“Made in Italy”; how culture and history has shaped modern Italian business environment, political landscape, and professional organizations

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Abstract
This paper examines the national, political, and business culture of Italy. The framework was established through business visits, research, and personal interviews while studying abroad in Italy. The Italian business culture, politics and economic situations are directly related to its historical foundation. The Italian cultures independent tendencies are a result of separate territories and regions struggling for unification over centuries. As a result of Italy having been one of the most invaded nations in the world, its people have developed over many centuries’ ways to adapt, survive, and cope with occupations.

INTRODUCTION

A country's national anthem can be a source of pride and a form of bragging about a country's beauty and merits. For example, the American national anthem proclaims it to be “the land of the free and home of the brave”, while the United Kingdom pronounces “God save the Queen”. In contrast, Italy declares that “for centuries downtrodden, derided, because we are not a people, because we are divided, let us unite” (Hooper, 2015). It was written in 1847, in the shadow of the war with France. It represents the first call to arms during one of the early struggles for unification. This national anthem was not chosen officially until 1946, and confirmed into law until 2005 (Hooper, 2015). The Italian national anthem is not one of the most cheerful anthems compared to other nations, but that can be tied back to its history of multiple invasions. Throughout history Italy has been one of the most invaded and occupied nations in the world due partly to its geographic location and extensive coastline, which made it vulnerable. Today, this continues to leaves them vulnerable to intense migration of refugees from Africa, South Asia, and Eastern Europe. In addition, its mountains, isolated geography and constant migration have given regions linguistically unique dialects, customs and cultural tendencies. In the beginning, Italy was a monarchy and has only recently become a unified country which still struggles with the results of unification. These constant struggles are one explanation as to why Italians hold in high regard the skill of diplomacy, “fare una bella figura” or good impressions, intelligence and guile. These learned survival skills have also helped them for centuries adapt to situations with style and composure.
REGIONAL DIFFERENCES

Italian history has contributed to this diversity by “distinct traditions in areas that experienced self-rule throughout the middle ages, often as communes” (Hooper, 2015). Italy is divided into three distinct regions, each with its own distinct history, economy and customs. The central territories include the old Papal States with the addition of Tuscany and Umbria. The southern states, including Sicily, were occupied by Greek, Spanish and Arabic cultures. The historical roots of the separate regions explain many of the differences in regional traditions, customs, and the treatment of women. In contrast, the northern parts of Italy where repeatedly invaded by Austria, Germany, and Lombardy cultures. The north is more industrial, modern, and wealthy than the other regions in Italy. The northern region of Italy was held for centuries as one of the wealthiest in all of Europe, while the south continues to struggle with a 40 percent unemployment rate.

REGIONAL BUSINESS SECTORS – NORTH VS. SOUTH

Italy has proven to be a country full of various business sectors, industries and small family owned establishments. Within all of this there are two distinct regions of Italy with specific businesses and industries. Northern Italy is much more industrialized, and the south tends to be more focused on farming and agriculture. There are several reasons for this divide between northern and southern Italy’s business structure, including geography, economy, social differences, culture and politics (Micali, 2009). Northern Italy is primarily flat land that accommodates large factories, and an extensive workforce. In addition northern Italy is positioned closely to the rest of Europe, making it easier to accommodate imports and exports. Italy, according to the World Fact Book, is the tenth largest exporter in the world, and the 14th largest in imports. In contrast, southern Italy is known for the warmer climate and ideal geography for growing crops and agriculture. 47 percent of Italy’s land is used for agricultural resources (World Fact Book, 2016). The primary location for agriculture is in the south. Southern Italy is sectioned off from the north by rugged mountain terrain that makes it difficult and expensive to participate in large scale import export business, unless transported by sea. The cultural implications towards business expansion in the South can be illustrated through the struggle that the Eataly food market has been experiencing. They recently expanded operations, opening a store near Naples. However, due to strong family farms and great local food sources, sales have been disappointing. This is a good example of why companies need to understand the local culture, customs and buying patterns before targeting a particular market (Crovetto, 2016).

