

Delocalization as a competitive strategy for small and medium enterprise

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Abstract

Since the nineties, but the phenomenon has intensified in the last decade, has increased the number of SMEs that choose to relocate their production - or specific phases of it - in countries with low labour costs, in order to maintain or strengthen their competitiveness on international markets. Many enterprises of industrial districts adopted a strategy of relocation, breaking up the system of relationship on which these particular and economic realities are based. These realities are characterized by SMEs sectorial specialized. The phenomenon, which affected most of the Italian industrial districts occurred with particular intensity in textile and clothing local production systems, causing relevant economic and employment effects. Most of the relocation processes were realized in the Eurasian continent with a high concentration of productive investments in Eastern Europe and China, became one of the main partner of Italian manufacturing districts.

This contribution - which is part of that wide field of research that investigates the effects of globalization on local production systems – proposes to analyze the process of internationalization of production of Italian industrial districts with particular reference to those involved in textiles and clothing; it wants to describe and interpret the consequences that this process determines, first, on the competitiveness of enterprises and, secondly, on the districts competitiveness. The hypothesis, in fact, is that the relocation has not be viewed *a priori* as a process of relational dismantling of districts, but as a necessary step in their process of reorganization and competitive refocusing. This process is a necessary condition to achieve a correct development.

Keywords: *Delocalization, competitive strategy, internationalization, place management.*

JEL: L22 – L26 – M11.

1. District configurations and processes of delocalization

Trying to avoid dangerous abstractions and theoretical modeling as reductive as misleading, industrial districts can be assimilated to local territorial systems in which there is a spatial concentration of small and medium enterprises with a sectorial specialization and high levels of production and territorial integration. The synergistic integration among the different components of the production space, and between them and the territory, in an interaction and reciprocity that makes them inextricably linked, is interpreted as the consequence of some spatial determinants which promote a systemic relationality. In fact a district, following a definition proposed by *Becattini*, but widely shared by the scientific community¹, would be nothing more but a "localized thickening of relations". If one accepts this definition, the district acquires a self-explanatory dimension, which disregards the types of production of the local economic system while focusing on the local rootedness of the system of production and on the relation model which constitutes its systemic "glue". Indeed, beyond the statutory provisions that refer to identifying principles such as the size of the system of production, the levels of spatial concentration and the specialization of the production systems, the identification of

delocalization phenomena of the system of production is increasingly attributed to the presence of high levels of relationality spatially contained. However, such an interpretation would tend to interpret the district as a closed territorial entity whose competitiveness lies merely on the self-restriction of its relational systems; not by chance *Rullani* defines the district as "a medium of knowledge and relationship that enables communication and operational coordination between parties located in the same context of a local experience."² " Actually, the internal relatedness represents indeed a structuring factor in the shaping dynamics of district economies, but it cannot explain alone the competitive districts' projection which goes beyond the local scale to relate to global networks in a bond of interaction and reciprocity. The strategic role of external relationality does not only derive from the global dimension of the markets targeted by the district economy, but also by the need to assimilate and revise innovation produced elsewhere. Technologies, information, market opportunities are assimilated by local context and translated into innovative solutions to support the economic development of the area. The territorialization of external spurs cannot be solved in a simple mechanism of passive adaptation to change factors, altering the production base in the light of threats / opportunities that emerge from the competitive global context, but is rather a far more complex process that requires the contribution of

¹ See, in particular, RULLANI, 1997 CONTI, 1993; DEMATTEIS, 2001

² RULLANI, 1997, p.67.

different actors as well as specific territorial conditions. The productive district thus constitutes a place of accumulation of specific (tacit or codified) knowledge which global networks are related in a relationship of reciprocity and interdependence in order to benefit from its expertise. The competitiveness of a manufacturing district lies in its ability to produce or re-produce knowledge, acquiring or consolidating expertise not otherwise reproducible in other local contexts.

The interaction with global networks is therefore a prerequisite for the development of district economies and for the formation and strengthening of their competitive advantages.

2. The internationalization as a competitive basis.

The industrial districts' specialization is almost always related to the presence of a localized competitive advantage which occurs when the local production system, under certain territorial assets (tangible or intangible), suitably combined, can produce a product or a related set of goods more efficiently and / or more effectively than in other geographical areas. The whole economy is thus dependent on the district ability to capture a share of the global demand that is able to saturate its combined supply. It follows that the higher the specialization of the local production system the larger must be its business horizons, so it is the presence of transnational segments of the demand to make profitable certain types of production specializations.

If internationalization means the level of penetration in international markets - usually measured by the ratio exports/sales - industrial districts all have a high average level of internationalization and, however, much higher than the one you find in other economic and spatial configurations or in relevant areas of specialization.

With reference to districts, you can see how the internationalization does not represent a strategic option in terms of system, but rather it constitutes a competitive prerequisite. The same could not be said for the level of internationalization downstream: even if we limit to the only transactional aspects, in the district economy the influence of foreign supplies on purchases is not very high, but it deepens, at least in part, on the very nature of districts and, more specifically, on some distinguishing features such as the self-containment of their supply relationships.

