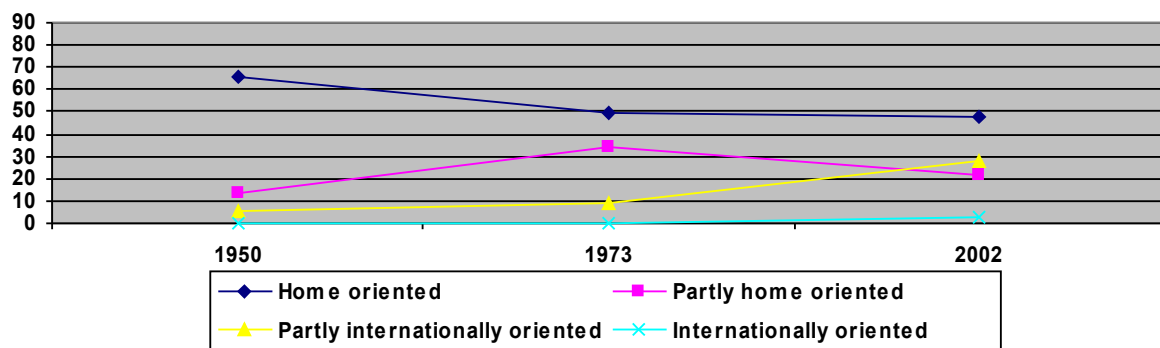
The firms that decided to adopt this type of product strategy passed from 25 to 29 to 36% in fifty years in Italy. The diffusion of related diversification has been even more incisive in the Spanish case, where between 1950 and 2002 it passed from 11 to 27 to 43%. Despite the general trend in the adoption of this kind of strategy followed the same route than in other European countries, the phenomenon in Italy and Spain had not the same intensity. If, at the end of the millennium, big businesses which had decided to adopt a related diversification strategy represented respectively 36 and 43% of the Italian and Spanish samples, they were respectively 51, 48 and 61% of the French, German and English sample¹³. It has been instead very different the path followed by the adoption of the unrelated diversification strategy in these two nations. While it increased its importance inside the Italian sample, growing from 13 to 15 to 16% in the three benchmark-years, it notably decreased it in Spain, from 34 to 2%

¹³ Information on 1993. Richard Whittington and Michael Mayer, *The European Corporation*, p. 168, 175, 181.

respectively of 1950 and 2002 samples. The enthusiasm with which this type of strategy has been welcomed has been nevertheless quite different also in the case of the more advanced European nations. In 1993 there were 14 unrelated business large companies on 100 firms in France, 32 in Germany and 24 in the United Kingdom¹⁴.

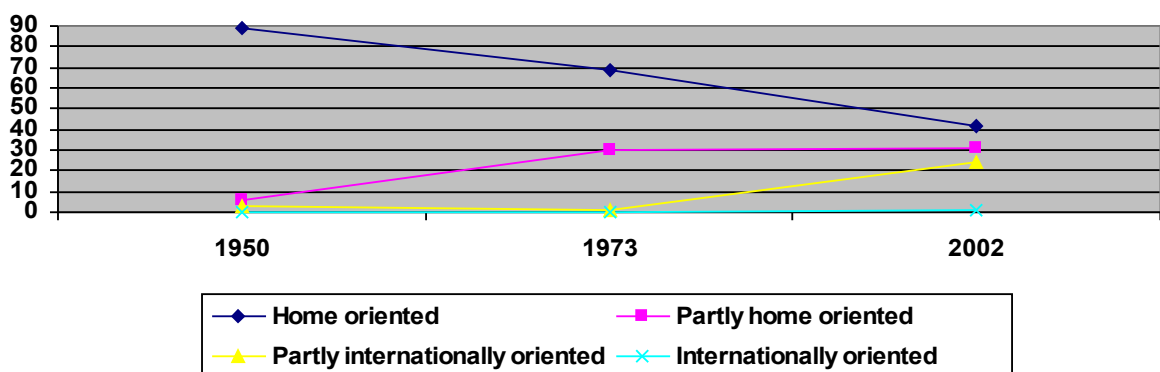
For what concerns the diffusion of the other kind of strategy, the diversification of geographical market or internationalization, it is not possible to compare the Italian and Spanish findings to what occurred in other nations because of the lack of systematic studies on this topic on other countries. Figures 5 and 6 describe what happened in Italy and Spain.

Figure 5 - Evolution of the internationalization strategy of the 100 largest non financial firms in Italy, 1950-2002



Source: Veronica Binda, “Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo”, unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 206.

Figure 6 - Evolution of the internationalization strategy of the 100 largest non financial firms in Spain, 1950-2002



Source: Veronica Binda, “Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo”, unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 206.

At a general level, it does not surprise to see that a substantial diffusion of the internationalization strategy took place in both countries during the last decades. But internationalization’s times and ways of adoption have been nevertheless quite different in these two countries. Some firms had decided in Italy to focus their own business not only at

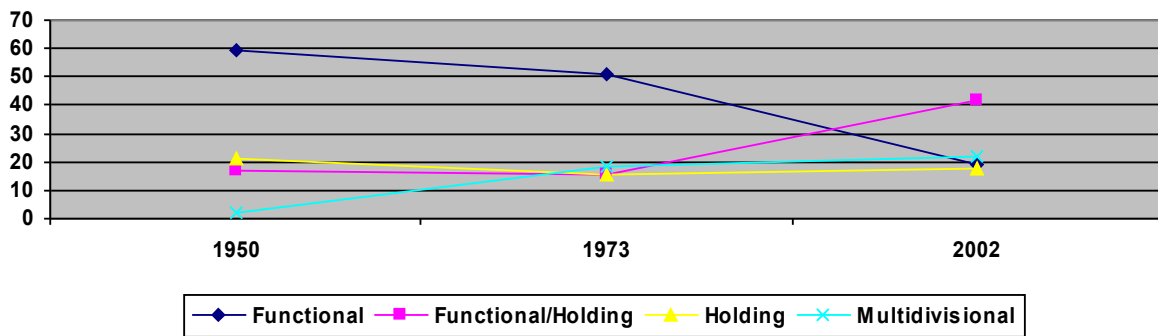
¹⁴ Richard Whittington and Michael Mayer, *The European Corporation*, p. 168, 175, 181.

home already in 1950. But the real take-off of the only partly home oriented and partly foreign oriented internationalization strategies occurred in the following decades. In 1973 these strategies respectively represented 34 and 9% of the sample. During the 1970s, 1980s and 1990s, the main change in the internationalization of big business in Italy was represented not by a substantial increase in the number of internationalized companies, but in the intensity of their foreign activities of the enterprises directed towards other geographical markets, through the increase of the category of partial orientation to the foreign countries. Big business in Spain has been more static on internationalization between 1950 and 1973, but when this process started to spread also among Spanish large corporations were very consistent. The firms which oriented their strategy towards the only domestic markets decreased from 89 to 69% between 1950 and 1973 and then to fall down to 41% in 2002. During the 1950-1973 period, firms only partly home oriented were the category which grew more. From the 1980s on, on the other hand, the most rapidly growing internationalization category was the partly internationally oriented strategy. Both in Italy and Spain, also due to the not marginal domestic market size, a total orientation towards abroad has been a very rare fact.

