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Veneto: A manufacturing region with a cultural and creative edge

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Table of contents

Executive summary

The Veneto region is famous for its manufacturing districts in a network of cities and the global cultural tourism hub of Venice, but is the region maximising its economic and social potential through culture and creative industries? This paper examines the links between cultural and creative sectors and the regional manufacturing economy, highlighting how cultural production may play an important role in the region's post-pandemic recovery strategies. The effects of the COVID-19 crisis are an opportunity to rethink the region's economic strategy and in particular the role that Venice can play.

The Veneto cultural and creative economy is highly polycentric, with no clearly established regional leader, in line with the region's overall economic geography. Cultural and creative sectors are organized around an axis of main cities rather than around a large, single regional hub. Certain sectors, such as film, music and video production and broadcasting, are almost exclusively urban. In others, more related to manufacturing or local services such as wearing apparel, textiles and leather, or advertising and architectural design, the distribution is more widespread across the territory. Leather goods are an example of the kind of sectors that present important overlaps with more traditional manufacturing production. In this case, the spatial distribution tends to be less urban-centric and at times focused on minor urban centers.

The two main cultural and creative production hubs in Veneto are Verona and Padua. Verona is more specialized in events and entertainment and recorded media, and Padua leading in sectors like publishing, architectural design, film, music and video production, and broadcasting. Verona, is among the most specialized locations within Italy in the field of events and entertainment. For other specific sectors such as jewelry and leather goods, Vicenza is more specialised. The more peripheral provinces of Belluno and Rovigo are currently rather marginal in Veneto's creative economy. These patterns highlight the relative fragmentation of the regional cultural and creative ecosystem, which at the moment doesn't enable Veneto to stand as a driving regional economy in the cultural and creative field when compared with other highly industrialized Italian regions such as Lombardy, Piedmont and Lazio.

Despite a globally strong concentration of top-tier cultural institutions, Venice is relatively weak in terms of the concentration of cultural and creative production activities and its links with the region. It is mainly serving as a location for tourism and a location for high-end cultural events. It is a global stage for showcasing creative excellence rather than as a production hub itself. Venice also remains relatively disconnected with the rest of the region, and fails to play a role as the region's global gateway.

The Veneto cultural economy is almost entirely constituted of small and very small firms, with a very fragmented production structure. While this varies depending on the sector and the province within the region, there are medium-small and medium-sized firms, whereas large firms are almost absent from the picture. This confirms the typical characteristics of the Veneto family-centered entrepreneurial culture which privileges the small firm model, and where ambitious growth objectives are not a strategic priority.

Cultural and creative industries could be an important innovation driver in the current regional competitive model due to its focus on design, marketing and brand development. Veneto is currently only a moderate innovator according to the EU Regional Innovation Scoreboard. Manufacturing is nevertheless moving towards a model in which innovation efforts are mostly centred on better marketing and more sophisticated branding, a line that provides natural complementarity with the development of a strong cultural and creative economy. The predominance of small and very small firms could be a challenge for a major innovation leap at the regional scale. The multi-polar character of the region's cultural geography could be in principle a strength, building on the complementary dualism between Verona and Padua. However, the missing element in cultural and creative production is clearly Venice, as a consequence of the increasing focus on tourism and related value chains. Despite very advanced cases of culture-driven innovation, the regional innovation dynamics are such that Veneto still struggles to affirm itself as a creative region at the European and global scale.

Given the standstill in tourism due to the pandemic crisis and the uncertainty on the timing and scale of its recovery, now is the opportunity for Venice to diversify towards an innovative investment in culture and creative production. Venice could capitalize on the city's global brand, which at the moment has been poorly exploited in this regard. Venice could also be a motor for other major regional hubs, which at the moment are not able to position themselves strongly on the national scene, let alone the European one. Another untapped opportunity is the possibility to attract global cultural and creative professionals as a consequence of the diffusion of teleworking, with the freedom for workers to choose a place to live no longer on the basis of its closeness to the job, but increasingly on the basis of amenities and quality of life. This is a dimension where Venice, and several parts of Veneto more generally, could be quite attractive by global standards.

Such a strategic reorientation for Venice and Veneto more generally would require:

- **Stronger public policy initiative, private sector business leadership and vision**, and much closer collaboration between the two sectors.
- **Upgrading of skills and new professions for cultural and creative sectors**, particularly given the region's generally lower level of educational qualification.
- **Diversifying Venice's economy more towards cultural and creative production,** which could benefit not only the city but the entire region's industrial structure.
- **Supporting greater digitalisation of SMEs** to upgrade, increase value added and better integrate cultural and creative production.

The post-pandemic recovery cycle offers a crucial opportunity for designing and launching a new local development strategy. It could be one in which cultural and creative production plays a key role to leverage the region's untapped potential by pursuing a new, innovative integration between culture and creativity, smart manufacturing, environmental sustainability and quality of life.

Introduction

Veneto is one of the leading Italian regions in terms of gross economic product and number of firms per inhabitant. Veneto's industrialization developed after WWII, with a swift transition from a mainly agricultural economy to one of Italy's leading manufacturing regions. As of 2018, the Veneto economy accounted for 9.3% of Italy's GDP, with an income per capita 14% above the Italian national average and 9% above the European regions average.

Veneto's economy is built upon industrial districts typical of the "Third Italy" industrial model. These districts have been historically characterized by a strong local specialization around a typical product or industrial sector and their related value chains, similar to what has characterized several Italian regional territories since the mid-70s. However, the model has entered a gradual crisis since the mid-90s (Bianchi, 1998). By exploring the actual patterns of specialization of Veneto's most important districts, it becomes apparent how the driving local specializations are characterized by a complex mixture of manufacturing sectors where, in many cases, cultural and creative aspects play an important role.

In Veneto there is not a large metropolitan hub where cultural and creative industries are concentrated, such as in the case of Milan, Turin, Bologna or Rome. Rather, the region has world-renowned cities of arts and culture such as Venice and Verona. More generally, the metropolitan system, rather than being concentrated in a single urban hub, is distributed across a network of cities that form the region's economic, social and cultural backbone: Verona, Vicenza, Padua, Treviso, and Venice-Mestre, whereas the Northern province of Belluno and the Southern province of Rovigo are more peripheral. This territorial organization reflects the spatial distribution of activity, where different cities play different roles in specific sectors of activity, and where each one presents its distinctive focus on certain sectors (Pierantoni, 2015).

Several of the most relevant industrial districts across the region are related to cultural and creative sectors. Some examples are the printing and publishing district in Verona, the gold and jewelry district in Vicenza and the furniture district in the uppermost part of Vicenza's province around Bassano, or the textile districts in the provinces of Vicenza and Treviso, among others. This intertwining of manufacturing and cultural and creative production is highly typical of the region's production model, together with the high incidence of SMEs and the prevalence of a family-focused business culture where household members tend to maintain key entrepreneurial and management roles even when the firm grows to medium and even large size.

Veneto's cultural and creative economy presents strong links to manufacturing sectors. An analysis of the regional economy's connections with culture and creative industries needs to go beyond the simple incidence of cultural and creative businesses. One also needs to consider their functional role and interdependence with businesses in sectors which, strictly speaking, do not belong to the cultural and creative economy, or at least have large portions that fall outside a proper definition of such sectors, but that nevertheless are strongly related.

The role of cultural and creative businesses in the regional economy is related to new specialization profiles and strategic complementarities. In a sense, the growing role of cultural and creative businesses in the region can be seen as a marker of a transition toward a new kind of industrial district where specialization on single products is substituted by a coexistence of firms operating in different sectors but with a common focus on certain innovation processes. For example, this is the case of the "design culture" district north of Vicenza where there is a colocation of leading regional firms such as Diesel (fashion), Dainese (technical sports garments), Bisazza (home styling and bathroom tiles), Bonotto (high-end BtoB textile design and manufacturing for the fashion industry), and Zamperla (recreational machines for amusement and theme parks).

This report explores the new prospects opened by cultural and creative production for future regional development strategies and policies. It also considers some basic conceptual points that are useful for the analysis.

1 Understanding the Veneto cultural and creative economy

Defining cultural and creative sectors

A refined definition of cultural and creative sectors is often a challenge due to data constraints. The problem of an adequate statistical classification of cultural and creative sectors is common to all countries. The Italian statistical system for the classification of productive sectors is based upon the so-called ATECO codes. Even accounting for the intrinsic classification difficulties with cultural and creative production, such coding is not particularly well-suited to capture its peculiarities (Lazzaretti and Capone, 2015). For instance, sectors such as furniture production and their specific codes gather in the same category furniture companies that produce very traditional wooden home furniture with low value-added in terms of design quality, as well as cutting-edge companies that produce high-tech home furnishing with innovative design. In an ideal classification system, the first kind of company is essentially a manufacturing company, whereas the latter is essentially a design company with a vertically integrated manufacturing unit, but in practice it is very difficult to distinguish the two. Examples like these abound in other sectors that are well represented in the regional economy, such as textiles/fashion, or food/industry of taste, to name a few.

The classification of cultural and creative businesses is further complicated by the fact that at a conceptual level there is to date not a commonly shared definition of such sectors that apply to all cultural and creative economies and their statistical systems worldwide. As a general rule, one can distinguish several types of cultural and creative sectors. There are some that are only partially exposed to the market and are often *not* characterized by an industrial organization, such as the visual arts, the performing arts, and the museums, heritage and archives sectors. There are sectors which are industrially organized and are generally considered as the main cultural industries, such as radio-television, publishing, the music industry, cinema, and the videogames industry, plus the rapidly emerging industry of virtual reality. There are also creative sectors with a strong manufacturing edge such as product design, fashion design, architectural design, and the industry of taste, as well as other kinds of creative sectors that focus on intangible services such as advertising and communication. Finally, there are the new digital sectors whose analytical mapping is very complicated as they are still rapidly evolving so that any classification system that is envisioned beyond the generic definition of “digital platforms” quickly becomes obsolete. Beyond this ‘core’ definition of cultural and creative production there are a number of sectors that partially overlap with the former or are complementary to them, such as parts of the computer hardware and software industries, the hospitality industry, and the educational system. Moreover, many forms of manufacturing tend to overlap with one or more of the above sectors, and especially design-intensive ones.

Currently, the Veneto cultural and creative sectors are not strongly positioned toward the most innovative parts of the production spectrum, although one can find some examples of highly innovative hi-tech creative firms. The Veneto cultural and creative economy is more focused on relatively traditional production sectors which are sometimes complementary with the highly developed cultural tourism industry in its rich network of arts and culture cities, from the larger and most renowned ones down to small but richly endowed historical towns.

The role of cultural and creative sectors in regional economies

The actual distribution and characteristics of a regional cultural and creative economy depend on a variety of factors. They include the particularities of the economic and social systems, the structure of demand for cultural products and experiences, the local culture, traditions, and habits, the local market conditions, and the local and regional policies, among others. To what extent such features are differentiated at the regional level rather than reflecting more general conditions prevailing at the national or even international level?

The EU approach to competitiveness has been that of inviting regions to develop their own smart specialization strategies (S3s), with cultural and creative sectors receiving greater attention today. Such strategies focus on their specificities that not only reflect their current factors of competitive advantage, but may be harnessed to develop new ones by expanding on the unexpressed local potential in prospectively key sectors (Capello and Kroll, 2016). Although cultural and creative sectors have often played a peripheral role in regional S3s for a long time, more recently they have increasingly received attention as Europe has started to consider their potential more actively. This has led, for example, to a forthcoming call for a new KIC (Knowledge & Innovation Community) on Cultural and Creative Industries after a sequence of KICs focused on more traditional strategic sectors such as Digital, Climate, Raw Materials, and so on. As a consequence, whereas so far cultural and creative sectors were often connected in regional S3s to the tourism industry, they are now increasingly regarded as a fully autonomous sector with a distinct potential, that need not overlap with tourism development in all cases. In particular, Europe is now strongly emphasizing the potential role of the cultural and creative sectors in devising recovery strategies from the current pandemic.

Moreover, the EU initiative New European Bauhaus to promote Europe's green transition essentially relies on cultural and creative skills in a broad spectrum of fields to develop a new strategy of environmental and social sustainability. To a large extent, such strategy will need to be clearly articulated at the regional level, first by singling out specific pilot regions and subsequently scaling up across the whole of Europe.

The regional level is particular well-suited to capitalizing on cultural and creative sectors broader development potential. Recent research (Boal-San Miguel and Herrero Prieto, 2020) shows that cultural and creative sectors tend to be mainly localized in urban areas, although often generating significant spillovers in nearby areas. However, the regional dimension seems to be better suited than the urban dimension to understand and characterize the territorial dynamics at work, not only in terms of analysis but even more in terms of policy design to tackle spatial inequalities and to favor the integration and inclusion of geographically peripheral, creatively and economically underdeveloped areas.

In Italy, regions have a large autonomy and policy initiative with regard to cultural policies, including Veneto. For instance, the recent Veneto Regional Law (LR) 17, dated 16 May 2019, regulates regional interventions for the valorization of cultural and heritage assets as well as the promotion and organization of cultural activities and live shows. Regions also have notable autonomy in other fields that are strictly complementary to cultural and creative industries, such as support of innovation, startups and technological transfer. Other complementary fields such as education policies are however managed, on the contrary, mainly at national level (apart from private educational institutes not enabled to release nationally valid educational certificates ['scuole non paritarie'], which are managed regionally). The exception is for public universities, where there is a large scope for strategic autonomy.

For analysis and policy, it therefore makes sense to study cultural and creative sectors at the regional level despite the complex relationships with both upper and lower territorial scales. In this way it is possible to characterize how culture and creative production is positioned in each specific regional economy. In principle, such positioning may widely differ across Italian regions in a variety of spheres. In the case of Veneto, the main feature to define such positioning is its strategic complementarity with the wider manufacturing economy primarily, and with the tourism industry in certain respects. This implies that many creative professionals are employed in non-creative sectors, and non-creative professionals in creative sectors. The contribution of cultural and creative businesses to the competitiveness of the manufacturing and tourism sectors will also be of special relevance in the case of Veneto.

Is Veneto a cultural region?

In Veneto, there is a long tradition of local excellence in a wide range of traditional cultural fields such as arts, museums and exhibitions, music and opera, live shows, and cultural heritage, among others. All these sectors significantly contribute to the regional gross product, and often have a significant indirect impact, for instance in the food and hospitality sectors. Some of the many internationally recognised Veneto cultural institutions include L'Arena (Verona) and La Fenice (Venice) for opera, the Olympic Theater in Vicenza, as well as a number of world-renowned museums and heritage sites such as the Gallerie dell'Accademia in Venice and the Scrovegni Chapel in Padua. In Venice alone there are at least 30 museums of international and global relevance. Veneto has 8 UNESCO World Heritage Sites and is currently running for an extra one, the *Padova Urbs Picta* city-wide treasury of medieval paintings in the city of Padua. There are also important private museums and foundations such as, among others, the Guggenheim and Cini Foundations in Venice, as well as the Venice Biennale, one of the world's most prestigious arts institutions. Veneto is not only one of the outstanding arts and culture regions in Italy, but also a notable arts and culture region at the global level. The high levels of cultural tourism position Veneto, according to Eurostat 2017 data, as the top Italian region for tourist attraction, and the fifth in Europe. Around such cultural institutions one witnesses a flourishing of a variety of specialized businesses that provide services in such diverse fields as logistics, exhibition design and installation, stage design and management, catering, and so on.

However, this rich environment of cultural institutions is not well connected to the productive sector. Relationships tend to be shaped mainly in terms of partnerships and sponsorships to fund the institutions' program of activity, but strategic R&D projects are rare. In particular, there is currently little interest in leveraging the innovation potential of cultural and creative institutions, and their role in the overall regional value chains seems confined to communication and territorial branding. Therefore, we can think of Veneto as a cultural region, but at the moment in a relatively traditional sense. Going beyond this limitation and tapping into the opportunities related to the innovation accelerator potential of culture is probably one of the region's future main growth areas.

Culture and Education

In addition to the rich landscape of prestigious cultural institutions, Veneto is also equally well endowed with important educational institutions. Its regional university system includes Padua, one of Europe's oldest and most prestigious universities, as well as Verona, Venice Ca' Foscari and IUAV (the Venice-based public university for architecture, planning and the arts), plus a number of higher learning centers as well as science and culture academies. Moreover, the region also hosts several prominent AFAM (High Learning in Arts and Music) institutions, namely art academies and music schools (*conservatori*).

The universities are strongly integrated with the local productive systems, and are actively engaged in applied research and technological transfer toward firms. However, the AFAM institutions tend to be more marginal in this regard. There would be scope for launching an innovation-oriented dialogue between the arts and music training sphere and the productive one. The main limitation seems to be the prevalence of SMEs in Veneto's productive structure, as such small sized firms tend to focus on already established innovation practices whose rationale is closely linked to their current core business and competitive targets.

Are there cultural districts in Veneto?

Veneto's rich cultural environment seems to provide a promising basis for the development of culture and creativity-focused industrial districts that extend the region's traditional productive logic to the cultural sphere. However, the role of culture seems to be more complex in the Veneto case as it is not operating as a driver of specific industrial districts per se.

The economic literature has investigated at length firms' location decisions. Local agglomeration of firms is driven by increasing returns from locating close to already existing firms to exploit specific place-related advantages (Cainelli, Iacobucci and Morganti, 2006). The key drivers of agglomeration are encapsulated in the so called Marshallian triad: demand and cost spatial effects, specific and thick labor markets, and the "industrial atmosphere" (Bellandi, 1989; Ellison, Glaeser and Kerr, 2010). Closeness to profitable final markets and to other firms playing complementary roles along a given value chain ensures competitive advantages in terms of travel costs, coordination of production, exchange of information, and so on. A well-functioning industrial district may be regarded as the decentralized equivalent of a large, vertically integrated firm. As a consequence, the spatial concentration of production favors a parallel concentration of skilled workers and the training of new ones, "thickening" the local labor market and making it more efficient and reactive to changes in prices, the evolution of demand, and so on. Finally, the "industrial atmosphere", which can be thought of as a local, shared organizational culture which functions as a territorially specific knowledge asset, allows firms to share experiences, information, forecasts about future market dynamics, and very specific technical knowledge. The contrary forces preventing agglomeration beyond a certain tipping point are, among others, congestion costs of all sorts (traffic, pollution, crime, etc.), the location and accessibility of immobile factors, and the dynamics of land and real estate prices.

However, applying the traditional logic of agglomeration to cultural production districts presents some issues (Sacco, Ferilli and Pedrini, 2008). One can consider in principle cultural districts as a direct extension of the industrial district model, e.g. in terms of vertical integration of the value chains of given local cultural and tourism industries, or as agglomerations of firms operating in the cultural and creative industries. Especially for cultural districts that leverage upon the opportunities related to cultural tourism, there are important differences between industrial districts and service-oriented ones as it is the case with tourism-focused districts. Whereas for traditional industrial districts the focus on intangible assets mainly concentrates upon knowledge assets, in the case of a cultural district, other intangible assets such as local identity and social capital play a major role. An intensive exploitation of the economic opportunities, such as for example in the case of world tourist cities like Venice, inevitably depends upon the social and cultural sustainability of the city, not to mention the environmental dimension.

