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A Gramscian Perspective on field dynamics.

The case of the privatization of Italian Steel Industry.

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Abstract

Institutional fields are not static, they undergo times of fragmentation and times of settlement. Neo-institutional research has long explained the settlement of fields as either the effect of political manoeuvring of actors, or of discursive activity influencing cultural codes, narratives and symbols. But can these processes really be considered in isolation? In this paper, we propose to adopt a comprehensive view on fields' dynamics, one that embraces the interaction of political and discursive manoeuvring to explain how fragmented fields manage to settle. To do so, we build on the Gramscian concept of hegemonic practices as discursive and political processes that integrate cultural equivalence among actors with political alliances based on aligned interests. Hegemonic practices align actors in a new historical bloc (a new settlement). Through this lens, we interpret the case of the Italian State steel privatization (1984-1995) and propose a process model explaining what yields fields' dynamics from fragmentation to settlement. The model highlights the action of diffused agency in field dynamics, thus overcoming the obsolete challenger/incumbent view, and the need of becoming a historical bloc for alliances to stabilize a field.



Introduction

Institutional fields are not static, they undergo times of fragmentation and times of settlement. Involved in political and discursive struggles to strategically pursue their interest, institutional entrepreneurs can force fields' fragmentation or contribute to their settlement. But can discursive and political manoeuvring really be considered in isolation? In this paper, we propose a comprehensive view on fields' dynamics to explain how fragmented fields settle.

Neo-institutional research addresses fields not only as areas of institutional life (DiMaggio and Powell, 1984: 148), but rather as 'arenas of power relations' (Brint and Karabel, 1991: 355) in which institutional wars occur (White, 1992) and that 'become centres of debates in which competing interests negotiate over issue interpretation' (Hoffman, 1999: 351). These power struggles mould fields' dynamics (Fligstein and Mara Drita, 1996; Ingram & Rao, 2004) and actors who pursue specific interests push fields towards a state of settlement (Schneiberg and Soule, 2005; Davis and Thompson, 1994; Fligstein, 1996; 2001; Rao and Kenney, 2008).

Neo-institutional research tackled the political manoeuvring of actors within fields by leveraging a conceptual repertoire developed by the studies on Social Movements (SM) (Fligstein, 1996; Rao, 1998; Rao et al., 2000; Rao et al., 2003; Morrill et al. 2003; Hensmans, 2003; Ingram and Rao. 2004; Hargrave and Van De Ven, 2006; Schneiberg, King and Smith, 2008; Schneiberg and Lounsbury, 2008). Namely, the research on how groups are able to rally new political constituency around specific issues (McAdam, McCarthy and Zald, 1996: 7) offered useful theoretical lenses for investigating the content of power struggle underpinning fields' dynamics. Yet, as Rao et al. (2003: 796) explain, neo-institutional research that grounds on research on SM walks over two avenues: a first perspective explores how actors' manoeuvring challenges political structures, policies and governance structures; a second strand investigates the dynamics that occur in cultural domains and directs the attention to the discursive activity that influences cultural codes, narratives and symbols. We contend that in most of the work that investigates settlement the two



mentioned avenues of research advance in parallel with a dearth of studies that address how political and discursive manoeuvring are interweaved. We argue that overlooking the interaction between these processes of different nature contributes to maintaining opacity in the explanation of settlements. Therefore, our work is thus motivated by a central question: *How does the interaction of political and discursive manoeuvring lead to fields' settlement?*

To tackle our research question, while relying on the version of institutional theory that synthesizes with SM theory, we add a Gramscian layer and we bank on the conceptual repertoire developed in the Gramscian theory of hegemony. The work of Levy and Scully (2007) lays the ground for our endeavour by mobilizing Gramsci's concept of hegemony to understand the contingent stabilization of organizational fields. In this Gramscian approach, hegemonic practices are discursive and political processes that integrate cultural legitimization with political alliances (Burgio, 2014: 218; Gramsci, 1975: 1091). Fields' stabilization occurs when a historical bloc ensues from 'the alignment of material, organizational and discursive formation' and stabilizes a field by 'reproducing relations of production and meaning' (Levy and Egan, 2003: 806).

In empirically grounding our research question, we investigate Italian State steel privatizations, which occurred between 1984 and 1995. Skyrocketing public debt and overcapacity forced the Italian government to privatise the steel industry. The intervention produced a fragmentation of the field that revealed opportunities for the political manoeuvring of the privatization process. While in the rest of Europe privatized steel producers were sold to foreign global producers, in Italy, national entrepreneurs were able to control the process. We argue that the emergence of a specific historical bloc explains this idiosyncratic result. The historical bloc was the outcome of hegemonic practices that leveraged discursive and political manoeuvring to find a compromise among the interests of the key actors of the field.

Based on our empirical case, we propose a process model of field's fragmentation and settlement, which is a key contribution to neo-institutional research. Specifically, the concept of

hegemonic practice refers to the organizing mechanism that aligns the elements of the historical bloc by integrating discursive and political processes. Through the analysis of how the content of hegemonic practices changes from fragmentation to settlement, we propose that we contribute as well to further developing a Gramscian perspective on fields' dynamics. Two related implications follow. First, we propose the concept of *diffused agency* to recast institutional change as the outcome of the joint efforts of different groups of social actors. Namely, we contribute to further dig into the track initiated by the institutional work perspective, which recognized that agency can be a distributed process, where actors interact, with varying degrees of reflexivity, intentionality and effort (Lawrence et al., 2013; Smets & Jarzabkowski, 2013; Battilana et al., 2009). Second, we shed light on the multi-faceted nature of the alliances that stabilise fields: ideological compatibility needs to be backed by an alignment among economic interests and political relations. In other words, for stabilizing fields, alliances need to become a historical bloc.

The paper is organized as follows: the next section delineates key elements of the Neo-Institutional theory and how this latter and Gramscian theory of hegemony can be integrated. The third section describes methods and data. The fourth describes our findings, which are then used to induce our process model. Finally, conclusion reflects on our contributions.

Theoretical background

How fields' dynamics unfold between political and discursive opportunities

When addressing fields' dynamics, institutional research highlights that exogenous jolts open opportunities for strategic action to a field's actors. Exogenous disturbances awake fields' dormant fragmentations (Greenwood *et al.*, 2002; Clemens and Cook, 1999; Hoffman, 1999) and generate diverging incentives for social actors, who are differently committed to the status quo (Greenwood and Hinings, 1996: 1035) and have diverging interests (Hoffman, 1999; Morrill *et al.*, 2003). The fragmentation generates political opportunities that the field's actors may pursue by widening



fractures in logics (Thorton *et al.*, 2012: 2; Friedland and Alford, 1991), while the fields settle when actors reach (at least) partial truces (Rao and Kenney, 2008). This state is characterized by ‘highly elaborated institutional infrastructure with distinct dominance orders and actor positions’ (Zietsma *et al.*, 2017: 415-418).

The version of institutional theory that synthesizes with SM theory shares with the latter a structural penchant. Indeed, both theories struggle with the paradox of dealing at the same time with deliberate action and agency, and with the structural constraints set by existing institutions. Hence, as Schneiberg and Lounsbury expound, ‘this shared structural perspective has led institutionalism to the movement literature on political opportunity structure’ (2008: 652).

In the SM literature, the concept of opportunity structure was initially rooted in the political domain (Tarrow, 1994; McAdam, 1996; Tarrow, 1996; Diani, 1996; Hargrave and Van de Ven, 2006; Meyer and Höllerer, 2010; Gray *et al.*, 2015) and was described as the ‘signals to social or political actors that either encourage or discourage them’ in conducting political activity (Tarrow, 1996: 54). More specifically, a political opportunity structure (POS) is defined by four elements: the openness of political access, the degree of stability or instability of political alignments, the availability of potential strategic partners (Tarrow, 1983:28), and the political conflict among and within elites (Tarrow, 1989).

Yet, Gamson and Meyer (1994) pointed out that the political opportunities and constraints are often cultural in nature. Consequently, they portrayed the concept of political opportunity as articulated in an *institutional* context, more strictly political, and in a *cultural* territory that includes, for example, narratives, cultural themes, beliefs systems and world views. The exploration of this cultural texture created the conditions for the development of the concept of *discursive opportunity structure* (DOS) (Koopmans and Statham, 1999: 231; McCammon *et al.*, 2007: 745) as the repertoire of ‘symbolic opportunities’ (Kriesi, 2004: 72) ‘provided by salient discourses that are alive and have momentum at a particular point in time’ (Cornelissen and Werner, 2014: 210). This



repertoire ‘determines what kind of ideas become visible for the public, resonate with the public debate and are held to be legitimate’ (Kriesi, 2004: 72).

Such a double-sided dimension of structural constraints - political and cultural-symbolic – permeates as well the neo-institutional research, and polarised its research efforts.

As for the cultural-symbolic dimension, following the discursive turn in institutionalism (Phillips et al., 2004), several scholars mobilised the work of Benford and Snow (2000) on how institutional truces result from struggles over the framing of the reality. Along this line, scholars reported how fields reach settlements around the interpretation and the meaning assigned to contentious issues (Seo and Creed, 2002; Meyer and Höllerer, 2010; Litrico and Davis, 2017). The battle among competing meanings requires appropriate skills to ‘take what the system gives’ (Fligstein, 2001: 106), to recombine ‘available discursive elements’ (Hensmans, 2003: 362) and to navigate the deeply ingrained societal beliefs and practices, which are the logics of a field (Friedland and Alford, 1991).

Yet, in addition to this discursive perspective, increasingly, neo-institutional scholars recognize that struggles over meanings are ‘embedded in more comprehensive political struggles’ (Meyer and Höllerer, 2010: 1254) and power relations (Rao and Kenney, 2008). As Hardy and Maguire advocate, for example, institutional entrepreneurship also requires the creation of ‘relations among actors, such as collaborations, coalitions, and alliances’ (2008: 209). Researchers advocating this political perspective suggest that much on the literature on institutional change ‘ignores the power relations that pervade institutional fields (Hardy and Maguire, 2017: 213; Munir, 2005; Wilmott, 2015). When adopting new logics, social actors produce ‘judgements about the types of power within a field that might facilitate or impede adoption’ (Gray *et al.*, 2015: 131) since ‘change can be blocked through a concentrated power structure (elite domination)’ (Greenwood and Hinings, 1996: 1046) or facilitated by fragmented political elites (Zelner *et al.*, 2009). Accordingly, assessing the size of coalitions (Rao and Kenney, 2008) and the composition of elites (McAdam,

1996: 27) is crucial for the success of discursive practices. As Cornelissen and Werner warn, explaining meaning struggles and emerging settlements requires accounting for differences in ‘political interests between actors and groups’ (2014: 211).

The analysis of fields’ settlement needs therefore to engage with the analysis of both political and discursive opportunities, and the work of some scholars explores this line: Rao and Kenney (2008), explain fields’ settlement based on the opportunities and constraints that emerge from both ideological incompatibility of competing projects and from the asymmetry of power of proponents. Koopmans and Statham (1999) combine discursive and political opportunities as two dimensions of a matrix to obtain a fourfold typology to predict the success of political movements. Nonetheless, this model is static, and the authors call for further research to explain the patterns of settlement. These considerations call for a longitudinal analysis of fields’ settlement that explains how the integration of cultural and political manoeuvring evolves (Fligstein, 1997: 403) along with the structures of opportunities.

A Gramscian Approach to understand the interaction of DOS and POS

We integrate the version of neo-institutionalism grounded in SM theory with a Gramscian layer. Specifically, we rely on the concepts of *historical bloc* and *hegemony* to capture the processes that bridge DOS and POS and lead to field’s settlement.

Antonio Gramsci was a Marxist political thinker who focused on the ‘relations of human thoughts, feelings, and will to ‘objective’ social processes’ (Kolakowski, 2008, p. 969). Recently, a Gramscian approach mobilized his theoretical framework (Levy and Scully, 2007; Böhm *et al.*, 2008; Contu *et al.*, 2013; Levy, 2008; Levy and Egan, 2003; Levy and Newell, 2002). Gramsci recognizes that discontinuities in the economic structure of society have a central role in generating change. In Marxian terms, these discontinuities are to be found in economic forces, such as modes of production and technology, and relations that are the property rights on production factors.



However, in his critique of economic determinism, Gramsci also emphasizes the function of discursive and political structures to stabilize power relations in societies: a stabilization occurs when, through a cultural elaboration, a specific social group's own interests are transformed and accepted into society-wide interests (Gramsci, 1975: 457-458, 1583-1585). This social group is an historical bloc, which is an 'hegemonic social structure' (Levy and Egan, 2003). The historical bloc is a social group, or an alliance of social groups, that produces 'the alignment of material, organizational, and discursive formations which stabilize and reproduce relations of production and meaning.' (Levy and Egan, 2003: 806; Burgio, 2014: 217). The process leading to the formation of an historical bloc is called hegemony and proceeds through hegemonic practices, which bridge the discursive and political dimensions (Tietze & Dick, 2013). In our work, we track and report the formation of an historical bloc as a field-stabilizing alliance, and we describe the efforts of social groups to enact hegemonic practices that include both discursive and political manoeuvring.