Once considered the ownership and strategies predominantly adopted by big business, it is interesting to analyze how entrepreneurs and managers decided to manage their strategies. The first large corporations in the United States had adopted since the first steps of their growth a functional structure. This organizational form became however soon inadequate when firms' product diversification began to increase thanks to the intense exploitation of scale and scope economies. That's why during the 1920s emerged in the United State a new kind of organizational form: the multidivisional (M-form). Thanks to its capability to coordinate and to effectively manage increasing degrees of diversification and internationalization, multidivisional structure dominated big business panorama in the United States and, beginning from the 1950s, also in most advanced European nations. In 1993, following Whittington and Mayer, the M-form was the most adopted organizational structure by European big businesses, representing 76, 70 and 89% of the 100 largest corporations' organizational choices respectively in France, Germany and the United Kingdom¹⁵. Did the M-form have the same success also in Mediterranean nations countersigned by a very different context than the American one? How, when, and why did this organizational form started to spread?

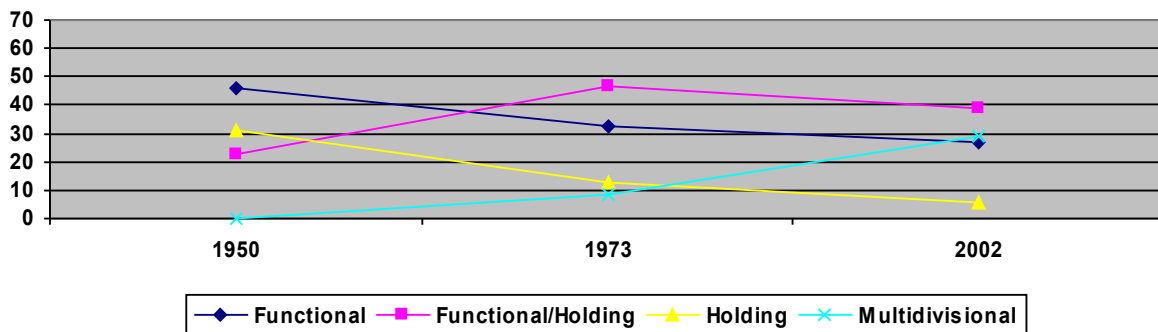
¹⁵ Richard Whittington and Michael Mayer, *The European Corporation*, p. 213, 219, 226.

Figure 7 - Evolution of the structure of the 100 largest non financial enterprises in Italy, 1950-2002



Source: Veronica Binda, “Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo”, unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 254.

Figure 8 - Evolution of the structure of the 100 largest non financial enterprises in Spain, 1950-2002



Source: Veronica Binda, “Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo”, unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 254.

Observing in a comparative perspective the structural evolution of the largest enterprises in Italy and in Spain since 1950 (figure 7 and 8), it’s evident that the trend followed by big business has been quite similar in these two nations even if with different rhythms and intensities. Functional structure reduced a lot its importance in both cases. The decline of this organizational form has been nevertheless more evident in Italy (from 60 to 19%) than in Spain (from 46 to 27%). Functional/holding form spread in both cases, but, if in Italy its popularity constantly increased, in Spain it got its maximum success in 1973, overcoming 45% of the sample, and then decreased in 2002 even if it remained the most adopted organizational structure among the 100 largest corporations in Spain. The holding form declined in both nations but, while its importance has remained around the 15-20% of the sample in Italy in all three benchmark-years, its role has really collapsed in the Spanish case passing from 35 to 5% of the sample within fifty years, and transforming itself from an absolute protagonist to a marginal actor. Finally, the multidivisional, as predicted by Chandler and the chandlerian-inspired studies, spread in both countries. Even so, the diffusion of this kind of organizational structure has been quite marginal if compared to what occurred in the

United States and in the most advanced European nations. Ways and timing of the diffusion of the M-form had been moreover different between Italy and Spain. In the first case, the multidivisional structure diffused slowly but constantly, passing respectively from 2 to 18 to 22% of 1950, 1973 and 2002 samples. Spanish companies knew this organizational structure later, but they have been more definite in adopting it. If in 1950 there was not any multidivisional in the Spanish samples, 1973 and 2002 gathered respectively 8 and 30 M-form companies.

5. Technologies, ownership and business choices

Why in the Italian and Spanish cases big business preferred to adopt particular behaviors? How can we explain the persistent differences among the ownership, strategies and structures of large corporations in Italy and Spain if compared to the most advanced nations in the world? The investigations that up to now dealt with entrepreneurial strategies and structures formulated in the last decades precise hypothesis on the determinants that could favor or hinder the diffusion of particular typologies of strategies and structures. First of all, according to the chandlerian interpretation, a firm's strategy should depend on technology and have a consequence on its organizational structure. It would have been the particular technology that characterized the capital-intensive sectors countersigned by continuous and fast productive processes typical of the Second Industrial Revolution to constitute the first engine that stimulated in the United States the exploitation of scale and scope economies and led to the diffusion of the adoption of the related diversification strategy. Then, diversification would have made necessary the adoption of the M-form, which would have been essential to coherently manage and organically this complex strategy¹⁶. Following business theories, also the ownership of a firm would have an impact on its strategic and structural choices. Families have been for instance very often accused to voluntarily limit the growth, diversification and divisionalization of their own firms for fearing to lose its control¹⁷. Following a quite common methodology in these kind of investigations¹⁸, and coherently to the characteristics of the information, it has been chosen to observe correlations among data on the Italian and Spanish cases and utilize logistic regressions. To analyze the impact of some explanatory variables x

¹⁶ Alfred D. Chandler Jr., *Strategy and Structure*, 1962.

¹⁷ Alfred D. Chandler Jr., *Scale and Scope*, 1990.