Such intensive use puts the long-term viability of the production model at risk. Unlike the traditional industrial district, where sustainability concerns are mostly related to the physical environment, in the case of cultural districts all kinds of sustainability are relevant, as the very nature of the production is directly affected by environmental or social degradation and by an impoverished local cultural identity (Sacco, Ferilli and Tavano Blessi, 2013). An over-specialization in tourism might therefore become self-defeating in that it would compromise the main attractiveness factors that drive the model. On the other hand, for cultural districts mainly focused on cultural and creative production, unlike manufacturing there is not a strong location constraint due to the availability of physical production equipment, as in such sectors today's production is mostly intangible thanks to the massive deployment of digital technologies. As a consequence, companies and professionals tend to be highly mobile in such sectors, and the only really long-lived district in such sectors are those which build upon a consolidated tradition and the related place branding such as the Hollywood movie district, the New York art gallery district or the Nashville and Detroit music districts. Newer, highly specialized cultural and creative districts are often typically short lived as a consequence of the creative professionals' constant pursuit of the best professional opportunities worldwide.

For these reasons, the most promising forms of agglomeration extend the traditional logic of the industrial district, whereby cultural and creative production interacts with other forms of production such as manufacturing, with mutually beneficial exchange. The interesting new cases today where cultural and creative production play a significant role are indeed not in districts centered upon a single form of production. This is particularly true in the creative dialogue between culture and manufacturing, which is the typical situation in the Veneto case.

In this context, cultural and creative production plays a number of critical roles, such as for innovation and branding. It serves as an innovation accelerator by opening traditional manufacturing firms to a more creatively oriented approach to their own innovation processes, including by inviting organizational innovation and the motivation and involvement of their workforce. It also helps to establish a stronger territorial brand that adds to the manufacturing goods' value added, paving the way to new forms of innovation of meaning (Norman and Verganti, 2014). As the regional economy transitions away from more traditional single-good industrial districts, the presence of, and complementarity with, cultural and creative production could therefore play an important role in the definition of a new competitiveness model for Veneto's manufacturing sectors.

Is Veneto an innovative region?

Veneto can be considered an innovative region to some extent. The current logic of clustering leading to new forms of industrial districts is driven by the pursuit of innovation to remain competitive on global markets, calling for a greater use of innovation. According to the 2019 edition of the Regional Innovation Scoreboard, Veneto is classified as a moderate innovator. This data must be read in a national context in which Italy as a whole presents a rather modest performance in terms of innovation, with the sole exception of Veneto's neighboring region, Friuli-Venezia Giulia, the only one in Italy to be classified as a strong innovator. Other results are mixed:

- With respect to SME performance the picture is less strong. The Innovation Scoreboard positions Veneto among the 40 top European regions for the share of SMEs that carry out in-house innovation processes. However, the region is only sixth among Italian regions in such ranking, and substantially lags behind other European regions, including some from countries with a relatively less developed industrial economy such as Portugal (which places six regions among the top ten and five among the top six) and Greece (whose two top regions perform better than Veneto).
- Veneto is, however, better placed as to the number of trademark applications per billion regional GDP. For this indicator, it is the better performing Italian region in the top 40, sitting at 21st place overall. The region's dynamism is therefore particularly orientated toward the establishment of new brands and the commercial development of existing assets than toward innovation and technological development in itself.
- The situation is even more favorable looking at the design applications for billion regional GDP ranking, where Veneto ranks 8th at the European scale, with Umbria and Marche sitting in even higher positions, respectively first and sixth.
- Veneto is also among the top 40 for sales of new-to-market and new-to-firm innovations in SMEs as percentage of turnover. This is an indicator where Italy is overall well represented, with as many as 12 regions in the top 40, with Veneto being eighth in the national sub-ranking, with Italian regions substantially concentrated in the bottom half.

When we consider the complete picture off the basic structural indicators for Veneto as compared to all European regions, other clear indications emerge. Veneto is in the bottom quartile score for the share of population with tertiary education and at the very bottom of the third quartile score for lifelong learning. It is around the European average for co-publications and publication citations. It is in the third quartile score for public and business sector R&D expenditure, and in the second quartile score for non-R&D innovation expenditures, product and process innovators, and marketing of organizational innovators. While it is also in the second quartile score for SMEs innovating in-house as just mentioned above, it is in the bottom quartile score as to innovative SMEs collaborating with others and for public-private co-publications. It is in the third quartile score for PCT patent applications but, again as already remarked, in the second for trademark applications and in the first for design applications. Finally, it is in the second quartile score for employment medium-high tech manufacturing and knowledge intensive services, and for sales of new-to-market and new-to-firm innovations.

Taken together, these data signal a shift toward the cultural and creative dimension as a characteristic feature of the regional productions, with less emphasis on core technological innovation and on other forms of process or organizational innovations. Indeed the momentum of the region's competitive development seems to focus quite clearly on the aesthetic dimension and marketing. On the other hand, it is also clear that the region suffers from basic governance gaps that limit the scope of collaboration among innovative firms and the effectiveness of public-private partnerships in R&D. Another crucial limitation that emerges from the data and potentially conflicts with this orientation toward the creative dimension is the low educational level that characterizes the regional labor force. This is a consequence of a long-standing phenomenon, that is, the prevalence in the regional economy of SMEs which are generally relatively uninterested in hiring people with high educational qualifications and prefer to train people on the job. This model pulls young people away from the higher levels of the educational cycle in favor of an early introduction in the labor market. If such attitude has a rationale for a competitive environment based upon constant flows of small, incremental innovation, it becomes more critical when major structural adaptations are in order and when there is a necessity of a far-fetched restructuring of value chains. This is all the truer for a territory which is trying to position itself in competitive niches that build upon branding and communication and upon the development of sophisticated aesthetics and a design culture. Addressing this criticality through suitable public policies and public-private partnerships seems crucial for the long-term viability of this competitive trajectory.

To maintain its strong orientation toward global competition, even in the European context which is not one of top innovation performance at the global scale, Veneto is today far from the innovation leaders, and a serious rethinking of the innovation model seems to be called for. However, given the current trends and characteristics of the regional innovation model, there seems to be an interesting edge for the development of cultural and creative industries as a new innovation driver that capitalizes on the best local competitive assets which are mostly related to aesthetic and communication elements as well as brand development.

Veneto: the geography of cultural and creative production

The actual geography of cultural and creative production in Veneto is important to understand the potential for culture and creativity-driven innovation. This section considers a number of production sectors whose description overlaps significantly with specific fields of cultural and creative production, with the caveat that the available classification system, as noted in Section 1, does not allow for a clear focus only on those activities that properly belong to the cultural and creative sector in the strict sense. The data considered here are pre-pandemic, and therefore the current situation may have changed, especially in view of the massive impact that the pandemic has had on cultural and creative sectors.

Data refer to the Eurostat NACE classification of productive sectors. It partly suffers from the same problems already highlighted for the Italian ATECO codes, but at least allows some international comparisons for future reference. In particular, as shown in Table 1, we consider the following sectors:

Table 0.1. CCI sectors covered by the analysis (NACE classification)

Classification	CCI sectors
C13	Manufacture of textiles
C14	Manufacture of wearing apparel
C15	Manufacture of leather and related products
C18	Printing and reproduction of recorded media
C31	Manufacture of furniture
C32.1	Manufacture of jewelry, bijouterie and related articles
C32.2	Manufacture of musical instruments
I56.1	Restaurants and mobile food service activities
J58	Publishing activities
J59	Motion picture, video and television programme production, sound recording and music publishing activities
J60	Programming and broadcasting activities
M71.1	Architectural and engineering activities, technical testing and

	analysis
M73.1	Advertising
R90	Creative, arts and entertainment activities
R91	Libraries, archives, museums, and other cultural activities

This data allow a good but uneven coverage of cultural and creative production on the basis of available classifications. Overall, however, many of the most important components of the cultural and creative sectors are represented in this classification, so it is a viable approximation to understand the geography of cultural and creative production in Veneto. To better grasp in what sense coverage is uneven, consider the following:

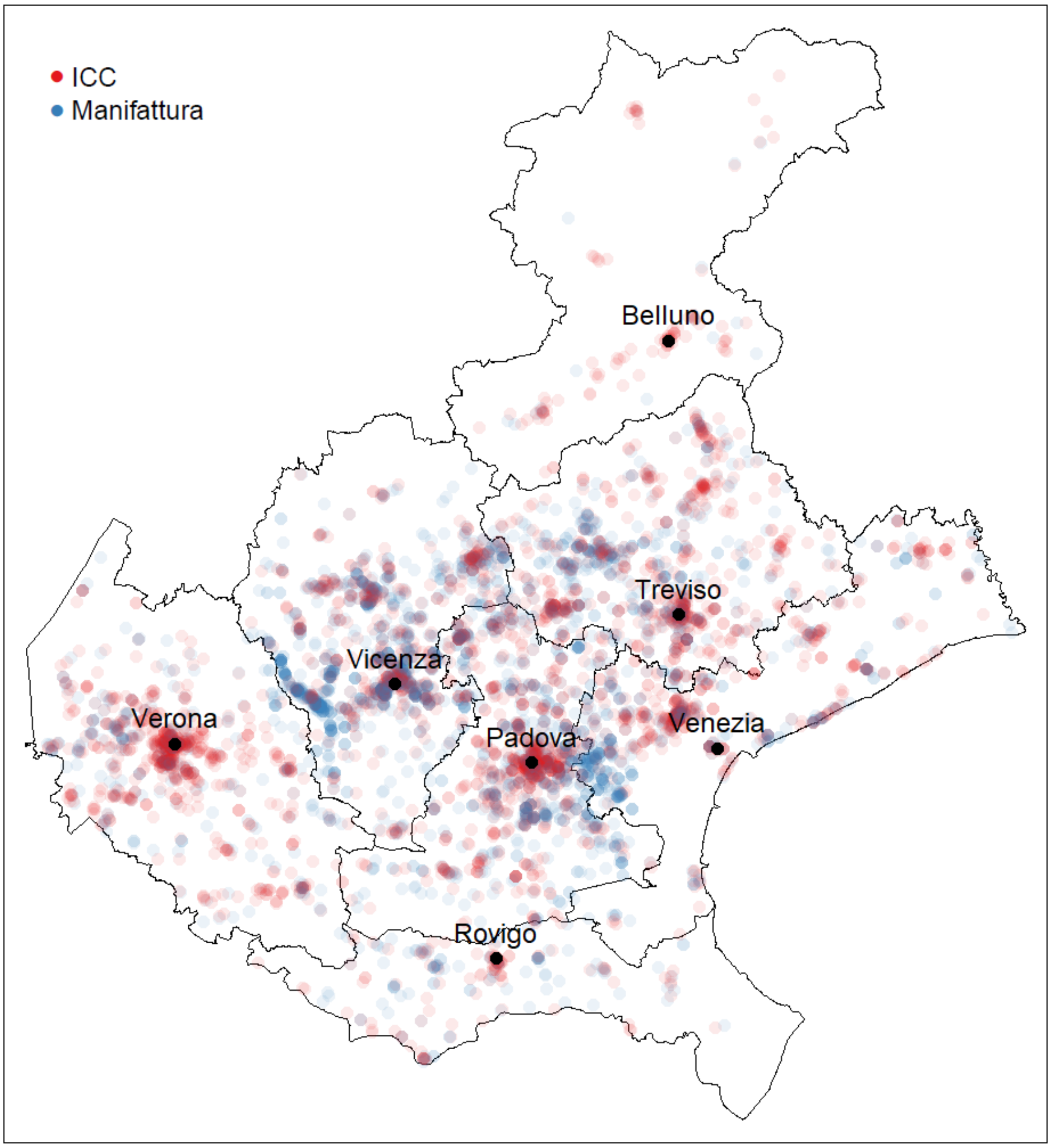
- Certain categories capture well some key elements of the cultural and creative sphere, such as cultural centers (R91) and the creative arts (R90).
- Certain specific production sectors that unambiguously fall into the scope of cultural and creative production are also well captured, as in the case of recorded media (C18), publishing (J58), cinema, video and music production (J59), broadcasting (J60) and advertising (M73.1).
- In other cases, the classification system focuses on very specific areas of the cultural and creative production field which have a distinctive manufacturing component. This includes jewelry (C32.1) and musical instruments (C32.2).
- In yet other cases, sectors as they are defined include a mix of activities that fall within the cultural and creative sector sphere and some that don't, such as in the manufacturing textiles (C13), wearing apparel (C14), leather (C15) and furniture (C31) sectors, or in the case of restaurants (I56.1) and architectural and engineering services (M71.1). Here, as already remarked, there is a coexistence of fashion and product design companies together with very traditional manufacturing activities with very low design-related value added.
- On the services side, accordingly, there is a grouping of architecture and design studios with technical service and design activities, with the former clearly falling within creative production and the latter less so. Likewise, in the restaurants sector we have both businesses with a strong creative value added that provide a service that goes far beyond mere nutrition, as well as very traditional cafes and eateries.

There is a marked spatial correlation between cultural and creative sectors and manufacturing production (Figure 2.1). This data[1] helps to understand the extent to which the locational choices of firms already reflect this possible complementarity between the two. In particular, there are cities where the cultural component prevails upon the manufacturing one, such as in the cases of Verona and Padua, as well as others where they are more balanced, such as in Vicenza and Treviso. What is classified here as cultural also contains large components of traditional manufacturing, such as for textiles and furniture, which are in particular among the key sectors in many traditional industrial districts in Veneto. The case of Venice is more ambiguous given the coexistence of large concentrations of cultural facilities and of large industrial facilities such as the petrochemical cluster in Marghera. Away from the main urban centers, manufacturing often prevails upon more creatively oriented activities. In the more peripheral provinces of Rovigo and Belluno, the concentration of productive activities is much less dense. This first positive check

[1] The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

indicates close spatial coexistence of the two kinds of productive activities, which lays the ground for possible complementarities, actual or potential according to cases.

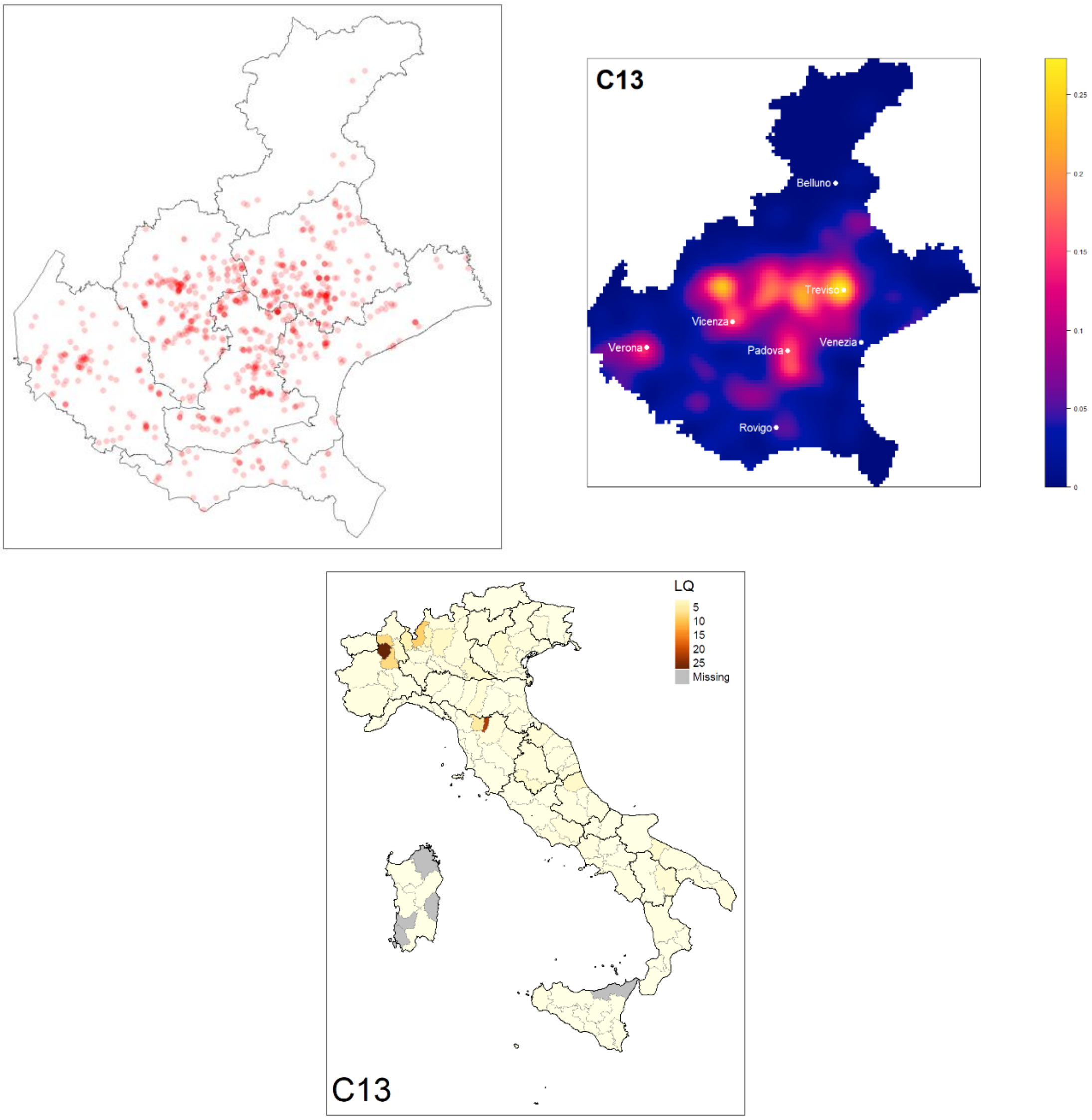
Figure 0.1. Culture and creative production and manufacturing in Veneto



Source: Based on the ORBIS database from 2014 data, the latest available

The following figures consider the specific geography of each of the sectors, starting from textiles. The spatial distribution, the sectoral density and the sector's location quotient in the Italian context are shown in Figure 2.2. Textile manufacturing at the regional scale is mainly concentrated between the Northern Vicenza and Padua provinces and the Southern Treviso province. The sectoral density map clearly shows a "corridor" that cuts through the three provinces and has its largest hub in Treviso. However, at the national scale, Veneto has modest location quotients as compared to the main Italian textile districts such as Biella-Vercelli in Piedmont, Como in Lombardy and Prato in Tuscany.

