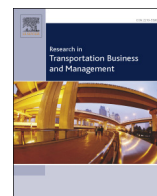




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# Dealing with multi-scalar embeddedness and institutional divergence: Evidence from the renovation of Italian port governance

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### ABSTRACT

Conventional studies on port governance reform mostly propose de-contextualized models, which overlook the embeddedness forces of ports in specific institutional and economic domains. To overtake such a gap, this paper challenges traditional models and proposes an alternative contextualization of governance schemes in local territorial contexts. Therefore, the manuscript analyzes institutional trajectories in port governance, by advancing knowledge on the risks of the reform processes implemented in rigid institutional frameworks, reluctant to conjugate global challenges with local claims. Institutional divergence may emerge between the objectives set at governmental level and the claims at regional/port level, by causing a delay of the implementation stage. For this purpose, the study addresses the Italian port context, as a meaningful empirical case. The paper adopts an original theoretical frame, by encapsulating the well-established notions of intended and emergent strategy within the construct of institutional plasticity applied to public organizations. The outcome of the Italian case unveils that the ongoing reform process is still partially inadequate to capture some urgent requirements as expressed several times by different port communities and stakeholders. The lack of a bottom-up perspective and local adaptation may constitute a dangerous drawback of the new governance framework.

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## 1. Introduction

The ongoing port governance reform taking place worldwide has attracted the attention of both academics and practitioners (Brooks, 2007; Ng & Pallis, 2010), in the attempt to identify the most suitable and viable options for restructuring the industry. In particular, port devolution represents a central paradigm in the redesign of port institutional framework in a number of countries (Sánchez & Wilmsmeier, 2006; Brooks & Pallis, 2008). Nonetheless, conventional studies tend to outline de-contextualized models, which ignore the embeddedness forces of ports in specific institutional and economic domains (Olivier & Slack, 2006).

In order to overtake this gap, this paper challenges traditional models of port governance reform, and calls for a deeper contextualization of governance schemes in local territorial contexts. In particular, the manuscript analyzes the institutional trajectory of the Italian port governance, disentangling the effects of a process of (re-)centralization of executive decisions and strategic choices related to ports. The study aims to advance knowledge on the effects associated to port reform

processes that could result in rigid institutional frameworks (sometimes resulting mainly from current or prevailing political trends), reluctant to conjugate global challenges with local claims. This constitutes a significant research gap in port management literature that deserves an ad hoc investigation.

The Italian port case, indeed, does represent a sound empirical field for achieving a deeper understanding of the impact of multi-scalar embeddedness that originates at both national and local level. In particular, at a regional scale, various territorial forces offer powerful institutional and lobbying inputs that shape the trajectories of reform in individual ports. In this perspective, Italy brings special legislative and governance challenges for policy makers and regulators, given the strong negotiating power held by local port stakeholders such as terminal operators, concessionaires, ship agents, freight forwarders, and unions (Debie, Lavaud-Letilleul, & Parola, 2013; Notteboom, Parola, Satta, & Penco, 2015).

In addition, the timeframe of the investigation is consistent with the aim of the study, as during an ongoing port reform process institutional fluidity increases. Both national (governmental) and local institutional actors and political forces proactively interact and compete in order to reach their respective strategic objectives.

In our study, the issue of multi-scalar embeddedness in the Italian port reform process (as stated by the legislative decree no. 169/2016) is addressed, by combining two well-established theoretical constructs:

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i) institutional plasticity; ii) intended versus emergent strategy. For this purpose, we first introduce the concept of ‘institutional plasticity’ (Strambach, 2010) to emphasize how port actors strategically stretch existing institutional arrangements to their purpose, without (necessarily) breaking out the dominant development path. Then, we encapsulate the well-established notions of intended and emergent strategy (Ansoff, 1965; Mintzberg & Waters, 1985) within the institutional plasticity construct in public organizations, such as the Italian Port Authorities (from now on PAs), in order to disentangle the multifaceted nature of institutional turns.

This original theoretical framing enables to treat port governance changes as a complex evolutionary process as well as to differentiate between the actual policies that are implemented in practice (realized reform), from policies intended by the legislator (intended reform). In plastic institutional environments, port governance changes are expected to follow an iterative evolutionary process that conjugates the “intended” reform conceived by central government with a number of “emerging” reform claims that are expression of local stakeholder interests. Throughout plasticity, in fact, some governance reform changes imposed by global challenges can be locally adapted in each port domain.

In those maritime countries, like Italy, that are characterized by heterogeneous socio-cultural backgrounds and are exposed to multi-directional embeddedness forces at local level, a reform process should pursue a hybridization of governance models in order to create a differentiated institutional puzzle (Debie et al., 2013). The lack of plasticity and adaptation capability might drive to progressive institutional rifts between local and governmental institutions during both the approval and the implementation phases of the governance reform.