The economy in northern Italy is also vastly different than the south. The north is dominated by private companies and has a lower unemployment rate. Industry is estimated to be 23 percent of Italy’s GDP. Southern Italy, which is less developed, relies on farming, agriculture and family owned businesses, and tends to have higher unemployment. Agriculture is 2.2 percent of Italy’s GDP. The service industry makes up the remaining 74 percent of Italy’s GDP (World Fact Book, 2016). Italy’s two different sectors or regions together yield the third largest economy in Europe. It is important to know that while the economy may be strong when viewed in this perspective, Italy has very high public debt and organizational weaknesses preventing growth (World Fact Book, 2016). This can lead to scrutiny from other markets and analysts.

CUSTOMS AND CULTURE

Many nations hold strong connections to children's books as a reference to how a culture views the lessons taught to their youth. Pinocchio for example, is a classic children’s book-written in 1883 by Italian author Carlo Collodi. This book has been noted as having a special connection and ability to resonate with local Italian children (Hooper, 2015). The focus is on-human natures vices and virtues of kindheartedness, intelligence, mendaciousness and trust. The character was easy prey for deception experts such as the Cat and Fox, which can be a symbol of historical invaders. Pinocchio also grew in popularity globally because
of its ability to transcend cultural borders. But we can also tie back the children’s book characters to popular celebrities in its native culture. For example, both the former Prime Minister Silvio Berlusconi and the Chairman of Fiat and Ferrari have boasted proudly in public that they “made their first profits by writing essays for other students” (Hooper, 2015).

The Italian culture has been associated with a constant interplay between the illusion of the truth and different versions of reality. This interplay and ability to navigate the grey has given many Italians an advantage. This advantage was prevalent in an interview with the Italian newspaper *Corriere Della Sera*’s war correspondent Lorenzo Cremonesi. During his assignments in high tensions areas such as Bosnia, Afghanistan, and other Middle Eastern conflicts, he gave accounts about how understanding how far to navigate around rules and grey areas has helped him to get in and out of dangerous situations. In contrast, some western and CNN journalists are more comfortable following the rules which can put them at a disadvantage during confrontational situations (Cremonesi, 2016).

In contrast, the court system has struggled with getting to one version of the truth. An example of the nation’s view of perjury was given by a Judge in Aosta who commented after a lengthy court case that “he estimated between 20 to 30 percent of witnesses in his courtroom told the truth. That lying amuses and pleases; it does not bring social contempt in Italy” (Hooper, 2015).

An interesting business application and marketing plan was developed in Italy to capitalize on this tendency to live in the grey area of the truth. Due to common instances where untruthfulness is acceptable, a telecommunication company decided to monopolize the need for secrecy through cell phone service. Italy is the only country that offers two cell phone numbers per SIM card. This unique business marketing strategy only available in Italy allowed telecom provider Vodafone to take two thirds of the cell phone market share. The company explains the service as “giving cheating husbands or wives the ability to switch numbers quickly by using the menu and choosing to be contactable by only one or both numbers” (Hooper, 2015). Italian phones also have the ability to switch out SIM cards easily to confuse frequent wire taps or the case of multiple mistresses. In addition, the cell phone industry also found Italians as one of the first early adopters of mobile phone technology. This was driven by strong family ties. According to a 2006 study by Instat, “three quarters of Italians bought mobile phones for family demands, with work demands coming in fifth” (Hooper, 2015). Italians were demanding mobile phones to keep in contact with family members. Since family is a strong central foundation to the Italian culture, businesses that are able to market to this desire are able to thrive.