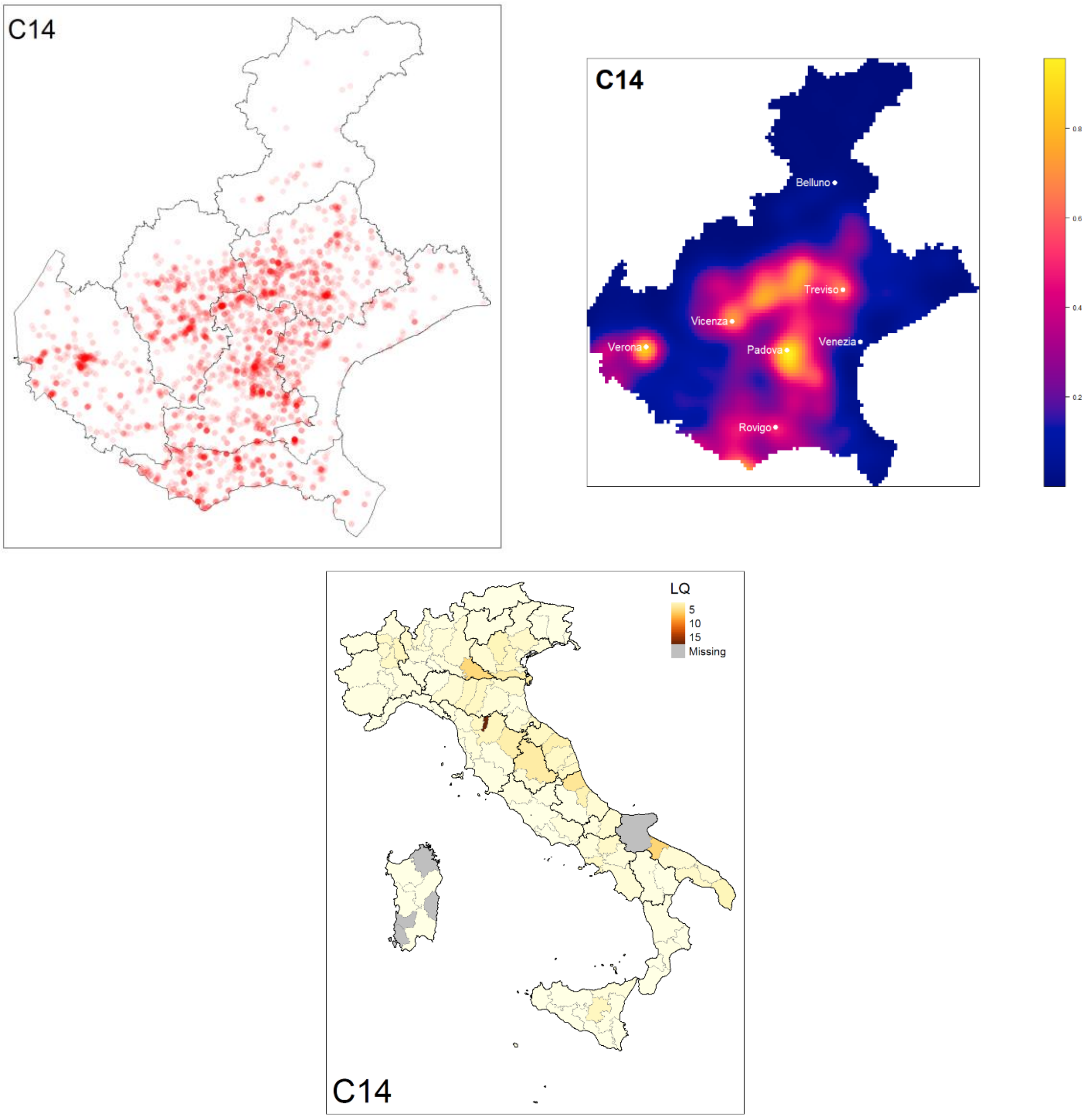
Figure 0.2. Textile manufacturing: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Note:
Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

As with textiles, the wearing apparel sector shows mixed coverage of creative and traditionally manufacturing businesses (Figure 2.3). However, this is a sector which includes all regional fashion brands, some of which in the Veneto case are creative business with a global market. There is a coexistence between a highly concentrated "corridor" joining Vicenza and Treviso plus two urban poles around Verona and Padua. This particular spatial distribution is therefore a sort of hybridization between the diffused model typical of traditional manufacturing, and the urban hubs model typical of cultural and creative production. Moreover, in the case of wearing apparel, there is not highly concentrated production as compared to the Italian context. This is further evidence of the current trend in Veneto of moving away from strict single-product districts.

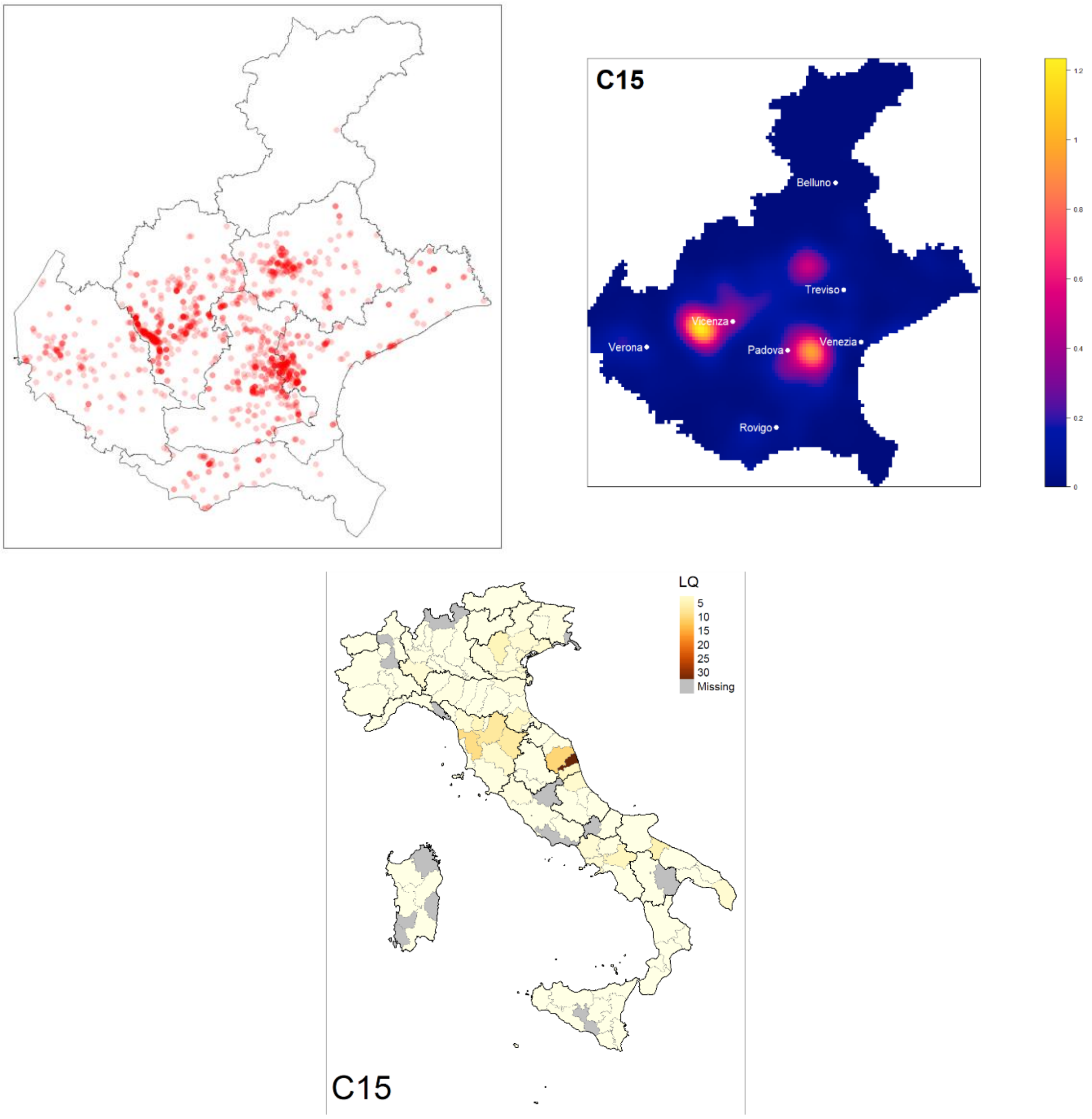
Figure 0.3. Wearing apparel: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

A third manufacturing sector with significant creative components, that of leather goods, has a very clear geography of production (Figure 2.4). There are essentially two main clusters, one in the Western province of Vicenza (the so called Chiampo valley leather district) and one between the Padua and Venice provinces (the Brenta Valley district). Despite that such districts are among the largest and most renowned in Italy, once again, in terms of location quotients, their relative concentration cannot compare with other, strongly mono-product leather districts such as the Tuscan leather districts (Santa Croce, Valdarno) and the Marche ones (Fermo, Macerata). This once again confirms the broad-spectrum profile of today’s manufacturing in Veneto.

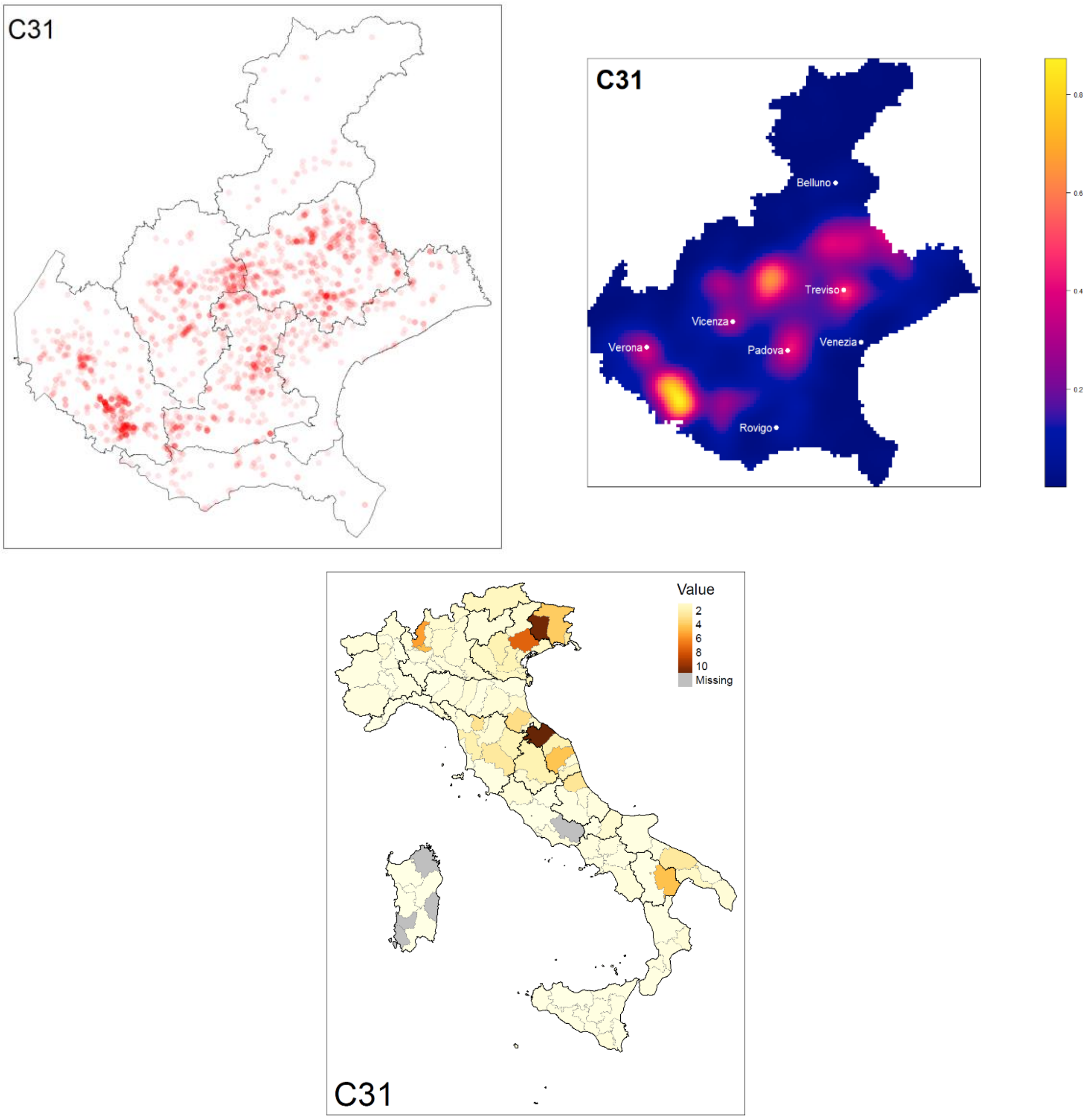
Figure 0.4. Leather goods: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

Another sector with similar dynamics of overlap between traditional manufacturing and cultural and creative production, in particular product design, is the sector of furniture manufacturing (Figure 2.5). The furniture sector is the one that is farthest away from the typical cultural and creative production model that is centered around urban hubs. In this case, the main hub is in the Southern, non-urban province of Verona, and a second-tier one between Vicenza and Treviso, centered around Bassano. But there are, however, multiple other smaller hubs distributed across the territory. In terms of location quotient, most Veneto provinces present some level of relative specialization, with a particularly strong concentration in Treviso. The Italian provinces with higher specialization are well-known national production hubs, such as the nearby province of Pordenone, the Brianza district between the provinces of Monza and Como, the Marche provinces of Pesaro and Macerata, and the province of Matera.

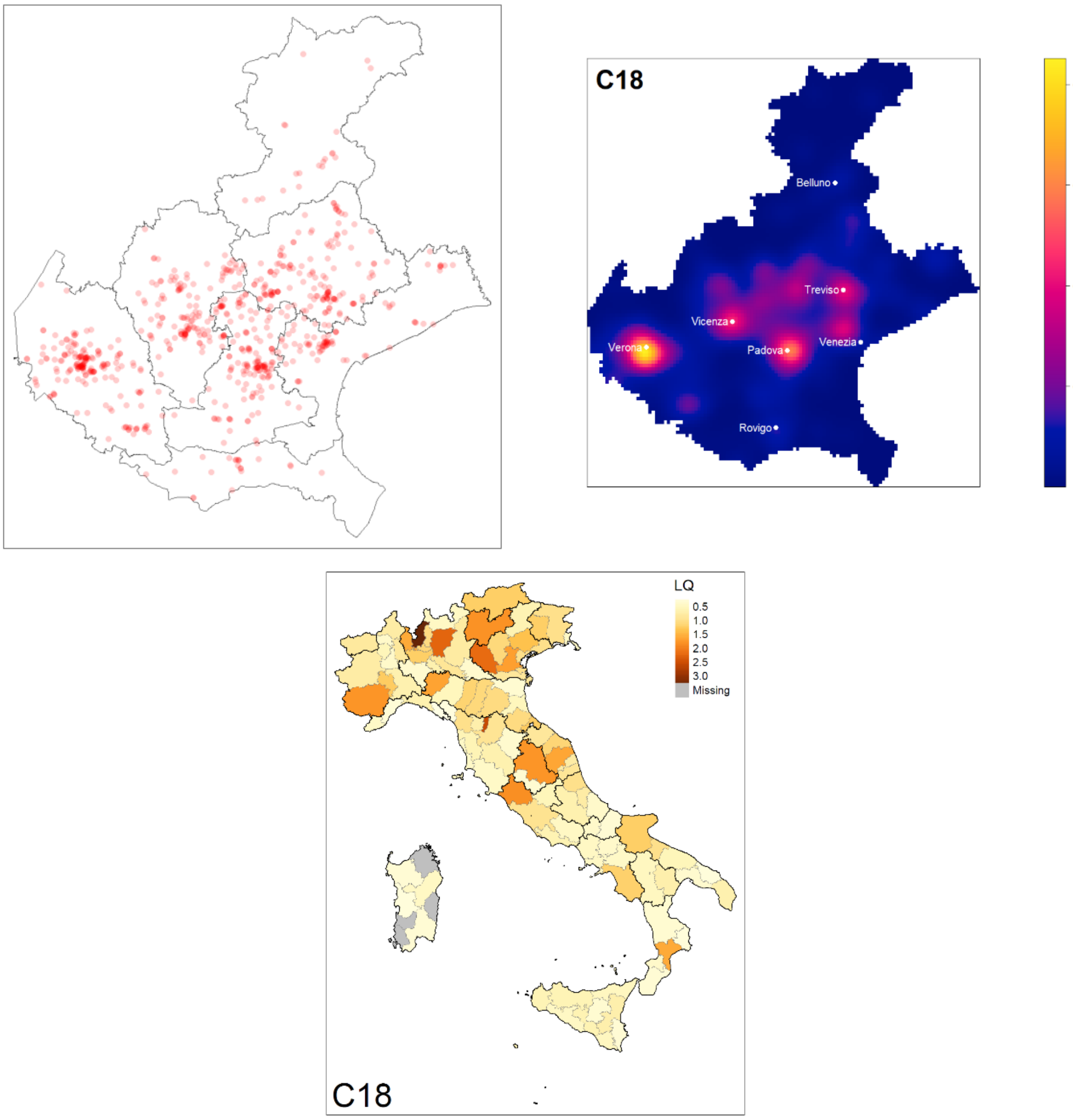
Figure 0.5. Furniture: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

The recorded media sector, more fully positioned within the cultural and creative sphere, has a very different geography as compared to the prior figures of mixed creative-manufacturing cases (Figure 2.6). First, production tends to be strongly associated to the main urban areas: Verona primarily, and also Padua. Vicenza, Treviso and Mestre are second-tier cities in this particular geography, but the presence of the sector outside the main urban areas is almost nonexistent. At the same time, there is a much more complex geography of relative specialization on the Italian scale, where Verona sits among the most specialized provinces. Padua also presents a very significant relative specialization. It is interesting that, in a solid cultural and creative production sector such as recorded media, the profile of specialization of Veneto at the national scale is stronger than for traditional manufacturing sectors that have, traditionally, been a backbone of the regional economy, although of course actual sector sizes may be very different.

