

SMEs and the regionalization of global value chains: an untold story from the Italian industrial districts

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Abstract

Purpose – Within the theoretical framework of global value chains (GVCs), much importance has been given to industrial districts (IDs) and their role as localized manufacturing systems. The regionalization of GVC has opened new questions on the location of manufacturing activities and the potential consequences at the ID level. The reshoring phenomenon challenges internationalization processes, changing the configuration in trade dynamics for IDs. This paper aims to investigate which are the main internationalization patterns followed by district small and medium enterprises (SMEs) under the perspective of the regionalization of GVCs. This will help both practitioners and policymakers to better understand internationalization trajectories aimed at sustaining the economic development of district firms and territories.

Design/methodology/approach – The analysis has been conducted using a survey carried out on 210 ID SMEs in the furniture, mechanics and fashion industries located in Veneto and Friuli Venezia Giulia regions, in northeastern Italy. Moreover, data released from the Italian Customs Agency have been merged to detect the trends of interviewed firms' internationalization between 2005 and 2019.

Findings – The results highlight how the geography of internationalization has changed over time, in particular following the regionalization of the GVCs. There are also differences among the industry specializations of IDs. This could be attributable to the strategy pursued by each firm to control the competition both in the domestic market and abroad, also in relation to GVC lead firms' location strategies.

Originality/value – This paper applies new data on the analysis of ID SMEs related to international transactions over a long period of time. In doing this, this paper adds new insights to the GVC literature and future policies to be implemented to foster the participation of district firms in the global scenario.

Keywords Italy, Regionalization, Global value chain, Industrial districts, Value added

Paper type Research paper



1. Introduction

The internationalization patterns of industrial district (ID) firms represent a hot topic for scholars and practitioners, who extensively explored the evolutionary dynamics of such model of economic development in the past years (Becattini *et al.*, 2009). As local manufacturing systems, IDs have been particularly interested in catching the opportunities of international relocation of manufacturing activities connected to the entrance in the economic scenario of low-cost countries; at the same time, they have been interested in expanding their markets internationally as suppliers within global value chains (GVCs).

Following the smile curve of value creation in GVC (Mudambi, 2008), the reorganization of value chains at the international level implies that highly skilled and more complex production phases are developed in advanced economies, whereas labor-intensive and low skill production is located in emerging countries, taking the advantage of scale economies and low labor costs. The GVC framework (Ponte *et al.*, 2019) is particularly useful in explaining the organization and the evolution of economic activities worldwide, by describing the role of governance of lead firms in driving and coordinating globally dispersed fragmented activities. According to such view, IDs benefit from entering into GVCs based on multiple paths. On the one hand, linking to global lead firms allows ID firms to expand their markets and benefit from a faster process of market growth. On the other hand, GVCs foster upgrading processes (Gereffi, 2019), where suppliers modify their positions in the value chains by controlling more value-added activities, thanks to learning from global buyers. GVCs shape a firm's production process allowing for process and product upgrading dynamics not only in developing but also in advanced economies (De Marchi *et al.*, 2020). Such dynamics have been particularly stressed in relation to not only ID firms located in low-cost countries and emerging economies (Giuliani *et al.*, 2005) but also ID firms in advanced countries can strengthen their international competitiveness based on those linkages (Bettiol *et al.*, 2018b; Giuliani and Rabellotti, 2018).

In recent years, we assist to new dynamics in trade movements and international division of labor: within the phenomenon of reshoring, some companies are considering domestic or nearer production locations to lower trade costs and raise the quality and the level of innovation of the manufactured goods (Bailey and De Propris, 2014; Fratocchi *et al.*, 2016). In the same vein, GVC studies highlight the increasing process of regionalization (Chen and De Lombaerde, 2019) where one can observe a reduction in the scale of trade flows and the production and market more closely and geographically related.

How are ID firms positioned according to such internationalization processes? IDs as local manufacturing systems have been described as particularly important contexts for new knowledge creation based on the capacity to leverage local skills combined with manufacturing processes to sustain innovation. Such distinctive district features have justified ID participation in GVC (Hervás-Oliver *et al.*, 2018; De Marchi *et al.*, 2017). Several studies report the role of IDs according to their location in advanced or lagging economies (Giuliani and Rabellotti, 2017); others emphasize the positive effects on the ID's life cycle by being included in a GVC (Belussi *et al.*, 2018). Nevertheless, to the best of our knowledge, none of these previous studies have been able to analyze the participation of IDs in GVCs by considering the import–export dynamics over a long period of time.

This paper intends to fill this gap in the literature by investigating the trade movements from 2005 to 2019 of ID small and medium enterprises (SMEs) located in northeastern Italy, an area characterized by a high concentration of IDs specialized in the Made in Italy sectors (Bettiol *et al.*, 2018a). Using a very rich database from the Italian Customs Agency (Agenzia Dogane e Monopoli), we analyze 293,074 transactions for 210 ID firms belonging to the furniture, mechanics and fashion districts. For each firm, data show each single trade

transaction in euro and volume and the origin and destination country, both for inflow and outflow movements. Having this fine-grain information helps us detect the interconnections among Italian firms and different European and non-European countries, by highlighting the fragmentation of the production process according to upstream and downstream linkages. Moreover, a 15-year analysis puts in evidence how the internationalization patterns of ID SMEs have changed over time, contributing also to understanding whether the economic crisis (Accetturo and Giunta, 2018) affects the production and localization strategies of the selected ID firms.

The rest of the paper is organized as follows: Section 2 reviews the literature supporting GVC and the internationalization patterns of ID firms; Section 3 describes the data and presents descriptive statistics, whereas Section 4 sets out the main findings and Section 5 discusses the drivers associated with the GVC and the internationalization patterns. Finally, Section 6 concludes and summarizes the key findings and highlights the main policy implications and future research avenues.

2. Theoretical framework

2.1 *Industrial districts in global value chains: upgrading and competitiveness*

The internationalization processes characterizing IDs have been largely investigated under different perspectives (De Marchi *et al.*, 2018; De Marchi and Grandinetti, 2014; Chiarvesio *et al.*, 2010). We are particularly interested in considering the relationship between the local (district) and international (global) levels in terms of value generation and value capture rooted in the interplay between manufacturing and innovation dynamics. Many scholars have stressed the learning opportunities related to the international expansion of ID firms in terms of international markets. Through the interaction with global buyers, ID firms can grasp relevant knowledge related to product or market requests, hence shaping innovation processes (De Marchi *et al.*, 2017). This process can be interpreted under the concept of upgrading provided by the GVC literature, where suppliers benefit from inputs and knowledge provided by international customers (lead firms) and can improve their manufacturing processes and product innovation (Schmitz and Knorringa, 2000). More advanced upgrading dynamics refer to functional upgrading, which characterizes suppliers investing in higher value-added activities in one or both the extremes of the value chain – design or branding (Humphrey and Schmitz, 2002). In this perspective, suppliers modify their position within GVCs through their role of original design manufacturer or original brand manufacturer, capturing more value with respect to the lead firms and impacting also on the form of governance implemented at the GVC level (Gereffi *et al.*, 2005).

Studies on the process of upgrading suggest that there is an increasingly active role of suppliers in shaping upgrading dynamics within GVCs (De Marchi and di Maria, 2019; Sako and Zylberberg, 2017). From this perspective, because of the main manufacturing characteristics of ID firms, those firms can sustain innovation processes by leveraging on the manufacturing competencies and specialized knowledge related to products and processes acquired over time and through embeddedness in the ID socioeconomic context. In this view, the strong interplay between manufacturing competencies and innovation practices occurring in ID firms – and at the ID level – may favor idea generation and new solution developments as well as also breakthrough innovations (Molina Morales *et al.*, 2021). In particular, the role of ID lead firms has been emphasized through the perspective of the gatekeeper (Morrison, 2008) where firms in the final stage of the ID value chain internationalize to reach different markets and are able to grasp global knowledge flows and transfer it into the ID system.