The paper is structured as follows. Section 2 sets the theoretical framework by combining the constructs of institutional plasticity with the notions of intended versus emergent reform. Section 3 depicts the Italian empirical context, by describing the outcome of the 1994 reform law and the (failed) attempts to revise the law. Section 4 unveils the contents of the Reform recently approved (August 2016). Further, Section 5 tries to identify the potential drawbacks of the reform, originating from institutional divergence between centripetal and centrifugal forces. Finally, Section 6 brings some concluding remarks.

## 2. Reframing port governance: Multi-scalar embeddedness and need for institutional plasticity

Over the last years, academic literature recognized the growing heterogeneity of landlord models in various market contexts, translating into differentiated organizational, managerial and ownership models. In business practice, indeed, landlord paradigm needs a reconfiguration and adaptation to local constraints and historical background that often trigger towards a hybridization of the traditional models identified by the World Bank (2007). These growing institutional needs are addressed in academic contributions that emphasize the effectiveness of institutional plasticity’s mechanisms for mediating between local (centripetal) and global (centrifugal) forces (Notteboom, De Langen, & Jacobs, 2013).

In this section, we posit the issue of the impact of multi-scalar embeddedness in an institutional framework under reform characterized by an ancient maritime tradition and a strong entrepreneurial fabric in port logistics. Indeed, institutional plasticity is expected to trigger adaptive processes on a local scale in order to keep the pace of market transformations and to be proactive respect to evolving needs of stakeholders.

### 2.1. Multi-scalar embeddedness and territorial forces

Transport economists commonly recognize the role that path dependence plays in shaping local and national differences in port governance structures and reform trajectories (Notteboom et al., 2013).

Indeed, the notion of path dependence derives from the evolutionary approach, which is appropriate to analyze the evolution of organizational bodies such as PAs (Hall & Jacobs, 2010). Despite the existence of macro-trends of reforms that sketch some well-established global directions in port governance mechanisms, a growing number of scholars (Hall, 2003; Ng & Pallis, 2010) refuse the postulate of geographic convergence in port reform dynamics, but rather commit to complex hybridization of models in each territorial domain (Fremont & Lavaud-Letilleul, 2009; Debie et al., 2013). Therefore, the construct of path dependence is weakening its explanatory power given the differentiated character of public policy sectors and the heterogeneous social, cultural and economic trends that materialize at different regional scales (Dobry, 2000).

Some studies have offered a pragmatic understanding of port governance by looking for empirical evidence in order to explain specific port governance arrangements, often resorting to the notion of embeddedness as a key analytical lens. This concept, coined by Granovetter (1985), incorporates the idea of an essential societal contextualization of economic processes, and entails multilevel spatial scales as well as local dimensions (Hess, 2004). In the port context, Notteboom et al. (2013) recognized that PAs are place-dependent, as these institutions remain specific to certain territories. They are “*embedded within spatially proximate social relations and developed under unique historical trajectories and contingencies, so that there remains ample scope for variation*” (Gertler, 2001). This means that international port reform patterns have to deal with various sources of embeddedness at a national and regional scale, including economic dependence on natural resources, sunk costs of assets and infrastructure, and agglomeration externalities that fuel industrial clusters (Storper, 1997; Martin & Sunley, 2006). Multi-scalar embeddedness forces may also derive from regulatory frameworks, social conventions and cultural traditions, which can lock-in firms and public organizations in the social and institutional specificities of a country or a region (Granovetter, 1985; Martin & Sunley, 2006). Therefore, the effects provoked by path dependence on ports are shaped in different ways across various places and territorial scales (Notteboom et al., 2013).

The theoretical construct of multi-scalar embeddedness brings insights for a flexible and dynamic reading of port governance mechanisms and enables a deeper understanding of territorial trajectories of reform by country and by port. In this regard, prior studies provide empirical evidence of the idiosyncratic nature of national reform patterns, unveiling lock-in effects and territorial variations in the process of port governance restructuring (Wang, Ng, & Olivier, 2004, p. 238; Ng & Pallis, 2010). In particular, Debie et al. (2013) recognize that the combined effect of global trends and local specificities in the evolution of governance models drives to the emergence of territorial trajectories of reform at various scales. This is provoked by local reactions (e.g., concession policies, labour issues, etc.) to national and global changes that can be categorized in relation to the effects generated by such (global-local) interactions on port governance. In particular, the taxonomy proposed by Debie et al. (2013) outlines: i) path follower ports, where local forces are weak and the implementation of national changes is fairly easy, ii) path adaptor ports, where local forces impose a local adjustment on the national framework, iii) path resistant ports, where local inertia and lock-in effects provoke frictions and conflicts, and thwart or slow down the implementation of national reforms, and iv) path leader/pioneer ports that are triggered by local forces to generate innovative solutions in port governance, project funding, marketing and inter-port coordination, thus reaching beyond national reform changes and/or anticipating innovative trends. Path follower and path adaptor ports are expression of a top-down process that leads to institutional convergence in port governance settings, whereas path resistant and path leader ports originate from a bottom-up process, leading to some forms of institutional divergence.

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