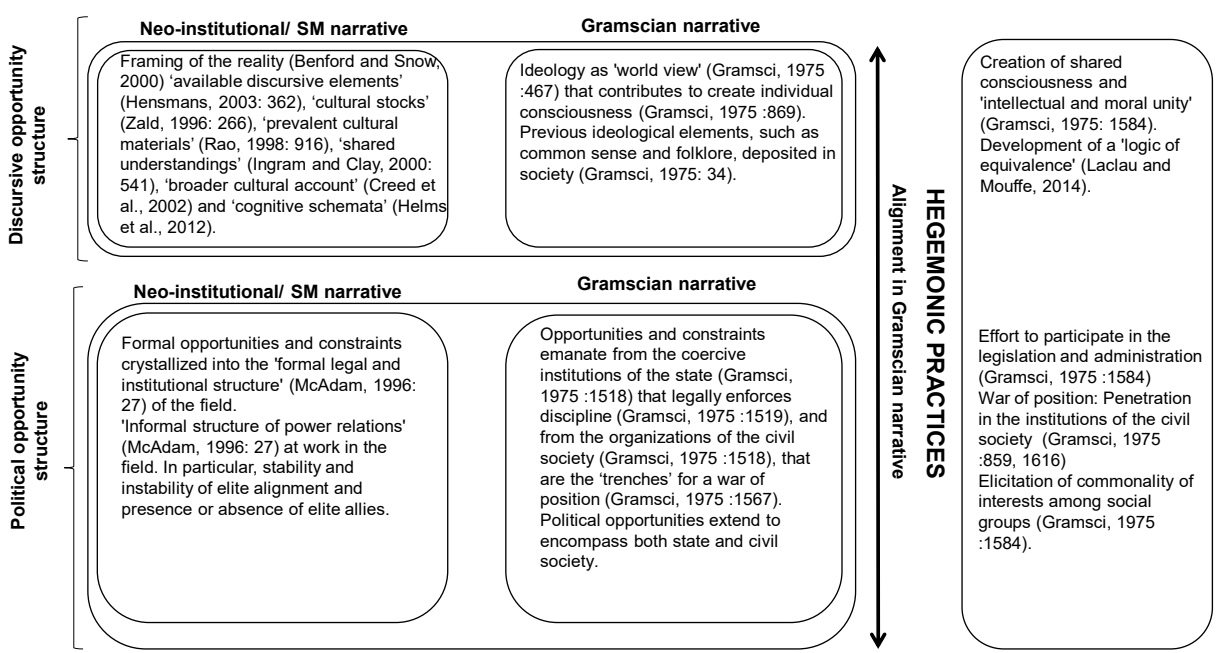
Hegemonic practices weaving together discursive and political opportunity structures

Hegemonic practices are the organising principle that integrates discursive and political manoeuvring, by creating hegemonic alliances that are viable in both the discursive and the political opportunity structures. In figure 1 we show how this Gramscian conceptual framework is coherent with the portrayal of discursive and political opportunity structures as described by neo-institutional and SM research, and we describe the overarching integrating role performed by hegemonic practices.

In their discursive component, hegemonic practices mobilize available discursive opportunities to create shared consciousness and 'intellectual and moral unity' (Gramsci, 1975:1594), a 'cultural front' (Gramsci, 1975: 1224) unified by a 'collective will' (Gramsci, 1975: 953), and to develop a 'logic of equivalence' (Laclau and Mouffe, 2014). A 'logic of equivalence' is a logic of simplification of political space (Laclau and Mouffe, 2014: 117) that captures common

instances (Laclau and Mouffe, 2014) among actors who build a ‘united political identity’ (Bhom *et al.*, 2008: 177). A logic of equivalence can also link contradictory groups (Spicer and Sewell, 2010) in ‘either you are for us, or you are against us’ logic (Hensmans, 2003: 359). For example, local discourse on globalization linked market-oriented corporations and the interests of those supporting global value (Spicer and Sewell, 2010); also a logic of equivalence may link different social groups that resist change by reducing differences and increasing their collective sense of unity, as it was the case of the groups resisting the restructuring of industrial plants reported by Contu *et al.* (2013).

Figure 1 – Conceptualization of hegemonic practices



Gramscian and neo-institutional narratives have several analogies: in Gramscian terms, hegemonic practices aim at understanding how previous ideological elements may have ‘left a deposit in society’ (Gramsci, 1975: 34); analogously the neo-institutional narrative of cultural manoeuvring implies the analysis of fields’ ‘latent meaning structure’ (Meyer and Höllerer, 2010) and ‘multiplicity’ of logics (Hoffman, 1999: 2001). Gramscian hegemony implies the evaluation of the ‘possibility/impossibility of the inclusion of an ideological element within a given historical



bloc' (Filippini, 2017: 10). Similarly, the neo-institutional narrative calls for the assessment of the ideological incompatibility (Rao and Kenney, 2008) and 'relative incoherence' of fields' logics. Hegemonic practices entail the production of a historical subjectivity ensuing from transformation of 'the ideological elements found to be disjointed within society' (Filippini, 2017: 12). In parallel, in the neo-institutional narrative framing activity draws on existing 'cultural stocks' (Zald, 1996: 266), 'prevalent cultural materials' (Rao, 1998: 916), 'shared understandings' (Ingram and Clay, 2000: 541), 'broader cultural account' (Creed *et al.*, 2002) and 'cognitive schemata' (Helms *et al.*, 2012).

In their political component, in Gramscian terms, hegemonic practices operate the penetration in the institutions of civil society (Gramsci, 1975:859, 1616) and explore the opportunities and constraints that emanate from the coercive institutions of the state (Gramsci, 1975:1518-1519). This work echoes the SM narrative in which the political opportunity structure reveals opportunities and constraints crystallized into the 'formal legal and institutional structure' (McAdam, 1996: 27) of the field. Moreover, in Gramscian terms, hegemony requires a subtle political work of compromising among the interests of different social groups (Gramsci, 1975: 458; Burgio, 2014: 214; Thomas, 2009: 161) that requires the mapping of the 'complex terrain of parties, movements, institutions, economic forces' (Sanbonmatsu 2004: 135). Actors manoeuvre to forge 'the organizational structure of the system, comprising alliances and hierarchical relations among various actors' (Levy, 2008: 952). This work calls for the analysis of opportunities and constraints emanating from the organizations of the civil society (Gramsci, 1975:859-860, 973, 1518, 1615-1616). Gramsci defines these organizations as the 'trenches' for a war of position (Gramsci, 1975:1567), which, pointing to complex long-struggles among multiple arenas, resembles social movement's emphasis on 'informal structure of power relations' at work in the field (McAdam, 1996: 27) and on the presence or absence of elite allies and their stability.

As depicted in the right part of Figure 1, hegemonic practices bridge and integrate discursive and political manoeuvring. They have a discursive component as they regard cultural processes (Burgio, 2014: 218) that operate in the public discourse (Burgio, 2014: 238), but they also have a political dimension, regarding the concreteness of the network of interests in the institutions of the State, and a web of private institutions in the civil society (Gramsci, 1975: 1091; Levy and Egan, 2003: 805-806).

The privatization of State Steel in Italy

The origin of state steel

On the wave of Keynesian economics, from WWII to the 1980s, the state played an important role in the economy of many countries. In Italy, the role of government in substituting a weak private initiative was close to a model of developmental state (Johnson, 1982), that pursues objectives of development through capital accumulation, direct employment and import substitution industrialization. This role is well captured in the history of IRI (Institute for Industrial Reconstruction), the largest Italian state-owned corporation: founded in 1933 by Mussolini with a temporary status to salvage the Italian banking system during the crisis of the 1930s, at the end of 1933, IRI owned the whole military steel industry and 40% of the civil one; in 1938 was created Finsider, a holding controlled by IRI to organize state-owned steel production.

IRI remained a pivotal player in Italian industrial production until the second half of the 80s. Around IRI, a historical bloc emerged constituted by several actors of the civil society. Culturally, the system of State Owned Enterprises (SOEs) in general, and IRI in particular, represented a compromise between the aims of the more leftist part of the catholic parties to reduce poverty and to redistribute income, the sympathy of socialist and communist parties for a state-controlled economy, the enthusiasm of laic progressivism for a moderate engineering of the economy, the habit of corporatism inherited from the revolutionary unionism, which permeated the Fascist Party,



and the aspiration of a highly skilled group of technocrats to survive (Castronovo, 2011, pp. 38-39, 54, 60). Materially, the system had been built with the support of the General Confederation of Italian Industry (Confindustria) that grouped large private entrepreneurs, and that often benefited from state support, as when IRI accepted to bail out inefficient private steel producers. Material interests were interlaced with entrenched political and organizational structures that dated back to the political economy of the Fascist Party, as stated in the National Autarchic Plan announced on 25th March 1936. Here, the design of the steel industry was aimed at increasing the production of raw steel through pig iron, thereby reducing dependence on imported scraps, and providing flat steel products for the nascent automotive industry (D'Antone, 2011:225). The plan formalized a co-existence between SOEs and private producers (Doria, 2011: 393) that survived in the Italian steel industry until its privatization (Balconi, 1991: 220). Unions as well supported SOEs since these latter, rather than pursuing economic profit only, embraced a social mission such as preserving employment. From a political point of view, leading parties, and especially the Christian Democratic Party, which was the centre around which the governments of the country were built, had the privilege of defining SOEs' managers and the industrial policy.

In 1985, with its production of 24 million tons of crude steel, Italy was the second European producer after Germany, an incredible result, given that during WWII the national production capacity was almost entirely destroyed. SOEs owned by IRI accounted for more than 40% of the national production.

The crisis of state steel: Exogenous and endogenous causes

In the second half of the 1980s and in the 1990s, several exogenous disturbances threatened the equilibrium of the historical bloc. Culturally, the internationally mounting 'privatization wave' (Bortolotti and Pinotti, 2008) forced political elites to consider privatization policies to counter the

skyrocketing public debt. As Dudley and Richardson report, by the late 1980s and early 1990s, free market ideas began to influence EU steel policy (1999: 228).

From a material point of view, as for specifically the steel industry, since the oil shock in 1974 the European Community had suffered from excess capacity. Consumption was then slowly recovering, and this weak upswing legitimized overly optimistic forecast of steel consumption. Thus, investments in production capacity grew in Europe, following both excessively optimistic estimates of consumption and, in some countries, gigantic governmental plans of investment. Consequently, in the period 1975-1980, trends of consumption and installed production started to diverge, with decreasing rates of capacity utilization. In addition, in the second half of 70s, newly industrialized countries, such as South Korea, Taiwan and Brazil, began to gain a growing share of the global market with a consistent flow of exports: between 1974 and 1980, in Europe, net exports decreased from 26 million tons to 16.8 tons, 214,000 jobs were lost and utilization of installed capacity dropped from 87% to 63%.

In Italy, in particular, beside the competition coming from newly industrialized countries, SOEs faced the internal competition from Italian mini-mills. These latter were privately-owned small-scale steel makers operating with electric furnaces. Initially specialized in the production of wire rods and reinforcing steel bars, starting from the 50s, mini-mills walked along a path of constant technological innovation by investing in electric arc furnaces (EAF) and continuous casting. Thanks to an efficient cost structure and effective competitive strategy, in decade 1970-1980, the share of the Italian production capacity for raw steel of mini-mills increased from 18% to 33% and the share of hot rolling in the long steel products increased from 43% to 71% (Balconi, 1991: 343). SOEs were challenged by the competitive pressures of mini-mills and maintained a relative stronghold only in the flat products since this latter production requires large installed capacity to reach minimum efficient scale.



Yet, as Balconi advocates (1991), the crisis of Finsider did not originate from the lack of investments. On the contrary, in 1980, Italsider, one of the key operating company of Finsider, was one of the most technologically advanced company in Europe (Balconi, 1991: 256). Rather, Finsider suffered from weak coordination among technological investments. Namely, large investments in upstream stages of production, blast furnaces and converters, were associated to a limited diffusion of continuous casting downstream. For example, in 1981, despite large production capacity of blast furnaces, in the Italsider's plant of Taranto only 35% of production was obtained through continuous casting whereas, for example, the plant of French company Usinor in Dunkerque was able to produce more than 90% through continuous casting (Balconi, 1991: 263). This situation created bottlenecks and impeded an effective vertical integration of the production process. In addition, several incongruous choices plagued the corporate strategy, with companies of the holding competing against each other (Balconi, 1991: 269). Moreover, Finsider failed to capture a key trend of differentiation of the steel products based on the ability of customize reworking and deliver batches of different sizes. The company was thereby forced into the segment of commoditized products, whose demand was very elastic to prices (Balconi, 1991: 275-280).

To make things worse, Finsider suffered from the difficulty to manage industrial relations. In general, it was very difficult to cut the workforce, or even to move it from one site to another. This rigidity curtailed productivity. Finsider was therefore squashed between high costs of production and the need to maintain low prices.