¹⁸ Neil Fligstein, *The spread of multidivisional form among large firms*, in "American Sociological Review", no. 50, 1985, pp. 377-391; Neil Fligstein, *The intraorganizational power struggle: rise of finance personnel to top leadership in large corporations*, in "American Sociological Review", no. 52, 1987, pp. 44-58; Donald Palmer, P. Devereaux Jennings and Zueguang Zhou, *Late adoption of the multidivisional form by large U.S. corporations: institutional, political and economic accounts*, in "Administrative Science Quarterly", no. 38, 1993, pp. 100-131.

(x_1, \dots, x_n) on a categorical variable Y - in some cases “strategy” and in others “structure” - the Generalized Linear Models (GLM) have been used. The statistic analysis on the databases allowed to better understand the enterprises’ behavior and to identify the main relationships among their fundamental features - sectorial affiliation and ownership - and the strategies and the structures they chose to adopt¹⁹. The results of the regressions have nevertheless provided not comforting results on the attempt to explain strategies and structures of big business in Italy and in Spain through these variables, that generally were considered important to understand the entrepreneurial behaviors.

Technology and strategy

First of all, the connection between the firms' technology and strategy has been investigated. The large diversified corporations which grew in the United States at the beginning of the Twentieth century were based upon a specific technological constraint: they were all manufacturing capital-intensive firms that could exploit the scale and scope economies opportunities provided by the Second Industrial Revolution²⁰.

Chart 4 – Correlations between firms' sectorial belonging and strategic choices of the largest companies in Italy and Spain, 1950, 1973, 2002.

	Italy 1950		Spain 1950		Italy 1973		Spain 1973		Italy 2002		Spain 2002	
	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub
aai	.	.	.	.	.	.	.	.	0.1609	-0.0556	.	.
aas	.	.	.	.	.	.	-0.0722	-0.0455	.	.	.	.
ali	-0.1155	-0.0789	0.1532	-0.0703	-0.0050	-0.1393	-0.1877	-0.0589	0.1462	-0.0275	0.1552	-0.0563
alt	-0.0808	0.3550	-0.1100	0.4239	-0.1145	0.4444	-0.1029	0.4469	-0.1302	0.3766	-0.1003	0.4898
ban	.	.	-0.1796	0.6922	.	.	-0.1837	0.7974	.	.	.	.
cem	-0.0808	-0.0552	.	.	-0.0803	0.3118	0.1977	-0.0455	-0.1302	0.1486	0.1348	-0.0276
chi	-0.0377	0.4447	-0.1100	-0.2212	-0.0050	0.1481	-0.0420	-0.1049	-0.0129	-0.0978	-0.1003	-0.0276
com	.	.	.	.	-0.0803	-0.0501	.	.	0.2292	-0.0793	0.1919	-0.0393
con	.	.	-0.0884	-0.1778	-0.0803	-0.0501	-0.1477	-0.0931	-0.0914	-0.0556	-0.0914	0.3318
dis	.	.	.	.	-0.1142	-0.1393	-0.0391	-0.1452	-0.1635	-0.1998	-0.2518	-0.1236
ele	0.2381	-0.0976	-0.0616	-0.1239	0.2132	-0.1393	0.1202	-0.1260	0.2001	-0.1138	0.0937	0.1744
eli	-0.2817	0.0935	-0.1100	-0.2212	-0.1145	0.1865	-0.1029	-0.0649	-0.0129	0.0897	-0.2306	-0.0634
gom	0.1155	-0.0789	.	.	0.2772	-0.0714	0.0894	-0.0649	-0.0914	-0.0556	-0.1003	-0.0276
hot	.	.	.	.	.	.	0.0894	-0.0649	.	.	0.1348	-0.0276
imm	.	.	-0.0616	-0.1239	.	.	.	.	.	.	.	.
mec	-0.0377	0.0625	0.6853	-0.1778	0.0684	-0.1157	0.2662	-0.0931	0.1037	-0.0467	0.0937	-0.0634
min	-0.1155	-0.0789	0.4774	-0.1239	.	.	.	.	.	.	-0.1003	-0.0276
nav	-0.0808	-0.0552	.	.	.	.	.	.	0.1609	-0.0556	0.1348	-0.0276
pet	0.4143	-0.1286	-0.0616	-0.1239	-0.0899	0.0067	-0.0097	-0.0931	0.0662	-0.1777	0.0352	-0.0563
pmt	0.1130	-0.1286	.	.	-0.1646	0.0827	0.2877	-0.1358	-0.1607	0.0897	0.2259	-0.0820
pos	-0.0808	-0.0552	-0.0616	-0.1239	.	.	.	.	-0.0914	0.2643	0.0437	-0.0700
pub	-0.1155	-0.0789	-0.0616	-0.1239	0.1811	-0.0882	-0.0722	-0.0455	-0.0129	0.0897	.	.
ric	.	.	.	.	.	.	.	.	-0.1302	0.1486	-0.1003	-0.0276
tes	0.0325	-0.1556	-0.0616	-0.1239	0.0814	-0.0714	-0.0722	-0.0455	-0.0129	0.0897	0.1348	-0.0276
tra	.	.	-0.1290	-0.0703	.	.	.	.	-0.1302	0.1486	-0.0848	-0.0563

Legend: aai: other manufacturing activities; aas: other non manufacturing activities; ali: food, beverages and tobacco; alt: other; ban: bank; cem: brick, pottery, glass and cement; chi: chemicals and pharmaceuticals; com: computers and ICT; con: constructions; dis: wholesales and retail trade; ele: electrical and instrument engineering; eli: electricity and gas; gom: rubber and plastics; hot: hotels and tourism; mec: mechanical engineering and metals; min: mining; nav: shipbuilding; pet: petroleum; pmt: transportation equipment; pos: mail service and telecommunications; pub: printing, paper and publishing; ric: recreation activity; tes: textile and clothing; tra: transport services.

Source: Own elaboration based on Veronica Binda, “Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

¹⁹ Veronica Binda, “Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo, unpublished PhD dissertation, Bocconi University, Milan, 2007.

²⁰ Alfred D. Chandler, *Scale and Scope*, 1990.

Chart 4 deals with the correlations between the strategy of related and unrelated diversification pursued by the largest companies in Italy and Spain and their sectorial affiliation in 1950, 1973 and 2002. Observing this table, stable interrelations between strategies and industries are not evident neither in Italy nor in Spain during this period. There are only two exceptions. The first one is the banking sector in Spain in 1950 and 1973, which is positively correlated to unrelated diversification. The second one is the “other” sector, that is obviously almost always positively correlated to the strategy of unrelated diversification because many firms that were not classifiable in a single sector activity because of their many business areas have been gathered in this category.