In addition, Italian government has for centuries supported family ties through legislation and regulations. One controversial topic in recent years has been divorce. It was not until 1974 that divorce laws were finally upheld by the legislature. Women being forced to stay in dysfunctional and sometimes dangerous situations are just one example of the lag in equality and the strong influence of the Catholic Church in the Italian society.

Another result of strong family culture is the effect on the health care system. Italians spend less money than any other European country on day care, geriatric care and hospital care because people in need are regularly cared for by family members. The Italian culture ties to the family can also be illustrated by the degree of public acceptance of adult males that continue to live with parents. One study found that “In 2005, 82 percent of Italian men between the ages of eighteen and thirty were still living with their parents” (Hooper, 2015). The result of young adults living at home has had both positive and negative impacts on the Italian economy. A positive effect is the increase in consumer spending because young adult males do not have to pay rent and have more disposable income available to spend on compulsive purchases. In contrast, they also have less incentive to find employment, earn a promotion, or launch new business ventures. This lack of drive and entrepreneurism has had detrimental effects on the growth of the Italian economy.

The cultural interpretation of the extended family or loyalty in Italy is taken to an extreme and transcends the boundary between personal and business. For example, frequent visits to a shop, bar, or restaurant are commonly interpreted in Italy as the customer being “their customer, with a strong possessiveness that can be interpreted as a gross betrayal if a customer visits another establishment” (Hooper, 2015). This desire to preserve monopolies or cartels runs deep into the Italian society and
business practices. This can be illustrated through trade unions, professional memberships, organized crime and the practice of inheriting business licenses from one generation to the next. This cultural tendency towards extreme loyalty and the extended family has also contributed towards the difficulty for foreign investors to expand into the Italian economy. Italian politicians and business people view the takeover of Italian firms by foreign investors as an offence to the Italian people. When foreign investors try to take over an Italian company “banks and investment firms commonly form a shareholder pact to establish control of the listed company” (Hooper, 2015). As a result, the foreign direct investment (FDI) index compiled by the Italian Organization for Economic Co-operative and Development (OECD) measured Italy among the “highest nation in statutory restrictions and the lowest in the ability for foreign investors to gain shares in Italian companies” (Hooper, 2015). As a result, FDI’s must work first to form a strong bond with potential partners prior to investments. Since Italians hold personal relationships in high regard they will not look favorably on silent investors.

Loyalty can also have both positive and negative consequences for business relationships. This Italian custom of strong loyalty and possessiveness can also be tied to the practices of the “mafiosita”, which according to Angelo Provenzano, “the mafia itself is no more than a frame of mind or attitude with no defined borders” (Hooper, 2015).

FAMILY OWNED BUSINESS

The strong ties to the family are also seen by the strong proportion of small family owned businesses which make up “73 percent of the nation’s total business” (Hooper, 2015). Italy is deep rooted with history, family and culture. Italy's culture emphasizes the traditions of family owned businesses which continue to be important mainstays of the economic sector today. Despite an environment riddled with uncertain politics, red tape, and unreliable public services, many Italian based family owned businesses have been able survive, and in a few situations grow into industry leaders. Examples of these companies include the pasta manufacturer Barilla, Lavazza coffee, and Ferrero Chocolates (Keeping it in the family, 2011). Many of the family owned businesses in the current Italian business environment were founded in the 1950's and 1960 when Italy was experiencing a large economic boom due to the U.S. monetary support from the Marshal Plan. These organizations have since experienced recessions, lows in the oil industry, and turbulent currency. Because of these economic conditions many family owned businesses are not emerging from these hardships as strong as they once were. One example is the family owned Italian jewelry company, Bulgari, which recently sold out a controlling stake of their company. The business environment for families has shifted away from the days when scribbling business plan on an envelope and hiring well-meaning nephews was a sufficient way to run a company. Today, the family owned organization needs to be able to keep up with detailed shipping, invoice, production, personnel, and the ever changing regulatory enforcements. Italy's current business climate is forcing family owned companies to evolve or move out of the way for those who will.