Of course, the weaknesses in the management of operations and in the corporate strategy, associated to large investments in the decade 1970-1980, deteriorated as well the financial structure of Finsider. Between 1985 and 1987, the ratio of short-term debt/sales increased from 18% to 40% and the increasing weight of the cost of debt pushed the ratio of losses/sales from 9% to 15%.

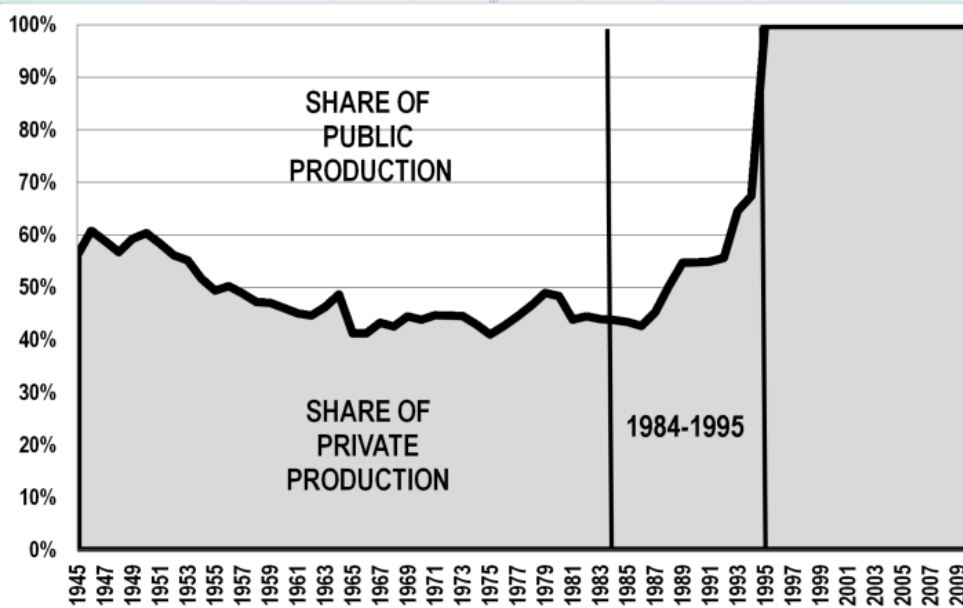


Privatizing state steel

The debts of Finsider raised international concerns on the robustness of Italian economy and on the Italian currency; this was especially dramatic in the face of impending pressures to accomplish to the financial and economic parameters set by the Maastricht Agreement to be included in the European Union. The belonging of Italy to EU eliminated degrees of freedom in the management of SOEs and public budget. In particular, government bailout of indebted SOEs was forbidden. Therefore, pressures on privatization were particularly strong in the steel industry.

From 1984 to 1995 SOEs in Italian steel industry was completely privatized (Figure 2). In the steel industry, a global technical discourse deemed privatizations as propaedeutic to merging of firms to pursue economies of scale. Most European countries (Belgium, France, Spain, UK) converged to this model with large global producers that bought and merged local producers. In Italy, the privatization process took an idiosyncratic turn; foreign investors played a minor role and Italian steel manufacturers maintained their grasp on the Italian steel industry after privatization. In particular, foreign companies were mainly excluded from flat steel products, the segment in which concentration of production was desirable. The specific dynamics of fragmentation and realignment of an historical bloc, given context-specific discursive and political opportunities, we argue, explain this idiosyncratic outcome.

Figure 2- Private/State production of steel in Italy (1945-2010)¹



Methodology and data

Since operationalizing POS and DOS entails different approaches, we collected data from different sources (Langley, 1999) to capture the processual interactions (Abdallah *et al.*, 2019) between political and discursive manoeuvring. Specifically, we reconstructed the privatizations models supported by actors in the public discourse, and we identified the major events changing the political opportunity structure.

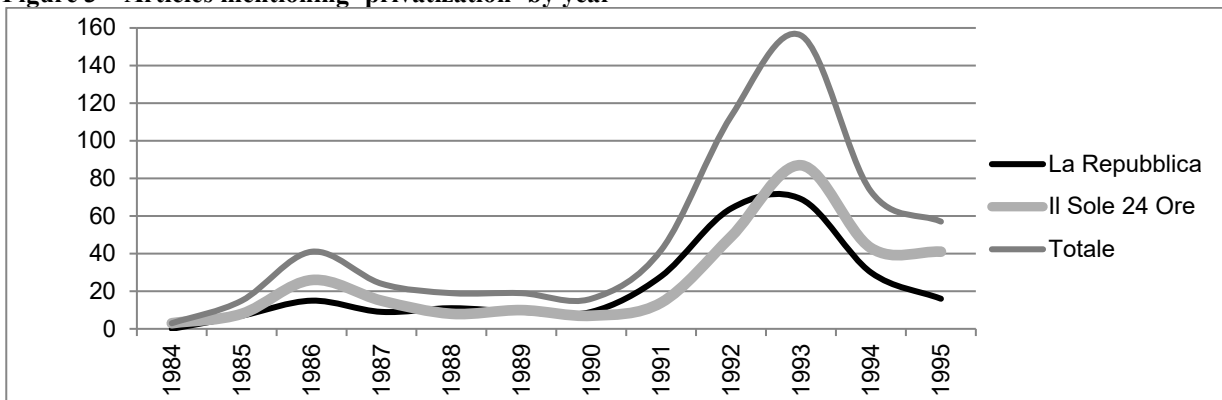
Operationalization of DOS: the privatization models in the public debate

Since newspapers ‘simultaneously act as a stage and a key player’ (Meyer & Höllerer, 2010: 1245), provide clues on what elites are thinking (DiMaggio *et al.*, 2013), and the coverage of topics reveals the attention devoted to actions and legislative proposals (Janssen *et al.*, 2008), to explore discursive opportunity structure, we performed a content analysis (Krippendorff, 2004) of newspapers’ articles. We used a list of keywords based on the names of steel companies to be

¹ For calculating the aggregate production of raw steel, we defined as state-owned a firm when more than 50% of the equity is owned by the state

privatized, private steel producers and the Italian translations for ‘steel’ and ‘privatization’, and we sampled two of the most important daily newspapers: *La Repubblica*, which is a left-wing newspaper, and *Il Sole 24 Ore*, which is a market-oriented business newspaper. We focused on the period 1984-1995, which captures the peak in the debate on privatizations (see Figure 2), as well as the period when privatizations were performed, and we collected 169 articles. We read these articles and we extracted 292 statements that have a clearly identifiable author (Litrico and David, 2017) who expresses an opinion on how privatizations should be performed. Instead of focusing on ideological statements that support or oppose privatizations in general, we focused on the discourse around practices, which is how to perform privatizations, as this is the locus where subtle discursive strategies take place through supposedly technical arguments (Meyer and Höllerer, 2010:1257). Indeed, this technical knowledge is basis for the symbolic struggles that take place among actors for the monopoly of designing a legitimate idea of the social world (Bourdieu, 1991).

Figure 3 – Articles mentioning ‘privatization’ by year



By analysing statements, we identified seven categories of key actors, relevant for the evolution of the historical bloc (Contu et al., 2013): Politicians, Private *Entrepreneurs*, Public Managers (who are the managers of the SOEs), members of the Unions; Bankers and Consultants



(members of investment banks and financial firms), *Journalists*, and the Technocrats, members of a cultural elite not involved in the government².

From the content of the statements we inductively reconstructed four privatization models supported by key actors in the discursive space (Hardy and Maguire, 2008). Operationally, we coded each statement to an ‘idea element’ (Meyer & Höllerer, 2010) and aggregated these elements in meaningful storylines that capture not only their explicit but also their implicit meaning (Meyer & Höllerer; 2010). The proposed models differ according to the desired outcome of the privatization process (Snow and Benford, 1988):

1. *Government controlled. This model claims a strong political control over the privatization process (e.g. by using golden shares), and over its outcome (e.g. by conglomerating SOEs in undifferentiated financial holdings to sell minority shares). A quote by a politician is illustrative: ‘We must conglomerate all the SOEs in three big holdings. Then, we offer shares of these holdings to the market.’ In the period 1992-1993, the privatization plan of the Ministry of Industry, Giuseppe Guarino, clearly embodied this model, as it advised to gather companies to be privatized in two state-owned holdings: one including profitable and the other unprofitable companies. The plan recommended 25% of the equity of the profitable-companies-holding to be assigned to a hard core of Italian entrepreneurs and another 25% to remain in the hands of the Ministry of Finance; the rest of the equity would have been put on the market (Cavazzuti, 2013: 103). The idea was for the government, through the Ministry of Finance, to maintain a grip on profitable companies.*
2. *Market Driven model follows neoliberal principles calling for the limitation of State intervention in the economy. This model asks for quickly selling as much enterprises as possible, as explained by a member of Banker and Consultants: ‘Privatizing does not mean*

² We labelled as ‘Technocrats’ civil servants pertaining to: i) the research office of the Central Bank of Italy; ii) the National Council for Economics and Labour (CNEL); iii) the Italian Securities and Exchange Commission (CONSOB); iv) the Court of Audit (Corte dei Conti); v) The Stock Exchange Council (Consiglio di Borsa); and vi) the Antitrust Authority.



selling minority shares but completely entrusting the enterprises to the care of national or foreign shareholders'. In the period 1992-1993, the privatization plan conceived of by the Ministry of Treasure embodied traits of this approach. The idea was for the Ministry to be assigned the power to directly selling or dismissing SOEs with the support of national and international financial advisors. Notwithstanding the acknowledgment of the desirability of implementing privatizations in the larger context of the national industrial policy, as suggested by the Ministry of Industry, the priority of the plan was to accelerate privatization in order to meet the expectations of international financial markets.

3. *Public Company. In the Italian context, Public Companies is a signifier that represents a subtle compromise between government control and market incentives. Of course it appeals to a market approach when it involves the sale of shares to investors. Here, the idea is that privatizations are germane to a wealth redistribution among small investors through a transparent and democratic sales process in the stock market. Yet, in the Italian case, privatizations through public companies winks at a well-balanced distribution of shares among shareholders, financial and industrial groups, employees and the government. Often, the adoption of public companies aims at including workers in the equity³. As illustrated by a union member: 'Unions have an American dream: to reproduce the "made in USA" experience of distributed share ownership among workers. [Union]'. As suggested, in 1992, by Piero Barucci, at the time Ministry of Finance, the creation of public companies aims at finding a compromise between diffused shareholders and a stable core of investors in which the government is still likely to play a central role⁴. For example, ENI⁵ and ENEL, two large state-owned holdings, were privatized by creating two public companies in which the*

³ Deliberation of CIPE 30/12/1992.

⁴ Sole-24ORE, 17-11-1992

⁵ ENI (Ente Nazionale Idrocarburi) and ENEL (Ente nazionale per l'energia elettrica) are diversified energy companies that managed, respectively, the state operations in gas and oil search and extraction, and delivery of electricity.



government was the controlling shareholder (nowadays, the government still is the controlling shareholder holding about one quarter of the equity).

4. *Noyaux Durs. The model refers to French privatizations, where the government typically transferred controlling blocks of stocks to specific investors (Suleiman, 1990; Feigenbaum, Henig and Hamnett, 1999: 99). Usually, the approach is employed when governments aim at creating a stable group of investors. To detractors, the approach allows politicians to maintain and reward political friends (Feigenbaum, Henig and Hamnett, 1999: 106). In the Italian context, the concept of noyaeux durs describes privatizations in which, as in the French case, the government creates a stable group of investors. For example, a technocrat suggests that '[noyaeux durs are] control structures capable of creating collaborations [between politicians and entrepreneurs] in order to provide enterprises with resources and to defend them from hostile takeovers'. The deliberation of the Inter-Ministry Committee for Economic Planning (CIPE) of 30/12/1992 explicitly recommends organizing public auctions to select stable cores of investors that guarantee stability and a coherent strategic intent to the ownership of privatized firms. Discursively, the concept of Noyaux Durs can be mobilized in different directions. The concept is used to brush up a corporatist agreement in which large private investors are assigned the control on privatized firms. In addition, as the then Ministry of Finance explained⁶, often, the creation of stable groups of investors is functional to the retention of the ownership of firms in Italian hands. On the other hand, however, the government holds the power to select acquirers with 'an unquestionable judgement and without any duty of explanation'⁷.*

⁶ Sole-24ORE, 17/11/1992.

⁷ Notes for the meeting of the Board of Directors of IRI of the 15/12/1993.



Operationalization of POS: regulation, organization and elites.

