



SAPIENZA  
UNIVERSITÀ DI ROMA

ISSN 2385-2755  
DiSSE Working papers  
[online]

**WORKING PAPERS SERIES**  
**DIPARTIMENTO DI**  
**SCIENZE SOCIALI ED ECONOMICHE**

**What's next? The national governance  
and industrial transition scenario for  
Italian SMEs**

**Elisa Errico**



**N. 7/2024**

SAPIENZA - UNIVERSITY OF ROME

P.le Aldo Moro n.5 – 00185 Roma T(+39) 0649910563

CF80209930587 – P.IVA 02133771002

# ***What's next?***

## ***The national governance and industrial transition scenario for Italian SMEs.***

Elisa Errico

### **Abstract**

Scholars (inter alia Van Zeijl-Rozema et al., 2008) regard national governance as a crucial tool for managing transition processes towards sustainable development models. This paper explores how Italian national governance relates to specific industrial transition scenario, with a focus on small and medium enterprises (SMEs). Literature considers social dialogue as an effective governance tool for successful industrial transition (Di Tommaso, 2020; Glass & Newig, 2019; Herman et al., 2017; ILO, 2015; Treu, 2023). Our study explores the agency of the public actor and social partners within the Italian national governance and how they influence transition scenarios for SMEs. To address the research question we have deployed a qualitative method and triangulated main findings with secondary data from official national reports. To better outline industrial transition scenarios we have deployed the four scenarios by the Network for Greening the Financial System (NGFS). Our results outline a cosmetic governance model characterized by the lack of substantial social dialogue in the formulation and implementation of interventions. The national level is ineffective in managing transition processes leading to dotted transition scenarios for SMEs. In this frame different transition pathways and socio-economic impacts occur depending on the location, sector and business size of SMEs, strengthening territorial inequalities.

Elisa Errico, elisa.errico@uniroma1.it, Doctoral School in Social and Sciences and Economics, Sapienza

### **Introduction**

Scholars (inter alia Van Zeijl-Rozema et al., 2008) regard national governance as a crucial tool for managing transition processes towards sustainable development models. Institutional contexts shape national governance models which affect a state's capacity to achieve goals (Glass & Newig, 2019) within successful transition scenarios. Governance models also entail overall economic and social sustainability of transition processes (Di Tommaso, 2020). Stemming from this theoretical perspective this paper explores how Italian national governance relates to specific industrial transition scenario, with a focus on small and medium enterprises (SMEs).

The features of the Italian case- high fragmentation of the productive fabric and social partners- allow to delve into the *paradox* of the governance of the green transition. On the one hand, the presence of heterogeneous territorial economies requires an effective leadership of the public actor within the national governance for an integrated and coherent management

of complex multi-level processes. On the other hand, local governance models take into account the characteristics and needs of different territories in the decision-making and implementation processes. The balance of these two tensions is pivotal for the evaluation of industrial scenarios combining environmental goals, widespread economic growth and social cohesion. In this study, therefore, we will try to explore *the Italian pathway* to industrial transition, focusing on SMEs. Literature agrees that smaller companies face extra obstacles in transition processes (Dasanayaka et al., 2022). Moreover, limited resources for SMEs entail more reliance on strategies and support provided by the national governance of industrial transition. SMEs form the backbone of the Italian productive fabric and, thus, their industrial transition scenario affects the overall socio-economic system. In this paper we refer to industrial transition as processes of structural changes of the economy which affect various societal aspects (OECD, 2023). These processes are not neutral but related to agency and power dynamics between actors at different levels (Avelino & Wittmayer, 2016; Grin et al., 2010; Meadowcroft, 2007). Within the transition arena collective actors might share one or more common values while competing to let their individual interests prevail (Avelino & Wittmayer, 2016; Frantzeskaki et al., 2012). In the Italian case, the complex articulation of trade union and employer organizations- whose characteristics are explained in the following paragraphs- concur to complexify and slow down the definition of shared goals. Thus, we explore the agency of these actors in managing these change pathways because it forms governance models (Van Zeijl-Rozema et al., 2008) and affect transition scenarios. Scholars regard the public actor<sup>1</sup> and the social partners involved in governance at national level as key agents influencing industrial transition scenarios; they also emphasize the significance of social dialogue as an effective governance tool for successful industrial transition (Di Tommaso, 2020; Glass & Newig, 2019; Herman et al., 2017; ILO, 2015; Treu, 2023). Therefore, the innovativeness of our study is exploring the agency of these collective actors in the Italian national governance and how they influence transition scenarios for SMEs. To address the research question we have deployed a qualitative method and have triangulated these with secondary data from official national reports on actual transition pathways for Italian SMEs. To better outline industrial transition scenario related to Italian national governance we have deployed the four scenarios by the Network for Greening the Financial System (NGFS)<sup>2</sup>. In the first paragraph we discuss literature on governance models for industrial transition, delving into the role of the public actor and social partners, and look at the connection with industrial transition scenarios. Then, we outline the Italian context and the research method. In the third paragraph we present and discuss our findings taking into account reference literature and secondary data. Finally, we present conclusions pointing out the limitations of this study and suggest future research trajectories.

