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Made in Italy
**Effective specialization and value chain
optimization in the manufacturing sector
in the Veneto Region**

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**Made in Italy: Effective specialization and value chain
optimization in the manufacturing sector in the Veneto Region**

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Executive Summary

This paper aims to investigate the significance of the 'Made in' for Veneto's firms in organizing and optimizing their production activities along the value chain. In other words, the target of the paper has been to understand which part of the production is still done in Italy and which delocalized. In doing so we initially focused on the productive specialization of the region, not only considering the manufacturing specialties but also the most common organization of labor and the trend in its development. Secondly we analyzed the internationalization processes that characterized the aforementioned industries. Lastly we carried out a thorough analysis of the 'Made in Italy' concept and its influence upon the localization choices of production.

The work is interesting because it firstly provides a general picture of the Venetian economic situation and secondly for its focus on a clear and up-to-date picture of its productive specialties organized in the typical form of the district. The major districts have been analyzed using a common structure of analysis, providing congruence among information of different realities that mostly lacks in the literature. This completeness also characterizes the analysis of the internationalization process for all the specialties, while the literature has normally considered only the footwear and the clothing sectors. Finally we tried to provide the value of the 'Made in Italy' for the Venetian firms, in respect of the segment of the market and the production they undertook.

The results are interesting because the main issues analyzed in the first part for any district of Veneto are also recurrent in the third part and help us in providing a new complete paradigm for the Venetian firms. We saw how the 'Made in Italy' plays a significant role in every sector, even though it is especially valued in fashion industry and agribusiness sector. We have also seen how the 'Made in' influence not only the B2C but also the B2B, being an important added value able to overcome competitive battles only upon the price. Finally we determined the artisan work as the true key to success of the 'Made in Italy'. The artisans (and the 'Made in Italy') proved to be essential for small firms competing in global markets without a prestigious and known corporate brand. Conversely, while the artisans are often present in the medium firms, the 'Made in' factor has been less influential than in the small firms, being substituted by the corporate brands.

Further analysis may deepen this one and extend the research to the other Italian region as well as to other European states. In particular special focus should be paid to the paradigm for a new organization of labor able to provide a competitive advantage in manufacturing to the developed economies such as Italy.

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List of abbreviations

ATECO= ATtività ECONomiche (economic activities report)

B2B = Business to Business

B2C = Business to Consumer

CAD= Computer Aided Design

CRM= Customer Relationship Management

CSR= Corporate Social Responsibility

DOC= Denominazione di Origine Controllata (controlled designation of origin)

DOCG= Denominazione di Origine Controllata e Garantita (controlled and guaranteed designation of origin)

DOP= Denominazione di Origine Protetta (Protected designation of origin)

EFTA= European Free Trade Association

EU=UE= European Union

FDI = Foreign Direct Investment

GDP= Gross Domestic Product

ICT= Information and Communication Technology

IGP= Indicazione Geografica Protetta (protected geographical indication)

IGT= Indicazione Geografica Tipica (typical geographical indication)

ISTAT= Italian national institute of statistics

IT= Information Technology

KIBS = Knowledge intensive business services

MNC= MultiNational Corporations

SME= Small and Medium Enterprises

UK= United Kingdom

UNIDO=United Nations Industrial Development Organization

US=USA= United States of America

UV= UltraViolet

VEM = VErona Moda

1. Introduction

The present work aims at the analysis of the manufacturing industry of the North-East of Italy, more precisely of Veneto Region. The reason of this choice lies in the fact that for many years Veneto has been an exemplar case study for regional economic development, thanks to its uninterrupted GDP growth since 1982. At the beginning of the new millennium, Veneto is one of the richest and developed areas of the European Union¹.

The success of what was defined 'North-East Model' or 'Veneto Model' in '1970s and 1980s lied in the fact that the large firms were acting in a Fordist way, totally inflexible due to the weight of the investments made in the current productions. Against this backdrop, Veneto light industry had the chance to emerge as a cheap and prompt alternative way of production, whose success stemmed from the low costs of production and the high flexibility, enabling the entrepreneurs to change the production and to invest to meet the variable customers' requirements.

The emergence of a new way of managing large enterprises, specialized in the core business, with the outsourcing of non-critical phases of the value chain to external parties, with continuous innovation, lean production, decentralized decision making, deverticalizing and externalizing cooperation with other actors in the market, allowed the entrepreneurs to re-acquire that flexibility and customer orientation that was making the success of Venetian firms.²

This new competition for Venetian firms meant finding different ways to be more competitive, keeping up the profits. This was one of the main drivers for the delocalization of these firms that reorganized their production in long chains, enhancing their core competences at home while externalizing production phases in other countries. It was somehow the beginning of the end.

Manufacturing firms had already started to restructure and delocalize in order to rationalize, re-position and consolidate their presence in the market in 2006,

¹ Cp. Veneto region (2014 A)

² Cp. Rullani E. (2006) p. 26

when the economy of the region was at one of the highest peak³. What was the “miracle of the north east” was already over.

Moreover, this context of outsourcing production activities was aggravated by the economic crisis of 2008. Even if the Venetian model proved its strength and reacted better than other Italian regions⁴, many jobs have been lost since the beginning of the crisis. And most losses were related, as expected, to manufacturing activities⁵. The better reaction is given by the fact that Venetian firms were generally the first that delocalized: in the early '90s, in order to become more competitive in a market where competition depended mainly on price, they had a higher degree of internationalization of production than other Italian regions for any typical industry of the ‘Made in Italy’⁶. The financial crisis provided growing incentives to delocalize, given the pressure to regain margins, and of being profitable again, but in a lesser degree if compared to other regions, since there were fewer possibilities of moving away the production.

What is crucial in this work is the attention to the manufacturing activities: even if in the last years many authors argued about a change from manufacturing activities to services as a solution for the competitiveness of developed countries, it has been observed how manufacturing is essential to any economy. A transition to the service sectors with a total desertion of the manufacturing seems implausible: “*To live well a nation must produce well*”⁷. It is difficult to think that a nation can become exclusively a provider of services, being able to compensate the import of goods from abroad. More than that, many service industries are closely linked to manufacturing and plausibly, as soon the production of goods is delocalized, so will service industries⁸. Moreover, the tendency for a job to be delocalized is not given by the sector (manufacturing rather than service) but by the level of personalization that is incorporated in the final good/service: the more

³ Cp. Rullani E. (2006) p. 18

⁴ Cp. Veneto region (2014 A)

⁵ Cp. Unioncamere Veneto (2011) p.15

⁶ *Here the reference to Made in Italy is not intended in the broader sense as the rest of the study but more specifically to the textile and clothing sectors, the footwear sector and the furniture sector.*

See: Cp. Conti G., Menghinello S. (1998) p. 331ff.

⁷ Cp. Dertouzos M. L. et al. (1989) p. 1

⁸ Cp. Dertouzos M. L. et al. (1989) p. 39f.

it is linked to a relation or a location, the less probable it is that its production is moved away⁹.

The ultimate aim of the paper is to understand if there is a future for this region, if the way of organizing the manufacturing activities it is optimal or if it can be enhanced differently. In doing so, the next chapter will dwell on the organization of manufacturing firms, analyzing where they are specialized in and why.

Later on we will turn our attention in the different way in which different firms from different sectors optimize their profits along the value chain, focusing on the critical phases, distinguishing whether they are performed at home and whether abroad. In this section we will also take a look at the critical aspect of this organization to identify the limits of the model.

Lastly, the focus will be on a detailed analysis of the production phase, where we are going to determine the industries where the 'Made in Italy' is a substantial advantage that can improve their competitiveness in the market and the industries where the 'Made in Italy' would not determine any advantage.

1.1. Literature review

The literature that covers the issues taken under analysis in the following pages is very broad, but, at the present time, lacks in some particular areas. In fact, we will find some literature redundancies over some topics due to the presence of only few pioneering authors whom covered such fields.

Regarding the districts, while in the literature we can find many discussions about this organizational form, starting from Porter passing through Beccatini, Brusco, Corò, Rullani, etc., very few works can be retrieved regarding their current situation: remarkable as unique are the analyses of De Marchi and Gradinetti.

Another issue that might need more attention is the internationalization process of the broader 'Made in Italy' specializations: in fact, while the fashion industry (both regarding clothing and textile and footwear) has been largely analyzed,

⁹ Cp. Micelli S. (2011) p. 37

very few has been written regarding the furniture industry, the automation industry and the agribusiness.

Lastly, the topic of 'Made in', launched in the USA by Dertouzos et Al. (1989) with their 'Made in America', has been largely analyzed because of its potential importance for the manufactory in the advanced countries. Very recent is, on the other hand, the topic of the artisan work. After years of attention to the new means offered by the new technologies and Internet, for the first time these new tools find applications more profound, becoming new channels to spread knowledge and competences presided by our experienced workers. The phenomena of this practical know-how as source of competitive advantage more than most of the intellectual works has been initially conceived in the USA by the Maker's movement. Regarding Italy, Micelli (2011) offered an interesting starting point about the artisans and their role in the Italian firms that would be interesting to further develop.

2. The specializations of manufacturing

The success that the manufacturing activities experienced by Veneto in the '70s lied in the change of the final demand, which shifted from standardized products to differentiated goods with higher quality¹⁰. What was previously a privilege of a few consumers, started to become largely accessible, thanks to the fact that firms in Veneto, which were specialized in the production of low technology-mature goods and highly export-oriented¹¹, used the frequent devaluation of the local currency to compensate the inefficiencies of the system and be more competitive on the final market¹². This set of products is defined as '4A of the Made in Italy'. These industries goes from the clothing, textile and footwear sectors (also named 'Abbigliamento e accessori moda' in Italian), to furniture and interior design ('Arredo'), to the Agribusiness and finally to Automation sector (mainly the metal-engineering sector that produced machinery to support the other three industries)¹³.

It is the history of Veneto, its economic and business traditions and local entrepreneurial experience combined with a constant adaptation to the changes that determined the development of such sectors. The willingness to change is a crucial aspect: Venetian firms, as we will examine later on, always had an extraordinary ability to innovate, not only in technological terms, but also in creating new products, improving the production processes, and raising the quality standards.¹⁴ Such determination to improve and innovate transformed since the '50s the region from a poor area mainly active in agriculture and raw material transformation, to a strong exporter of finished goods that developed vary forms of specialization, following the entire value chain of its products¹⁵.

2.1. The manufacturing sector in Veneto

The manufacturing sector is one of the major activities in Veneto. Even though after II World War the region was mainly devoted to agriculture, being one of the

¹⁰ Cp. Corò G., Grandinetti R. (2010) p. 51

¹¹ Cp. Corò G., Grandinetti R. (2010) p. 55

¹² Cp. Urso A. (2005) p. 12

¹³ Cp. Corò G., Grandinetti R. (2010) p. 51

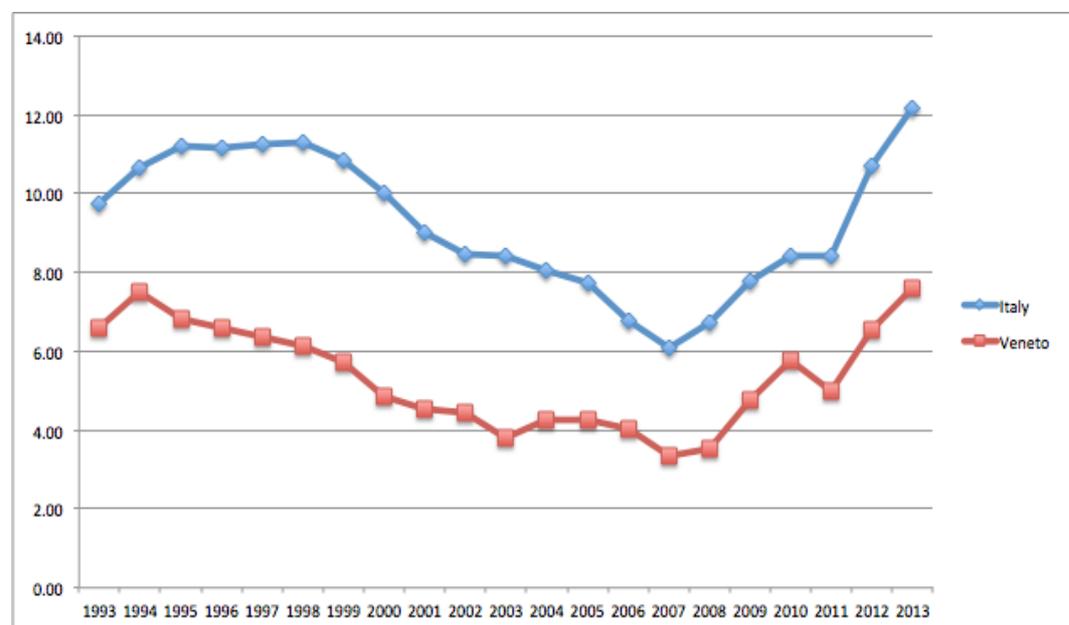
¹⁴ Cp. Veneto Region (2014 A)

¹⁵ Cp. Lando F. (2009) p. 14ff.

poorest region of Italy, from late '50s it had been able to transform its economic system into one of the most industrialized areas of the nation, being today the second economy right after Lombardia.¹⁶

The strength of Veneto's economic system can be seen from the ability of the region to maintain a certain degree of employment even in the strongest years of the crisis: while the national unemployment ratio overcame 12% in 2013¹⁷ (42.9% in January 2014 for people from 15-24 years)¹⁸, Veneto was able to limit the effects, having an unemployment rate at 7.59% (See Appendix for more details).

Figure 1: The unemployment rate of Italy and Veneto (%)



Source: Istat; statistics on unemployment; rearranged by the author

This does not mean that the effect of the crisis was not felt in the region and neither that the manufacturing sector saved the economy: in the last years the manufacturing continued to leak jobs. From 2001 to 2011 Veneto lost 121.320 working places in manufacturing.¹⁹ Despite these losses, manufacturing is still one of the major activities of the region, employing its workers in more than 54.000 business units.²⁰

¹⁶ Cp. Lando F. (2009); p. 13ff.

¹⁷ Cp. Istat (2014 B)

¹⁸ Cp. La Stampa (2014 A)

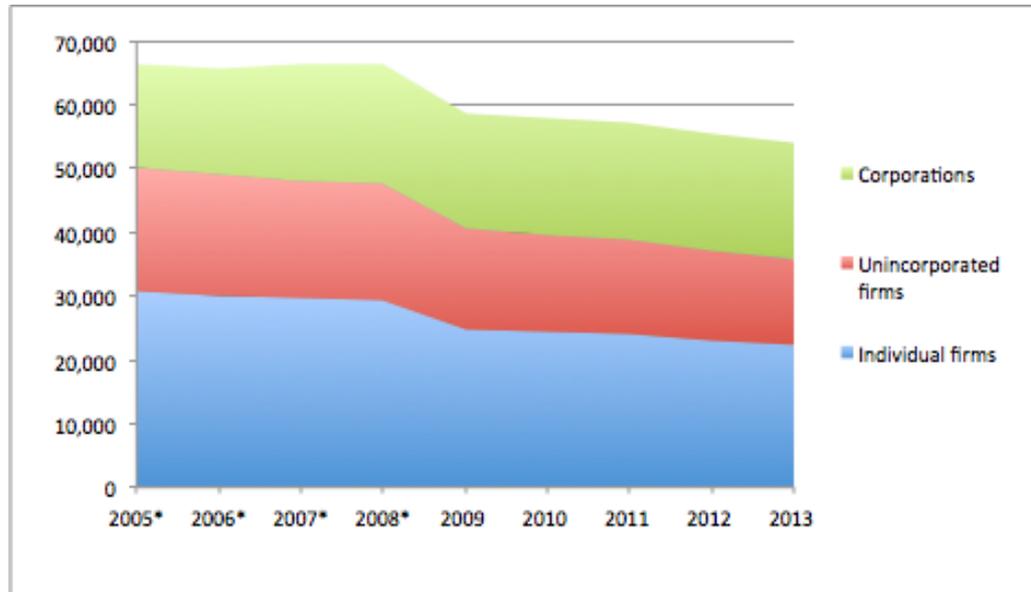
¹⁹ Cp. Istat (2011 A)

²⁰ Cp. Veneto Region (2014 A)

2.1.1. Manufacturing trends in the last decade

The same trend of the unemployment in the manufacturing sector is felt in the number of firms. As it is possible to see in the graph (Figure 2), the number of firms in the manufacturing sector constantly declined in the last decade: from almost 77.000 in 2005, they reached 54.414 units in 2013. It is important to understand that the sharp decline in 2008-2009 is only partially caused by the financial crisis, but mainly given by the change in the statistical aggregation rules from Ateco 2007 to Ateco 2002²¹. Nevertheless, it is important to combine the data with the consideration that the declining path is not just a consequence of the crisis but was already an established phenomenon.

Figure 2: The number of firms in the manufacturing sector of Veneto



Source: Statistic service of Veneto Region; rearranged by the author

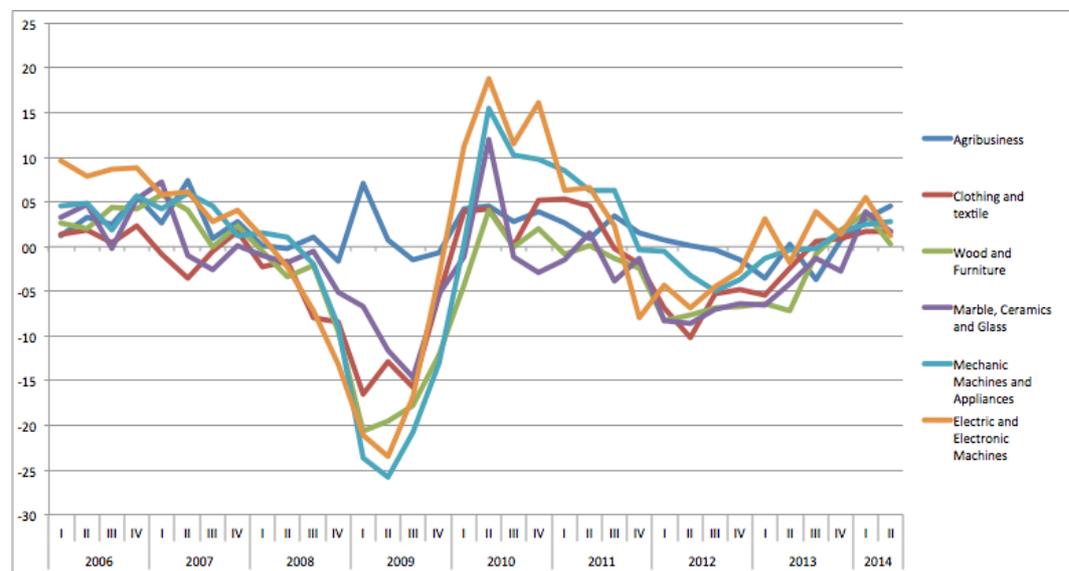
Another important element to grasp is the fact that before the crisis the number of corporations, in contrast with the general trend, was timidly rising, reaching the maximum in 2008 at 18.610 units.

Figure 3 shows the trend of the most important manufacturing sectors of Veneto region, considering the value of productions. These major industries are the agribusiness, clothing and textile industry, wood and furniture industries, marble

²¹ For further informations about the actual changes of Ateco2002-2007 systems: Elaborazioni centro studi e statistica camera di commercio di Treviso (2011)

ceramics and glass industries (that are somehow related to the furniture industry), mechanic machines and appliances industry and lastly the electronic and electric machines industry.²² It is easy to recognize that they are the typical sectors of the 'Made in Italy': traditional, low and medium tech industries, extremely export-oriented. Industries mainly created in the '60s as evolution of the traditional artisanal works (agribusiness, textile and clothing, furniture and derivatives) or as propagation of the heavy and chemical industry located in Marghera, just outside Venice (general machinery).²³

Figure 3: Manufacturing trends in Veneto (%)



Source: VenetoCongiuntura; Unioncamere Veneto

Examining Figure 3, at a first sight it is possible to notice that the only sector of the manufacturing able to maintain a positive trend during the worst years of the financial crisis on 2008 was the agribusiness, mainly because food industry provides primary goods that even during recessions times tend to maintain a certain consumption level. Moreover, the fact that in 2009 their production rose instead of declining could also suggest an ability of local firms to overcome the national boundaries and consequently develop their sales abroad.

The machinery sectors (both mechanic and electronic) felt the greatest damages from the downturn of the economy in 2009, but were able to recover the losses

²² Cp. VenetoCongiuntura (2014 A)

²³ Cp. Lando F. (2009) p. 16

already in 2010, demonstrating the flexibility of the Venetian firms to adapt their production to fulfill the requirements of the customers, even in the worst economic situations.

The high quality of the productions has always been the major success factor of Veneto's products; this quality consists also in the ability to constantly innovate and improve processes and products, rapidly adapting to customers requirements, while being able to ensure an optimal service component to any of their goods.²⁴

The fact that these industries are mainly traditional does not necessarily means that innovation is not part of the game and the competition is just based on price. Even if the products are mainly traditional, their level of adaptation and innovation drove a rapid growth in the international markets, that since the '80s experienced the peculiarity and success of Venetian firms. After years of experience in the foreign market and a particular approach to production, Veneto (with its firms) is today known as a "well prepared and positive-spirited partner, capable of retaining its own specificity, combing traditional products with the most advanced technologies".²⁵

2.1.2. Trade's trends in manufacturing

Export activities of Veneto, as well as the entire manufactory sector, are mainly in low-tech, mature sectors, typical of the 'Made in Italy' productions.²⁶ Venetian firms founded a considerable part of their business in export, and since the '70s, their success derived from the ability to provide differentiated and customized products at a competitive price. Especially across the new millennium, Venetian firms continuously adapted their organization to fulfill the international requirements of the demand, using their flexibility and adaptability to change their product offer and production processes.²⁷ With 51.158 million of Euro in 2013,

²⁴ *The data refer to the year 2013.*

Cp. Statistic service of Veneto (2014 B)

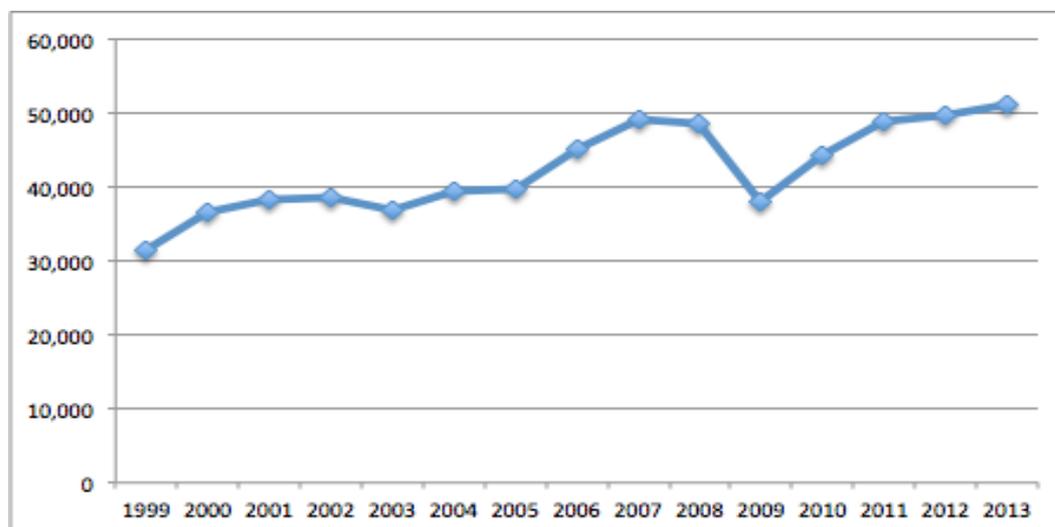
²⁵ Cp. Veneto Region (2014 A)

²⁶ Cp. Giansoldati M., Pizzi C. (2012) p.119

²⁷ Cp. Veneto Region (2014 A)

Veneto accounted in 2013 for the 13,5% of the Italian total export,²⁸ being the second exporter among Italian regions.

Figure 4: Venetian export's trends for manufacturing sector (in Million Euros)



Source: Istat; statistics on trade; rearranged by the author

Their tendency to export was one of the main drivers that allowed Venetian firms to withstand the fallout of the economic crisis of 2008²⁹. Veneto's enterprises have on average an export activity that account for 50% of their total sales.

This propensity to export is also confirmed by the fact that, even with all the delocalization activities in place, increased of 76% in the last four years, Veneto has still a huge trade surplus, given by the growth of export, in the same period, of more than 150%.³⁰ This extraordinary performance is translated into a positive balance of trade, the value of which accounts for one third of the total Italian one.³¹ Their propensity to export increasing quantities of goods constantly rose from 10.93% in 2006 to 12,55% in 2011, demonstrating how export is increasingly important to overcome the repercussions of the financial crisis and the slowdown of internal growth of the GDP. It has to be said that in the same years, parallel to the firms that increased their level of export activities, a significant group of firms decreased it and left the internal structure unchanged to

²⁸ Cp. Istat (2013)

²⁹ Cp. Giansoldati M., Pizzi C. (2012) p.117

³⁰ Cp. Veneto Region (2014 A)

³¹ Cp. Veneto Region (2014 A)

focus more on consolidating their position in the domestic market. Differently, the first group, that demonstrated its willingness to expand their activities abroad, proved to be able to increase its sales turnover while restructuring internally to increase productivity.³²

From the above-mentioned segments of the 'Made in Italy', in which Venetian firms are mainly operating, two of them have a stronger international attitude: the metal-engineering sector, with its machinery for other industries, its metal products and electrical materials, which accounts for 33% of Veneto's total export, and the fashion system with its clothing footwear and textile, 26%.³³ It has to be said that a minor but still significant contribution comes from sectors as the agro-industrial, the "*furniture sectors, in the paper and plastics industries, and in the tanning and industrial jewelry sectors*"³⁴.

Looking at the different provinces, Vicenza is far the most active, accounting in 2012 for 29.3% of the regional export, followed by Treviso (19.7%), Verona (18.2%), Padova (16.9%), Venezia (7.9%), and finally Belluno and Rovigo (5.5% and 2.6% respectively).³⁵

Europe is the classical destination of Veneto's sales abroad. Germany alone accounts for 45% of the export in Europe and together with France, United Kingdom, Spain, Belgium, Luxembourg and the Netherlands the share arrives around 70%.³⁶ Even if also in 2013 the export of Veneto rose by 0.8% (compared to 2012), the bigger results in the last years came from the extra UE countries, especially USA, Japan, Hong Kong, South Korea, China and Taiwan, where the export increased by 5.6% (compared to 2012).³⁷

As we will see in the next chapter, delocalization activities had taken place in Eastern Europe since the early '90s, creating a high trade of manufacturing goods that has reached 30% in some sectors.

³² Cp. Giansoldati M., Pizzi C. (2012) p.120ff.

³³ Cp. Statistic service of Veneto (2014 A)

³⁴ Cp. Veneto Region (2014 A)

³⁵ Cp. Statistic service of Veneto (2014 A)

³⁶ Cp. Veneto Region (2014 A)

³⁷ Cp. Istat (2014 A)

2.2. The organization of production

The Venetian productive system is mainly constituted of small and medium enterprises spread all around the region³⁸. They are the more active and dynamic part of Veneto's economy and part of their success is given by "*the qualities of its enterprising world - initiative and operational flexibility - and the capacity of the Veneto population for committing itself to its work with determination.*"³⁹ This determination to commit themselves to work is mainly given by the size of the firms: given the small dimensions, the personal provision of knowledge and competences to the final output is easily rewarded since it can be directly identified by the head of the company, that most of the time knows perfectly its employees. Such determination also stems from the willingness to master the processes of the firm, to be able to better sell its profession on the market or to use it to start a new company.

The reasons for such an atomistic economic environment have to be searched not only in the needs of the big firms to become more flexible, outsourcing part of the production and accessory services, but also in the willingness of the employees to use their knowledge and their ability to create and innovate, opening their own business. It was a sort of social revolution that deeply changed the production system, renovating the cultural environment as well as the managerial class.⁴⁰

The 'Veneto Model' is further characterized by traditional industries (such as textile and clothing, furniture, etc.) that were able to combine advanced technological activities with their processes and products⁴¹. The output is a set of high quality products extremely differentiated and customized. This customization and flexibility of productions, that is one of the major factors of success of Venetian firms, is not given by a single company using modular technologies to combine and recombine different part and components to obtain different products; but by a vast system of specialized firms that provides different product

³⁸ Cp. Camera di commercio del Veneto (2014 A)

³⁹ Cp. Veneto Region (2014 A)

⁴⁰ Cp. Becattini G. (1999) p. 10

⁴¹ Cp. Veneto Region (2014 A)

or components, resulting in a huge aggregate portfolio of products, extremely customized and differentiated.

The diversification made by small specialized firms is possible thanks to their aggregation in precise locations of the region, where they operate in a precise business, at the same time cooperating and competing among each other. This way of operate is what Marshall in 1890 defined the Industrial District⁴².

2.2.1. The role of the industrial districts

Many analyses took place in the previous literature to identify why Venetian firms were so successful. What all these studies has in common, is that they identified a sort of organization in clusters, or better, in industrial districts, among the actors of the market.

In the further discussion the distinction between cluster and industrial district will be kept. We will further consider the cluster as defined by Porter (1998):

“Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition.”⁴³

On the other hand, for the industrial district, we will follow the one of Becattini (2004):

“I define the industrial district as a socio-territorial entity which is characterized by the active presence of both a community of people and a population of firms in one naturally and historically bounded area. In the district, unlike in other environments, such as manufacturing towns, community and firms tend to merge.”⁴⁴

The industrial districts are often considered a peculiarity of modern capitalism. They seem in contrast with the globalization of the markets because of their local

⁴² Cp. Marshall A. (1890)

⁴³ Porter M. E. (1998); p. 78

⁴⁴ Becattini G. (2004) p. 19

nature⁴⁵. One reductive explanation states that districts are a form of deverticalization of larger corporations that with their spin-offs created a set of small firms, closed to the major one, specialized around the business of the major firm: under this perspective these firms are nothing more than autonomous business units of the main one, that through the economies of aggregation and localization are able to be competitive in the market⁴⁶. The phenomenon is much more complicated than that, and it accounts qualitative elements that often are not considered in classical economic studies. Elements such as values and knowledge, in the atmosphere of the industrial district, are reflected in people's behaviors, in their peculiar socio-territorial environment, in their participation to a special kind of productions and in their atypical way of organizing it⁴⁷.

The industrial district is more than a mere aggregation of small and medium enterprises in a specific location: it is a social machine able to produce goods and services, satisfying the need of social integration of the agents inside a community⁴⁸. For instance, their source of dynamic competitive advantage is given by the complex and specific set of knowledge and productive experience that together with socio-economical mechanism are able to continuously recreate themselves and allow to continuously improve the quality of final products and of the processes, giving innovation and flexibility to the productions⁴⁹.

The district is an organized form able to deal with the complexity of the environment. It is able to metabolize the complexity, learning from the environment, transferring the information and knowledge internally, where it is transformed in more variety, in more innovations and original results. Seeing from the outside the result is an increased complexity impossible to manage with the classical economic tools founded in calculus and forecasts⁵⁰.

In the district, the link between the economic and the social side becomes visible: production and culture continuously develop and condition each others in a

⁴⁵ Cp. Becattini G. (1999) p. 5

⁴⁶ Cp. Sengeberger W., et al. (1990);

⁴⁷ Cp. Becattini G. (1999) p. 7

⁴⁸ Cp. Sforzi E., Lorenzini E. (2002)

⁴⁹ Cp. Conti G., Menghinello S. (1998) p. 317

⁵⁰ Cp. Rullani E. (2002) p. 85

virtuous circle⁵¹. The men that own the companies and the men that work for them are a first central element: they intrinsically combine their goals in the firm they are working for, creating a unique working environment that constantly motivate them to do their best⁵². This merger of goals and attitudes toward development often create confusion between the worker and the firm: in many cases the distinction between the person and the firm is fleeting.

The local roots are not only a factor of mere aggregation but also the main source of knowledge and competences. In a world made by small firms, where innovations are mainly based on product and process innovation and not in pure R&D, the ability of the workers to be proactive and not only reactive in their jobs is the major source of innovation⁵³. Here the knowledge is mostly tacit, not codified, embedded in the environment and generated by the experience and personal abilities, enclosed in the business routines as well in the contacts of the people⁵⁴.

The transfer of knowledge is made possible by the high mobility of the workers inside the district. It can appear contradictory that the same workers that identify themselves inside the company can somehow 'betray' their company and go work for another one. The reason for this must be researched in the mentality of the people: they are deeply involved in their jobs, specialized in their tasks, while always trying to improve their status quo. They tend to identify themselves more with the local area they are living and working with, than with the company they work for. The experienced and resilient workforce, having an exhaustive comprehension of the product and the production phases as well as a strong entrepreneurial mindset, is the main vehicle of knowledge transfer among the different firms⁵⁵. Knowledge is disseminated in the district as do bees with pollen, which is collected from a flower and then transferred on another, fertilizing the entire field.