The low level of interrelation between the sectorial affiliation of a company and its diversification strategy seems to indicate a substantial absence of a significant impact of the activity of a firm in determining one or another kind of strategic option. In order to test this conclusion, charts 5 and 6 evidence the effect of different activity fields on the strategy of related and unrelated diversification. For what concerns the related diversification, the findings allow to exclude the hypothesis that the sectorial affiliation had an impact on this strategic option in both nations and in the three benchmark-years. Moreover, thorough pivot charts and graphs, it has been tested if related diversification has been systematically adopted in particular by some sectors and, *vice versa*, how much the strategy of related diversification spread in the different sectors²¹. The results prove that in any sector this strategy has been predominantly or exclusively adopted and that it is not possible to identify a strong connection between some specific sectors and this kind of strategy.

As it regards unrelated diversification strategy, the statistical analysis proves that it is impossible to accept the hypothesis that different sectors had a different impact in influencing the pursuing of this type of strategy (chart 6). While the table of correlations underlines a strong connection between the banking industry and the pursuing of an unrelated diversification strategy in Spain, and between the “other” sector and the unrelated diversification strategy in Italy, this information does not emerge observing the regression. In order to be sure that the findings of the regression are not due to a scarce number of observations, an analysis through pivot tables and graphs has been done on the samples²².

²¹ Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 272.

²² Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007, p. 276.

Chart 5 – Regression on related diversification, effect of different industries in Italy and Spain, 1950, 1973, 2002.

P-value rb	Italy 1950	Spain 1950	Italy 1973	Spain 1973	Italy 2002	Spain 2002
aai	/	/	/	/	1.000	/
aas	/	/	/	1.000	/	/
ali	1.000	0.998	0.998	0.999	0.998	0.997
alt	1.000	1.000	1.000	1.000	0.997	0.996
ban	/	1.000	/	1.000	/	/
cem	1.000	/	1.000	0.998	0.997	1.000
chi	0.999	1.000	0.998	0.999	0.998	0.996
com	/	/	1.000	/	1.000	1.000
cos	/	1.000	/	1.000	0.998	0.997
dis	/	/	0.998	0.999	0.998	0.997
ele	0.998	1.000	0.998	0.999	0.999	0.997
eli	1.000	1.000	1.000	1.000	0.998	0.994
gom	0.998	/	/	0.999	0.998	0.996
imm	/	1.000	0.996	/	/	/
hot	/	/	/	0.999	/	1.000
mec	0.999	0.997	0.998	0.998	0.998	0.997
min	1.000	0.998	/	/	/	0.996
nav	/	/	/	/	/	1.000
pet	0.998	1.000	0.998	0.999	0.998	0.997
pmt	0.998	/	1.000	0.998	0.997	0.997
pos	1.000	1.000	/	/	0.998	0.997
pub	1.000	1.000	0.998	1.000	0.998	/
ric	/	/	/	/	0.997	0.996
tes	0.999	/	0.998	/	0.998	/
tra	/	1.000	/	/	0.997	0.997

Legend: aai: other manufacturing activities; aas: other non manufacturing activities; ali: food, beverages and tobacco; alt: other; ban: bank; cem: brick, pottery, glass and cement; chi: chemicals and pharmaceuticals; com: computers and ICT; con: constructions; dis: wholesales and retail trade; ele: electrical and instrument engineering; eli: electricity and gas; gom: rubber and plastics; hot: hotels and tourism; mec: mechanical engineering and metals; min: mining; nav: shipbuilding; pet: petroleum; pmt: transportation equipment; pos: mail service and telecommunications; pub: printing, paper and publishing; ric: recreation activity; tes: textile and clothing; tra: transport services.

Source: Own elaboration based on Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

Chart 6 – Regression on unrelated diversification, effect of different industries in Italy and Spain, 1950, 1973, 2002.

P-value ub	Italy 1950	Spain 1950	Italy 1973	Spain 1973	Italy 2002	Spain 2002
aai	/	/	/	/	1.000	/
aas	/	/	/	1.000	/	/
ali	/	0.999	1.000	0.999	0.999	1.000
alt	0.998	0.997	0.997	0.997	0.998	0.998
ban	/	0.997	/	0.997	/	/
cem	1.000	/	0.998	1.000	0.998	1.000
chi	0.998	1.000	0.999	1.000	1.000	1.000
com	/	/	1.000	/	1.000	1.000
cos	/	1.000	/	1.000	1.000	0.999
dis	/	/	1.000	1.000	1.000	1.000
ele	1.000	1.000	1.000	1.000	1.000	0.999
eli	0.999	1.000	0.998	1.000	0.999	1.000
gom	1.000	/	1.000	1.000	1.000	1.000
hot	1.000	/	/	1.000	/	1.000
imm	/	1.000	/	/	/	/
mec	0.999	1.000	1.000	1.000	0.999	1.000
min	1.000	1.000	/	/	/	1.000
nav	/	/	/	/	/	1.000
pet	1.000	1.000	0.999	1.000	1.000	1.000
pmt	1.000	/	0.999	1.000	0.999	1.000
pos	1.000	1.000	/	/	0.998	1.000
pub	/	1.000	1.000	1.000	0.999	/
ric	1.000	/	/	/	0.998	1.000
tes	1.000	/	1.000	/	0.999	/
tra	/	0.999	/	/	0.998	1.000

Legend: aai: other manufacturing activities; aas: other non manufacturing activities; ali: food, beverages and tobacco; alt: other; ban: bank; cem: brick, pottery, glass and cement; chi: chemicals and pharmaceuticals; com: computers and ICT; con: constructions; dis: wholesales and retail trade; ele: electrical and instrument engineering; eli: electricity and gas; gom: rubber and plastics; hot: hotels and tourism; mec: mechanical engineering and metals; min: mining; nav: shipbuilding; pet: petroleum; pmt: transportation equipment; pos: mail service and telecommunications; pub: printing, paper and publishing; ric: recreation activity; tes: textile and clothing; tra: transport services.

Source: Own elaboration based on Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

The findings of this test prove that, during the second half of the Twentieth century, the firms affiliated to the category “other” and “bank” decided in all the cases to diversify their activity in unrelated fields. If we observe the sectorial distribution of the unrelated business companies in Italy and Spain, we finally note a significant difference between these two countries. While in Italy the largest firms of many different sectors decided to become conglomerate corporations in all the benchmark years, and there’s not a clear correlation between the sectorial affiliation of a company and its choice to diversify, in Spain more than the half of the conglomerates both in 1950 and in 1973 originated in the banking sector.