In addition to this process of “inside-out”, specifically because of the fruitful knowledge context characterizing the district socioeconomic territory (Camuffo and Grandinetti, 2011), the relationship between ID firms and GVCs can occur also through the direct investment of lead firms as multinational enterprises at the district level (“outside-in”). This relationship can be interpreted within the GVC framework as particularly relevant because it suggests how the manufacturing competencies available at the ID level can be leveraged on a wider scale via the sourcing strategies of global lead firms. More important, local investments of global lead firms – through foreign direct investments (FDI) or local sourcing – can boost the growth of IDs at the initial phases of the lifecycle, but they can also benefit from the ID specialized product and production knowledge for product innovation and value creation to be replicated at a global scale (Belussi *et al.*, 2018).

2.2 Global value chains, industrial districts and regionalization

Linkages between ID firms and GVCs are not only downstream but also involve upstream internationalization strategies. Giuliani and Rabelotti (2018) applied the smiling curve to explain IDs’ participation to GVCs by identifying three models: one of them highlights the negative consequences for IDs of maintaining a cost-driven competition, which is particularly problematic to implement for IDs located in high-cost countries. The other two models instead stress how IDs can be successful when they generate value through manufacturing. In particular, global lead firms may include ID firms in their value chains because of production capabilities which drive ID firms to manage efficiently and effectively production and product development. In this sense, the smiling curve suggests a higher value in manufacturing specifically because of the advanced competencies and specific processes implemented at the district level. From this point of view, manufacturing activities can be maintained at the national (high-cost) level because innovation generated by manufacturing may overcome the constraints of being located in a high-cost country (Ketokivi *et al.*, 2017).

Moreover, similarly to global lead firms, also ID firms – and specifically those companies that have been characterized by their location in the final stages of GVC – have started to internationalize also upstream, extending the manufacturing systems beyond the local scene. Those open networks have been able to transform the ID structure through investments in global suppliers and FDIs, in addition to local production or in substitution to them (Chiarvesio *et al.*, 2010). Those trends have strengthened IDs participation in GVCs, by often reducing the manufacturing basis at the ID level and investing instead in international sourcing and FDIs (Crestanello and Tattara, 2011). Such expansion of the ID supply chain has been progressively adopted also by firms in the intermediate stages of the ID value chains (Furlan *et al.*, 2007). In this perspective, the boundaries of the ID expand internationally, generating material and economic flows in terms of inputs and output in relation to the geographical scale connected to the upstream and downstream ID firms’ internationalization strategies.

Against these trends, more recently the process of globalization has been interested in a dynamic of change – even more stressed by the recent pandemic scenario – where the advantages of a global organization of economic activities have been put under discussion (Strange, 2020). Recent studies on GVC have highlighted an inverse process of regionalization (Chen and De Lombaerde, 2019), in which production and market processes are more interconnected, also to exploit the potential synergies between innovation and manufacturing activities. Reshoring phenomena (Bailey *et al.*, 2018; Capik, 2017) have been considered within the redefinition of ID presence in globalization. According to GVC scholars, lead firms have started to shorten their GVC and leverage on multiple “local-for-

local” strategies, by operating in different geographical areas coupling production and markets (Di Maria *et al.*, 2012). In this scenario, ID firms may follow global lead firms, connected to business continuity and reliability of the district. Some scholars have already started to study the regionalization in terms of reshoring phenomenon, where supply chains move back from distant (usually low cost) countries domestically or in a near country (nearshoring). Grandinetti and Tabacco (2015) consider such phenomenon in terms of innovation and possibility to exploit again physical proximity to innovate and compete at a wider scale. Other studies suggest that the regionalization of GVCs related to the district level should consider the presence of suppliers and, more in general, of industrial commons (Pisano and Shih, 2012) to be successful. In fact, it might not be always a sustainable strategy for firms to reshore their manufacturing activities or, more in general, to locate production in high-cost countries (Bettiol *et al.*, 2019a, 2019b; Bailey and De Propris, 2014). These latter are particularly affected by a progressive reduction in the availability of skills and infrastructures related to past globalization trends.

Among these two possible ID SMEs’ choices – investing in manufacturing at the ID level coupled with upgrading dynamics because of regionalization or maintaining upstream internationalization – scholars are not fully able to explain the main dynamics for IDs. In fact, there is still a knowledge gap in the analysis of the ID dynamics over time, to see whether ID firms’ strategies have been modified over the decades also considering the challenging times (i.e. the 2008 economic crisis). The potentiality of innovation tightly coupled with manufacturing processes that characterize IDs may suggest that ID firms could follow a path of regionalization strategies in line with GVC trends. On the one hand, this may be driven by global lead firms representing buyers for ID firms who ask for manufacturing located close to (advanced) markets. On the other hand, this strategy of investment at the local (ID and regional) level may become an ID firm’s competitive strategy to exploit location advantages (i.e. Made in factor) to reply to market requests (Fratocchi *et al.*, 2016). Our research aims at giving a contribution to fill this gap by analyzing ID SMEs’ import–export transactions over 15 years and encompassing two global crises, with the aim of understanding the evolution of supply chains and IDs SMEs within GVCs.

3. Data and methodology

To explore the relationship between northeastern Italy ID firms and the geography of their value chains, we started from an *ad hoc* survey carried out in 2016 (Bettiol *et al.*, 2017). The survey counts 259 firms [1] belonging to the IDs of furniture in Treviso, Pordenone and Manzano (Udine); mechanics in Vicenza and Pordenone; sport system in Montebelluna; shoes in Riviera del Brenta; and eyewear in Belluno. These IDs were selected because they represent an excellence of the Italian *Made in Italy* (Fortis, 2005) and have been recognized as leading sectors for export from Italy to the rest of the world (Burlina and Di Maria, 2020; Intesa San Paolo, 2019).

Among the questions presented in the survey, firms were asked if they had any relationship with the foreign market, and if so, which relationship was it (exports, FDI) with the target country. In total, 216 companies out of 259 positively replied to this answer, and among these only 19 interviewed firms performed both exports and FDI. Of this sample, we considered only those firms which are SMEs, that is with less than 250 employees and a turnover in 2016 less than €43m, following the definition of the European Commission (2020). We obtained a sample of 210 SMEs that participated in international markets, and we merged the data collected through the survey with the data extracted by the Italian Customs Agency database, which reports for each firm the number and the value in euros of each transaction that the firm put in place from 2005 to 2019. The transactions

comprehend both import and export flows. Moreover, for each transaction, the database also collects information about the destination country for the exports and the origin country for the imports. Thus, it is possible to analyze how the geography of firms' value chain has changed over time. The final number of observations is about 293,074. [Table 1](#) reports the total number of transactions for each sector from 2005 to 2019, with the relative percentage on the overall import and exports of the analyzed sample, and the percentage of the three macroindustries (furniture, mechanics and fashion). In [Table 2](#) we describe the main firms' characteristics, like the size, turnover and main sources of competitive advantage.

The data we can observe in [Table 1](#) are in line with the report by [Intesa San Paolo \(2019\)](#) on the distribution of imports and exports among the districts under investigation: exports are higher in numbers (and in monetary values [[2](#)]) than imports and the firms of the mechanic districts in Vicenza and Pordenone register the highest percentages of traded goods with respect to the total number of transactions.

For the purpose of the paper, we conducted a qualitative analysis, to better investigate which are the internationalization patterns based on trade flows that took place over the period 2005–2016. For each sector related to ID specialization, we analyze the number of transactions and the origin or target country, and from these we derive if the traditional structure of the GVC ([Gereffi, 2011](#)) has been maintained over time.