The intensively used competences, gained with both experience and knowledge exchanges, are constantly developed: this is one of the leading characteristics of

⁵¹ Cp. Becattini G. (2000) p. 16

⁵² Cp. Becattini G. (2000) p. 19ff.

⁵³ Cp. Rullani E. (2002) p.96

⁵⁴ Cp. Corò G. (1998)

⁵⁵ Cp. Veneto region (2014 A)

the district, which, if it is not able to constantly improve and generate new business models, new processes and products (so new competencies and know-how) will lose its competitive advantage. The know-how is just as the capital, that, if not augmented, declines⁵⁶.

Moreover, the local area, meant as a place where history, culture and institutions are deeply linked and merged together, works as relational frame, able to integrate dispersed and interdependent intelligences, that is translated in an aggregate and organized behavior⁵⁷. The territorial contingency and, at the same time, a focus on high divisibility of labor, allow a strong specialization among firms of the same industrial district. They are specialized in their own core business, knowing that they will be able to find other specialized suppliers for the components and services they need, as well as clients for their products.

The specialization, unlike what happens in high-tech sectors, reduce the barriers to enter: focusing on a precise phase of the production, a new firm will need a limited set of assets to being able to start its business; more than that, these assets will be available at a cheaper price because of a diffused second-hand market created by the incumbent's continuous need to innovate and renovate machinery. This continuous creation of new firms is seen not merely as new competition but also as new possible business opportunities. Similarly, the mobility of workers appear as a good element since, it helps the firms to have a flexible structure increasing and reducing the size when needed, ensuring a readily available professional workforce, abundant and qualified.⁵⁸

The power of the district does not come just by the 'external economies', by positive externalities or by increasing returns, but by the know-how of the intelligent society, that is opened to the innovative quests, available to risk and that assumes collective responsibilities⁵⁹. The labor's productivity is here seen as a social process of accumulation and technical improvement, where the fundamental variables are the business relationships (district's cooperation and

⁵⁶ Cp. Becattini G. (2002) p. 167

⁵⁷ Cp. Rullani E. (2002) p. 73

⁵⁸ Cp. Rullani E. (2002) p. 94f.

⁵⁹ Cp. Rullani E. (2002); p. 92ff.

competition), the organizational form (SME) and the technological path (incremental product and process innovation)⁶⁰.

Summing up, the distribution in clusters proved to be an effective and successful industrial formula, enabling companies to benefit from the synergies in “terms of rationalization, research and development, services and the availability of a network of suitable sub-suppliers”⁶¹. The competitive advantage is given by the technological innovation and the ability to improve the efficiency, by the re-organization of the processes, the quality of the final output, the high service level provided to the final customers, the short lead time inside the supply chain and by the continuous product innovation and increase in diversification.⁶²

2.2.2. The evolution of the industrial districts

With the new millennium a new more integrated scenario was challenging Venetian firms: the European union was larger (EU 25 in 2004) and more integrated (the Euro was introduced in 2002) than ever; many trade barriers were overcome since the creation of the WTO (1995) so that goods were exchanged more freely; a changed and stronger competition given by the ability of the multinationals to prevail over their rigidities and difficulties in production thanks to the adoption of lean production and modular technologies⁶³.

All these elements forced the Venetian firms to reorganize, delocalizing (part of) their productions to reclaim their cost advantages or to look for new business models to regain competitiveness. Doing so, they deeply changed the structure of the districts they were working for, at least far from what we defined as Marshallian industrial district. The following considerations are applicable to most of the district that will be presented in the next section, with the exception of the Agro-industrial ones that because of their deep linkage between typical productions and the local identities, valued as essential by the firms, still maintain the peculiar characteristics of the industrial district.⁶⁴

⁶⁰ Cp. Becattini G. (1999) p. 8

⁶¹ Cp. Veneto region (2014 A)

⁶² Cp. Corò G., Grandinetti R. (1999) p. 918

⁶³ Cp. Harrison B (1994)

⁶⁴ Cp. Gradinetti R., De Marchi V. (2012) p. 158

Four are the expected scenarios: decline, oligopolization, hierarchy and glocal reproduction⁶⁵. The declining district is a district affected by a structural crisis due to the lack in quality, quantity and variety of resources needed to revert the trend. The major indicators of the crisis are the reduction in the number of firms, the collapse of the relational system, the lack in innovations (as well as innovative leaders) and the diffusion of individualistic rather than cooperative behaviors. Often the 'death' of the district comes together with the development of multi-sectorial businesses in the area.⁶⁶ Many of the districts that will be further presented are in this situation.

The second and third possibilities are the oligopolization and hierarchy. In these cases the district suffers from a high aggregation of the turnover in the hand of few large players with the emergence of few district's champions that also lead to the integration of many production phases and the incorporation of smaller firms.⁶⁷ The main differences between the two scenarios are linked to the size of the reduction of firms and the relations in place between them. In the oligopolization the stock of firms collapse while in the hierarchy it contracts in a weaker magnitude. The relations between firms are reduced (selected) in the latter while depleted in the former⁶⁸. In both the size of the leader firms is much greater than the median size; they work and innovate mostly autonomously in respect of the district, retaining the final phase of the production process as well as the core activities, outsourcing to the small firm the labor intensive phases, where the required know-how is low⁶⁹. In the hierarchy form the value chain is organized by the leader but is still legally autonomous while in the oligopolization form the value chain is mostly internalized by the leaders⁷⁰.

The last is a proper evolutionary form: the firms are numerous and dynamics, creating high variety of products and businesses. They maintain their strong relations with the other players of the district while, looking at the global market, they get new ones. Even if a reduction of the number of players can be observed, this does not translate in a loss of occupation since, parallel, the average size

⁶⁵ Cp. De Marchi V., Gradinetti R. (2014) p. 80

⁶⁶ Cp. Gradinetti R., De Marchi V. (2012) p. 165

⁶⁷ Cp. Gradinetti R., De Marchi V. (2012) p. 166

⁶⁸ Cp. De Marchi V. Gradinetti R. (2014) p. 81

⁶⁹ Cp. Grassi M, Pagni R. (1999) p. 247f.

⁷⁰ Cp. De Marchi V. Gradinetti R. (2014) p. 81

increases to acquire those resources to maintain international relations. The global networks are more dispersed and less dense but can provide a set of competences and possibilities otherwise impossible.⁷¹

There is no way to determine ex ante the path that a district will follow: it is not the kind of production or the segment of the market in which firms are operating that determine their 'destiny'. It is rather the set of competences, both at managerial and productive level, that will influence the evolution or the decline of the district: concepts of knowledge and values are crucial to have a positive evolution of the district's productive system⁷².

2.3. The specializations of Veneto Region

As we saw above, and we will see in the following pages, the main specialization of Veneto comes from traditional sectors as the clothing textile, footwear, furniture, food-industry and light mechanics. Sectors that appear traditional and low tech (medium tech according to some authors⁷³) but just in their final products: they are, in fact, sectors highly innovative and complex when considering their organization of production, the technologies applied, the experimentations taking place, etc.⁷⁴.

We saw that is the culture of a given territory that is able to integrate the economic players often only partially conscious of the collaboration dynamics they entertain inside the district⁷⁵. Most of the times, as confirmed also by the interviews, the firms are acting in a district without feeling part of it: not seeing a central institution that lead them or not receiving incentives from the local government they feel to be on their own.

Further we will analyze the districts of Veneto recognized by the regional law. The reason for such an analysis is given by the fact that, being recognized they are observed and data about them are easily available for analysis. On the other

⁷¹ Cp. Gradinetti R., De Marchi V. (2012) p. 167

⁷² See Appendix 5.8

⁷³ See Appendix 5.7

⁷⁴ Cp. Rullani E. (2002) p. 73

⁷⁵ Cp. Micelli 2011 p. 55

hand, most of them received the attribution of district in order to incentive their productions, trying to solve the crisis they are facing.

In analyzing the different industrial specialization of Veneto, the National Observatory of Italian Districts⁷⁶ will be used as the main base for identifying the most important districts (and clusters) in the area and the degree of specialization of firms in them.

The database provides the data of the productive districts as defined by the regional Venetian law:

“An industrial district is meant as a local productive system, based on a specific regional area, characterized by a high concentration of manufacturing industry and artisanry - mainly small and medium enterprises - which operate in specific chains of production or in their related activities and contribute significantly to the economy of the area.”⁷⁷

Such definition allows the integration of certain districts where manufacturing and export actually play a minor (or no) role. For this reason we will not consider atypical districts such as the renewable energy district of Belluno or the Venetian meta-district of cultural heritage. On the other hand we will include districts as the one of the “Riviera del Brenta” and the Treviso fashion system that are not present in the database but are nonetheless important for our analysis. We will also briefly describe the meta-districts, which are more similar to cluster than with districts and that include some firms already considered in other districts. However, the inclusion of meta-districts allows the analysis of peculiar situations that are not present in the other districts. This does not mean that our analysis will cover all the districts of the region: due to the lack of data we are not in the position to carry out a prompt analysis of informal districts such as the district of the denim⁷⁸ or the district of plastic molds of Oderzo and Montebelluna⁷⁹. Further analysis are required to highlight the characteristic of these districts, not

⁷⁶ Cp. Unioncamere & Unionfiliere (2014 A)

⁷⁷ Legge regionale 30 maggio 2014, n. 13, art. 2, comma 1 (BUR n. 57/2014), translated by the author of this paper

⁷⁸ See Appendix 5.7

⁷⁹ See Appendix 5.5

recognized by the regional government but very important for the entire economy.

Table 1 in Annex 5.3 represents the distribution of the manufacturing districts and meta-districts of Veneto discriminating by the sector: since all of them can be reconnected to the so-called '4A of Made in Italy', we will further analyze them after a brief consideration for each sector of specialization.

The shared aspect of all the analyzed districts is that most of their added value stems from the manufacturing phase, where they employ a higher ratio of employees compared to the national average, realizing highly export-oriented products.⁸⁰

2.3.1. The furniture sector

In 2012 the woodworking and furniture sector involved around 13.000 enterprises, half of which are part of a district. This sector is not limited only to wooden products, but it also includes general furniture, marble, wrought iron, artistic glass, etc.

The district of the artistic furniture of Bassano

The district covers the areas between the province of Vicenza, Treviso and Padua, with Bassano del Grappa at its center and extending to Cittadella, Asolo, Marostica, and Campolongo sul Brenta. Even if the size of the firms is mainly small (81% of the firms has less than 50 employees), the few firms with a larger size (more than 50 employees) managed to have good brand recognition in the market. This is possible thanks to an orientation toward a limited number of markets, characterized by a stable demand, where the enterprises offer a range of products able to adapt to the changing customers needs, focusing on productive aspects such as the artisanal work⁸¹. The production is organized to concentrate the entire value chain inside the district: from upstream activities such as saw-milling, planing and wood treating to downstream activities such as the commerce of home furniture. It also includes related activities such as the

⁸⁰ Cp. Veneto region (2014 A)

⁸¹ Cp. Unioncamere & Unionfiliera (2014 B)

supply of paints and other processing materials, the design and styling of interiors, customized furniture, etc. Promotional activities take place in exhibition and expo such as the “Salone del Mobile di Milano” that is the most renowned Italian event for the sector⁸².

The specialization is focused on the furniture production, the so-called “Arte Povera”, and in the restoration and reproduction of antique furniture of French and Italian origins. Compared to other firms active in the same field, this district is more concentrated on high-quality products, which is why it has adopted specialization and integration strategies to reach its goal.

The district assets are the presence of a production culture careful of details (quality of the products), the solid linkages with some markets and/or suppliers that ensure a good image to the final product and the high flexibility of the firms. On the other hand, the main issues regard the fragmentation of the production, which is an obstacle for the players of the district in finding the needed financial and managerial resources; the difficulties in having the professional and skilled workers that guarantee the turnover of the workforce, maintaining the high quality of the production; the lack of managerial skills of the owner and the managers, which leads to a lack of innovation and ability to invest. Moreover, the individualism among the agents results in opportunistic behaviors, preventing the growth of the entire district.

The local institutions embraced a set of projects to support the district firms that goes beyond the creation of reports and market analysis to support the managerial activities of the firms. They created and promoted a DOC brand to recognize the typicality and the high quality of the productions realized in the area⁸³. What proved to be strategic as the reduction of the environmental impact, which mainly consists of energy saving programs, and the investments in the formation of a new skilled workforce, creating synergies between the firms and the schools. Lastly, a portal has been created acting as interface and connection between the local firms and the international markets, supporting, at the same time, cooperation among the firms of the district⁸⁴.

⁸² Cp. Unioncamere & Unionfiliera (2014 C)

⁸³ Cp. Unioncamere & Unionfiliera (2014 C)

⁸⁴ Cp. Apindustria Vicenza (2006)

The district of the marble and Venetian stones

The district is located in the occidental side of the region, among the valleys of Vicenza and Verona and the Euganean hills of Padua. This area is traditionally suited to the extractive industry as well as stone processing. It is the main industrial cluster for marble processing in Italy, a business worth 371 million euros of export in 2010, that is 28% of the Italian and 5% of the worldwide export. The size of the firms is small or medium-small, and the productive system is characterized by a high level of decentralization and outsourcing to phase-specialists.⁸⁵

The most famous qualities of marble are the red marble of Verona and the Nembro, mostly used to realize ponds, fountains, floors as well as artistic furniture and artistic works. Despite the origins, now the core activities of the district are the processing, manufacturing, shaping and fixture of natural stones that arrive from all over the world. Only 43 out of 527 firms operating in the district deal with the extraction of materials while the others are active in the stone processing. The percentage of the extractive activities is even smaller considering the employees: only 5% of them are employed in the extraction, while all the others work in the core business of the district, that is the one where Venetian companies succeed as international leaders.⁸⁶

These results came not only from the tradition, the experienced workers, the high division of labor that allows a deep specialization of the firms, the network structure of the district where the firms are vertically integrated through cooperation projects while competing horizontally continuously innovating and searching for efficiency improvements of the processes; but also from the ability to cooperate, to create sectorial organizations and to develop great team spirit and identity within the district. Because of that, the '70s saw the creation of the consortium for the marble cutters of Verona. Today the most important organization is the Videomarmoteca S.c.a.r.l. that involves firms, industrial organizations and local institutions⁸⁷. Cooperation is a crucial element in the district, since it enables firms to satisfy any need of the customers to complete

⁸⁵ Cp. Unioncamere & Unionfiliera (2014 D)

⁸⁶ Cp. Unioncamere & Unionfiliera (2014 E)

⁸⁷ Cp. Unioncamere & Unionfiliera (2014 F)

any kind of project, to allow the entrepreneurs to cope with the slowdown of the economy and the growing competition from rising countries as China and Brazil.⁸⁸

The development of the district is expected to come from the promotional activities worldwide, the constitution of a training body that operates through seminars and conferences and R&D investments especially finalized to the recycling of aggregates materials, otherwise wasted. Further stimulation of cooperation models and networks is however required.⁸⁹

The district of the classic furniture of the Venetian plain

This district is located in the southern part of the region and involves around 1.400 firms of 50 municipalities among the province of Verona, Padua and Rovigo. It is characterized by a high number of SME, mainly artisanal and very different among each other because of the divergences in their final markets and output, which are reflected in heterogeneous organization of productions and commercialization strategies. The firms are mostly focused on a limited set of products, specialized horizontally (they take care of their core activity, externalizing to other specialist the other phases of production). Nevertheless, the output of the district is really broad since the different production of the single firms: the variety and the provided customization are the main reasons for its success.⁹⁰

The specialization is in the production of furniture: not only wooden ones but also ceramic furniture for bathroom, wrought-iron beds, modern furniture for houses and offices, etc.⁹¹

The success is given by workers' handcrafting experience of the workers that allows the production of high quality furniture with a great differentiation level and by the willingness and ability to innovate, realizing new processes as well as new products, constantly adapting to the changing taste of the consumers. This

⁸⁸ Cp. Montani C. (2013)

⁸⁹ Cp. Videomarmoteca (2006)

⁹⁰ Cp. Unioncamere & Unionfiliera (2014 G)

⁹¹ Cp. Unioncamere & Unionfiliera (2014 G)

customer-oriented mindset requires high flexibility that is given by the ability of the firms of converting their productions: in this way they are able to change the production from a line to another, generating variations to the final products. On the other hand, the district still experiences a poor corporate culture, mainly caused by a lack in managerial skills of the owners. Generational turnover is lacking as well because of the aging of the district population, that is unable to find young skilled workers to cover both manufacturing and managerial positions. The fragmentation leads to difficulties in line of credit, limiting the possibility to invest not only in technological equipment, thus improving efficiency and competitiveness, but also marketing investments, which may increase the visibility of products worldwide.⁹² Moreover, the shifting in customer's preferences from classical furniture is forcing many firms to exit the district and/or to change their productions; thus the firms may be doomed to become mere suppliers of multinationals as Ikea⁹³.

The actions undertaken by the local institutions, finalized at the development of the district, are focused primarily on the development of the set of knowledge and competences of the firms, not only through training but also by using specific training programs finalized at the renewal of the workforce. Environmental policies will certainly play a pivotal role, not only in rendering the production process more efficient and eco-friendly but also in increasing the appeal of working in the factory. Meanwhile, the district standards are studied to increase the quality of the final products and to improve the quality and effectiveness of the processes. Such a set of standards may contribute to define the requirements to benefit from the recognition of a district's brand, which is essential for the promotion of the productions, especially abroad. Last but not least, the cooperative R&D as well as incentives promoting innovation activities are vital to re-create that fruitful environment where innovation is disseminated among the firms that through cooperation and competition continuously enhance process and product innovation.⁹⁴

⁹² Cp. Unioncamere & Unionfiliera (2014 H)

⁹³ Cp. Di Vico D. (2012)

⁹⁴ Cp. Distretto del mobile della pianura veneta (2010)

The district of ceramic, porcelain and artistic glass

Located between the province of Treviso, Padua and Vicenza, the district of ceramic, porcelain and artistic glass has its core around the cities of Bassano del Grappa and Nove. This specific location has to be attributed mostly to the initiative of the locals that have been able to translate their particular esthetic culture, given by the artistic background of the area, and its natural resources, in a profitable business. With 464 firms in 2012, the district is characterized by the presence of small and micro firms, having an average size of 3.73 employees per company. The district experienced hard time during the crisis, losing more than 10% of its population in the last three years.⁹⁵

The two main categories of products are the artistic ceramic on one side, and the production of porcelain and artistic glass on the other. Both of them are mainly furniture and ornamental products with a supreme elegance, with traditional shapes as well as modern, trendy and stylish. The most characteristic products range from appliqués, lamps, chandeliers to dishes, tableware, decorative plates, bowls, decorative tables and columns, but also sinks, bathroom accessories, vases, fountains, jewelry boxes, frames, etc.⁹⁶

The main strength of the district is the professionally skilled workers, with a know-how derived by their long experience in the craft workshops. The extreme flexibility of their productions is given not only by the small dimension of the firms but also by the ability to face and solve any problem directly during the production process. Moreover, the widespread creativity enable the entrepreneurs to constantly renovate their product portfolios according to market preferences. The external economies, provided by the district, are essential as much as the understanding of the value of the cooperation between firms and institutions to enable the creation of new products and business models. On the other hand, the lack of an effective generational change and the limited availability of skilled workers is challenging the survival of the district. The limited size results in limited line of credit, creating a lack of investments in machinery (limiting process innovation), in marketing (limiting the visibility of the district) and in new products (limiting the renovation of the sample collection); as

⁹⁵ Cp. Unioncamere & Unionfiliera (2014 I)

⁹⁶ Cp. Unioncamere & Unionfiliera (2014 J)

consequence of the limited visibility of the district, firms started an extremely harmful internal price war that is destroying the margins of the firms.⁹⁷

The main trajectories of development aim at the improvement of the image and visibility of district's products in the market, always focusing on the esthetic culture and attention for details, promoting traditional and quality brands. Solving the price war is essential to create a stronger collaboration without eliminating the stimulus provided by the market competition. Improving cooperation among firms and local institutions means being able to create team spirit, identity in the district, while commonly improving the distribution channels and re-creating the typical district environment, where the know-how can circulate and reinforce the innovation mechanism. It is critical the promotion of formative activities to encourage the youths to specialize in the field, mastering new technologies and materials, ensuring the persistence of the local firms while being capable to be proactive spotting new business opportunities in the international market.⁹⁸

The district of the artistic glass of Murano

The district of Murano is situated in Murano Island, in the north-est of Venice. Murano has produced fine artistic glasses since XIII century when the kilns were transferred in Murano to avoid fires in the center of Venice. As in the district of the ceramics of Bassano and Nove, here the cultural heritage together with the entrepreneurship of some families created a unique industry renowned all over the world for its extraordinary products. The unique production's techniques already in the XV century rendered Venice known all over the world for its artistic glasses. But it is in the '20s and during the Modernism that these productions started to be intensively used in the architecture, in internal design, in furniture, lamps, etc. Today, the mixture of unique historical heritage, fine art and modern design are creating a product portfolio able to enter the international markets (105 million euros of export in 2012), using the unique competences of the master craftsmen to develop this exclusive district.⁹⁹

⁹⁷ Cp. Unioncamere & Unionfiliera (2014 K)

⁹⁸ Cp. Distretto di Nove e Bassano (2010)

⁹⁹ Cp. Unioncamere & Unionfiliera (2014 N)

The products, mainly unique items, have always a certain artistic component. The portfolio is mainly composed by luminaries, engraved glasses, decorative glasses, bevelled glasses, murrines, mirrors and lampworks¹⁰⁰. Given the peculiarity of the production process, the district is not organized by phase specialist, but by laboratories that create, starting from the raw materials, the final products, sold directly to the final clients in their local shops or through the means of producers federations to international clients. Special consortia were at this purpose created not only to commercialize and promote the final products but also to collectively purchase the raw materials¹⁰¹.

Crucial for the development of the district are the promotional activities, especially abroad; the protection of the brand 'Vetro Artistico®' against plagiarism and false reproduction of its products; investments in R&D to promote the industrial innovation both at product and process level; exploitation of the productive culture and local identity as a value added element of the products; training and qualification of local knowledge and competence, involving firms, local institutions and schools to allow a generational change without losing the experience and know-how of the manufacturing techniques; improving the working processes, with particular care at the extremely precious environment of the Venetian Lagoon.¹⁰²

The district of the wooden furniture of Treviso (and the Meta-district of Veneto)

The district includes 19 cities of the province of Treviso, located at the left side of Piave, plus 9 around the city of Sacile (PN). It represents around 56% of the Venetian export of wooden furniture.¹⁰³ Even if the sales abroad are still highly concentrated in the traditional markets, already in 2006 Russia and China were seen as attractive opportunities where to offer the medium/high-quality products of the district, able to satisfy both high-variety markets as well as niches. The average size of the district is higher than usual, due to the growth that the firms undertook in the last years in order to acquire enough resources and capabilities

¹⁰⁰ Cp. Unioncamere & Unionfiliera (2014 M)

¹⁰¹ Cp. Unioncamere & Unionfiliera (2014 L)

¹⁰² Cp. Distretto del vetro artistico di Murano (2006)

¹⁰³ *It is important to remember that the furniture sector includes not only wooden furniture but also iron furniture for offices, ceramic accessories for bathrooms etc.*

Cp. Anastasia B. et al. (2008) p. 30

to compete internationally. The main products offered go from home furniture for kitchen, living room and bedrooms, to office furniture, to components as doors, trays and other semi-processes goods.¹⁰⁴

The main strengths are given by the high investments in automation and technological machinery, which helped the firms to improve the efficiency of their production processes, and the competences of the artisans, which created a set of superior quality products at affordable and competitive prices. Moreover, many firms of the district, across the new millennium, started a re-organization process to become more cost-effective and more internationally present. For instance, on one side they delocalized some production phases directly to countries producers of raw materials (especially in Eastern Europe). On the other, they developed new commercial and distributive projects to create new proprietary commercial platform abroad (where they have the greatest profits since they are export oriented) able to determine the distributive strategies, to better satisfy the emerging customer requirements as contract supplies and to satisfy the needs of the pull demand. Would be misleading to think that the internationalization process shifted the importance of the production as central activity of the district: design and realization of the core phases of the production are still an essential element to maintain the success of this value chain.¹⁰⁵

From 2006, the new regional development strategy enlarged the boundaries of the district to the whole Venetian region. This law technicality was conceived to unify the strengths of all the players of the region under the same organization (the so-called Meta-district of the wood and furniture). This can be interpreted, as saw above in Chapter 2.2.2, as an evolutionary form of the district that raised the average dimension of its firms, having less dense bonds between them and a larger and dispersed network. According to the regional law, this cluster includes not only the district of Treviso, as described above, but also the districts of Bassano, of the Venetian plain as well as the one of Manzano (in the region of Friuli Venezia Giulia).¹⁰⁶ It has to be said that there is a downside in the concept of the meta-district: the importance of the culture and the values are lower

¹⁰⁴ Cp. Anastasia B. et al. (2008) p. 31

¹⁰⁵ Cp. Anastasia B. et al. (2008) p. 32f.

¹⁰⁶ Cp. Unioncamere & Unionfiliera (2014 O)

compared to the district, and this leads to weaker linkages among players as well as in a lower identification as part of the cluster.

The meta-district has a broader specialization in all those phases of the production chain from the saw-milling, to the drying process, to the production of components, to the realization of final products as chairs, wooden furniture, armchairs and sofas, parquet and other derivatives of the woodwork.¹⁰⁷

The strategic development of the cluster is going in the direction of strengthening the product and process innovation, especially through the realization of a Life Cycle Assessment able to give an added value to the final product. Furthermore improvement at the commercial strategies and at the internationalization projects are taking place, encouraging a stable and profitable coverage of the international markets. The realization of a new wooden-housing market has been supported also by eco-friendly and energy-saving regional regulation about the construction industry. Formal networks are created to support collaboration of the firms, enhancing their cooperation projects and developing strategic services that can be shared among all the firms. Lastly, the enhancement of the competitiveness come mainly from two distinctive area: on one side increasing the efforts for marketing district's products internationally, in primis using expo and fairs, on the other, training of the human resources, especially at managerial level.¹⁰⁸

The institution of the meta-district can be interpreted as a resignation of the local authorities in front of the cultural crisis of the district. Instead of trying to re-enhance the cultural linkages of the firms, the institutions choose to look for other means to enhance the competitiveness of the firms, i.e. creating a formal central regional authority.

2.3.2. The fashion sector

This is the most classic sector of the 'Made in Italy' including firms operating in the clothing and textile industry, in the shoe's industry, in the tanning industry, in the jewelry industry and in the eyewear industry.

¹⁰⁷ Cp. Unioncamere & Unionfiliera (2014 P)

¹⁰⁸ Cp. Anastasia B. et al. (2008) p. 30ff.

The district of Montebelluna's Sportsystem

The district extends from Monfumo, Valdobbiadene, San Biaggio di Callalta and Castelfranco Veneto, having at the focal point Montebelluna and involving a population of around 100.000 units¹⁰⁹. The sport system district is an evolutionary form of what Porter studied in the '80s as the Boot system¹¹⁰. Thanks to a well integrated local community, to an high degree of the division of labor, to a phase specialization and to the competences acknowledged in the years, the district has been able to specialized in the design, production and commercialization of sport equipment from technical shoes and clothes to sportive tools. With 1.766 firms in 2012 and an average size of 8,3 employees per company¹¹¹, the district is responsible for the production of 65% of the sky boots, 65% of snow boots and 80% of motorcycles boots in the world; representing respectively 80%, 60% and 45% of the Italian production of football, cycling and basketball shoes and 80% of the European mountain shoes and boots output. It is crucial the link between the big foreign multinational firms (as Adidas-Salomon, Fila, Nike, Puma, Rossignol-Lange, North face etc.) that from the '80s started to come to the region and the local firms: SMEs but also emergent international leaders as Sidi, Lotto-Stonefly, Geox, Alpinestar, Nordica, Dolomite, etc. The recognition that the district owns a particular set of special competence and know-how has been essential for its growth and competitiveness in the global market. This concentration of activities around Montebelluna enhanced even more the competences of its actors, able to constantly innovate in technological and organizational terms, using spillovers and local competences as a starting point.¹¹²

If it is true that the pressure of these big multinational firms forced the local companies to delocalize their production to Eastern countries to obtain cost advantages and remain competitive, turning upside down the local productive system, it has to be said that these companies are also responsible for spreading new technological spillover that has been determining for a further development of the district in terms of innovation, dynamism and diversification¹¹³.

¹⁰⁹ Cp. Unioncamere & Unionfiliera (2014 Q)

¹¹⁰ Cp. Porter M. (1990)

¹¹¹ Cp. Unioncamere & Unionfiliera (2014 Q)

¹¹² Cp. Carini A. (2008)

¹¹³ Cp. Sutto M., Alaimo C. (2010) p. 114f.

The main strengths of the district are the high degree of specialization (especially in critical phases as the design, the modeling and the creation of the first series), the presence of sectorial leaders that motivate the SMEs to innovate, and highly specific training programs developed to satisfy the needs of the local enterprises. On the other hand, the diffusion of a small dimension is a limit for the technological investments in machinery and R&D, linked, largely in the recent years of financial crisis, to a high limitation to the line of credit. This limited line of credit influence also the ability to invest in distribution channel as well as in training to develop competence and skills in the marketing and communication area but also in the managerial one where international value chains need to be run. Moreover, the entrance of global players increased the level of competition disrupting the typical district cooperation. As many other manufacturing district, also here there are difficulties in effectively enhance the generational change.¹¹⁴

In order to overcome these issues, the district is looking to develop services and initiatives to support creative innovation, to spread the ICT for better managing the coordination within firms, to further internationalize the district encouraging the SMEs in directly participate at international level through the ICT, to develop a set of show-rooms and fairs promoting the district products, to create a training center able to form new technicians, and, lastly, to create consulting center for supporting the management of the SMEs in their internationalization decisions.¹¹⁵

The fashion district of Verona

The fashion district of Verona, once upon a time limited to the area around the southern part of Garda's lake, historic site for the textile industry, from 2005 legally extends to the provinces of Mantova, Brescia and Modena. Today the cluster includes 4.144 firms with an average size of 8,57 employees. The average size slightly increased in the last years where the constant reduction of the number of firms (around 2,5% per year) has not been followed by a reduction of the employees. We are here, again, dealing with an evolved form of district that enlarged its network in the neighboring provinces, but also engaging in new relationships abroad to better connect with all the opportunities provided by the internationalization. One for all, the export: it accounted for around 4 billion euros

¹¹⁴ Cp. Unioncamere & Unionfiliera (2014 R)

¹¹⁵ Cp. Consorzio sviluppo e impresa (2009)

is 2012 with an increase of 4,28% on annual base. The firms of the district, in the last years, changed their way of operating forced, on one side, by the competition of emergent countries able to provide similar product at a cheaper price, and, on the other, by large companies with valuable brands. Today, the main strategy of Verona's companies is the focus on the fast fashion industry, that offered great opportunities in the last years, having an organization of production, based on outsourcing, very similar to the district's one.¹¹⁶

The district is mainly composed by clothing companies, textile companies and artisanal laboratories operating in outsourcing, but it also includes providers of textile machinery, service providers, distributors, marketing consultants and design agencies. The specialization is on the so-called 'Pronto Moda' (fast fashion), based on seasonal productions that deliver products inspired to the lines of the big labels of fashion. This organization allows lower investments in the design phase since nothing is planned until few months before the launch of the new season, but it requires an organizational system extremely efficient to minimize the time to market. The outsourcing is mainly related to labor intensive productive phases (as garments) that the main firms leave to the artisanal laboratories. The leader firms tend to realize internally the most automatized phases as the cutting, and, sometimes, the first series. Design and styling are mostly entrusted to firm's consortium since the small dimension usually prevents them to have the required competences. Moreover, the consortiums usually take care of commercial functions as well as the managerial ones.¹¹⁷ The speed (in the time to market) and the service level are the key elements of this production process that delivers medium-quality products mainly for a young segment of customers. Despite so, there are firms operating in market niches as the teenager one, the maternity fashion, outsize clothes, wedding dresses and tuxedo, leather cloths, etc¹¹⁸.