Considering this exception, the statistical elaboration on the sample in conclusion allows to exclude that both in Italy and in Spain during this period a clear and stable correlation between the strategic choices of the firms and their sectorial belonging existed. In order to identify the reasons that caused the origin and diffusion of the diversification strategy in these two Mediterranean nations, it will be thus necessary to investigate more the database trying to find statistical stable and empirically supported explanations.

Ownership and strategy, ownership and structure

Firms’ ownership has been very often considered the reason why some enterprises decided to not adopt a diversification strategy and a multidivisional structure. According to Chandler, the United Kingdom was not successful in developing large corporations US-style mainly due to the family ownership of its big businesses²³. Nevertheless, a more recent investigation of the ownership structures of the largest companies proved that the United Kingdom is in Europe the state where the dispersed ownership was more common at the end of the Twentieth century. In other European nations, as French and Germany, in the most of cases the large corporations were owned by families, banks and the state and had a quite concentrated kind of ownership²⁴. State, families and banks have also been recurrent protagonist of the Italian and Spanish economic system and the dispersed ownership did not significantly spread among the largest corporations in these two nations. But had the owners’ identity of big business a real impact on their strategic and organizational choices in Italy and Spain?

For what concerns the corporate strategies, chart 7 includes the correlations between ownership and strategies of the largest corporations in Italy and Spain in the benchmark years 1950, 1973 and 2002.

²³ Alfred D. Chandler, *Scale and Scope*, cit., p. 641 della versione italiana.

²⁴ Richard Whittington e Michael Mayer, *The European corporation*, cit., Rafael La Porta, Florencio López de Silanes and Andrei Shleifer, “Corporate ownership around the world”, in “Journal of Finance”, 54, 1999.

Chart 7 – Correlations between ownership and strategy of the largest corporations in Italy and Spain, 1950, 1973, 2002.

	Italy 1950		Spain 1950		Italy 1973		Spain 1973		Italy 2002		Spain 2002	
	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub
fir	-0.0976	0.0095	0.4774	-0.1239	-0.0238	0.0827	-0.0722	-0.0455	0.0884	-0.1416	-0.0556	-0.0700
ban	.	.	0.1100	-0.0922	.	.	0.0135	-0.1260	.	.	0.0012	-0.0762
coo	.	.	.	.	.	.	0.0894	-0.0649	0.1609	-0.0556	-0.0385	0.2544
dis	-0.0377	0.2536	-0.0884	0.3408	-0.0803	0.3118	-0.1270	0.3409	.	.	0.0245	-0.0393
per	0.1118	-0.0109	-0.1899	0.2202	0.1447	0.0236	-0.1458	0.2248	-0.0529	0.2918	0.0710	0.3432
sta	0.0476	0.1441	-0.1466	0.0491	-0.1646	0.4534	-0.1270	0.1304	-0.0534	0.1370	-0.0144	-0.0634
for	0.0880	-0.1804	-0.0616	-0.1239	-0.0325	-0.3598	0.2283	-0.3074	0.0019	-0.3139	-0.0115	-0.2405

Source: Own elaboration based on Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

Particular connections do not emerge from the chart. Only two correlations seem significant. The first one concerns the positive connection between the firms owned by other corporations and the choice to diversify their activity in related sectors in Spain in 1950. But this result is quite weak because is based on few observations. The second correlation links the state ownership to the pursuing of an unrelated diversification strategy in Italy in 1973.

The regression analysis on the impact of the different kinds of owners on related (chart 8) and unrelated (chart 9) diversification in Italy and Spain during this period does not provide any definite conclusion. The charts’ values are in fact high enough to refuse the hypothesis of the existence of a significant impact of ownership on the pursuing of a strategy of related or unrelated diversification both in Italy and Spain in 1950, 1973 and 2002. Also in this case, these results have been verified through an analysis on pivot charts and graphs²⁵. Both for related and unrelated diversification, in Italy and Spain, the findings of the regressions have been confirmed by the pivot analysis: on one side for the whole period practically any ownership category has been characterized by a strong or major adhesion to one or another kind of strategy and, on the other side, the related diversification strategy had not been chosen preferentially by one or another kind of ownership category but spread among all the categories.

Chart 8 – Regression of related diversification, effects of different kinds of owners in Italy and Spain, 1950, 1973, 2002.

P-value	Italy 1950	Spain 1950	Italy 1973	Spain 1973	Italy 2002	Spain 2002
fir	0.993	0.998	/	0.999	0.994	0.725
ban	/	0.997	/	0.998	/	/
coo	/	/	/	0.577	/	0.779
dis	0.993	1.000	0.996	0.997	/	0.858
per	0.993	0.295	0.642	0.709	0.994	0.758
sta	0.993	0.997	0.993	0.996	0.994	0.921
for	0.993	0.999	0.913	0.602	0.994	0.970

Source: Own elaboration based on Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

²⁵ Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007, pp. 280-282.

Chart 9 – Regression of unrelated diversification, effect of different kinds of owners in Italy and Spain, 1950, 1973, 2002.

P-value ub	Italy 1950		Spain 1950		Italy 1973		Spain 1973		Italy 2002		Spain 2002	
fir	0.997		1.000		/		1.000		1.000		1.000	
ban	/		0.996		/		0.996		/		/	
coo	/		/		/		1.000		1.000		0.996	
dis	0.997		0.998		0.998		1.000		/		1.000	
per	0.997		0.996		0.610		0.996		0.999		0.996	
sta	0.997		0.996		0.178		0.993		0.999		1.000	
for	1.000		1.000		0.992		1.000		1.000		1.000	

Source: Own elaboration based on Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*, unpublished PhD dissertation, Bocconi University, Milan, 2007.

For what concerns the unrelated diversification, some particular trends can be identified, but it is not possible to arrive at an univocal conclusion. Differently from the related diversification strategy category, that was in fact adopted by all the ownership categories, some owners never adopted the strategy of unrelated diversification neither in Italy or in Spain. The main absents are in particular the foreign multinational subsidiaries. Considered this exception, correlations, regressions, and pivot analysis on the impact of ownership on diversification allow thus to conclude that diversification - in its different intensities - has been in this period a transversal phenomenon that has invested all the types of shareholders in both countries.