To operationalize the POS, we integrated the concept of *political opportunity structure* as described by McAdam (1996), with the Gramscian perspective summarized in figure 1. Specifically, we articulated the concept of political opportunity structure along three dimensions:

1. *Regulation of steel industry.* We describe the juridical superstructure of the society (Gramsci, 1975: 1439) by examining laws and rules (:1051). We interpret this dimension as equivalent to McAdam's 'legal and institutional structure of a given polity'. Regarding data, we analyzed the Italian and European Laws and Regulations on Steel, the Communications and Decisions of European Community for Coal and Steel (ECSC), the Minutes of European Community for Coal and Steel Consulting Committee (1985-2002), the official journal of records of the Italian Government (*Gazzetta Ufficiale*), and IRI's archives.
2. *Organization of steel industry.* We analyzed the collection of relevant formal agreements and relations between the actors in the field as, according to Gramscian analysis, the formal institutions of the civil society (i.e. the unions and the association of employers) are relevant elements of power relations. We reconstructed these agreements and alliances through the analysis of archives and data on the industry and balance sheets from Finsider and Assider, and from the World Steel Association, IRI, Italsider and ILVA, and we triangulated them with interviews to a key informant⁸.
3. *Composition of elites.* We considered the informal alliances or conflicts among actors. We assume that this concept subsumes the concept of 'informal structure of power relations' as put forward by McAdam (1996: 27) and refers to the stability or instability of 'elite alignments that typically undergird a polity' (:27) and the 'presence or absence of elite allies' (:27). We especially focus on how material forces create commonality or conflicts of interests

⁸ Enrico Gibellieri, which was interviewed four times, was the last President of the ECSC (European Community for Steel and Coal) Consultative Committee, and is Co-President of the Consultative Commission on Industrial Change within the EESC (European Economic and Social Committee). Since March 2006, he has been Deputy Vice-President of the Steering Committee of the European Steel technology Platform (ESTEP).



among field's actors. For example, we focused on the modes of production, the technology operating in the field, and the allocation of property rights on factors of production. We analyzed financial/economic indicators, market shares, production of actors operating in the industry, the dynamics of profitability and employment, and macroeconomic data from ISTAT and Bankitalia⁹.

While Tarrow (1994) proposes a clear distinction between political threats and political opportunities, where only these latter are considered elements that encourage political action and are, therefore, components of a POS, we conceptualize POS as a political environment that makes available space for manoeuvring for some actors and, contemporaneously, impose constraints on the action of others. This conceptualization, we suggest, is germane to an analysis of fields' settlement that does not depart from an ex-ante idea of who the institutional entrepreneur is and what direction the change will take. Any actor in the field can either support, hinder or simply influence change. Therefore, political setting's features can present opportunities for some actors, while at the same time they can hinder the action of other actors, who nonetheless are transforming the field through their agency. This conceptualization is coherent with the Gramscian framework: the concept of war of position identifies a political struggle in which a reciprocal siege between actors occurs (:803), as it involves long-term struggles without frontal assaults, where actors confronts in different opportunity structures.

Results: POS and DOS between fragmentation and settlement

The evolution of the field presents two distinct phases, corresponding to fragmentation, and settlement. These 'temporal brackets' reveal a discontinuity in the longitudinal pattern of observed events (Langley, 1999:703; Ansari *et al.*, 2013: 1020). Fragmentation corresponds to the years

⁹ Also, for interpreting the three dimensions, we relied on the knowledge of one of the authors, which extensively worked on the privatization of the European steel industry within a EU-funded research project.

1984-1992, which start with Law 193/1984, issued with the purpose of financing the restructuring of the steel industry. The law was a major change in the POS. Alongside, in the DOS, the public debate on privatization surged to reach a peak at the end of 1992 (Figure 3). During 1992, law n° 359 transformed large state-owned holding in private companies, making irreversible the ongoing privatization process. This law marks the beginning of a second temporal bracket, the settlement, which covers the period 1993-1995. In the DOS, public debate became weaker (Figure 3). In 1994, the decree 332/1994 gave the final push to the privatization process by removing constraints to direct sale of privatized companies. In 1995, the steel production was entirely private (Figure 2).

In this paragraph, we trace the evolution of POS and DOS in fragmentation and settlement.

In our analysis, we make an effort to explain how opportunity structures encourage, or constrain, actors' maneuvering. At the same time, we analyze how actors, with their maneuvering, contribute to modify the structures. In other words, we propose a dynamic analysis of the evolution of structure and agency. Structures constrain and inform actors' actions, which continuously modify the consolidated features of structures.

The evolution of the supported models in the DOS

Figure 4 reports the relative prevalence of each privatization model in the public discourse during the two temporal brackets, calculated through content analysis (Krippendorff, 2004) as the number of statements coded at each model. During fragmentation, *Public Company* is the model most often supported by actors, followed by *Market Driven*. *Government Controlled* and *Noyaux Durs* are less supported. Moving to settlement, a striking change regards *Market Driven*, which completely loses relevance, and becomes the least supported model. *Public Company* remains the most relevant one, and slightly increases its prevalence. Yet it is remarkable that while privatizations are performed the two models that become more legitimate in the public discourse are those asking for a stronger political control: *Government Controlled* and *Noyaux Durs*.

Figure 4 – Evolution of the prevalence of privatization models in the public discourse

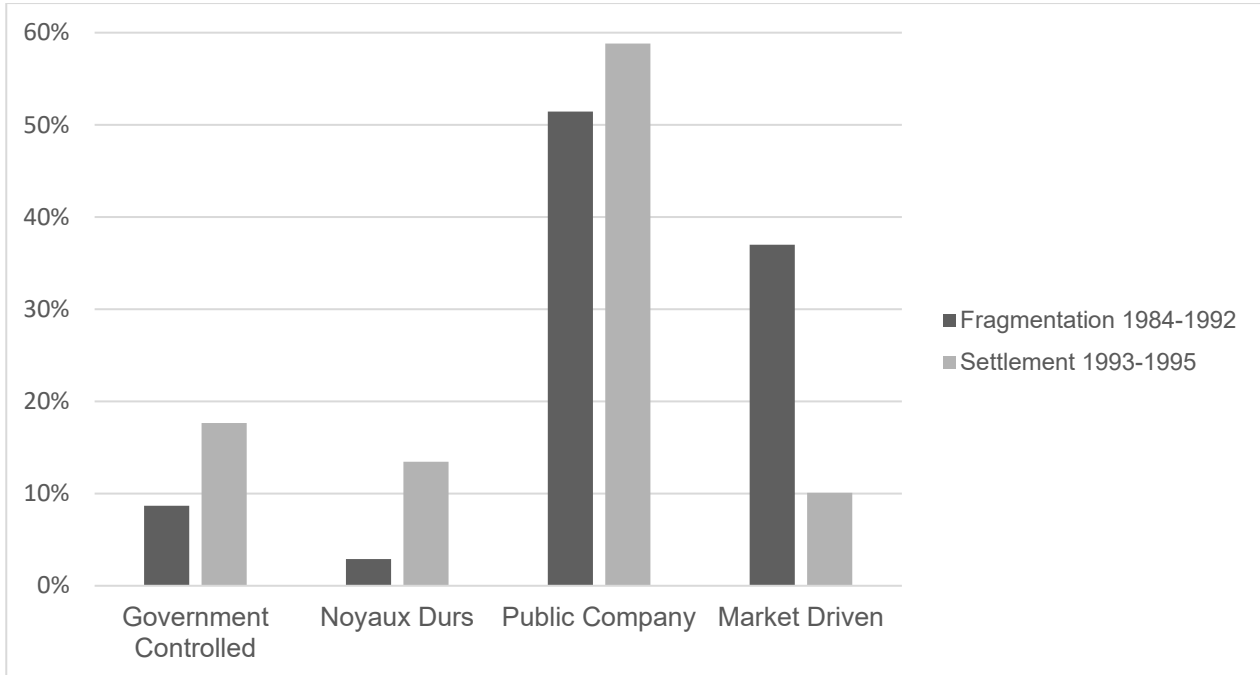
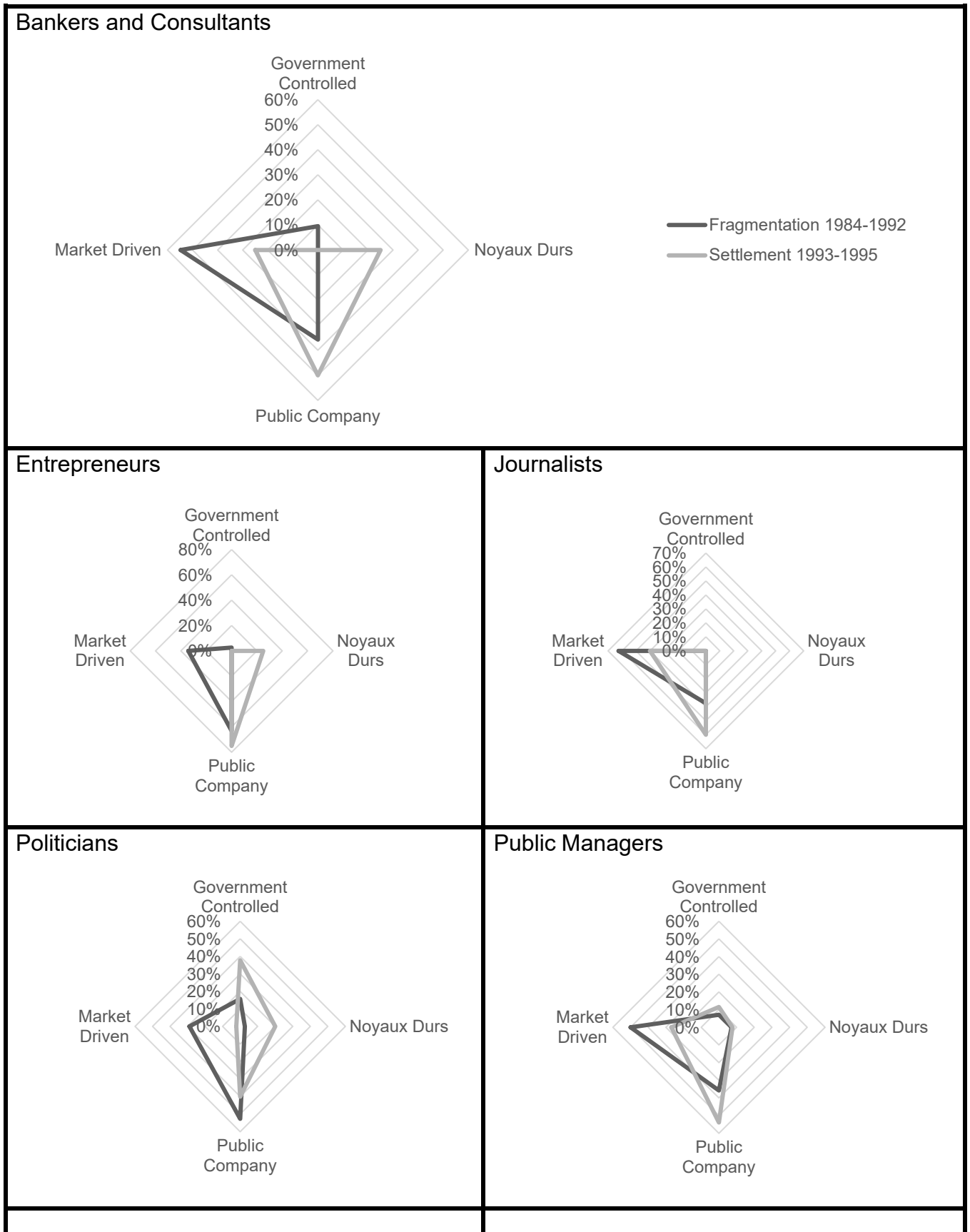
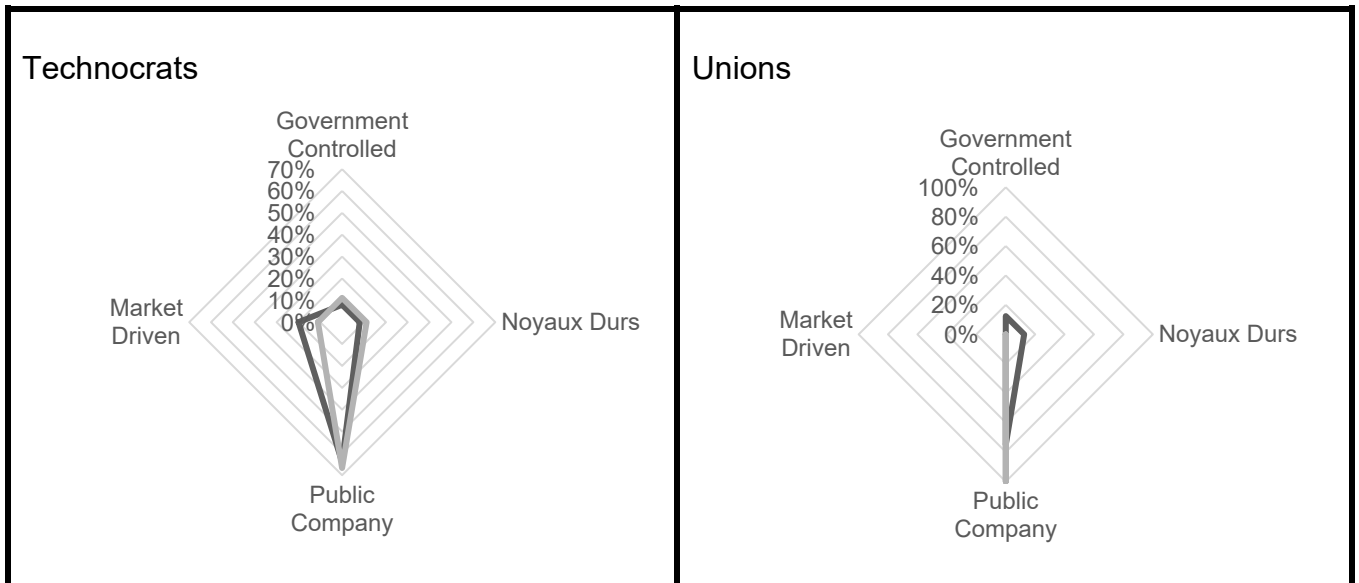


Figure 5 reports trends in supporting different privatization models by each category of key actors, moving from fragmentation to settlement. In example, Bankers and Consultants: during fragmentation they mostly support *Market Driven*, followed by *Public Company*. During settlement, their preferred model becomes *Public Company*, followed by *Market Driven* and *Noyaux Durs*. These percentages are calculated as relative number of statements coded at each model on all the statements by a category of actors.