Actually, both the levels of internationalization downstream and upstream, depend on the specific configuration of the district and tend both to decrease in the presence of district systems in which subcontracting relationships and hierarchical or pyramidal structures prevail. Yet, all these considerations are actually misleading since they are based on an incorrect or at least reductive definition of the process of internationalization.

This process, in fact, if interpreted as opening up the local production system to the global market, cannot be measured in purely transactional terms.

The internationalization of a territorial system must be measured by the level of interaction (quantity, quality and type) with other nodes in the global system and by the degree of reciprocity of these relations. So, a regional system can be defined internationalized, if it maintains collaborative relationships with stable units belonging to other local systems which can be considered as network nodes of the supranational level.

If one accepts this definition, the level of internationalization of industrial districts tend to decline dramatically: there is statistically a small number of district firms included in transnational networks and there are even fewer firms that, relying on local organized and sufficiently stable networks, occupy prominent positions within global networks.

It has been rightly noted that a local system, in order to join a global network, must be able to offer an active contribution in the value chain through the networking of its competitive advantages.³

The role the system occupies within the network, however, depends on several factors, some of which are outside, although partially, from the considerations developed so far. Sometimes, for example, the importance of a company as part of a global network could result from the value of the geographic market in which it operates; not infrequently, in fact,

In order to enter international, particularly dynamic and complex markets companies opt for the direct acquisition of existing production structures so as to exploit their know-how trading.

Of course, the more important the local market, the more the local company will have a strategic role within the global network to which is related and, presumably, will enjoy a greater autonomy within it. Therefore, the firm's participation to the global network could also be due to factors related to the presence of specific competitive advantages related to the economic-territorial system in which it is based. In this case, the network, by co-opting inside the local company would be able to acquire, though indirectly, the competitive advantages that the area is able to express and reproduce.

This is what happens in innovative milieux or industrial districts where local companies are recording higher levels of active or passive internationalization as a result of the territorial competitive advantage they bring. The determinants of the internationalization process of a production system should therefore be sought for also outside companies

³ CAPINERI e TINACCI MOSSELLO, 1996

and, more specifically, in the regional competitiveness and in the value of the local market⁴.

A subject closely related to the considerations developed so far is that of the link between territorial internationalization and internationalization of production; it should be considered that the two phenomena are characterized by a high degree of reciprocity and that there cannot be internationalization of production where the territory is not open and dynamic.

Relocation: destructuring or reorganizing process

The relocation of production is often interpreted as a destructive process because it reduces the level of self-containment of transactional and collaborative relationships and has depressant effects on the employment dimension of the district. Actually, delocalization is almost always dictated by reasons of economic efficiency or technical efficiency⁵: in the first case, firms try to exploit the cost savings that can be obtained in certain geographical areas in order to contain production costs and maintain or increase their current levels of competitiveness; in the second case, however, they seek to acquire knowledge and skills not available within the district.⁶ In these cases, the relocation is proposed as the only possible strategy for firms to maintain their market position without changing the orientations of the production systems and the internal organization of the district.

The alternative is indeed to reposition their economy, by addressing the production to other markets (product and / or geographical diversification) or by directing

their selves to segments of the demand in which the system is able to acquire and consolidate a competitive advantage. Relocation also facilitates the process of competitive repositioning of local production systems as it allows them to release, through outsourcing, human and financial resources to develop new products, in this way keeping control of the specialization markets that can be the financial source of future investments.

It should be noted that the crisis of competitiveness of certain regional production systems, which are under pressure because of the competition of new and more aggressive competitors, is due to an original mistake of positioning and to a development strategy based more on the exploitation of a comparative advantage of production rather than on the research and on the consolidation of a territorial competitive advantage. It is said that relocation can only be stopped by promoting innovation, insofar as it can lead to an improvement of productivity and, thus, efficiency. But even this solution, although not formally wrong, denounces a widespread inability to understand what the really foundation of the district economies is.

It is not the innovation to establish a competitive advantage of certain particularly dynamic economic contexts, but the propensity to produce innovation and, the socio-organizational system that makes it possible and that enables it to turn into a competitive advantage locally rooted. To maintain or enhance the competitiveness of the local production system is therefore not sufficient to maintain high levels of innovation technology, but it is necessary to trigger a process of innovative reproduction of knowledge and act so as to make territory itself become a source of innovation.⁷ The relocation process may lead to a deterritorialization process when strategic activities are transferred out of the district: those activities on which the entire value chain depends; otherwise, even in the presence of delocalization processes, the district keeps the value chain control, strengthening its leadership role and focusing more on higher-margin business where the competitive advantage is produced and consolidated.