## **National governance models and industrial transition scenarios**

Scholars (inter alia Andrijevic et al., 2019; Glass & Newig, 2019) have highlighted how social dialogue influences the effectiveness of governance models. Different governance models affect a state's ability to manage transition processes towards successful industrial scenarios. The latter implies overall sustainability of different phases of structural changes and, therefore, the balance between specific interests and broad goals. Two conditions, at least, enable this achievement. First, the ability of the public actor to shift individual interests towards shared

---

<sup>1</sup> In this paper we use the term public actor to refer to the national government.

<sup>2</sup> These four scenarios are explained in detail in [NGFS Scenarios Portal](#).

solutions on transition goals. Second, a clear vision and political will about industrial policy, tools and timing and expected outcomes. Moreover, industrial policy must be feasible, gradual, clear and coherent with each other (Annicchiarico & Marvasi, 2021; Treu, 2022) and include enabling reforms. Interventions must be based on key priorities and shared guidelines of the industrial transition agenda meanwhile be flexible enough to respond to contextual changes. Timing and scale of interventions by the national governance form the axes for the definition of four scenarios by NGFS. These categories take into account the achievement of overall sustainability (environmental, economic and social) and impacts of various transition scenarios depending on the choices of different governance models. Timing and scope of policy interventions to face climate change (physical risks) affect additional costs of adaptation (transition risks) with different environmental, social and economic outcomes. In this paper, we deploy these four categories to outline economic and social impacts for SMEs, given the Italian national governance's features.

The two scenarios named *too little too late* and *hothouse world* public national policies are too unambitious and timely to fail to mitigate climate change. This triggers financial crises due to the decreasing of essential raw materials (Annicchiarico & Marvasi, 2021) with effects on overall economic growth of SMEs and social cohesion. Less catastrophic but equally risky scenario is *disorderly transition*. In this frame, national governance adopts emergency and uncoordinated policies, slowing down the achievement of industrial transition goals.

This implies higher costs both to mitigate climate change and to support SMEs to manage the sudden adoption of stringent regulations. Within these scenarios the lack of an effective governance model has a massive impact on SMEs competitiveness, preventing only those with adequate capabilities and resources from failing. Instead, for a successful transition scenario (*orderly*) governance actors at different levels coordinate to implement coherent and timely interventions taking into account existent economic and social inequalities. SMEs can gradually manage transition processes supported by a network of stakeholders (public and private) diluting costs of adaptation. In this scenario, effective governance is able to manage the onset of unexpected outcomes of policy interventions and, at the same time, to address deep-rooted territorial or sectoral inequalities through socio-economic structural changes.

### **The governance paradox**

Within literature on governance models for sustainable development, we focus on the role of the public actor and the social partners at national level. In particular, this paper looks at one of the various paths of change towards a more sustainable model, the industrial transition of SMEs. Although there might be some shared priorities in industrial transition processes, these are not fixed<sup>3</sup>. The agency of collective actors within the national governance influences their definition and implementation leading to different scenarios. Thus, national governance is a crucial tool for managing transition processes within a specific vision of goals (Van Zeijl-Rozema et al., 2008) and industrial policies (Di Tommaso, 2020). Glass and Newig (2019) relate the effectiveness of governance models to four main features:

- substantial participation of social actors in decision-making processes
- coherence and integration of policies domains
- adaptation and reflexivity in the achievement of intermediate and long-term goals
- democratic institutions

---

<sup>3</sup> To increase the competitiveness of its productive fabric within global value chains the industrial strategy at European level is based on three main goals: social cohesion, digital and green transition.

In addition to these, the level of education and the gross domestic product (GDP) of each nation are regarded as key aspects for successful transition processes (Andrijevic et al., 2019). However, national governance for industrial transition suffers from, at least, three dilemmas: the extent of participation, the balance of power of actors and the alignment of time horizons (Meadowcroft, 2007).

Regarding the extent of participation, governance actors must be sufficiently heterogeneous in terms of roles, skills and visions (Frantzeskaki et al., 2012) to enable mutual learning, to gain social legitimation of political decisions and to gather adequate resources (Glass & Newig, 2019). At the same time, national governance requires entrants' selection criteria to ensure debate quality and reflexivity (Frantzeskaki et al., 2012). Ideal governance is open and representative but also closed enough to be effective and lean. Amongst crucial actors scholars (Di Tommaso, 2020; Glass & Newig, 2019; Herman et al., 2017; ILO, 2015; Treu, 2022) mention the inclusion of social partners in decision making and implementation of transition processes.

Power relations must be horizontal and decentralized (Johnstone & Newell, 2018). Local, national and supranational public actors and social partners, private and third sector actors are equally important for an effective national governance. This governance model engages with various stakeholders (Herman et al., 2017) avoiding abuse of power, information asymmetries and unintended outcomes. It also allows the public actor to decentralize some functions to experts and to address equally urgent matters. At the same time, this calls for a coordinated multi-level governance and for a strong leadership (government) by the public actor to avoid *paralysis* or conflict between stakeholders. However, there is a risk that to avoid displeasing some power groups of interest (Glass & Newig, 2019) or voters, the public actor might postpone controversial interventions related to transition reducing efficiency of this governance model.

The last dilemma is the alignment of time horizons of interventions by social actors within the national governance. Structural changes must be gradual and ordered to avoid unexpected impacts such as financial or social crises (Annicchiarico & Marvasi, 2021). Economic, environmental and social domains are interrelated and might suffer from multi-scalar problems in the short term. Thus, the industrial transition requires both the definition of broad goals in the long term and feasible policy solutions in the short term to be sustainable (Di Tommaso, 2020). This entails aligning different actors within multi-level governance on a shared vision of change while adapting these to contextual changes (Wang et al., 2022). To be effective in pursuing industrial transition governance has to streamline social long-term goals with the traditional short-medium term logics of firms.