It is possible to claim that the different kinds of owners had at least an impact on the organizational structure of the largest companies in Italy and Spain? In order to simplify the analysis, it has been decided to analyse the more complex organizational forms considering the propensity of the different owners to adopt a multidivisional or an “holding” organizational form, gathering in this case both the “functional/holding” and “holding” as a single category. Correlations between the ownership and the organizational structure of the largest corporations in Italy and Spain in 1950, 1973 and 2002 are gathered in chart 10. Observing the table, long term significant correlations between organizational structures and owners do not emerge in both countries.

Chart 10 – Correlations between organizational structures and different kinds of owners, 1950, 1973, 2002.

	Italy 1950		Spain 1950		Italy 1973		Spain 1973		Italy 2002		Spain 2002	
	f/h-hol	md	f/h-hol	md	f/h-hol	md	f/h-hol	md	f/h-hol	md	f/h-hol	md
fir	0.0356	-0.0552	0.1667	.	0.1169	-0.1218	0.1022	-0.0329	-0.1639	0.2114	0.0356	-0.0820
ban	.	.	0.4859	.	.	.	0.0549	-0.0836	.	.	.	.
coo	.	.	.	.	.	.	-0.1990	-0.0469	0.1002	-0.0639	0.0932	0.0179
dis	0.4126	-0.0457	0.2392	.	0.1945	-0.0595	0.1797	-0.0578	.	.	-0.1467	0.2569
per	0.1714	-0.1247	0.3137	.	0.1447	0.1622	0.1415	-0.1022	0.3080	-0.1787	0.0579	-0.0080
sta	-0.0261	0.5659	-0.2567	.	-0.0238	0.2082	-0.1038	-0.0578	-0.1628	0.3819	-0.2369	0.1800
for	-0.3617	-0.0641	-0.1765	.	-0.2366	-0.1878	-0.1849	0.1158	-0.1313	-0.2098	0.1225	-0.3015

Source: Own elaboration based on Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*, unpublished PhD dissertation, Bocconi University, Milan, 2007.

We have only two quite strong connections in 1950, where in Italy the multidivisional structure was often correlated to the state ownership while the holding form was quite often adopted by dispersed companies in Italy and banks in Spain.

The regressions which test the impact of the different owners in Italy and Spain in 1950, 1973 and 2002 on the adoption of an holding (chart 11) or a multidivisional (chart 12) structure do not prove a significant impact of ownership on organizational forms.

Chart 11 – Regression on “holding” structure, effect of different kinds of owners in Italy and Spain, 1950, 1973, 2002.

P-value f/h hol	Italy 1950	Spain 1950	Italy 1973	Spain 1973	Italy 2002	Spain 2002
fir	0.997	0.998	/	0.996	0.995	0.433
ban	/	0.997	/	0.276	/	/
coo	/	/	/	0.994	/	0.278
dis	0.995	1.000	0.991	0.993	/	0.996
per	0.997	0.205	0.662	0.925	0.996	0.356
sta	0.997	0.835	0.472	0.425	0.995	0.994
for	1.000	0.999	0.159	0.249	0.995	0.307

Source: Own elaboration based on Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

Chart 12 – Regression on multidivisional structure, effect of different kinds of owners in Italy and Spain, 1950, 1973, 2002.

P-value md	Italy 1950	Spain 1950	Italy 1973	Spain 1973	Italy 2002	Spain 2002
fir	1.000	/	/	0.998	0.993	0.067
ban	/	/	/	0.996	/	/
coo	/	/	/	0.998	/	0.278
dis	1.000	/	1.000	0.996	/	0.995
per	1.000	/	0.996	0.382	0.994	0.074
sta	0.997	/	0.996	0.997	0.993	0.680
for	1.000	/	0.996	0.791	0.994	0.006

Source: Own elaboration based on Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

As occurred also for what concerns the impact of ownership on strategy, the p-values of the independent variables are too high to accept that ownership had an important impact on the organizational form chosen by the largest corporations in these countries. Only in the Spanish sample of 2002 we can have stable results on the impact of firms, personal and foreign ownership of the companies in making them adopt a multidivisional structure. Estimating the values of their coefficients (chart 13), it emerges that the three significant ownership variables - firms, personal and foreign - had a negative impact on the choice of adopting a multidivisional structure. Their odds are nevertheless quite low, and we can claim that their negative impact was not very strong.

Also in this case, pivot charts and graphs have been use to better define this picture directly observing every single sample and, also relatively to this point, the findings obtained by the correlations and regressions tables have been substantially confirmed²⁶.

Chart 13 – Regression on multidivisional structure, effect of different kinds of owners in Spain 2002.

md	OIM Coef.	Odds Ratio	Std. Err.	z	P>|z|	[95% Conf. Interval]
fir	-2.525638	0.0800	1.378394	-1.83	0.067	-5.227239 .1759643
coo	-1.609277	0.2000	1.483218	-1.08	0.278	-4.516332 1.297777
dis	15.29908	440864	2347.413	0.01	0.995	-4585.545 4616.143
per	-1.832414	0.1600	1.024677	-1.79	0.074	-3.840744 .1759152
sta	-.5107935	0.6000	1.238265	-0.41	0.680	-2.937748 1.916161
for	-2.59019	0.0750	.9475719	-2.73	0.006	-4.447396 -.732983

Source: Own elaboration based on Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007.

Every kind of owners in fact adopted every kind of structure, excluding the dispersed ownership firms, which almost always adopted functional/holding or holding structures, and the cooperatives, which never adopted the multidivisional form. Bank, personal, state and foreign owned companies on the other hand chose all the other organizational forms, including the M-form, without any prejudices towards one of them.

Considering some very few exceptions, correlations, regressions and pivot analysis can thus make possible to claim that any kind of ownership typology had a conclusive impact in Italy nor in Spain in 1950, 1973 and 2002 on determining the strategic and organizational choices of the largest companies of these countries.

Strategy and structure

The studies on entrepreneurial behaviour in historical perspective traditionally consider another important relation: the connection between the product strategy of a firm and its organizational structure. Once again, the origin of this analysis is in Chandler’s work that claimed that the strategy of increasing diversification that the largest companies began to pursue at the end of the Twentieth century caused the diffusion of the multidivisional structure²⁷. Chart 14 stresses that the connections between the organizational structures and the kind of strategy pursued by the firm were not stable in the samples with the only exception of Spain in 1950 where it is possible to identify a strong and positive connection between the unrelated diversification strategy and the holding structure. Weaker connections countersigned Spanish samples where, as predicted by Chandler, in 1973 there is a positive

²⁶ Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007, pp. 284-286.