ITALIAN POLITICS

Italian politics is also a product of the constant influx of invaders and the survival skills developed over centuries. Historically, the ruling class that survived was “those who took care not to show their hand, which adroitly shifted positions in times to be on the right side when the outcome of the latest power struggle became clear” (Hooper, 2015). Examples of this can be seen in Italy’s switching sides towards the end of both World Wars. Some critics have viewed modern Germany and Italy foreign relations with continued tension that can also be linked historically back to the sense of betrayal when Italians changed allegiances both in 1943 and in the First World War (Hooper, 2015). This tension in Europe was compounded by Italy’s ability to benefit from post war U.S. aid under the Marshal Plan which aided the economic boom of the 1950-1960's. Another example of this strong cultural tendency is the encouragement of switching sides once the clear winner is anticipated can be linked to the Italian political and cultural phenomenon known as “trasformismo”. This political strategy is commonly used to
build majority by encouraging defection or the embarrassment of being caught on the losing side. Between 2008 and 2012, Italy’s legislature had “over 100 of the 630 members were different than the party to which they were elected” (Hooper, 2015). As discussed earlier, we can see the Italian tendency to focus on the grey area of the truth also permeating in the political area. At the foundation of Italian politics is the acknowledgement of multiple truths. The word “verita” means truth, but it also means “version”. Former Prime Minister Romano Prodi, once stated that “In the Italian political debate, it is hard to distinguish the real problem, which is never talked about from the fictitious problem, which is fought over ferociously” (Hooper, 2015).

ITALIAN GOVERNMENT

Italy’s deep historical roots have contributed to the diffusion of power, confusing web of conflicting legislation and government layers. Territories that are now regions were once independent nations. The citizens and business of these towns have deep family history and memories of days when people were “absolute masters of their affairs, and elected representatives were fiercely resistant to interference by higher authority” (Hooper, 2015). Italians have a saying “Ogni paese e una repubblica”, which translates to “Every village is a republic”. This independent frame of mind is ingrained into the Italian mindset which can be seen in its culture, business and government.

Italy has long held traditions and history that helped the country to evolve into a unique culture. After WWII the citizens of Italy voted to replace the monarch with a republic, and the Constitution of 1948 was enacted. The constitution guarantees many personal freedoms, sovereignty, equality, and defines Italy as a democratic republic. The constitution also has articles that touch on liberty of religion within the country and how the Roman Catholic Church, a fixture in Italy, is granted special status under the Lantern Treaty. The Lantern Treaty states that the Catholic Church would recognize the state of Italy, with its capital of Rome, and in return the state of Italy would recognize the Papacy with its sovereignty over Vatican City (Clark, 2016). Italy’s current government structure consists of two large political parties; the Christian Democratic Party (Partito della Democrazia Cristiana; DC) and the Italian Communist Party (Partito Comunista Italiano; PCI). In addition, multiple factions have also come to power over the centuries. The President is the head of the republic and has a term length of 7 years, but sometimes this has been frequently cut short due to scandals and corruption (Clark, 2016). In contrast, the prime minister, or the president of the Council of Ministers, is a position appointed by the president. This individual is responsible for leading government policies and coordinating with the administration all of their activities. These appointments have been tied to accusations of controversy, mafia influence and corruption.

Another unique cultural aspect of Italian politics is graffiti. Throughout Italy people have been expressing their political statements through graffiti. This acceptable prolific expression can be found in great numbers along every public roadway and private building. The political graffiti has become so common that clean up and preventative actions have been abandoned. Unlike the U.S. were graffiti is a sign of gang activity and territorial warfare, graffiti in Italy is a normal expression or voice of the common people.