### **Public actor and social partners in the national governance**

Literature focuses on collective actors within national governance given their resources and powers of influencing industrial transition scenarios. In these processes of structural changes the public actor and social partners, namely employer's associations and trade unions, have a pivotal and complementary role. Indeed an effective governance entails substantial social dialogue (Di Tommaso, 2020; Glass & Newig, 2019; Herman et al., 2017; ILO, 2015; Treu, 2023). In this paper we consider social dialogue as a structured, formalized, democratic, transparent and inclusive confrontational practice (Herman et al., 2017) to legitimate industrial

policies (Di Tommaso, 2020; Treu, 2022). The features of social dialogue depend on different institutions, economies and, among others, on the political history of a country, on the legitimation degree of social partners' role within national governance. Regarding industrial transition scenarios for SMEs, social dialogue is even more fundamental for considering and addressing their specificities both in the decision-making and implementation phases.

### *The public actor*

Although recent literature has debated governance *beyond the state*, most scholars (*inter alia* Glass & Newig, 2019; Johnstone & Newell, 2018; Meadowcroft, 2007) attach to the public actor a central role in industrial transition. The latter implies top-down and intentional change processes regarding economy, society and environment. The public actor is in charge of creating enabling conditions (e.g. reforms, infrastructures, funds) for industrial transition, forcing particular interests towards shared goals (Di Tommaso, 2020; Glass & Newig, 2019; Meadowcroft, 2007). Thus, within the national governance the public actor drives and coordinates stakeholders at different levels. *Government* by the public actor is crucial for an effective national governance model (Meadowcroft, 2007) to remove path dependencies and to implement structural changes at all levels (Glass & Newig, 2019; Johnstone & Newell, 2018). Government is based on collaborative strategies and co-governance of transition processes in which social actors assume their social responsibilities (Di Tommaso, 2020; Meadowcroft, 2007). In particular, the alignment of the public actor and the social partners accelerate industrial transition by reducing conflict and unexpected consequences related to information asymmetries (ILO, 2015; Treu, 2023).

### *The social partners*

Social partners are civil society organizations involved in social dialogue<sup>4</sup> and represent the interests of entrepreneurs and workers. In recent decades scholars observed a progressive disintermediation by the public actor in decision-making processes (Avelino & Wittmayer, 2016). On the other hand, literature (*inter alia* Glass & Newig, 2019; Herman et al., 2017) and international organizations (ILO, 2015) state that effective governance lies in social dialogue. According to ILO (2015, pag.5) “[a] strong social consensus on the goal and pathways to sustainability is fundamental. Social dialogue has to be an integral part of the institutional framework for policymaking and implementation at all levels. Adequate, informed and ongoing consultation should take place with all relevant stakeholders”. Thus, the overall sustainability of the industrial transition depends on the quality of engagement of social partners (Di Tommaso, 2020). The EU regulation 2021/241, art.18, 4q<sup>5</sup> establishes that social dialogue is mandatory in the formulation and evaluation of National Recovery and Resilience Plans (NRRP) which also entails industrial transition policies. Social partners have a complementary and supportive role for the public actor in managing industrial changes (Di Tommaso, 2020; Herman et al., 2017; Treu, 2022, 2023). In these processes substantial social dialogue also helps to correct the existent disparities by unregulated markets aligning economic growth and social cohesion (Herman et al., 2017). Beside these, the roles of social partners is to inform

---

<sup>4</sup> Social partners are the foundation of the European Social Model. Source: [Treaty on the Functioning of the European Union, title X, art.152](#)

<sup>5</sup> Source: [► B REGULATION \(EU\) 2021/241 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 February 2021 establishing the mechanism for](#)

and train members about required changes and to discuss with them opportunities and issues of change processes (ILO, 2015; Treu, 2022).

After recalling the specific role of the public actor and social partners within the national governance, the following section explores their characteristics for the Italian case. Stemming from this theoretical frame, we also outline the research method and we present and discuss main findings in the following paragraphs.

## **Method**

This study explores how the Italian national governance model influences industrial transition scenarios for SMEs. To outline the features of the national governance model we focus on the role of the public actor and social partners in shaping transition pathways and outcomes. Indeed, social dialogue is regarded as a key aspect for the effectiveness of the national governance both to avoid informational asymmetries in decision making processes and to enhance social legitimacy of industrial policies. However, substantial participation of social partners influences and is influenced by a state's national governance model. For a better understanding of the research findings we state key aspects of the Italian case.