4. Results

To better investigate the evolutionary trends of the internationalization patterns followed by SMEs, we report the values of imports and exports, both directed to Europe and the rest of the world, in [Figure 1](#). In particular, [Figure 1](#) highlights the furniture district in Treviso (a), the mechanics district in Pordenone (b) and the fashion district in Riviera del Brenta (c), whereas the other districts are presented in [Figure A1](#) in the [Appendix \[3\]](#).

By comparing the three sectors, first, it appears that the firms in the mechanics industry are the only ones that show greater export values to the world rather than to Europe [and this holds true also for the mechanics in Vicenza, see [Figure A1\(c\)](#) in the [Appendix](#)]. Second, all the three districts have been severely hit by the great economic crisis that characterizes the years 2008–2009 and 2011–2013. However, while the furniture district in Treviso [as well as in Udine and Pordenone, [Figure A1\(a\)](#) and [A1\(b\)](#)] and the eyewear and sport system [[Figure A1\(d\)](#) and [A1\(e\)](#), respectively] faced an impressive recovery, increasing the values of export in Europe even more than the precrisis period, this was not the case of mechanics (both in Pordenone and in Vicenza) and the fashion in Riviera del Brenta. In this last case, it is possible to note that SMEs, despite a slow recovery after the crisis, showed a dramatic collapse in exports after 2017, because of the oligopoly of multinationals that acquired the majority of SMEs. In fact, in the Riviera del Brenta district, several luxury conglomerates

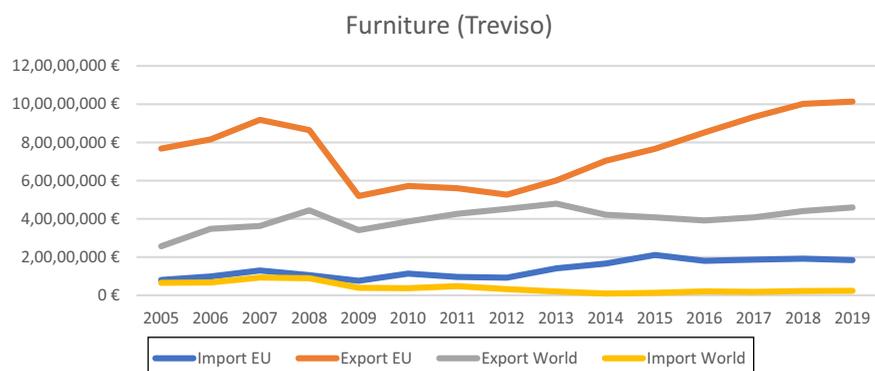
Industrial district	Import	(%)	% by industry	Export	(%)	% by industry
Furniture (Treviso)	4,729	9.97	32.5	36,474	14.85	39
Chair (Udine)	8,971	18.91		39,590	16.12	
Furniture (Pordenone)	1,718	3.62		19,814	8.07	
Mechanics (Vicenza)	10,399	21.91	65.2	44,967	18.31	35.5
Mechanics (Pordenone)	20,562	43.33		42,235	17.20	
Sport System (Montebelluna)	8,270	17.43	23.3	43,342	17.65	25.5
Eyewear (Belluno)	1,195	2.52		3,691	1.50	
Shoes (Riviera del Brenta)	1,609	3.39		15,508	6.31	
Total	47,453	100.00	100.0	245,621	100.00	100

Table 1.
Number of transactions for each sector (total number for the entire period 2005–2019)

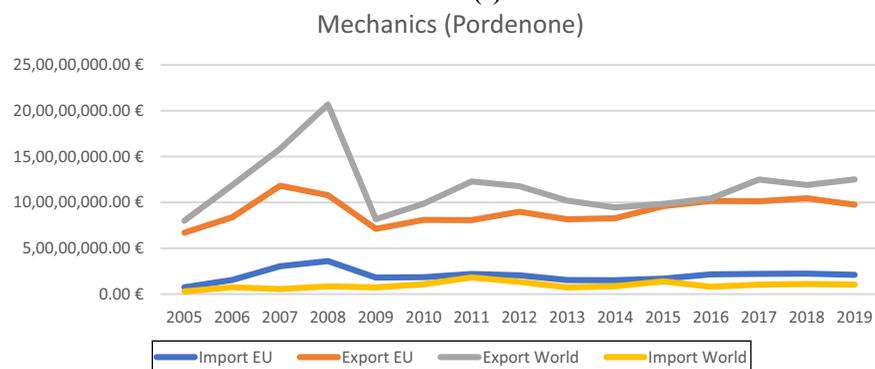
Table 2.
Sample
characteristics

	Furniture (Treviso)	Chair (Udine)	Furniture (Pordenone)	Mechanics (Vicenza)	Mechanics (Pordenone)	Sport System (Montebelluna)	Eyewear (Belluno)	Shoes (Kiviera del Brenta)	Total*
<i>Main activity</i>									
Finished products (B2C)	22 (66.7%)	17 (77.3%)	15 (65.2%)	22 (59.4%)	14 (27.4%)	21 (72.4%)	10 (62.5%)	14 (50%)	124 (59%)
Finished products or components (B2B)	11 (33.3%)	5 (22.7%)	8 (24.8%)	15 (40.6%)	37 (74.6%)	8 (27.6%)	6 (37.5%)	14 (50%)	86 (41%)
<i>Average total employees (2015)</i>	56	23	36	50	44	27	22	25	41
<i>Average turnover (2015)</i>	10.67	4.48	6.52	13.69	7.75	4.94	2.42	4.11	8.1
<i>Business group</i>	9 (27.3%)	4 (18.2%)	4 (17.4%)	9 (24.3%)	13 (25.5%)	2 (6.9%)	3 (18.75%)	—	42 (20%)
<i>First driver of competitive advantage</i>	14 (42.4%)	8 (36.4%)	7 (30.4%)	11 (29.7%)	15 (29.4%)	9 (31%)	12 (75%)	11 (39.3%)	75 (35.7%)
<i>Firm's positioning (price/ quality)</i>	2 (6%)	3 (13.6%)	3 (13%)	12 (32.4%)	18 (35.3%)	9 (31%)	1 (6.2%)	2 (7%)	48 (22.8%)
<i>Internal functions and brand investment</i>	17 (51.5%)	13 (59%)	12 (62.2%)	23 (62.2%)	29 (56.9%)	19 (65.5%)	8 (50%)	11 (39.3%)	119 (55.7%)
	9 (27.3%)	4 (18.2%)	7 (30.4%)	10 (27%)	11 (21.6%)	5 (17.2%)	6 (37.5%)	7 (25%)	51 (24.3%)
	12 (36.4%)	10 (45.5%)	7 (30.4%)	17 (46%)	18 (35.3%)	11 (38%)	2 (12.5%)	5 (17.9%)	79 (37.6%)
	16 (48.5%)	10 (45.5%)	10 (43.5%)	25 (67.6%)	23 (45.1%)	15 (51.7%)	10 (62.5%)	17 (60.7%)	114 (54.3%)
	11 (33.3%)	14 (63.6%)	6 (26%)	15 (40.5%)	20 (39.2%)	20 (69%)	8 (50%)	16 (57.1%)	104 (49.5%)