The Italian government has four layers, national, regional, provincial and municipal with over laying regulations, party affiliations and agendas. There are 20 regions, provinces and communes that make up Italy’s local government. For the most part these regions geographically follow along with the traditional territories. However, because of the complex, contradictory, and numerous regulations understanding these laws can be extremely hard. In 2010, over 375,000 laws and regulations were nullified. However, even after this reduction “Italy had twice as many laws as Germany and three times that of Britain” (Hooper, 2015). In Italy these laws, regulations and statute of limitations are frequently changed based on who is in power which adds to the complexity of the court system. Lawyers navigating the court system have to be highly creative.

Italy’s current government structure has undergone much change since its inception, from radical regimes like Mussolini, to small fractured parties. Italy has established 63 governments under 39 prime
ministers just since WWII. Out of all of these, only one has lasted five years (Burchette, Marchetti, 2015). Italy’s numerous opposed parties and a fractured political landscapes, have led to a revolving door of political parties and government officials. This constant change in Italy’s government structure had led to a difficult environment for regulation and businesses in Italy.

RELIGION

In the heart of Rome lies one of Italy’s largest and most influential business markets, religion. Vatican City is a walled section located in the center of Rome that is the heart of the Catholic Church. Vatican City officially became its own separate country in 1929 and is home to the Pope, a small select group of individuals within the Catholic Church, and Swiss Guard. Vatican City has its own government structure, banks, publishing house, libraries, pharmacies, and observatory (Home Page of Vatican City State, 2016). Within this country that spans less than 100 acres, is not only the center of religious institutions, but a massive business. Vatican City and the Catholic Church generate money several ways including tourism, museum entrance, tours, contributions, various investments, and sale of memorabilia, but Vatican City does not impose taxation.

However, the Vatican has strong impact into Italian politics and business through its direct influence on the people. Vatican City has also been raising red flags for quite some time. The Vatican Bank has reported over 8 billion dollars in assets; yet despite its scale, it has been at the center of various corruption and scandal since its inception in the 1940’s. There have been allegations of influential Italian officials opening up accounts to hide money, even though accounts are to be reserved for Vatican City residents only. In addition, accusations of suspicious transactions and cash smuggling have surrounded Vatican Bank. Lastly, Vatican City Bank had a 1.2 billion dollar asset discrepancy in their 2014 financial statements (Garcia, 2015). This lack of transparency in financial statements leads to questions surrounding their current business practices and financial reporting. Tourism has continued to increase at the Vatican; more than a billion people are still devoted to the Catholic Church, so regardless of current businesses practices, the Vatican and Vatican City continue to thrive.

DESIGN, FASHION AND TRANSPORTATION

Italy is well known for its high end fashion industry, and in a business that is constantly evolving and changing, Italy has placed them on forefront of the fashion trade. This prominent position in the fashion industry has made a massive impact on Italy’s economy. Italy has been exporting various fashion items since the 12th century. Shortly after WWII, Fashion designers in Italy acknowledged the need for accessible, comfortable, and polished designer collections of well-made clothing. The designers responded to the market and their collections were a huge success, catapulting Italy into the billion-dollar fashion and design industry. Italy also holds the claim on the invention of sunglasses, which continues to leave their mark in the fashion world (da Cruz, 2004). Designers including Prada, Armani, and Gucci have led to the tag ‘Made in Italy’ a distinguishable sign of quality and innovation.

In addition to fashion icons such as Armani, Gucci, and Prada, Italy is well known for its sleek sporty flair in automotive design where the eye for beauty has made them an industry player. Italy is home to many well-known auto manufacturers including Lamborghini, Ferrari, Maserati, and Fiat and each of these companies have a global presence with and are most know for the emphasis in the luxury auto market. Italy’s automotive market is valued over 3.5 billion dollars and accounts for 13.5% of Europe’s total automotive industry. While experiencing fluctuations, the automotive market has been able to stay competitive by expanding into aftermarket and the parts and components sector. These specialized product lines are quickly becoming two of Italy’s automotive industry’s fastest growing segments, showing that even though the worldwide market may be decreasing, the Italian automotive industry is able to adapt and maintain category dominance (Automotive Logistics in Italy, 2004).
ECONOMICS AND BANKING CRISIS