Employer association system reflects the high fragmentation of the productive fabric (Carrieri & Pirro, 2019). Each organization has both internal separation (e.g. sector, age/gender of employers) and external distinction from other organizations based on functions, sector, economic activity, company size, and the territory in which it operates. This fragmentation challenges the extent of their political power in the national governance given the number of stakeholders to include, the balancing of specific interests (Carrieri & Pirro, 2019) and their degree of representativeness (Treu, 2023). In this frame, to reflect this fragmentation we have interviewed only major Italian employer organizations of SMEs:

- Industrial employer organizations small and medium sized (Confapi)
- Artisan employer organizations (Confartigianato and CNA)

Regarding trade unions there is a pluralism of representation (Carrieri & Pirro, 2019). There are different trade union organizations based on distinct ideological roots, on different professional categories, sectors and territorial aggregations. However, Italian trade unions have created some experiences of collective bargaining both to reassert their power in the decision-making processes. We have interviewed three representatives of Italian confederal unions:

- Confederazione Generale Italiana del Lavoro (CGIL)
- Confederazione Italiana Sindacati Lavoratori (CISL)
- Unione Italiana Lavoratori (UIL)

Regarding institutional recognition of the role of the social partners, scholars (Carrieri & Pirro, 2019) found an increase of disintermediation by the public actor as also recognized by international literature (Avelino & Wittmayer, 2016). This behavior decreases the effectiveness of national governance and social legitimacy of industrial policies slowing down the achievement of industrial transition goals (Carrieri & Pirro, 2019; ILO, 2015; Treu, 2023). Alongside the public actor and social partners, we have interviewed an expert from the Bank of Italy on SMEs transition within the green economy. To address our research question from May to September 2023 we have conducted nine qualitative and semi-structured interviews

with privileged witnesses both in presence and from remote, lasting approximately one hour each. This method helps to delve into interviewees' direct experiences and behaviors, investigating the presence of common and shared meanings. Stemming from the reference literature, we have analyzed and discussed qualitative materials according to two thematic dimensions. To grasp the national governance model we have deployed the themes of the *role of the public actor and social partners* and *substantial participation of the social partners*. To outline the industrial scenario for SMEs we have considered the themes of *timing and scope of industrial policies* and *socio-economic impacts*. Then, we have triangulated main findings with secondary data from the *GreenItaly Report* (2023) and the *Report on interventions to support economic and productive activities* (2022) by the Ministry of Business and Made in Italy. These contain respectively official data on actual progresses and features of SMEs industrial transition, and data relating to the support tools provided by the public actor. In the next paragraph we present and discuss the main results explaining how these contribute to responding to the research question.

## **Presentation of the results**

### *Italian national governance (role and substantial social dialogue)*

This paragraph provides the perceptions of the social partners and of the representative of the Bank of Italy on his role and that of the public actor within the Italian national governance. Our findings also highlight power relations in decision-making processes regarding industrial transition for SMEs. Social partners affirm they are in charge of institutional representation, advocacy and lobbying to guarantee their members' needs are taken into account by the public actor in the formulation and implementation of industrial policies. Hence, they give policy suggestions proposing feasible tools to implement structural changes. They also train and share information with employers and workers both seeking social legitimacy of interventions and supporting them in organizational changes; the latter is crucial especially for SMEs which face extra barriers in implementing industrial transition. In these processes social partners affirm they also require new competences and information to improve their effectiveness in decision making and implementation. The industrial transition might also set the stage for a new governance model based on innovative forms of participation. Actually our findings reveal a lack of political will by the public actor and of substantial dialogue with social partners. There is no consistency and transparent communication in the engagement of social partners in the formulation of industrial transition policies. Interviewees reveal a cosmetic rather than substantial social dialogue within Italian national governance.

A previous attempt to improve social dialogue on the transition agenda dates back to the approval of the *Environmental Code or Consolidated Environmental Law* Italian (legislative decree n.152/2006). Within this regulation, the *Economic and Social Council for Sustainability* (CESPA) by the Ministry of the Environment and Territorial Protection together with the social partners has been created to discuss transition processes. However, this experience has lapsed since 2013. The European regulation 2021/241, art.18, 4q has introduced mandatory consultation with the social partners in the formulation and monitoring phases of the National Plans for Recovery and Resilience (NPRR); accordingly the Italian public actor have established the Permanent Economic, Social and Territorial Partnership Table (Legislative Decree 77/2021, art.3<sup>6</sup>) which include civil society organizations, representatives of local

---

<sup>6</sup> Source:[Legislative Decree 31 May 2021, n. 77](#)



authorities, regions and universities in the formulation and monitoring of transition goals. Despite the formal recognition of social dialogue as a key aspect of industrial policy and of effective national governance, our results still highlight disintermediation and lack of substantial power of social partners in these processes:

It was not about the lack of interlocution because we were also convened, but about the purpose of the interlocution [...] (The public actor) created a cosmetic political table with the social partners and collected the opinions... but then he didn't use them to establish specific political tables on specific problems [which then flow] to the overall discussion on industrial policies. We're not going anywhere. [TU1]

Italian national governance includes social partners and strategic big firms depending on the focus of the political table. Each partner brings his instances commenting on the industrial transition agenda set by the public actor. In this frame decision making processes are murky and the heterogeneity of stakeholders convened at political tables decrease the national governance. In turn, there is a weakening in the potential contribution of each stakeholder in the management of industrial transition processes and in the overall social legitimacy of interventions.

"The point is to reduce **clutter**. Unfortunately we have many associations and these have great difficulty coordinating with each other for various cultural reasons. There are not selected (partners) but political tables where everyone can sit. It's like having a condominium with a million people and having a meeting with everyone, what is the result? None. Only if you select and you are proactive, namely, you go there with a proposal and discuss it [then you get a result], you don't make everyone make their own proposal." [CB]

The high fragmentation of stakeholders requires selection criteria and the establishment of specific political tables at different levels aligned within a national industrial strategy to be effective. Clear industrial guidelines form the floor for a better informed discussion and for the emergence of counter proposals supporting the public actor in the management of different stages of industrial transition processes. Actually, our results show lack of communication and coordination which does not provide a clear framework for SMEs to implement required changes. European Union and global value chains push them to adapt to new regulations while at national level SMEs complain the lack of industrial goals, incentives and support by the public actor.