The same could not be said for those districts that, within the global networks, are configured as mere "performers" having developed, under an initial

⁴ In spite of what has usually led to believe a substantial portion of productive investments made in China or in Southeast Asia is addressed to the local market in view of the current or future opportunities that this offers. According to a recent survey conducted by Gattai - which we will explain in more details in the following pages - 52% of investments in this geographical region seeks to conquer the local market according to a strategy of internationalization that is defined precisely as market seeking. See V. Gattai, *China or Southeast Asia? History of Italian production relocation in Economics & Management*, 2005, No. 6, pp. 32-42.

⁵ The determinants of the relocation of production processes can indeed be divided into three distinct types on the basis of their allocation: country-specific (host market size, cost of inputs, tariff structure and tax system), industry-specific (technologies, skills, natural resources, economies of scale and agglomeration, mobility products, sector size), firm-specific skills (specific) investments.

⁶ The relocations are sometimes to be seen as forms of reverse spillover through which accessing to local sources of innovation or taking advantage of external economies due to the particular configuration of the production system - think of the corporations that invest in the Italian industrial districts.

⁷ The competitiveness of a region is, therefore, linked to the ability to actively participate "in the supply chain of knowledge," expressing ability to produce one's own knowledge or be able to apply and adapt the knowledge produced elsewhere. "See LAZZERONI, 2004, p. 11. The development of a competitive area and the consequent ability to establish reciprocal relationships with global networks, depends on the differentiated knowledge that is able to produce or increase in the short term. Rullani See, 1994, LAZZERONI, 2004, Storper 1997.

comparative advantage, a specialized production not internally well articulated⁸

In this case, in fact, it will not be the stage of the chain where one can exploit the cost advantages arising from an extra-territorial location to be relocated, but the industry as a whole, as it is fully represented in each production unit.

Deterritorializing effects occur indeed even in cases of selective delocalization, but these are side effects linked to territorial identity; the ones that occur on the level of collective perception are emblematic in this respect. Off shoring implemented by companies that normally constitute the strategic summit of the district system, is interpreted by local community and, even more, by local entrepreneurs as a result of the crisis of the district's competitiveness and not as a reorganization of the chains on an international scale; consequently, mutual trust⁹ and trust in the model of development falls and processes of property and affection disinvestment with hoarding of wealth can trigger.

We must consider that both in public opinion and in a non-marginal part of the scientific thinking, the view according to which the relocation process has a negative influence on the local economy is quite widespread, especially in terms of unemployment as it would represent a substantial loss of workplaces. Actually, studies conducted so far, both in Italy and abroad, show that companies that implement delocalizing processes achieve better performances than the only national firms, and also tend to grow in employment and economic terms. Moreover, a study conducted by the European Union showed that only 7.5% out of the loss of jobs in 2009 were due to off shoring and outsourcing initiatives.

The process of relocation should not be demonized, but rather analyzed and understood in order to identify intervention strategies that make them compatible with

the development of local economies from which these processes start, so as they can contribute to the competitive growth of their related systems of production and not to their crisis.

An excellent field of study concerning the actual relocation processes and the interventions that can be envisaged to protect the level of competitiveness of local production systems is represented by the industrial districts specialized in textile and clothing, both for the economic and employment value that these local contexts play in the national economy, and for the dimension the relocation processes took inside them.

3. *The "weight" of relocation in the evolution of the Italian textile districts*

According to the last census survey, the industrial clusters specialized in textile and clothing are 45, i.e. slightly less than 30% out of all district configurations that constitute the backbone of the whole national economy. They show a similar weight in economic and employment terms, considering that about 64 thousand production units and 537 thousand workers belong to it, respectively equal to 30.1% out of the production units operating in the whole of the Italian industrial districts and 27.8% out of the employment relating to them. Overall, the textile-clothing district is mainly localized in the regions of Lombardia, Marche, Piemonte, Puglia, Toscana, Veneto and Emilia Romagna, while the textile sector by itself has a higher concentration level and, with the exception of Toscana, is present only in the Northern Italy regions. The analysis of statistical data shows that the textile-clothing districts include 7.5% out of district municipalities, 6.1% out of population, 10.6% out of employees in local units and 10.7% out of employees in the local manufacturing units.

Within the districts, the average number of firms is 5,000 units (with a peak of 8,000 in the case of the textile-clothing district of Prato) and the average number of employees per company is around 5 units. With reference to the local units, however, their average number per district is about 7,000 falling down to 1,385 units if we consider only the manufacturing units. The number of local units in the most important districts such as Biella, Como and Prato is respectively 17,452, 37,724 and 31,252. On average, in each unit 4 people are employed and 8 in local manufacturing units. In fact, the Italian textile districts are actually very heterogeneous, characterized by strong elements of specific peculiarities such as those related to their production and internal structure: this is why it is perhaps necessary to deepen briefly the distinctive features that distinguish them.