The main strengths are linked to the high level of service, the high degree of flexibility and the high density of the firms in the area that translates in low costs of transportation, higher efficiency in the outsourcing phases, continuous product research and high sensibility to trends and markets requirements. On the other

¹¹⁶ Cp. Unioncamere & Unionfiliere (2014 S)

¹¹⁷ Cp. Unioncamere & Unionfiliere (2014 U)

¹¹⁸ Cp. Unioncamere & Unionfiliere (2014 T)

hands, the firms are mainly dependent from the wholesalers, able to enforce their quantities and prices. The small size is also responsible for the lack in corporate brand image, proprietary collections and proprietary distributor system. Moreover, professionals are missing as well as an appropriate managerial and entrepreneurial culture.¹¹⁹

The organizations and institution of the district are working toward a reinforcement of the role of the district in the organization of production, with the creation of a collective brand (VEM) that could help the firms in being recognized for their quality productions. Further developments are linked to the research of new international markets, to the enhancement of the service level of the productions, to the improvements of the competences of the players (from marketing to design and management) and to product innovation. These first steps should allow a growth in size, a development of individual brands, the creation of proprietary distributive systems and a higher internationalization.¹²⁰

Fashion district of Treviso

The district of Treviso is quite different from the one of Verona. Here the industry is much more concentrated in the hand of few firms: from the '90s the leader of the district started to move the outsourcing activities abroad, looking for cost advantages in the labor intensive production phases. The process of concentration created a reduction (especially among the small enterprises) of firms of 34% during the '90s followed by another 17% during the early 2000s. In those years, sectorial champions emerged, such as Benetton, Stefanel, Fashion Box, Unitessile and Coin¹²¹. Today, the district, evolved to a hierarchical form, is responsible for 40% of the regional export of textile and clothing and 7% of the national. The district has a coexistence of firms operating in a medium-low segment, operating most on cost-oriented strategies, as well as firms in higher segments where the quality of the products is more important. While the first group, that mainly includes the big labels, operating more as distributors than producers, keeps internally only the design and distribution activities, the second,

¹¹⁹ Cp. Unioncamere & Unionfiliera (2014 U)

¹²⁰ Cp. Distretto Verona Moda (2006)

¹²¹ *Coin is a final retailer with the headquarters in Mestre, outside the boundaries of Treviso province. Despite so it can be included in the district for its relations with the other firms of the district.*

which include mostly medium firms mainly operating in niches, operates in high quality sectors and needs to keep the productions locally to ensure a superior quality to the final output. The latter firms mainly outsource the production to local artisanal laboratories, highly rare and requested in the last years, due to the fact that many firms re-localized their productions to provide a higher quality to their products. Moreover, firms saw that operating locally they could have a prompter response to market needs, more flexibility and adaptability.¹²²

The evolution of the district in such a hierarchical form created a huge gap between the large companies operating with proprietary global networks and the small firms operating locally. On one side the internationalization provided a set of challenges and opportunities for the development of the sector. On the other, it creates individualistic behaviors among the agents of the district, disrupting most of the their relational and cultural linkages. Moreover, the governance measures instituted by the local organizations, in the direction of a higher cohesion and cooperation, failed to involve the small and medium enterprises, i.e. the target of those policies. The main downsides are connected to the delocalization of most of the production phases that is leading to a fast loss of the competences, practical and technological, essential for product and process innovations. The deficiency of experienced and skilled professionals is seriously threatening the future of the district: the lack is felt both at an operational level, where a skilled workforce available to work with flexible hours is vanishing, and at a managerial level, where international experienced managers are needed to deal with the internationalization processes.¹²³

To overcome these downsides, the local and sectorial institutions are developing formative programs to ensure a generational change to the workforce. These include not only professional and technical programs at high-school level, but also university programs to form the future managers. The link between theoretical-scholastic background and practical experience directly provided by the local firms is going in the right direction, but it is still failing to attract enough youths. Other measures are going in the direction of a greater integration among

¹²² Cp. Anastasia B. et al. (2008) p. 51

¹²³ Cp. Anastasia B. et al. (2008) p. 52f.

district's firms (as saw before) and to promote abroad the products of the district, with the participation at showrooms and fairs.¹²⁴

The Riviera del Brenta district

The district is located along the Brenta involving around 600 enterprises among the provinces of Padua and Venice.¹²⁵ The district, born in the early years of the XX century, in the '70s started to export its products to compensate the increasing national competition. In the '90s, due to the downturn of the sales, especially in Germany, the Brenta's firms faced two opposite ways to overcome the crisis: on one side, firms operating in a medium market segment tried to regain competitiveness through delocalization, on the other, the ones operating in higher segments started to work for the major fashion griffes such as Louis Vuitton, Bottega Veneta, Armani, etc.¹²⁶ Thanks to these strategies, the district demonstrated to be able to overcome most of the issues of the Italian shoe's industry, being able to maintain high the rate of employment, constantly increasing the turnover: with an average of 7,3 million euros per firm¹²⁷ in 2010, it increased of 9,6% compared to the 2006 (before the crisis).¹²⁸

Today the district still retains all the production phases, even if only the high range producers take care of the entire process inside the district. As a matter of fact, while the medium-high range producers outsourced in low-wages countries most of the non-critical phases, retaining at home just the most experience-related ones such as modeling, assembling and edging, among the medium range producers, many delocalized the entire production process, retaining at home just the design, marketing and other administrative/managerial activities.¹²⁹

The main strengths of the district are linked to the long history and tradition of the sector, that translates not only in a highly qualified and experienced workforce but also in a well organized formative system. The 'Scuola di disegno per arti e mestieri' was created in Strà already in 1923, recognizing how having trained

¹²⁴ Cp. Anastasia B. et al. (2008) p. 52f.

¹²⁵ Cp. Veneto region (2014 A)

¹²⁶ Cp. Anastasia B. et al. (2008) p. 36

¹²⁷ *These data, even if refer only to the 68 corporate firms of the district, are interesting to understand the growth pattern of the last years.*

¹²⁸ Cp. Gradinetti R., De Marchi V. (2012) p. 163

¹²⁹ Cp. Anastasia B. et al. (2008) p. 37

workforce is extremely important for the final quality of the products. Moreover, the district is still characterized by high cooperation among firms, particularly enhanced by the projects of the local institutions. The main downsides are connected with the aging of the workforce and the inability of the formative system to introduce a large enough number of young people: in 2005 the employees form 15 to 24 years where the half of the over 65, signal of future problems of workforce's availability. Furthermore, the medium size firms demonstrated particular issues connected to the competences of their head department, that, in most of the case, lacked, alternatively, of an in a deep product and process knowledge or in managerial skills (such as supply chain management skills, ICT skills, process reengineering skills, etc).¹³⁰

The development paths undertaken by the district are especially going in two directions. On one side the institution are trying to create a deeper link between the territory and the peculiar skills and competences in the production process. On the other, it is essential to further create of new workforce to boost the generational change. This can be accomplished through a renewed school system, more international to be able to attract talents with high technical and designing skills from all over the world, enhancing a cultural exchange of ideas to strengthen the innovation process.¹³¹

The footwear district of Verona

The footwear district of Verona is positioned in the oriental side of the province, mainly around Bussolengo, Sona, Villafranca and Verona. Even if the majority (78%) of the 678 firms are of small dimension (under 50 employees), there are also big players that have been able to gain brand recognition, as Effigi Style, Olip, Frau and Diamant. The typical productions are characterized by a short production cycle and products form medium to medium-high quality, having an export of 1.064 million euros in 2012. Most of the production phases, especially in the medium quality segment, have been delocalized, determining the reduction of the number of firms (declined of almost 20% since 2009) and of the employment. The output of the district is a vast range of footwear products, from walking shoes to leather shoes for man and woman. Nevertheless there are firms

¹³⁰ Cp. Anastasia B. et al. (2008) p. 36ff.

¹³¹ Cp. Anastasia B. et al. (2008) p. 38-40

operating also in the tanning industry, in the machinery industry and in providing accessory's products and services.¹³²

The number of firms in the district sharply decreased in the last decade, especially from 1998 to 2005 when they fall of almost 50%. Hierarchy emerged through the concentration of the district around few large leading firms, which acquired most of the small players in crisis, gaining competences and easily increasing their capacity.¹³³

The main strengths are linked to the know-how in the shoe's manufacturing, to the high level of customization and flexibility of the productions able to rapidly adapt to the market needs, to the high integration of the players in the value chain and to the innovation's culture that constantly pushed to improve product and process. Moreover, the presence of big firms with more that 100 employees and 50 million euros of turnover is useful to lead and to provide incentive to the small, family owned, firms to innovate and grow. The ICT has been essential to allow a better coordination of the outsourcing both in the district's laboratories and in the delocalized units. The main downsides refer to the low power in the market as well as to the low presence in the national and international level, that are mainly linked to the lack of managerial expertise. The decay of the district's culture created increasing issue regarding the collaboration and the ability of the firms in create consortia or groups, joining forces to succeed in the market. Furthermore, innovation is mainly linked to product's adaptations following the seasonal styles, leaving very little to technological innovation, especially in the production technologies.¹³⁴

In the past years, the local institutions created two consortia to help the internationalization process on one side and the train of the personnel on the other. Moreover a collaborative strategy has been implemented with the local universities in order to create innovative products, focusing not only on the style but also on health and comfort features. The most recent development patterns are linked to the preservation and enlargement of the market share of the district, translating in R&D investments, in stronger internal collaboration, in new linkages

¹³² Cp. Unioncamere & Unionfiliera; (2014 V)

¹³³ Cp. Rizzo L. S. (2012) p. 104f.

¹³⁴ Cp. Unioncamere & Unionfiliera (2014 W)

with other districts and in further implementation of ICT to improve the production process, enhancing communication and knowledge transfer.¹³⁵

The tanning district of Vicenza

The tanning district is located mainly in the province of Vicenza, in an area that extends from Arzignano, Valle del Chiampo and Montebello. The district includes 2.380 firms, mostly small firms (80% has less than 50 employees) with an average size of 11,22 employees. With 3.792 million euros of export, it is the most important tanning industry in Italy and one of the largest worldwide. The district felt a very little reduction of firms in the last years (with an average reduction of less than 1% in the last three years), being able to reorganize its production processes through the means of outsourcing to phase-specialist firms, creating consistent economies of scales which allowed to remain competitive also in respect to emergent economies.¹³⁶

The specialization is in the preparation and tanning of the leather, in the production of leather bags, travel accessories, saddlery, accessory products for the textile and leather industry, leather clothing, in support sectors such as the production of machines for the tanning industry, the leather and footwear industry and in the distribution sector.¹³⁷ The main strengths have to be reconnected to the vitality and dynamism of the larger firms of the district that, reorganizing their productions have been able to trigger the small firms, that rationalized their operations, rethought the processes, improved the efficiency and increased the final quality of the output. This supreme quality, given by superior techniques and an experienced workforce, has been recognized worldwide, allowing the firms to charge a premium price. The flexibility and adaptability are also critical, allowing the firms to rapidly react to external stimuli reorganizing the manufacturing to comply with the changing demand. The creation and success of the district has been reconnected to three major factors: the high availability of water, fundamental for these productions, the position of the district, highly connected by infrastructures and the abundance of skilled workforce. Today, the lack of a skilled labor force is seriously frightening the persistency of this industry.

¹³⁵ Cp. Distretto Calzaturiero Veronese (2009)

¹³⁶ Cp. Unioncamere & Unionfiliera (2014 X)

¹³⁷ Cp. Unioncamere & Unionfiliera (2014 X)

Moreover, it has been observed that the lack in cooperation is determining difficulties in understanding the needs of the clients as well as in creating structures for R&D, both on the side of the materials and on the one of production processes.¹³⁸

The creation of the 'Consulta Tecnica di Distretto'¹³⁹ is a first step in organizing a set of standards for the workforce: an institution not called just to train the new workers, but to ensure a certain level of competences and skills that could help a further development of the techniques and processes. Moreover, the local institutions are working towards the implementation of safety systems for the production phases, the creation of an integrated district's logistic system, that could allow a maximization of the existent resources in the distribution, and the development of eco-friendly tanning systems to save energy and water reducing the impact of the productions in the environment. Last but not least, the district is investing in the implementation of nano-technologies to support the entire production process, allowing further optimization of the resources as well as enhancing product and process innovation.¹⁴⁰

The jewelry district of Vicenza

The district, with a history that goes to the Paleoveneta era, is located in the province of Vicenza, among the cities of Vicenza, Bassano del Grappa and Trissino. With 2.090 enterprises and more than 10.000 employees in 2011, the district has a turnover of over 2,7 billion euros, of which 1,7 are export¹⁴¹. Despite so, the trend of the last ten years is not positive: the number of firms from 2002 to 2011 decreased of 42%, while the average turnover from 9,3 million euros in 2006 to 8,2 million euros in 2010,¹⁴² highlighting that the district is no more able to sustain its typical organizational system.¹⁴³ The district is still characterized by the prevalence of small and medium enterprises, highly specialized and mostly artisanal; however there are also firms able to work with high volume, enjoining

¹³⁸ Cp. Unioncamere & Unionfiliera (2014 Y)

¹³⁹ *The 'Consulta Tecnica di Distretto' is a consultancy agency created by the district's institutions*

¹⁴⁰ Cp. Il sole 24 ore NordEst (2010)

¹⁴¹ Cp. Unioncamere & Unionfiliera (2014 Z)

¹⁴² *This data, even if refer only to the 94 corporate firms of the district, is interesting to understand the negative pattern of the last years.*

¹⁴³ Cp. Gradinetti R., De Marchi V. (2012) p. 159ff.

economies of scale, realizing mainly chainware, straps and medals. Still prevalent the outsource system with firms highly specialized in particular phases of the production process, as well as firms provider of accessory services, of technical support, commercial support, etc.¹⁴⁴

The typical productions are very broad: from 'monili' to fine jewelry, semi and micro-jewelry, goldsmith, silverware, fashion products, components, peddlers, silver tableware, etc. The different kind of productions influences also the organization of the firms: usually they are bigger and diversified when operating in the silverware and clockmaking (mostly taken together because of the production and business synergies), focused on precise limited collections when operating in the goldsmith and jewelry sectors, and extremely specialized in a limited number of phases when operating as component suppliers.¹⁴⁵

The strengths of the district are the high-quality productions, the high level of flexibility, the export orientation, the expertise, experience, competences and know-how highly spread among the firm of the district, the concentration of the entire value chain inside the district including promotion activities and events (such as Vicenzaoro and Orogamma), the schools and training centers, and the institutions and laboratories promoting and spreading innovative technologies and techniques. The main issues are linked to the downturn of the national and international demand, the growth of international competition from emergent economies, the growing importance of foreign sectorial events, the low "Made in" effect in the final products and the low knowledge about the higher quality of the products coming from the district's firms. Moreover, the high fragmentation lead to low diffusion of branding activities with a consequent low brand image and to a limited access to the line of credit giving low propensity to invest (especially in innovation activities). The limited size is reflected also in the lack of those managerial skills needed in strategic planning, in creating a effective distributive network, in having own R&D and design centers, etc. All these weakness are leading to a vicious circle, preventing the emergence of sectorial leaders that

¹⁴⁴ Cp. Unioncamere & Unionfiliere (2014 Z)

¹⁴⁵ Cp. Unioncamere & Unionfiliere (2014 AA)

might push the innovation in products, business models and production processes.¹⁴⁶

The issues that the district is facing are overcoming its strengths and this is reflected also in the quantitative data presented above. Moreover, it has been observed that the raising of a leader as Morellato outside the boundaries of the district is a signal of the hard times of the district.¹⁴⁷ Trying to limit the decline of the district, the local institutions are creating a number of projects to define benchmarks and best practices to help the firms in reorganizing and restructuring to reacquire the national leadership of the sector. Moreover, research projects are finalized to R&D on materials, to promote and spread new knowledge among the district, providing those essential stimuli to create new processes, new products, new styles and new ideas. Promotion and marketing are considered essential as well, since the promotion of the historical background, as well as the experiences and expertise, through the use of the brand “OriVicenza”, might be a greater value added factor. Lastly, attention has been placed in the creation and formation of new skilled workers able to support the generational change.¹⁴⁸

Eyewear district of Belluno

The district of the eyewear of Belluno takes care of 80% of the Italian production of glasses,¹⁴⁹ and is mainly located in three area of the province of Belluno: the Cadore, historical site of the district, where still are around half of the firms, the Agordino, where Luxottica has the headquarter, and the areas around Belluno-Alpago-Feltre-Val Belluna.¹⁵⁰ With an export of 2.954 million euros in 2011, that constantly rose in the last years, the healthiness of the district is just an apparent feature: the 339 firms active in 2011, are less than half of the ones operating in 2002. This due to a strong concentration process, where the system of small and medium firms has been substituted by few large international players that operate in a integrate manner, outsourcing some productive phases to local small and medium laboratories. This phenomena makes the average turnover and size of the firms not significant if the purpose is the understanding of the real economic

¹⁴⁶ Cp. Unioncamere & Unionfiliera (2014 AB)

¹⁴⁷ Cp. Gradinetti R., De Marchi V. (2012) p. 163

¹⁴⁸ Cp. Distretto orafa-argentario di Vicenza (2009)

¹⁴⁹ Cp. Unioncamere Veneto (2014)

¹⁵⁰ Cp. Unioncamere & Unionfiliera (2014 AC)

wealth of the district: in fact, even if the average turnover (of the corporate firms) increased of 18% from 2006 to 2010, we can notice how the turnover of the largest corporation represents 77% of the total. Extending the analysis to the largest five (Luxottica, Safilo, De Rigo, Marcolin e Marchon), we see that they retain 97,5% of the total. This means that what we are still considering as a district is in reality something different: an evolutionary form of it, a hierarchical structure, where few leader coexist with smaller player, mainly working as sub-contractors.¹⁵¹ The leaders, global players in the eyewear industry, take care of the distribution of the final products, the marketing activities, the design of the products and the logistics; they manage the entire value chain, from the realization of the basic components to the distribution in their own brand stores distributed worldwide. The small firms, on the other hand, work as sub-contractors, retaining the production phases outsourced by the leaders that relay on these to ensure a supreme quality to the final products. These small firms, mainly laboratories, are phase specialists that work on specific phases or provide a determined component or service (maintaining somehow, that specialization and division of labor typical of the industrial districts).¹⁵²

The specialization is in all the production phases of the glasses: from the frames for sunglasses to the one of the eyeglasses, to cases and lens (even if for this phase the district rely more on specialized suppliers outside the district, mainly from Milan, Varese and Teramo). Nevertheless, some firms specialized also in the manufacturing of tools and machinery for the industry, as well as providers of accessory services. The district retain all the quality levels: from the high range for the griffes, to the low-medium where firms's outcome is a set of goods well manufactured but with less valuable inputs.¹⁵³

The main strengths of this hierarchical district are linked to the presence of the leaders that with their brands are able to overcome the competition thanks to their image, recognized in the global market. The high specialization, made possible by the outsourcing, enhance cooperation and cultural openness to new ideas and innovation, creating synergies in the entire system. The constant collaboration with the research centers of the university created a set of

¹⁵¹ Cp. Gradinetti R., De Marchi V. (2012) p. 158ff.

¹⁵² Cp. Unioncamere & Unionfiliere (2014 AC)

¹⁵³ Cp. Unioncamere & Unionfiliere (2014 AD)

competences recognized worldwide making the district a key location for innovative projects (eg. the Google Glass project committed to Luxottica¹⁵⁴). The main weakness derives from the new structure of the district: the vertical integration is reducing the outsourcing activities, with a clear impact on the degree of specialization of the subcontractors. Moreover, even with such a well established brands, the competition from emergent economies is raising, leveraging mainly on the price of the output. The disaggregation of the district's system is leading also to a loss of the essential skilled workforce and to disaffection at the image of the district. The isolation in the mountain of Belluno creates distributive issues, due to the lack of a well-developed infrastructure to easily deliver the products to the rest of the world.¹⁵⁵

Since the 1992 (with the creation of the 'Comitato di iniziativa per lo sviluppo dell'occhialeria bellunese') the local institutions tried to involve the firms of the district in reaching common goals. In the last years the efforts were mainly focused in the cooperation with local schools and universities in order to form, both at high school level and university level, a new workforce that will be able to actively contribute, with their knowledge and skills, to a further development of the district. Moreover, the local institutions together with the region, created a set of co-financed projects to provide new knowledge necessary for product and process innovations.¹⁵⁶

2.3.3. The agribusiness

This sector, even if primarily founded in the agriculture, has been able to transform in a real agro-industrial one, taking care of the transformation and conservation of food products. In fact, the agricultural economy of the region has been able to renew and modernize, creating a large set of high quality productions, closely linked with the agro-industry that accounts for about 38% of Veneto's GDP¹⁵⁷.

¹⁵⁴ Cp. Clarke L. (2014)

¹⁵⁵ Cp. Unioncamere & Unionfiliera (2014 AE)

¹⁵⁶ Cp. Unioncamere & Unionfiliera (2014 AE)

¹⁵⁷ Cp. Veneto region (2014 A)

Fishing district of Rovigo

The fishing district of Rovigo, mainly concentrated in the Polesine, extends to Chioggia, involving 741 firms and 237 employees.¹⁵⁸ Despite the reduction of the number of firms, in the last years the employment increased, sign of the concentration process undergoing in the district, that is trying to overcome the excessive fragmentation, reorganizing the entire production system to gain efficiency in the productions and contractual powers with the distributors. The 23 million euros of export, that largely decreased in the last years due to the crisis (-17,86% only in 2012-2011), are mainly coming from the EU, in particular from France, Germany, and Spain.¹⁵⁹

The district involves all the three economical activities: from fishing, to industrial transformation and commercialization. The location of the firms is mainly due to the research of synergies between the first sector and the industrial transformation in the attempt to reduce transportation time and costs.

The main strength of the district lies in the conformation of the area, that with the lagoon and the sea provides favorable condition for fishing and for aquaculture, both in fresh and salt waters. Moreover, the particular expertise of the aquaculture firms, developed in the years, provides high quality products with high organoleptic properties: leading characteristic is the presence of industrial transformation firms, leader at European level, with high competences and prestigious brands. These competences are often unique, as the production of the marinated eel, some others common but extremely important, as the efficient infrastructure for the distribution and commercialization of the fresh products, or the marketing activities in the main international exhibitions. Nevertheless, the experienced transformation firms own a peculiar know-how in the production phases that, together with the research activities, result in innovative final products, from sauces to appetizers to main dishes ready for use. The main weaknesses of the district do not come by structural problems of the district, but

¹⁵⁸ *The number of the employees lower than the number of firms has to be reconnected to the fact that a person is not considered employed in the agricultural/ fishing activity if he do not earn the most part of his annual revenue from that activity. We will deal with this kind of data (number of firms higher than the number of employees) for all the Chapter 2.3.3, due to the fact that most of these activities are done by people with more than one occupation, since they can not afford to live just with this primary activity.*

¹⁵⁹ Cp. Unioncamere & Unionfiliera (2014 AF)

on the supply side: the intensive exploitation of the seas is leading to a depletion of their fishing population. This created the need to find other sources of supply, disrupting those synergies between the territory and the industry that have been one of the main success factors of the district.¹⁶⁰

It is extremely difficult to overcome these problems since they are mainly outside the district boundaries and linked to the supply side. The main goal is the creation of a set of regulation at national and international level to safeguard the life of the seas, to preserve them, promoting advanced way of fishing with the respect of the eco-system and avoiding individualistic behaviors. On the other side, the district is looking at innovation projects, to modernize the business and to stimulate the research activities in the transformation phases.¹⁶¹

District of Prosecco Superiore of Conegliano-Valdobbiadene

The district of Prosecco Superiore is located in the northern part of the province of Treviso, having as focal points Conegliano and Valdobbiadene and involving 22.000 acres of fields. With 6.267 firms and 7.710 employees the district is characterized by a vast amount of farmers who rely on common consortia for the wine transformation and sale. With an export of 1.267 million euros,¹⁶² constantly growing, the wine is one the export-leading industry of the region.¹⁶³ The district characterized by individual firms (more than 50% of the total) that cooperate through the means of the consortia, do not exclude the presence of medium firms able to retain the entire production of the Prosecco, from the field to the commercialization (just to name few of them, la Gioiosa that has same ownership of Geox, Astoria, Zonin, Mionetto, Villa Sandi, etc).¹⁶⁴

The district is specialized in the production of sparkling wine, in which the area of the district has a long culture and tradition, thanks to the natural inclination of the territory for viticulture. Moreover, the district developed a set of accessory activities, from the production of tools and machinery, to the wine tourism and the

¹⁶⁰ Cp. Unioncamere & Unionfiliera (2014 AG)

¹⁶¹ Cp. Distretto ittico di Rovigo (2006)

¹⁶² Cp. Unioncamere & Unionfiliera (2014 AH)

¹⁶³ Cp. Veneto Region (2014 B)

¹⁶⁴ Cp. Anastasia B. et al. (2008) p. 25

production of complementary goods and services, like bottles and corks, but also consulting and marketing agencies.¹⁶⁵

The district can be still considered a Marshallian industrial district because of the strong linkages between the productions and the territory: the values and the culture are typical of that contest and no one else. The strengths are mainly linked to the cooperation of the small firms with the consortia mainly linked at improving the quality of the final products, to the implementation of innovations not only at the process level but also at the product level and to the constant work on the materials to better preserve the characteristics of the product. Moreover, the branding and marketing activities are giving a premium price to the whole industry of Prosecco thanks to the Doc and Docg labels that ensure the high quality of the productions. The main issues are linked to the ability to retain the brand Prosecco only inside the district: in fact, being just the name of a grapevine, it might be used for productions of other areas, risking imitation and confusion among the customers that are not able to distinguish the real and the fake product. Furthermore, the individualism of the major firms, which mostly attempt at reaching the biggest share of the market, including the lower segments, might create problems at the image of the entire productions.¹⁶⁶

The development strategies are mainly linked to the realization of viticulture and enology R&D projects as well as process improvement projects finalized at increasing the quality and the competitiveness of the final products (including, for example, the adoption of technological instruments directly in the fields to control the quality in the entire chain of the product). Moreover, the district is constantly increasing its marketing campaign to promote the brand of the district as well as its identity. This is important to reinforce the synergies between the players of the district that need to cooperate more, limiting individualistic behaviors that could lead to a damage of the image. It is for instance important to work towards common goals, increasing the quality of the entirety of the productions, only way to have benefits for everyone.¹⁶⁷

¹⁶⁵ Cp. Unioncamere & Unionfiliera (2014 AI)

¹⁶⁶ Cp. Anastasia B. et al. (2008); p. 25ff.

¹⁶⁷ Cp. Unioncamere & Unionfiliera (2014 AJ)

Alimental meta-district of Veneto

The alimentar meta-district initially recognized for the province of Verona, extends to the whole region of Veneto, representing 10% of the manufacturing production of the region. With 3.969 firms, 90% below 50 employees, the district includes also well-known brands as Bauli, Gruppo Veronesi, Rana, Dal Colle, Fraccaro, Jolly-Sgambaro, etc. The export of this cluster accounted for 3.862 million euros in 2012, with an increase of almost 10% compared to the previous year.¹⁶⁸ The food industry is the sector that felt very little the crisis compared to others, and it is recognized abroad for its quality and goodness of its products.¹⁶⁹ It involves firms from farms to artisanal and industrial food processors, to distributors and wholesalers, covering also accessory services as promoters, trainers and researchers that help the sector to grow. Moreover the high level of diversification of Venetian productions is able to fulfill the various requests of the customers.¹⁷⁰

The cluster provides a broad range of traditional goods as the 'Pandoro', the 'mandorlato', olive's oil, wine, fresh pasta, tortellini, rice, meat, eggs, cold cuts, cheese, jam, honey, ice-cream coffee etc., having 349 traditional food products, most of them recognized by the European regulation by brands as Doc, Docg, Igp, Igt and Dop.¹⁷¹

Above the main success factors, the meta-district is characterized by the presence of products and firms with a well-established image and reputation worldwide, able to reinforce the whole image if the 'Made in Italy' in the food industry. The typicality of the productions and the recognition of brand as Dop and Igp are able to distinguish the products in the market, creating niches where the quality and high standards are rewarded. The food-culture together with the social and productive values of the place of origin are able to satisfy the needs of the markets, contributing at the differentiation and identification of the final output. Critical is the involvement of the clients in tourism routes, where, while discovering the beautiful landscapes, the cultural heritage and the history of the region, they directly discover the peculiar products of the area. The main open

¹⁶⁸ Cp. Unioncamere & Unionfiliera (2014 AK)

¹⁶⁹ Cp. Anastasia B. et al. (2008) p. 54f.

¹⁷⁰ Cp. Unioncamere & Unionfiliera (2014 AL)

¹⁷¹ Cp. Anastasia B. et al.(2008) p. 54

issues are connected to the fact that the brand of origin recognizes the products as peculiar but fails to connect them with the region where they are made, losing those linkages with the gastronomic culture of the product's lands. Moreover, the high fragmentation, the absence of a relevant network of firms and of a sectorial research center, results in the lack of a proper structure able to drive the tourists in gastronomic routes along the region.¹⁷² Furthermore, the sector is still not able to find in the market those competences it requires both at operative and managerial level. Lastly, the increasing of the price of the inputs, in primis raw materials, is influencing the final price of the products, creating problem of competitiveness with foreign goods¹⁷³.

In the attempt to solve these problems, the district is working toward the realization of a proper infrastructure, physical and electronical, able to enhance the communication between the firms and the customers. The local institutions are also looking at the creation of laboratories and service centers where to create and diffuse innovations while providing a multitude of services, such as market studies, promotion activities, personnel training, process reengineering, implementation of ICT, etc.¹⁷⁴

2.3.4. The light mechanics sector

The light mechanics sector takes care of the production of mechanical products from the household appliances to the industrial ones¹⁷⁵: electromechanical, metalworking, machine tools, precision machines, machineries and technologies for the other industries of the 'Made in Italy' (i.e. for the textile and fashion industry, for the agribusiness, for the furniture industry but also for the building industry, including heating and air conditioning). It is far the most important sector considering the number of firms and employees.¹⁷⁶ Spread around the region, the metal-mechanic industry represents an important reality of Veneto with small-appliances firms (as De' Longhi), construction firms (as Permasteelisa)

¹⁷² Cp. Unioncamere & Unionfilire (2014 AL)

¹⁷³ Cp. Anastasia B. et al.(2008) p. 55

¹⁷⁴ Cp. Confindustria Verona (2010)

¹⁷⁵ Cp. Fortis M. (2005) p. 85

¹⁷⁶ Cp. Veneto Region (2014 A)

automotive firms (as Aprilia), plastic molds firms (especially in the province of Treviso around the district of Montebelluna and Oderzo¹⁷⁷), etc.