[...] At a national level, despite the specific current political phase, we have had fluctuating phases. What we see, which have also caused additional barriers [for artisan businesses] is that beyond the transposition into national policies of European goals, the public actor struggles with the logic of industrial policy, of clear and decisive interventions, tools and trajectories for guiding this industrial transition. [...] So there is this difficulty in transforming broad societal goals into feasible policy tools acting as a lever for industrial transition. [EO1]

"There is no vision, there is no trajectory, there is no government. There is no capacity of *governing* (these processes), to indicate the path, to give the instructions. These don't exist. I don't remember that there was ever a clear industrial policy vision and a government of industrial policy"[EO2]

The Italian industrial strategy results in a conservative behavior of the *status quo* or in an attempt to modernize rather than to structurally transform the current system. This often results

in the rejection of the EU goals regarding industrial changes<sup>7</sup> without counter proposals to address them. To unlock industrial transition the national governance must provide clear industrial transition strategies, transparent spending criteria and grant conditionalities, coherent reforms and support tools for SMEs to achieve them.

[...] if the current national government gives a clear direction of transition defining goals to be achieved, medium-term targets and technologies required, central banks are ready to do everything that needs to be done [...] The problem it's not funds, it's understanding the industrial scenario which is actually uncertain for firms. This hinders businesses (from transition), not money. [CB]

The actual industrial transition is slowed down by two historical conditions that concern the public actor and Italian productive fabric. In recent years there has been a strong discontinuity between national governments in charge for too limited time to carry out complex changes that require a medium-long term time. Furthermore, the political will to break with the industrial goals of previous political coalitions affects the attempts to implement structural changes<sup>8</sup>. The lack of a national strategy leads to the systematic adoption of emergency rather than planned interventions with massive socio-economic impacts, especially for SMEs. Beside this, there is a decrease in the overall competitiveness of the Italian productive system which is seeking an industrial policy instead of trying to define it.

This vision of industrial policy is still missing: it follows rather than going towards an orderly and consistent trajectory. [EO1]

In the absence of effective national governance, social partners have created parallel *governance models* of industrial transition: they have developed some collective bargains at sectorial, territorial and organizational level. This might be an attempt to make their own contribution in transition processes by overcoming the *impasse* of the public actor.

### *Transition scenarios for Italian SMEs*

Regarding timing and scope of interventions by the national governance, respondents affirm these are not adequate to structure successful industrial transition for SMEs. Its interventions appear as disorganized and inconsistent with negative outcomes on the competitiveness of the national productive fabric in the global economy. SMEs report credit crunch and lack of internal competences to self-manage organizational changes. However, within SMEs industrial transition is characterized by a strong heterogeneity related to various factors: the local governance and territorial capital, the endowment of local infrastructure, technologies and human capital, business sector and size. In particular, local actors as public administrations, chambers of commerce and local entrepreneurs are crucial to manage local capital (economic, human, natural) within a vision of industrial transition. At national level this implies different transition pathways depending on territorial, supranational and market factors. The public actor is unable to coordinate these actors at different levels and reinforces

---

<sup>7</sup> An example is the Italian political position on the shutdown of endothermic engines by 2035 within European industrial policy.

<sup>8</sup> An example for the Italian case is the creation, transformation in functions or abolition of independent ministries or public agencies (e.g. the transformation of the Ministry of Ecological Transition into the Ministry of the Environment and Energy Security).

existing territorial, social, and economic disparities by weakening the scale of the industrial transition. Market regulation is still based on price competition and economic constraints and uncertainty hinder SMEs from investing in product and process innovations to align with European industrial transition goals. In the absence of a clear national industrial policy where these organizational changes lead to market advantages for SMEs, transition pathways are fragmented across territories and sectors.

[...] if a company is not profitable it is clear that it is not interested in the industrial transition because it does not have the tools and capabilities to do so. This also includes the territory... the green (transition) must be advantageous. Otherwise, there are territories that can afford it and others cannot. Territorial and economic disparities matter in Italy. Green cannot be separated from profitability, neither of the citizens nor of firms. [EO2]

Respondents also relate this fragmentation to timing of implementation of industrial interventions by the national governance: the overall gridlock of SMEs transition is interspersed with (sectorial) accelerations driven by European regulations and industrial goals. Rather than setting a gradual plan which delays initial costs for SMEs, the public actor buffers contingent requirements without providing long-term solutions and vision of change.

“Transitions take place if policies are convenient (for SMEs) and there cannot be an on-off button: otherwise an economic and social disaster will occur. These processes need to be managed: we cannot hinder industrial transition to avoid negative impacts on society because if we don't change these will occur anyway. Instead, we need a plan, European and Italian regulations and time span of industrial changes for SMEs. This must be gradual [TU1]

In the following paragraph, findings are triangulated with the reference literature and secondary data to address the research question.