Biella is specialized in the wool and is one of the most qualified wool districts in the world that has managed to combine quality and fineness of its products with technological innovations. In addition to the combed

⁸ VALDANI and ADAMS, 1998

⁹ Mutual trust is one of the main components of social capital that is now regarded as one of the strategic resources for local development. See C. Trigilia, *Attrattività land and capital*, in N. BELLINI (ed.), *The Territorial Marketing*, Ed Guerini, Milano, 2000, pp. 42-50. The presence of high social capital, however, is necessary but not sufficient for the starting or strengthening of processes of endogenous and self-centered development. Social capital can be a resource for development only if it is recognized and activated by local community. Its recognition actually implies the promotion and strengthening of its key components, such as a sense of belonging, mutual trust, values and ethical behaviors. It should be also noted that the leverage effect of local social capital can take place only in the presence of adequate territorial allocation of human financial and technological resources. More correctly, between these territorial resources and social capital a relationship of reciprocity and interaction is triggered off.

and carded yarn for weaving and knitting (cashmere, alpaca, mohair), companies also produce cotton, polyester, acrylic and nylon. The district has more than 2,000 factories, 28,000 employees and a turnover of 6,500 billion, with an export share of around 30%. The decentralization of production and the specialization of the stages of production generated a phenomenon of "factory widespread on the whole territory" with the result that there is no municipality that does not register the presence of industrial activities.

When speaking of Prato, we mean one of the largest concentrations of textile activities in Europe which affects a large part of Tuscany. In fact, the Prato textile district comprises three provinces (Prato, Florence and Florence) and 12 municipalities. The district area covers 700 sq km, where about 300,000 people live. The textile firms are 8,000 and cover all stages of production, from spinning to finishing of textiles. The productive organization is divided among many small and medium-sized independent companies, each specialized in a single activity (spinning, dyeing, twisting, warping, weaving, finishing). Currently about 44,000 people are employed in the sector, representing 30% out of the local population and 60 % out of people employed in industry .

The system is characterized by a high proportion of micro enterprises (1-9 employees) that, since the early 80s, are involved in processing different raw materials (flax, wool, cotton). Companies in Prato are specialized in producing yarn for knitting, textiles for clothing and for the garment industry. The products of the district are intended for 15% for high-fashion and luxury *prêt-à-porter* goods such as Gucci, Prada and Ferragamo all rooted in the territory, 50% for clothing and knitting firms, while the remaining 35% is sold on the lower market segments. A strong feature of the Prato system relies on its industrial relations with the international markets, which allow the district to have relations with more than 100 countries and to export more than 50% out of total production.

The district of Como is specialized in the manufacture of silk yarn and other textile fibers. 80% of Italian production of silk is concentrated in Como. Currently, the Como textile-clothing sector consists of 2,750 companies, (mostly of small and medium size). The district is characterized by a strong fragmentation of the production chain: a large number of small businesses operating in a single stage of the transformation process of the textile. The production process is in fact composed of the following steps: winding, unwinding, twisting, warping, weaving, design, glossy, photo-engraving, printing, dyeing, finishing, packaging. The organizational structure of the district is characterized by the presence of two leading historic leaders in the sector, Mantero and Ratti, followed by a small number of medium-sized emerging companies and a myriad of small and micro enterprises. In this localized production system, the

hierarchical relationships with the leading company are very strong. High level productive integrations are rare, and this is also due to the low driving force of the larger companies that do not show interest in playing a leadership role within the sector with its 85,731 inhabitants. The main markets of the sector are Germany (24%), France and the United States (14%), Britain (9%) and Japan (7%).

The district of Carpi includes five municipalities located in the north-western province of Modena: Carpi, Cavezzo, Concordia, Novi and San Possidonio. The district is characterized by a marked specialization in the knitwear sectors (1,600 factories and 6,400 employees) and in the clothing sector (850 companies and 4750 employees), with a total turnover of around 2.2 trillion, and an export quota equal to 25%. Carpi is the heart of a manufacturing hub for its high index of specialization (55.3% of employees in the provincial textile-clothing sector work there, and 57.7% of work units are located there), with an average incidence of people working in the textile and clothing manufacturing industry equal to 60.9%. Other than for the quantitative dimension of its production (estimated around 6.5% of national turnover of the industry), the activities of the textile and clothing district of Carpi are notable for the originality of its organizational configurations, the complex system of independent small and micro enterprises, and for the relationship between firms producing finished products and bespoke suppliers. The manufacturing industry in general is particularly relevant in the local production system in, with respect to which, however, since World War II, the textile and clothing sector has played a major role. The district of Carpi is distinguished also by the presence of a network of service centers in the textile and clothing sector such as the Laboratorio-Analisi Tessile (Textile Analysis Laboratory), Citer, Carpi Formazione and the Consorzium Ithax. Asse Sempione is located in Varese. The strong territorial vocation in the textile and clothing sector has led to the establishment of an industrial district that stretches in the Southern province of Varese and in some municipalities of the province of Milan. In total, the cotton textile district "Asse del Sempione" includes 50 municipalities and 3,900 companies mainly dedicated to textile finishing, knitting, and embroidery and weaving.

The characteristic of the textile districts just mentioned is the high system integration that occurs within the productive sector and between it and other territorial components. They are extremely complex territorial and economic configurations and characterized by the overlap of networks ruled by very different relational models. But it is precisely this relational richness that in a future perspective, as we will explain further on,

may become a competitive edge for the governance of international chains of value¹⁰.