Figure 5 – Support for each model by actors: evolution.





The chronology of major historical events in the POS

To understand the evolution of the POS we compiled a ‘chronological identification of major historical events’ (Ansari *et al.*, 2013: 1019) to locate political opportunities and constraints in a processual fashion. Figures 6 and 7 report this chronology in the fragmentation and settlement phases, respectively: events are distinguished between those affecting the regulation of the steel industry, and those affecting its organization. As for the composition of elites, we report how commonality or conflicts of interests facilitate informal alliances among field’s actors.



Figure 6 – Chronology of key events in the political opportunity structure: Fragmentation

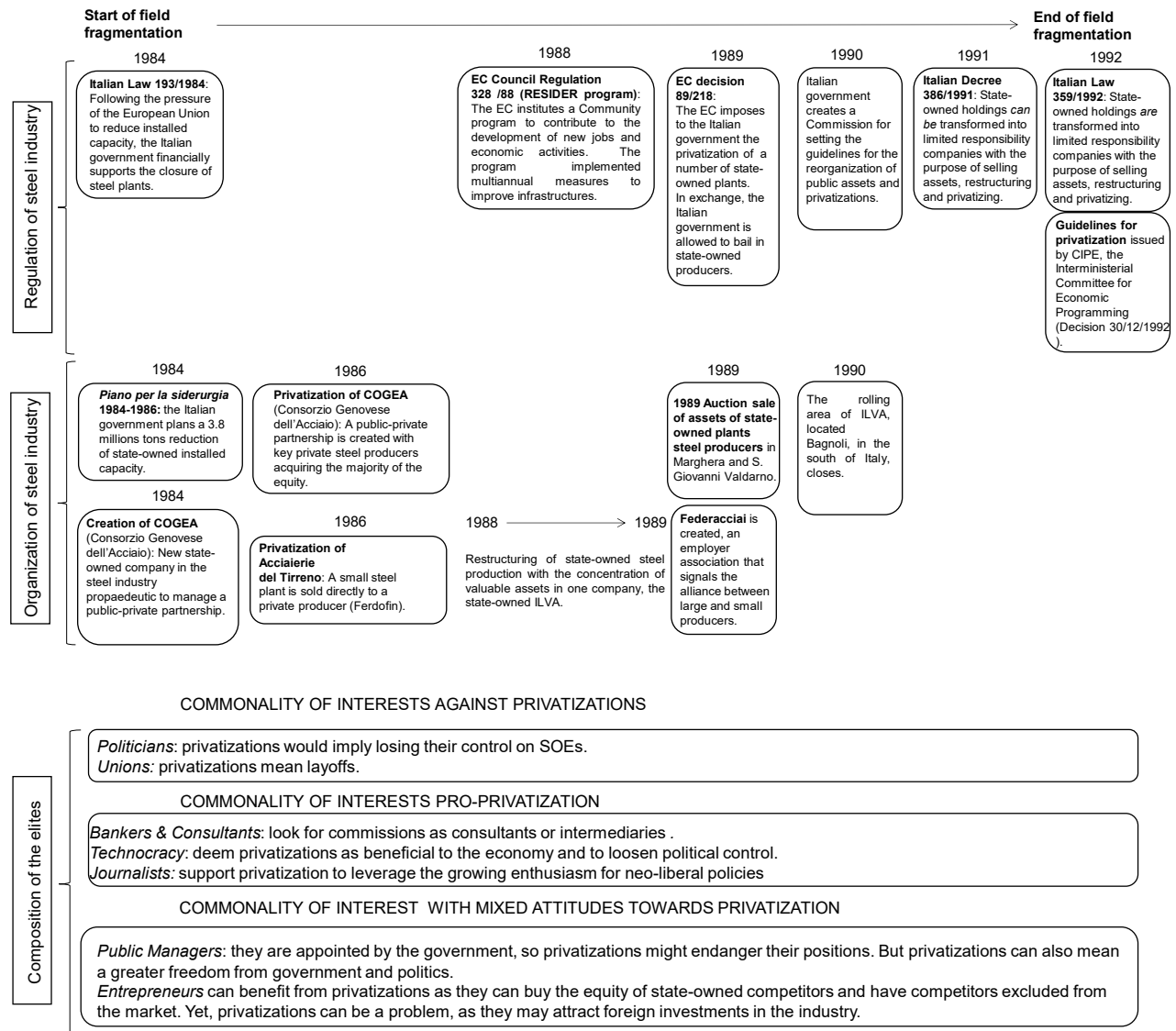
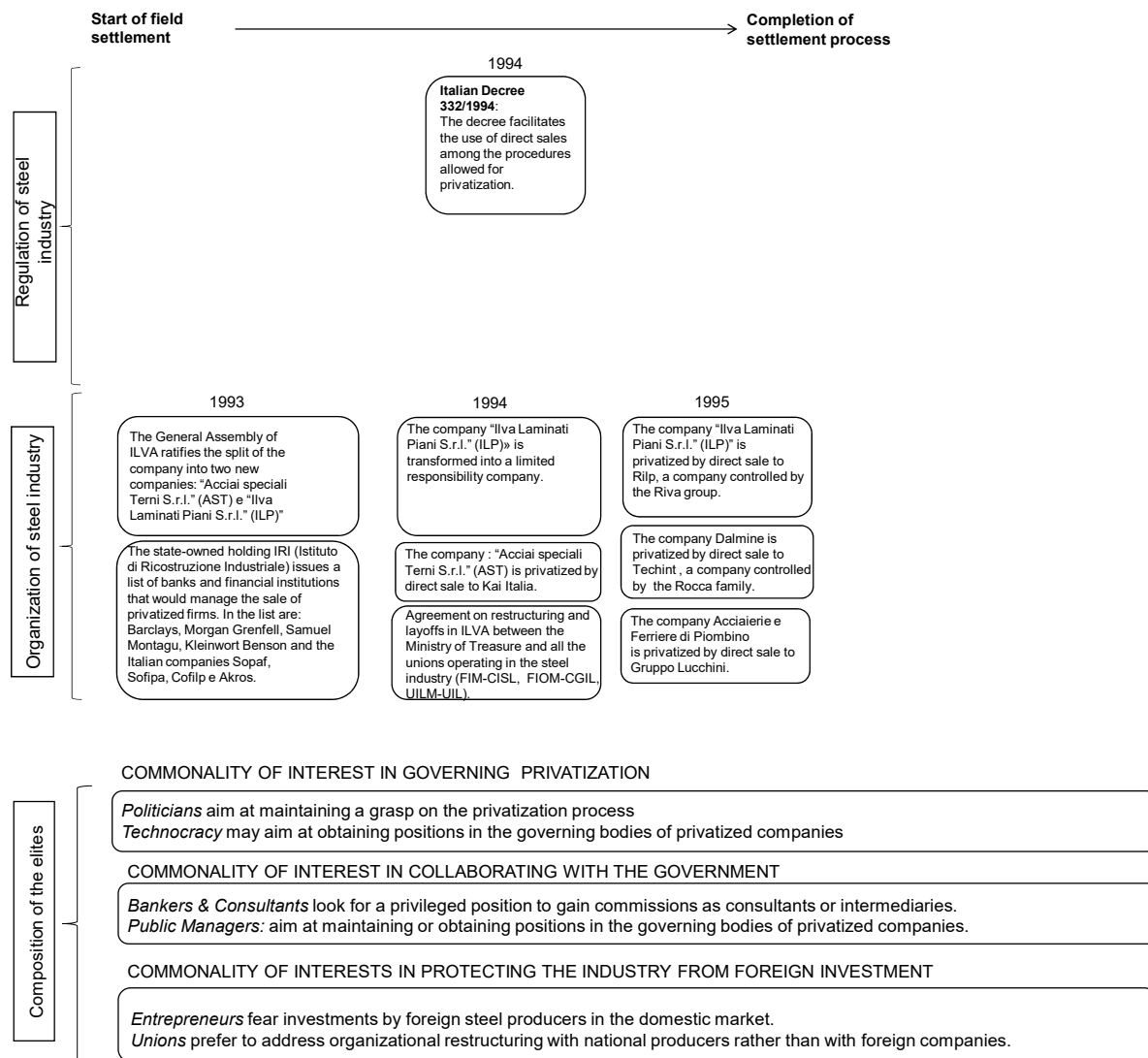


Figure 7 – Chronology of key events in the political opportunity structure: Settlement



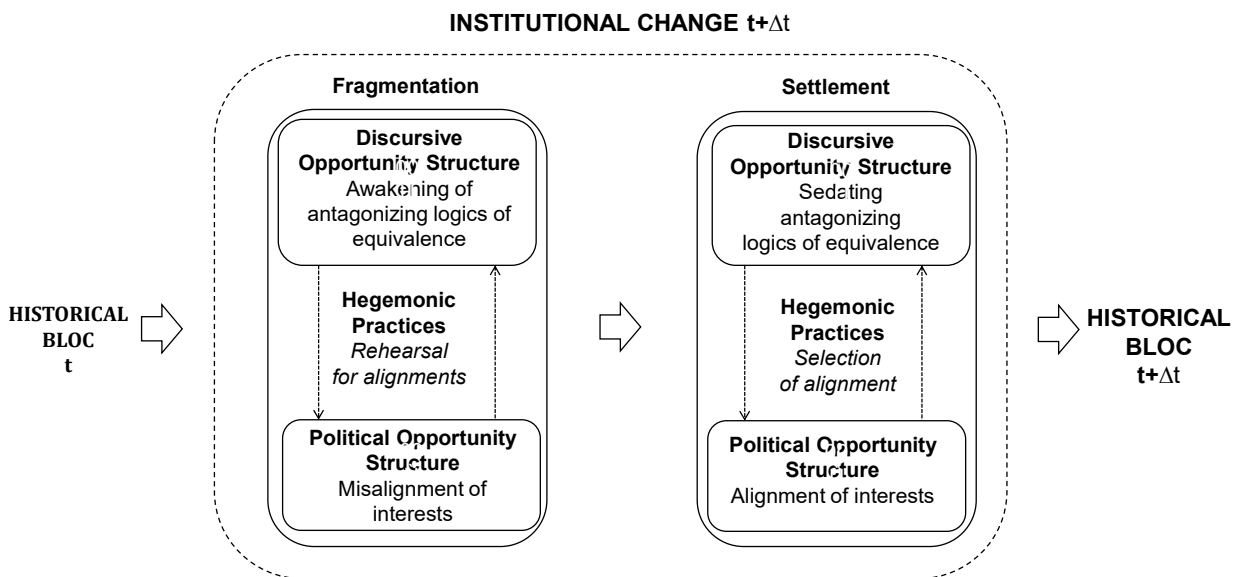
Discussion: a model of fragmentation and settlement of the historical bloc

In this section, we present a process model of institutional change that explains fields' fragmentation and settlement (Figure 8). In the following paragraphs we describe the processes characterizing POS and DOS, and of the hegemonic practices bridging both opportunity structures. We argue that during fragmentation a process that we called *Awakening of antagonizing logics of equivalence*, which leveraged the cultural structures available to actors in the field, reshuffled the DOS. Meanwhile, a process that we call *Misalignment of interests* between key actors agitated the POS. In this temporal bracket, a specific kind of hegemonic practices, which we label *Rehearsal for*

alignments, accelerated field’s fragmentation by exploring alternative ways to bridge the discursive and the political dimensions, thereby producing a repertoire of possible alternative alliances.

During settlement, a simplification of the DOS occurred, and a logic of equivalence emerged, which was able to *Sedating antagonizing logics of equivalence*. In the POS, a new *Alignment of interests* between actors occurred. These processes were facilitated by a new hegemonic practice, which we called *Selection of alignment*. This practice works to select one specific alignment between a logic of equivalence and a compromise among actors’ interests to build a new historical bloc that produces the settlement of the field.