District of thermo-mechanical (VenetoClima)

The VenetoClima district is located mainly in the province of Verona, having 3.949 firms and more than 20.000 employees in 2012 and exporting 1.361 million euros of output in 2011.¹⁷⁸ In the district coexists big European leader, mainly founded in the '50s thanks to the diffusion of heaters and boilers, with a vast set of small firms, mainly generated by spin offs of the larger companies, highly specialized in certain phase of the production, working sometimes as sub-contractors, some others in market niches with practices similar to the big players. Even if the local small firms are very specialized, the district does not retain the whole production of the components inside, mostly due to a technological lack in certain fields. This does not mean that the district has not the required competences to compete with international players, but that due to the high innovation carried out in the field, sometimes the district's firms need to outsource from outside some peculiar components. The market growth in the sector is mainly driven by the ability to innovate the products and by creating efficient and reliable products, which are energy efficient, environmentally friendly and, most important, safe. Here the quality is mostly based on intrisecal characteristics of the products, as the ratio power/noise.¹⁷⁹

The district is specialized in all those products of the thermo-mechanical sector, finalized at the management of temperature and humidity, working with both domestic and industrial environments. The product range goes from heaters, boilers, heat generators, burners, water heaters, gas heaters and air heaters to the appliances for the management of the cold, as chillers, fan coil units and air conditioners.¹⁸⁰

The main strengths are linked to the presence of well-known leaders, recognized by their brand image, that allow them a premium price as well as a greater

¹⁷⁷ Cp. Tattara G. (2008) p. 7

¹⁷⁸ Cp. Unioncamere & Unionfiliera (2014 AM)

¹⁷⁹ Cp. Unioncamere & Unionfiliera (2014 AO)

¹⁸⁰ Cp. Unioncamere & Unionfiliera (2014 AN)

contractual power, especially with the distributors. The firms cooperate not only by the means of supply and outsourcing contracts but also by participate in organizations infra and extra district. Moreover, the limited fragmentation with a low presence of individual firms, yield to an easier access to credits lines and so higher possibility to invest in technical innovations, tools and machinery, process innovation, training of the personnel, etc. The openness of the district, that uses suppliers from all over the world, allows firms to acquire know-how form external parties, increasing at the same time their skills and competences. The ICTs not only enhanced the knowledge exchange inside and outside the district, but also have been applied in the final products, transforming passive appliances in smart systems, able to automatically regulate temperature and humidity degree of the buildings, saving energy and resources.¹⁸¹

The development of the district is mainly oriented toward the enhancement of technological innovations, which would allow the creation of new highly efficient and eco-friendly products. Promoting a higher diversification of the productions, respectful of the specialization of each player, is finalized at the creation of a high range of products, services and solutions for the management of the temperature in the buildings. The specialization is essential in order to develop specialistic knowledge and proprietary innovations and cooperation assume its relevance not only in providing a broader offer but also to develop integrated solutions (as fan convectors). This integration of phase and component specialists in the value chain allows further innovation across phases, only feasible when the different players are able to cooperate in joint projects. Lastly, the accent as been posed at the internationalization: not only as a mean for enlarging the markets portfolio of the companies but also to create partnerships and alliances, enhancing the absorptive capacity of the firms over the boundaries of the district.¹⁸²

Meta-district of mechatronics and innovative mechanical technologies

The meta-district of mechatronics extends to the entire region, having 1.877 firms, 26.767 employees and an export of 3.461 million euros in 2012. This cluster is a highly specialized system, where firms are interconnected in a unique

¹⁸¹ Cp. Unioncamere & Unionfiliera (2014 AO)

¹⁸² Cp. Venetoclimate (2006)

productive network. The district is composed by large firms, usually producers of big machinery for the other industries (i.e. textile and clothing, agribusiness, furniture), and small firms, highly specialized in phase-productions or in the realization of some components, working mainly in outsourcing for the larger firms but also as suppliers of goods and services for firms outside the district.¹⁸³ It is in the area around Verona, in particular from Arzignano and Montecchio, that we can find the main firms of the district, such as Pellizzari, ISE, Marelli Motori, Fiamm, Meccanica Alte, Lowara, Ceccato, Salvagni, etc.¹⁸⁴ Across the new millennium, in the attempt of re-organize the production and regain efficiency, many labor intensive production phases has been delocalized in the Eastern Europe, with a consequent transformation of the most of workforce from skilled workers to technicians.¹⁸⁵

The district can be divided in three main businesses: the automation, the industrial machinery and, lastly, electrical and electronic appliances and machinery. These areas represent the core of the Venetian metal-mechanic industry, upon which all the other industries depend and derive. The main products are engines, electrical generators and transformers, equipment for the control of industrial processes, machine tools, pumps and compressors, processing machines for food products, for processing textile, for wood processing, for the leather industry, but also industrial robots, antennas, accessories, etc.¹⁸⁶

The main strengths of the district are given by the widespread working culture, by the operational creativity that leads to high level of incremental innovations, by the ability to build informal networks of local enterprises, by the high diversification and reliability of the productions, the high specificity of the know how and by the openness to internationalization. On the other hand, the district is suffering for a too small average dimension of the firms (3/4 of the firms has less than 50 employees) with consequent effects in the ability to undertake internationalization processes, to have a specialized skilled workforce, to find financial resources and to access to competent managers. The atomization of the

¹⁸³ Cp. Unioncamere & Unionfiliera (2014 AP)

¹⁸⁴ Cp. Unioncamere & Unionfiliera (2014 AR)

¹⁸⁵ Cp. Distretto della Meccatronica (2010)

¹⁸⁶ Cp. Unioncamere & Unionfiliera (2014 AQ)

firms in the region also leads to high costs of transportation and in technical difficulties in realizing powerful formal networks. Moreover the firms are, more than ever, suffering the competition of emergent economies that base their competition upon the price.¹⁸⁷

In the attempt of supporting the value chain, the so called 'City of the Mechatronics' and the mechatronics training center have been created, linking the local firms with the university of Padua and with technical high schools. Furthermore, in supporting the industrial research and the knowledge transfer from the laboratories to the firms, various projects have been promoted by the local institutions, such as the project for innovative solutions in the mechatronics systems, the nanotechnology project, various projects for process optimization and reengineering, etc. Lastly, the promotional side has been a central aspect to allow the internationalization of the firms: expo and fairs have been organized and a web portal created to promote the activities of the district's firms.¹⁸⁸

District of conditioning and industrial refrigeration

The district of conditioning and industrial refrigeration, while extending to the entire region, is mainly concentrated around Padua and Belluno. This operates in a high specialized and technology intensive industry and it is composed by export-oriented firms with high qualitative standard in their organizations and productions. Valuable the district ability to interact with local institution, entrepreneurial organizations and research centers, in the attempt of innovates and increases the competitiveness. With 19.379 firms and 135.465 employees is one of the largest districts of the region, even if the export, around 10 billion euros in 2012, is not the most valuable one.¹⁸⁹ Despite so, with its production, the district retains 60% of the European market.¹⁹⁰

The specialization is along the cold chain, integrating producers of commercial and industrial chillers with the ones of commercial, industrial and domestic refrigeration and of refrigerated transportations.¹⁹¹ Industrial firms are working

¹⁸⁷ Cp. Distretto della Meccatronica (2010)

¹⁸⁸ Cp. Distretto della Meccatronica (2010)

¹⁸⁹ Cp. Unioncamere & Unionfiliere (2014 AS)

¹⁹⁰ Cp. Unioncamere & Unionfiliere (2014 AU)

¹⁹¹ Cp. Unioncamere & Unionfiliere (2014 AT)

together with artisanal laboratories, in order to provide not only a great differentiation and customization of the productions, but also allowing specialization of the smaller enterprises that provides goods and services as appliances and components for big cooling systems, tools and appliances for the alimental sector, support services, technological services, design and molding services, etc.

The efforts of the district, in the attempt of increasing the efficiency and competitiveness, are mainly linked to the development of the existing 'Metalaboratorio del Freddo', to the involvement of other industrial laboratories, to the creation of a certification protocol for the entire district, and to the promotion of the R&D activities for stimulate process and product innovation. Moreover, the promotion of the ICT is mostly liked to CRM platforms able to better enhance cooperation and innovation projects along the value chain. This IT implementation is also liked to the creation of training centers that provide special courses, mainly for the artisanal firms. Lastly, great emphasis has been posed to the promotion activities, through the means of expo, fairs, seminars, marketing campaiings, etc.¹⁹²

District of luminaire's systems

With 22.725 firms and 137.538 employees mainly located in the area among Padua, Treviso and Venice, the district is one of the major reality at national level: it accounts for 18% of the national production, exporting more than 6,5 billion euros every year.¹⁹³ The district mainly operates in the production of lamps (electric, UV, infra-red, arch lamps, flash lamps, etc.), related appliances (chandeliers, table lamps, desk lamps, portable lamps), luminous signs, outdoor's and road's equipment, decorative lamps, etc.¹⁹⁴

The Italian success in the sector derives from the ability to combine elegance design and technology inside common daily products. The dynamism of the firms, able to understand the trend of the market and rapidly adapt the productions to the needs of the market, has been essential for the development

¹⁹² Cp. Unioncamere & Unionfiliere (2014 AT)

¹⁹³ Cp. Unioncamere & Unionfiliere (2014 AV)

¹⁹⁴ Cp. Unioncamere & Unionfiliere (2014 AW)

of the district. Moreover, the well established linkages among the firms allowed cooperation between the medium firms, which retain the human and financial resources needed for competing internationally, and the small firms, which mainly work as subcontractors providing customization and flexibility, key success for the district's productions. On the other hand, the high fragmentation and the small size, create problems not only related to the ability to invest, but also to the degree of dependency from the bigger firms and the wholesalers. Furthermore, the poor attention of the local institutions to this district created a lack in the training programs for the workforce, with repercussions on the ability to innovate and to integrate technological elements, both in the production processes and in the final products.¹⁹⁵

The main development routes aim to strengthen the identity of the district, increasing the know-how of the firms and enhancing the transfer of knowledge from the research centers to the local firms. Moreover, the local institution created a formal internal network where firms can interact, exchanging knowledge and organizing cooperation projects. Lastly, incentives to go international have been provided in order to foster the ability of firms to intercept the knowledge flows from the outside.¹⁹⁶

The Venetian district of the amusement rides

The district of the amusement rides is mainly located in the province of Rovigo, around Melara and Bergantino, but it extends also to other 40 cities in the neighboring provinces of Vicenza, Padua, Verona and Treviso. The district even if composed only by few dozens of small and medium firms, at most with less than 50 employees, with its high-specialized personnel and its supreme know-how, is able to account for 85% of the world production of amusement rides and parks¹⁹⁷. These firms are mostly active from decades, well linked across their area, highly export and design oriented, and well known for they ability to continuously innovate, reaching the highest safety standards of the market.¹⁹⁸ The value chain goes from the design of the fun parks, to the engineering of the

¹⁹⁵ Cp. Unioncamere & Unionfilire (2014 AW)

¹⁹⁶ Cp. Unioncamere & Unionfilire (2014 AW)

¹⁹⁷ See Appendix 5.9

¹⁹⁸ Cp. Mondo PMI (2013)

amusement rides, to the production of the components and the organization of the production, arriving at the testing, the delivery and assembly of the products and post sale services, as maintenance modernization, redesign, etc.¹⁹⁹

The district is the result of a high specialization in this production enhanced by long traditions, entrepreneurial creativity, deep know-how and artisanal competences available in the area. The success derives mainly from the production flexibility, which is able to satisfy the changing needs of the clients, thanks to the integration of the firms along the value chain inside the same district. The high level of competences and know-how allows an extraordinary level of innovation and design, high safety standards and perfection of details, features that determined the worldwide leadership of the sector.²⁰⁰ The main issues are linked to the small average dimension of the firms, with all the problems linked to the line of credit and the availability of resource to invest in human capital and innovation. Moreover, the foreign competition proved to be fiercer than the national. Despite so, the competences of the foreign competitors can offer new possibility for innovations whenever the firms are able to enhance their absorptive capacity outside the national boundaries.²⁰¹

The development of the district is mainly focused on intensifying the promotion and marketing activities abroad, through the means of expo, workshops, meetings, international fairs, etc. Other projects are linked to the diffusion of IT services, not only used as means for cooperation in the district, but also as technological tool used in raising the safety standards of the products or to better provide post sales services. Last but not least, the development of R&D centers mainly finalized to the creation of risk assessments over the products, studies on the accelerations of the rides, safety mechanisms and certification of the products.²⁰²

¹⁹⁹ Cp. Consorzio per lo sviluppo del Polesine (2003)

²⁰⁰ Cp. Micelli S. (2011) p. 81ff.

²⁰¹ Cp. Consorzio per lo sviluppo del Polesine (2003)

²⁰² Cp. Consorzio per lo sviluppo del Polesine (2003)

2.3.5. Emerging sectors

While a specialization in the aforementioned major traditional sectors have characterized Veneto for decades, in the last years two sectors rapidly emerged. The first one is the pharmaceutical and fine chemicals industry in which Zambon is the main player. This sector, even retaining players with a long background, mostly emerged as a consequence of the liberalization of the market and the introduction of the general drugs. In a territory where the suppliers of packaging machines are very active offering competitive and innovative packaging system, some entrepreneurs enhanced their competences in the handling chemics to rapidly emerge in a sector in which the packaging is one of the critical phases: the easy access in the territory of valid packaging techniques determined a competitive advantage for these new Venetian players²⁰³.

Secondly, but not for importance, we saw an emergence of many high tech start-ups. The phenomenon has to be reconnected with the success of H-Farm: an incubator of start-ups that assists with consultancy and finance support young entrepreneurs who want to translate in business their innovative ideas. H-farm is one of the most important start-up incubators of the world and being located in the center of Veneto (in the countryside of Treviso province) helped lot of entrepreneurs of the region, especially in the high-tech sector²⁰⁴.

²⁰³ See Appendix 5.6

²⁰⁴ Cp. H-farm (2014)

3. The optimization of the value creation along the chain

After having seen the main specializations of Veneto, it appears difficult, and mostly inadequate, to resume the organization of the value chain of the manufacturing sector into one general assessment. However, looking at the common features, we will try to give a different way of analysis that does not discriminate per sector but per market quality segment.

A first evident aspect is the fact that the districts of Veneto are born as processors of raw materials and exporter of finished goods. We saw how the advantages gained during the years were mainly linked to the external economies of the district, the high division of labor, the high level of specialization, the skilled labor force and that virtuous circle of process and product innovation given by the horizontal competition and vertical cooperation inside the district. All these aspects and the frequent devaluation of the local currency (the Lira), were able to compensate the inefficiency of the system (as the high bureaucracy, the lack of infrastructure, the lack of technology and pure R&D, etc.) making the Venetian firms very competitive on the international markets, especially in Europe.²⁰⁵

The Venetian enterprises have been since the early years net importers of raw materials because of the lack of natural resources. Even when the Venetian industrial districts were born as consequence of the abundance of natural resources in the territory, such as the fishing district of Rovigo, the ceramic district of Nove and Bassano, the marble district of Verona, the artistic glass of Murano etc., the raw materials started to be imported very soon since the increase of the internal offer was not able to support the increases of the demand. Few exceptions came from the food industry, as the Prosecco District of Conegliano Valdobbiadene, that because of the peculiarity of the product and the strong linkages with the local production of grapes which rendered the import of raw materials difficult. It is not possible to say that any food industry is deeply linked to its territory and does not need to import the raw materials: we saw how the fishing sector of Rovigo as well as most of the bakery industries lack raw materials and are forced to source them abroad.²⁰⁶

²⁰⁵ See Chapter 2

²⁰⁶ See Chapter 2

In the following chapter we will try to analyze the pattern of internationalization for the industries of Veneto. At this purpose we will use the studies carried out in the previous literature as main sources for our analysis and we will try to organize them in a coherent line of reasoning, showing the pros and cons of the internationalization process for the Veneto's industries. We will not support the analysis of the internationalization process with quantitative data (IRP and FDI) since they can be misleading, underestimating the size of the operations undertaken by Venetian firms²⁰⁷.

3.1. The internationalization process

The internationalization of the value chain can be dated back to the early '70s, when the district firms started to export their products abroad to compensate the increased internal competition. It is indeed in those years, with the growth of the districts, that firms started to import raw materials massively, i.e. internationalizing the earliest phases of the value chain. In the '90s, especially in the fashion industry, the less value added and most labor intensive phases started to be outsourced abroad (mainly the early phases of the raw materials processing), followed across the new millennium by the other industries. The delocalization of production can be interpreted as a subsequent phenomenon of the internationalization process begun with the expansion abroad to oversee the final markets.²⁰⁸

The main agents of this internationalization of production have been the sectorial leaders aiming to become global corporations, MNCs investing in the districts raising the level of competition, the SMEs that purchase components abroad to obtain cost advantages, small firms (phase specialist) aiming to supply the international market and the SMEs operating in accessory services that autonomously tried to grow internationally²⁰⁹.

Looking at the common market entry strategy of multinational corporations, we see how the export activities are usually followed by larger investments in the country, named foreign direct investments (FDI). The question is whether the

²⁰⁷ Cp. Savona M., Schiattarella R. (2004) p. 59ff.

²⁰⁸ Cp. Corò G., Gradinetti R. (1999) p. 903ff.

²⁰⁹ Cp. Corò G., Gradinetti R. (1999) p. 900

delocalized activities of the districts can be considered and analyzed as FDI. The major point is in the fact that the delocalization is a compound phenomenon where market elements are intrinsically linked with cooperation and hierarchical elements²¹⁰. An alternative, and in the case of Veneto more used, form of delocalization is the international subcontracting relation. In such a case small and medium firms do not need to be engaged in heavy investments abroad (FDI), but just to outsource some production batches to local producers that will work in subcontracting in the same way as district' laboratories worked for many years²¹¹. In the districts the delocalization appears as a process that involves the entire system and not only the single firm, making even more difficult to consider the delocalization activities as mere FDI²¹².

3.1.1. The delocalization of productions

The tendency to try regaining efficiency through the mean of delocalization in low wages countries accounts these phases with the lowest level of competences required.²¹³ Despite so, more and more phases has been internationalized, developing competences abroad similar to the ones owned at home.

The literature was pointing out already in 2005 how a massive delocalization activity would have been not only unfeasible but also implausible for all the firms of 'Made in Italy'. They recognized how would have been important for the medium firm to open new plants abroad in order to oversee new market opportunities and expand their volumes, while keep working in Italy together with the smaller ones.²¹⁴ They failed to consider what would have happen with a mutation of the economic situation. In fact, with the advent of the crisis many firms fostered the delocalization activities closing the high labor cost plants in Veneto (and Italy in general) to recover the losses of the crisis with the lower cost of the productions abroad. In this scenario the small firms working for them in home entered a profound crisis caused by the lack of orders: most of them had the only chance to close their plants eventually relocating it in Eastern Europe.

²¹⁰ Cp. Graziani G. (1998) p. 6ff.

²¹¹ Cp. Crestanello P., Tattara G. (2010) p. 189f.

²¹² Cp. Schiattarella R. (1999) p. 210f.

²¹³ Cp. Gianelle C., Tattara G. (2009) p. 209

²¹⁴ Cp. Quadrio C. A. (2005) p. 27

The success of the delocalization strategies came from their easy implementation: the firms operating in the district were already organized with a high division of labor and phase specialists working in outsourcing for the major final producers. These final producers already had an organization able to support the complexity of a dispersed production and found easy to extend the range of their outsourcing activities, first outside the district's boundaries, and later abroad, in countries in which the cost of labor was lower.²¹⁵

The delocalization is not just a mere transfer of some activities from an area to another, but a reconfiguration of the organization of productions.²¹⁶ It happened both vertically and horizontally: in the first case the firms outsourced abroad the most labor intensive phase, while retaining at home the core activities; in the second case they externalized entire product's lines, usually the one with the lower margins, while keeping at home the entire production of more valuable products²¹⁷.

As mentioned before, with the entrance in the European Union and the adoption of the Euro, the possibility to devalue the currency gaining competitiveness in the international market disappear,²¹⁸ while new competitors from emergent economies started to erode the incumbents' market shares. In response firms looked abroad, primarily in Eastern Europe for proximity reasons, in order to acquire cost advantages in their production and being able to regain competitiveness internationally. The cost differential of the workforce allowed significant savings, especially in the labor-intensive phases, the first that has been delocalized, to the final producers (leader firms), that with sourcing activities and FDIs exploited it²¹⁹. These final producers, in order to maintain the same quality in their productions (especially in the fashion industry), invested in training programs abroad or incentivized district's sub-contractors to relocate their firms in other countries (as Romania). In this way, delocalization became a phenomena not only possible for medium and large firms able to do FDIs, but also for those small firms that closed their laboratories in Italy and moved their machinery to low

²¹⁵ Cp. Gianelle C. Tattara G. (2009) p. 206ff.

²¹⁶ Cp. Corò G., Gradinetti R. (1999) p. 899

²¹⁷ Cp. Schiattarella R. (1999) p. 215

²¹⁸ Cp. Urso A. (2005) p.12

²¹⁹ Cp. Gradinetti R., De Marchi V. (2012) p. 150

wage countries, entertaining the relationship with the customers they had at home.

Another important element that pushed delocalization activities was the shortage of labor in the districts: with an unemployment rate mostly under 4% in the 2000s²²⁰, firms were not able to find the needed workers for expanding productions. Even if immigration proven to be a valuable alternative to delocalization²²¹, firms appeared more willing to delocalize than to compensate the lack of skilled labor with immigrants²²². Comparing the data of the Veneto region to the rest of Italy, we can see the correlation between the low unemployment rate and the delocalization activities²²³.

The advent of the ICT technologies enhanced the overseeing of global value chains: firms already managed dispersed production inside the district and found easy to expand over the regional boundaries the relationships with subcontractors.²²⁴ Firms able to manage such dispersed production using ICT tools benefit of sensible cost advantages while being able to maintain the quality of the products and to keep the time to market under control. Geox and Benetton represent two examples of district's leader firms that made of the management of the global value chain their main success factor.

Underdeveloped countries are able to attract investment of firms gripped by bureaucracy and strict legislation at home willing to move their productions where 'favorable' conditions (as low power of the labor union, high flexibility in the relationship with the local institutions, low environmental impact's audits, lower taxation, incentives to invest, etc.) take place. Looking for such gaps in the legislation to profit is not a responsible behavior, but, especially small and medium firms, without a proper brand image, care less about their corporate social responsibilities (CSR) and often undertake investments abroad that allow

²²⁰ See Appendix 5.3, Table 2

²²¹ *In the case of Arzignano firms preferred to keep the production's phases inside the district's boundaries using immigrants workers instead of using the means of delocalization activities. It is important to underlie how immigrants are an issue for the relationships in the districts, constituting often a pauperization of the culture and value that deeply link the entrepreneurs. See: Cp. De Marchi V., Gradinetti R. (2014) p. 76f.*

²²² Cp. Cento Bull A. (2009) p. 97f.

²²³ Cp. Schiattarella (1999) p. 222f.

²²⁴ Cp. Gradinetti R., De Marchi V. (2012) p. 151f.

them to use old technologies and tools forbidden by their home country legislation.²²⁵

Delocalization activities of Venetian firms took (and still take) place in countries where the perceived risk and costs of the investments (relationships) are low. Particularly effective proven to be the incentives of the European legislation promoting more competitive production strategies that involved Eastern Europe countries, especially Romania, Albania and Hungary, that benefit from their agreements with the European Union first (as the EFTA agreements with Romania that allowed import of raw material and export of semi-finished products without duties²²⁶) and, later, their entrance in it. The lower risk of the investment given by the entrance of most Eastern European countries in the European Community favored the entrance of many firms in these territory: the phenomena can be easily observed nowadays considering the number of investment and relations established in Turkey since the announce of the future entrance in the EU²²⁷.

The so-called 'word of mouth'²²⁸ has been effective as well in promoting delocalization toward certain countries: the existing relationships among firms in the district ended to promote delocalization more then what could have done the local institutions²²⁹. Firms tended to delocalize the production where other companies of the same nationalities were present avoid venturing into new unknown places²³⁰. Moreover, the majority of firms pursued the advantage gained by the pioneers by imitating their practices, exploiting the possibilities of production delocalization. The phenomenon of the 'word of mouth' helps to explain the concentration of firms in particular areas of the Eastern Europe, as Timisoara in Romania.

²²⁵ Cp. Messina P. (2006) p. 44f.

²²⁶ Cp. Crestanello P., Tattara G. (2010) p. 192

²²⁷ Cp. Hadjit A., Moxon-Browne E. (2007) p. 322ff.

²²⁸ Cp. Messina P. (2006) p. 44

²²⁹ *Most of the time (59,3%) Italian firms tend to invest abroad without relying on any institution, but just confiding in the presence of other Italian companies that can help them in embrace new relationship.*

See Fondazione Nord Est (2013) p. 35

²³⁰ Cp. Rizzo L. S. (2012) p. 110

Emotional and imitative reasons, given by the high market pressure, lack of district's internal coordination and high future uncertainty determine approximate and hasty choices²³¹, delocalizing sometimes because of a diffused 'culture of delocalization' instead because of a proper analysis of the benefits and repercussions on firm's business.

3.2. An example of global value chain: the wooden-furniture

It appears useful, at this point, to picture out a global value chain in order to assess the degree of internationalization of the global value chains in the Venetian specialization. In this section we are going to depict the global value chain of the wooden-furniture that will be further taken as reference for the other sectors. This purpose of this exercise is to better understand what we are dealing with (delocalization of production) and assessing where internationalization takes place (more downstream or upstream). The choice of illustrating just the furniture value chain derives, on one hand, from the impossibility to conceive a simple but sufficiently accurate prototype which can be applied to all the manufacturing sectors of Veneto, and on the other hand, from the excessive amount of time required to describe the value chain of the previously analyzed specialties accurately (that is not the purpose of this paper). Therefore we take the value chain of the wooden furniture as base for our analysis and further reasoning about the main variations when discussing of other industries.

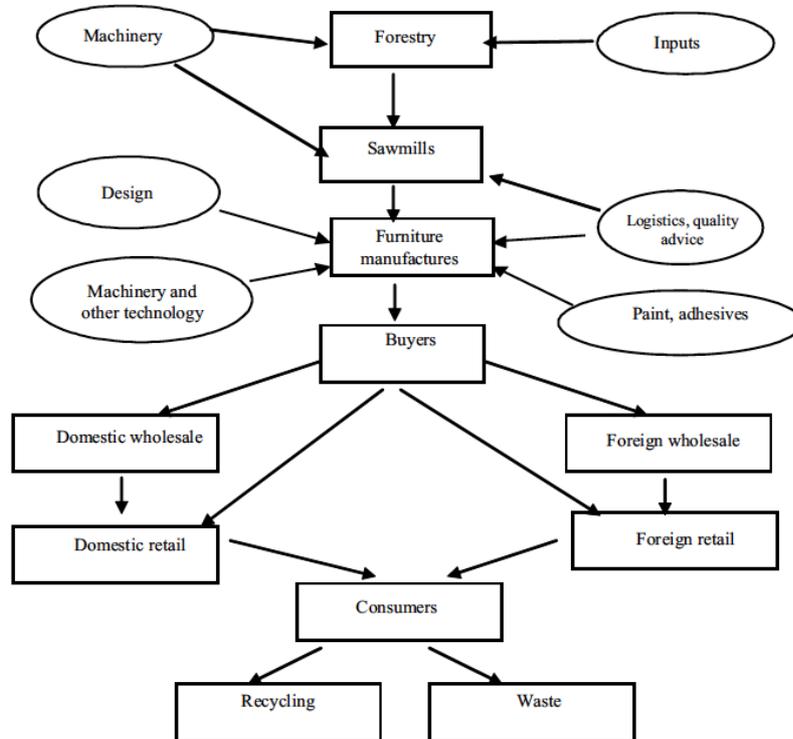
Figure 5 shows the global value chain of the wooden furniture as elaborated by the United Nations Industrial Development Organization.

Venetian firms today are increasingly specialized in the latter phases of the value chain, having delocalized the initial labor intensive ones: forestry and saw milling are increasingly situated abroad, directly in the countries where the raw materials come from, where labor is less expensive (Eastern Europe countries) or where firms have developed particular efficient cost-effective machinery and techniques (such as Austria, but also Canada and USA). Moreover, a first processing situated near the forestry activities allows larger savings in the transportation of

²³¹ Cp. Conti G., Menghinello S. (1998) p. 321f.

the imported materials (raw materials required more space than the semi-processed ones).

Figure 5 : The wooden-furniture global value chain



Source: UNIDO; Upgrading Strategies in Global Furniture Value Chains; 09/2008

The core manufacturing, i.e. the creation of components and semi-finished products, as well as assembling are still done by the district's firms, which retain the largest part of the added value. Accessory activities are retained mainly by the major players: paint providers are mainly global brands with extensive knowledge and competences, working in a oligopolistic way; design is retained by big firms or consortia of small firms; transport as well is mainly subject to international companies. Finally wholesalers retain a central role, often being big firms with powerful brand image that act as leader outsourcing the production to subcontractors. These global players with high market power determine an imbalance of power in the value chain: small district's players, find themselves often in 'lock in' situations that strongly reduce their profits. The fragmentation of district's firm is one of the major issues of the wooden-furniture districts compromising the healthiness of their firms: consortia are indeed created to

increase the market power and to be less dependent from distributors and big labels.

Benefits for such a configuration are given by the flexibility and the quality of production ensured by the Venetian firms, the know-how and competences given by the big international labels in accessory services (from painting to machinery providers and design firms), the cost efficiency provided by the low costs of the labor-intensive low-competence phases delocalized abroad. The ICTs provide those tools to cooperate and manage the entire value chain having smooth, cost and time efficient processes.

3.3. The configuration of the other sectors

The configuration of this value chain may be applied also to the other manufacture specialization of the Veneto region: the core phases of the manufacturing are covered principally by small and medium firms in the districts, which are subject to the market power of other big players, mainly the distributors. The degree of delocalization of the manufacturing appears related to the quality segment in which the firms are operating: the higher is the quality level in which firms are operating, the lower is the degree of delocalization of the activities.

The textile and clothing industry, is one of the more delocalized industries: during the '90s the value of the import/export related to the delocalization activities had an average growth of 40% per year, which was an indicator of the profound reorganization processes. During these years, the delocalization activities mainly changed from product to phase delocalization, moving from horizontal integration to a vertical, with a specialization of the Italian firms in the competence-intensive phases and the outsource of the labor intensive ones.²³² This trend seems to be confirmed also in the other sectors such as the aforementioned furniture one.

Where sectorial leaders meet hierarchical evolution of the districts, the corporate brand tended to substitute the district's one. This is the case especially of the fashion district of Treviso and the eyewear of Belluno but the same brand

²³² Cp. Schiattarella (1999) p. 219

development can also be seen in the sport system of Montebelluna, in the alimental meta-district of Veneto, etc. In some of these cases the corporate brand has also been able to overcome the loss of the 'Made in Italy' labels firms felt due to their massive delocalization abroad.²³³

Generally the more externalized phases are the sourcing of raw materials and the first processing phases. For example, in the tanning industry around Arzignano the largest companies are reorganizing their value chain, delocalizing the first phases of processing in the proximity of the source of the raw materials. Benetton has also decentralized the first treatments to the raw wool around the area of origin, i.e. Latin America and Australia, before moving them to other outsourcing laboratories around the world.²³⁴ The mechanical industry imports most of the semi-processed raw materials from abroad (from refined plastics materials, to iron bars and rolls, to chemicals etc.) since the Venetian SMEs are mainly light industry players without the technology and plants to process raw materials in the districts²³⁵. The first phases are also externalized in some agro-industrial sectors such as in the bakery industry where most of the raw materials are imported, often as semi-processed products (such as flours, dried milk etc.)²³⁶.

These industries experienced a delocalization of the phases previously outsourced to the players inside (or nearby) the district. In most of the cases the outsourced phases are mainly labor intensive ones, closer to the processing of the raw materials with lower specific knowledge, where the cooperation between parties is less significant²³⁷. In the fashion industry, there are cases where the entire production process has been externalized, with the only exception of the design, modeling and realization of the first series: this operational pattern is followed in the district of the sport system of Montebelluna, as well as in the fashion district of Treviso and in some firms situated in the Riviera del Brenta area. Here the production processes are located in different countries around the

²³³ See, for example, how Benetton, Stefanel and others tend to push on the image of Italian brand more than in the 'Made In' factors.

²³⁴ Cp. Corò G., Gradinetti R. (1999) p. 906f.

²³⁵ See Appendix 5.5, 5.6, 5.9 and 5.11

²³⁶ See Appendix 5.6, 5.10 and 5.12

²³⁷ Cp. Corò G., Gradinetti R. (1999) p. 907

world, but mainly in Northern Africa and Eastern Europe²³⁸. This operational method, based on the outsourcing of most of the phases of the production, except for the intangible ones, is a typical feature of those firms operating in a medium-low quality market sector, where competition is made mainly upon the price. The delocalization is done not only by the largest firms that use their brands to value the productions but also by the SMEs that, without effective brand recognition, are struggling in a strong price competition²³⁹.

It has been estimated that the cost of labor in the textile industry compared to the total costs of production, accounts for 25% of the total cost in the delocalized units and over 50% in the district's firms. The delocalization process allowed the firms that undertook it to increase both the turnover (+15% on average) and the profits (+17% on average), which enabled them to have bigger margins while increasing their competitiveness in the market by lowering the price.²⁴⁰

Even in the cases of massive delocalization of productions, some specific components and phases are still carried out inside the district. These are mostly phases considered critical for the final quality of the product, such as, in the sport system of Montebelluna the realization of the molding, the assembly and the creation of special components, which are still done by district's firms since they are essential to ensure a certain quality to the final products²⁴¹.

On the other hand these are firms operating in high quality segments that still retain most of the phases in Italy in order to ensure supreme quality to their productions, having delocalized very little in other countries, researching quality of the productions instead of the cost reduction. The tanning industry of Arzignano, working mainly in market niches, delocalized the raw material processing while keeping inside the district the more sensible production phases, as well as the medium-high quality firms of the Riviera del Brenta²⁴².

An intermediate configuration is the one of the fashion industry of Verona. Differently from the district of Treviso, here the companies have not reached a

²³⁸ Cp. Gianelle C., Tattara G. (2009) p. 210

²³⁹ Cp. Corò G., Gradinetti R. (1999) p. 908

²⁴⁰ Cp. Gianelle C., Tattara G. (2009) p. 214ff.

²⁴¹ Cp. Corò G., Gradinetti R. (1999) p. 910

²⁴² Cp. Schiattarella (1999)

sufficient brand recognition, but, similarly, focused on the fast fashion market, delocalizing the processing of raw materials as well as some textile phases, while outsourcing the tailoring to district's laboratories.²⁴³

The agro-industrial sector is the only sector still characterized by the Marshallian industrial districts. Here, the entire manufacturing process is done by local firms, with different degrees of division of labor and phase specialization. The internationalization comes mostly from the export activities, with the creation of owns (or consortia's) subsidiary abroad to oversee the operations. In some cases, mostly, as we have seen in Chapter 2.3.3, for the fishing industry and for the bakery industry, the import of raw material is increasingly important and the source of these comes from abroad where the first processing phases are done in order to maintain the fish stocks during the transportation.

However, the processing of these products is still mostly done inside the district: from the refinement of the raw materials to the confection of the final products. Innovation activities for the preservation and quality improvement, transportation, conservation and all the other accessory services of the industry are mostly done in the home countries where they have been developed during the years²⁴⁴

The proximity of the processing phases is essential to preserve the quality of the final product, and to avoid its deterioration. Moreover, the denomination of origin in the food products has an even higher impact than in other sectors, since it directly affect the perceived quality that the consumer imputes to the goods²⁴⁵. The proximity for the providers of accessory goods and services is also essential such as in the case of the providers of machinery that mostly need to work in direct contact with the specific food processors in order to translate the peculiar production needs in innovative machinery.