The cycle of the textile production within the Italian districts is generally full, including the stage of fiber production, weaving and even the packaging. The larger companies generally control all stages of production or at least the strategic ones, ranging from fabric design to its marketing; smaller companies, by contrast, are usually specialized in a specific phase of the cycle or, even, in particular phases of certain production subsystems. All these companies work together to achieve the same output of the supply chain and can virtually be placed along the same value chain. Therefore, in the districts, we can distinguish different types of enterprises which are assigned specific roles within the production chain: from spinneret chief, larger companies that also follow all stages of the process, or the so-called "subcontractors" who only carry out certain stages through specific sub-supply contracts. In the case of Como then there are small firms which supply a significant share of the production phases representing an important link between producers and third market. Total production is generally intended for the packaging industry - part of which operates within the same local context - for the knitting enterprises or for large retail chains which produce under their own brands. The traditional organization of SMEs based on specialization and on the organization of sub-contracting supplies, although being a flexible structure, however, is the breaking point because it is no longer able to cope with the current competitive emergency characterized by an intensification of international competition and innovation in the global market, especially given the increasing competitive pressure from emerging countries with low labor costs¹¹ and the growing

¹⁰ Referring to the classification proposed by Humphrey and Schmitz there are three models of governance for the relationships among different economic actors belonging to the same value chain: the network, that is based on cooperation among similar and complementary enterprises within the same value chain, the semi-hierarchy, when there is a leader that coordinates and regulates the behavior of other economic entities that operate independent of the value chain; the hierarchy, that on the contrary occurs when the value chain involves companies from different places but all coordinated by a single strategic actor. See J. And H. HUMPHREY SCHMITZ, Governance and upgrading: linking industrial clusters and global value chain research, in "IDS Working Paper, n. 120, Institute of Development Studies, Brighton, 2003.

¹¹ Italy is rapidly losing competitiveness compared to countries such as China and Colombia: this is the verdict of the IMD ranking, Institute for Management Development, Geneva, which gives marks to all countries for competitiveness each year. Italy has dropped to seventeenth place in 2010, while all the major industrialized countries

importance that innovation plays in the development of new fibers and new high-tech fabrics¹². To follow and even more to anticipate the product and process innovations is more and more complex and unsustainable, in both financial and organizational terms, for small and medium district enterprises whose traditional competitive factors (economies of agglomeration, know-how, facilities and entrepreneurial atmosphere) may thus become obsolete. In addition, we must consider that the challenges of the global market to the textile industry do not come only from the development of new materials, but are also related to the production and sales cycle of new products, renewed in order to gain the necessary expansion of the export market to achieve sufficient economies of scale able to support the complex dynamics of innovation. It is thus clear from the above stated that the problem of the Italian textile industry cannot be identified in the only threat from the Far East, but problems are structural and related to the great technological change that is happening throughout the sector, more and more characterized by a strong increase in robotics and application of new technologies in the production and distribution process which concurred to increase the productivity of the most innovative companies, causing at the same time the expulsion of a significant number of employees and the crisis of marginal firms¹³. The textile-clothing sector, anchored to an

are in the top ten. China is undoubtedly the main competitor of Italy, but not the only one, Taiwan, South Korea are threatening the world Italian leadership in the fashion market.

¹² Logically, fibers have a central role, especially in some specific applications, designed to give innovative services which develop today, in the global production, with an accelerated dynamic. Today, in fact, multi-functional textiles, are designed and performed in which extraordinary performances have to coexist and live together in, such as water-proofing and air permeability, as well as strong resistance combined with softness and other technical-functional features.

¹³ It is increasingly dizzying the turnover developing year by year thanks to the technologies offered by the virtual world. In fact, according to some researches carried out by ICE, it comes out that in 2008 online purchases of materials for the textile and leather sector rose from 34.5 to 110.5 millions Euros. That is significant and emblematic of the growing success of initiatives aimed at exploiting the network according to a business to business logic also in the sector concerned. Despite the development of virtual communities, however, the on-line fashion business has not yet reached significant levels of development in Italy, above all, because of the special features of the product. This does not mean that the expansion of this market is not feasible. The studies which analysed the e-fashion market show, in fact, a positive growth trend. In 2011 the turnover of the

organizational model which is mainly based on district and which largely determined the district's competitive luck and success in international markets, has demonstrated over time its capacity to modernize and adapt to rapid and substantial market changes, by constantly redesigning its production configuration. Nevertheless, it has now to face a much more complex and articulated challenge, which requires a comprehensive strategy that goes beyond the horizons of the district boundaries in order to relate to a supranational scale.