## **Discussion of the results**

### *Cosmetic governance: disintermediation of the public actor and formal participation of social partners*

Roles and powers of the public actor and social partners within the national governance of industrial transition influence scenarios for SMEs. In line with ILO guidelines (2015) and Herman et al. (2017) social partners support and represent members (workers and employers). Compared to the public actor's roles assigned by literature (Frantzeskaki et al., 2012; Meadowcroft, 2007) our findings reveal a lack of substantial leadership and coordination skills within the national governance.

Compared to the reference literature (Meadowcroft, 2007), the Italian governance model appears extended, unbalanced and misaligned. In addition, Italy highlights the paradox of the governance of the industrial transition. The heterogeneity and the number of actors involved in the decision making and implementation processes may be an advantage in terms of adherence and diffusion of interventions at local level based on territorial characteristics and needs. In turn, the lack of effective leadership and coordination of these initiatives by the public actors together with the imbalance of power and resources for SMEs lead to several risks. First, an overall degrowth of SMEs competitiveness and, on the other hand, excessive responsibility on the part of local actors. This implies the reinforcement of existing economic

and social disparities at territorial level, due to a strong temporal misalignment of the green transition processes depending on the capabilities and resources of territorial actors. The pathway of Italian industrial transition is centripetal, localist and sectoral with a lack of centrifugal pressures by the public actor at national level. National governance model of transition processes reflects SMEs' heterogeneity and pluralism of representation (Carrieri & Pirro, 2019). In line with scholars (Avelino & Wittmayer, 2016; Carrieri & Pirro, 2019) we have found growing disintermediation in decision making processes by the public actor together with territorial and sectoral decentralization of industrial transition for SMEs. Although the formal involvement of the social partners in these processes, there is no substantial dialogue on scope, interventions and goals of industrial transition. Despite the importance of social dialogue within effective governance (Herman et al., 2017; ILO, 2015) the actual role of social partners is limited and their participation appears cosmetic. These criticalities are confirmed also by the evaluation document on the national governance of NPRR (Treu, 2023), by the European Economic and Social Committee's (EESC)<sup>9</sup> report and by the Italian National Council for Economy and Labor's (CNEL) comment on the Italian NPRR proposal<sup>10</sup>. These documents agree that within the national governance there is a lack of substantial social dialogue and participation of social partners. In turn, consistent coordination with social partners in the formulation, monitoring and implementation of industrial policies by the public actor is crucial to achieve successful transition. For the Italian case, the key aspects for effective governance (Glass & Newig, 2019)- in particular substantial participation and the democratic institutions in decision-making processes - are lacking. This cosmetic governance is extremely conflictual due to the opacity of decision making processes and informational asymmetries between the public actor and social partners about industrial policies. Hence, timing and scope of the industrial transition are downgraded by the Italian governance model and affect industrial scenarios for SMEs.

#### *A dotted scenario for Italian SMEs*

The Italian national governance model relates to plural industrial scenarios for SMEs. Considering the four categories of scenarios by the NGFS, the timing and scope of national industrial interventions might be located in between the *too little too late* and *disorderly* scenarios. In fact, our findings do not fit into a single scenario category but reveal fragmented industrial transition scenarios for SMEs depending on the local governance and territorial capital, the endowment of local infrastructure, technologies and human capital, business sector and size. The absence of leadership and coordination by the public actor together with the lack of vision of desired changes and substantial social dialogue negatively influence the effectiveness of the national governance.

The consequence is a strong path dependence and decentralization of responsibilities in favor of territorial and sectoral actors: these are in charge of supporting SMEs through their local resources towards successful scenarios preserving both local economies and social cohesion. This is also confirmed by data from the National Minister of Enterprises and Made in Italy (2022): in 2021 out of a total of 1982 industrial aid, 229 were granted by the public sector and 1753 by local actors. Moreover, although the overall national financial resources are higher

---

<sup>9</sup> Source: [Opinion European Economic and Social Committee 2023/C 146/02](#), 3.5- 3.6

<sup>10</sup> Source: [Opinion concerning the examination of the proposal of the National Recovery and Resilience Plan \(PNRR\) of the CNEL of 28 April 2021](#), pag,54

than territorial ones, 54% of grants for firms were provided by the local level. Considering existent territorial disparities this localist governance has various impacts on the economic and financial stability of SMEs. Moreover, the current crisis has exacerbated the gap between the northern and the southern productive fabrics according to the existent shortage of infrastructure and public services.