²⁷ Alfred D. Chandler, *Scale and Scope*, 1990.

connection between the related diversification strategy and the multidivisional structure, and in 2002 a negative connection between the single business strategy and the M-form.

Chart 14 – Correlations between diversification and organizational structures adopted by the largest corporations in Italy and Spain, 1950, 1973, 2002.

	Italy 1950		Spain 1950		Italy 1973		Spain 1973		Italy 2002		Spain 2002	
	f/h-hol	md	f/h-hol	md	f/h-hol	md	f/h-hol	md	f/h-hol	md	f/h-hol	md
sb |	-0.3289	-0.0892	-0.2878	/	-0.3221	-0.2945	0.0336	-0.2029	-0.0102	-0.2418	0.0455	-0.4018
db |	0.0725	-0.0934	-0.2041	/	0.0332	-0.0443	-0.0914	-0.1604	0.0726	-0.0269	0.0050	-0.0878
rb |	0.0913	-0.0808	-0.1899	/	0.0332	0.3045	-0.0626	0.4553	-0.2367	0.2606	-0.0043	0.3324
ub |	0.2673	0.3550	0.5815	/	0.3300	0.0389	0.1545	-0.1049	0.2234	-0.0564	-0.0909	0.2381

Source: Own elaboration based on Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*, unpublished PhD dissertation, Bocconi University, Milan, 2007.

Any significant interrelation emerges in the Italian benchmarks. The regressions which deal with the impact of product diversification on the adoption of the holding (chart 15) and multidivisional (chart 16) structures contribute to better delineate this panorama.

Chart 15 – Regression on functional/holding and holding structures, effect of product diversification strategy in Italy and Spain, 1950, 1973, 2002.

f/h hol |	Italy 1950		Spain 1950		Italy 1973		Spain 1973		Italy 2002		Spain 2002	
	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub
p>|z||	0.250	0.045	0.796	0.006	0.292	0.009	0.816	0.235	0.167	0.200	0.840	0.431
Coef. |	.784119	1.85456	-.32542	3.171085	.6820973	2.148434	-.12825	1.019148	-.75198	1.098612	-.09716	-.9444616
Odds |	2.190476	6.388889	.7222222	23.83333	1.978022	8.571429	.8796296	2.770833	.4714286	3	.9074074	.3888889

Source: Own elaboration based on Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*, unpublished PhD dissertation, Bocconi University, Milan, 2007.

Chart 16 – Regression on multidivisional structure, effect of product diversification strategy in Italy and Spain, 1950, 1973, 2002.

Md |	Italy 1950		Spain 1950		Italy 1973		Spain 1973		Italy 2002		Spain 2002	
	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub	rb	ub
p>|z||	1.000	0.992	1.000	1.000	0.014	0.241	0.990	1.000	0.043	0.721	0.001	0.010
Coef. |	4.96e-10	17.56933	-5.2e-15	-2e-14	1.888752	1.174985	18.2871	5.68e-09	1.370546	.3364722	2.043891	3.267666
Odds |	1	4.27e+07	1	1	6.611111	3.238095	8.75e+07	1	3.9375	1.4	7.720588	26.25

Source: Own elaboration based on Veronica Binda, *“Le défi américain” nell’Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*, unpublished PhD dissertation, Bocconi University, Milan, 2007.

The number of the cases that prove the existence of a connection between these categories is major than in the previous analysis on sectorial distribution, ownership, strategy and structure. Strategy had a stronger impact on the adoption of a functional/holding and holding form during the Fifties and Seventies than more recently. While in 2002 we can not accept that strategy influenced the holding structure, we can in fact observe a more precise connection during the previous decades. In 1950 we can accept the hypothesis the unrelated diversification strategy had an impact - positive in Italy and very positive in Spain - on the decision to adopt a holding structure. In 1973 this relation disappears in Spain but strengthened in Italy, where the estimated odds of the coefficients increase if compared to the previous benchmark. For what concerns the multidivisional structure, on the other hand, we

can observe more secure connections mainly in more recent years, when the diffusion of this organizational form allows to consider an ampler amount of observations. The empirical evidence allows to claim that an impact of the related diversification on the adoption of a multidivisional structure existed both in 1973 and 2002 but decreased during this period in Italy while in Spain there was in 2002 a positive impact of the related, but mainly of the unrelated, diversification strategy on the adoption of the M-form. Observing the statistical findings it is moreover possible to affirm that, according to Chandler, single business firms never adopted the M-form while diversified companies chose more complex organizational structures as the holding or the multidivisional form. The pivot analysis on the aggregate samples²⁸ allows us to confirm an important conclusion: the holding structure can not be explained basing on strategy. In all the benchmark-years, and in both countries, in fact, the choice to adopt the holding structure has been preponderant and it was transversal to all the strategic categories. Holding structure, to sum up, did not follow strategy. The findings obtained by the pivot analysis on the adoption of multidivisional structure allow to draw more precise connections between strategies and structures. Any single business company in fact adopted a multidivisional structure in any benchmark and in both countries while the M-form was a structure adopted mainly by related business companies. According to Chandler, in this case, structure did follow strategy. On the other hand, the affiliation of a firm to the “related business” category did not necessarily implicate that the firm adopted a multidivisional structure. In many cases, in fact, this kind of companies were organized as holding or functional/holding companies.

To conclude: in none of the two countries the choice of diversification can be explained basing on technological variables: in all the benchmark-years it has not been observed a substantial impact of the sectorial belonging of an enterprise on the extension of the variety of its products. Sectors that should have been characterized by strong diversification strategies remained in various cases single or dominant business oriented. On the other hand many firms in labor-intensive or services sectors, which would not have had a significant technological advantage in diversify their production, decided to adopt diversification strategies. Explaining strategies and structures on the base of the ownership is also ineffective in these two Mediterranean countries, where all the types of shareholders have used an ample variety of strategic options. In the database it is possible to observe dispersed ownership firms that, rather than grow through a diversification process as Harvard theories predicted, decided to

²⁸ Veronica Binda, “*Le défi américain*” nell’*Europa del Sud - Storia della grande impresa in Italia e in Spagna nella seconda metà del Ventesimo secolo*”, unpublished PhD dissertation, Bocconi University, Milan, 2007, pp. 290-291.

pursue a dominant business strategy. On the other hand, families and banks, that are generally considered reluctant to diversify their own entrepreneurial activity, very often decided to enter new and very different businesses. And still: structure in most of cases did not follow strategy. Vast groups of enterprises sometimes pursued a single or dominant business strategy and, on the other hand, very diversified firms often had a very centralized organizational forms. In this general framework, the holding structure has been transversally adopted in every type of sector and by all the owners without any correlation with the firms' product diversification strategy. In this messy context, the comforting relationships hypothesized by the Harvard scholars on the relationships between technology and strategy, among ownership, strategy and structure and between strategy and structure do not fit to what really occurred. It is thus necessary to identify new variables and determinants at the base of the entrepreneurial behavior in these countries. The lack of stable and regular relationships, were they positive or negative, among sectors, ownership, strategies and structures of the enterprises is by itself a very interesting finding but does not answer to an important research question: what did determine the strategic and organizational choices of the firms in these two countries? And, more specifically, why the related business strategy and the multidivisional structure spread so late and in so limited percentage of big business if compared to what occurred in the US and in other European nations?