Figure 0.6. Recorded media: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context

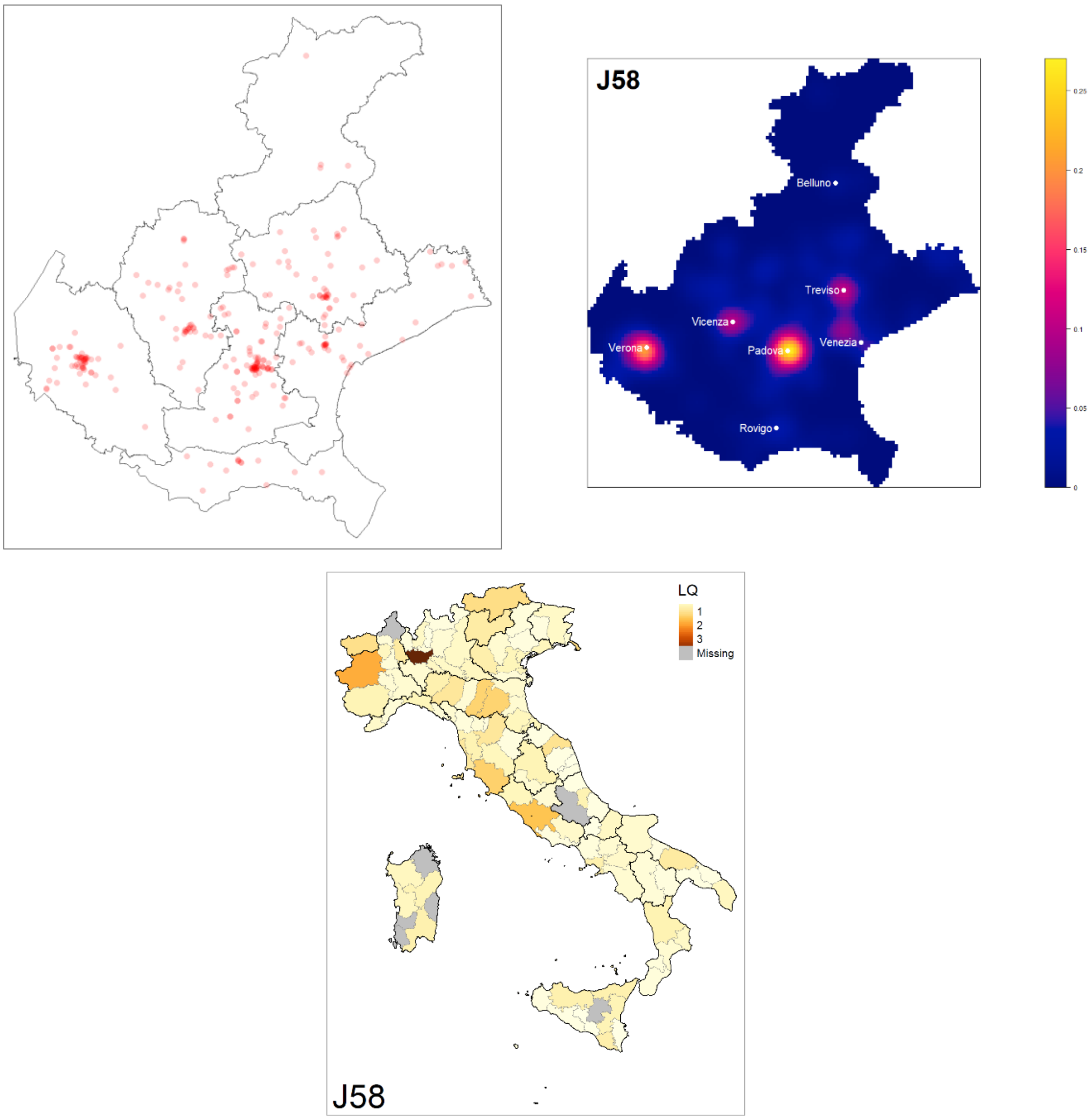


Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

As in the case of recorded media, the spatial distribution of publishing is centered around the two main cities of Verona and Padua, but now in reverse order: Padua first, then Verona, and the other main cities in the second tier (Figure 2.7). The outstanding role of Padua may also be due to the fact that the city hosts the largest university in the region, which clearly contributes substantially to the development of the publishing sector. It is interesting to notice that, in both sectors, the role of Venice is rather marginal, showing how the strong specialization in the fields of heritage and the arts does not necessary follow a specialization in related content industries. This may also be seen as a weakness of Venice in positioning itself over a broad spectrum of the content industry by suitably leveraging upon its brand value in the field. At the national level, there is national leadership of Milan, which is the cradle of the Italian publishing industry, and secondarily Turin, with Bologna and Rome third-tier cities. As a reminder, location quotients reflect relative specialization and not absolute size, although in the case of

Milan the two are both true. Interestingly, in the publishing industry, despite the strong urban polarization, Veneto does not show any strong pattern of relative specialization on the national scale.

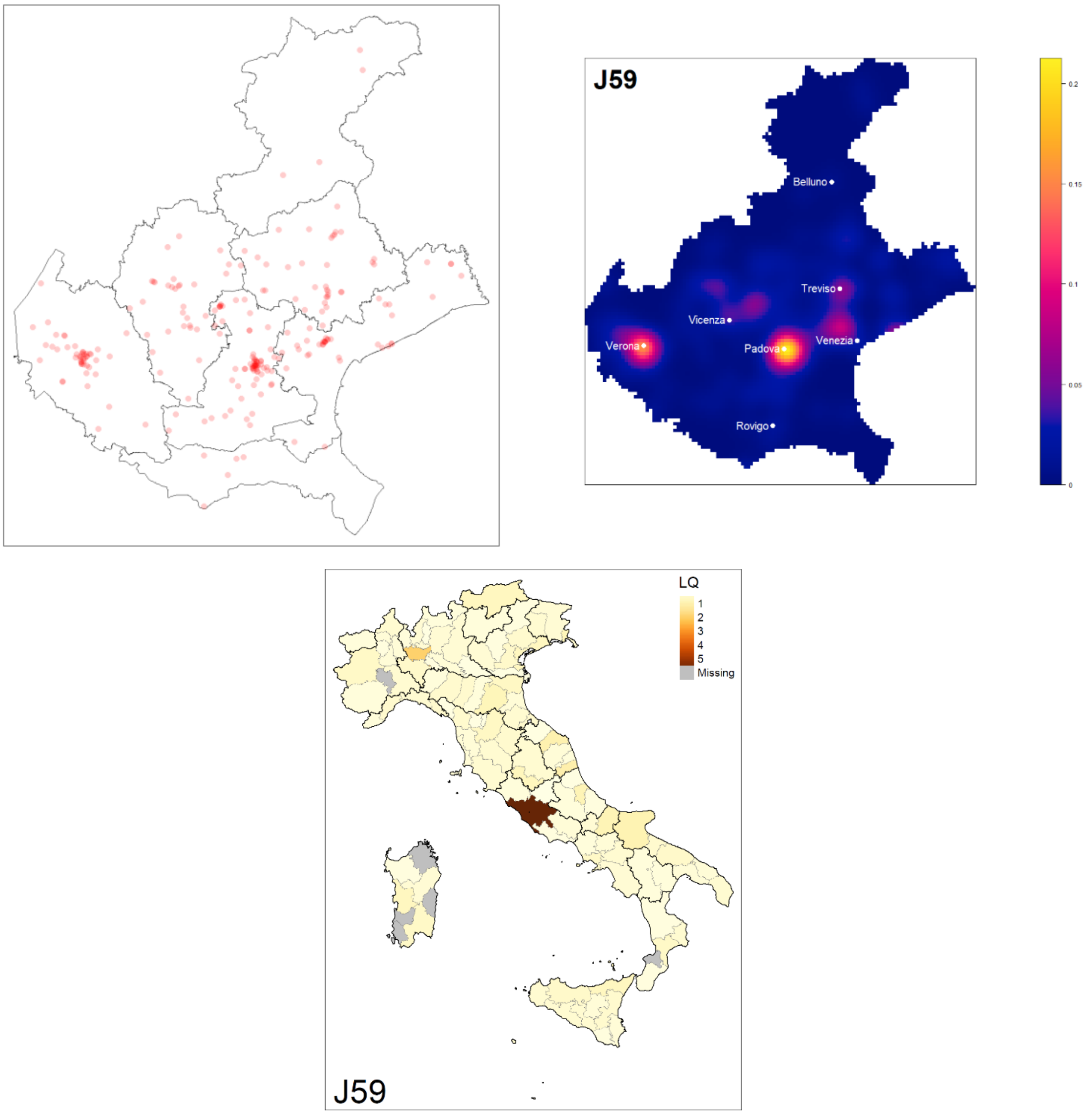
Figure 0.7. Publishing: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

Another sector that falls squarely in the cultural and creative sphere is film, music and video production, which displays similar patterns as publishing (Figure 2.8). Padua is the leading regional center and Verona is the second. At the national scale, not surprisingly for these fields of cultural production, the most specialized area is Rome, followed by Milan. Veneto does not show a significant relative specialization profile at the national level.

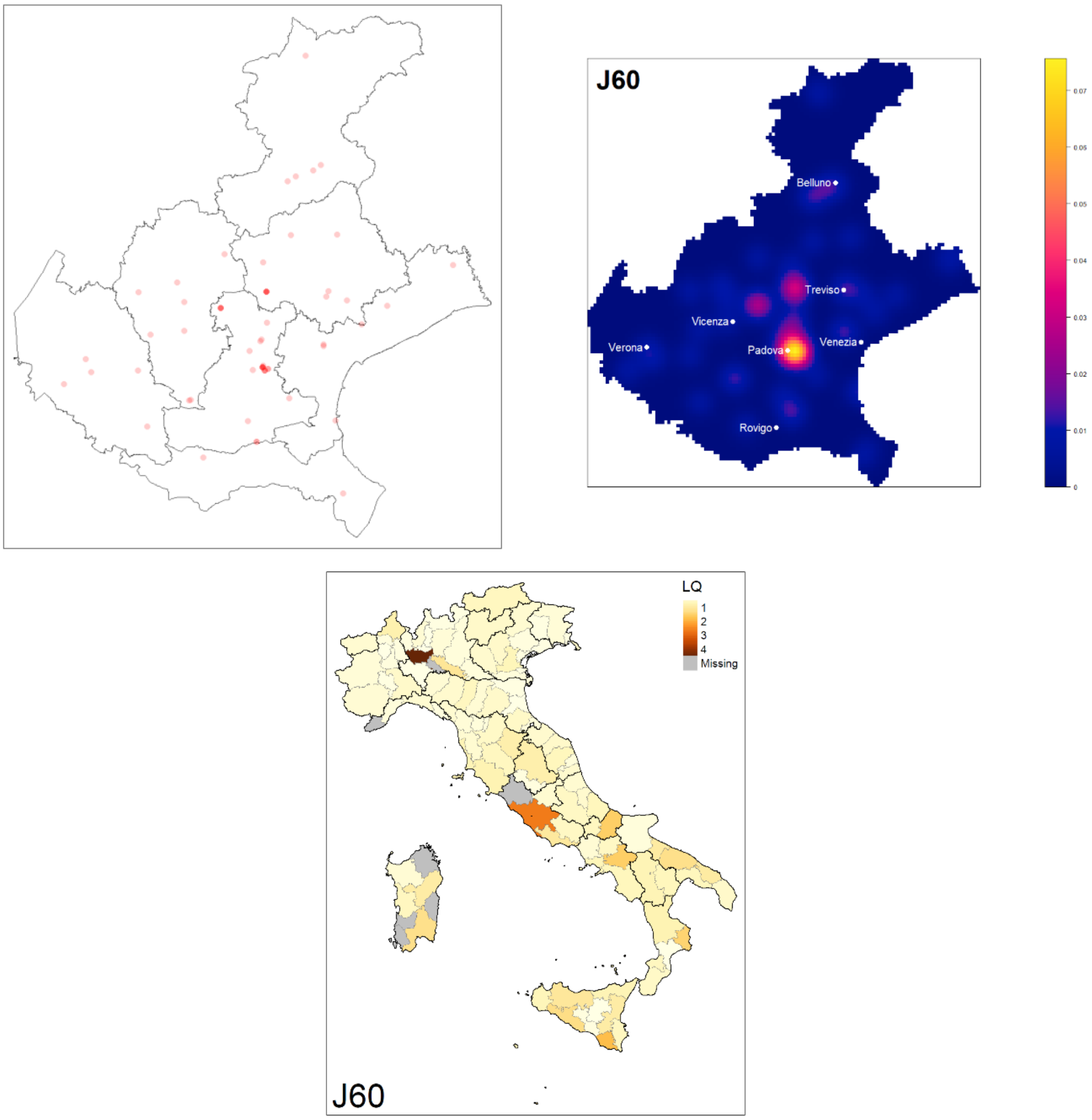
Figure 0.8. Film, music and video production: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

Directly connected to audiovisual production is broadcasting, where Padua has a basically dominant position at the regional scale (Figure 2.9). There is an absence of other major hubs in the sector (the few minor hubs gravitate however around Padua). At the national scale the hierarchy is now inverted with Milan having stronger relative specialization and Rome as the second tier. At the national level, there are several provinces with a relatively high degree of relative specialization in broadcasting due to the proliferation of local TV and radio channels and the relative weakness of other local productive sectors.

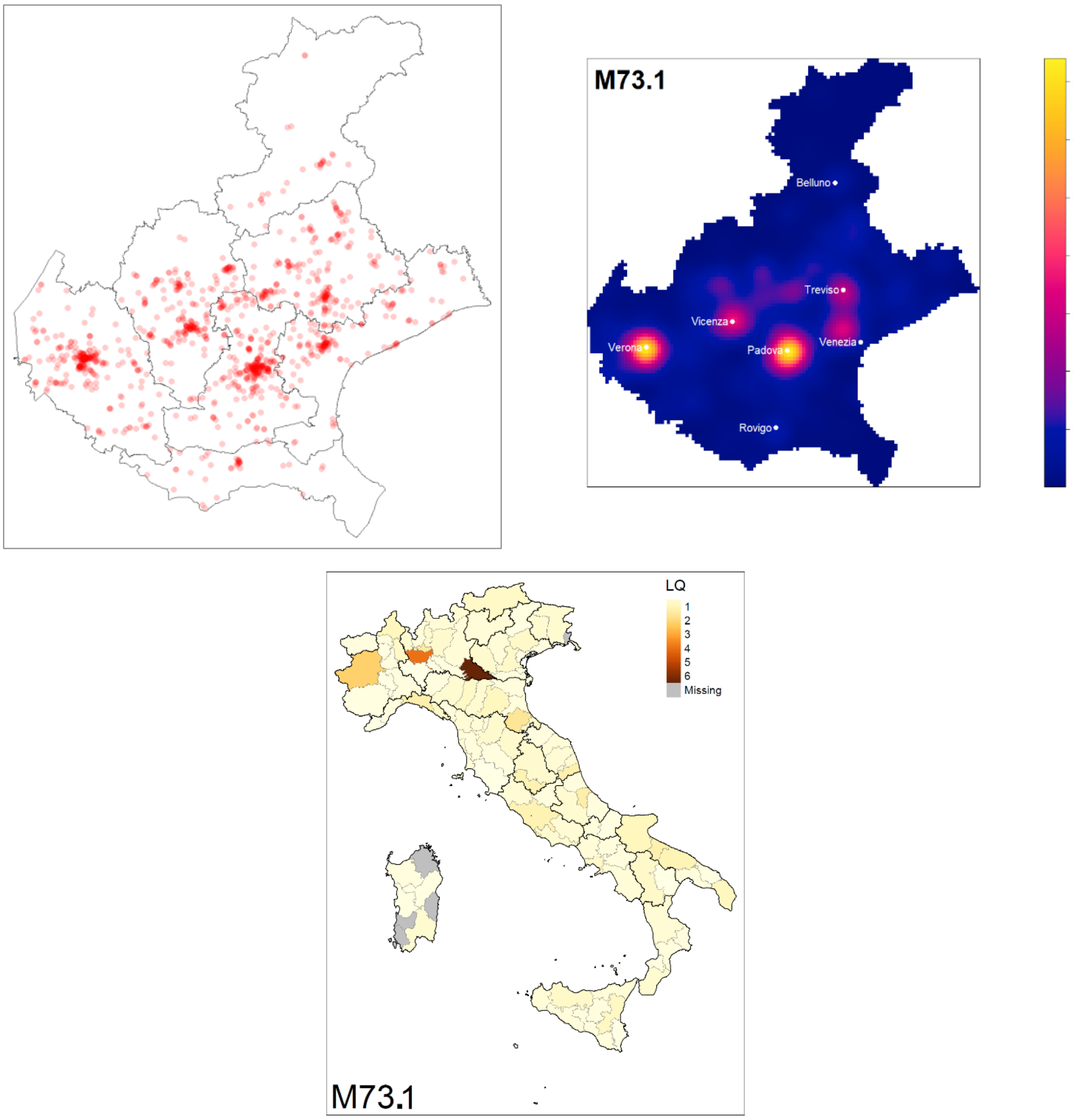
Figure 0.9. Broadcasting: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

The other sector of major relevance for the industrially organized creative economy is advertising, with again a bipolar distribution of the main hub between Verona and Padua (Figure 2.10). Vicenza, Treviso and Mestre are in the second tiers. Once again there is a substantially urban distribution although less sharply concentrated than in other cultural and creative sectors. At the national level, Veneto does not present significant levels of relative specialization. The most specialized province in this sector is Mantua, a somewhat unexpected result, followed by Milan and Turin.

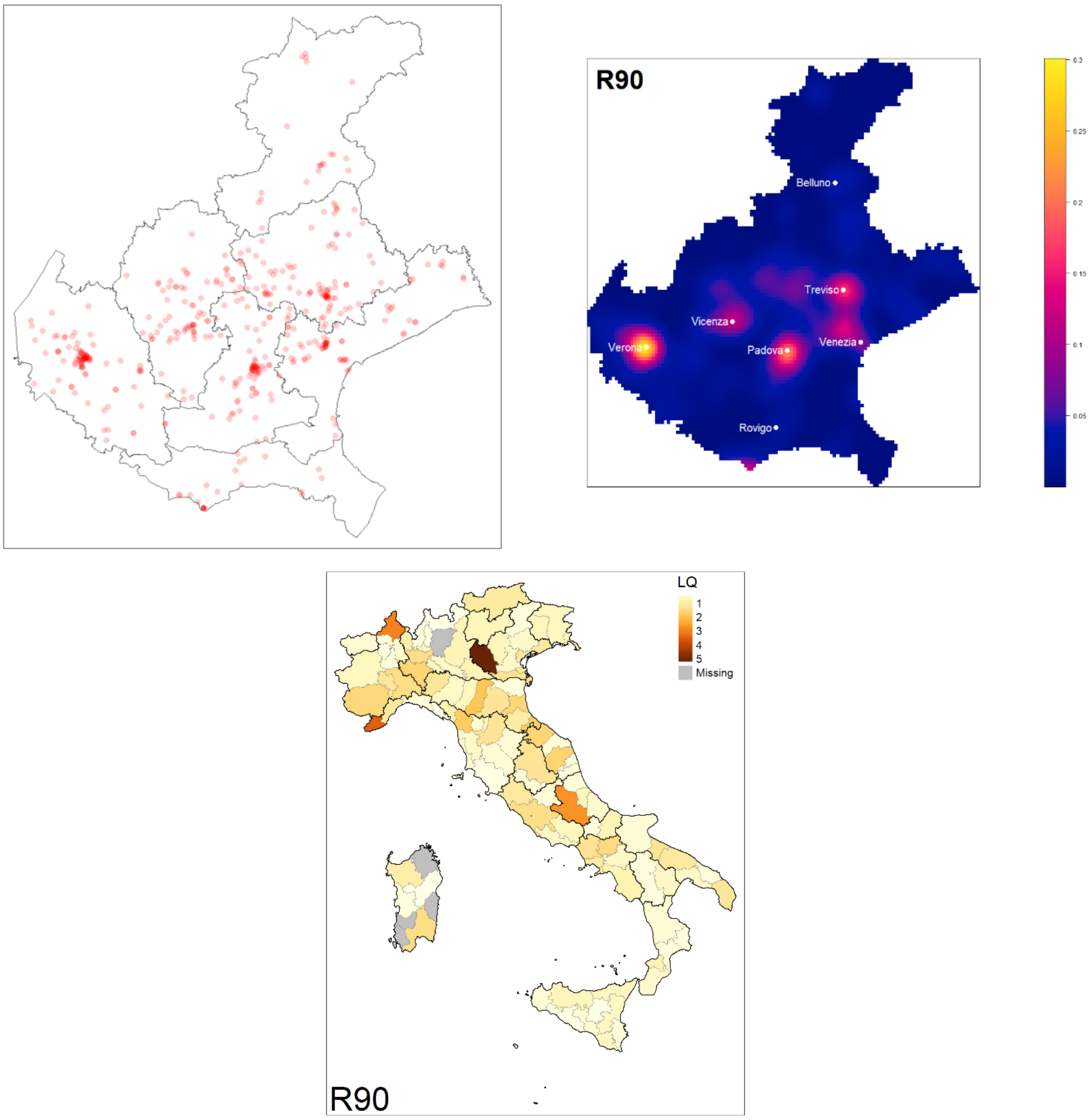
Figure 0.10. Advertising: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

The next set of figures are for activities more directly related to the core of cultural and creative production. The first concerns artistic, creative and entertainment activities (Figure 2.11). In this case, not only is Verona the premier hub at regional level, but it is also the most relatively specialized province at the Italian scale. Although Padua is in the second tier, the distance with the other major cities is narrower as Treviso, Mestre and Vicenza are also close. Unlike the most industrial sectors, the urban character of the spatial distribution is less pronounced, because understandably events and entertainment activities are also conveniently staged also in smaller centers. Local providers have enough market edge to locate outside the main centers. At the national scale, other relatively specialized provinces are those without a strong industrial profile, such as Verbano-Cusio-Ossola, Imperia and L'Aquila.