Figure 8 - Process model of fragmentation and settlement of the historical bloc





Fragmentation of the historical bloc (1985-1992)

Discursive opportunity structure: Awakening of antagonizing logics of equivalence

(Figures 4 and 5)

Following a mounting privatization wave (Bortolotti and Pinotti, 2008), during fragmentation, in the DOS, *Public Company* and *Market Driven* were the two largely legitimized privatization models (figure 4). Field's actors by large supported these two models. Yet, the weight that the models have in actors' discourse reveals different penchant towards privatizations. Supporters of *Market Driven* looked at privatizations as the way to loosen party's grip on the Italian Economic system: 'the main objective is to prevent political power from interfering with privatized firms. To do so, control must be transferred to private capital [Banker and Consultant]'. Actors voicing this approach seem to be primarily interested in quickly selling SOEs. On the other hand, sponsors of *Public Company* generally envision a more balanced approach to privatization and emphasise the need to restructure the country's economy by redistributing the ownership of privatized companies: 'real privatizations are those in which enterprises are sold from the State to a public of small shareholders, using serious laws' [Public Manager]. As for *Government Controlled*, it was a delegitimized model in this temporal bracket, and its supporters tend to express the will to maintain political control not by refusing the idea of privatizations, but by undermining the scope of the process, in example by proposing instruments aimed at giving control privileges to the parties: 'the Party of Communist Re-foundation [...] asks to make the golden shares permanent. [Politician]'. Finally, it is interesting to note how, in this phase, *Noyeaux Durs* is residual, in terms of prevalence, but its aim is already clearly stated: 'in order to sell major enterprises [...] a hard kernel of trustworthy shareholder will be created. [Politician]'

As for the key actors (figure 5), *Bankers and Consultants* are the more vocal supporters of *Market Driven* and only marginally support the *Public Company* model. They ask for no half



measures: ‘the market does not like undifferentiated holdings and does not like Russian dolls’. In this statement, what is really at stake is the choice among the two different approaches to privatizations respectively advocated by the Ministry of Industry and the Ministry of Treasure. As explained, the latter aimed at maintaining the power to rapidly selling companies directly to private investors. The former intended to create large holdings to administrate, along with stable kernels of private investors, profitable companies. Of course, *Bankers and Consultants* supports the plan of the Ministry of Treasure because this latter urges for a quick privatization of SOEs and it was likely to assign to them a pivotal role in sales.

Journalists and *Public Managers* share a similar discursive pattern. Despite being traditionally appointed by politicians for their political belonging, by turning down their support to *Government Control*, Public Managers discursively distance themselves from the entrenched, and delegitimized, power structure. In addition, during fragmentation, the cultural context makes it very difficult, in general, to express support for political control of the economy in the public debate. In the same vein, during fragmentation, politicians mainly support *Public Company* but also speak in favour of *Market Driven*. Interestingly, only weakly they mention *Government Controlled* and *Noyaux Durs* models, which would have preserved their control over the privatization process. We interpret their stance as the need to avoid unpopular declarations by discarding delegitimized privatization models. *Unions* were convinced sponsors of *Public Company* as ‘the union wants the workers to buy shares of the enterprises. We want a population of small investors [Union]’. Unions also decidedly refuse *Market Driven* as a viable method, fearing privatizations’ negative outcome, as for example unemployment. Technocrats support *Public Company*, while not discarding *Market Driven*. Entrepreneurs are vocal in supporting *Public Company*, but at the same time they champion *Market Driven*. They clearly signal an antagonism toward political control but, in the same time, they support a logic that wants industry players to play a key role in the privatizations within a typical corporatist pact. This ambiguous position of *Entrepreneurs* is exemplified by a document

reporting Confindustria's guidelines for privatization, in which *Noyaux durs* are defined both as an appropriate way to guarantee stability to governance and as an undesired attempt to maintain government control¹⁰.

Political Opportunity Structure: Misalignment of interests (Figure 6)

The analysis of the POS reveals how during fragmentation the historical bloc crumbles, and the political and economic interests of actors are misaligned.

Regulation of the steel industry. Motivated by chronic overcapacity, in 1979 the European Commission issued 'The General Objective Steel 1980-1985'¹¹, a long-term scenario of the European steel industry, declaring its commitment to stimulate and support national re-conversion projects¹² and asking for the commitment of the member states¹³. Italy was among those countries that needed to reduce its installed production capacity by closing either SOEs or private producers. To face the situation, the government issued Law N° 193, 31/05/1984 that provided financial aid to private producers willing to close their plants, including incentives for workers' retirement.

Organization of the steel industry. Since after WWII, Italian steel production was equally distributed between private and state-owned producers (Figure 2). Strong ties interweaved SOEs system and private producers as the state holding company Finsider was at the centre of a web of participations in the equity of private producers. Through this system, the government was often asked by private producers to bail out bankrupt firms, as was the case of Teksid, a large private producer nationalized in 1982. In the 1980s, jobs in the steel industry fell by 42% and the structural inefficiency of the SOE system emerged. Between 1985 and 1987, in Finsider, the ratio of short-term debt/sales increased from 18% to 40%, the ratio of losses/sales increased from 9% to 15%, and

¹⁰ 'Le tesi della Confindustria sul piano di dismissioni di imprese, banche e attività immobiliari pubbliche', Sole-24ORE 30/11/1992.

¹¹ Official Journal of the European Communities (OJEC), N° 19 No C 232, 04/10/1979.

¹² OJEC, No C 72/4; 17/3/83. RESOLUTION OF THE ESCS consultative committee on the social aspects of the General Objectives for Steel for 1985.

¹³ COMMISSION OF THE EUROPEAN COMMUNITIES. SEC (82) 1564 final. Brussels, 28/10/1982

between 1985 and 1989, labour was reduced by 46%. These elements conjured to legitimize a timid privatization of state steel.

Composition of elites. The interests of the key actors regarding the privatization process revealed several misalignments; for some actors, privatizations represented an unavoidable peril threatening consolidated interests: politicians feared to lose their control on Public Managers and SOEs, which were diffusely used to create jobs and gain consensus, while unions feared privatizations, as they reasonably expected mass layoffs¹⁴. Other actors had strong incentives to support privatizations: Bankers and Consultants saw in the privatization process the chance of getting large commissions playing the role of consultants or intermediaries (Cavazzuti, 2013: 99, 116). A general expectation that privatization would improve Italian economy motivated Technocrats and Journalists to support privatizations. Public Managers were a composite group: along with the managers typically appointed by political parties, in the 1980s, forced by worrying economic performances, Italian government started to appoint academicians known for their skills. For example, in 1982, Romano Prodi became president of IRI and applied the so-called ‘IRI protocol’, a restructuring plan aimed at reducing costs through rationalization, privatizations and workforce reduction in accordance with unions (Balconi, 1991: 403). Thus, Public Managers expected that privatizations would lessen the grip of political power thereby giving to them greater manoeuvring. Indeed, Prodi himself was defined as a ‘prisoner of the parties’¹⁵. Entrepreneurs showed a more nuanced collection of contradicting interests: efficient private entrepreneurs foresaw in privatizations the opportunity of buying the equity of state-owned competitors (Mucchetti, 2013: 585), or to see powerful competitors excluded from the market: ‘large private steel producers had an interest to force the European Union and the Italian government to privatize and sell AST to take out of the market a strong competitor in the long steel products’¹⁶. Moreover, in general, by

¹⁴ In the minutes of the 277° Session of the Consulting Committee of the ECCS, the Italian workers’ representatives stigmatize privatizations as conducive to layoffs (N° A/2221/89, Luxembourg, 20/07/1989:9, French version).

¹⁵ Espresso 28/07/1987.

¹⁶ Interview with Enrico Gibellieri.

supporting privatizations, entrepreneurs hoped to weaken the political grip on the economy. Yet, in many respects, private producers depended on government's intervention. First, they feared the opening of the capital of privatized firms to foreign investors. In 1985, for example, Mr. Arvedi, owner of one of the largest private producers, called for the help of SOEs to protect Italian steel from foreigners' supremacy¹⁷. Second, private producers lobbied the government to lower barriers to industry exit by making funds available to encourage the dismissal of inefficient producers (Balconi, 1991: 419-420). This relationship required a continuous political dialogue with the government and suggested a cautious approach to privatizations.

Hegemonic practices: Rehearsal for alignments

During fragmentation, we identified three hegemonic practices (Figure 8) bridging different logics of equivalence, and the underlying privatizations models, together with the political opportunities:

1. *The Party State*. During fragmentation, politicians spearheaded a first hegemonic practice whose underpinning rhetorical argument was to bring together on one side of the barricade the defenders of State economic institutions who had built one of the largest European economies. The supporting logic of equivalence associates state-ownership with post-war renaissance and technocratic competencies. As it was not possible to simply opposing privatizations, the discursive alliance mobilized the logic of the Renan model of economy, in which the State and private companies collaborate in a corporatist agreement. In particular, the concept of 'party state' (Wilson and Grant, 2010) identifies a situation in which a 'dominant political party' defines business-government relationships (Lanza and Lavdas, 2000: 207). Discursively, the practice hinged upon the models of *Government Controlled* and *Public Company*, with the latter model aimed at softening the approach of the former, and at shielding privatization from free market forces. To strengthen the political dimension of the

¹⁷ Corriere della Sera, 7/11/1985.



alliance, politicians tried to attract the actors that had some interest against the privatization process: first, the government facilitated an agreement between the Unions and the state holding company. Also, to integrate the entrepreneurs in the alliance, the government tested a sort of co-management of privatizations and, in 1986, a group of private producers became shareholders with 67% of the equity of COGEA, a company that included Cornigliano, a large state-owned steel plant in the north Italy. By relying as well on the support of unions¹⁸, the COGEA agreement represented an attempt to mobilize a typical corporatist approach.

2. *The pact of producers.* A second hegemonic practice is mobilized by unions and entrepreneurs. Discursively, this hegemonic practice coalesces around the support of the *Public Company* model, and it is also rooted in the revival of the rhetorical argument of the ‘Pact of Producers’ (Berta, 2001). This concept, which is well entrenched in the Italian industrial relations, and particularly in the steel industry, emphasizes the value of manufacturing as the backbone of Italian economy that fuelled Italian post-war economic renaissance. This hegemonic practice emphasises the converging interests of blue-collar workers and employers (Trentin¹⁹, 1977: LXXII) and buttressed a shared political identity grounded on a logic of equivalence that associates the direct involvement in steel production to the concept of technical knowledgeableability of the industry and right to voice. By stimulating a sense of proudness, suggesting a commonality of interests and implying a right to speak about the destiny of the industry, this logic unites actors within the industry in opposition to ‘parasitic forces’ (Trentin, 1977: LXXII), such as politicians. In example, ‘Unions felt that the situation in which steel production was driven by public managers offended their dignity. Workers knew that their productivity was equal to that of foreign steel workers and were annoyed by the overall performance of the companies in which they worked’. The logic of equivalence based on the ‘Pact of Producers’ was viable also in the POS, as both actors shared

¹⁸ Sole24ORE, 10/07/1986.

¹⁹ In 1988-1994, Bruno Trentin was the secretary general of CGIL, the largest left-oriented union and one of the more powerful unions in the steel industry.



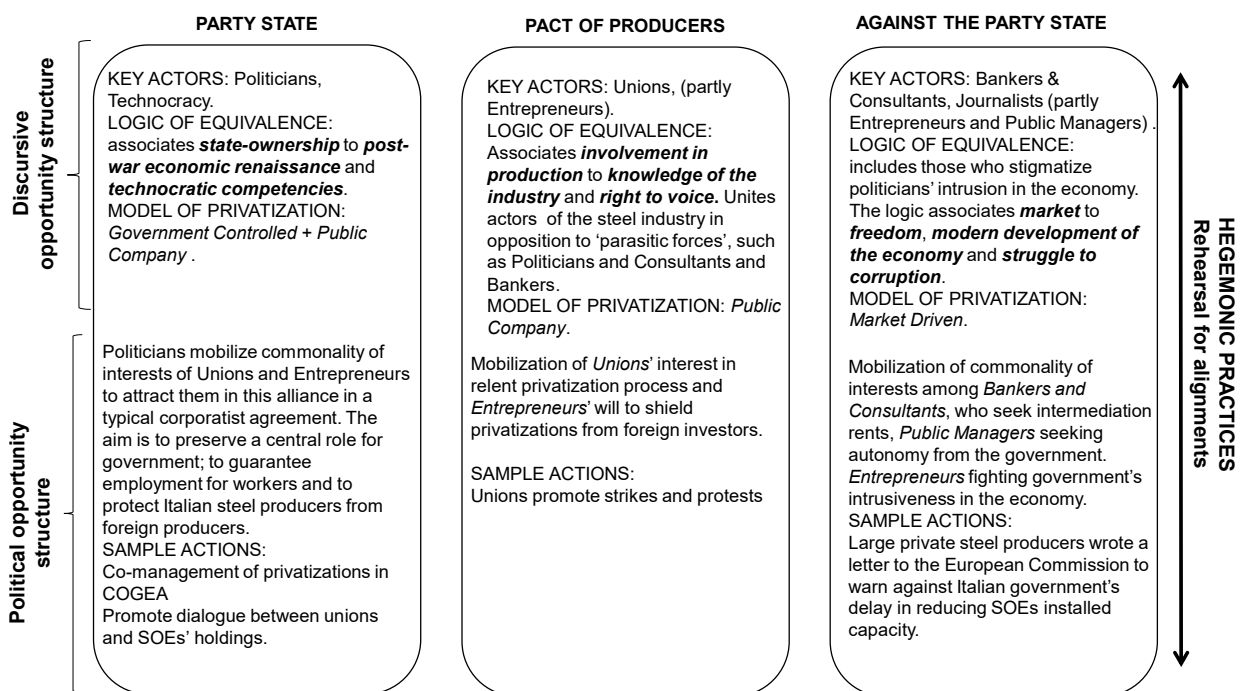
an interest in shielding privatization process from free market. Unions' political objective was to soften the privatization process, fearing mass layoffs; entrepreneurs foresaw the opportunity to shield privatizations from foreign investors. Given the cultural global hegemony of neo-liberal discourse, however, Unions did not dare to explicitly opposing privatizations in the public discourse. Yet, in the political arena, they were fiercely fighting to rein the process: the number of strikes and protests was 625 in 1985 and grew to an average of 840 between 1986 and 1988 (Balconi, 1991: 484).