The mechanic industry that represents 50% of the turnover, revenue and export of Venetian manufacturing activities is mostly specialized in providing the machinery for the other industries²⁴⁶. These firms, which mostly operate on the

²⁴³ See Chapter 2

²⁴⁴ See Appendix 5.6 and 5.10

²⁴⁵ See Appendix 5.6 and 5.13

²⁴⁶ Cp. Gurisatti P. (2013)

B2B market, have internationalized the production in order to oversee the important foreign markets or to follow those customers that delocalized in low wage countries. When they delocalized the production they went to Eastern Europe or Asia in order to be closer to their final demand. In these places they often open factories directly under the control of the Italian one in order to maintain the quality standard of the productions high. It is not uncommon that the new factories are complementary to the Italian ones: while in Italy the businesses are focused mainly on design and innovation, the offshore firms are in charge of the production of the components; the final assembly is done both abroad and at home, depending on the necessity²⁴⁷.

3.4. Short and long chains

The international value chains, in the context of Veneto, can be seen as evolved forms of the value chains of the Marshallian industrial districts. This evolution might be linked to today's context in which the economical globalization tends to blur firm's spatial boundaries. Being active in international value chains Venetian firms can better exploit the opportunities of the global markets, not only in relation to commercial activities, but also regarding production and other strategical (core) activities such as R&D²⁴⁸.

The leader firms (or lead-companies) have been always present in the local systems of SME as the districts; despite so, in the last years they increased their importance in these systems, being the mean to relate the global value chains with the local systems, allowing a transfer of global and abstract competences with the local and tacit know-how, recreating and recombining them in the production process, obtaining wider and more radical innovations²⁴⁹. A very broad literature demonstrates how inside a cluster, the homogeneity of the actors leads more to incremental innovation than to radical innovation²⁵⁰. It is through the mean of long, global, chains that district's firms can get acquainted with new competences, new know-how, new business models, new practices, new ideas, enhancing the creation of radical innovations.

²⁴⁷ Cp. Micelli S. (2011) p. 70f.

²⁴⁸ Cp. Conti G., Menghinello S. (1998) p. 324

²⁴⁹ Cp. Grassi M., Pagni R. (1999) p. 248f.

²⁵⁰ See for example: Saviotti P. P., Pyka A. (2004)

On the other hand short chains have the advantage of retaining the tacit knowledge, essential for company growth as much as the abstract transferable one. At this regard Micelli assert that:

“Tacit knowledge characterizes both individual and organizational expertise. In particular, the latter is deeply rooted in the activity of the business, to the extent that they contribute substantially to the proper working of the enterprise, even though it is often implicit.”²⁵¹

The physical contingency helps the rapid diffusion of the information through face-to-face contacts enhancing the creation of trust and reducing the opportunistic behaviors among the actors.²⁵²

The increasing difficulties to auto-produce inside the districts all the competences and resources needed to maintain the competitive advantage push firms to enter global chains, which are able to provide all those resources that are no more (if they have ever been) available in the local context²⁵³. Typical is the case of the labor workforce: Veneto lack of cheap unskilled workers, that are, conversely, abundant in Eastern Europe and Asia. This does not mean that the attempt to enter in long chain is only due to cost reasons: most of the times, global value chains enhance firm’s ability to obtain financial resources, to acquire knowledge, etc.

Today, global networks are enabled by modular productive systems where multiple and diverse actors look for new usage of their technologies, recombining knowledge and resources in different process and in different ways, obtaining a much greater variety than the local autarchic systems²⁵⁴. As matter of fact, a global network is able to multiply the times and the possibilities to accumulate experience, putting together different places and cultures, offering superior chance for innovation²⁵⁵.

²⁵¹ Micelli S. (2000) p. 25f.; translated by the author of this paper

²⁵² Cp. Micelli S. (2000) p. 29

²⁵³ Cp. Corò G., Gradinetti R. (1999) p. 903

²⁵⁴ Cp. Corò G., Micelli S. (2006) p. 37

²⁵⁵ Cp. Rullani E. (2002) p. 102

On the other hand, impulsive and approximate delocalization, not inserted in a correct dynamic evolution of the system, tend to disrupt the linkages among the district's actors, affecting the effective cooperation and communication inside the district, limiting the accumulation of experience and know-how, translating, in the short term, in lower quality of productions, and, in the long term, in inability to effectively innovate, depleting the firm's strategical competences.²⁵⁶

Moreover, the high quality of certain products requires high professionalism in the production phases as well as in the materials used: this quality is rarely maintained with the delocalization process since they mainly focus on cost advantage reasons than on quality improvements²⁵⁷.

Even the sectorial leaders can still gain from acting in the district, where, without compromising the natural cooperation-competition mechanism, they are able to obtain significative production advantages, while providing a better coordination and guidance.²⁵⁸

Global and local are two opposite but complementary sides of the same cognitive dimension. Looking at the knowledge we see how in global context the abstract codified knowledge prevails while in the local most of the time it is tacit and contextual. In fact, on the one hand, knowledge is codified, abstracted from the context in order to be transferred; on the other, it needs to be re-contextualized in order to be applied. Contextualizing the knowledge, the learning take place and innovation is likely to be enhanced by the new perspectives of the new context. At a deeper analysis it is this process of transfer, with the subsequent application of different context, the real source of variety. While a mere local business risk to be feeble, lacking of those competences, knowledge and resources that might allow a proper specialization, a mere global one would not be able to synthesize the knowledge and to differentiate from the competition, lacking of those different views and perspectives true seeds of radical innovations.²⁵⁹

²⁵⁶ Cp. Conti G., Menghinello S. (1998) p. 322ff.

²⁵⁷ Cp. Conti G., Menghinello S. (1998) p. 338f.

²⁵⁸ Cp. Conti G., Menghinello S. (1998) p. 324

²⁵⁹ Cp. Rullani E. (1997) p. 88ff.

3.5. Delocalization, quality and innovation

The delocalization activities proved to be an effective way to foster efficiency and profitability, offering growth opportunities and being an effective tool to overcome temporary financial difficulties. In the last decade, the firms unable to manage global value chain proved to be less effective in the market, frequently entering in crisis. Strong repercussion has been noticed also among the small firms, working in outsourcing; most of the times they had to close their Venetian manufacturing plants, often relocating it in Eastern Europe.²⁶⁰

What is crucial is that delocalization activities proved to be effective and powerful only in the short term, failing to re-pay in the long term. The firms that undertook delocalization, while the competitors were still producing in Italy, have been able to reduce their costs having the means to lowering prices and increasing their market share. In the long term, the competitors react delocalizing as well; reducing their prices they re-acquire the market share previously lost. The advantages that the pioneers gained in the short term vanish as soon as other firms follow them in delocalization activities. These advantages are further reduced in the case in which firms are not able to correctly manage the abroad operations: the increase of coordination costs might easily disrupt the margins gained thanks to the cost differential.

The previous considerations supposed that quality of the final products was maintained anytime delocalization takes place. Studies pointed out that, most of the time, the quality of the production of the delocalized unit is much lower than the one of the home plant. If the customers perceive the lower quality they become less willing to pay a premium price for the brand or, worst, they turn to competitors' offers.²⁶¹ When firms reach a good brand image, they often think that they can produce anywhere maintaining the appeal the customers have for their products, despite the country of production. One major player in the amusement ride's industry²⁶² delocalized part of the production in the Philippines to better serve its customers (it was closer to Middle East and Asia, two very important markets) and to be more competitive. Even respecting the Italian

²⁶⁰ Cp. Gianelle C., Tattara G. (2009) p. 227ff.

²⁶¹ Cp. Gianelle C., Tattara G. (2009) p. 225

²⁶² The name is kept anonymous; for further see Appendix 5.9

standards and protocols, using Italian machineries and techniques and having the production supervised by Italian engineers it has not been able to maintain the quality of its productions. This mistake is often done when firms rely more on their brand image than on the 'Made in Italy'²⁶³. The aforementioned strategy has been quite successful in the very beginning while a failure in the medium term: in a couple of years the company started to lose clients since, after having observed a lower quality in the foreign productions, they stop buying from the foreign subsidiary and became suspicious in buying also the company's Italian productions, fearing that they could get (without knowing) the foreign ones. The overall damage in the brand image (with a consequent loss of clients) has been far greater than the earnings²⁶⁴.

Today, delocalization activities are more often undertaken by firms operating in lower segment of the market: this is due to the fact that who operates in high segment mainly base its competition among quality instead of price. Moreover, firms operating in markets where the standardization is high and the production can be planned with an higher lag time, the productions are more likely externalized abroad, looking for cost advantages; conversely, when the demand is more complex, allowing very little planning and requiring high product's variation, the productions are more likely to be kept inside the district in order to reduce the time-to-market and effectively adapt to the customer's requirements.²⁶⁵ As the quality of the final goods increase, fewer parts of the production process tend to be externalized abroad²⁶⁶.

From the interviews emerged that whenever quality is the key of the competitive advantage, firms are less prone to delocalize their productions, preferring to keep them in home or outsourcing it to those subcontractors (mostly of the districts) able to maintain high the quality standards²⁶⁷.

Empirical studies also proved that delocalization activities tend to reduce investment in innovation activities, being international involvement a way to

²⁶³ See Appendix 5.11

²⁶⁴ See Appendix 5.9

²⁶⁵ Cp. Corò G., Gradinetti R. (1999) p. 909

²⁶⁶ Cp. Amighini A. Rabellotti R. (2006) p. 495

²⁶⁷ See Appendix 5.7 and 5.9

detach the attention from investments in the home country²⁶⁸. For example, in the mechanic industry the producers of machinery for the plastic and footwear industries are innovating mostly in two directions: to the realization of new automated system and tools, derived from the robotic and mechatronic industries and to new technologies to save energy and to implement new eco-friendly materials.²⁶⁹ The compartment involved very little in delocalization activities, concentrating the efforts in innovation investments, undertaking internationalization mostly to get more involved in knowledge exchange with foreign partners²⁷⁰.

3.6. A new perspective toward internationalization

Internationalization of productions more and more is moved not by cost reduction reasons but by quality improvements or supreme techniques. This does not mean that recent activities abroad of Venetian firms come exclusively from this new attitude but that companies are increasingly trying to look for something else than a mere cost reduction. As a matter of fact, the declining tariffs, the increasing sophistication of manufacturing and the pressure for knowledge transfer proved to reduce firm's incentives to produce abroad in order to merely reduce costs²⁷¹. This has been mostly visible in the medium and medium-large firms that set up the production in a number of countries, sourcing their component from who retains a competitive advantage. De' Longhi, for example, even for the production of its top range products (i.e. the coffee machines) that is still carry on in Italy, source most of the components from abroad²⁷². This is mostly done because the level of specialization of the home suppliers is mostly inadequate compared to the one of major international providers.

The quality, increasingly important factor for the customers, is the key to understand phenomena as the so called 're-shoring': with this term we indicate those investment finalized at the re-location of production activities in the home country. The trend is consolidating in all the developed countries, including Veneto. According to the data of Fondazione Nord Est, the phenomenon regards

²⁶⁸ Cp. Schiattarella R. (1999) p. 229ff.

²⁶⁹ Cp. Gurisatti P. (2013)

²⁷⁰ See Appendix 5.5 and 5.9

²⁷¹ Cp. Ferdows K. (1997) p. 74ff.

²⁷² See Appendix 5.11

in particular the footwear and clothing industry (those industries that felt more than anyone else the delocalization activities from the early '90s) but also the mechanic industry. In most of the cases, firms re-shore the productions (or phases) with the higher added value, where the quality and the 'Made in Italy' brand are more important.²⁷³

Even if the data on the Veneto are not precise (the Fondazione Nord Est asserts only the data about the trade balance, which is increasing), we have data of the phenomena for other region of the world that can ensure its dimension: for example, in the Missisipi (USA) more than one third of the firms that delocalized their production from 2007 to 2011, in 2014 have re-shored their productions back in the USA or have planned to do it in very soon²⁷⁴.

If quality is for sure the major reason for this trend, other factors might influence today's locational choice of production. A first element might be the cost of logistic and energy that is not as favorable as in the past, and is rising faster in the developing countries than in the developed ones. Secondly the skilled labor force: it is increasingly scarce in the developing countries where cost of the labor is costantly soaring while the productivity remains mostly costant²⁷⁵ (it has been estimated that the productivity of an American worker is comparable to the one of three Chinese workers in China²⁷⁶). Moreover, in the modern industry is increasingly important to keep the production close to the R&D centers in order to enhance the innovation and better react to the changes in the customers' requirements²⁷⁷.

²⁷³ Cp. Mandurino K. (2014) p. 11

²⁷⁴ See Appendix 5.6

²⁷⁵ Cp. Mandurino K. (2014) p. 11

²⁷⁶ See Appendix 5.6

²⁷⁷ Cp. Ferdows K. (1997) p. 74ff.

4. The influence of the ‘Made in’ in locational choice of production

In a global scenario where the industrial production have constantly grown in the last 14 years, the Italian one decreased by 25%: a fall that did not influenced the distribution of the manufacturing activities, leaving the specialization of the ‘Made in Italy’ the pillars of the Italian (and Venetian) industrial base.²⁷⁸

Reconsidering the value of the work, in all its facets, means understand the added value that a quality work could give to the final products. A quality work is made of people. The workers are the focal point of the production process: their minds are actively used together with their practical competences and skills. Apple’s decision to re-shore the production of the Mac Pro in the USA is based on this idea. In 2013, Apple, known for its ‘Design by Apple in California; Assembled in China’, that is quoted in most of its products, decided to open a new production facility in Austin (USA): here American workers use American high-tech machinery to assemble Apple’s top range product, the Mac Pro, outsourcing all the components from American companies all over the country²⁷⁹. The production system that Apple pictures in its promotional videos is very far from the idea about the work conditions we have about China and other Asian countries leaders in the IT manufacturing. The dignity of the work, the feeling that the products come from specialized employees that knows what they are doing instead of from people working long hours in grey factories (with the flavor of the industrial London of the 1800s), ensures more value to our productions.

The case of Apple might appear as a case limit. Actually, this is just a matter of Corporate Social Responsibility taken to further development. Many companies in the last decades had to change their production techniques and systems to increase their ethical standards. One of the most famous cases was the one of Nike that employed child’s labor for the manufacturing of its product in the ‘90s, costing the company a great damage in its corporate image.²⁸⁰

²⁷⁸ See Appendix 5.6

²⁷⁹ Cp. Burrows P. (2013)

²⁸⁰ Cp. Boggan S. (2001)

The consumers are increasingly careful about what they buy: not only to the qualitative characteristics but also to how the product was made. This is primarily notable in the food industry, where consumers are very careful about where and how products are made. The fresh fruits are a very simple example: consumers tend to value more a product coming from a biological production in the nearby than one coming from an intensive production far away. The same is true also for other processed products (one prefers the tomato sauce coming from south of Italy made with Italian tomatoes compared to an anonymous tomato sauce coming from China). The attention of the customer helps to explain also the success of the BIO products in the last decade. This importance of the 'Made in' (and of the 'Made how') in the food industry has been a long run process: it is at least 25 years that movements such as Slow Food²⁸¹ are working toward the creation of more conscious consumers.

The 'attention' is of particular relevance in the modern economy. It is a peculiar scarce resource, part of a zero sum game: firms cannot buy it as other scarce resources; the only way to obtain it is to get it from other firms. Attention is involvement, emotions, participations, identity, aspiration. Firms should find the proper way to gain and maintain it.²⁸² In the last years the 'experiential products' became a relevant trend: consumers are more willing to buy a product when this is able to tell its story. Slow Food has been able to draw the attention of the consumers upon unique local and traditional products, attention that initiatives such as Eatery have been able to exploit.

Stories are made not only of people but also of territories, places with unique experiences and relations. The territory is an important medium with which the districts have been able to solve the complexity of the economic and technological development. Today, more than ever, the importance of the territory must be reclaimed not only to involve the customers in a narrative exploration of the products but also to reclaim the intelligence of these places. Thanks to the territory, new technological and engineering solutions can be

²⁸¹ Cp. Slow Food (2014)

²⁸² Cp. Micelli S. (2000) p. 199

developed using the unique experience and history of the people living those places.²⁸³

It appears clear how the food industry is not the only one that can benefit from the territory. Companies producing in advanced economies can still find their place in the market, beating the low cost competition, thanks to the creativity of their relational assets inspired by an interactive dialogical attitude, key element of the North East districts²⁸⁴.

The recent 're-shoring' trend goes in this direction: firms recognize that they can have a greater advantage producing in their home country not only because they can better enhance innovation having the R&D close to manufacturing, or because they can implement highly efficient processes, but also because of the value the consumers attribute to their products when 'Made in' the home country instead than in a low wage economy. This is not only the case of Veneto where in the last couple of years many firms came back home, recognizing they can better enhance their business in Veneto than abroad, ensuring a quality that a low wage country would never be able to provide²⁸⁵. It is also the case of US firms: General Electric, after more than fifty years of delocalization opened a new plant in the US to make its American washing machines. In the new American plant they have an efficiency three times higher than in China and a cost of labor and raw materials that do not escalate at rates of 20% per year as in most of the Asian countries. Also some producers of cotton textile and clothing chose to relocate in the US where they are able to source the raw materials at a lower price and to ask customers a premium price for their 'Made in USA' (a research showed how American customers are willing to pay, on average, 20% more for a product 'Made in USA').²⁸⁶

4.1. Territory, knowledge and competitive advantage

Starting from the '70s globalization and the new technologies progressively reduced the barriers to trade as well as the perceived geographical distance

²⁸³ Cp. Rullani E. (2006) p. 81ff.

²⁸⁴ Cp. Rullani E. (2006) p. 59

²⁸⁵ See Appendix 5.7

²⁸⁶ See Appendix 5.6

making the world smaller more connected than ever. In such a context, the linkages between the territory with its specificities and the economy were expected to disappear. However, especially from the '90s, the territory re-emerged with its culture, meaning, variety, specificity, etc.²⁸⁷ This re-focus in the territory has been given by to the economy of knowledge. Here the territory allows the understanding and explanation of that contextual knowledge made of experience, unstructured information and tacit know how, that is impossible to spatially transfer.²⁸⁸

In the last years great attention has been given to the process of learning. Learning means ascribing a sense to the elements surrounding us in a continuous process of accumulation of experiences.²⁸⁹ Being part of a network (better if global) firms might learn from their differences, exploiting this variety of ideas and methods to foster creative solutions and innovations. They also have the chance to focus on what they can do better, using the available resources for their own core competences, relying on other players for the rest.²⁹⁰ In our interviews with the local firms we discovered a number of cases in which firms activated particular channel with other local players to carry out some production phases where they do not have enough competences and/or resources to operate. This is also the perspective of district's firm: they are specialized in single phases of the value chain, reducing the resources needed to stay in the market, while being flexible with the production. This district organization is still persuading most of the sector observed: Impronta Srl., a firm operating in the doors and windows manufacture, outsources the production of glass and metallic components; Tramarossa, a denim producer, outsources the tailoring of the jeans to the local laboratories; Fraccaro, operating in the confectionery industry, outsources to local mills the selection and preparation of the flours, EOS- Darsié, an amusement rides producers, outsources part of the painting phases and the realization of some structures, etc.

The ICT allows to increase the learning field, not only reducing the distances from the source of the knowledge and its user, but also allowing knowledge share

²⁸⁷ Cp. Rullani E. (1997) p. 86f.

²⁸⁸ Cp. Becattini G., Rullani E. (1994)

²⁸⁹ Cp. Micelli S. (2000) p. 94

²⁹⁰ Cp. Rullani E. (2006) p. 91

as never seen before. The access to the knowledge becomes available to anyone, without distinction for its condition and position.²⁹¹ A practical case is the forum of the Officine Arduino: it hosts instructions, prototypes, projects conceived with the Arduino electronic board. The user from all over the world can find all the knowledge for the projects they would like to undertake, they can ask questions or reply to the community in a limitless virtuous circle of knowledge diffusion²⁹².

Learning is a process much more complex than the simple experience gained from routinely actions done day by day: the process of learning deals also, and more importantly, with the relational know-how. It is negotiating with other partners, other intelligent entities that the process of learning takes place. The context has an essential role since without understanding and controlling its variables it is not possible to reconnect the abstract notions to a complete picture.²⁹³

Empirical studies highlighted how the peculiar specifications of a territory, difficult to imitate or transfer, are one of the most important elements to preserve a competitive advantage²⁹⁴. These specificities of a territory are mostly related to the concept of district. Even if nowadays the districts of Veneto are evolving to other forms and the cultural aspects are less relevant than in the past, we can still appreciate their characteristics of territorial ecosystems²⁹⁵. The less powerful, but still present, interrelation between the productive system and the socio-cultural aspect centralizes the role of the men with their firms and their work. Their lives are deeply interconnected with their work, creating an environment normal and familiar for them but totally original and hardly comprehensible from the outside²⁹⁶. The territory works as relational and communicative frame able to integrate the actors that contains, enabling efficient and organized behaviors even without a central superior intelligence²⁹⁷.

²⁹¹ Cp. Micelli S. (2000) p. 41

²⁹² For further informations see the Arduino forum at: <http://forum.arduino.cc>

²⁹³ Cp. Micelli S. (2000) p. 95

²⁹⁴ Cp. Rullani E. (1997) p. 91

²⁹⁵ See Appendix 5.6

²⁹⁶ Cp. Becattini G. (2000) p. 16ff.

²⁹⁷ Cp. Rullani E. (2002) p. 73

4.2. The value of the ‘Made in Italy’ brand in manufacturing

The ‘Made in Italy’ is at the same time a brand of quality and identification of origin.²⁹⁸ It is a brand that goes far beyond the identification of the production site since it is become a synonym of excellence in the design, quality and reliability of the final product recognized worldwide²⁹⁹. It is a brand of tradition, knowledge, know-how, experience, ability to handle the productions with a unique care of details and an extraordinary precision. It is a label that represents the skills and competences of our workers, which are identified under it and recognized as the factor of our major success³⁰⁰.

The ‘Made in Italy’ productions are not only characterized by a supreme design, for being trendy and for their iconic representation of the Italian lifestyle, but also for being able to enclose a unique level of service inside the product. With the ‘Made in Italy’ the men acquire a central position: they activate the production, take care of the physical and virtual distribution, involve the customer in unique experiential circuits, etc.³⁰¹

The ‘Made in Italy’ is said to be valuable for any kind of production³⁰². Despite so, there are differences exististing across the aforementioned sectors. As we saw, the food industry is the one with the higher influence of the place of origin, given also by years of cultural campaign that created new conscious customers.

In the food industry the denomination of origin has been introduced by the European legislation and today it is mandatory to indicate the place where the food has been processed and, in some cases, to provide a passport for all the life-step of the product (such as for the meat, where in the label has to be indicated the place of birth, the breeding place and the processing place³⁰³). In the sector the quality of the final products is mostly considered more important

²⁹⁸ See Appendix 5.6

²⁹⁹ Cp. Fortis M. (2005) p. 38

³⁰⁰ Cp. Segal D. (2010)

³⁰¹ Cp. Rullani E. (2006) p. 77

³⁰² See Appendix 5.6

³⁰³ See the European Community Regulation N. 1760/2000 of the European Parliament and of the Council of 17 July 2000

than the price³⁰⁴. Looking at the pasta industry, for example, the crisis reduced the consumption of the recent years (around 4% regarding pasta while around 15% in the general food). Experts linked the reduction of the sales primary to a rationalization of the consumption, where the waste has been reduced to save money. Interesting is that the reduction in the sales hasn't follow the classical hourglass trend (where the medium market segments fell stronger reductions than the low and high end ones) but registered a (normal) strong reduction in the medium segment, a modest fall in the low one and a an unexpected increase in the high end one. This might be explained by the fact that today consumers are more informed and careful in their purchasing choices, favoring, even in times of rationalization of resources, quality to price savings³⁰⁵.

In the fashion industry the attention at the place of origin is more and more highlighted by the success of companies working entirely in Italy. The Riviera del Brenta is the most famous case but not the only one: more and more companies are re-launching their product offer in higher market segment where the 'Made in' is more recognized and remunerated. On Industry Srl. is a perfect example: in 2003 it created the brand Tramarossa, re-shored the production from Romania to Vicenza and re-positioned its offer from a medium-low 'democratic' market segment, to a medium-high one. The company created a product entirely manufactured in Veneto for a niche of the market, which, even if quite small in Italy, worldwide offers great possibilities. Even if the denim is a classical product made around the world thanks to global chains, Tramarossa understood that producing in Veneto might have exploited the distinctive competences of the local subcontractors obtaining products with a superior value that the market would recognized. Other producers of the Denim district (where the firm is located) did the same, acknowledging the superior quality of the products manufactured in Italy compared to the foreign ones³⁰⁶.

While in the B2C the value of the 'Made in Italy' can appear quite evident, since the goods are provided to the final customers, in the B2B sector this can appear less evident. Having this in mind we asked to all the companies interviewed which kind of machinery they were using in production and the reasons of their

³⁰⁴ See Appendix 5.10 and 5.12

³⁰⁵ See Appendix 5.12

³⁰⁶ See Appendix 5.7

purchasing choices. The results have been not easy to read. Most of the companies interviewed said that, purchasing new machinery, they always look for the quality and reliability of the products but that very important is also the services level that the provider is able to ensure after sale³⁰⁷. Most of the interviewed, regarding the quality, said that when the machinery tools are produced by German, Japanese or Italian companies there are no issues of reliability, efficiency or precision. The main difference among these three world leaders in machinery manufacturing is made upon the level of service that the company ensures: the Italian companies are able to emerge thanks to the higher service level they are able to provide. The recent literature pointed out that in the global economy the ability of entertain a level of service contingent with a certain territory could be an important variables in determining which jobs will move to low wage countries and which no³⁰⁸.

We can deduce that the Italian companies have a competitive advantage in the national market given by proximity reasons. Despite so, we are more interested in understanding the competitive advantage that Venetian firms can have abroad. Deepening our analysis we observed that the Venetian B2B operators increasingly understands that producing in Italy might be more valuable than what they have ever consider it. Interesting the comparison between the two mechanical firms interviewed. One has already adopted the Internet technologies to promote its products and uses the 'Made in Italy' brand as an operator of the B2C sector³⁰⁹. The other, given the smaller size and the typical organization of subcontractor, proved to have a less clear picture of this phenomenon. The latter firm lacks in promotional activities and lives, as many other subcontractors, thanks to the word of mouth. Despite so, it understood the limits of such a model and is looking to promote its activities through the web, in the attempt of reaching new international clients. Moreover, this entrepreneur stated that, in promoting the quality and reliability of its customized productions abroad, the 'Made in Italy' brand would be an essential variable to distinguish its offer from the foreign one³¹⁰.

³⁰⁷ See Appendix 5.5 - 5.12

³⁰⁸ Cp. Micelli S. (2011) p. 37

³⁰⁹ See Appendix 5.10

³¹⁰ See Appendix 5.6

4.2.1. The issues of the 'Made in Italy' brand

Three are the main open issues regarding the 'Made in'. First of all, the problem of the unfair competition of foreign firms who sell products with sound-like Italian names³¹¹. This practice is particularly widespread abroad where customers tend to have more difficulties in recognizing the real from the fake Italian product. Foreign competitors not only use brands that recall the Italian ones but also adopt images and labels to induce the consumer in purchase their products. It appears obvious how these practices are dangerous: not only these sales are deceptive and reduce the ones of the Italian firms, but they are even more dangerous because, having a quality generally much lower than the Italian one, they ruin the image of the 'Made in Italy'.

A second issue is somehow linked to the first one. As a matter of fact, some Italian companies, in order to defeat the foreign competition, are selling cheaper products abroad with a much lower quality than the one they offer in Italy³¹². This strategy allowed them to sell products that they couldn't sell in Italy (because the Italian consumers would have not buy such low quality products or because the law would have not allow them) and to make profits leveraging on the 'ignorance' of the foreign consumers. This strategy is a shortsighted one since the foreign customer might not distinguish the quality of the products they are purchasing but using it they will probably get a wrong idea about the Italian quality. This would not only lead to issues for the firms using such a strategy but also for all the other using the 'Made in Italy' as a brand of quality.

Lastly, the 'Made in' carries out a greater disadvantage compared to the company brand³¹³: while the company name tells us who actually took care of the product realization, the 'Made in' tells us only where the production has been carried out. The case limit is the one of a company who does the design, organizes the production, defines the working standards, the quality standards, etc. in Italy, carrying out only the production, for example, in Turkey (with Italian machinery, standards and supervision). The product of this company would be

³¹¹ See Appendix 5.10

³¹² See Appendix 5.10

³¹³ See Appendix 5.11

labeled as 'Made in Turkey'. Viceversa, a company with design, organization of production, definition of the standards in Turkey and the production carried out in the Italian soil with Turkish machinery, standards and supervision would be classified as 'Made in Italy'.

4.2.2. 'Made in' vs 'Design in'

The problems linked to the 'Made in' did the fortune of another quality brand: the 'Design in'. In most of the cases, the medium-large firms of Veneto (from De' Longhi to Geox, from Frau to Diesel, from Morellato to Permasteelisa, from Luxottica to Benetton etc.) are linked to the districts in which they have been able to emerge, sometimes in the along the same district speciality, someother undertaking original paths. Most of these big firms, forced by the foreign competition, adopted international production frameworks, becoming active nodes in global value chains and autonomous from the territory where they are located. These medium firms have been able to emerge from the districts redefining their processes, using the new ICT to handle global productions, investing in R&D and applied design, exploiting their brands to be recognized in the market from. They started to sell the Italian style (and design) more than Italian products.³¹⁴ They followed a trend that is very common among MNCs: Ferrero (with Nutella), Heineken, or BMW are equally able to transmit the image of their country of origin despite the actual country of production³¹⁵.

The 'Desing in' is not only an indication of the style of a product: it indicates where it has been conveyed, who are the people that defined the standards, organized and implemented the production (abroad), etc. It is truly a synonymous of quality. The fact that, for example, De' Longhi has its own production facilities abroad is a sign of its willingness to maintain the quality standards of its productions as high as in Italy. The production sites it has around the world are complementary with the Italian ones: in Italy the engineering and design is carried on as well as the assembly of the top range coffee machines, while in China and Romania they have the production of all the other products where

³¹⁴ Cp. Micelli S. (2011) p. 61ff.

³¹⁵ See Appendix 5.11

most of the time they use the brand 'Design in Italy'³¹⁶. In this way they are able to pass the image of Italian products even enhancing global production networks.

Even so, the 'Design in' has been a sort of shortcut for those firms aiming to be recognized as Italian while producing abroad. There are examples all over Italy where big firms understood that the production is important more than the style. Gucci, for example, outsources its production mainly to laboratories in Tuscany, always looking for the Italian artisanal competences. It is around the expertise of its craftsmen that Gucci made its fortune: when the materials make the difference in the final products, the expertise of the ones processing them is fundamental to ensure the value at the final products. As a matter of fact, Gucci always looks at having innovation and creativity together with its traditions: in doing so it selects its subcontractors not on the base of the price but upon their ability to invest in research and innovation; moreover, whenever these subcontractors have to make important investments, Gucci often provides support, not only financial but also technical.³¹⁷

Veneto, and Italy, proved to be unattractive to foreign multinationals unless the quality of the production is their final goal. The Brenta's district is a perfect example since it has being able to attract companies such as Luis Vuitton and other luxury brand.

The fact that Tramarossa maintained in the district of the Denim its productions, is a distinctive sign that the company want to deeply differentiate from the foreign competition, having a totally different offer: a local production made in a territory abundant of expert artisans, able to ensure a supreme cut and care of the details. As Gucci, Tramarossa selects its subcontractors upon variables different from the price, knowing that only ensuring margins to its partners it can guarantee their survival and their ability to innovate and update the machinery.³¹⁸

³¹⁶ *This is true for De' Longhi's brand only: Braun and Kenwood have their own R&D and design in their own countries (respectively, Germany and UK) and the production mostly in China.*

For further informations, See Appendix 5.11

³¹⁷ Cp. Micelli S. (2011) p. 66ff.

³¹⁸ See Appendix 5.7

Another example is Sgambaro that in order to offer a product 100% 'Made in Italy' realized a CSR model that extends to the entire value chain, certifying any phase according to the SA8000 norms. The membership to these norms is voluntary and requires investments in technologies to keep the records of all the relationship along the chain. Despite so, many companies around the world are adopting it to ensure the quality and the traceability of their productions. For the firms of the 'Made in Italy' this is particularly important for being able to ensure the truthfulness of their Italian productions, solving, at least, one of the issues carried out by the use of this brand of origin.³¹⁹

4.3. The artisan productions

Innovation and flexibility, the two main characteristics of the Venetian's specializations, are intrinsically linked to the idea of artisanal economy. In this peculiar economy the learning is deeply linked at the individual practical skills and at their training in the community; a training that extends the mere formative purpose, constantly fostering the competences and techniques of the workers. The experience is the true foundation of the artisanal economy: the mastery of the craftsmen allows the solution of new unfamiliar and unknown problems just using their background.³²⁰

The competition in the artisanal economy has many similarities with the one of the district: it is not the fierce as in the 'perfect competitive market', but it is 'decent' and respectful; collaboration is possible to reach common goals; it is fair (the interest of the individual never goes beyond the interest of the community) because formal and informal institutions ensure the respect of the norms and of fair practices.³²¹

Passion and determination are, in our opinion, another fundamental element of the success of Venetian companies. In the interviews these characteristics emerged very clearly not only in the owners or the top managers but also at lower level of the company. When the managers are able to spread the passion for their work to their employees they enhance a virtuous circle where everyone

³¹⁹ See Appendix 5.12

³²⁰ Cp. Sabel C. F. (2002) p. 183

³²¹ Cp. Sabel C. F. (2002) p. 184

is motivated to do his best. At a deeper analysis, they are working not only for the company but also for their own interest: contributing at the growth of the firm, they can improve their own professional and social situation. In an artisanal economy the workers are no more brainless entities that do routinely operations but active, highly skilled people that perform their activities with greater attention and competence. These artisans of the new millennium, who work in factories and produce also goods, put extreme attention and passion in their job. These new artisans can be seen in the most various situations: from the worker able to paint a window with one single brush stroke, to the lathe turner who imagines the final piece way before crafting it, to the weaver who skillfully sews jeans, to many others³²².