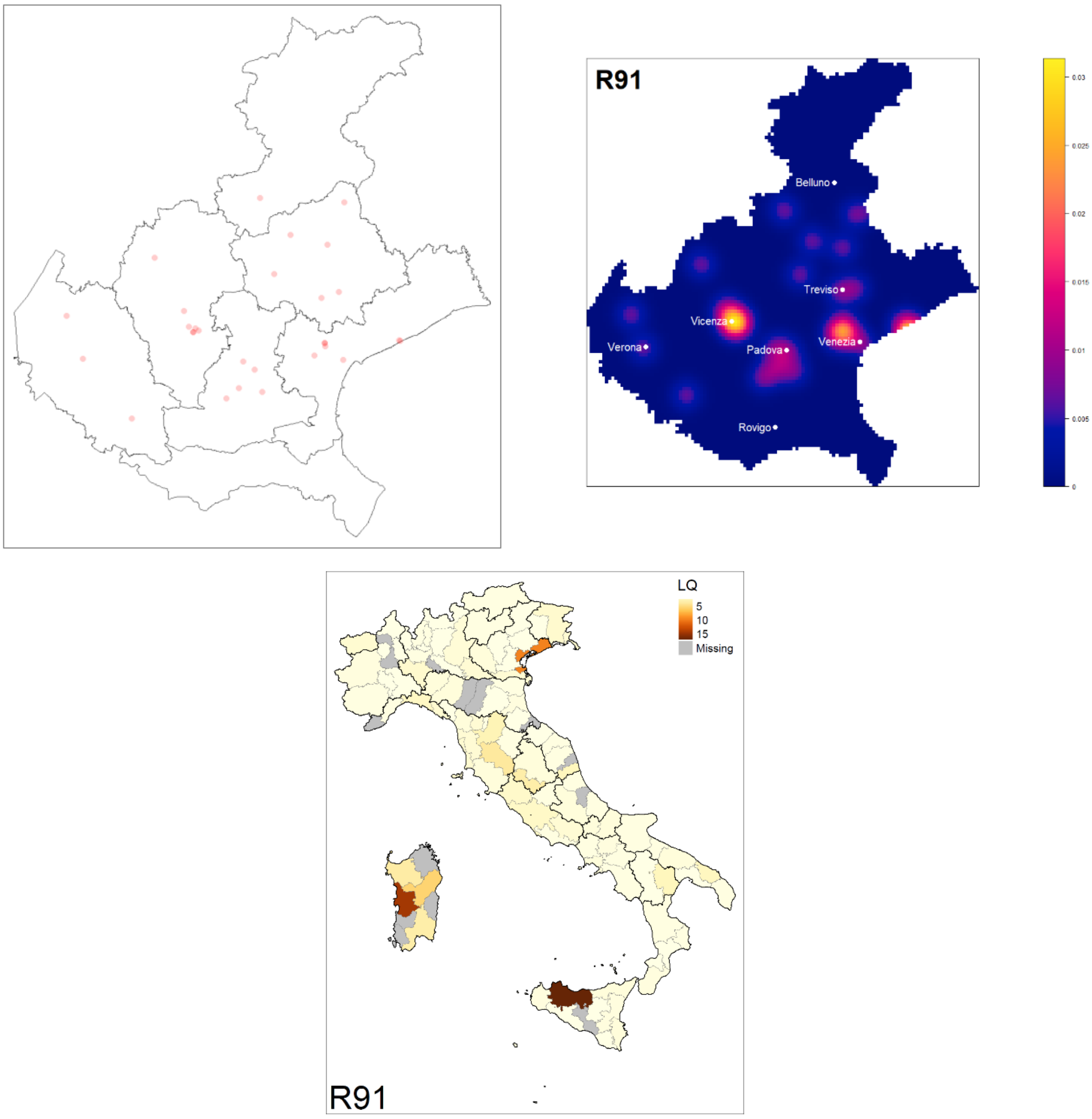
Figure 0.11. Artistic, creative and entertainment activities: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

The less industrially organized part of the cultural core is mapped in Figure 2.12. It is important to stress that, in this case, public institutions are not counted given that the data source is for firms, therefore only private organizations appear. Vicenza has a leadership role within the region, with Venice as a second tier, followed by Padua and Treviso as a third tier. At the national level, Palermo is the most relatively specialized province but Venice is, again unsurprisingly, among the most relatively specialized at the national level.

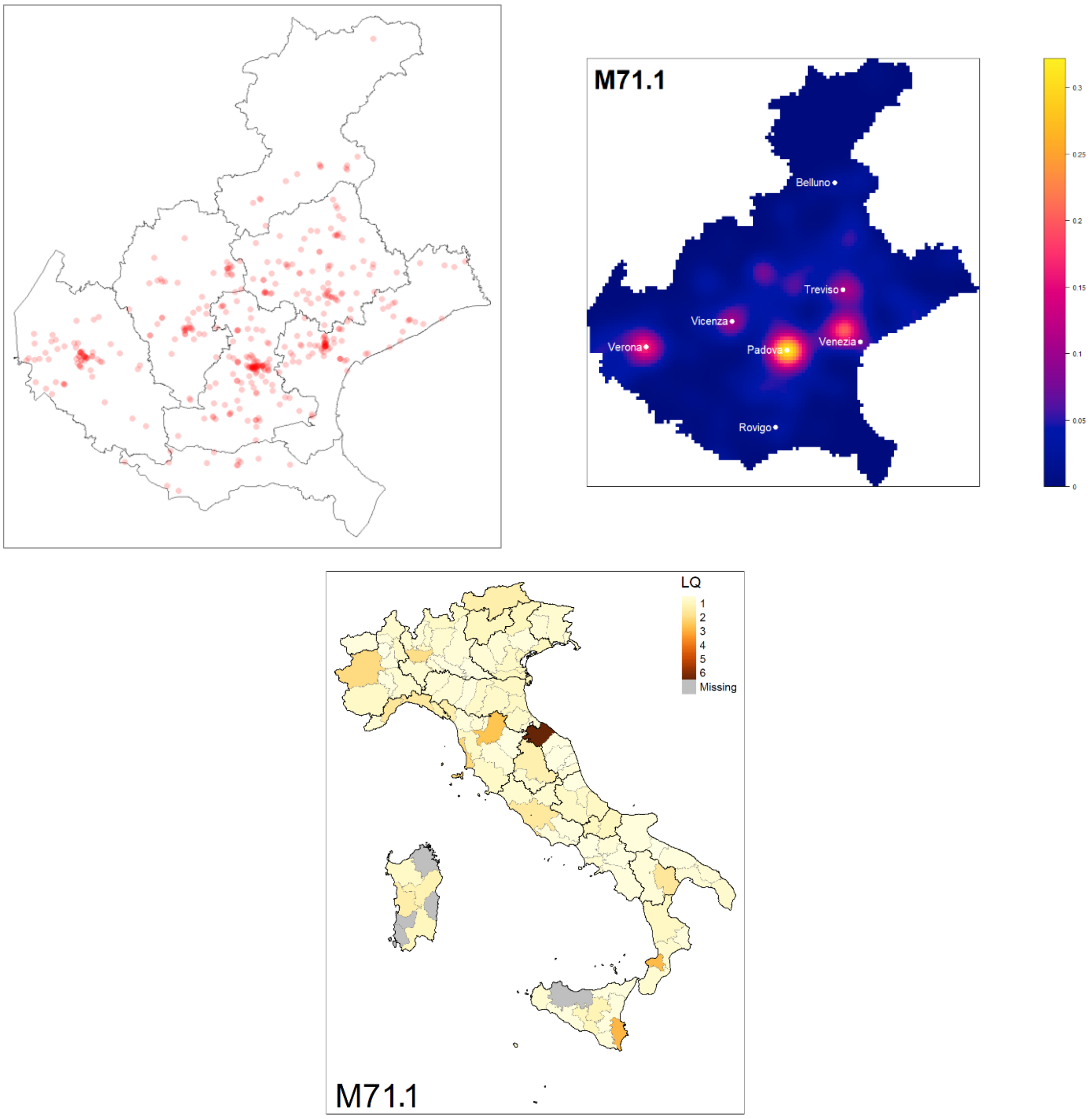
Figure 0.12. Libraries, museums, archives and other cultural activities: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

Architecture and engineering is a sector in the services sphere that presents significant overlaps between cultural and creative professions and non-cultural ones (Figure 2.13). In the field of architecture and engineering, Padua is the main regional hub, followed by Verona and then the other main cities as a third tier. Here too the spatial distribution is not limited to cities because for architecture and engineering services, local markets are large enough to motivate firms to locate as well in smaller centers. There are minor hubs in the upper provinces of Vicenza and Treviso, around Bassano and Castelfranco. Veneto provinces do not present relevant levels of relative specialization. Here the leading Italian province is Pesaro, joined also by major Italian metropolitan areas such as Milan, Turin, Florence and Rome, together with some smaller provinces.

Figure 0.13. Architecture and engineering: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context

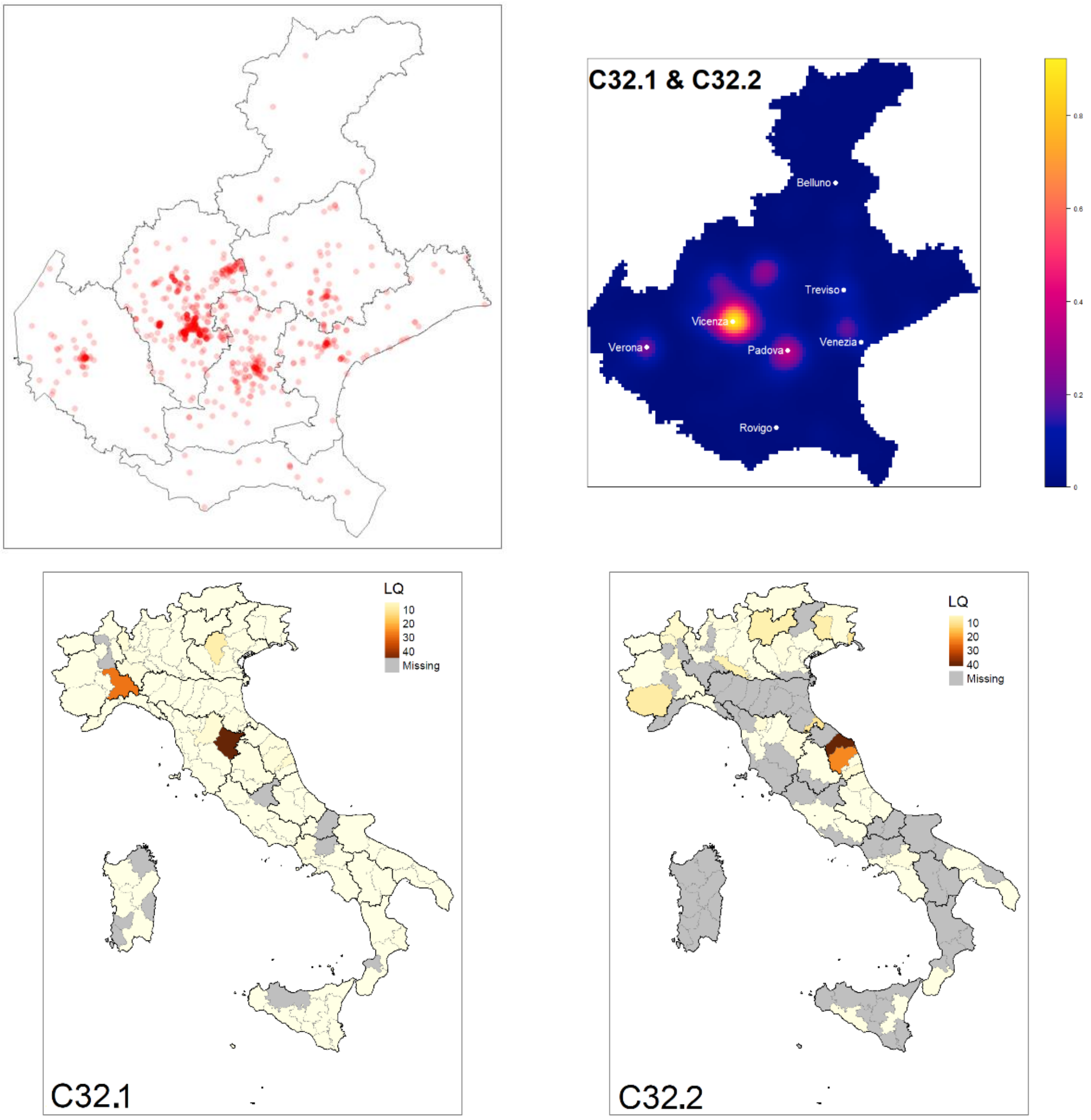


Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

Finally, there are two highly specialized sectors where the cultural content is paramount but which also present a very significant manufacturing component, namely jewelry and musical instruments. In the case of Veneto, as the production of musical instruments is not particularly developed, a joint mapping covers both subsectors but essentially refers to jewelry. The joint spatial distribution is shown in Figure 2.14, and the location quotients for the two subsectors are presented separately.

In the case of jewelry, as it is well known, Vicenza is one of the main Italian production hubs, and this clearly shows in the regional distribution of activity. At the national level, however, Vicenza shows a smaller level of relative specialization with respect to the other Italian major jewelry production centers, namely Arezzo in Tuscany and Valenza Po in the province of Alessandria, Piedmont, due to the highly rich and diverse coexistence of different productions. For the musical instruments, the highly specialized areas are the Marche provinces of Ancona (Osimo) and Macerata (Castelfidardo).

Figure 0.14. Jewelry and musical instruments: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context

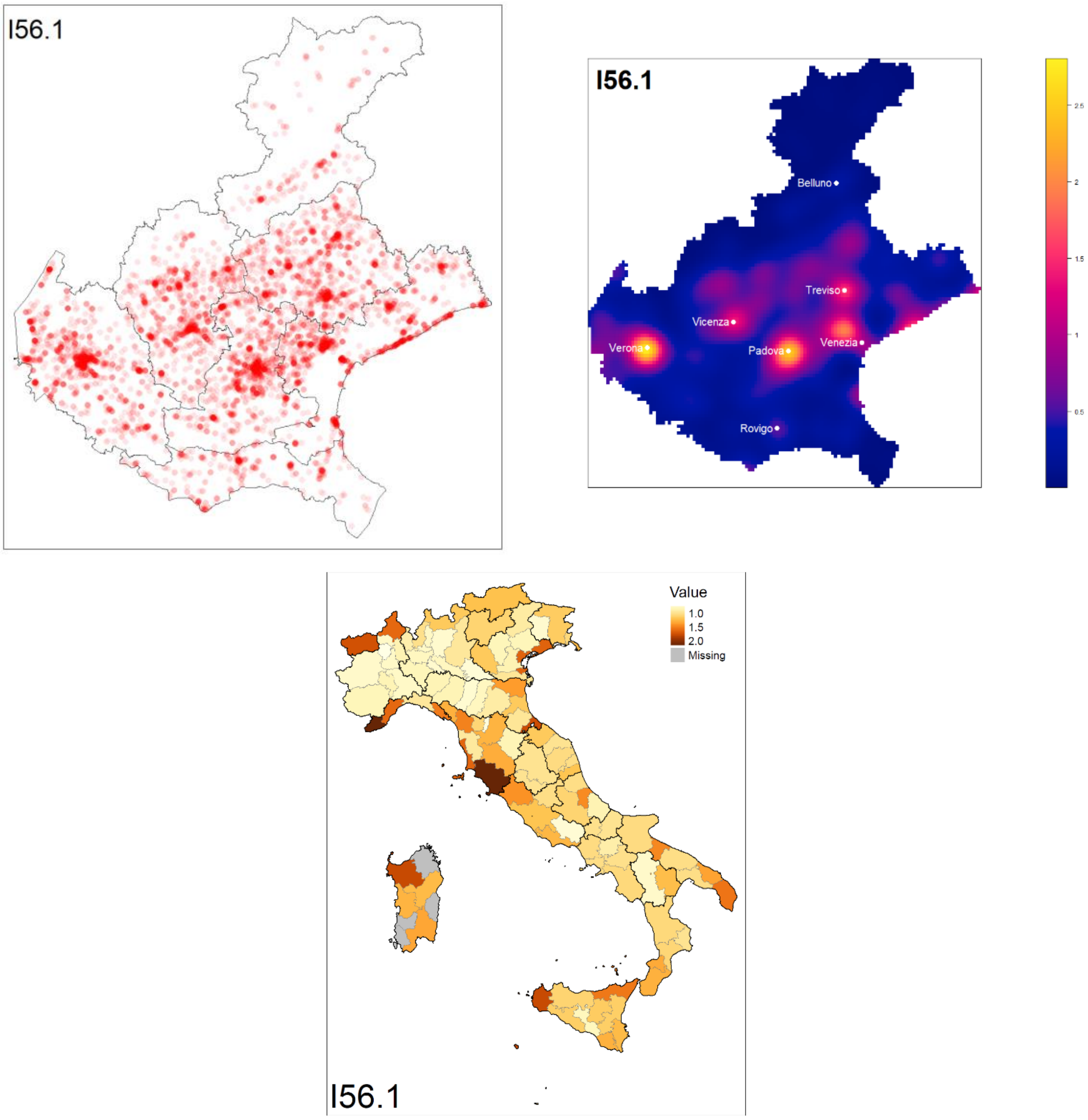


Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

Finally, another sector with an interesting overlap between cultural and creative sectors and non-cultural ones is that of restaurants (Figure 2.15). There is a statistically inextricable coexistence between conventional restaurants, cafes and eateries and more sophisticated business that provide food experiences with a very high component of food and environmental design value added, quality of ingredients, and so on.