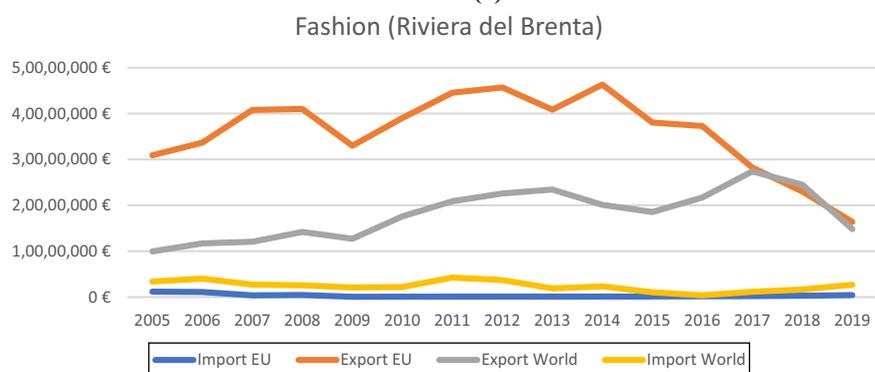
Notes: % computed on the number of firms in each district; *% computed on the total number of firms in the sample



(a)



(b)



(c)

Figure 1. Trend of imports and export from EU and worldwide by sector and year: (a) furniture (Treviso), (b) mechanics (Pordenone) and (c) fashion (Riviera del Brenta)

(e.g. Chanel, Moët Hennessy Louis Vuitton SE) established subsidiaries specialized in the design and product development and partially production of shoes (Giuliani and Rabellotti, 2017; Laconceria, 2020). Those investments modified the supply chains in the districts: local subcontractors are now working almost exclusively for the luxury brands. Local SMEs sell their semifinished products to the Italian subsidiaries of luxury brands, which, in turn, sell

the final product in the international market. This specific structure may lead to overlooking the export of the district that in reality is higher.

Looking at the import side, the trends are quite stable over time, except for the sport system district in Montebelluna, where the import of goods from European countries outtakes the one from the world after the first economic crisis in 2009. From this perspective, it becomes visible the process of nearshoring implemented by ID firms and the possibility to shorten GVCs for better control, flexibility or closer relationships with final markets.

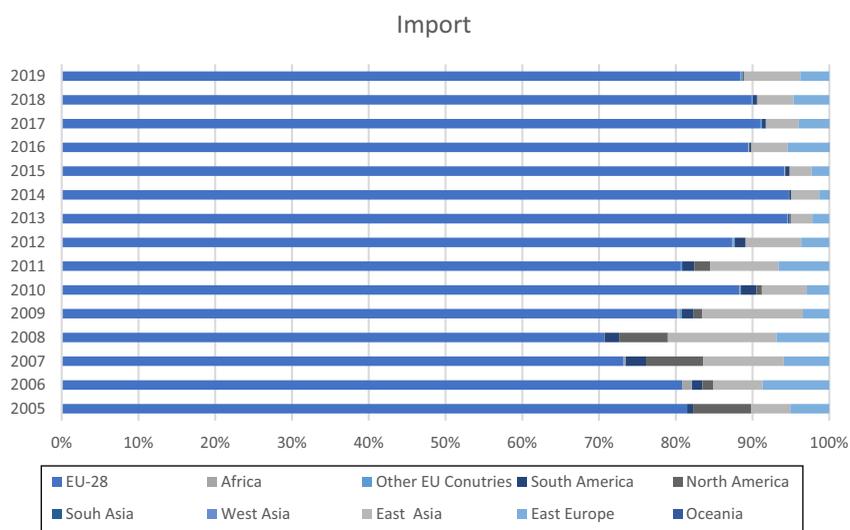
The evolution of the import and export trends stimulates the curiosity to investigate how the configurations of the international trade changed over time, and in particular which are the regions that have been the focus of these changes. To cope with this issue, [Figures 2–4](#) (and [Figures A2–A6](#) in the [Appendix](#)) report the distribution of imports and exports among countries, considering as 100% the total amount of the transactions over time. Starting from [Figure 2\(a\)](#) (furniture district in Treviso), the import from EU-28 countries has remained quite stable over time, about 90% of the origin regions, whereas the percentage of imported goods from East Asia has been reducing over time, favoring closer destinations such as East Europe. Differently, the export of furniture has decreased about 10% from 2005 (80%) to 2019 (70%) for EU-28 and from 20% to 10% for East Europe, favoring other further destinations such as North and South America. Thus, for what concerns SMEs localized in the furniture district of Treviso, it has become more relevant the import from closer countries, and the export to farther ones.

A completely different trend emerges for the mechanics district in Pordenone ([Figure 3](#), as well as in Vicenza, [Figure A4](#) in the [Appendix](#)). EU-28 countries are the most preferred for import with almost a constant trend over time, and the second preferred import origin is represented by East Asia, in particular during the second economic downturn in 2012–2013. On the contrary, export destinations are almost equally divided between Europe and the rest of the world, where the target countries are geographically scattered between America and Asia.

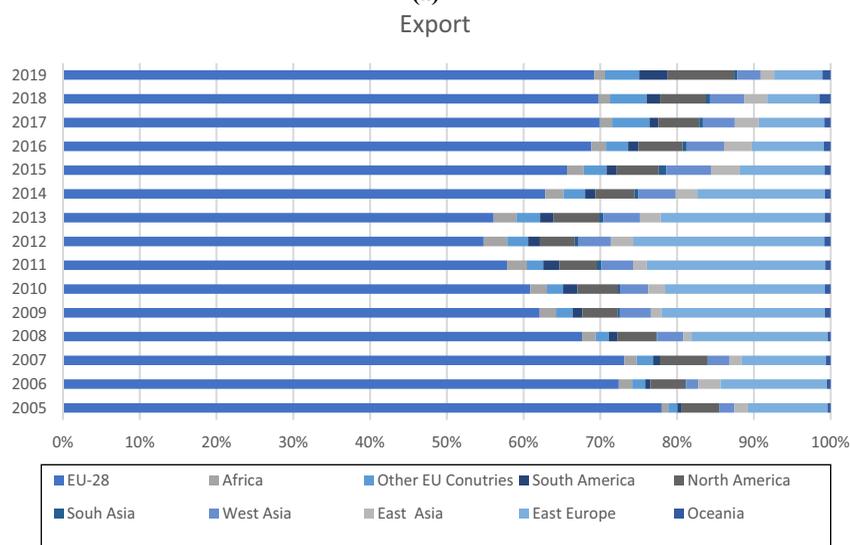
The most impressive change in the GVC can be observed in the fashion district of the Riviera del Brenta. As showed in [Figure 4\(a\)](#), in 2005, 90% of the goods were imported from EU-28 countries, but in the period of the recessions, from 2009 to 2014, the percentage drops consistently to less than 5% as the production in that period has almost entirely moved to South [\[4\]](#) and East [\[5\]](#) Asia. Recently, following a nearshoring phenomenon, both the two Asiatic regions have been surpassed by East Europe, relevance passes from less than 10% in 2014 to almost 80% in 2018. Thus, in this case, we can observe a massive reconfiguration and re-regionalization of the value chain in terms of imports. As far as exports are concerned, since 2014 we have been observing a deceleration of export movements to EU-28, in favor of other non-EU countries such as Norway and Switzerland (we should consider that the Richemont Group, one of the leading international groups in the luxury market, has its headquarter in Switzerland).