In 2011, Italy plummeted towards its first banking crisis which would later be repeated in 2015 and 2016. This was a result of “huge foreign owned debt and uncollected bankruptcies resulting in Italy’s debt growing to over 120 percent of its GDP” (Hooper, 2016). Interestingly, most of the Italian people were never informed of the economic crisis. Until recently the government has been steadily denying the problem. In late 2015, the Italian government had to rescue four small banks that were on the verge of collapse. Further deterioration resulted in a 28 percent decrease of Italian banking stocks in the first two months of 2016. Other banks such as Banca Carige and Monte dei Paschi di Siena have seen a 56 percent decrease in stocks in the first quarter of 2016. While the Italian banking crisis has been steadily accelerating the Italian government has made small attempts to improve the situation. In April 2016, the government agreed to create a fund to rescue weaker Italian banks while passing legislation to speed up bankruptcy procedures. Italian banks have seen an increase in their holdings of non-performing loans but have not been unable to write them off due to the nation's complex bankruptcy laws that favor individuals and small family owned businesses. This is another cultural difference rooted in history that protects small family owned business. Wall Street analysts reported that Italy “currently takes eight years on average to recoup bad loans in Italy, compared with the European Union average of between two and three years” (Oprita, 2016). The cost of Italian non-performing loans has been reported to be “between €200 to €300 billion and 18 percent of all outstanding loans” (Richter, 2016). As a sign of the weak economy, corporations make up 80 percent of these defaulted loans. The southern region continues to lag behind the rest of the nation with the majority of the non-performing loans (Richter, 2016). These non-performing loans weigh heavily on the Italian economy due to the large national debt that fluctuated between 120 and 130 percent of its gross national product. The key for any nation to rebound from economic crisis is productive and growth. However, Italy suffers from excessive regulations and a lack of research and development spending which makes it even harder for the economy to grow. As an economy dominated by 80 percent small to medium size businesses, it creates a situation with low funding on technological investments that would help it to develop a competitive advantage (Weissmann, 2011). The lack of desire for risk and thirst for achieving a competitive advantage was described multiple times during each business interview. Italian companies would rather let someone else be first and take the risk. They prefer to watch and learn from someone else’s mistake, then come out of the gate second with the knowledge to grow more cautiously.

CONCLUSION

Italy’s modern culture, businesses, and economy have been built upon the country's strong history and traditions. It has not been a smooth road for Italy with its history of occupations. In modern times, they have been under the control of a dictator and have suffered through continuous unstable governments since WWII, and have faced various economic turbulences. With its current focus on small and medium size business Italy has been slow to take risks and invest in research and development. The government and universities could spur growth by supporting technological, research, and innovation programs. A possible solution to improve Italy’s economy is to implement tighter corruption legislation and restrict immunity for both business and political elite. In addition, monitoring and oversight for nonprofit and religious organizations needs to be strictly managed. With Italy’s economy focused on the small business environment it has left Italy impervious to economic crisis, which Italy experienced in 2011 and again in 2015 through today. Many of Italy’s regulations favor labor and small business, which can be traced back to its cultural and historical roots. This includes the current bankruptcy laws which have helped to fuel the current economic crisis. Revamping Italy’s bankruptcy laws and implementing Judiciary reforms would make a substantial positive impact on its economy. While Italy does not have an official motto, the first line of the constitution is typically considered such. The line "L'Italia e' una Repubblica democratica, fondata sul lavoro" translates to Italy is a democratic Republic founded on labor.
Maximizing labor and technology while reducing corruption and debt will be key strategies for Italy’s ability to rebound economically. Italy’s has stayed true to this line and has shown that they have been able to come back from economic, political and social issues in the past. The current economic banking crisis and corruption scandals will continue to test this culture's resilience.

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