In the case of restaurants, as expected, there is a sparse distribution across the whole regional territory, with urban hubs especially in Verona and Padua, and secondarily in Venice and Treviso. Verona and Padua are also locations of some of Italy's top rated restaurants, which at least in part reflects this observed distribution also in terms of the specific businesses that more strictly pertain to the cultural and creative sector. In terms of location quotient, in Venice we find a high relative concentration, a clear reflection of the high incidence of the tourism industry on the local profile of economic specialization, but also Verona presents a significant value. The strongest specialization at the Italian level is found in the tourism-intensive provinces of Imperia in Liguria and Grosseto in Tuscany, but significant concentration values are scattered throughout the Italian territory.

Figure 0.15. Restaurants: spatial distribution and sectoral density in Veneto, and location quotient in the Italian context



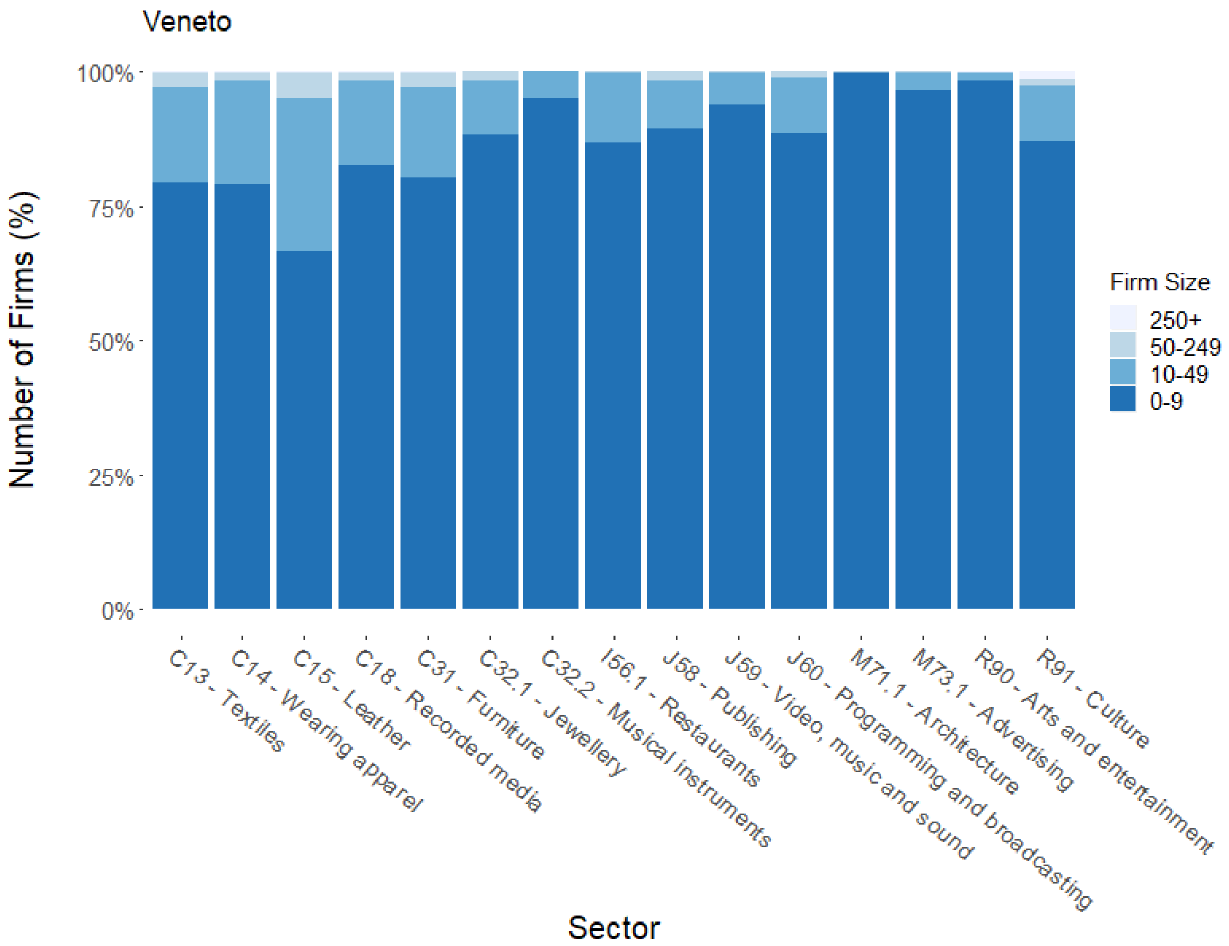
Source: The territorial distribution of activities and the density maps are based on the ORBIS database from 2014 data, the latest available. Location quotients are instead based upon ISTAT 2017 data.

Dimensional distribution of cultural and creative firms across sectors

Given this geography of cultural and creative production in the Veneto region, the distribution of firms' size across the various sectors is another important factor in assessing the sectors. Generally SMEs and micro-companies prevail in many cultural and creative fields, however it is helpful to understand to what extent this differs from one sector to another, and differs across each Veneto province. It is possible that in certain provinces, for a given production field, the size distribution is different. This analysis is based upon ISTAT data from 2017. The distribution of firm size for each cultural and creative sector in Veneto is found in Figure 2.16.

As expected, SMEs are prevailing in all of the sectors of this analysis, however, there are significant differences in the size distribution across different sectors. The sectors with a higher relative concentration of larger (250+ employees) and medium-sized companies are the manufacturing ones: leather, textiles, apparel, and furniture, that is, the sectors where there is a significant overlap between the cultural and the manufacturing dimensions. However, a significant share of medium-small sized firms (10-50 employees) is also found in creative sectors such as broadcasting and museums and archives, as well as in restaurants. In architecture and engineering and in events and entertainment, firms are almost exclusively small firms with no more than 10 employees, highlighting the extreme fragmentation that characterizes some of the core cultural production sectors.

Figure 0.16. Distribution of firms' size across cultural and creative sectors in the region of Veneto



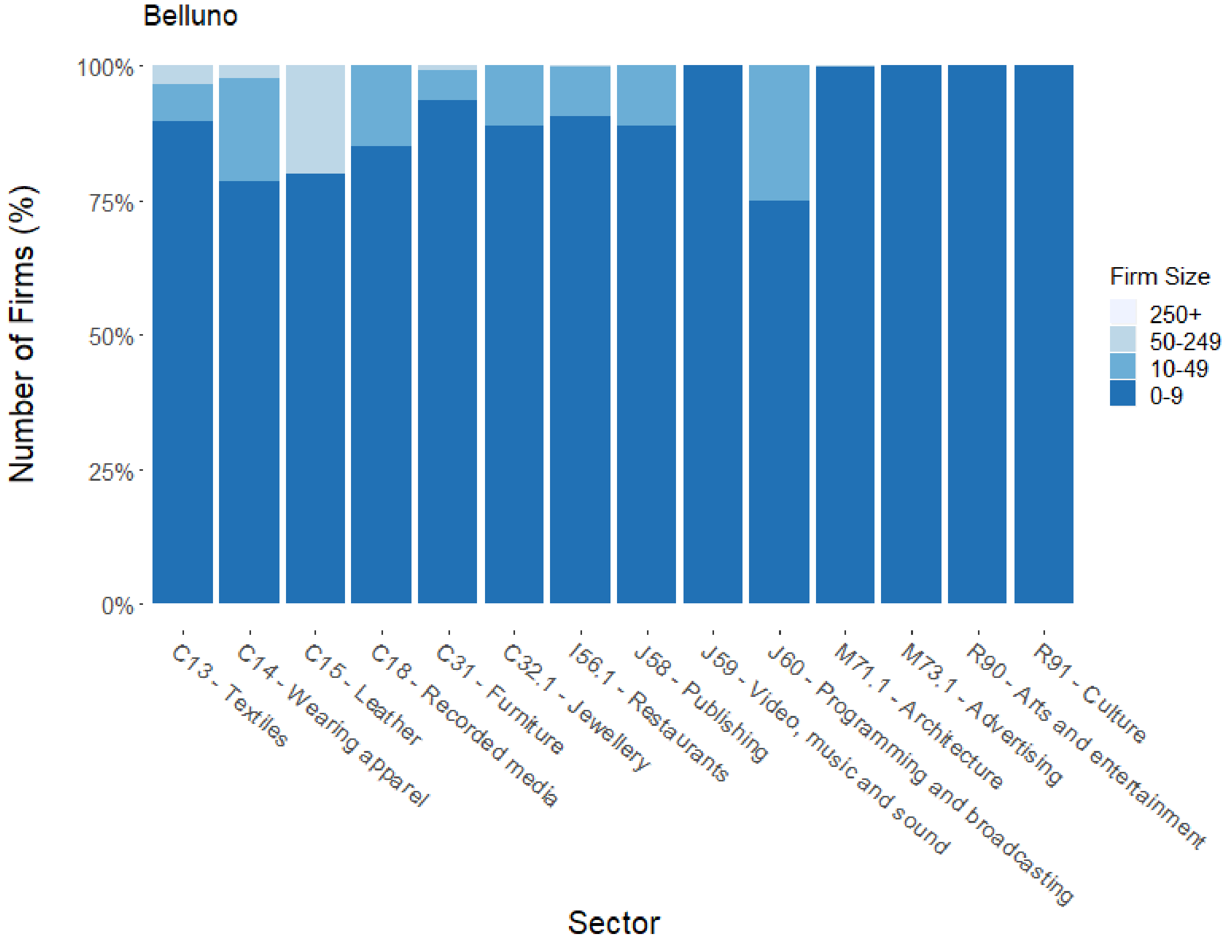
Source: ISTAT (2017 data)

An analysis of firm size trends by Province in the Veneto region

The province of Belluno is one of the least densely populated in terms of production (as well as residents) (Figure 2.17). In this province, some creative production sectors are hardly represented at all.

However, a notable fact is the high relative incidence of large firms in the leather sector, and more generally there is some incidence of medium and medium-small sized firms in the usual manufacturing sectors. There is moreover a significant incidence of medium-small firms in broadcasting, publishing, restaurants, and jewelry. However, many cultural and creative sectors are entirely populated by very small firms, including architectural design studios, advertising, and the core sectors of events and entertainment and museums, libraries and archives.

Figure 0.17. Distribution of firm size across cultural and creative sectors in the province of Belluno



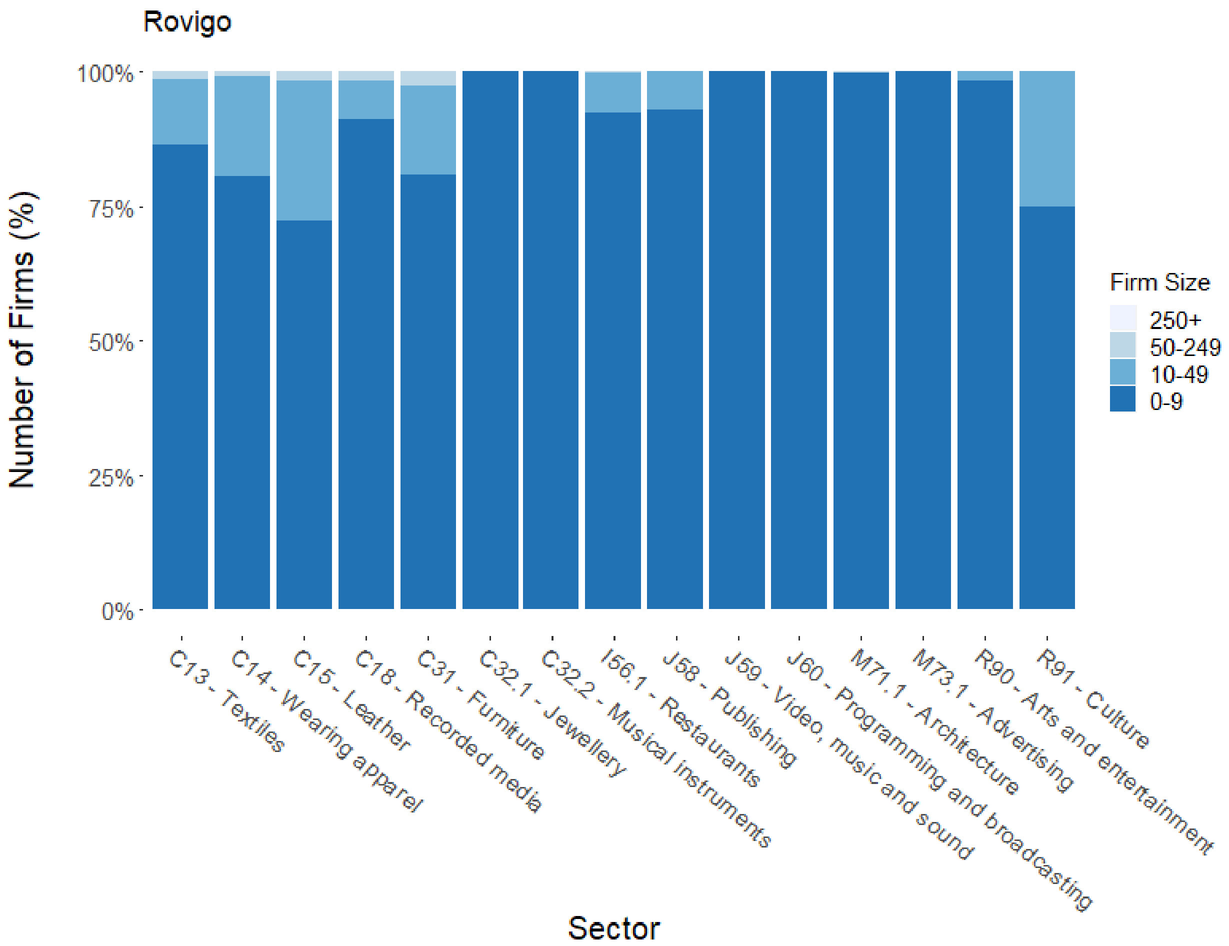
Source: ISTAT (2017 data)

The province of Padua presents the same pattern, with a less fragmented size distribution found in manufacturing sectors as compared to cultural sectors (Figure 2.18). However, in broadcasting as well as museums, library and archives, there is a significant share of medium-small firms. Unlike Belluno, Padua is one of the region's main productive hubs, and therefore the various sectors here are in general considerably more populated than in Belluno. It is however remarkable that, even in a main regional hub like Padua, the incidence of medium-sized firms is limited and that of large firms is almost inexistent.

Rovigo (Figure 2.19) is the other scarcely populated productive province of the region and has similar firm size distribution as that of Belluno.

However, a major difference is the much higher incidence of medium-small firms in the sector of museums, libraries and archives, probably due to the province's in-between position with respect to two arts and heritage cities of national relevance such as Padua on the North side, and Ferrara in the Emilia-Romagna region on the South side.

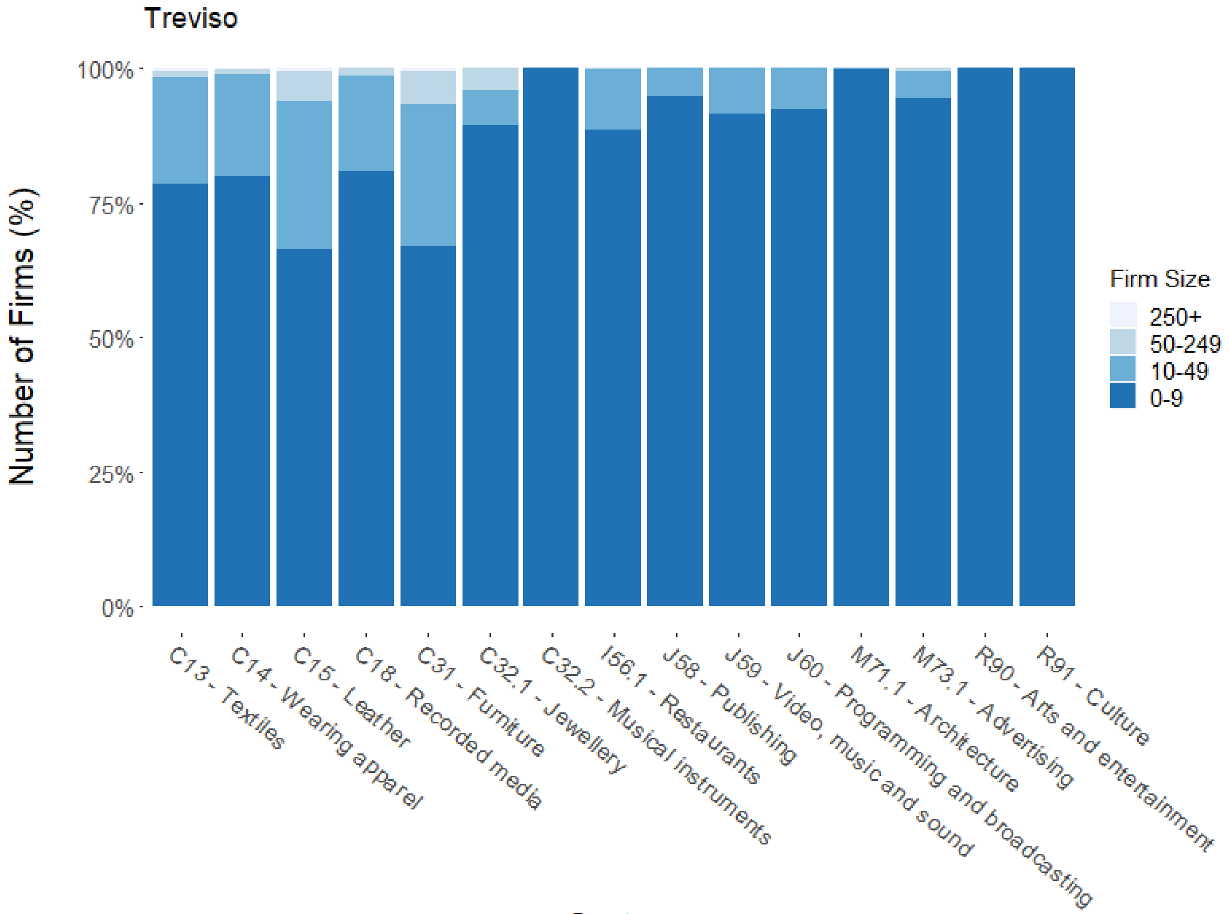
Figure 0.18. Distribution of firm size across cultural and creative sectors in the province of Rovigo



Note:
Source: ISTAT (2017 data)

The distribution for Treviso again shares the main features of the previously discussed provinces (Figure 2.20). Here, like in Belluno, the core cultural sectors are entirely made of very small firms, but there is a significant incidence of medium-small firms in cultural sectors such as content production, broadcasting, publishing and advertising. It has to be remarked that Treviso in one of the Veneto provinces with the most pronounced manufacturing specialization, with a corresponding significant incidence of medium-sized firms in manufacturing sectors, especially leather and furniture.