5. Discussion

Our research sheds light on the evolution of the internationalization of SMEs operating in IDs. Thanks to an original database composed of surveyed firms and their import/export data in the time span of 15 years coming from the Italian Customs Agency, we can draw how the geography of supply chains in the IDs has changed over time. Although all the districts analyzed are internationalized and part of GVCs, the geography of supply chains is not uniform and is related to the specific feature of the ID. In particular, SMEs operating in the furniture districts are more focused on European markets, where we observe the great majority of transactions, both in terms of imports and exports. However, exports are keener



(a)



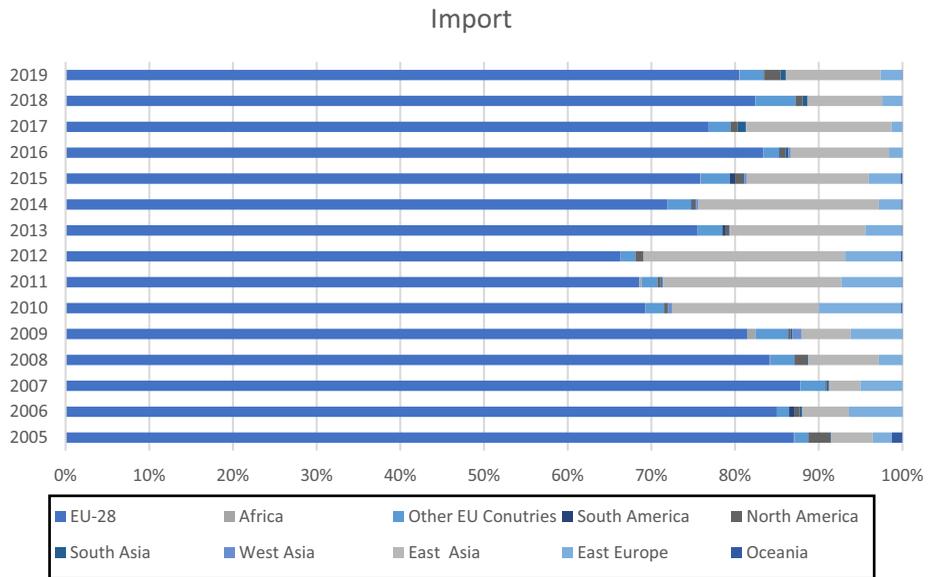
(b)

Figure 2.
(a) Import and
(b) export by
countries and year –
furniture (Treviso)

to extra-EU markets than imports and, overall, there has been an increase in exports toward other continents, especially North and South America after the great financial crises of 2008–2010. We should underline that in the case of furniture, logistics costs may influence the decisions in terms of internationalization of supply chains and this in part may explain why production is mainly regional (Europe). Moving heavy and high-volume packages is expensive and therefore the geographical span of transactions could be reduced. It is interesting to notice that in recent years, exports of high-end products are increasing toward

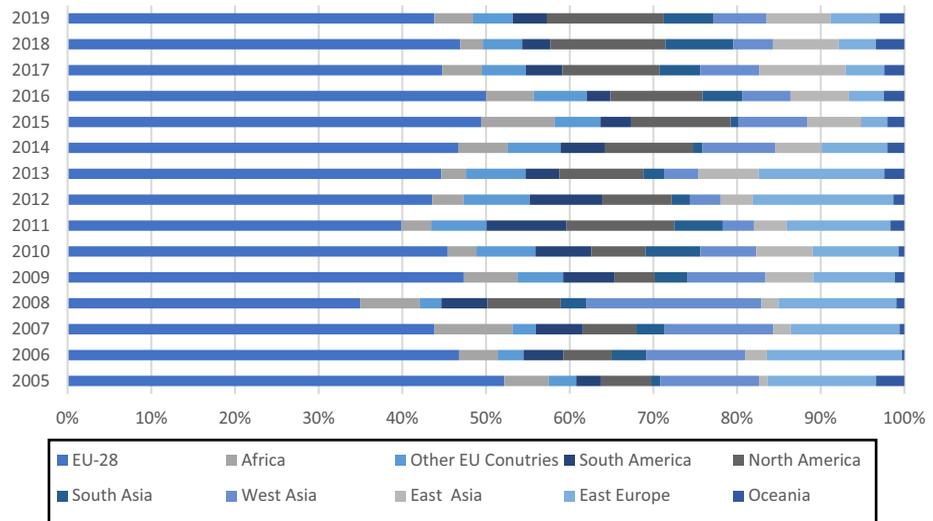
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(a)

Export



(b)

Figure 3.
(a) Import and
(b) export by
countries and year –
mechanics
(Pordenone)

geographically distant regions such as North America and South Asia. In particular, the growth of the purchasing power of Chinese consumers has opened up new opportunities.

SMEs working in IDs specialized in mechanics consider EU-28 countries as a sourcing destination, whereas Asian markets are the second sourcing area. We can observe that, after

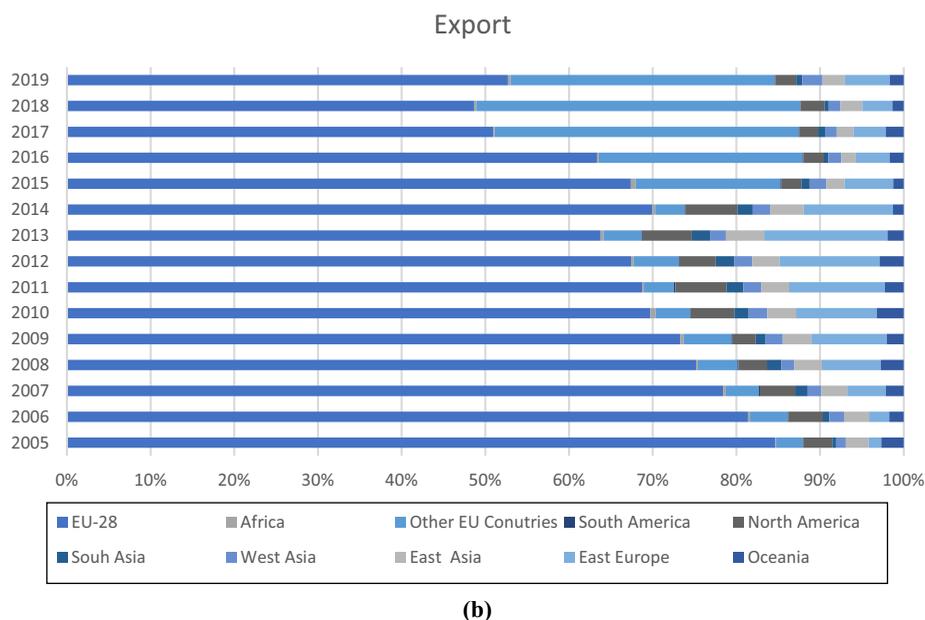
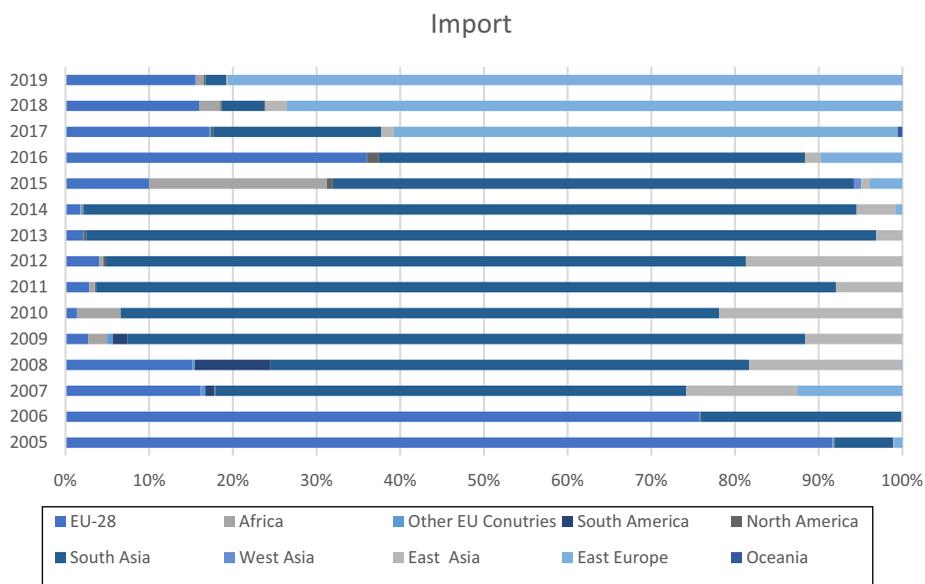


Figure 4.
 (a) Import and
 (b) export by
 countries and year –
 fashion (Riviera del
 Brenta)

a period of relatively lower sourcing from advanced European markets, compared to East Europe and Asian countries, in the past years, the former are regaining the same positions covered before the 2008 economic downturn. This result could be explained as part of near/reshoring of manufacturing activities, especially the more value-added ones that could be

worth producing locally to preserve the quality of products and the flexibility of production. In terms of final markets, exports are directed mainly outside EU-28; in this case, we could consider also that the total exports of those firms did not completely reach precrisis levels. However, this can be not necessarily considered a weakness, but as a new wake up of the internal market, where B2B small ID companies traditionally had their customers. In this sense, this could be interpreted as a sign of regionalization where, as emerged from other studies on GVC, buyers are interested in sourcing from near, specialized suppliers (Chen and De Lombaerde, 2019).