3. *Against the Party State*. A third hegemonic practice is mobilized by Bankers and Consultants. Discursively, these actors articulate a logic of equivalence centred on the Market Driven model that speaks to actors who stigmatize politicians' intrusion in the economy and who glorify the thaumaturgical properties of markets. Specifically, the logic of equivalence behind this hegemonic practice associates the concept of market economy to the concepts of freedom, modern development of the economy and struggle against corruption. This practice obtains the support of journalists, who ride the climate of widespread enthusiasm for neo-liberal policies. This hegemonic practice pairs well with the interests of public managers in the POS, which as well joined the anti-state logic. As the president of IRI explained in 1991, in example, downgrading the role of the management of the SOE, by letting the government determine the lists of companies to be privatized each year, would contradict the needs of market logic thereby subjugating decision-making to political pressures²⁰. Another source argue *'We demand autonomy for the [...] company's management in making decisions on privatizations. [Public Manager]'*. Once again, the case of entrepreneurs is ambiguous: while they were at the core of the hegemonic practice 'Pact of Producers', supporting a corporatist agreement grounding on *Public Company*, they also discursively supported *Market Driven* model to express their distrust for the governmental management of privatizations (figure 5).

²⁰ Parliament Proceedings, Senate of the Republic, Commission of Finance and Treasury. Intervention of IRI president Franco Nobili. Rome, 08/05/1991, p. 11. Quoted in Cavazzuti, F. (2013: 90).

Also, in terms of political acts and interests, entrepreneurs were at least partially aligned against the intrusiveness of the State, as exemplified by a political act: in 1988, the European Commission allowed the Italian government to waive the constraints that forbade governments from bailing SOEs out. The decision²¹ included the transfer of about 2.4 billion Euros to Finsider in exchange for the closure of several plants. A group of large private steel producers wrote a letter to the Commission to express their fear that behind the promise of the Italian government to close those state-owned plants was the intent to waste further public money without a real intention to proceed with the planned closures²².

Figure 9 – Hegemonic practices in fragmentation phase: *Rehearsal for alignments*



²¹ Decision 89/218 of the 23/12/1989. OJEC, N° L 86/76, 31.3.1989, page 76–81.

²² The political weight of this act is well described as an overt attack to the legitimacy of the Italian government by the resented reply of the Minister of Labour, Mr. Rino Formica, who declared that 'the letter was a worrying document that aims at delegitimizing the Italian government in respect to the European Economic Community' (Sole24Ore, 29/05/1988).



Settlement of the historical bloc (1993-1995)

The working of the hegemonic practices modified the field and paved the way for the phase of settlement in which a new hegemonic practice facilitated the coalescence of a new historical bloc.

Discursive Opportunity Structure: Sedating antagonizing logics of equivalence (Figure 4 and 5)

In the second temporal bracket, there is an apparent simplification of the DOS (figure 4): *Market Driven* dramatically loses legitimization, becoming the least supported model, while all the other models increase their relevance. In particular, *Government Controlled* doubles its prevalence, while *Noyeaux Durs* quadruples it. Consequently, the logic of equivalence that wants the market to drive privatizations loses traction, revealing the rhetorical and ambiguous nature of the discourse on the prodigious benefits of market supported by some key actors during fragmentation. While at the end of the 1980s, a global neo-liberal discourse allowed the local mobilization of market principles against the intrusiveness of the Italian state in the economy, we argue that this wave was only rhetorically mobilized by some actors in their effort to weaken the bargaining power of the government. Other scholars confirm our hypothesis by agreeing on the fact that in Italy Anglo-Saxon neo-liberalism had no real traction (Cavazzuti, 2013: 62): conversely, as Trentin suggests, Italian entrepreneurs contemporaneously looked for ‘laissez faire’ and state support²³. This argument is consistent with the models supported by actors during this second temporal bracket (Figure 5): entrepreneurs now support *Public Company* and *Noyeaux Durs*, completely discarding *Market Driven*. Politicians now convincingly support *Government Controlled* and *Noyeaux Durs*, abandoning *Market Driven*. Bankers and Consultants, and Public Managers reduce their support for *Market Driven* and, while still supporting especially *Public Company*, also speak in favour of *Noyeaux Durs*. Technocrats strongly support *Public Company*, while the only actors that do not mention *Noyeaux Durs* are journalists. The concept of *Noyeaux Durs* emerged as the unifying

²³ Rinascita, vol. 47: p. 4, 1985.



signifier that revived a corporatist agreement. While in 1992 Confindustria stigmatized *Noyeaux Durs* approach as an attempt to maintain government control on privatizations²⁴, in the period 1993-1995, the same approach was elevated by large private steel-makers as the preferable way to pursue privatizations. Unions supported *Public Company* since this latter contemplated the inclusion of workers in the ownership but, as a second best, buttressed *Noyeaux Durs*. By assigning to the government the right to select buyers on the base of their willing to eventually avoid layoffs²⁵, this latter procedure put on the bargaining table the issue of labour as well.

Political Opportunity Structure: Alignment of interests (Figure 6)

Regulation of the industry. After the decrees n° 386/1991, which opened the way to large-scale privatization, and 333/1992, which transformed the most important public holdings in a joint-stock company, explicitly planning privatization, large-scale privatizations of the industry was not reversible and the CIPE on the 30/12/1992 issued the guidelines for privatizations.

Organization of the industry. The mentioned decrees triggered privatizations and laid the basis to change the structure of the industry that had been relatively stable since then. The CIPE deliberation mentioned public offering of shares, public auctions and private sales as possible privatization models. Since each of these available alternatives differently affected the welfare of field's actors, the deliberation opened the way to political manoeuvring to influence the features of the privatization process of specific firms.

Composition of elites. Overcapacity and the search for economy of scale pushed European steel industry towards concentration, especially in the production of flat products. In 1993, Italy was the second European producer with a production of raw steel of 25.7 million tonnes. Such a large installed capacity, with the connected national market for steel products, and the ongoing Italian privatization process, represented a tempting opportunity for producers willing to extend their own

²⁴ Sole-24ORE, 30/11/1992.

²⁵ Notes for the meeting of the Board of Directors of IRI of the 15/12/1993 page 4.



capacity. Italian entrepreneurs took advantage of this opportunity; during 1984-1991, the percentage of raw steel produced by private firms had raised from 43% to 55% (Balconi, 1994: 481). Yet, they feared that foreign investors could as well gain access to Italian privatizations and penetrate the national industry: ‘in the 90s, the lobbying activity surged again; the idea was to accelerate the sale of ILVA, the state-owned producer of flat products, to Italian producers. The intention was to have the chance to buy, at a reduced price, the largest integrated steel plant in Europe²⁶’. As privatizations were underway, several actors had interest in maintaining a dialogue with the government: Bankers and Consultants played a role in pricing the firms to be privatized, eventually spinning the most attractive parts off and inter-mediating their sale. Public Managers feared that privatizations could open the way to management’s turnover, and a model of collaboration between Public Managers of IRI and the government emerged in the privatization process (Cavazzuti, 2013: 145). Therefore, Public Managers lost much of their interest in maintaining their antagonism towards the government. As for Unions, opposing the privatizations did not pay. Rather, they had an interest in participating in the design of the organizational and ownership structure of privatized firms, thereby obtaining the best conditions for workers. Accepting the privatization discourse allowed these actors to legitimately participating in the process. Thus, while during fragmentation the economic incentives of Entrepreneurs and Unions were misaligned, in the settlement phase they converged over the objective of keeping privatizations within national borders, which was possible only through a controlled privatization process.

Hegemonic practices: the selection of alignment

Three hegemonic practices were at work during fragmentation, bridging discursive and political opportunity structures to define an alignment of actors, discourses and interests viable in both structures. During settlement, the hegemonic practice *Against the party state* fades away, as the

²⁶ Interview to Enrico Gibellieri.

support to free market was ritual, more than genuine. The other two practices, *Party state* and *Pact of Producers*, tend thus to converge into a new practice, which we called *National Interest First*, based on the mentions of ‘national interest’ that recur in our data in this period (figure 10).

National Interests First: Discursively, this hegemonic practice mobilized a logic of equivalence between the reigning of market forces and the defence of national interests. In other words, protecting privatized companies from foreign investors was framed as a way to enhance the commonality of interest among unions, Italian private steel producers and the government.

Assuming this logic, in the discourse, the *Noyaux Durs* model emerged as a mediation between *Government Controlled* and *Public Company* models, as it reduced the antagonism between the *Party State* and the *Pact of Producers* by reviving a deep-seated corporatist pact. Discursively, this stance can be convincingly supported by actors that were supporting both models, as it does not contradict any of the two: *Noyeaux Durs* opens the equity of SOEs to private investments while, at the same time, preserving some political control, since the government selects the group of investors. The advantages of selecting a stable core of investors were justified by the principle that ‘in conducting efficient privatizations, the conditions leading to the defence of national interests²⁷’ need to be considered to create a ‘new system of command of the Italian capitalistic system’.

Empirically, we found the concept of *National Interest* only once in our corpus in the fragmentation phase while it occurred 16 times in the settlement phase, where it is explicitly linked to the *Noyeaux Durs* model: ‘when the political authority thinks that selling an enterprise to foreign entrepreneurs is not politically saviour, then a *noyeaux dur* of Italian entrepreneurs must be created, so that the State can confer them the responsibility over a strategic enterprise [Technocrat]’. Contemporaneously, in the legislative process, the decree 332 mentioned direct sales to a ‘stable nucleus of investors (article 1)’ as a possible privatization model, and when the decree was transformed into law, a few

²⁷ Industry and Tourism Commission of Italian Senate, Document XVI, n°2, 13/11/1992. Reported in Cavazzuti, 2013: 119).



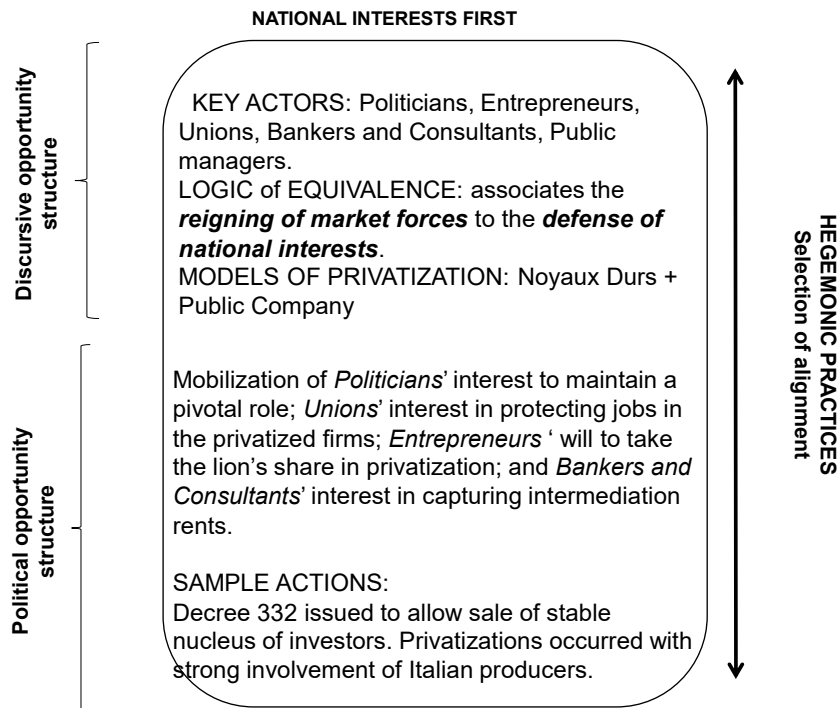
months later, a clear reference to the ‘objectives of national industrial policy’ was added²⁸. Also from a political and economic point of view, this new mediating hegemonic practice was able to accommodate the interests of all the actors, thus aligning a new historical bloc: Politicians in the government maintained control in the selection of buyers, Entrepreneurs were partially shielded from foreign enterprises, Unions were able to deal with partners they already knew, Public Managers obtained more freedom while avoiding the perils of free market, and Bankers and Consultants had a role in the process.