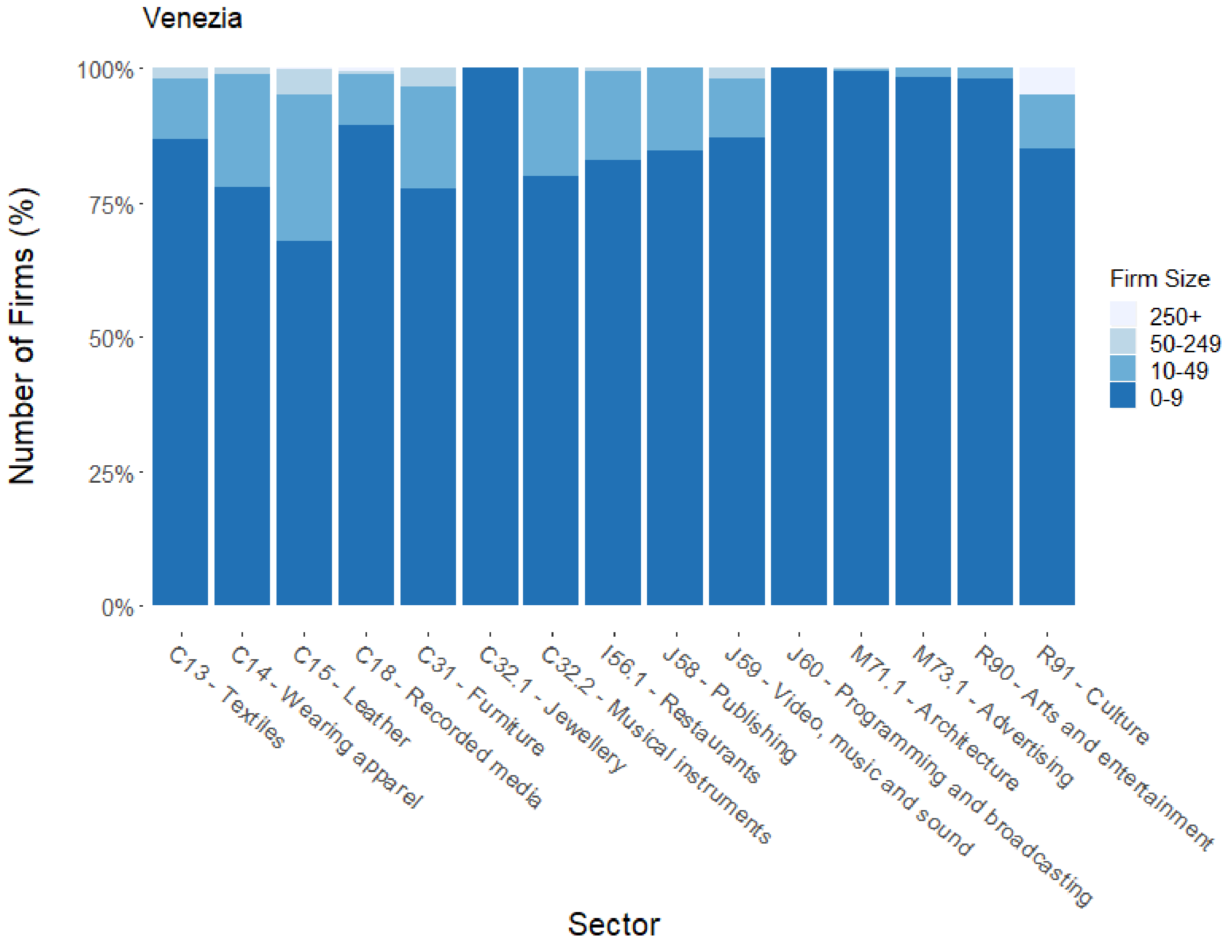
Figure 0.19. Distribution of firm size across cultural and creative sectors in the province of Treviso



Source: ISTAT (2017 data)

Unlike the more manufacturing-oriented provinces, in the case of Venice (Figure 2.21) there is a small incidence of medium-sized firms in the manufacturing sectors, with the partial exception of leather. However, in most of the creative sectors such as broadcasting, architectural design, advertising and events and entertainment there is an almost exclusive presence of very small firms. On the contrary, there is a significant incidence of medium and even large firms in the museums, libraries and archive sector, thanks to the presence of a number of large cultural institutions with a strong international profile. This distribution reflects the peculiarity of Venice, where the productive side of the creative economy is relatively underdeveloped if compared to the strength of the Venice brand in the global positioning in the cultural and creative fields.

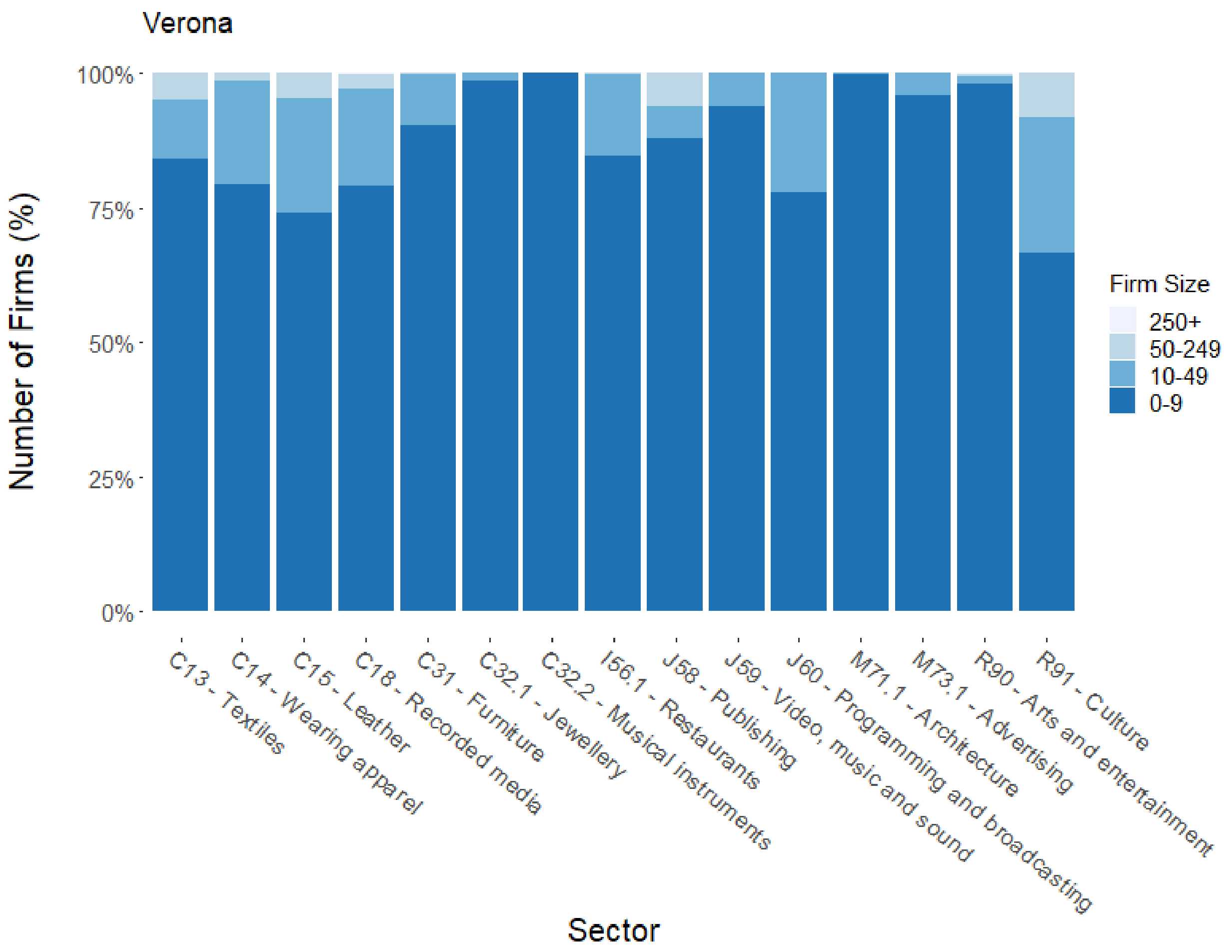
Figure 0.20. Distribution of firm size across cultural and creative sectors in the province of Venice



Source: ISTAT (2017 data)

In the case of Verona (Figure 2.22), the size distribution reflects more the typical pattern of provinces with an important manufacturing edge. A significant share of medium-small and medium-sized firms comprise the manufacturing sectors, but also a significant share of medium-sized firms in sectors such as publishing and museums, libraries and archives. Also worthy of note is the share of medium-small firms in the broadcasting sector. However, in the sector of events and entertainment where Verona has the highest location quotient in Italy, there is a strong predominance of small firms.

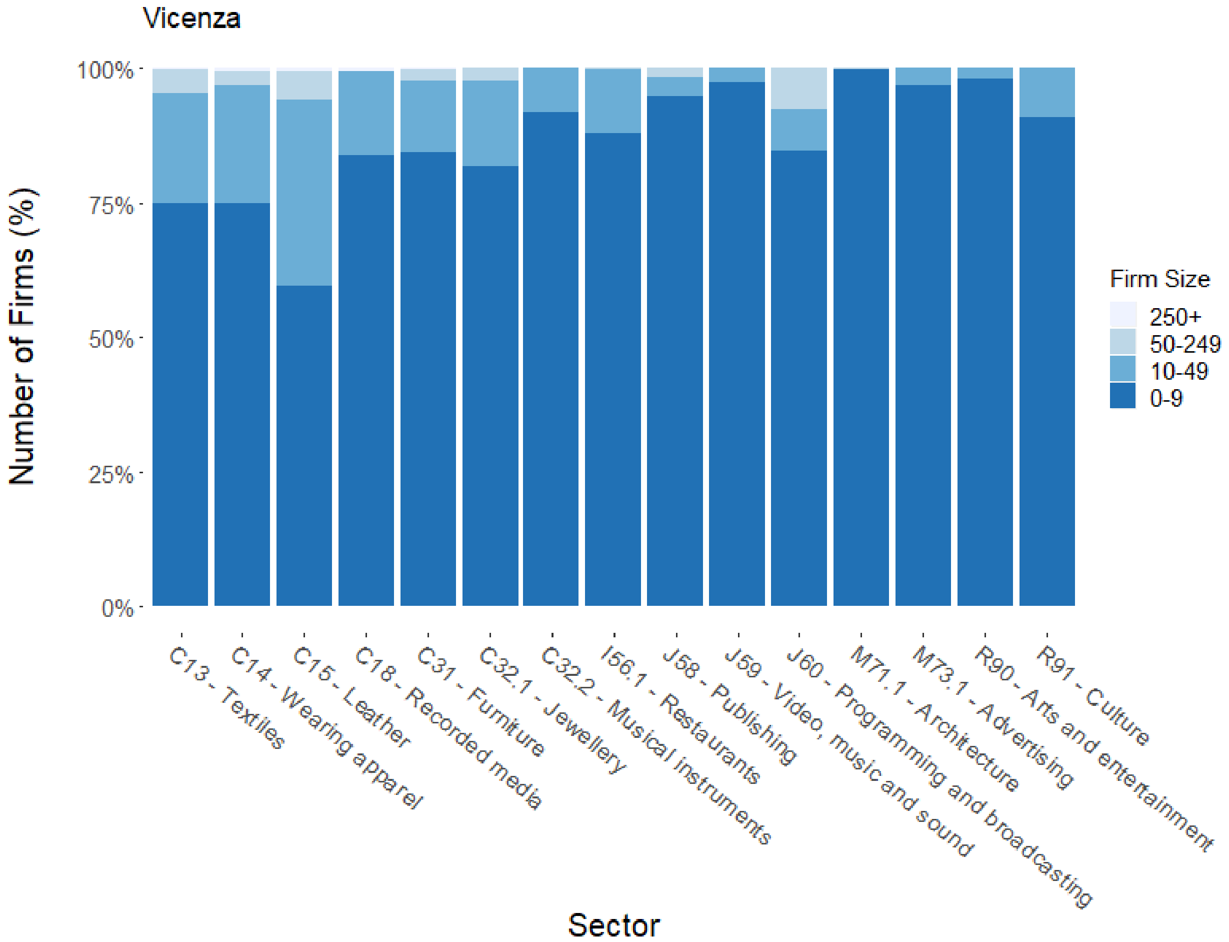
Figure 0.21. Distribution of firm size across cultural and creative sectors in the province of Verona



Source: ISTAT (2017 data)

The firm size distribution of Vicenza has features that are a mix between Verona and Treviso (Figure 2.23). Vicenza has a strong productive specialization in manufacturing sectors and in particular leather and jewelry, as clearly reflected in the incidence of medium and medium-small firms in such sectors. However, there is a very significant incidence of medium-sized firms also in a typical cultural sector such as broadcasting, as well as a***n equally*** significant incidence of medium-small firms in museums, libraries and archives. Vicenza appears therefore as a hybrid case between a manufacture-focused and a culture-focused province: a hub of cultural events and dissemination but less so of cultural production

Figure 0.22. Distribution of firm size across cultural and creative sectors in the province of Vicenza



Source: ISTAT (2017 data)

Venice is undoubtedly a global cultural hub, but its role in the regional economy of cultural and creative production is less dynamic that one might expect, and does not function as the international gateway for the region's cultural and creative economy., Its economy rather builds upon the city's capacity of attraction as a global tourism destination. Consequently, the city has become over time an extraordinary platform for cultural events of all kinds, often with a wide national and international appeal. As shown by Sbetti (2019), Venice stages more than 2 500 cultural events per year for a total of about 20 000 event days. This means that, on average, about 50 cultural events are held simultaneously every day (Table 2). However, the production of cultural events has been slowly decreasing over the past few years even before the pandemic, showing that a saturation threshold has probably been reached. Furthermore, the city of Venice currently faces serious sustainability threats as the pre-pandemic levels of daily presence largely exceeded any reasonable measure of the city's visitor carrying capacity, with serious consequences for both environmental and cultural heritage preservation.

Table 0.2. Recent trends in cultural event production in Venice

	Year			
	2018	**2017**	**2016**	**2015**
Sector				
Visual arts	362	462	315	456
Music	458	554	548	551
Theater	334	248	205	285
Dance	43	73	50	42
Film festivals	419	396	345	457
Venetian traditions	10	14	16	11
Sports and games	7	9	59	7
Conferences and conventions	987	1002	1083	1021
Fairs and markets	2	4	8	8
Total	**2622**	**2762**	**2629**	**2838**

Source: Sbetti (2019).

The total number of events is slowly declining, and the year-by-year changes are clearly related to the calendar of Venice Biennale events. The Biennale typically catalyzes a large number of satellite events around the main programming periods, especially for the Visual Arts and Cinema Biennials, and to a slightly lesser extent for the Architecture Biennale. This strong local specialization is not reflected in the location quotients relative to artistic, creative and entertainment activities, and this is likely due to classification criteria. The data shows Verona has a far higher level of relative concentration. However, despite the slowly declining trend, Venice has a stable platform for a cultural events economy of global importance.

How these trends will be affected by the new post-pandemic scenario remains to be seen. It is reasonable to imagine that the return to pre-pandemic tourism flows will require a considerable time (if ever). Meanwhile, it is likely that many local tourism-related businesses will be forced to close permanently. The crisis will likely make space for new activities, and will call for some innovative rethinking and repurposing of part of this local economy. Inscribing this phase of change into a wider vision of cultural and creative production at the regional scale and of how such a regional system could strengthen its competitive capacity would be not only highly advisable, but possibly crucial to build a new, equally solid model of culture-driven local development relative to the pre-pandemic model. Factoring in a more active and propositional role for cultural and creative production, taking into account the objective local assets that make Venice an ideal venue for cultural production and creativity, and potentially one of the most specialized and attractive in the world, is a significant opportunity.

Some examples of innovative crossover and repurposing of cultural and creative production in Veneto

In spite of these structural weaknesses, the region presents some interesting cases of innovative practices in cultural and creative fields. These examples are often difficult to classify but highly unique in their relation to elements of the local culture. This section briefly considers a few examples that could be useful in imagining possible future experimentations. In particular, such examples should not be regarded as full-fledged case studies but rather as interesting illustrations of some innovative principles that reflect an emerging, and still not yet fully recognized, potential for a new wave of cultural and creative specialization in Veneto.

Transforming organizational models and value chains: Bonotto's slow factory paradigm

Bonotto[2] is a company based in Molvena, a small town in the hills over Vicenza, specialized in high quality textiles, which operates in the BtoB market, mainly serving the high-end fashion industry. Today, Bonotto is positioned as one of the top players in its particular market niche, and has many of the most globally renowned fashion brands among its clients. It develops exclusive fabrics for such clients through a very careful selection of rare textile materials, whose production and collection always respects very stringent standards of environmental sustainability and absence of animal cruelty. In 2016, Bonotto was acquired by the Zegna group, one of Italy's top textile companies, leaving creative development in the hands of the original owners, the brothers Giovanni and Lorenzo Bonotto, who took over the company from their father Luigi.

Bonotto is clearly a success story of a company which rescued itself from the generalized crisis that hit hard the Italian textile sector. The full globalization of the textile markets and the flood of cheap textile products from the Far East had forced most Italian textile producers to close or to dramatically restructure themselves. The driver behind such restructuring has generally been an urge to keep production costs down mainly through the introduction of labor-saving innovation to minimize the effect of labor cost differentials. This has essentially amounted to the massive introduction of technologically sophisticated machinery and a big effort toward higher efficiency and productivity. In the case of Bonotto, a typical medium-small firm of the Veneto production geography analyzed above, the globalization shock represented a real threat to the future viability of the company.

[22] For more information, see http://bonotto.biz.

However, there was an element in the corporate history of Bonotto which has, retrospectively, quite unexpectedly made the difference—a passion for art. The firm has a long tradition of art collecting, and specifically of collecting of a very specialized and sophisticated form of contemporary art, that of the Fluxus movement, one of the most radical and innovative art movements of the 20th century. This singular characteristic was due to founder Luigi Bonotto's passion for art collecting, which led him to transform the factory premises into a haven of Fluxus artists. Thanks to their constant presence, the firm amassed a large collection of Fluxus artworks. It is today one of the biggest in the world, and such works are regularly featured as loans in virtually all Fluxus exhibitions around the world, including those in top museums and Biennials.

The deep immersion in this Fluxus-informed environment and imagination has deeply influenced Luigi's sons when they had to take over the company in the moment of deep crisis. Their choice for several important decisions has been quite counterintuitive and deeply original: they took up the perspective of a Fluxus artist in deciding the company's new strategic direction. This occurred in a moment when final closure was a real possibility. They actually decided to revolutionize the company's business model by going against the common trend taken by all competitors. Rather than speeding up production and going for higher efficiency, they decided to slow down the process and to buy old, antiquated machinery to experiment with a new philosophy of value, one where the human touch and the imperfection that was characteristic of obsolete technology could become the hallmark of the company's value proposition.

This led to the launch of what could be thought of as a brand new organizational paradigm: that of the "slow factory". At first, this choice perplexed company workers. However, once the actual experimentation started, including also exploring fancy ways of "creatively sabotaging" the old machines to create new, peculiar fabric through the interplay of craft and randomness (an entirely consequential Fluxus attitude), the employees quickly bought in to the idea. They enthusiastically started to experiment and to capitalize their own deep knowledge of the productive techniques in imagining new creative variations. This model has now become the pillar of the company's new growth cycle, which has been by far the most successful of the company history. It led to the acquisition by Zegna and has now firmly positioned Bonotto as a top global player in its niche.

Bonotto's example shows that even mature manufacturing sectors such as the textile one can be entirely rejuvenated and repositioned. They can do so in a much more profitable market niche through the smart, innovative deployment of cultural and creative dimensions. This is often most effective when they are deeply rooted in the entrepreneur's personal background and vision.