The regionalization effect is quite clear in the IDs of the fashion industry; it is well represented by the SMEs of the Riviera del Brenta district, where in recent years the supplier market – i.e. global luxury brands – has moved from East Asia to East Europe. This evidence could be explained by the new role played by luxury conglomerates that are now strategically focusing on the quality of production and increased near/reshoring initiatives. In general, as far as companies' features and export markets are concerned, we observe that companies with high- and medium-high-quality products have higher sales in advanced countries, on one hand, and South and East Asia, on the other hand, is represented mainly by India and China. Going deeper in different industries, sales of furniture companies and high-quality mechanical ones have a negative correlation with emerging markets, excluding East Asia (i.e. China), suggesting the process of shortening of buyer–supplier relationships and the opportunity to achieve higher value for ID firms in high-cost countries.

6. Conclusions

Our results partially confirm the previous literature on the effects of GVCs on IDs (Giuliani and Rabellotti, 2018), which emphasize upgrading strategies of ID firms when referring to manufacturing processes, tightly connected with innovation outputs (Bettiol *et al.*, 2019a, 2019b; Lazzarretti and Capone, 2016). ID SMEs tried to adapt to globalization through the specialization on more added value activities because of cost competition coming from abroad, by diversifying upstream internationalization strategies (Bettiol *et al.*, 2017). This is evident in the Riviera del Brenta district, where more labor-intensive activities are outsourced to East Europe – thus mimicking GVC global buyers in their sourcing strategies – whereas more advanced ones (design, product development) are still managed locally. Nevertheless, although Europe is still extremely relevant in terms of both import and export, ID SMEs seem to be part of global supply chains.

Our results suggest that the definition of three models of participation of IDs to GVC (Giuliani and Rabellotti, 2018) could be more nuanced than expected. Not all manufacturing activities remain (or are reshored) internal to the district, highlighting that IDs in GVCs can combine outward-oriented strategies with locally rooted GVC-led models. This combination can be successful and sustain the competitiveness of IDs allowing to balance advantages of cost competition with the higher value produced locally. This in turn can even result in an evolution of product portfolios, where high- and low-end product lines can be differentiated and follow different manufacturing location strategies (Bettiol *et al.*, 2019a, 2019b).

In addition, we observe that this transformation is still undergoing and that the import/export seems to face a new wave of regionalization of production rooted in new processes of nearshoring or reshoring. Although this may be interpreted as simple relocation of manufacturing activities domestically (and at the district level), it is a new phase of IDs that will require new capabilities and skills from local SMEs (Bettiol *et al.*, 2019a, 2019b) to sustain upgrading processes.

From a policymaker's point of view, our research contributes to identifying the directions of ID firms' investments and the need to guarantee appropriate support and conditions at

the territorial level to sustain competence development, high value-added manufacturing, and innovation processes. We acknowledge that our research has some limitations. In particular, it is limited to only one country, such that our results could be influenced by the specific structure and organization of Italian firms and their manufacturing activities, and this could hamper the generalizability of our evidence. Future research could expand the research through international comparisons of IDs located in high-cost countries. Moreover, research may investigate on a microlevel the ID firm's added-value dynamics, innovation strategies and the role of ID networks.

Notes

1. The rate of respondents was about 25.8% of the total number of the overall population, with a significant *t*-test assuming a high representation of the respondents with respect to the initial number of selected enterprises.
2. For example, the furniture district in Treviso registers an amount of import of €2,187,661,000 for the period and of €3,790,000,000,000 for the export.
3. Due to space constraints, in the paper we propose one industrial district for each macroindustry as a representative example and leave the other districts in the [Appendix](#).
4. South Asia includes Afghanistan, Bangladesh, India, Kazakhstan, Kirghizstan, Maldives, Nepal, Pakistan, Sri Lanka, Tajikistan, Turkmenistan and Uzbekistan.
5. East Asia includes Brunei Darussalam, Cambodia, China, North Korea, South Korea, Philippines, Japan, Indonesia, Laos, Malaysia, Mongolia, Myanmar, Singapore, Taiwan, Thailand and Vietnam.

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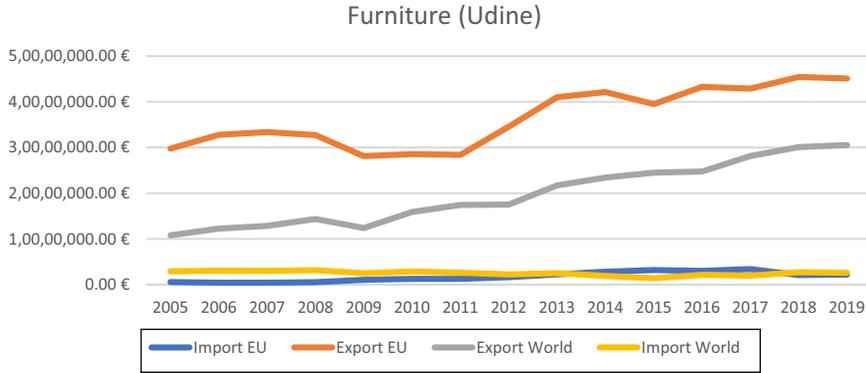
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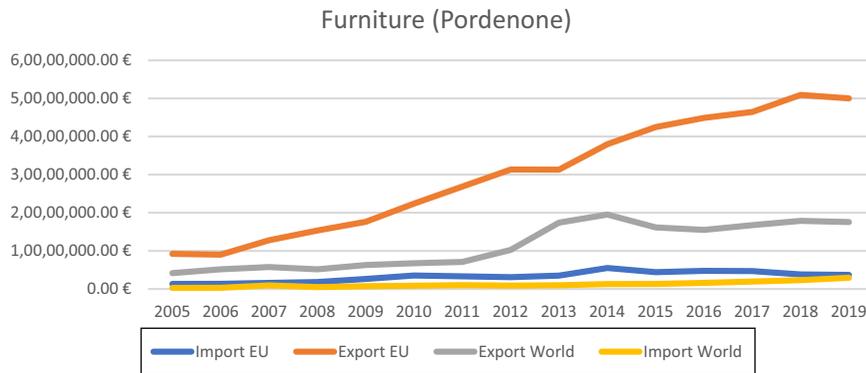
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Further reading