Italian privatizations in the steel industry, finally, were performed through a model of direct sales to selected private investors that was very similar to the ideal type of *Noyaux Durs*. Between 1994 and 1995, the Italian steel industry was completely privatized, with a clear preference for Italian producers. ILVA Laminati Piani, the largest state-owned company that included a large part of the remaining state-owned capacity for flat products, was sold to Riva. In 1995, Acciaierie e Ferriere di Piombino was completely privatized, as the state sold its share of equity to Gruppo Lucchini. Finally, in 1996, Dalmine, a pipe producer, was privatized by direct sale of 84% of the company’s equity to the Techint Investment Netherlands, owned by the Rocca, an Italian family of steel producers that moved to Argentina after WWII. Even in the case of foreign acquirers, Italian private steel producers were able to gain from privatizations. The case of AST is symptomatic: in 1994, AST, a state-owned company producing stainless steel, was sold to Kai Italia, owned by Thyssen Krupp and by a few Italian entrepreneurs. One year later, these Italian entrepreneurs earned a large financial return (Affinito et al., 2000: 30) by selling their shares to Thyssen Krupp, whose ownership in Kai increased to 75% of its shares. Also Unions benefitted from the *National Interest First* hegemonic practice: for example, the privatization of ILVA was preceded by an agreement on restructuring and layoffs between the Ministry of Treasure and all of the unions operating in the steel industry (FIM-CISL, FIOM-CGIL, UILM-UIL). Financial institutions also had their share in

²⁸ Law 474/1994 (article 2).

the settlement of the field: the government selected advisors to evaluate companies to be privatized²⁹. The privatizations of AST and DALMINE were assigned to Barclay’s, and a list of potential consultants was produced for the privatization of ILVA³⁰.

Figure 10 – Hegemonic practices in settlement phase: *National Interests First*



The settlement of a new historical bloc

The hegemonic practice *National Interests First*, which revived a corporatist pact embedded in Italian politics, was able to align political structures and actors’ economic interests under a cultural shield that Gramsci would have defined a new shared consciousness.

²⁹ CIPE 30/12/1992 (point 7).

³⁰ A list of companies was created that included the Italian branch of Morgan Grenfell, Samuel Montagu, Kleinwort Benson and the Italian companies Sopaf, Sofipa, Cofilp e Akros. (‘Nota per il Consiglio di Amministrazione IRI del 15/12/1993’ del 13/12/1993)



As for the political organization, the SOE system disappeared, and the privatization of the industry led to the reduction of the installed production capacity and to concentration. In 1995, with its 14.4 million tons of raw steel, Riva produced 52% of the national steel supply.

As for economic relations, the Entrepreneurs took the lion's share by reinforcing their hold on the steel industry: in 1995, acquiring ILVA, Riva added blast furnaces to electric furnaces, entered the flat products segment and became the fifth world producer (in 1993, it was 27th). Rocca family's company Techint, with the acquisition of Dalmine, became a world leader in pipe production. The Unions also maintained a central position in the historical bloc: in Dalmine, for example, the private owner increased employment. In the case of ILVA, after the privatization, in 1995, through a number of agreements, unions obtained RIVA's commitment to maintain the level of employment and to hire employees of three acquired companies as well. Blue collar workers slightly decreased in 1996 but increased both in 1997 and 1998 reaching a level of 10.922 (pre-privatization, they were 8.754, Affinito *et al.*; 2000: 106). Only the number of managers decreased. Appreciable workforce reduction was reported only in AST, the case where a foreign investor was involved. Overall, between 1985 and 1995, the Italian steel industry reported a 36.7% reduction in jobs, while in France and Spain the reduction was 51% and 53.7%, respectively.

Conclusion

We asked *how does the interaction of political and discursive manoeuvring lead to fields' settlement?* We propose a process model (Figure 8) that answers this question by capitalizing on the concepts of hegemony and historical bloc.

When hitting a field, exogenous jolts weaken the alignment between the components of an existing historical bloc, thereby setting the premises for a field's fragmentation. At this stage, the hegemonic practice labelled *Rehearsal for alignments* accelerates the field's fragmentation by amplifying two processes that occur at the level of DOS - *Awakening of antagonizing logics of*



equivalence – and POS - *Misalignment of interests*. By unveiling the repertoire of available alternative alignments among discursive, political and economic elements, the hegemonic practices emphasize a ‘structural indeterminacy’ (Clemens and Cook, 1999: 452-453) that needs to be politically interpreted. Thus, *Rehearsal for alignments* signals whether ‘rifts appear within elites’ or ‘allies become available’ (Tarrow, 1994: 71) and creates the premises for the formation of alliances in the settlement stage. In our empirical case, the exogenous shock had a cultural component (i.e. privatization ideology), a political one (i.e. Maastricht criteria) and an economic one (i.e. Italian debt and crisis of the steel industry). These shocks produced fractures in the entrenched structure of the historical bloc, and actors leveraged these fractures for pursuing their interests. Entrepreneurs, in example, vocally supported privatizations of SOEs to eliminate competitors from the market and to buy SOEs’ plants.

Settlement stage starts when the hegemonic practice labelled *Selection of alignment* selects specific alliances to be pursued in order to attain field’s alignment. In this stage, to re-align discourse, political organization and economic relations, the practice works at the junction of the processes of *Sedating antagonizing logics of equivalence* in the DOS and of *Alignment of interests* in the POS. In this second temporal bracket, to reach settlement, the interests of all the actors converged toward a corporatist management of the privatization process. Market driven model is thus abandoned during settlement, as it is not able to accommodate the interests of all the actors to form a sufficiently robust historical bloc. Conversely, *National interest first* aligns interests and logics of equivalence of all the actors that eventually coalesce into a new historical bloc.

Previous definitions of field’s settlement focused on the emergence of epiphenomena, such as a ‘generalized sense of order and certainty’ (Fligstein and McAdam, 2012: 10), agreement about field’s rules (Rao and Kenney, 2008) and aligned views (Litrico and Davis, 2017: 989). Here, we develop a structural notion of fields’ settlement based on the concept of alignment among the components of an historical bloc. Therefore, whereas our model acknowledges the role of

exogenous jolts as an engine of change, we highlight the interaction of DOS and POS as the endogenous source of selection of alternative trajectories of settlement.

For example, the *Pact of Producers* was both a cultural element that offered a discursive opportunity and it became the anchor of a hegemonic practice aiming at an alliance between *Entrepreneurs* and *Unions*. However, an alliance between *Unions* and *Entrepreneurs* occurred only when the logic of equivalence was employed to organise their converging interests. In turn, in the stage of settlement, this alliance was further integrated in a larger alliance within the hegemonic practice labelled *National Interest First*.

Moreover, a distinctive feature of our work is to contribute to shape a new perspective to address the nature of agency in institutional change. At field level, when it comes to describing political dynamics, research mainly focuses on the opposition between agency and resistance. Often, members of the field that are not the champions of the proposed change tend to be ignored, and if they are not ignored, they are just object of persuasion, and of re-aggregation of interests and preferences (Hardy and Maguire, 2017).

A typical case portrays ‘hypermuscular’ institutional entrepreneurs (Clegg, 2010:5) who, similar to romantic heroes, initially lacking ‘resources, power and legitimacy’ (Hargrave and Van de Ven, 2006: 865), are able to overturn power relations to initiate grass-roots institutional change. Another narrative still analyses institutional change as depending on the position of institutional entrepreneurs that are central in the field (Hardy and Maguire, 2017). In both cases, the issue is how institutional entrepreneurs are able to defeat opponents (Greenwood *et al.*, 2002; Greenwood and Suddaby, 2006). A more nuanced case is described by Fligstein and McAdam (2012), which focus on challengers who temporarily accept institutional arrangements that are not aligned with their interests. This narrative evokes a clear distinction between the agents who have an interest in the reproduction of institutions and those who aim at changing institutions.



While some authors tackled the unintended consequences of institutional change (McGaughey, 2013), this perspective leads to a focus on dyadic antagonisms that depicts challengers confronting incumbents in a process of ‘choosing one institutional model over another’ (Kim *et al.*, 2007: 288), rarely reflecting on who benefits from the institutional change, which is usually assumed to be an improvement from a previous situation (Hardy and Maguire, 2017).

In the Gramscian analysis of historical blocs, rather than being defined as a simple fight against incumbents and the persuasion of a neutral audience, agency is about ‘building alliances’ (Burgio, 2014: 16) and recomposing ‘fragmented elements’ (Filippini, 2017: 67) not only within discursive structures. Each element carries a specific relationship with political and material forces. Thus, political action refers to the ‘evaluation of homogeneity, self-awareness, and organization’ of social actors (Filippini, 2017: 102).

Along these lines, our work gives new lymph to the research on institutional work which addresses the ability of actors to create, maintain, or disrupt institutions (Lawrence and Suddaby, 2006: 215). Confronting with the paradox of embedded agency, this stream of research is interested in the interrelations between structure and agency (Lawrence *et al.*, 2013) and encompasses a processual view, where institutional phenomena are not stable, but are continuously managed by actors according to their room for manoeuvre (Zundel *et al.*, 2013). This line of research proposes a more nuanced image of distributed agency within organizations (Smets and Jarzabkoski, 2013; Gawer and Phillips, 2013) and at field level (Perkmann and Spicer, 2008). We suggest that our work contributes to this thread overcoming some of its limitations. Namely, when this narrative describes *collective institutional entrepreneurship* (Perkmann and Spicer, 2008: 813), actors work in *parallel* (2008: 813) without a clear analysis of their interaction. Agency is more a form of decentralized ‘partaking’ (2008: 811), rather than a clash among different social groups. When the analysis of interaction is rich, this is either stuck in the perspective of incumbents (Micelotta and Washington, 2013) or it is again limited to a dyadic interaction (Helfen and Sydow, 2013).



Capitalising on Gramsci, we propose the concept of *diffused agency* to recast the dyadic antagonism between challengers and incumbents, or between two incumbents, into a space of relative distances among groups. We portray entrepreneurship as the capability to push privatizations and industry restructuring towards a desired model. The result, however, is the outcome of the joint efforts of different groups of social actors such as Unions, Entrepreneurs and Politicians. Rather than representing opposite factions, they continuously assess their relative political and discursive distance. In our work, hegemonic practices crystallize an idea of agency as an emerging, distributed and partially unplanned process. Different groups of social actors may decide to converge to support similar models, or combinations of models, as the positions of other actors in the discursive space and the repertoire of political alliances become clear.

In downsizing the role of individual entrepreneurship, we are not ruling out the differential strategic skills of social actors, nor are we denying deliberate political strategies. Rather, we investigate the balance between the institutional work of actors and the working of field-level inertial forces. Take the example of the Entrepreneurs: as opponents of the Party State, they represent the elite of private producers and can legitimately join the neo-liberal wave of criticism directed towards the entrepreneurial state; as member of the Pact of Producers, they have the right to speak as the connoisseurs of the inner dynamics of the field. By reframing (Gray *et al.*, 2015) the privatization issue, they finally shift from an ambiguous position towards an alliance with Unions. Entrepreneurs were endowed with a favourable structural position that allowed them to select among different alliances. However, the appropriate selection depends on the capability to interpret the positions of the actors in both the discursive and political opportunity structures.

A related implication of our contribution regards the role of alliances. The concept of alliance recurs in neo-institutional research as groups acting as an entrepreneur (Wry *et al.*, 2011) or coalitions of entrepreneurs (Rao and Kenney, 2008: 353) play a central role in driving institutional change. Yet, following the discursive turn in institutional research, scholars focused mostly on the



concept of discursive alliances (Hensmans, 2003; Meyer and Höllerer, 2010). However, to fully appreciate the role of alliances in explaining fields' fragmentation and stabilization, we suggest the need to acknowledge the underpinning political composition and the stability of elites (McAdam, 1996: 27). As Kim *et al.* (2007: 299) remind, 'the extent to which ruling political elites are tightly organized in a stable alignment has been emphasized as a key dimension of the political opportunity structure that may severely constrain change'. To stabilize fields, we propose, an alliance needs to become a historical bloc. This endeavour is labelled political hegemony (Gramsci, 1975: 41) and requires the acquisition of political influence before the achievement of governmental power (Gramsci, 1975: 2010). Our Gramscian perspective suggests that, to produce successful coalitions, 'ideological compatibility' (Rao and Kenney, 2008) needs to be backed by an alignment among political structures, each reflecting specific economic interests and relations.

In this vein, we go beyond the discursive approach of Laclau and Mouffe, which evoke Gramsci, but propose the 'autonomization of the political' from the economic base (2014:25). Rather, in our model, economic relations play a key role. However, our case suggests that the same economic pressures may be differently mobilized and accommodated depending on the specific political and cultural structure of a field. Developing further the Gramscian idea that 'economic and discursive dimensions are mutually reinforcing' (Levy and Scully, 2007: 977), we propose that the political organization of a historical bloc crystallizes the compromise between economic and cultural pressures that appear 'inextricably linked' (Fligstein and McAdam, 2012:43).



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