clothing on-line sale doubled over the previous year, reaching a value of 76 million Euros. This is not comparable to the levels of traditional retail, but e-commerce "business-to-consumer" in Italy has only recently passed the stage of embryonic growth. We can, however, assume that e-fashion will grow in Italy, though not immediately. Italian fashion companies have not demonstrated in fact until now a strong willingness to invest in Internet and digital technologies, but many experts of the sector, confirm the need for the fashion industry to adopt new technologies to face the stalemate the industry began in 2005. Electronic commerce is the perfect solution to regain lost positions, acting as a distribution channel in addition to the other traditional channels and, as such, leading to changes in the way of doing business driving companies towards a wider and more complex process, which affects the whole firm organization. The introduction of the Internet and new technology makes it possible an evolution of the company towards a network model in which all functions are closely interrelated. In this way, fashion companies can reduce the time-to-market, improve their efficiency and increase their competitiveness in a market where quickness is now the rule of survival. The business model that is gaining momentum in the e-fashion market of is the so-called multi-channel model, i.e., a business logic based on the integration and synergy of traditional and online channels. The reason why we believe that "multichannel" is the right strategy is that customer is more and more demanding: he expects to find the best product or service at the lowest price. The opportunity to choose the most convenient channel is therefore a key differentiation element for a fashion company. The presence of multiple points of contact with the product and the company can develop a relationship of trust with the client, encouraging the take-off of the on-line sales. In Italy the state of online retail in the clothing sector is still under development. The main companies are on-line since 2010 and are getting encouraging results not only in terms of balance income, but also in terms of profits. Future developments expected in the on-line fashion market in Italy will be aimed at the strengthening of the integration of on-line and off-line channels, which could evolve in the chance to return products purchased online in physical stores, to order online products and pick them off-line, to take advantage of cross promotions between different channels. At the same time, companies can improve their management tools for e-commerce by increasing the valuable services offered to their customers, such as the customization of contents and promotions and the system of product recommendation.

This difficult challenge is to be faced through the implementation of substantial investments in some key areas such as innovation of production processes, redefining the distribution strategy, technical research to improve the product quality and adapt it to the changing needs of the demand¹⁴ or, again, the pursuit of the objective of organizational and management efficiency aimed at containing production costs. These objectives must be pursued with a network perspective trying to create synergy and cooperative ties with other production entities belonging to the same territorial context or to other areas of production, taking advantage of any competitive advantage that these ones, by virtue of its location, can add in the network.

So in face of the competitive crisis of the Italian textile / clothing district, firms have accelerated their process of internationalization by expanding their networks of production and business collaboration, beyond national boundaries, and thus exploiting the benefits of a transnational level value chain. This phenomenon, that is the collaborative networks of production, which does not involve only large companies but also small and medium size business districtual enterprises, which show moreover, by virtue of their relational experiences gained in their local contexts, a remarkable capacity to manage these transnational networks.¹⁵

4. The crisis of the Italian textile industry and the competitive reaction of the districts

¹⁴ The need for innovation, then, is not focused exclusively on the structural system of the district, but also gets the new dynamics of global trade which are based on the consumer's ever-changing transformations. Businesses, therefore, must innovate metabolizing the most current concept based on consumer's identity and on product design. These are factors that affect, from the demand side, the methods of use and enjoyment, while from the supply side, they prepare the innovative path that any competitive company must take to preserve and expand its international market share. The interventions occurred within the Italian district thus revolve around the formation of new design professionals who are able to reinterpret local culture in a modern way, following the evolution of the international demand.

¹⁵ The belief that only medium and large firms could have the human and financial resources to make productive investments in regions far away as China or the Indian subcontinent, turned out to be completely wrong, as also demonstrated by numerous empirical research. See Caminotto, Mutinelli Mariotti, 1999; V. Gattai 2005; FRISO and Gattai, 2005. According to a survey conducted in the first half of this decade, just mostly small and medium-sized enterprises implement a strategy of relocating production to China, while in South-East Asia productive investments made by medium-large firms' prevail (see GATTAI, 2005, p. 33).

As we have already stressed, the textile / clothing sector, though with strong internal differences that rewarded the most innovative, better organized sectors, has lived a strong competitive crisis since the early nineties, accompanied by processes of production reorganization that resulted in a reduction of the districts involved as well as of their relative competitive weight with a significant impact on the number of production units and on employment levels. Among the reorganization processes the delocalization of production and a tendency to the re-centering of the sectors - that had already characterized the evolution of several industrial sectors since the early nineties - took a crucial role.¹⁶

But before exploring these aspects, it is appropriate to dwell briefly on the crisis of competitiveness in the textile sector which appears to have worsened considerably in recent years.

As it is clearly evident from the table, in the space of twenty years the textile sector alone has seen its production units more than halved and reduced by more than 42% of total employment.

A decline that did not involve the whole manufacturing sector, where the contraction of production units reached the threshold of 5% and the reduction of the total number of employees remained around 15%. It seems worth noting that, unlike what happened in the manufacturing sector, the average size of production units, due to the related changes described above, increased from 7.2 people in 1991 to 9.7 in 2011, as evidence of that competitive pressure led to a reorganization of production in the textile sector with the exit of smaller firms which were poorly equipped for global competition.