Lino's and Co: exploring new cultural crossovers between craftsmanship and digital culture

Lino's and Co[3] is a small but very dynamic company which currently has three branches in three different Italian cities: Verona, Genoa, and Udine. Lino's is many things as the same time. It is an online shop with a selected number of showcase corners in carefully chosen retail facilities for their paper-based home design products. It is also a marketing agency, with a strong specialization in innovative business models. It also possesses a small network of co-working spaces in the three company locations, hosting a number of events and courses focusing upon innovation and visual communication. Finally, it is a laboratory for typographic printing and book binding and has a digitally powered FabLab. This combination of functions might look entirely erratic at first sight, but in fact it encapsulates a powerful vision, namely the idea that

[3] For more information, see http://lisonandco.com.

today certain aspects of physical and digital manufacturing can combine in very powerful and unexpected ways, and all the more so the more this is staged in an environment which is open to the cross-fertilisation of many, diverse creative talents that propose different projects and initiatives. This is the reason why the company's production space is at the same time a co-working space and a FabLab: to facilitate exchange and sharing of ideas.

The company is clearly atypical, but at the same time simultaneously capitalizes on different specializations that, as we have seen above, are strongly represented in the Veneto territory. This includes manufacturing, and printmaking in particular, where Verona stands as the most specialized regional hub with national importance, as well as marketing and communication, which is today one of the main pillars of the emerging innovation trends in the local production geography even when assessed at an European scale. At the same time, Lino's is also a space for creative collaborations, which have been so far one of the weakest points of the regional productive model, where Veneto fares poorly as compared to European standards, and which are taken as one of the focal points of the company's business model. The root of the company's value proposition is an innovative combination of artisanal craftmanship and digital culture. Accordingly, their branches are neither retail shops nor factories, but a fascinating mix between the workshop and the boutique. Lino's and Co has already received the support of TIM Foundation, one of Italy's largest company foundations with a strong focus on innovation and on emerging startups.

Lino's and Co example shows us how cultural and creative production is today very much about the creative recombination of existing elements into new solutions and products. Such combinations build on the local assets and areas of excellence but also address some of the deeply-rooted cultural limitations through new models.

Lago: how design thinking revolutionizes traditional manufacture

Furniture making is one of the cornerstones of Veneto manufacturing and Lago is a furniture maker located in Villa del Conte, a small town in the upper province of Padua. It has radically taken up the challenge of revolutionizing the traditional world of Veneto furniture making through design thinking. Lago is a form of pilot innovation experiment that reflects the wider regional trend for a stronger positioning based on aesthetic and brand development elements. At the same time, Lago is a classic example of a deeply-rooted manufacturer in Veneto with a long family tradition, that dates back in its earliest forms to the nineteenth century. The strategic turn arrives in the mid-2000s when the fourth generation of family entrepreneurs takes over and seeks to expand the international market. The company's main tenets are an innovative, modular approach to the interior design of all kinds of human environment, an innovative approach to communication, and an early adoption of a strong digital presence. Today, Lago sells in more than 20 countries worldwide through more than 900 stores, several of which are single-brand. It not only provides high-end furniture, but if required also develops the whole interior design project to the end client.

High-end furniture design is a difficult and very competitive market. Lago has chosen to enter this market through close collaboration with internationally recognized and emerging designers, and with a clear option for innovation, by developing an original concept for their factory and headquarters, Lago Campus, a creative village which hosts together with the factory and the warehouse, a canteen and a garden. That is, the production premises have been embedded in a human-centric organizational environment which invites the visitor, be it a business client or partner, to filter the perception of the company's production process through an aesthetic lens. Lago's corporate communication emphasizes how the historical memory of their territory carried the traces of eminent artists such as Giotto, Palladio, Titian, Tiepolo, and Canova. In other words, it capitalizes upon the regional cultural heritage as a distinctive feature of the company's value proposition, which reinforces its design thinking orientation by embedding it in the noblest possible historical ascendancy. This orientation reflects the strong statement of the company's value philosophy in terms of human-centric design.

The company's modular approach to design is allowing the development of increasingly innovative interior design concepts and is winning international acclaim. Lago's example shows how a deep turn in the organizational culture and strategic vision of traditional manufacturing, coupled with a meaningful connection to Veneto's cultural assets, may quickly create international innovation leaders out of small family companies whose factory lies away from the main urban centers.

Grafiche Antiga: the value of heritage as a repository for innovation and creativity

Grafiche Antiga is a printing company located in Cornuda, a small town in the province of Treviso. The company is one of the region's biggest printing companies, and covers the full spectrum of printing services: pre-printing, printing, binding, logistics, digital print, as well as graphic design, shop-window design and installation, digital rendering, online communication, and now even augmented reality web applications. Grafiche Antiga serves a high-profile portfolio of national clients interested in high quality printing services, including top manufacturing, fashion, and design brands, as well as museums and communication agencies. This makes Grafiche Antiga a business leader in an important sector of cultural and creative production, but the truly distinguishing feature that makes of the company a reference example to study is the Tipoteca Italiana project.

Tipoteca Italiana is a museum of printing techniques and practices, hosted in a specifically purposed building in the company's headquarters area, and has gradually grown to become an internationally renowned institution in its field. Every year, guest designers and typographers are invited to give workshops and to develop print design projects making use of unique, original vintage machinery duly restored by the museum and kept perfectly functioning. The museum is therefore not just a refined repository of ancient machines and print fonts and molds, but a workshop which is continually enlivened by the creative presence of a culturally diverse selection of high-profile specialists from all over the world. In this way, Grafiche Antiga reaffirms the core spirit of Italian design, centered in aesthetic research and creative exchange. It makes the museum a key driver of the company's innovation policy.

What makes the project especially interesting in our context is the central role assigned to heritage as an active repository that constantly inspires new ideas and projects. The collection is regularly expanded through acquisition of new materials and items from all over the world. The museum also carries out an intense educational activity, with the continual presence of visiting schools and the consequent opportunity of introducing young students to the fascinating art of printmaking, with a potential vocational function. The museum also contains an auditorium with 150 seats and a restaurant, turning the factory into a social hub for the local and the regional cultural scene.

Grafiche Antiga's example shows how heritage should not be considered simply something to preserve, but can be brilliantly integrated into the innovation cycle of cultural and creative production. Such efforts have also opened the company to the possibility of providing educational services and becoming attractive for creative professionals from all over the world. The company cleverly exploits the amenity of the Veneto countryside and the appeal of regional food culture to foster social networks, which benefits both the neighboring territory and the company employees themselves. This case also illustrates how a traditional instance of a Veneto manufacturing firm can evolve into an innovation leader which develops and presides its own market niche.

Conclusions

The main features of Veneto’s regional geography of cultural and creative production

As far as cultural and creative production is concerned, in Veneto it tends to be strongly associated to cities, although to varying degrees according to sectors. Certain sectors, such as film, music and video production and broadcasting, are almost exclusively urban. In others, more related to manufacturing or local services such as wearing apparel, textiles and leather, or advertising and architectural design, the distribution is more widespread across the territory.

The two main cultural and creative production hubs at the regional scale are Verona and Padua. Verona is more specialized in events and entertainment and recorded media, and Padua leading in sectors like publishing, architectural design, film, music and video production, and broadcasting. For other specific sectors such as jewelry and leather goods, Vicenza is more specialised.

Leather goods are an example of the kind of sectors that present important overlaps with more traditional manufacturing productions. In this case, the spatial distribution tends to be less urban-centric and at times focused on minor urban centers. It is interesting to notice that Venice, which has a world-class concentration of top-tier cultural institutions, is relatively weak as to the concentration of cultural and creative production activities, thus substantially emerging as a global stage for showcasing creative excellence rather than as a production hub itself. The more peripheral provinces of Belluno and Rovigo are rather marginal in Veneto’s creative economy at the moment.

This picture reflects some of the well-known characteristics of Veneto’s economic geography. This includes the region’s multi-polar nature, organized around an axis of main centers rather than around a large, single regional hub. It also is characterized by the presence of some highly specialized hubs, of which one, Verona, presents also a top relative specialization at the national level in the field of events and entertainment. It also highlights the relative fragmentation of the regional cultural and creative ecosystem, which at the moment doesn’t enable Veneto to stand as a driving regional economy in the cultural and creative field if compared with other highly industrialized Italian regions such as Lombardy, Piedmont and Lazio.

The size distribution of firms is strongly characterized by the incidence of small firms in practically every sector. According to cases and to provinces there are instances of significant incidence of medium-small and medium-sized firms, whereas large firms are almost absent from the picture, confirming the typical characteristics of the Veneto family-centered entrepreneurial culture which privileges the small firm model where ambitious growth objectives are not a strategic priority.

Despite that, cultural and creative industries could be an important innovation driver in the current regional competitive model due to its focus on design, marketing and brand development. The almost complete prevalence of small and very small firms could be a challenge for a major innovation leap at the regional scale. The multi-polar character of the region’s cultural geography could be in principle a strength, building on the complementary dualism between Verona and Padua. However, the missing element is clearly Venice, which seems to have almost withdrawn from a productive orientation in such sectors, as a consequence of the increasing focus on tourism and related value chains, and in view of a positioning as a global stage for external productions rather than as a production hub in itself (Ferilli et al, 2015).

Given the standstill in tourism industry due to the pandemic crisis and the uncertainty on the timing and scale of its recovery, now is the opportunity for Venice to diversify towards an innovative investment in culture and creative production. Venice could capitalize on the city's global brand, which at the moment has been poorly exploited in this regard. Venice could also be a motor for other major regional hubs, which at the moment are not able to position themselves strongly on the national scene, let alone the European one. Another untapped opportunity is the possibility to attract global cultural and creative professionals as a consequence of the diffusion of teleworking in the post-pandemic scenario, with the freedom for workers to choose a place to live no longer on the basis of its closeness to the job, but now increasingly on the basis of amenity and quality of life – a dimension where Venice, and several parts of Veneto more generally, could be quite attractive by global standards.

Such a strategic reorientation would require a stronger public policy initiative, private sector business leadership and vision, and much closer collaboration between the two sectors. Without these changes, there seems to be little chance that Veneto is going to improve its current position as a moderate innovator on the European scale. Despite its strong identification with world-class heritage assets and its current orientation toward boosting the aesthetic and branding dimensions of its innovation model, the region seems at the moment unable to fully capitalize on this promising potential.

Opportunities for policy action

Cultural and creative production can become an important lever to help reboot the Veneto economy for the new growth cycle after the pandemic shock ends. The region has a rich and diversified geography of production, with a multipolar organization around a few main urban centers but also a significant presence of firms in smaller centers, especially for sectors with a strong manufacturing component. However, to fully capitalize on the upcoming opportunities related to the use of European recovery funds, the European cohesion policy funds and the new wave of European programmes, a few complementary issues need to be addressed.

Upgrading skills and new professions are needed for culture and creative sectors

A first issue is the region's relatively low level of educational qualification. The region still relies on its traditional model characterized by early transition into the job market, with a relatively low number of students reaching the tertiary education level, as compared with European standards and more specifically with socio-economically developed regions. As shown by the examples above, some of the most successful regional examples of strategic development all have to do, in various ways, with a clear turn toward a knowledge-intensive economy.

The region is making considerable investment in the strengthening of branding and marketing strategies and in the re-orientation toward a more refined design culture and product aesthetics. However, such an evolution inevitably requires the development of specialized professionals that cannot be acquired on the job but demands high quality specialist training in high profile communication and design schools. It also requires more generally a corporate culture orientated towards lifelong learning and openness to cultural, technological and social innovation. These attitudes are not entirely natural for the typical, family-owned and managed Veneto SME, but this leap forward is necessary to consistently pursue the innovation trajectory and the competitive strategy that the regional production system seems to be willing to embrace.

Venice can play a critical role in boosting cultural and creative production throughout Veneto

By diversifying Venice more towards cultural and creative production, the entire region's industrial structure would benefit. While the city is a major global hub for cultural events, the almost exclusive specialization in the pre-pandemic phase on the tourism and events economy and its relative weakness in the spheres of cultural and creative production is a missed opportunity for the city and the wider Veneto region. The multi-polar urban system mainly centered around Verona and Padua, with Venice itself, Vicenza and Treviso as second-tier cities and Belluno and Rovigo as third-tier ones would all benefit from such a strategy for Venice. It would help all cities better catalyze on the potential of a region with one of the finest, richest and more diverse cultural heritages of Italy, and with a high-quality artisanal and manufacturing tradition that, in its best examples, can quickly escalate to positions of international and even global excellence.

Venice is an attractor for artistic and creative talent, but such attraction, which is still mainly linked to the economy of cultural events, has not significantly spilled over so far to the productive cultural and creative sectors. Such a shift could ignite important innovative practices and help fuel the strategic repurposing of many local economies. At the same time, Venice could further specialize its attraction capacity as a city-wide residential hub for cultural and creative professionals and artists which could at least in part substitute for the lost flows of tourists, with an overall much better impact on the local environment, and with the potential of rejuvenating the city's decaying social fabric.

This new regional approach would require a coordinated effort from public and private players in shaping a region-wide cultural and creative ecosystem. Each of the main cities takes a specialized role that further reinforces the ongoing tendencies, and which helps minor urban areas to proceed with the transition to more competitive and innovative forms of creative production, following the lead of the most successful cases.

Veneto needs to boost its digital proficiency

At the moment, regional SMEs only make basic use of digital tools. As shown by Bustinza et al (2018), only 32% of Veneto firms from a sample of small- and medium-sized manufacturing enterprises had adopted digitally integrated solutions, and adoption was closely related to a firm's internal level of resources and competences, so that there is a gap between an advanced fringe of digital innovation leaders and a large number of small firms lagging behind. Still too little attention is paid to the digital innovation frontier and the deployment of such innovations in all the aspects of corporate organization, and in particular in such crucial areas as training, design, communication and branding, to name a few examples. Virtual and augmented reality, the internet of things, and artificial intelligence are going to revolutionize many areas of human living and activity in the next few years (Ödzemir and Hekim, 2018). While larger and more globalized regional companies are exploring these opportunities, it still remains a remote reality for so many SMEs which still operate in fields that are strongly exposed to the effect of this kind of innovations, and this is certainly true for all fields of cultural and creative production.

Seizing the moment while rebuilding post-COVID

Veneto has a clear potential to play its part in the cultural and creative markets of the future and change its development model during this window of opportunity in the post-COVID recovery. To tap into the opportunities, it is necessary to understand that this is the moment to open to change, to invest, and to experiment, and that even family companies need to embrace these new perspectives. Cultural and creative production may give a substantial contribution in this regard.

There are concerns about the environmental sustainability of the Veneto industrial model. This model has been very aggressive on the environment (Varotto and Visentin, 2008). The entire Po Valley, around which all Northern Italian regions including Veneto are located, is among the most polluted areas in Europe (ARPA, 2020). Moreover, industrial expansion has had a huge impact on the region's environment during the growth cycle started in the 1970s (Turri, 1995), leading to ecologically and socially threatening forms of urban sprawl (Fregolent and Vettoretto, 2017). It is significant that the recent bid to be the Italian Capital of Culture for 2022 of Pieve di Soligo, a small town in the province of Treviso sitting in one of the most heavily industrialized areas of the region, was mainly focused on the removal and reconversion of abandoned industrial facilities. It is seeking to rejuvenate the regional territory through a new interest in landscape and environmental protection as a basis for new economic value chains (Benincà, 2021). Cultural and creative production more generally play a major role as key signifiers of this renewed 'beautification' of the Veneto territory as an attractive investment, residential and tourism destination based on amenity and quality of life (Bitsani and Kavoura, 2012). Another telling example is the recent recognition of the Prosecco hills of Valdobbiadene and Conegliano, one of Europe's major wine areas, as UNESCO World Heritage Sites – an accolade that also represents a clear commitment toward promotion of environmental quality and landscape aesthetics. This is, therefore, a first driver of a possible post-pandemic recovery strategy for the region.

A second opportunity in the post-COVID rebuilding is related to the role of the digital as an overarching platform for a closer integration between education, cultural participation, corporate culture, and smart territorial governance. The relatively low educational levels of the region have been one of the major obstacles to the successful adaptation of some of the Veneto industrial districts to the new competitive scenario of the last two decades. However, one of the effects of the pandemic crisis has been an unprecedented push toward the development of new digitally mediated solutions that have crossed through all aspects of daily living, from education to access to public services, from access to museums (Raimo et al, 2021) and cultural facilities (Tammaro, 2020), to the development of new, flexible forms of smart teleworking (Loré and Frey, 2020). This unplanned change naturally paves the way to further developments that may enable the Veneto region to accelerate its transition toward a knowledge-intensive economy and society (Belussi, 1999). Even the relatively less innovative parts of the regional production system have learnt that flexibility and adaptability are key to survival. Given such exceptional conditions, they could be willing to embrace changes that would have not been regarded as viable in the "old normal' conditions."

Therefore, at the start of a new cycle of EU structural fund programming, the region could pick this opportunity to make the post-pandemic digital transition one of its key objectives of long-term structural change. Once again, cultural and creative production may play a key role in this transition, as the sector has traditionally been one where innovative technological solutions have been often developed and tested. As already seen in the case studies above, there are already interesting case studies in the region of manufacturing companies that have capitalized upon their strong interest in culture as a level for competitiveness-driven transformational change.

A third key issue is the evolution of the current polycentric territorial model (Governa and Salone, 2005). The absence of a large, dominating urban hub and the consequent polycentric structure leading to the competition between several main cities, each of which positioning itself as a little 'regional capital' of its own, has been certainly beneficial to some extent in terms of competitive drive, but has also prevented the emergence of a truly cohesive regional developmental model (Carboni and Orazi, 2021). The most apparent weakness is the failure of integration that causes Venice to function as a globally attractive hub for high-end cultural events which however does not function as a real gateway for the entire regional economy. The critical passage is moving from a local development model focused on manufacturing exports to a wider, and much more demanding, vision of a territory pursuing at the same time radical innovation, cultural cosmopolitanism, and inclusion. This transition is particularly urgent in view of the region's ongoing shift toward forms of innovation and competitiveness that build upon high-end marketing and branding.

The crisis of the traditional tourism industry in Venice provides an unprecedented (and possibly once-in-a-lifetime) window of possibility to rethink Venice as a global hub for cultural and creative production that is strongly integrated to the whole regional manufacturing system. The city can function as an attractor of talent and as an innovation accelerator that facilitates the transformation of the former model into an increasingly knowledge- and design-intensive regional development model. This is not to say that tourism should not play a major role in the new growth cycle for Venice and the whole region, but rather that tourism itself could move from traditional, environmentally impactful forms of massive physical overtourism (Seraphin, Sheeran and Pilato, 2018) to more sophisticated models which make an innovative use of digital technologies and establish important strategic complementarities with the cultural and creative sectors (Sacco, 2012). The rethinking of a local economy in light of COVID-19 impacts is an opportunity for a massive makeover. This requires a clear strategy, a compelling schedule of policy actions, and a joint commitment of all major regional stakeholders to tap into the opportunity through an unprecedented level of cooperation.

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