6. Entrepreneurial choices between ties and contingent opportunity

The hypotheses to be followed would be a lot, and every nation and every firm have an entirely particular history. But, basing on a general qualitative analysis and on some case studies, the database is able to identify at least four important factors that help to understand what happened, considering all connections to the historical, economic, political, social and institutional context inside which these great enterprises have risen and operated.

First of all, it is important to consider the industrial delay of these nations, that, even if stronger in the Spanish than in the Italian case, induced state to very similar behaviors towards the largest corporations risen in these countries. Government's intervention, quite common in helping the industrialization process in the late-comer nations, has been pervasive in both countries since the last decades of the Nineteenth century. It had the main aim to make the development of a strong national industry and the catch-up process possible. While in fact in the United States, Germany and the United Kingdom the technologies of the First and Second Industrial Revolution had already spread between the end of the Nineteenth and the beginning of the Twentieth century, neither Italy nor Spain seemed to be able to

spontaneously start a remarkable process of industrialization²⁹. It was thus necessary on one side to create *ex novo* large corporations in the industrial sectors that had been fundamental for the national growth in already industrialized nations and, on the other side, to promote the foundation of big business and to strenuously protect the few initiatives that rose in autonomous way by private entrepreneurs who had money enough to found a big business, as to say few great families and banks. State intervention in protecting the great firms remained a long period feature in the two economic systems and, if in Spain it seems to have declined with the consolidation of democracy, in the Italian case government is still very active both in managing state-owned firms and protecting large national business. This government attitude had essentially two important consequences on entrepreneurial behaviors. The first one is that state's protection, meaning the total elimination or a strong decreasing of competition, did not spur the enterprises to adopt new and more efficient strategies and structures. Single and dominant business strategies together with functional, functional/holding and holding structures, that in the US and in other European nations became ineffective because of the increasing competence and were replaced by the diversification strategy and the multidivisional structure, remained effective and quite common strategies and structures in Italy and in Spain all over the last century. Only during the 1980s and 1990s, when in both countries international competition increased, the firms characterized by this behavior transformed their strategies and structures or were defeated in the competitive arena and many of them were sold to more efficient foreign multinational companies. The second consequence of state intervention is that very often big business developed their strategies and structures only in order to get further government's help and protection. In some cases, for instance, firms adopted a strategy of growth neither following their capabilities nor the existence of technological opportunities, but only to take advantage of government incentives to invest in the poorer areas of the country or in the sectors of "national interest".

The second element which is important to understand firms' behaviour is a corollary of the first one: firms very often were compelled by government to decide their own strategies and structures not with the aim of pursuing economic efficiency or maximizing their profits, but to pursue political and social purposes. Rescues of enterprises represented particularly something from which big business could not escape and that often forced them to change their strategies and transform into chaotic unrelated diversified holdings.

²⁹ Franco Amatori and Andrea Colli, *Impresa e industria in Italia dall'Unità ad oggi*, Marsilio, Venezia, 1999; Albert Carreras and Xavier Tafunell, *Historia Económica de la España Contemporánea*, Crítica, Barcelona, 2003.

A further explanation of the difference of the strategies and the structures adopted by large corporations in Italy is Spain lays on scarce size and limited strategic and organizational capabilities that many big businesses in these countries had for a very long period because of the industrial delay which countersigned particularly the Spanish case. The “largest enterprises” owned by native people were in fact often very small if compared to the largest diversified and divisionalized US and European large corporations. Simpler strategies and structures were therefore effective enough to manage their activity.

The difference in the strategies and structures adopted by big business in Italy and in Spain is also interpretable considering the identity of what as been identified as a “big business” in the sample composition. In the analysis there have been in fact included not only manufacturing domestically-owned firms, but also non-manufacturing and foreign companies. For what concerns non-manufacturing corporations, it is to notice an increasing diffusion of services enterprises inside the samples. These firms however adopted technologies very different from the ones which had characterized the manufacturing sectors - and particularly the Second Industrial Revolution typical sectors - and that could have been effectively managed by a “one best way”, different if compared to the “one best way” pointed out by Chandler for manufacturing sectors. Whereas it misses that technological element that justified the adoption of determined strategies and structures in order to exploit specific technological advantages, it can occur that optimal strategies and structures are very different from the chandlerian ones. As it concerns foreign multinationals, which represented and still represent a very remarkable percentage of “big business” in Italy and Spain, it has to be stressed that they adopted very often different strategies and structures “at home” and “abroad”. Very often diversified and multidivisional firms in their own country pursue single or dominant business strategies and functional or functional/holding structures if they are considered as simple branches in foreign countries where they are only divisions of multidivisional corporations.

7. Conclusions

To sum up, the present investigation allows to draw at least three important conclusions.

The first one is that big business had an important role in countries traditionally considered as characterized by small and medium-sized firm as Italy and Spain, too. But in order to realistically understand the importance that the large corporations have had in these nations is fundamental to remember that the great enterprises have not been only manufacturing domestically-owned corporations but also services firms and foreign multinationals. Secondly, the analyses underlines that the process of “Americanization” of big business in

Italy and in Spain has been late and very limited. The last conclusion concerns the reasons that have spurred entrepreneurs and managers to pursue specific strategies and structures and not others. It seems obvious, but it is not, to remember that it is not possible to understand the strategic and organizational behavior of the firms without considering the context where they grew and developed. The study of the Italian and Spanish case very effectively stresses that very often local incentives or disincentives have been very stronger in influencing firms' strategic and structural choices than the aim of getting economic efficiency or maximizing profits.

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