The last few years, as evidenced by the annual surveys conducted by Confindustria, confirmed this evolutionary trend, characterized by further reductions of the size of production and employment level in the sector. Specialization, main feature of the Italian district production system, is today an element of rigidity which could curb the competitive development. The system, anchored on niche productions, is isolated from the flows of innovative communication and habits that characterize the international markets, sometimes too standardized, but also more exciting and competitive than the Italian manufacturing standards.

This process of delocalization of Italian businesses abroad should be read in this perspective: already in the nineties they intended to complete their business internationalization with a gradual internationalization of production, delocalizing the production system

abroad.¹⁷ Productive investments abroad, as we have already stressed, does not only characterize the great industries of the textile-clothing sector, but also small and medium-sized companies which, as already said, can rely on their subcontracting experiences acquired within the district configurations they belong to¹⁸. The domestic industry, therefore, while in possession of solid know-how, sophisticated design methods and especially a recognizable brand in the global market, tends to internationalize to compete in the global market, taking advantage of information flows, technological innovation and business and employment conditions that characterize the other world countries. In reality, the reasons underlying the internationalization of the textile companies are linked to both 'opportunities to exploit some advantages in production (supply oriented), such as lower labor costs, and to the need to conquer new markets (market oriented) that cannot be effectively covered by domestic production. The relocation, in line with what happens to other manufacturing sectors, seems to follow three distinct typologies¹⁹:

¹⁷ A famous example is that of Timisoara, the Romanian industrial district specialized in the textile sector and in leather processing, where over 1,200 Italian companies set up, but it is not the only one: in Tunisia a new industrial district, "Carthago Fashion City" is emerging, which aims at reproducing the whole textile industry chain.

¹⁸ The fact that many specialized industrial districts on the made in Italy have by long undertaken a process of internationalization of production through a foreign expansion of subcontracting networks and their participation in extended systems of division of labor, is now proven by numerous economic studies. See G. CHORUS and M. FOX, The role of small and medium-sized enterprises in the integration of international production, special issue of Small Business / Small Business, 2003, n. 2, S. Micelli, M. Chiarvesio, E. MARY'S, strategies internazionali in business district in the regional economy and society, n. 1, 2003, pp. 108-133.

¹⁹ As regards the choices made in recent years by the Italian district there is a quantitative survey conducted in 2011 on 899 enterprises in 29 industrial districts operating in the textile-clothing and the Mechanics. The companies surveyed showed a clear opening to the relocation of production, realized through FDI, but also by extending the supply chain (outsourcing). In fact 32.4% out of the companies have been internationalized through partnerships with foreign suppliers, 64.2% have generic relations of production abroad, 21.6% used subcontracting and 16% out of companies have created more than one production companies abroad. If we analyze the geographic dimension within which the process of internationalization of the Italian district take place, we find a different geographic classification depending on the production strategies adopted. Strategic relations of supply are located mostly in Western Europe 67.3%, although China with 22% and Eastern Europe are emerging. Processing/production strategies, however, are located in countries with emerging

¹⁶ See Censis Weakness size: small condense and strengthen the medium-sized enterprises, Nole and reviews, 2004.

- strategic alliances, i.e., joint ventures, license transfer;
- independent sub-contractors from which one buys products designed by the purchaser firm;
- FDI, i.e. the creation anew of a company abroad.

This analytical summary highlights how district firms, despite the presence of a strong process of internationalization of production, are still deeply rooted in their territorial context, which allows the made in Italy to metabolize the strategies of virtual networks and global economies, without losing the originality of the Italian culture.

The development of these virtual networks is related to the implementation and development of ICT in SMEs. Actually, multinationals, through ICT, created a virtual contexts "as forums for the cognitive exchange and for innovation development, both internally and involving interlocutors across the supply chain" (CHIARVESIO e CORÒ, 2003, p. 140).

The diffusion of ICT in SMEs becomes a priority and is therefore unavoidable for a strategy that intends to increase the degree of internationalization of these production companies, but it is also necessary to stimulate the supply to create technology solutions tailored to the needs of SMEs and, at the same time, provide insights into the complex mechanisms of communication and governance of the networks of small and medium enterprises.

5. *The "long distance district ": the meaning of a conceptual hyperbole*

From what widely argued, in general terms, about "districtualisation", as well as from the conclusions made with reference to the specific textile sector, there is no doubt that the formula "long distance district ", assumed in this brief article, represents, say, a true conceptual hyperbole.

In fact, the two branches that make up the track, cultural homogeneity and collaborative propensities, on the one hand, specific productive features of the sector and process technologies, on the other hand, for the very fact of setting up configurations without a specific territoriality, do not close a circle virtuous, but, just as in the equation where $Y = k / X$, go away, on their own, towards the infinite.

Since the apparent conclusion that it is just "distance", thus acting as the constant "k" in the equation, of the hyperbola hinders the collaborative meeting in the spatial area where the district would operate.