The artisanal work has been always considered a distinctive element of the Italian productions: for long time it has been named as a sign of the failure of the national productive system to coherently evolve as in the other economies. It is only recently that the artisanal work that we find in the design, in the fashion, in the production of machine tools and even in the high-tech, that we rediscover in a new positive way this peculiarity of our manufactory system, that, now more than ever, can be the key for the Italian recovery.³²³

Today, those firms that continue to offer standardize products without distinctive sign, have to adapt to lower remuneration than the average because more and more the market is asking for customization, creativity, differentiation, peculiarity, etc. During our interviews we saw small and medium companies that have been able to change their productive system as well as their market offer, providing higher quality for their customers: these courageous actions allowed them to be particularly successful³²⁴.

As the firm's offers is becoming more complex also the jobs are less and less routinely: the workers are reacquiring a central role, rediscovering that profound linkage between their job and their abilities and skills. We are not aming here at

³²² *We just named few cases according to the most important figures encountered in our interviews. The category is much broader and the artisans can be found in any manual work where people exploit their proactivity.*

For further, see the Appendix 5.5-5.12

³²³ Cp. Micelli S. (2011) p. 14

³²⁴ See Appendix 5.5, 5.7, 5.8, 5.9, 5.10 and 5.12

recovering the old practices of the craftsman but at revisiting its profile: passion for quality, desire to improve, continuous research of new and more efficient techniques, roots in the community where the practices and knowledge are shared, etc.³²⁵

The 'Making' culture is an essential component of the artisan economy. We need to learn how to make in order to be able to further innovate. In the last century we experimented the alienation from our intellectual works. As it happened for the industrial jobs in the Fordist era, where workers were doing their tasks without realizing the purpose of their actions, today we are experimenting the alienation from our office works, increasingly abstracted from their contexts, from the real economy: people tend to fail in understanding the purpose of their work, the 'big picture' under it. We handle projects, papers, and researches without deeply realizing what are they for, which are the problems that the production is facing, etc. We need to re-think our learning in terms of making. It is essential to be able to think what we are creating in order to better realizing it.³²⁶

The goal of the so-called 'Makers'³²⁷ is not just to master a given profession but to reacquire that material culture that surround us, mastering those competences that could allow us to transform, modify, reinvent the world, experimenting, through trial and error, new solutions and application, acquiring awareness of the rules of the material world. The awareness is a central aspect because it is only being aware that we can judge and maybe improve a given process or product: it is making something that I acquire enough information to be able to properly judge its characteristics. Facing the material world, without underestimating its practical side, allow us to think better.³²⁸ During an interview, an entrepreneur complained about the absence of a practical mindset in the students that he hires: once upon a time they were able to manually handle machines as the lathe or the milling cutter, thinking head which operation they have to do in order to reach the expected result. Today, the yung workers have more theoretical skills, as programming (that are essential as well for the modern machinery) but lack in

³²⁵ Cp. Micelli S. (2011) p. 20f.

³²⁶ Cp. Brown T. (2009)

³²⁷ *Here the reference is at the Makers movement.*

See: Maker Faire (2014)

³²⁸ Cp. Micelli S. (2011) p. 26ff.

understanding the consequence of their actions, failing in foresight the feasibility of the operation they aim to complete³²⁹.

Jonathan Ive, head director of Apple's design department, is convinced that a big part of the Apple's success is linked to the innovative materials they use. He thinks that the materials can ensure a unique idea of quality in the final products. He believes that the innovations Apple has carried on with new materials have been possible just thanks to the exploration of the practical side of the work, thanks to the direct contact with the materials. In an interview to a specialist blog he stated:

"It's very hard to learn about materials academically, by reading about them or watching videos about them; the only way you truly understand a material is by making things with it [...] And it's important to develop that appetite to want to make something, to be inquisitive about the material world, to want to truly understand a material on that level. [...] For a designer to continually learn about materials is not extracurricular, it's absolutely essential."³³⁰

CAD programs are extremely helpful in designing the products and defining the characteristics; however, they offer fewer possibilities when it comes to "how" and "what" can be created. For example, the iPhone 4 surface could have never been conceived by a CAD program, since they do not allow the users to create new, original forms. To create something really new, not just a reconfiguration of the existing features, it is essential to directly experiment in practice to understand where and how something new can be made.

What is surprising in the Apple case is that they use a care in the materials and in the realization of their products (standardized and for a mass market) that seems the one of an artisan. This have been possible just thanks to the network of suppliers Apple has created, where the relationship between the companies and the cooperation projects they enhanced are valued by Apple much more than the price of the components. Suppliers are not selected upon price of the

³²⁹ See Appendix 5.5

³³⁰ Noe R. (2010)

Note that the words are the ones of Jonathan Ive as literarily reported by the interviewer Noe R.

components they provide, but by their ability to do team, by the quality of the innovations they are able to carry one, etc. The fact that every time they present a new product the presentation video depicts the manufacturing phases (as the creation of the aluminum Unibody of the Mac Book Pro) highlighting the production process can give the idea about how much they care about it.³³¹

Vyrus is an Emilian modern artisanal firm. The company produces around forty motorcycles per year, developed together with its customers through the web. Projects are exchanged from designer, technicians and customers until a final version of the product with the required characteristics is reached. For Vyrus, Internet is also the channel to overcome the geographical boundaries reaching the suppliers from all over the world.³³²

The new industrial revolution will be lead by global artisans, such as Vyrus, that trough internet will be able to concentrate the interest of global communities over their work. These 'artisan 2.0' will be able to beat the offer of big multinationals thanks to a continuous innovation, enhanced by the participation in global innovative networks, and to the extreme product customization, made possible by the continuous exchange of information with their consumers³³³.

Misleading would be thinking that the artisans are only a phenomenon of the small size firms: as a matter of fact, many are the examples of medium and large firms, especially in the luxury industry, that are employing artisan workers. Brunello Cuccinelli is a formidable example. It has been called the Italian Steve Jobs because of its success in the market and for its revolutionary view of the sector. He produces exclusively in Italy, having a great respect and care for his employees (that are paid more than sector's average), recognizing that their competences, know-how and attention to detail together with supreme quality materials are the key element for his company's success.³³⁴

The artisan work is not only fundamental for the luxury but also for all the other firms, where, together with the ICT, it enhances global value chains, spreading

³³¹ Cp. Micelli S. (2011) p. 32f.

³³² Cp. Vyrus (2014)

³³³ Cp. Micelli S. (2011) p. 41

³³⁴ Cp. Brunello Cucinelli (2014)

the Italian style in the world, designing production systems and plants, verifying the quality and the standard of productions: firms use artisans to create new concepts, more variety, innovations, but also to enhance global economies of scale in big customized projects (es. Permasteelisa³³⁵), to support the design activities, to implement the production in firms with a global disperse framework, etc.

4.4. A new paradigm for Venetian firms

In the previous chapter we saw how increasing the quality of the products the production process tend to be done more in Italy than in low cost countries³³⁶. In the literature has been pointed out that the only solution for Italian companies is to move up to market segments and work in luxuries sectors and market niches. These authors are calling for Italy as the 'world's boutique'³³⁷ where the products are 100% 'Made in Italy', something beyond the current Italian legislation promoted by Versace in 2010³³⁸. Even if appears implausible that all the Venetian firms (and the Italian) should attempt to enter the high end market³³⁹, we saw how intermediate strategies could allow the success in medium segments of the market³⁴⁰. In these segments where firms offer consumer goods, reasons linked to the cost of labor do not allow an Italian production anymore.

In our opinion Venetian firms should focus on their strengths and re-think their strategies to better focus on the right segment for their production. As a matter of fact, our firms will be able to compete in the medium and high segment of the market, never on the low one since their cost structure prevent profitable businesses. We cannot beat the competition from emerging economies such as India or China trying to produce low-value products pushing on massive delocalization and cost optimization. What we can do is to act in a medium segment using our Italian subsidiaries to work on the design, the R&D, the production of the first series and the abroad subsidiaries to produce. It is fundamental to ensure that the production abroad maintains certain qualitative

³³⁵ Cp. Permasteelisa (2014)

³³⁶ Cp. Amighini A. Rabellotti R. (2006) p. 495

³³⁷ Cp. Segal D. (2010)

³³⁸ *See the law n. 55 of 8 April 2010*

³³⁹ Cp. Micelli S. (2011) p. 77

³⁴⁰ See Appendix 5.11

standards, avoiding a devaluation of the Italian image. Moreover, our firms willing to operate in the high segment of the market will have to retain their production in Italy, claiming the value of the 'Made in Italy' brand that is worldwide a synonymous of quality and artisanal manufacturing.

Small and medium firms with poor brand recognition should exploit more the potentials of the 'Made in Italy' label. In our interviews saw many successful examples from which we can learn. Moreover, the 'Made in' might be used as tool to enter foreign markets where companies aim to be further recognized by their own company brand. Tramarossa is a perfect example. It has been able to solve one of the main open issues of the small district's firm of Veneto: the lack in brand recognition. The company created a new brand shifting from subcontractor to final firm, scaling up the value chain. This was not an easy and feasible solution: to create a brand are required resources, competences and managerial energy and these are not available everywhere to everyone. Moreover, this is not the solution at which all the Venetian subcontractors should aim at: the subcontractors are the engine of the Venetian production and the true key for the flexibility and variety of the output. The reduction of the artisanal laboratories in the last decade already compromised the regional framework, making them a scarce resource and an issue for the final firms. If the remaining ones undertake the shift downstream the chain, the situation would further aggravate.

On the other hand, we saw how large firms with a great corporate image care less about the country of origin of their productions, exploiting their brand to attract the customers. A possible, but too simplistic, solution would prescribe to the large companies to exploit their global network of production while doing the design and research in their Italian headquarter where the key competences still are (the question would be for how long), and to the small companies to reposition their offer in an higher market segment, exploiting niches where the value of the 'Made in Italy' can be better appreciated. While the second part of the prescription can be partially accepted (small firms should also oversee international markets entering global value chains to learn from diversity and to enter global knowledge networks), the first could be not only limitative but also shortsighted.

The large Venetian companies should not waste those relational assets and experiences gained during the years in their own territory. In a world where innovation is the major key for success, these firms should attempt to be part of global value chains to enter knowledge intensive networks, exchanging and developing their codified knowledge, but at the same time maintain the linkages with the territory, its local community and its relationships. The small subcontractors and the workers employed in production since many years are a powerful source of tacit knowledge and peculiar competences. These companies have to understand that those technicians that are making their fortune in the definition of the standards of production, in the design of the products, in the implementation of the production, etc. are experienced workers able to do their jobs thanks to the years of experience they had on the field. The delocalization of production would eliminate the chances to regenerate these competences forming new technicians and managers able to handle the practical side of their work. For these companies will be critical to maintain with a certain degree, the production in their own country, preferably near the applied research facilities to enable smoother information flows and to continuously generate those professional technicians that built the fortune of the 'Made in Italy'. Moreover, having part of the production in home would allow the creation of a premium segment among their products' offer that could allow the coverage of market niches.

Despite their dimension and the strategy adopted, Venetian firms should be careful in attentively operate in a precise market segment with a precise business model: hybridization should be avoided to provide a precise image of origin and quality of their products. To reach this goal, the bigger companies could use multiple brands to discriminate their offer, handling different products with different brands at different market level coming from different organization of the production.

A final remark need to be made regarding one aspect that recurred for this entire work as well as in all the interviews: the formation and training of the workforce. The Italian artisans and workers, able to conceive and create supreme products, are the true power of the 'Made in Italy'. As we saw in Chapter 2 analyzing the districts of Veneto, the natural generational change of the workforce is failing to happen because the market is no more able to provide those competences and

skills that firms need. This lack of a skilled workforce has been one of the reasons that pushed firms to delocalize, creating an even more strong pauperization of this unique know-how.

In our opinion not only a reform of the school system should take place, providing technical and professional high schools (up to date with the requirements of the industry) as well as technical universities where to further develop handcraft skills³⁴¹. What is really needed is a formative system able to combine a theoretical background with a practical one that has to be built together with the local firms.

This would be only a first step to change the actual trend: more measures should be taken to reverse the abandon of the manual works in favor of the intellectual ones. The mentality of the population needs to be changed, and not only regarding the youths but also their parents. As a matter of fact, the parents are the one with the major influence on their children and they always want the best for them. Today thinking at a good job we reason about an office job with precise office schedules and a good salary. The problem is that intellectual jobs increasingly fail to repay the efforts to undertake them: not only in terms of mere remuneration but also in terms of satisfaction for the job. The manual works that once upon a time were considered bad and unhealthy are nowadays safer and better: the conditions inside the factories are healthier and there are modern innovative systems to support the manufacturing operations. Jobs as the tanner or the welder are still considered unhealthy and unsafe as fifty years ago and people avoid avoid them as much as they can.³⁴² Institutions should work to change people mentality, promoting the satisfaction that these jobs can give, pushing toward an economy more aware of the physical world.

³⁴¹ Micelli S. (2011)

³⁴² See Appendix 5.5 and 5.9

5. Conclusions

A wealthy economy without manufacturing is beyond any imagination. Therefore analyzing the strengths and the weaknesses of our industries is fundamental to determine the paths that might lead the developed economies, such as the Venetian one, out of the crisis.

The purpose of this paper has been accomplished firstly by observing the economic picture of Veneto and its manufacturing specializations. The region is mostly active in four traditional medium-tech industries, i.e. the furniture industry, the food industry, the fashion industry and the light machinery industry. Moreover, Veneto is also experiencing the growth of a chemical-pharmaceutical industry and a high tech start-up sector (the latter boosted by the initiative of the H-Farm incubator). We pointed out how the districts have been an essential element for the regional economic development and how they still represent a distinctive element of the Venetian system, even if their form has evolved.

The internationalization process started in the 1990s has been the main breakthrough experienced by the district model. Internationalization was the response to the competition from abroad and led the medium firms of Veneto to delocalize part of their productions in Eastern Europe and Asia, disrupting most of the economic relations in their homeland. The typical relationships between the district's firms changed and competition mostly overcame the cooperation. Today many district are affected by price wars that are disrupting the margins, limiting the ability to invest in innovation and growth. Affected by lack in skilled workers and high cost of labor, many small firms, which used to work as subcontractors, closed their Venetian factory and often relocated in Eastern Europe.

However threats triggered opportunities: in such a scenario, where the manufacturing lost 25% of its production in a decade and the unemployment rate rose to almost 8% (14% in Italy), many firms tried to rethink their business model, leveraging on factors different from price and offering what foreign firms will never be able to supply: the 'Made in Italy'.

During the previous pages we saw how the 'Made in Italy' is significant for any kind of business, from B2C to B2B, from the small to the large firms (even if with

some exception). We highlight the main issues that this brand implies and we saw how the 'Design in Italy' can better suits large firms that manage the production worldwide. We saw how the company brand is an important element abroad but often it is not sufficient: especially when dealing with small firms, the 'Made in Italy' is a powerful tool that firms can use to differentiate themselves from the competitors. The 'Made in Italy' became not only an identification of origin but also a symbol of the culture and the identity of the territories where the products were created.

The 'Made in' is not a point of arrival but the starting point for a new way of conceiving manufacturing in Veneto and in other developed countries: telling a story about the product, focusing on the details, providing quality to the final products, not only in heritage but also in medium price goods, are essential elements for the future of our manufacturing industry.

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UNIVERSITÄT HOHENHEIM
Fakultät Wirtschafts- und Sozialwissenschaften
M.Sc. International Business and Economics
Lehrstuhl Internationales Management
Prof. Dr. Alexander Gerybadze

Freie wissenschaftliche Arbeit zur Erlangung des akademischen Grades
Master of Science

**Made in Italy: Effective specialization and value chain
optimization in the manufacturing sector in the Veneto Region**

Annex

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Stuttgart, 03.11.2014

5. Annex

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5.1 Notes to the Text

The Ateco classification 2007-2002 specifies the differences in the way data are grouped. The gap in Table 5 between the years 2009-2010 is to be ascribed more at the changed operative way than at an extraordinary year of delocalization or crisis.

With North East we meant the Italian North East that accounts for the regions of Veneto, Trentino Alto Adige and Friuli Venezia Giulia.

Brenta and Piave are two rivers along which many industries localized in the years. They are recurrent along Chapter 2, and it is important for the readers to understand that they are not cities but rivers and so the territory included could be much higher than when cities are mentioned.

5.2 Annex of data used

Table 1: The main districts of Veneto

Name	Sector	Number of firms (2012)	Variation of number of firms (2012-2009)	Number of firms below 49 employees (2011)	Variation of firms below 49 employees (2011-2010)	Total number of employees (2011)	Variation of Employees (2011-2010)	Export in 2012 (mil euro)	Variation of export (2012-2011, in mil euro)
Artistic furniture of Bassano	Furniture	2.061	-4,8%	1.674	-0,77%	9.373	-3,11%	368	+6,05%
Marble and Venetian stones	Furniture	1.045	-5,43%	722	-3,48%	5.280	-6,57%	486	+7,52%
Classic furniture of Venetian Plain	Furniture	2.383	-13,16%	1.830	-8,77%	10.034	-9,33%	320	-1,23%
Ceramic, Porcelain and Artistic Glass	Furniture	464	-10,08%	241	-2,82%	1.730	-1,48%	70	+6,06%
Wooden-furniture of Veneto	Furniture	4.523	-2,52%	3.255	-0,82%	43.251	-5,38%	2.367	+6,26%
Wood and Furniture of Treviso	Furniture	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Artistic Glass of Murano	Furniture	502	-7,72%	381	-1,04%	2.754	-1,61%	105	+3,96%
Sportssystem of Montebelluna	Clothing and fashion accessories	1.766	-4,44%	1.132	+3,00%	14.657	-2,97%	1.777	-7,45%
Eyewear of Belluno	Clothing and fashion accessories	5.181	-8,98%	2.938	-2,03%	37.133	-0,64%	2.954	+4,31%
Tunning of Vicenza	Clothing and fashion accessories	2.380	-2,84%	1.868	+4,30	26.711	-1,11%	3.792	+4,00%
Footwear of Verona	Clothing and fashion accessories	678	-18,9%	531	+1,14%	7.518	-2,83%	1.064	-1,85%
Veronamoda	Clothing and fashion accessories	4.144	-7,4%	3.228	+4,84%	35.547	-0,82%	4.022	+4,28%
Jewelry of Vicenza	Clothing and fashion accessories	2.090	-1,28%	1.866	-0,48%	10.148	-3,09%	1.701	+10,10%
Riviera del Brenta	Clothing and fashion accessories	607*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Fashion district of Treviso	Clothing and fashion accessories	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Venetoclima	Automation	3.949	+3,32%	3.744	-0,45%	20.127	-3,95%	1.361	+0,07%
Mechatronics and innovative mechanical technologies	Automation	1.877	+0,27%	1.596	+1,20%	26.767	-0,06%	3.461	+1,32%
Conditioning and Industrial Refrigeration	Automation	19.379	+1,93%	28.345	-1,38%	135.456	-1,04%	10.074	+0,63%
Luminaires system	Automation	22.725	-4,46%	17.444	+0,35%	137.538	+0,82%	6.679	+4,74%
Alimentary industry of Veneto	Agribusiness	3.969	-1,76%	3.579	+0,51%	42.233	+1,52%	3.862	+9,56%
Conegliano Valdobbiadene Prosecco Superiore	Agribusiness	6.267	+2,52%	457	+0,88%	7.710	-2,29%	1.267	-30,08%
Fishing of Rovigo	Agribusiness	741	-3,77%	12	-7,69%	237	+7,24%	23	-17,86%

Source: Osservatorio Distretti; rearranged by the author

* the number refer to 2011

Table 2: The unemployment rate in Veneto and Italy

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Italy	9,75%	10,65%	11,19%	11,17%	11,24%	11,30%	10,87%	10,03%	9,00%	8,47%	8,42%
Italy	n.a.										
Veneto	6,59%	7,50%	6,80%	6,59%	6,38%	6,15%	5,73%	4,85%	4,54%	4,43%	3,80%
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Italy	8,05%	7,72%	6,79%	6,09%	6,74%	7,79%	8,42%	8,41%	10,70%	12,19%	12,3%*
Italy	23,50%	24,00%	21,60%	20,30%	21,30%	25,40%	27,80%	29,10%	35,30%	40,00%	44,2%*
Veneto	4,24%	4,24%	4,04%	3,34%	3,54%	4,76%	5,76%	4,98%	6,56%	7,59%	n.a

Source: Istat; statistics over the employment in the Italian regions; rearranged by the author

* the data refers to august 2014

Table 3: The Number of firms in the manufacturing sector of Veneto

	Total				Individual firms				Unincorporated firms				Corporated firms		
	Listed	Ceased	Active		Listed	Ceased	Active		Listed	Ceased	Active		Listed	Ceased	Active
2005*	2.843	4.239	66.776		2.224	2.718	30.750		246	885	19.283		362	593	16.322
2006*	3.183	4.594	66.096		2.544	3.170	30.198		255	832	18.778		371	567	16.683
2007*	3.253	4.812	65.833		2.562	3.037	29.776		248	1.053	18.341		421	681	18.245
2008*	3.056	4.572	66.898		2.373	2.969	29.372		216	930	18.423		450	647	18.610
2009	2.414	4.326	59.166		1.802	2.713	24.831		152	892	15.839		447	700	18.092
2010	2.332	3.862	58.260		1.821	2.357	24.299		120	611	15.302		377	873	18.237
2011	2.203	3.560	57.484		1.744	2.137	24.017		118	610	14.785		329	771	18.273
2012	2.119	4.368	55.875		1.641	2.515	23.157		139	742	14.100		328	1.072	18.205
2013	2.042	3.872	54.414		1.508	2.313	22.388		109	655	13.478		409	873	18.158

Source: Data of Veneto's regional government; Statistic regional system section based on data from Infocamere; rearranged by the author

() According to ATECO 2007 ISTAT

(*) According to ATECO 2002 ISTAT

Table 4: The survival's rate of Venetian manufacturing firms

	Survival rate at the given year				
Year of creation	2005	2006	2007	2008	2009
2004	91%	80,2%	71,9%	64,7%	57,1%
2005		91,1%	81,9%	72,5%	63%
2006			92,1%	81,8%	69,9%
2007				91,8%	78,2%
2008					86,9%

Source: Data of Veneto's regional government; Statistic regional system section based on data from Infocamere;

Table 5: Manufacturing firms of Veneto, discriminated by province.

	Verona	Vicenza	Belluno	Treviso	Venezia	Padova	Rovigo	Veneto
2013	9.129	12.345	1.833	10.757	6.422	11.163	2.765	54.414
2012	9.431	12.609	1.881	11.161	6.576	11.381	2.836	55.875
2011	9.644	13.038	1.938	11.449	6.998	11.536	2.881	57.484
2010	9.856	13.203	1.995	11.605	7.028	11.691	2.882	58.260
2009*	11.274	14.294	2.239	12.756	8.230	13.172	3.248	65.213
2008*	11.560	14.662	2.339	13.129	8.425	13.412	3.371	66.898
2007*	11.413	14.559	2.370	13.013	8.199	n.a.	3.209	65.833
2006*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2005*	11.585	15.016	2.491	12.869	8.342	13.233	3.240	66.776

Source: Data of Veneto's regional government; Statistic regional system section based on data from Infocamere;

() According to ATECO 2007 ISTAT

(*) According to ATECO 2002 ISTAT

Table 6: Venetian export (in million of Euros) of manufacturing goods*

	1999	2000	2001	2002	2003	2004	2005	2006
Veneto's export	€31.418,7	€36.479,9	€38.413,6	€38.702,5	€36.853,8	€39.631,0	€39.684,0	€45.164,6
	2007	2008	2009	2010	2011	2012	2013	
Veneto's export	€49.283,8	€48.657,2	€38.131,5	€44.242,2	€48.888,7	€49.746,1	€51.158,4	

Source: Istat; statistics on trade; cumulative data rearranged by the author

* According to ATECO 2007 ISTAT

Table 7: Production trends in the major sectors of Veneto

Year	Quarter	Food industry		Textile		Wood and furniture		Paper and press		Plastic materials	
		t-1	t-4	t-1	t-4	t-1	t-4	t-1	t-4	t-1	t-4
2006	I	-2,6	1,2	0,4	1,4	-1,2	2,6	3,5	11,7	5,6	4,4
	II	6,7	3,3	2,4	1,9	4,8	2,0	-0,1	2,3	2,9	4,1
	III	4,6	2,6	-5,0	0,4	-5,1	4,4	-5,1	1,5	-4,6	6,1
	IV	3,6	5,7	2,9	2,3	6,3	4,2	8,9	4,7	7,3	6,2
2007	I	1,2	2,7	0,9	-0,8	0,2	5,8	0,0	2,8	6,0	6,0
	II	4,6	7,5	-1,1	-3,6	2,6	4,1	3,8	5,2	4,5	6,2
	III	-0,7	0,9	-6,7	-0,5	-6,9	-0,1	-2,4	4,6	-4,7	1,6
	IV	3,8	2,8	3,8	1,8	8,5	2,4	1,9	3,0	5,5	5,5
2008	I	-3,4	0,1	0,4	-2,2	-2,0	-0,4	-0,9	1,4	-2,5	-0,5
	II	1,5	-0,1	-0,7	-1,6	0,2	-3,4	-0,7	-0,9	1,3	-0,3
	III	5,3	1,1	-10,8	-8,0	-8,0	-2,1	-7,0	-4,2	-10,5	-3,4
	IV	2,5	-1,6	-1,3	-8,5	-0,8	-9,6	-3,5	-7,0	-8,5	11,6
2009	I	7,3	7,1	-8,3	16,5	-16,8	20,7	-2,8	-3,5	-4,4	16,2
	II	5,0	0,7	-0,4	12,8	-1,6	19,5	-3,3	11,8	-2,5	20,3
	III	0,4	-1,5	-10,5	15,8	-8,4	17,7	-10,0	11,5	-3,1	13,5
	IV	-0,8	-0,7	-6,8	-5,4	2,2	12,0	3,8	-0,2	1,2	-5,3
2010	I	-1,8	4,3	-0,1	3,9	-7,3	-4,3	-0,2	3,6	3,5	6,8
	II	5,2	4,6	2,0	4,2	11,0	4,1	0,6	2,5	3,8	6,7
	III	7,4	2,8	1,9	0,0	-4,7	-0,1	-1,3	4,6	-5,3	8,6
	IV	5,4	4,0	6,0	5,2	6,5	2,0	0,5	-1,7	5,8	4,2
2011	I	-1,9	2,7	0,9	5,4	-2,5	-0,9	0,4	2,6	4,4	5,8
	II	3,4	0,9	3,6	4,6	5,6	0,2	1,2	2,1	3,4	4,2
	III	1,3	3,5	-6,4	-0,2	-7,1	-1,2	-1,1	0,4	-5,0	2,7
	IV	3,1	1,5	0,2	-2,0	3,7	-2,5	-0,8	-2,5	1,0	-3,0
2012	I	-5,5	0,8	-2,0	-6,8	-8,2	-8,4	-4,5	-7,0	0,0	-1,0
	II	-2,3	0,2	-3,2	10,2	0,5	-7,7	-0,6	-7,1	0,8	-4,5
	III	-0,5	-0,4	-10,2	-5,2	-7,4	-6,9	-6,0	-4,4	-4,3	-4,7
	IV	2,5	-1,5	0,5	-4,8	1,7	-6,7	-0,2	-3,0	0,6	-2,0
2013	I	-6,1	-3,5	-1,2	-5,4	-5,9	-6,4	-4,5	-2,3	3,1	-3,8
	II	0,6	0,3	3,8	-2,4	0,5	-7,2	1,2	0,0	2,5	-2,6
	III	-0,6	-3,7	-4,0	0,6	-3,1	-0,8	-3,0	-0,8	-2,7	1,9
	IV	6,0	0,8	5,4	0,9	7,2	1,9	6,4	1,0	3,4	2,0
2014	I	-2,0	3,1	1,3	1,7	-4,6	3,8	-1,6	4,1	2,6	0,9
	II	-1,6	4,6	3,2	1,6	4,4	0,2	2,0	2,6	3,2	1,2

Year	Quarter	Marble, glass and ceramics		Metals and metal's products		machines and machine's tools		Electric and electronic machines		Others	
		t-1	t-4	t-1	t-4	t-1	t-4	t-1	t-4	t-1	t-4
2006	I	-5,4	3,2	0,2	3,3	2,6	4,6	8,1	9,6	-2,3	2,2
	II	15,7	4,8	2,4	4,5	4,9	4,8	4,5	7,8	-4,3	-4,8
	III	-3,7	-0,3	-3,2	5,5	-7,4	1,8	-2,9	8,7	-7,0	-4,7
	IV	5,7	5,4	6,3	5,8	10,7	5,7	7,7	8,9	17,5	4,8
2007	I	-4,0	7,2	1,5	4,3	2,4	4,3	2,3	5,9	-6,3	-0,4
	II	2,4	-1,0	2,9	4,6	3,1	5,9	1,9	6,1	2,8	1,0
	III	-4,4	-2,6	-3,9	0,8	-4,6	4,6	-6,4	2,8	-11,3	0,0
	IV	7,8	0,1	4,0	2,6	3,4	1,2	4,4	4,1	0,7	-2,8
2008	I	-3,0	-1,0	-1,2	-0,9	1,2	1,5	0,4	1,1	-4,5	-2,0
	II	2,8	-1,7	2,0	1,6	1,2	1,1	1,7	-2,2	11,5	-4,7
	III	-6,9	-0,5	-7,3	-2,1	-5,5	-1,9	-11,0	-7,2	-4,7	-7,8
	IV	2,4	-5,2	-5,0	-8,3	-5,3	-8,9	-5,6	13,3	0,8	-9,2
2009	I	-8,3	-6,7	-20,4	25,8	-19,7	23,6	-10,5	21,1	-19,8	20,6
	II	-0,1	11,6	-4,9	29,6	-4,9	25,8	-4,2	23,5	1,2	23,2
	III	-7,8	14,6	-4,4	21,4	-6,8	20,9	-2,1	16,8	-2,7	-9,5
	IV	-0,3	-5,3	2,8	15,6	3,3	13,0	1,0	-3,1	6,5	-3,5
2010	I	-15,6	-1,1	2,0	4,9	-0,6	0,3	1,9	11,2	5,5	21,7
	II	14,5	12,0	6,3	8,5	9,5	15,5	5,2	18,9	3,1	2,2
	III	5,4	-1,1	-2,4	11,8	-5,7	10,3	-2,3	11,5	-2,3	1,4
	IV	-0,7	-2,9	6,8	11,4	7,9	9,8	4,5	16,1	3,3	0,4
2011	I	-2,6	-1,4	2,4	8,4	2,3	8,6	2,8	6,3	-1,7	-2,2
	II	4,4	1,5	4,4	6,2	6,7	6,2	4,7	6,6	9,0	1,8
	III	-3,6	-3,8	-6,1	1,5	-4,2	6,3	-9,9	2,3	-8,0	0,3
	IV	-2,9	-1,4	-0,2	0,4	4,5	-0,4	2,2	-7,9	0,9	-0,9
2012	I	-7,7	-8,2	-0,2	-2,7	-3,3	-0,5	-5,3	-4,4	-1,1	-0,5
	II	1,1	-8,6	0,3	-6,5	3,0	-3,2	2,8	-6,9	2,5	-2,2
	III	-5,1	-7,0	-4,9	-6,3	-5,7	-4,9	-7,5	-4,5	-7,4	-3,5
	IV	-2,1	-6,4	-0,1	-2,1	0,5	-3,7	4,9	-2,7	3,8	0,3
2013	I	-10,2	-6,5	-1,6	-2,4	-1,9	-1,3	-1,4	3,1	-2,5	-1,6
	II	8,4	-4,2	4,5	-1,4	3,8	-0,4	8,9	-1,8	5,6	1,8
	III	-4,2	-1,4	-3,1	1,4	-5,9	-0,1	-7,3	3,8	-5,1	1,9
	IV	-0,7	-2,7	4,3	1,9	4,2	1,7	11,3	1,4	0,4	1,8
2014	I	-3,9	3,9	2,5	3,3	-1,6	2,6	-1,6	5,5	1,3	2,4
	II	4,5	1,7	4,8	-0,4	3,5	2,8	4,1	1,3	4,7	-1,3

Source: Elaboration of Unioncamere upon data of VenetoCongiuntura

5.3 Interview guide

Guideline 1³⁴³

A) What your company does and in which context is it inserted?