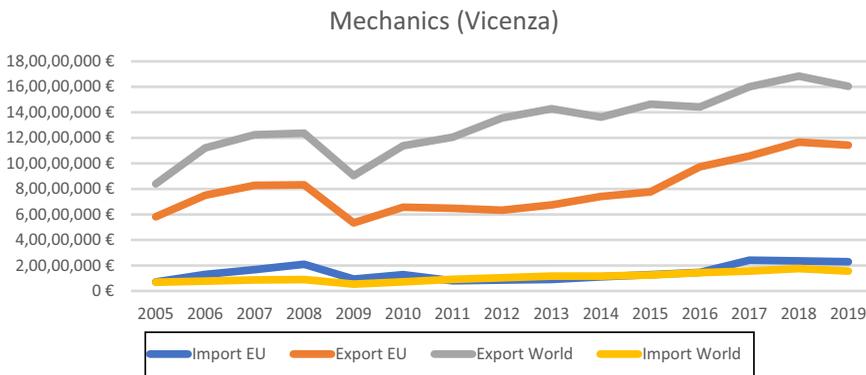
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(a)



(b)



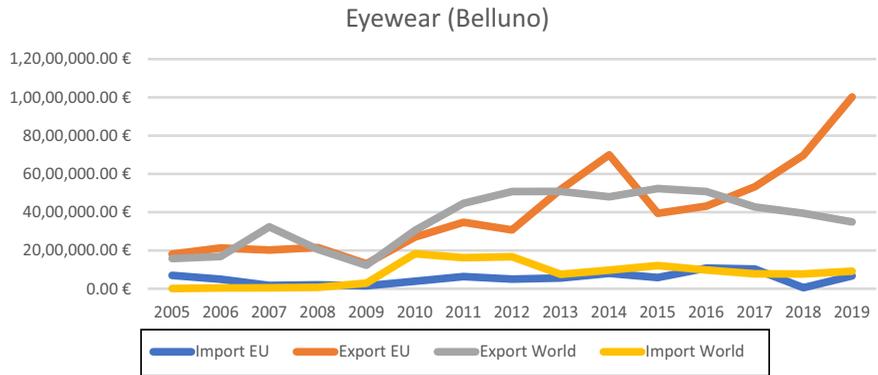
(c)

(Continued)

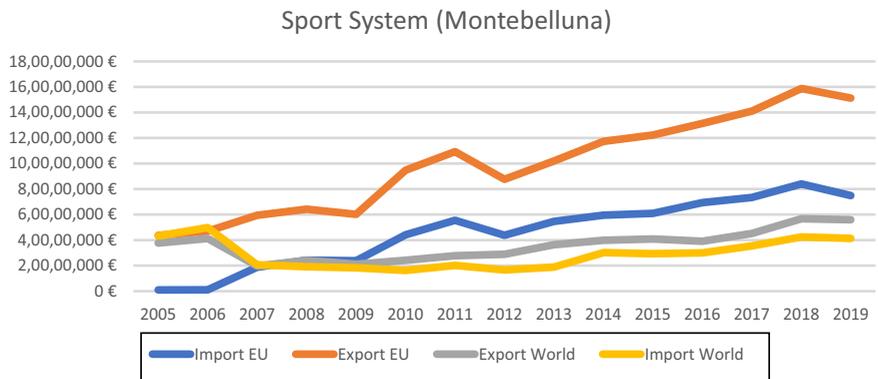
Figure A1. Trend of imports and export from EU and worldwide by sector and year: (a) furniture (Udine), (b) furniture (Pordenone), (c) mechanics (Vicenza), (d) eyewear (Belluno) and (e) sport system (Montebelluna)

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(d)



(e)

Figure A1.

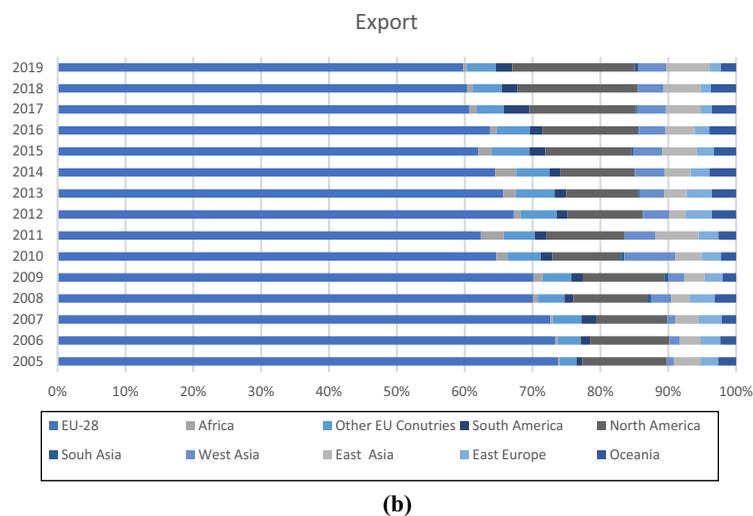
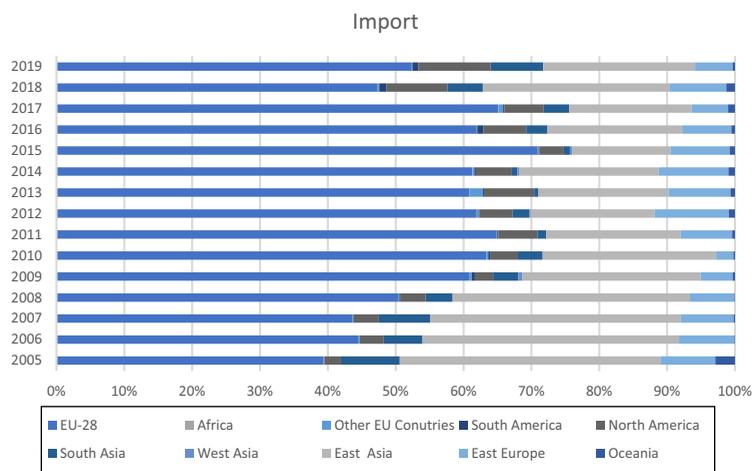
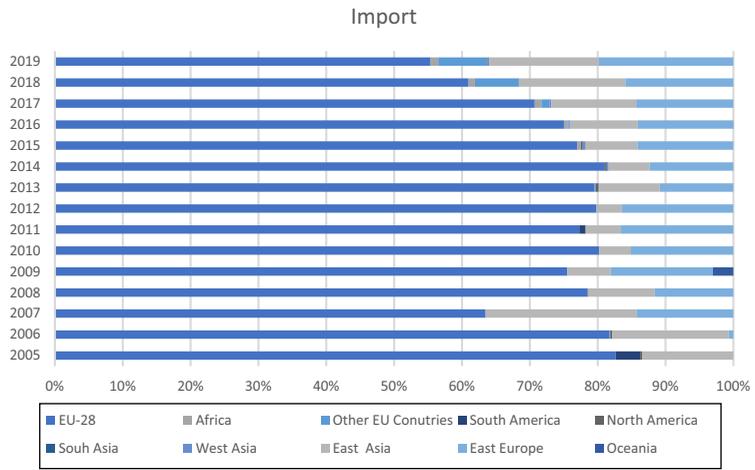


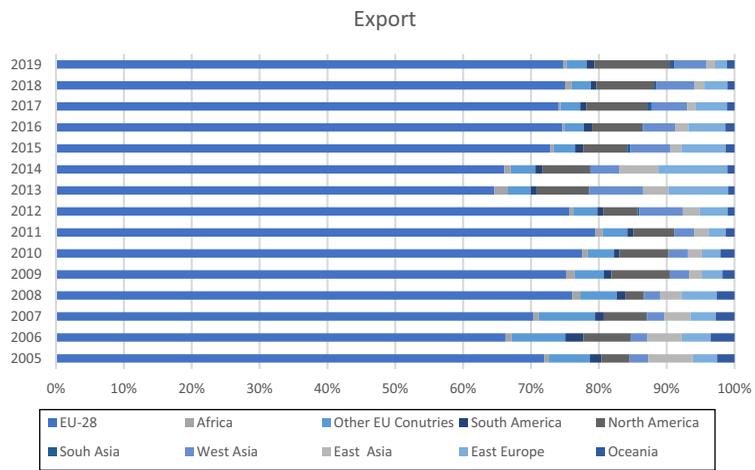
Figure A2.
 (a) Import and
 (b) export by
 countries and year –
 furniture (Udine)