And yet, just going over an ideal route in which the evolution of cooperation among independent people,

economies: the Balkans with 43.6% and Eastern Europe with 30.8%, while FDI are used in Western and Eastern Europe

animated by a culture rooted in the territory, supported by experiences of original tradition in production, evolves in terms of progressive district construction around well-defined specifications of the production sector, cannot but reflect on the presence of an immaterial factor, , purely cultural in nature, which is the pivot around which the development and success of the collaboration giving rise to 'the district experience of different companies in the same compartment production unravels.

This factor, which clearly derives from an irreplaceable element of the context, seems to identify itself with that ability to continuously innovate reproducing new forms and new expressive balances in that set of complex cultural sensitivities that summarizes not only a particular taste, but a much more articulated and varied representation of the refined sense of aesthetics a population, a culture are part of, and, as such, they become original interpreters. The cultural stratification in which tradition and innovation result is a clear expression of the specificities of the local context in which the process takes place generating activities that take different forms, which go from human resources training, to industrial prototypes design, from production lines planning, to the analysis of emerging trends and tastes, from the segmentation in the cluster of potential customers, to planning of commercial distribution.

Made in Italy, in essence, is perhaps the most geographic among the innovative factors of quality production, as it comes from a special form of cultural individuality on which a successful industrial model is based on, an intangible special category for competitive advantage which ensures the dominance of the market in many areas of production, where the weight of innovation and aesthetics elements have higher incidence.

Its geographical characteristics are embedded in the layers of local cultures, in the contamination of different aesthetic, artistic and professional sensitivities, though complementary, individual expression of a specific local context which constantly revises their contents, offering them back in always innovative and original forms of expression.

The value of conception, which consists, in fact, in intangible expressive attributes, , in order to become a product however needs many other complementary factors, the research of the guidelines that drive the emerging trends, from a technological point of view concerning the research on a particular materials and on most advanced lines in the production process, but also very high quality levels, whose indispensable success factors are represented by the specific professional skills of human resources to be used in the production process.

In this way, there is a form of complexity that puts virtual factors in the same system, and pressure of particular formal sensitivities, with professional and

organizational factors, governed by specific managerial propensities skills and by appropriate training competences.

Unlike what happens in the case of a segmentation of the production that responds to competitive factors defined by limited competition in terms of price, the transfer of production focused on property compositions, aimed at optimizing know-how of each partner, allows structured organizational forms, with a different weight of design and production factors, determining also a stable outlook for the market. They are very consistent prospects in line with the prevailing views that, as one can notice in the competitive global arena, give priority to the financial model rather than to the production one.

In the case of the textile sector, where both the roots of Chinese culture, and the ones of the Italian culture bring with them interesting common experiences and significant opportunities for synergies within specific competitive "milieu", the hypothesis of a more stable and intelligent cooperation, abandoning the contingent experience of a pure and simple decentralization of production, it is not only an interesting but also a concrete and realistic perspective.

The rapid rise of the Chinese product, in order to consolidate the success of the industrial new deal to which it built its initial fortune and go beyond the contingent, in an attempt to capture increasing market share abroad, particularly in the more refined and developed regional areas, has the vital need to be able to count on the continuous availability of more and more appealing forms of product innovation as well as on aggressive trade policies.

The future of the manufacturing sector, will inevitably differentiate the mass component, with a low-profile quality and without any kind of original styling which does not require special claims for brand, from an increasingly organized and distinct high profile component, in which quality, style and brand will represent the winning combination on the most prosperous and advanced markets.

Conclusions

The contribution that the Italian textile district may bring to the Chinese textile district, in essence, consists precisely in the networking of all those attributes of

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elegance, taste and refinement of expressive styles that are drawn from a long experience and in that care for details that the innovative experimentation, applied to an ancient and wise culture of the textile sector, is able to transfer.

In addition, the policy of recognizable "brand" acquisition, which the Chinese system is increasingly pursuing recurrently, finds major opportunities in the integration with the established Italian brands, which undoubtedly fosters market penetration, especially in higher segments of demand.

Integration, in essence, is expressed in terms that recall, after all, similar integration processes within the same district context, so that the distance factor, and the ensuing territorial segmentation, lose their importance, precisely because conditions of effective virtual contiguity can be enhanced, supported by several similarities in terms of culture and traditions of production.

The cooperative atmosphere, which is one of the critical factors of the district organization, is once again the main binder production of the long-distance production agreement, while the best performances allowed by the integration among the different local systems amplify market opportunities in favor of the agreements that the business initiatives based on the relationship of innovative production between Italy and China.

The conceptual hyperbole inherent in the 'unorthodox' concept of the "district at a distance", to which we have referred above, therefore, might seem less unreasonable in the reality of possible and desirable concrete configurations. The "new" economic geography, built on yet unexplored paradigms, amplified by unimaginable opportunities until a few years ago, suggests approaches which take into account the interactions among different geopolitical realities: the dynamics that affect the textile sector represent only one of the evolutionary potential configurations the globalized world suggests, while many other trials of composition will gradually emerge concurring to design more and more complex and articulated. Scenarios

This "new geoeconomy", is still to a large extent to be discovered and interpreted.

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