1. Can you describe the profile of your company?
2. What is the typical product, and who the typical client and supplier?
3. Do you feel to be part of any sort of district?

B) How is the production managed in this context?

4. Why do you produce here? If you could delocalize, where would you like to go and why? Have you ever considered the possibility?
5. Do you have any relationship with firms abroad? Why?
6. Where are mainly located your competitor?

C) The importance of the 'Made in Italy' for production decision in the sector

7. Do you attribute any kind of value to the 'Made in Italy' in your sector?
8. Why your production is still done here and not delocalized?
9. Which are the main open issues for a company like your own one?
10. Can you think to any way to enhance your competitiveness through the mean of the 'Made in Italy' brand?

³⁴³ This template refers to the memo in Section 5.6

Guideline 2³⁴⁴

A) Which are the productive specializations in the manufacturing of Veneto Region?

1. How can we summarize the specialization of Veneto region?
2. Are the so-called '4A of Made in Italy' exhaustive or there is something else?
3. Can we still talk about district as organizational form of production?
4. Are they still useful in understanding Veneto's economy?
5. There is something else outside the district (eg. players as De' Longhi and Permasteelisa)?

B) How Venetian firms optimize the value creation inside the value chain? The role of internationalization of productions.

6. In any sector analyzed there is a certain tendency to outsource (firstly) and offshore (secondly) the upstream productions of the value chain. How do you explain the phenomena?
7. The tendency to delocalize low value, labor-intensive activities can lead to a depauperation of the activities done at home?
8. Do you think that offshoring productions can lead to increase the competences of other states losing that competitive advantage of Italian productions?
9. Which operations do you think will remain in Veneto and which outsourced?
10. Do you see any sign of 're-localization' of production?

C) Which is the role of the 'Made in Italy' in the manufacturing activities?

11. Is it the 'Made in Italy' worth for any manufacturing production or there are sectors more sensible than others?
12. Can the 'Made in Italy' be source of competitive advantage? Is it able to ensure an added value to the Venetian productions?
13. Is it more a localization brand or a quality brand?
14. Does the institution have a role in its valorization?

³⁴⁴ This template refers to the memo in Section 5.7

Guideline 3³⁴⁵

A) Who is Tramarossa and in which context is it inserted?

1. Who is Tramarossa? Brief history.
2. Why 'Made in Veneto'? Is it the context for you important?
3. Being in the so-called 'Denim's district' has been important for you in your strategical choices?

B) How Tramarossa manages the production?

4. How is your production process organized? Which phases you retain at home, which you have outsourced and which delocalized?
5. How international is Tramarossa? Does the internationalization influence the production choices?
6. How important are the production machinery you use? Where they come from? Is your choice of the machinery based only upon the price or something else?

C) How important is the 'Made in Italy' for Tramarossa?

7. How important is the brand 'Made in Italy'? What does it mean to you?
8. Is it important for you to produce in Italy or you could produce with the same quality elsewhere?

³⁴⁵ This template refers to the memo in Section 5.8

Guideline 4³⁴⁶

A) What your company does and where can be inserted in the wooden-furniture value chain?

1. Company presentation: what Impronta srl. does and in which context is insert in?
2. With which operators Impronta relates in the market? How can we picture the value chain in which the company is involved?

B) How is the value chain optimized? The degree of internationalization and the importance of the location of the production

3. In your opinion, which phases of the value chain are still done in Veneto and which are more likely to be outsourced abroad?
4. Why is delocalization done?
5. Which are the main issues linked to delocalization? Do you perceive any drop in the quality of the products commercialized?
6. Where is the advantage of local firms compared to competitor from abroad?

C) How important is the 'Made in Italy' in the wooden-furniture sector?

7. Do you consider valuable the 'Made in Italy' brand? Are you able to make any price discrimination thanks to 'Made in Italy' products?
8. When speaking of 'Made in Italy' products do you think of products made in Italy in they entirety or just in part? And which parts?
9. Which are the most critical phases? Do Venetian firms still retain these phases or have they externalized them abroad?
10. Regarding the machinery, to which producers do you rely on? Which are the reasons for the purchase of new machinery?

³⁴⁶ This template refers to the memo in Section 5.9

Guideline 5³⁴⁷

A) Who is Eos-Darsié and in which context does it operate?

1. Company presentation: what Eos Darsié does? How would you summarize the history of the company?
2. Why a rides producer and why in Treviso? It relates to any particular context?
3. Is the company part of the District of Rides of Rovigo? Have you any kind of relations with them?
4. Which are the main markets of your company?

B) How is the value chain optimized? The degree of internationalization and the importance of the location of the production

5. How is the value chain optimized?
6. Does your company entertain delocalization operations? Why? What about the competition?
7. Which are the main issues linked to delocalization? Do you perceive any drop in the quality of the products commercialized?
8. Where is the advantage of local firms compared to competitor from abroad?
9. Which operations you have in house and which outsourced?

C) How important is the 'Made in Italy' in the mechanic sector?

10. Which is the value of the 'Made in Italy' brand in a B2B sector as yours?
11. What does really mean 'Made in Italy' for you? Is the same for your customers?
12. How do you justify the premium price of your products?

³⁴⁷ This template refers to the memo in Section 5.10

Guideline 6³⁴⁸

A) Who is your company and how does it relate with the market?

1. Company presentation. History, market positioning and degree of internationalization.
2. Which are the relations with the other players of the region? Can you see any district's form?

B) How is the value chain for the bakery product enhanced?

3. How is the production enhanced?
4. Which phases you retain in home, which outsourced?
5. Which is the degree of delocalization of the company?

C) Which is the value of the 'Made in Italy' for your sector?

6. How important is for you the Italian production in the realization of your products?
7. How do you perceive the importance of your brand in the local market and abroad? Any difference? Which are the techniques to improve the image of your products abroad?
8. Which strategies are you implementing to increase the sales abroad?
9. Do you perceive any issues linked to the internationalization?
10. Where are your machinery coming from? How important is the manufacture of these products in Italy? Are you available to pay a premium price for it?

³⁴⁸ This template refers to the memo in Section 5.11

Guideline 7³⁴⁹

A) Who is De' Longhi and in which context it operates?

1. Which is the competitive positioning of the firm in the market?
2. Which are the main competitors?
3. Which are the relationships with the Venetian firms of the area?

B) How the production is carried out worldwide?

4. Which is the degree of internationalization of the company?
5. Why when and how delocalization took place?
6. How did the relationship with the suppliers changed with the new organization of production?

C) Which is the value of the 'Made in'?

7. Which is for De' Longhi the value of 'Made in Italy'? Is the 'Design in Italy' a valuable alternative?
8. Is the power of the brand a valuable alternative to the 'Made in Italy'?
9. How do you perceive the phenomena of re-shoring? Can be valuable for you?
10. Don't you think that the manufacturing activities are essential for a valuable formation and training of the managerial and technical personnel?

³⁴⁹ This template refers to the memo in Section 5.12

Guideline 8³⁵⁰

A) Who is Jolly Sgamaro and in which context is it operating?

1. How would you present your company in few sentences?
2. Nowadays the company is extremely profitable, leader in its segment. Which changes were undertaken to arrive at this point?
3. How does your competitor act?

B) How is the value chain enhanced?

4. How is your value chain enhanced? Is it a common practice?
5. Why do you think this organization of production can be valuable?
6. How do you perceive delocalization of production? Is it feasible?

C) Which is the value of the 'Made in Italy' for your sector?

7. Which is the value of the 'Made in Italy'? Is it valuable to produce in here?
8. Which are the main issues connected with the 'Made in Italy'?
9. Do you feel as necessary to have the machinery coming from Italy? Why these producers should keep their facilities in here?

³⁵⁰ This template refers to the memo in Section 5.12

Guideline 9³⁵¹

A) Who is Latteria Montello and in which context is it operating?

1. How would you present your company in few sentences?
2. Nowadays the company is extremely profitable, leader in its segment. Which changes were undertaken to arrive at this point?
3. How does your competitor act?

B) How is the value chain enhanced?

4. How is your value chain enhanced? Is it a common practice?
5. Why do you think this organization of production can be valuable?
6. How do you perceive delocalization of production? Is it feasible?

C) Which is the value of the 'Made in Italy' for your sector?

7. Which is the value of the 'Made in Italy'? Is it valuable to produce in here?
8. Which are the main issues connected with the 'Made in Italy'?
9. Do you feel as necessary to have the machinery coming from Italy? Why these producers should keep their facilities in here?

³⁵¹ This template refers to the memo in Section 5.13

5.4 Interview contacts

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5.5. Interview to Mr. Zanin Ivano ³⁵²

Interview-Partner: Mr. Zanin Ivano

Owner of Officine Meccaniche Montegrappa (OMM Srl.)

Place and date: Pederobba (TV), 12/09/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) What your company does and in which context is it inserted?

OMM Srl. is a small firm of the Northern part of Treviso province actives in the precision mechanic sector where it operates mostly as subcontractor for bigger firms such as Danieli Spa, Navalimpianti Spa, Siemens Spa, Soilmec Spa Ormis Spa, Gruppo Carraro and many others. OMM Srl. designs, realizes, paints and assembles steel structures, automated machinery and systems applied in sectors such as shipbuilding, enological, packaging, iron and steel sector, industrial machinery sector etc. With around twenty experienced employees and more than thirty years of experience in the field OMM Srl. ensures high quality in the final products as well as high reliability both in the productions and in the delivery time.

Though the firm does not belong to a specific district, it shares the organization and the productions of the mechanical industry in Veneto. A higher concentration of firms sharing the main aspects of a district can be found only near Brescia, in Lombardy.

The firm, as many other competitors, developed its business practices and routines in the last years, pushed by the crisis and the new requirements imposed by the clients: ten years ago, the technical office and the administration office were mostly managed directly by the owner. Very little was written in the paper and structured, with much remaining just in the owner's mind. Today,

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owing to generational change and to the practices imposed by the big clients, these managerial routines changed, and rendered more formalized and clear. The employees are being empowered, becoming more conscious about their role and their responsibilities. Quality-improvement practices are becoming increasingly important to reduce the errors, thus rendering OMM Srl. a more reliable partner. Here lies the key of the success (or potential source of success) of these companies. By ensuring a supreme quality, precision and reliability to their productions, especially from countries as Romania, Turkey and China, the Venetian firms such as OMM are able to differentiate their offers from the competition from abroad, that is increasingly aggressive in the last years. The main strength of these foreign firms is the price, which is on average 30% lower than the Italian firms. On the other hand, the products they offer are qualitatively inferior, less precise and reliable. When I visited the production sites, the owner showed me a couple of steel structures they were repairing. That particular order was one of those lost in favor of foreign competitors (in this case a Turkish firms won it). After 2 months since the delivery date OMM Srl received the pieces from the client asking them to repair since it did not comply with the standards and OMM Srl. had to repair it. Ironically, the piece was manufactured by the Turkish firm for only 12.000 EUR less, while the price for repairing it accounted for 18.000 EUR. The owner told me that this is not an infrequent event for them and that more than 15% of the current revenues comes from repairs or trims to orders bought by their clients from foreign suppliers.

In order to reduce the costs and be more competitive on the market the company is trying to automatize more the production, leaving the machinery to operate even over night without personnel's control (the time to realize a piece is the largest cost for the production, since raw materials account for less than 30% of the overall costs). The procedure is, on the other hand, very risky since there are no automatic locking systems and greater damages may occur in the case of accidents. The company is working in the implementation of proprietary remote control systems to avoid damages and to constantly monitor the status of the machinery. This kind of process innovation, if correctly implemented could deliver a huge improvement to the production process, sharply reducing their costs.

B) How is the production managed in this context?

The firm does all its operations internally, despite so, it is reconnected with a more international value chains: the raw materials are all imported from abroad, mostly processed in other countries. Venetian subcontractors, such as OMM, compete with foreign firms to get the outsourced operations of big Italian and European clients. Regarding OMM, where the sales are responsibility of a small general administration office, the clients are mostly Italian (only big exception Danieli Austria) due to the difficulties to reach new international partners. This difficulty is faced by many Venetian subcontractors: the lack in resources limit their ability to reach international clients. The company does not promote its activities and is not connected with local institutions that could help its internationalization process. New clients are acquired just by the mean of the word-of-mouth. Even so, the owner said that he recognizes the limit of this situation and he is working toward the creation of a company web site where to promote its products. The main issue here is linked to how properly display the company's activities: since OMM mostly does unique pieces, extremely customer-oriented, it is hard to present in a web site the product's portfolio. The company is also thinking about hiring an agent to scout new international clients, but even here there are problems mainly linked to the fact that this person will need to be at the same time fully trained in the practical work they are doing, to be able to recognize the feasibility of the operation required by the customers, the cost connected to those operations (more difficult the operation, more time to finish it, more costs) and all the other technicalities, and also a smart international person, able to relate with different cultures, to speak fluidly and with the right terminologies several languages, etc. A profile that is very difficult (and very expensive) to find.

The company has rarely considered delocalization activities. There are very few cases of competitors that relocate in Eastern Europe (mainly due to the lack of skilled workers in those areas). When the owner founded the firm in Pederobba, the locational choice was random, linked manly to the offer he got when buying the land. Sometimes he thinks about relocating the firm abroad, due to the difficulties faced in the Italian environment (from the taxation to the line of credit). Austria is the place where he might like to go due to proximity reasons (with present and possible future clients) and to the incentives he would have to instal a new company in there. It has to be said that he never took seriously this ides

because Austria, in his opinion, lacks of a proper skilled workforce, with the sensibility and competences typical of the Venetian one.

C) The importance of the 'Made in Italy' for production decision in the sector

The 'Made in Italy' label is still something that is missing in the practices of OMM. Having no promotion activities also means lacking in the use of a brand. Despite so, the entrepreneur recognizes the extreme value of the Italian productions, real element that distinguish its offer from the one of foreign competitors. Knowing that the product is made by an Italian firm is, per se, a warranty of quality. Even if clients still make their purchasing choices upon the price, there are clues about a change in their mentality, and an increasing importance of quality and 'Made in'.

The main problems faced by the company are the reduction of the orders due to the crisis, the increasing competition from abroad, the high exposition with the banks given by their business practices (incoming payments in 150 days while outgoing payments in 60), the difficulties in hiring a competent manager for the purchasing office, as well as technicians for the technical department and skilled workers for the factory.

The aspect of the skilled workers is particularly critical since the formative system is not providing the right professionals the work requires: at mostly, they have a good theoretical background (with programming skills to run the new machinery) but a lack in practice given by very few (or no) experience in the field during the years of school. Moreover, professions as the welder and the miller are highly devalued due to the imaginary of hard and unhealthy work they carry on. This was right some years ago, where the conditions in the factory were very bad, but today the application of new standards and regulation are improving the working conditions.

The promotion of safety and healthy standards inside the factory, as well as the images of clean and shiny places, are important not only to attract the youths, but also to promote the way of doing business: a client buying from them could certify standards such as the ISO 9000 not only for its factories but also for its clients, increasing the value of the entire chain.

These working standards together with the 'Made in Italy' brand will be increasingly relevant as soon as the company will start to promote its activities: the web site will not only present the fine products and the peculiar techniques they adopt, but also their 'Made in Italy' production, respectful of the environment and of its workers.

The economical situation and the way of assigning the orders are expected to change in the next couple of years. The operators are understanding the shortsight of purchasing from low cost firms to save money and than have to repair the mistakes, destroying their margins. The 'Made in Italy' is a warranty of the superior quality of the productions and it is increasingly relevant also in the B2B businesses that are less prone to se marketing tools as the branding.

Pederobba (TV), 12/09/2014

For the interview:

Marco Feltrin

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5.6. Interview to Dr. Prof. Micelli Stefano³⁵³

Interview-Partner: Dr. Prof. Micelli Stefano

Associate Professor in Business and Management; Head Director of the curricula in International Management; Head Director of TeDIS research center at the Venice International University

Place and date: Venice (VE), 23/09/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) Which are the productive specializations in the manufacturing of Veneto?

The manufacturing specialization of Veneto region are mainly around four sectors, namely automation (light industry and machinery), the fashion (mainly textile, clothing, footwear, eyewear and jewelry) the furniture and the agribusiness. Above these the far most important is the automation one, retaining more than 50% of the export quota of the region, being the most innovative, knowledge intensive and growing one. Thanks to the value of the companies active in the machinery productions, another sector appear to emerge, that is the fine chemicals and pharmaceutical. Despite biotech firms are mostly missing, this sector is expanding thanks to the high availability of know how in the packing industry, that is one of the most important phases in the manufacturing of drugs: having in Veneto an high density of this producers and just in the nearby one of the most important global players (Marchesin from Bologna), firms have been able to emerge and rapidly grow. An example of this sector is Zambon, a firm from the province of Vicenza that had impressive growth rates in the last couple of years. Lastly, but not for its importance, the creation of high-tech start-ups around the H-farm incubator. H-farm is one of the 10 most important incubators of ideas and start-ups in the world, cooperating with big firms, universities, local authorities etc., being one of the most interesting phenomena of the last years.

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Districts of Marshallian flavors are more and more rare, mostly concentrated in the agribusiness where the linkages between the culture of a given territory is still intrinsically and deeply connected with its production. Districts are becoming territorial eco-systems that extend to a broader area with less influence of the culture and the values. Technology and specialization are becoming increasingly important in this scenario where physical boundaries in productions are mostly overcome by the advent of ICTs. What is still a valuable element in the district is the density of firms inside it, which is a comforting factor for any player operating in it. The density of firms 'ensures' everyone that the needed producers, components, competences, experts, specialists, etc. will actually be available in the district for any need. This is of a greater importance for whoever is going to undertake a new innovative project since he will know that for any kind of need he will find the right person with competences and know-how that will support him.

Most of the Venetian firms originate from a district and have a district's heritage. Even the players that appear to operate in sectors outside the district's specialities can be somehow linked to the district that originate them. The big Venetian firms have been able to undertake original development paths (as De' Longhi, Permasteelisa but also Zambon) and emerge from the districts. Some of them, such as Danieli, evolved so rapidly that left no time and opportunities for its territory, expanding more abroad than at home.

What is needed in this context is a metropolitan system, an infrastructure 'hard', physical, but also 'soft', immaterial. This lack brakes a further and smoother development of the region that could be a gate that connect the developed Europe with the Eastern countries. The failure in the recent years in assuming this central role determined the inability to attract foreign investments and major financial institutions, with a repercussion on the financial availability in the region. This role of metropolis need to be undertaken by Veneto in order to become a center of gravity, attracting that part of the globalization that could benefit to the region.

B) How Venetian firms optimize the value creation inside the value chain? The role of internationalization of productions.

A major trend in manufacturing is the offshoring of all those production phases with a low added value. All these simple standard productions are delocalized mainly because Italy cannot afford to them due to the high cost of labor. On the other hand there is an increasing attention in retain at home (or inside the district's boundaries) all those critical, specialized activities, where Italy, with its higher quality, might still be able to ensure an added value to the final product. All these knowledge/competence intensive phases are the candidates to remain in Veneto. These are not only immaterial activities as design, planning, marketing, etc., but also manufacturing steps, in the product's creation, that need attention, care and know-how to ensure a supreme final quality. In the last years there have been a counter-tendency to the previous activity of delocalization and outsourcing. On one hand we are assisted at the so-called insourcing that is the tendency to locate at home phases previously outsources. This happened mainly due to the crisis that pushed companies to reduce their productions: these have been, obviously, more prone to cut the activities done externally than their jobs. We assisted in this case to a internalization of the production, that placed under more pressure the subcontractors working for them. On the other hand we faced the 'in-shoring' that is when firms re-localize back home some phases previously delocalized. This happened because firms increasingly understand the value of the quality of their productions as well as the linkages between quality and 'Made in Italy'. The quality issue is increasingly the obsession for any firm that aims to be successful in the market: in this situation, the price is less and less relevant in determining their locational choices.

Long chains spread thanks to the advent of the ICT, often being able to overcome the issues linked to know-how, artisanal productions and tacit knowledge. Tools have been developed to handle long distance relationships. Now is the time to develop a new management able to both handle these long chains while having the sensibility for valuing the home productions. New tools have to be developed to handle the localization of the productions; tools more useful to the firm for its work than for handle the operations of the others.

C) Which is the role of the 'Made in Italy' in the manufacturing activities?

Since 2012 in America firms started to insource its productions. In Mississippi firms are now coming back to produce with American employees and technologies: after 55 years of delocalization also General Electric came back to the USA and with it also 37% of the firms that delocalized from 2007 to 2011. Essential has been the institutions that supported firms in make business in the USA. Firms are coming back not only because American customers are willing to pay on average 20% more for a product 'Made in USA' but also because productivity of labour is three times than the Chinese one and the cost of raw materials (in particular energy) is declining in the USA while increasing in Asia. Moreover, it is no more the time of large standardize productions based upon costs reasons: the customers require small batches of customized products; here the developed countries can still make the difference. One of the biggest mistakes of the Italian legislators was allowing the use the 'Made in Italy' brand over products partially made in Romania, Hungary, etc. In the USA the 'Made in USA' is assigned only if the product is 100% 'Made in USA'.

Abroad the Italian products are very appreciated. For the Chinese (and Asian in General) Italian products are status symbols. The big Italian brands as well as the artisanal products represent the excellence, costing mostly double than in Italy. They are increasingly requested by the oriental malls to give them prestige. The new Chinese middle class discovered the Italian brands and with it the fine quality, the attention for the detail, the taste for stylish products. There are Chinese labels that are importing Italian textile to process and selling it with labels as 'Italian fabric'. There are also Chinese companies buying Italian shoes to sale them under their brand with the 'Made in Italy' label. Chinese customers are learning to distinguish the true Italian from the fake one and are becoming more and more exigent in their purchasing choices, imposing, for example, to Italian companies to have the entire production in Italy without any form of delocalization. The 'Design in' is very important but increasingly important is where the entire production process takes place.

'Made in Italy' means not only quality of the productions but also quality of the local producers: 'Made in Italy' is not a mere label ensuring the quality controls in

the output; it is quality of the work, quality and value of the specificities and characteristics of the product. It is both a brand indicating the origin and a brand indicating the quality. And this is highly important. It is necessary to operate toward the diffusion of the idea that the origin of the productions can be synonymous of quality. Artisanal productions are more and more important at this regard. There are companies that are building their fortune on the traditional process of their productions. Giovanni Bonotto of Bonotto textile factories understood it. He produces near Vicenza with ancient weaving instruments: the so-called 'slow loom'. His 'slow factory' produces textiles with a supreme quality and strength: they are thicker and the textile texture is closer than the modern one. This production ensures a longer lifespan to the textile but requires more time for the same quantity of product. The entrepreneur understood that it is impossible for an Italian company to beat the foreign competitors on the price, focussing on the productivity and cheap labor. For this reason he decided to produce textiles with a supreme quality, painted with natural materials (as coffee beans or tobacco leaves), eco-friendly, super strong and most important, 'Made in Italy' by expert artisans.

Tradition is not the only factor where Italian companies can succeed. There are cases of factories coming back to the city centers, with high tech productions and low environmental impact. It is the case of Avio-Aereo, a subcontractor of Finmeccanica. This company uses the highest 3D printers technology to realize engines for airplane: instead of melting the steel in a blast furnace they use the laser of an high technology 3D printer to melt and cut the steel pieces, saving not only energy, time and raw materials, but also having a lower environmental impact and making very few noise. Having more production plants of this kind would help a better integration between production and research, not only with the applied research done by the companies, but also with the basic one, done by the universities mostly in the city centers.

The 'Made in Italy' is truly a value added element for manufacturing productions. For sure we attribute a higher value of the 'Made in Italy' in the food industry compared to the other, but this value comes from 25 years of cultural movements, such as Slow Food, that explained to customers that quality is more important than the price. Today people look for quality food: many big brand launched quality lines where they charge premium prices, stressing the origin of

the products. Today Eatly is so successful in selling traditional products with a particular heritage and denomination of origin thanks to the action of movements such as Slow Food. The same thing will probably happen also in other industries, it will just require time. Some signals are already there: everyone remembers the scandal of Nike employing children in its factories in the early 2000s, or the 2013 fire of a factory in Bangladesh where more than 200 people die some years ago. If we know that a product can be toxic or that comes from these places we might prefer one with a better quality and better image. The promotion of a product that employ Italian workers instead of depleted populations could truly be a value added factor for our production. Promoting the 'Made in Italy' means also promote the Italian culture, with its merits, its qualities. The 'Made in Italy' label is able to give an added value not only to our productions but also to our country. Here becomes important the role of the institutions: they must acquire a central position to both help a change in people's mentality and to provide support to the Italian firms. Two are, at least, the key tasks of the institutions: coordinate formation and training of the future working class, providing those technical competences needed by the firms, addressing the students to the rights study course, according to the needs of the labor market. Here ere not only the managerial skills to handle the complicate international production framework, but also those technical skills required in the production. These technical competences are increasingly lacking determining a forced delocalization to countries where they are still available. It is necessary to interrupt this trend, defending our unique competences, culture and know-how, key elements of the Italian success. Secondly, the institutions should promote the 'Made in Italy' in the world: the quality of our productions, our productive culture, the value of the artisanal work, the respect and healthy condition of the workers, etc.

Venice (VE), 22/09/2014

For the interview:

Marco Feltrin

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5.7. Interview to Dr. Chemellato Roberto³⁵⁴

Interview-Partner: Dr. Chemellato Roberto

Co-Owner and General Director of Tramarossa (Brand of On Industries Srl)

Place and date: Sarcedo (VI), 02/10/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) Who is Tramarossa and in which context is it inserted?

Tramarossa is a brand created ten years ago in order to give an identity to the family business that has been established in 1967. The firm, since the creation, worked as subcontractor for other companies in the area but also for foreign firms, especially Germans. During the '80s and '90s the focus was upon the quantity and not much on the quality of the final productions. For this reason the family opened a subsidiary in Romania delocalizing part of the productions to be able to compete upon the price. It is with the creation of their own brand (Tramarossa) that the company strategy changed, re-locating the production back home, around Sarcedo, with the mission of producing the 'best jeans of the world'.

For Tramarossa re-shoring the production back in Veneto has been a sort of 'return to the origin'. This choice was also given by to the fact today competition upon prices is not feasible for most of the Italian company, with the consequence that Italian firms must find other means, using their strength to be profitable in the market. The quality linked to the knowledge and resources available in the area of Vicenza has been determinant for Tramarossa: being in Sarcedo, in the district of the Denim is for very important for them because in the area they can find the best tailoring laboratories and the best suppliers available, as well as knowledge, experience, know-how, raw materials, machinery, etc. This set of resources and

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competences, identified under the label 'Made in Veneto', enable Tramarossa to pose such a goal of having the best jeans in the market.

The 'Made in Veneto' is the recognition of the peculiarity of the region, the identification of its district, the highlighting of the unique competences of its artisans. It is something more than just marketing, even if marketing it is since it is there to promote all the characteristic of the products under the label. Veneto is recognized to be the third district in the world for the denim, just after Los Angeles in the USA and Okayama in Japan. The region has an impressive heritage in the denim production, being the inventor of the denim (in the '70s Adriano Goldschmied create the concept of the denim in his famous King's Shop of Cortina d'Ampezzo, in province of Belluno). It is the recognition that in Veneto these resources are available as nowhere else. This persuaded many firms to come back to their origins, realizing products with a supreme quality and an artisanal flavor.

Today the focus is no more on the quantity and the production batches are most of the time limited to small numbers. Variations, on the other hand, are largely undertaken to provide products as customized as possible. The products created by Tramarossa are not 'democratic' jeans, but high-quality products, designed for a market niche, that has its average consumer identified in the manager/professional that use suits during the week and would like to dress casual during the weekend. In the denim of Tramarossa he can find that artisanal, tailored product, highly customized that he can identify as 'his jeans'. The initials that are inserted in the frontal pocket also highlight the sense of ownership the customer have about its jeans.

B) How Tramarossa manages the production?

The denim production is done entirely in Veneto. This does not mean that all the raw materials come from the district: the jeans fabric is bought from big multinational companies that retain the world production. These companies come mainly from the USA, Spain and Greece, countries with cotton productions or very close to it (as Spain and Greece to North Africa). What is important for Tramarossa is to buy the best fabric in the market to ensure the final quality of its products. Except from the fabrics, all the other phases of the jeans production are

done inside the district: Tramarossa retains the design, the modeling, the realization of the first series and the quality check-ups, while the production phases are outsourced to specialized laboratories of the area that take care, one per phases, of the cutting, tailoring, washing and ironing. In this way the company is able to obtain a flexible, fast and high quality production: the company is working toward smaller batches, fewer automatization in the production process, higher handcraft's work, higher quality and greater personalization. The small laboratories working in outsourcing are necessary to satisfy the high variation of the productions. Even if the production is deeply linked to the territory the company is very international: 80% of the turnover is obtain from abroad where the company has both agents and distributors that allow them to be present in more than 40 countries. Despite so, the company decided to retain the production in Veneto for reasons linked to the high importance of the 'Made in'.

The machinery used by the company and its subcontractors are mainly German (especially in the cutting and tailoring) and Italian (in the laundry, phase engineered in Veneto in the '70s, creating a market where local firms retain a powerful position). Despite so, the Chinese firms operating in the area, sometimes also as subcontractor of Tramarossa (whenever are able to ensure comparable quality as the Italian ones) demonstrate to prefer Chinese machinery. The reasons might be identified in the fact that they are more accustomed with their own tools and that they have privileged channel with the Chinese providers. In the choice of the machinery, the price and the 'Made in' seem to be a less influential variable than reliability and efficiency.

C) How important is the 'Made in Italy' for Tramarossa?

In the last years we ascertain an increasing interest for the 'Made in Italy'. Tramarossa used this trend in his favor, restructuring its production framework to profit from it. The choice of 'Made in Veneto' is something more than the 'Made in Italy': it includes the identity of the denim district. It is posed in a way that advertises that the product is made by a erritory that retain greater knowledge and energy, a place as no other else in the world. It is not a discriminatory or independent aim the one express by the company, but an attempt to link the positive ideas about Italy with the virtues of that Northern Europe with which Veneto has much in common. 'Made in Veneto' is not only marketing: it is a

peculiar way to produce, it is particular knowledge and competence, it is experience and know-how. The fact that any Tramarossa's jeans has a label with the sign of the workers undertaking each phase is a way to say that the product is truly artisanal, made by sapient workers, true artists of the denim.

According to Tramarossa, the 'Made in Veneto' label accounts for 50% of the final value of the product. It is synonymous of artisanal quality, fine taste and 'Italianness'. And it is so important to convinced Tramarossa to stop thinking about the prices and start caring about the quality the satisfaction and revenue that a product 'Made in Italy' can give. Moreover, this artisanal tailoring of the denim is the factor that distinguishes Tramarossa's productions from all the other in the market: the other jeans's producers sell just denims, Tramarossa sells tailored denim. Very few other players adopted this strategy of tailored products, and almost all of them come from Veneto, highlighting the influence of the local culture in the strategy of the firms.

The value of the creativity and product innovation is huge in the fashion industry. But here, in the district of Denim, firms still dip into a unique atmosphere where they cooperate not only vertically along the value chain but also horizontally, often cooperating with the competitors to reach common goals. Here the competition is present, but not as fierce as in other districts, providing incentives to improve the product's offer without turning in price war.

The district is still a major opportunity for the firms of the area, source of unique resources and competences: for this reason many foreign brands came, and still come, to the area to learn how to create better products, recognizing the supreme know-how of the district.

Sarcedo (VI), 02/10/2014

For the interview:

Marco Feltrin

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5.8. Interview to Ing. Ruffoni Tiziano³⁵⁵

Interview-Partner: Ing. Ruffoni Tiziano

Marketing Director of Impronta srl.

Place and date: Breda di Piave (TV), 07/10/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) What your company does and where can be inserted in the wooden-furniture value chain?

Impronta Srl. is a producer of doors and windows from the province of Treviso. The company operates in a medium-high/high segment of the market, having 90% of its sales in Italy (mostly in the North East and neighboring regions) and 10% abroad. Impronta is looking to expand the abroad sales to at least 50% of to compensate the losses given by to the stagnation of the internal market. Particular attention is taken to the production process, where the details are essential to obtain high quality products compensating the premium price the company is asking for its goods. The firm has a leadership position in the value chain, covering a downstream role: it takes care of design, production, painting and sales to the final customers. It purchases laminated wood from Italian producers whom buy the raw wood from all over the world: the sources are vary as the kinds of wood used. It is very rare that the raw materials come from Italy because of the lack of natural resources in the territory.