In line with Bubbico (2022) these governance problems lead to a modernization of territories and sectors shaped by market forces and the European level, rather than achieving national structural changes. This lack of national guidelines together with the actual economic crisis discourages SMEs' financial investments on eco-innovations; the failure of the national governance in managing transition processes is that adjustment costs for SMEs overcome market advantages (OECD, 2023), with a misalignment of Italian and European industrial goals. Despite the strengthening of European regulation and funding to speed up the industrial transition, the GreenItaly 2023 report (Fondazione Symbola & Unioncamere, 2023) found a mild decrease from 24,3% to 23,5% of firms' investments on eco-innovations between 2022-2023 regardless of sector, size, class and territory. In this frame, small and medium-sized enterprises are less inclined to innovate (31.5% and 44.4%) than larger enterprises (above 54.7%) due to economic and cultural barriers. As mentioned before, in the absence of effective governance the industrial transition negatively affects SMEs' scenarios, decreasing their willingness and their capacities to implement organizational changes while remaining competitive in the global value chains. In addition, according to the European Central Bank, (2023) slowing down the industrial transition increases adjustment costs for firms and affects national economic growth, social cohesion and exposure to climate risks. In Italy the lack of social dialogue within the national governance of industrial transition hinders transition processes and influences the spending capabilities of the public actor. Without a shared vision of industrial goals and transparent information about timing and scope of interventions, our findings suggest that the national governance is unable to drive and properly allocate resources to support SMEs. Thus, there are governance problems related also to spending criteria, selection of adequate policy instruments and proper investments for managing these transition processes. Our findings are in line with data from reports by Fondazione Symbola and Unioncamere (2023) and by the Minister of Enterprises and Made in Italy (2022). There is a lack of public investment on R&D compared to European countries (1,53% of the total GDP versus 2,32%) and high private investments of firms (34% vs EU 30.7%) which show a low orientation towards structural changes. In addition, this behavior disadvantages SMEs that have fewer economic and human resources for R&D investments. In line with our findings, these reports (Fondazione Symbola & Unioncamere, 2023; Ministero delle Imprese e del Made in Italy, 2022) also point out that the national governance has allocated with the Italian NPRR and *Transition 4.0*<sup>11</sup> large-scale subsidies to support businesses to recover from the actual crisis and to implement organizational changes in line with European Industrial goals. As also reported by our respondents, these resources are not linked to a clear vision of industrial transition with established targets and investment strategies for sectors and territories. In line with Bubbico (2022) conditionality and monitoring criteria are missing for firms to act within a shared frame of transformations. At national level Italy has a low overall

---

<sup>11</sup> *Transition 4.0* consists of three tax credit instruments to support the digital transition of firms through the purchase of capital goods, R&D activities and technological innovation, design and aesthetic conception and employee training. It is possible to find out more at: <https://www.mimit.gov.it/it/transizione40>

capacity of producing industrial eco-innovations, patents and positive socio-economic impacts (e.g. creation of quality and new jobs) (Fondazione Symbola & Unioncamere, 2023) compared to European countries. On the other hand, there is a higher adoption of firms' investments to address short-term organizational needs such as existing technologies to reduce energy consumptions and raw material costs.

Our findings outline a dotted transition scenario for Italian SMEs where the cosmetic national governance model leads to divergent transition paths depending on local governance models, sectoral specificities and organizational features. This study suggests a lack of planning and coordination capacity of the national governance which is also related by the absence of substantial involvement of the social partners in the formulation and implementation of policy interventions.

In this frame, the responsibility of industrial transition scenarios are shifted onto firms and local actors dealing with market forces and European regulation. This contributes to strengthening territorial economic and social lock-ins, resulting in an overall economic and social cohesion degrowth.

## Conclusions

This study related the national governance model to a dotted transition scenario for SMEs. In particular, the lack of effectiveness is related to the *governance paradox* of the Italian model is linked to several factors.

First, the absence of substantial participation of social partners in decision making and implementation processes which leads to dysfunctional information asymmetries. The latter, in turn, affects the public actor's capacity of allocation of resources, of selecting policy tools and of definition of a clear national industrial strategy, as also confirmed by triangulation of data. Despite the approval of national funds and financial facilities for firms these policy instruments do not entail a clear strategy of industrial transition for Italy. Instead, these seem to respond to buffer short-term problems of market forces (e.g. energy and economic crises) and European regulation. In this uncertain context, SMEs struggle to imagine long-term strategies and there is no exponential increase in the overall implementation of organizational innovations for a successful transition scenario.

Our results also highlight the lack of leadership and coordination skills of the public actor which affect timing and scope of interventions within the dotted transition scenario for SMEs. Hence, we have found a decentralization and shift of responsibility of industrial policies on local governance which risks strengthening existing socio-economic disparities. This is confirmed also by data about asymmetries between the financial contributions by the public actor and by local administrations (Ministero delle Imprese e del Made in Italy, 2022). In this frame, divergent transition pathways for SMEs occur depending on their location, sector and private resources with negative outcomes on the social legitimation and desirability of these processes of change. The slowdown of the Italian transition will also lead to an increase in adjustment costs which, especially for SMEs, will affect their medium to long-term economic stability in the global market.

To conclude, the Italian national governance model requires substantial participation of the social partners for a better formulation and implementation of the interventions to address the

industrial transition. Our results outline the crucial role of social partners also in the definition of spending criteria, avoiding the defense of particularistic interests, for a more efficient allocation within a common national strategy of industrial policy. Alongside this, the public actor is in charge of creating political tables to frame these strategies and interventions considering territorial, sectoral and dimensional specificities. This might be the path to reduce information asymmetries in the formulation of policy improving the *ex ante* evaluation and reducing adjustment costs in the long term. At a national level, this renewed national governance model might have a positive impact on existing inequalities also through homogeneous transition scenarios for SMEs. Regarding funds to support SMEs, our research suggests to act more on the creation of enabling conditions (e.g. reforms, infrastructure) and on public R&D investments.

Concerning trajectories for future research, delving into the features of the dotted scenario for SMEs might be useful to explore how different local governance models affect industrial transition. This implies the exploration of contextual factors that might hinder or drive successful transitions and of local transition strategies considering social and environmental impacts for local communities.

The main research limitation is the exclusion of the role of other social actors such as consultancy firms, universities, civil associations or environmental movements representatives and big firms representatives within the Italian national governance model.