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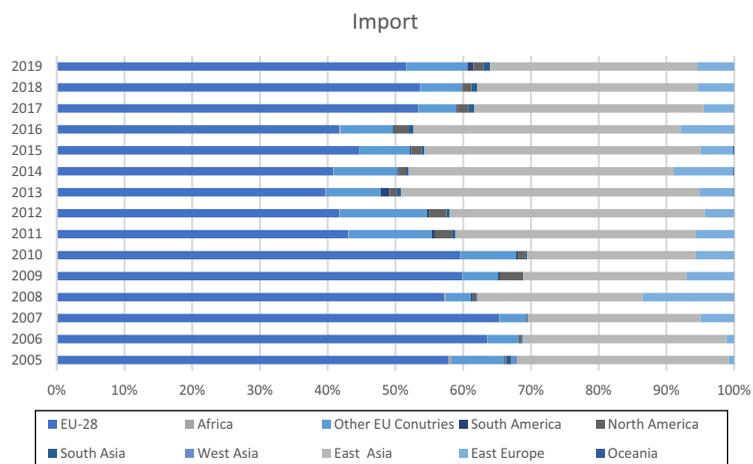


(a)

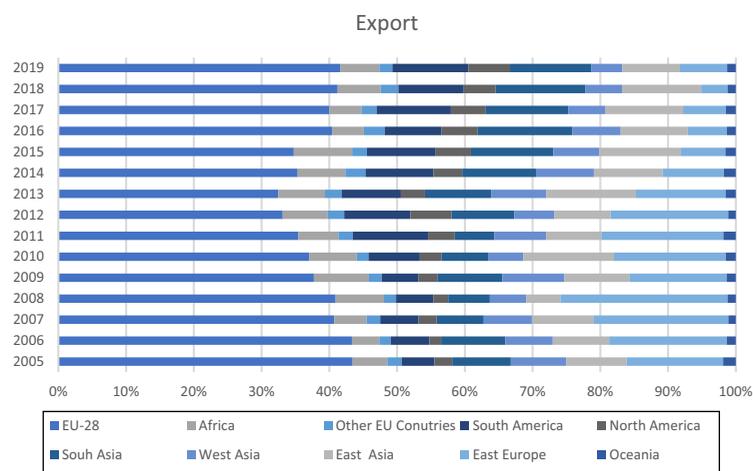


(b)

Figure A3.
(a) Import and
(b) export by
countries and year –
furniture (Pordenone)



(a)

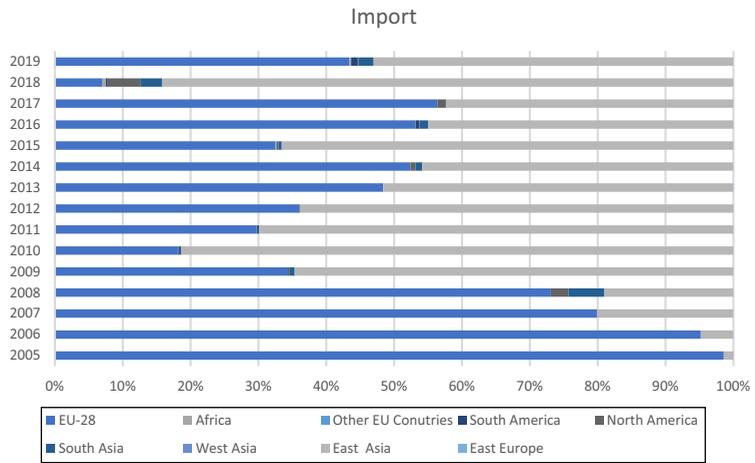


(b)

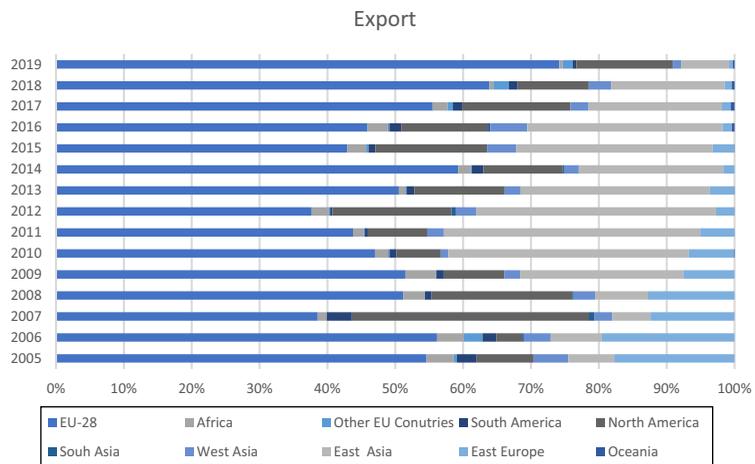
Figure A4.
(a) Import and
(b) export by
countries and year –
mechanics (Vicenza)

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(a)



(b)

Figure A5.
(a) Import and
(b) export by
countries and year –
eyewear (Belluno)

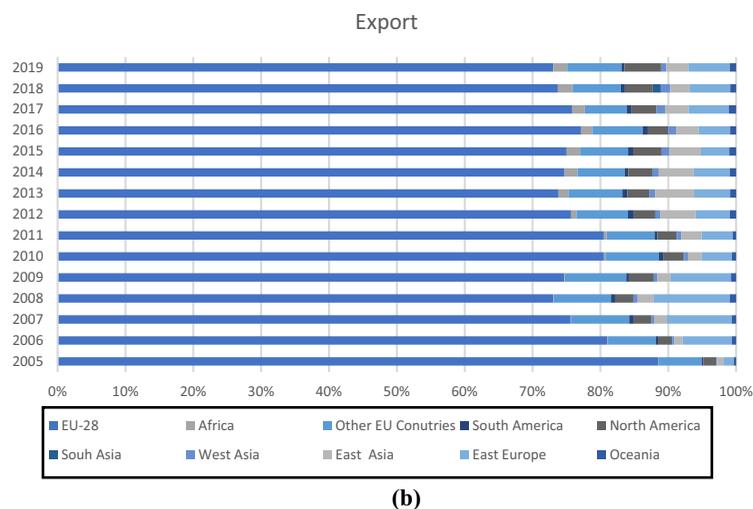
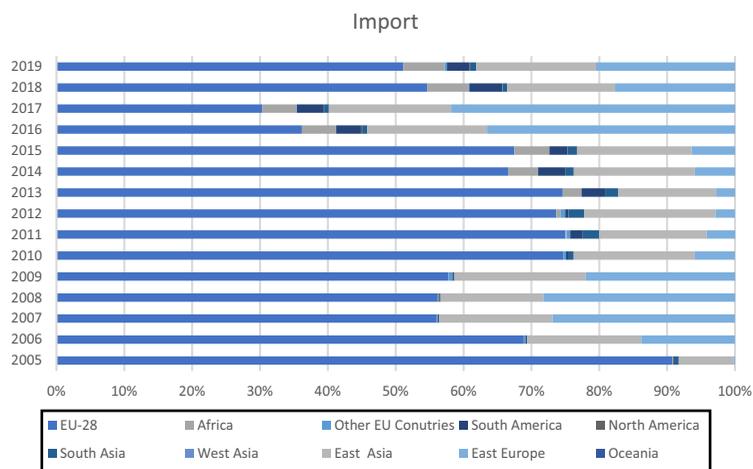


Figure A6.
 (a) Import and
 (b) export by
 countries and year –
 sport system
 (Montebelluna)

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