## Bibliography

- ILO-ITUC Issue Paper, International Labour Office, International Trade Union Confederation and HIVA Research Institute for Work and Society. <http://www.ituc-csi.org/issue-paper-social-dialogueddevelopment>
- Andrijevic, M., Crespo Cuaresma, J., Muttarak, R., & Schleussner, C.-F. (2019). Governance in socioeconomic pathways and its role for future adaptive capacity. *Nature Sustainability*, 3(1), 35–41. <https://doi.org/10.1038/s41893-019-0405-0>
- Annicchiarico, B., & Marvasi, E. (2021). Aspetti macroeconomici e finanziari della transizione verde. *Aspetti macroeconomici e finanziari della transizione verde.*, *Rivista di Politica Economica*(N.1), 41–69.
- Avelino, F., & Wittmayer, J. M. (2016). Shifting Power Relations in Sustainability Transitions: A Multi-actor Perspective. *Journal of Environmental Policy & Planning*, 18(5), 628–649. <https://doi.org/10.1080/1523908X.2015.1112259>
- Bubbico, D. (2022). Il Pnrr italiano e l'industria nazionale: Alla ricerca di una politica industriale. *Autonomie locali e servizi sociali*, 2, 309–329.

<https://doi.org/10.1447/105087>

Carrieri, M., & Pirro, F. (2019). *Relazioni industriali* (2. ed). Egea.

Dasanayaka, C. H., Gunarathne, N., Murphy, D. F., & Nagirikandalage, P. (2022). Triggers for and barriers to the adoption of environmental management practices by small and medium- sized enterprises: A critical review. *Corporate Social Responsibility and Environmental Management*, 29(4), 749–764. <https://doi.org/10.1002/csr.2244>

Di Tommaso, M. (2020). Una strategia di resilienza intelligente per il dopo coronavirus. Sulla centralità della domanda e offerta di politica industriale. *L'industria*, 1, 3–20. <https://doi.org/10.1430/96926>

European Central Bank. (2023). *The road to Paris: Stress testing the transition towards a net zero economy : the energy transition through the lens of the second ECB economy wide climate stress test*. Publications Office. <https://data.europa.eu/doi/10.2866/49649>

Fondazione Symbola, & Unioncamere. (2023). *GreenItaly 2023*. <https://symbola.net/wp-content/uploads/2023/10/Volume-Greenitaly-2.pdf>

Frantzeskaki, N., Loorbach, D., & Meadowcroft, J. (2012). Governing societal transitions to sustainability. *International Journal of Sustainable Development*, 15(1/2), 19. <https://doi.org/10.1504/IJSD.2012.044032>

Glass, L.-M., & Newig, J. (2019). Governance for achieving the Sustainable Development Goals: How important are participation, policy coherence, reflexivity, adaptation and democratic institutions? *Earth System Governance*, 2, 100031. <https://doi.org/10.1016/j.esg.2019.100031>

Grin, J., Rotmans, J., & Schot, J. (2010). *Transitions to Sustainable Development: New Directions in the Study of Long Term Transformative Change* (0 ed.). Routledge. <https://doi.org/10.4324/9780203856598>

Herman, M., Huyse, H., & Van Ongevalle, J. (2017). *Social dialogue as a driver and governance instrument for sustainable development*.

ILO. (2015). *Guidelines for a just transition towards environmentally sustainable economies*



*and societies for all*. International Labour Organization.

[https://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_ent/documents/publications/wcms\\_432859.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publications/wcms_432859.pdf)

Johnstone, P., & Newell, P. (2018). Sustainability transitions and the state. *Environmental Innovation and Societal Transitions*, 27, 72–82.

<https://doi.org/10.1016/j.eist.2017.10.006>

Meadowcroft, J. (2007). Who is in Charge here? Governance for Sustainable Development in a Complex World\*. *Journal of Environmental Policy & Planning*, 9(3–4), 299–314.

<https://doi.org/10.1080/15239080701631544>

Ministero delle Imprese e del Made in Italy. (2022). *Relazione sugli interventi di sostegno alle attività economiche e produttive*. Ministero delle Imprese e del Made in Italy. Direzione Generale per gli incentivi alle imprese.

[https://www.mimit.gov.it/images/stories/documenti/Relazione\\_2022.pdf](https://www.mimit.gov.it/images/stories/documenti/Relazione_2022.pdf)

OECD. (2023). *Regions in Industrial Transition 2023: New Approaches to Persistent Problems*. OECD. <https://doi.org/10.1787/5604c2ab-en>

Treu, T. (2022). *Patto per il lavoro, contrattazione collettiva e PNRR*. *Diritti Lavoro Mercati*.

Treu, T. (2023). *PNRR, politiche pubbliche e partecipazione sociale*. *Lavoro Diritti Europa*(1).

Van Zeijl-Rozema, A., Cörvers, R., Kemp, R., & Martens, P. (2008). Governance for sustainable development: A framework. *Sustainable Development*, 16(6), 410–421.

<https://doi.org/10.1002/sd.367>

Wang, C., Lv, T., Cai, R., Xu, J., & Wang, L. (2022). Bibliometric Analysis of Multi-Level Perspective on Sustainability Transition Research. *Sustainability*, 14(7), 4145.

<https://doi.org/10.3390/su14074145>