Even if in the market there is a trend to retain more and more processing phases near the origin of the raw materials, we can observe how the lamellar is required to be done by Italian companies in Italy to ensure a higher quality of the semiprocessed goods and to better facilitate the communication about quality and technical issues. The reasons for processing of the raw materials near their sources are mostly linked to local legislations (eg. some African countries that

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norms it in order to create jobs in the area of extraction), transportation costs (semi-processed products have a lower volume) and processing costs (that are lower in Eastern Europe, Asia and Africa compared to Italy). It has to be said that, due the company's position in the market, the costs are a variable of secondary significance while of primary importance is always the quality of the components.

Among the other phases of the value chain of particular attention are the manufacturing of the glasses for the windows, mostly provided by Venetian companies, and the ironware and paints, supplied by Austrian and German companies (they retain most of the technologies linked to the window's architecture and to the chemicals of the paints). Accessory products are then supplied by local firms working in outsourcing, as the aluminum and PVC products, sold by Impronta to complete their product's offer.

B) How is the value chain optimized? The degree of internationalization and the importance of the location of the production

The firm does the most of its production internally. This is particularly central to the strategy adopted: delocalization would mean high losses in the market since they would not be able to justify the final price of their product (even in the case in which they might be able to maintaining the quality as in Italy). Few years ago the company evaluated the possibility to open a new production site in Croatia to expand the production and better reach foreign markets. They didn't undertake the investment since after a deep evaluation they saw that the first thing asked by foreign customers to Italian producers is the realization of the products in Italy. Delocalizing the production to low cost countries while selling Italian design is increasingly less effective since the customers are more and more careful in their purchases.

While local customers, before buying, are used to go directly in the firm to see the production site to see the realization of the products, understanding why they are paying a premium price and what really means buying a product from Impronta, with foreign clients this is more complicated. The company operates abroad with agents and independent retailers but is planning to increase its presence opening its own show rooms and offices. When a foreign customer buy

an Italian product he knows that he is paying a higher price but having a product with a supreme design and quality: a product of prestige worthing the price differential. The foreign customers value the Italian production. Selling only the Italian design can be a shortcut very dangerous for Italian firms: inducing the customer to think that he is buying an Italian product is not only wrong but also shortsighted. Despite so, there are several companies adopting this strategy (Italian design, foreign production) acting mostly in low-medium segment of the market.

The choice of keeping the production in Italy is strongly related to the strategy adopted: it is more and more unfeasible to produce in Italy acting in a low-medium segment since we have a skilled workforce that, for its nature, is more costly than the unskilled one of low-cost countries. The higher cost of the workforce coincides with the higher quality that is possible to obtain from it: the Italian techniques and competences, care of the detail and culture of perfection have not to be seen as greater cost but as an opportunity for better products and greater margins.

Firms that delocalize mostly do abroad the entire production (being unable, due to logistic costs, to do the critical phases at home and the labor intensive abroad) having lower the costs but also a visible lower quality. For a firm like Impronta is necessary to maintain internally all the manufacturing phases to ensure the quality in every phase of the process: from the cutting to the painting all the phases are followed by experienced workers. The level of the technology adopted in the machinery also require them to have an high level of confidence with computer programming, combining practical skills with technical ones.

C) How important is the 'Made in Italy' in the wooden-furniture sector?

The 'Made in Italy' brand has a controversial importance. For Italian (local) customers that can directly appreciate the Italian production when they buy the products, it is less significant: they see in the factory what they are paying for, directly understanding that they are buying from a producer and not from a wholesaler. On the other hand, for foreign customers the 'Made in Italy' brand is more important. While in a showroom there are means to let the customers experience the productions almost as in the factory (through the possibility to

touch the products and components, to see video recalling the factory's production, etc) it is difficult through agents and independent retailers to pass the fact that the product is truly 'Made in Italy'. Frequent are the cases of companies selling just the Italian name and flavor (design) having all the productions delocalized. In this environment the brand 'Made in Italy' becomes important to discriminate the true Italian from the fake one. The importance of the 'Made in Italy' brand grows when the companies are small and unable to properly oversee the foreign markets.

The importance of the 'Made in Italy' in the machinery is less accentuated. Whenever a company is facing an investment in a new machine the price is just one of the variable considered and most of the time not one of the most important. The company knows it can always rely on German, Japanese and Italian machinery caring very little where the machine is done: once the design and the precision of the machinery are reliable, the production site becomes a secondary aspect. Romania, in the last years, acquired good competences and knowledge in the production of mechanical machinery and many Italian companies are producing in there with output of almost comparable quality.

When the company undertook a new investment in 2010 the decisive characteristics that prevailed in the choice of the machinery were the technical characteristics (as the fact that the new machine was able to merge five different production steps in only one), the quality ensured to the output (high precision), reduction of working times, higher reliability, higher flexibility (the workers that previously need to work on 5 different machines can now alternate using this one, doing overtimes at necessity). The investment was not an easy choice and required more than 8 months to arrive at 90% of capacity because of the high programming skills needed to proficiently use it.

Final notes

During our discussion Ing. Ruffoni stated that today Italy is a tough place to make business: the economy is weak, the market very small and poor, the taxation very high as well as the cost of labor. They would like to move to another country with more favorable conditions but this is not likely to happen, at least for a couple of reasons: a logistical one, that is the high cost linked to transfer the firms and its

machinery, and a more critical one: the workforce. He recognized that skilled workers are not uniquely available in Italy: they are present in many countries, especially in the Northern Europe, in countries such as Austria and Germany, and they are, in most of the cases, very competent and trained. The problem is that they lack something, something that is in the very deep of the Italian culture, something natural for us and that sometimes we forget to have it: the passion for detail, the culture of beauty, the perfectionist sensibility. These are elements difficult to transfer, to replicate elsewhere, and are the true power of the Italian firms.

Breda di Piave (TV), 07/10/2014

For the interview:

Marco Feltrin

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5.9. Interview to Dr. Favero Michela ³⁵⁶

Interview-Partner: Dr. Favero Michela

Sales Manager of Eos Darsié

Place and date: Spresiano (TV), 13/10/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) Who is Eos-Darsié and in which context does it operate?

Eos-Darsié was created in 2002, hiring the former employees of a rider's producer failed for bankruptcy. They are located in Spresiano, in the province of Treviso where two other competitors are active. Veneto accounts for 85% of the global productions of amusement rides, having most of the firms located in the district of Rovigo and in the province of Padua near Montagnana. Even if the companies in the district of Rovigo have better advantages (linked to the activity of the local district's institutions that finance the export and promotions), in the region the company is able to find all the required competences and resources to enhance its production.

The Venetian area is at the same time an opportunity and a thread. On one hand it is the leading producers of amusement rides, having many operators specialized in the realization of rides and fun parks as well as a dense network of subcontractors and suppliers of components. On the other hand, the concentration of operators in such a small area often creates war prices that pauperize the margins of the players, with limitations at the firms' ability to invest.

The company, as many others in the sector, is extremely export oriented, having almost the entire production sold abroad (mainly in the Meaddle East, North America and Asia) and a commercial office in Azerbaijan to oversee the Eastern

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sales. Even operating in a niche of the market the company can count on a very vast world market.

B) How is the value chain optimized? The degree of internationalization and the importance of the location of the production

The production is mostly done internally: the raw materials and components are acquired mostly from Italian and German suppliers and then processed in home. All the major operations can be done in house: from design to the realization of the software, from the carpentry works, to the electric systems, the painting and the final assembly. Whenever the workload is too high, in order to respect the delivery time, some activities are outsourced to local subcontractors, that, mostly, take care of the steel structures, the fiberglass structures and the painting of the biggest pieces (they do not have a bigger painting area and the painting of some structures has to be externalized).

The operations outsourced are mostly less expensive than the one done in home. Despite so, the company prefers to have a greater control of the operations, doing in home as much as they can and only at necessity use the outsourcing. Flexibility is enhanced thanks to the network of subcontractors that are able to manage, in a cost efficient way, the higher workload of the company while leaving the firm fully occupied when the orders are lower.

The suppliers and subcontractors are 90% from Veneto, due to proximity reasons and to have a better understanding of the quality issues. Even so, some highly specialized partner come also from outside the region (one major component's suppliers is German and a major partner for the fiberglass from the North West of Italy). In the suppliers and subcontractors selection the price is never the first variable considered. Quality is far more important, and for this reason the company has never considered delocalization activities. Some competitors undertook investments in foreign production sites (such as Zamperla in the Philippines), having quite a success in the beginning thanks to the cost differential and the lower time to deliver the products (in the Asian market, that is one of the most important). Delocalization in the sector happen mainly upon line of products: the foreign plants are just copies of the Italians, created to expand the volumes and produce closer to the final customers (mainly of the Middle East and Asia). In the medium term delocalization operations proved to be a failure

since the quality of the final products resulted lower than the Italian one: not only the details had a different care, but also the steel structures proved to be less stable and reliable than the Italian ones.

C) How important is the 'Made in Italy' in the mechanic sector?

Italian firms proved to have resources capabilities and know-how far superior than foreign firms. They are able to provide the best products at the best price. Foreign competitors mostly leverage just one variable per time. On one hand we have firms from the Northern Europe (mostly Germany and Scandinavia): big firms in the construction industry that produce rides as accessory business. Their products have high quality and reliability but prices, on average, four times higher than the Venetian ones. On the other hand there are the competitors from the emergent countries. In the last years they have been able to improve their products (at least in the design) remaining very competitive from a price side (on average half of the Venetian ones) but always failing to be attractive regarding quality and reliability.

The 'Made in Italy' label is, worldwide, synonymous of quality, reliability and supreme design. Foreign customers are willing to pay a premium price to get the Venetian rides because they know they get the best product available in the market. Having the products 100% 'Made in Italy' is an insurance of reliability that most of the customers feels as essential. Having delocalization of the productions could be dangerous because the clients want products able to entirely fulfill their expectations. The damages to the image that a product done abroad, while showing a 'Made in Italy' brand on it, can do are far bigger than the revenue one might make thanks to the cost differential.

Once, Eos had a client complaining because upon a ride that broke down he found one component that was 'Made in China'. They didn't know it since that product was outsourced to a German company (apparently accustomed to Chinese parts). To avoid any other inconvenience, since that day, every time they buy something from this German supplier, they substitute any piece 'Made in China' with one 'Made in Italy'. The procedure is not time or cost efficient, but it helps to provide products with a superior quality to the final customers. Moreover, having products entirely 'Made in Italy' ensures the company the market of the spare

parts (the clients will not be able to find them in other countries but have to buy from them in Italy). To further ensure the quality, Eos always assembles and tests any product before sending it to the client.

The company promotes the 'Made in Italy' and the Italian image not only in fairs and expo but also having an Italian name for its products: the rides are called Leonardo, Apollo, Graffiti, etc. The 'Italianness' is further enhanced thanks to the services provided to the customers: Eos not only builds the rides but also plans and designs the entire fun parks, assisting the clients in the purchasing, while realizing the product, during and after delivery: Eos hosts its customers in Italy when they buy the products, planning their trips to visit the region while showing off how it builds the rides in the factory. The customer care, the hospitality and courtesy of the personnel are elements that might make the difference more than the price: ensuring customer satisfaction is necessary for having further sales.

The 'Made in Italy' brand, present in various forms in the company's products, is always together with the corporate brand. For the company they are both very important and used even if the firm operates in a B2B market where they are often considered very little.

Spresiano (TV), 13/10/2014

For the interview:

Marco Feltrin

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5.10. Interview to Dr. Fraccaro Luca³⁵⁷

Interview-Partner: Dr. Fraccaro Luca

Sales and Marketing Director of Fraccaro Spumadoro Spa.

Place and date: Castelfranco Veneto (TV), 14/10/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) Who is your company and how does it relate with the market?

Fraccaro Spumadoro was founded in 1932 as a bakery shop in Castelfranco Veneto. The company, now at the third generation, during the years evolved into an industrial producer of bakery products. Despite the industrial organization and the modern tools, the company kept the artisanal manufacture and the traditional processing, promoting them as guarantee for quality and healthiness of its products. Fraccaro understood that to differentiate from the competitor (non only Italian) it has to provide superior products, for example, leveraging on the long natural process of yeast, on the flours sapiently mixed by local mills, on the old and genuine receipts without preservatives, chemicals sweeteners and other artificial agents that give to the final products unnatural strong tastes, etc. The success of this strategy is confirmed by the recent selection as partner of the Slow Food movement (Terra Madre foundations) to produce their official Panettone for Christmas 2014.

The firm operates in the market through three different brands. The first and older one is Fraccaro Spumadoro that is accounted for all those daily products as biscuits, brioche, cakes etc., mainly sold in the large retail chains of the North East. Secondly there is the Pasticceria Fraccaro that operates in the sector of the celebrations such as Christmas and Easter with products as colombe, panettoni, pandori etc. Finally, thirteen years ago they created Pasticceria Fraccaro, initially as a partnership with ECOP, the most important Italian federation for biological

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products. Nowadays this brand operates both with daily and seasonal products. Even if the brands are mostly known in the North East, 20% of the total sales are from abroad where the company operates thanks to agents and independent distributors.

The region is rich of firms operating in the bakery business and good are the relationships across them. We cannot properly speak of a district; even so, we denote a certain degree of competition/collaboration typical of this organizational form. The price war is not fierce allowing good margins and cooperation projects (as Buon Gusto Veneto, a temporary showroom organized some years ago) are created at necessity.

B) How is the value chain for the bakery product enhanced?

While the refinery of the raw materials is done by external parties (local mills with superior expertise) all the other phases are done inside the company: from the preparation of the dough, to the packaging from research upon the receipts, to quality control and marketing. Outsourcing is never used since the production process is difficult to break down and the products need to be highly supervised to maintain the quality. Delocalization is not even considered and there are very few cases of companies that delocalized abroad (with the only purpose of expanding the sales being closer to the final customers).

As we saw also in Section 2.3.3, the alimetal productions (and the alimetal districts) still retain a strong link with the territory they come from: as a matter of fact, it would be difficult to sell, for example, an Italian Panettone made in Austria or in Romania. Moreover, in the production process the artisanal expertise are essential to be able to adequately change the ingredients according to the whether conditions, to the kind of flours used, etc. Only skilled and experience workers are able to understand when and how to modify the quantities of the receipts to improve the products. This is especially important with the seasonal products, that every year need tests and checks to adjust the receipts according to the environmental conditions.

C) Which is the value of the 'Made in Italy' for your sector?

Culture and values are intrinsically linked to a precise territory expressed by the 'Made in Italy' label. The 'Made in Italy' is a brand of quality and traditions able to promote, especially abroad, the goodness and the fine characteristics of the Italian products. The 'Made in Italy' is able to partially compensate the lack of recognition of the company's brand abroad.

Two are the main issues regarding the 'Made in Italy' as a brand of quality: the first is linked to the products sold with brands having an Italian sound, but without being Italian. The issue is reconnected at the widespread counterfeit's products that are causing serious problems to the Italian ones, not only in terms of unfair competition but also of damaging of the Italian image. Secondly the fact that many Italian firms in the agribusiness are accustomed to sell abroad worst products than in Italy, competing on the base of the price and selling those goods that the Italian customers would never buy (because of Italian legislation that forbid certain substances/practices or because of their inferior quality). This threat might be more dangerous than the previous one because can seriously damage the idea of the 'Made in Italy' abroad: while the counterfeit products using Italian sounds, depicting the Italian flag or colors, can be identified by the customers thanks to the 'Made in Italy' label, the bad quality Italian products damage entirely the 'Made in Italy' since customers attribute the bad quality of that single product to the whole Italian offer. (Note: Fraccaro do not use an explicit and evident 'Made in Italy' label in its products, but soft signs as the Italian flag. This can be dangerous if the purpose is to be easily distinguished by the counterfeit products since they may appear similar.)

In these cases, the BIO brand can be a solution to improve the value of Italian food productions: these products have to respect strong regulation and it is more difficult to unfairly compete in that sector. It has to be said that because of the lack in chemicals and preservatives in the BIO products, shipments to long distances are very risky and the quality of the products can be lost.

The company undertook serious measures to highlight the quality of its products and to be chosen for variables different from the price. The most important is linked to the promotions of its products directly in the packaging where they

changed the anonymous transparent cellophane bags with more refined colored packages with images of the products, the description of the fine characteristics and brief narrations of the history of the company and of the receipt. Moreover, they introduced a range of premium products, exactly the same as the others, but packaged with rigid paper boxes, fine wrapping paper, precious ribbons and nice cards listing not only the product but also its story. This line of premium products, thanks to their more artisanal image, encountered a great success since their introduction (even if the price is almost double compared to normal version).

Lastly, it has been highlighted the importance of having Italian machinery in production. This is not only linked to an higher perceived quality, but also to the services that an Italian supplier can offer compared to a foreign one: one above all, the time and costs to repair the machines in case of malfunctions. Moreover, even if most of the machinery are standardized (as for the packaging or the mixing), some are developed directly with small local providers that work close to their customers to innovate and improve their products according to clients' necessities.

Castelfranco Veneto (TV), 14/10/2014

For the interview:

Marco Feltrin

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5.11. Interview to Ing. Serafin Nicola³⁵⁸

Interview-Partner: Ing. Serafin Nicola

Comfort, Floor Care and Kitchen Platform Director of De' Longhi Group

Place and date: Treviso (TV), 14/10/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) Who is De' Longhi and in which context does it operate?

De' Longhi Group is a modern multinational company with the headquarters in Treviso, the city where it was founded in 1902 as producer of wood stoves. It is in the '70s that the firm started to grow and, after years of innovations, acquisitions and market entries, De' Longhi is today a multinational enterprise with a turnover of 1.632 Million Euros (in 2013), which sells in more than 70 countries having four active brands in its portfolio: De' Longhi with its Italian style, reliable quality and distinctive entrepreneurship, Kenwood with its British heritage, simple design, durable quality and valuable know-how, Braun with its German heritage, iconic quality, design-oriented innovation and cutting-edge style and, lastly, Ariete with its smart solutions (the brand represents less than 3% of the turnover and it is used just in the Mediterranean area. It will not be included in the further reasonings).

The group has a position almost two third of its production in the high-end market, particularly in the third and fourth quartiles. There are two possible ways to read the data: on the one hand the fact that most of the De' Longhi's products are positioned in such a high end segment could be due to the complexity of its product portfolio (so an higher price); on the other it can be seen as a fact that the firm is able to ask a premium price for its products, positioning itself on higher market segments. The coffee machines and the food processing products are definitely part of a premium segment.

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The competitors of the company are global companies as Philips (with Saeco), Bosch, Jura, Electrolux, Kitchen Aid, SEB Group, Dyson and Hoover, etc. The competition of these players forced De' Longhi to define new strategies and organizational forms to be more competitive in the global scenario. As a consequence most of the local suppliers have been selected and replaced by foreign ones, able to oversee international markets providing higher qualitative standards, higher efficiency in the production and superior innovations. In other words, the new suppliers are players that have been able to adapt to the new global context, accepting the challenges of globalization, using diversity and multiculturalism as powerful tools to enhance new ideas, new innovations and new ways of doing business.

B) How is the production carried out worldwide?

In 2000 the production of De' Longhi was entirely carried out in its four Venetian plants: (Treviso, Mignagola, Ampezzo and Gorgo al Monticano). With the acquisition of Kenwood the company had the chance to start a profound internationalization process, moving in Asia part of the production where Kenwood was already operating. Today, among the Italian plants, only the one of Mignagola is still working while all the others have been progressively closed. The Italian site hosts just the production of the premium coffee machines is carried on, even though after the realization of a new plant in Romania part of the production has been relocated there.

Offshoring has been imposed, as always, out of necessity: in order to improve competitiveness, looking for a better organization of the production process and the logistics, the company moved to a more international framework. As a matter of fact, it is during the 2000s that the Venetian suppliers proved to be no longer able to satisfy the needs (in terms of quality, service and cost) of the growing Group that progressively selected new foreign global players. Most of these new partners were already producing in China, which is where De Longhi has to act in order to optimize its supply chain and better enhance the relationship with these key suppliers. At first the product's line with the lowest added value and complexity have been moved to China, where they developed, trained and managed a supplier infrastructure that in few years have been able to manage also more sophisticated productions. The acquisition of Braun allowed the

creation of better economies of scale and scope, using the positive externalities given by the combined production of the three brands in the same factories.

Regarding the Italian plant, the production has been entirely reconverted to the creation of the coffee machines, where still important investments in machinery and technologies are taking place. The reorganization also affected the main Venetian suppliers: they have been selected and their activities have been transformed in order to provide high quality standards, high level of service and optimal costs. Only the firms fulfilling these characteristics are still working for De' Longhi, mainly as phase specialists and suppliers of metal parts, while all the others have been replaced.

C) Which is the value of the 'Made in'?

A multinational group as De' Longhi, comprehensive of three global brands, consider very little the brand 'Made in Italy'. The source of their competitiveness comes from the image of the corporate brand, well known worldwide and synonymous of quality, design, Italian style, reliability, etc. This is possible thanks to the fact that the modern production of De' Longhi is able to provide the same quality to the final products abstracting from the place of manufacturing. The output of the production is the same everywhere, whatever they are producing, since they strictly follow the Italian (German for Braun and British for Kenwood) design, they respect the corporate standard of production, employ the same skilled workers and machinery they use in Italy and organize the process in the same way. The difference lies in the fact that, as the case of the new plant in Romania, they are often have newer and more efficient facilities abroad where the best practices find a better implementation. As the managerial theory of Ferdows prescribes³⁵⁹, De' Longhi is enhancing its production in those countries that are able to better carry it out. Again, the variables considered are (always) the final quality, the level of services and lastly the costs. De' Longhi didn't relocate to Romania to save costs but to better enhance its production, enhancing its competitiveness.

³⁵⁹ Ferdows (1997) p. 94ff.

Design, technical know-how, product expertise, etc. are much more valuable in this context than the 'Made in': they tell us who actually conceived the product, who is the one with the superior expertise and competences that has been able to create the product and plan its realization. More than 'Made in', for companies as De' Longhi, is valuable the 'Made by'. In the back of Apple's products is written "Design *BY* Apple in California" not manufactured in. This not only because of the difficulties to define where actually the production of complex products took place (components often come from all over the world, from the countries where firms are better able to carry on the production) but also because more and more the importance of manufacturing for big firms abstracts from the territoriality. Competences of the workers are increasingly present all over the world and sometimes superior than in countries such as Italy (it is very rare to see an engineer working in the production's line in Italy, while it is often the case that in his early years he will be occupied as line's chief in countries as China or Romania). In such a scenario the difference in the production of developed countries as Italy or Germany and China or Romania tend to disappear. Increasingly important, on the other hand, have become the company's brand, synonymous of quality in all its practices, from the design to the manufacturing, despite the place of manufacturing.

Moreover, the 'Made in' carries out a greater disadvantage compared to the company name: while the company name tells us who actually took care of the product realization, the 'Made in' tells us just where the production has been carried out. The case limit is the one of a company who does the design, organizes the production, defines the working standards, the quality standards, etc. in Italy, carrying out only the production in Turkey (with Italian machinery, standards and supervision) would be labeled as 'Made in' Turkey. Viceversa, a company with design, organization of production, definition of the standards made in Turkey and the production carried out in the Italian soil with Turkish machinery standards and supervision would be classified as 'Made in Italy'. Saying that the first is not an Italian product while the second is, would be really controversial and it could open a fierce debate.

Companies as De' Longhi, but also Ferrero (with Nutella), Heineken, or BMW are able to transmit the image of their country of origin despite the actual countries in which they realize the products.

Final notes

Two more aspects have been covered during the interview: one linked to the training of the technicians and another regarding the degree of internationalization of the suppliers.

The training of the technicians became an important issue in the recent literature,³⁶⁰ especially regarding the abstraction of intellectual jobs from the factory and its issues. Once upon a time any new hired engineer was placed in the production in order to let him understand how things were working, grasping the practical side of his future job. Nowadays in Italy this is no longer a practice and this might be dangerous because without a deeper attention at the problems in the production we will be less and less able to develop working and successful products. Foreign firms already understood it and started training programs to reconnect the office with the production sites. For example, Ikea has a program where they let the office workers spend some time in the production lines to understand the critical phases and the issues that can rise in the daily routine, in order to become able to solve them from the office.

The second aspect is the internationalization of the suppliers. Companies as De' Longhi (but also Danieli) relocate the production because unable to find the right suppliers in the nearby. One of the main problems of the Venetian suppliers is their lack in internationalization process. This often translates in restrict points of view, lack in diversity, lack in structures that could enhance innovation. Being present in international value chains could improve their processes and practices but very often this does not happen because they are accustomed to their environment and scared of the unknown, the foreign, the diverse.

Treviso (TV), 14/10/2014

For the interview:

Marco Feltrin

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³⁶⁰ See the "Makers" movement and their ideas about the alienation of the intellectual workers from the office jobs, with consequent lack in practical competences and lower ability to properly carry out their tasks.

5.12. Interview to Dr. Sgamaro Flavio³⁶¹

Interview-Partner: Dr. Sgamaro Flavio

Vice President and Sales Director of Sgamaro Spa.

Place and date: Castello di Godego (TV), 15/10/2014

Interview Method: Face to face interview

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) Who is Jolly Sgamaro and in which context is it operating?

Jolly Sgamaro is a medium-small size pasta factory of Castel di Godego (TV) with around 50 employees and 18 million of Euros of turnover. It operates in a sector that in the last years registered a contraction of 6% in the discount distribution and of 2% in the mass-market distribution. The reduction of the market volume did not only followed the so called 'hourglass effect', frequent during the crisis, where the medium segment suffer greater reductions compared to the others, but included also the low market segment. The only segment that saw increases has been the premium one, where peculiar kinds of high quality pastas sharply increased their sales. It is in this segment that the company progressively entered, since 2003 when it undertook a change in its strategy.

In 2002 the company was struggling due to the increasingly aggressive competition, the threats coming from the modern distribution, the changes in the environment (a desertification was taking place in the south of Italy where most of the crops were) and the level of the debt, arrived at 97% of the turnover. In the 2003 Sgamaro decided to change its organization, to restructure the debt and to reposition its brand in the market. Doing so it reduced the product portfolio and created new products for market niches that was appearing in the market: from the BIO to the Kamut and the Farro (dicoccum). The company also pushed the research about the Italian varieties of grain to find the most appropriate spices for the each region. Furthermore, it developed relationships with farmers from the

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eastern coast of Italy (from Puglia to Friuli Venezia Giulia) to have only Italian wheat.

Today Sgamaro has the market leadership for the Farro and Kamut pasta and is the only player in the market that directly import the Kamut's beans from the USA instead of the flour (Kamut is an american brand not a kind of cereal; it indicate a particular species of the Khorasan only grown in the US soil). Thanks to the success in these high end market segment, the success with the BIO label and the recents appreciation of the Km 0 label Sgamaro has been able to rise the prices and at the same time increasing its volumes: in a market where the average price of pasta declined, from 2008 to 2013, of 8,1% they have been able to rise it of 44,3% while expanding the market share (in volume).

With the Km 0 products the company embraced the sustainability philosophy, with the purpose of reducing as much as possible its environmental impact. Sgamaro 'adopted' some forests (they pay fees to a couple of mountain cities to keep the woods safe and clean), subscribed a contract with a hydroelectric power plant in order to consume only clean energy, created a system to save the heat of the ovens reducing the consumption of natural gas, embraced new agricultural techniques to avoid the use of pesticides in the crops, reduced its wheat suppliers to the area of Friuli Venezia Giulia, Emilia Romagna and Veneto (according to the Km 0 regulation, the products cannot be sourced for more than 150km) and created a transportation network, together with distributors and retailers, to avoid truck running empty, filling them also in all the ways back. This philosophy has been not only advertised in the company web site and local mass media, but also in the packaging of the products, where the carbon footprint has been inserted as well as a QR code that send the customer to a web page where all the actions undertaken are explained (together with a comparison with the competitors' footprints). This project proved to be sustainable not only environmentally but also economically.

B) How is the value chain enhanced?

The company manages the entire value chain by its own, not only supervising the sowing and the harvesting but also having its own storage facilities where to preserve the grains, and its own mill next to the pasta factory. Such a careful

control of the value chain allowed to easily fulfill the requirement of the DTP that Sgamaro voluntarily subscribed to certify the Italian origin of its products.

Moreover, having its own mill next to the factory, only case in the pasta industry, allows improving the quality of its products thanks to the feedback it has from the production where the company can know exactly which kind of harvest has been used. This allows experimenting, year after year, field by field, different techniques to obtain better products with the lowest environmental impact and the lowest level of chemicals in the harvest.

The choice of having entirely an Italian value chain has been not easy. As a matter of fact, Italy is not able to source all its raw materials from its territory, having an offer roundly half of the demand. Moreover, the quality of the Italian grains is mostly lower than the one of the foreign one. When the company undertook the path of having all its wheat sourced by Italian farms, they had serious issues regarding the quality of their products. The Italian wheat was worst than the foreign one and the Italian universities lacked of enough know-how to recover the gap. Essential has been the cooperation with a private research institute from Texas (USA) that helped them to select the best wheat varieties for each place where they have suppliers. Today, the Italian wheat of Sgamaro has a quality comparable to the foreign one, with the advantage that it is more environmental friendly, requiring less transportation compared to the imported one. Furthermore, as said above, it offers great opportunities for a direct development of the cultivation techniques.

This organization of production, with its own mill, involves greater quantities of cash 'frozen' in the storages. It is very expensive to afford such a system, but the consumers demonstrate to be willing to reward firms adopting short chains productions.

At this regards, delocalization appears impossible and unfeasible. The image of the 'Made in' is too strong to think to relocate the manufacturing abroad. The other companies in the sector, even using grains from abroad, keep the production entirely 'Made in Italy', since the pasta is one of the symbol of Italy. Some years ago a Polish firms tried to enter the market with superior quality pasta. The operation failed because the customers want pasta 'Made in Italy'.

The above considerations about the pasta might also be true for many other traditional Italian food products: consumers do not accept their manufacture abroad, preferring to pay a premium price for the Italian ones.

C) Which is the value of the 'Made in Italy' for your sector?

In the pasta industry the value of the 'Made in Italy' can be considered around 40% of the total product's value. Having the value chain managed entirely in Italy is repaying the company with constant increases to the market share: according to the last available data, the sales of the Italian wheat pasta rose (yearly) of 24%, proof that the appeal of the Italian pasta increased also during the crisis.

This do not mean that the consumers perfectly know how to choose the best pasta in the market: some years ago, Report, a Tv-show of RAI, highlighted how Italian consumers are not aware of the Italian grains' sourcing system. People think that buying pasta with the label 'product in Italy' they are buying Italian pasta with Italian wheat. On the other hand, they know, that buying an Italian pasta means buy quality pasta that not only taste good but also is of a good quality.

As in many other sectors, the competences and experience of the Italians do not lie in their supreme Italian raw materials (often they are not better than the foreigners) but in the Italian ability to process them obtaining greater final results. This not only applies to the food industry, where the competences of the operators are a mix between the one of the artisan and the one of an high tech industrial operator, but also to many other industries. When Nike decided to re-shore the production of some shoes models in the USA they were struggling in the implementation of the productions: they were no more used to produce shoes and they had no competences to resettle the production process. They had to call a specialist form the Montebelluna Sportssystem district to be able to set it up. The competences or our workers and artisans are our biggest asset and not using (as not improving) them is the greater mistake we can make, since they are the true source of our competitive advantage.

Firms using delocalization to reduce the prices and foster the sales abroad damages not only their image but also the one of their entire sector. An image that is damaged also by those firms that think thay can sell abroad those

products they are unable to sell in Italy or by those foreign firms with a sound-like-Italian name that sell counterfeit Italian products. The risk is of a trivialization of the Italian offer and a huge damage to the image of the 'Made in Italy'.

Lastly, the machinery. All the major machinery for the pasta industry are provided by Italian specialized firms. This because they are peculiar machinery that have been developed for this specific Italian industry. The products are mainly standard machinery that are than adapted to the needs of the company they are sold at. The importance, for a company in this business, to produce in Italy is given by the fact that Italy is the lead market for these machinery and here is the locus of the innovation: being present in Italy allow to perceive the changing needs of the customer and to implement new effective systems. The level of innovation is high and technological improvements are essential to maintaining the quality levels: as a matter of fact, in the pasta industry, as in many others, the operators are called to have artisanal skills and experiences (as in R&D where the researcher just looking at the seeds grasp most of the informations) while working with high technological instruments and systems (as the storage and the mill that are totally automatize and can be run and controlled remotely).

Castello di Godego (TV), 15/10/2014

For the interview:

Marco Feltrin

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5.13. Interview to Dr. Lazzarin Silvia³⁶²

Interview-Partner: Dr. Lazzarin Silvia

Marketing director of Latteria Montello Spa.

Place and date: Giavera del Montello (TV), 10-27/10/2014

Interview Method: e-mail correspondence

Interviewer: Feltrin Marco

Memo of: Feltrin Marco

A) Who is Latteria Montello and in which context is it operating?

Latteria Montello was founded as a small dairy laboratory in Giavera del Montello in 1947 by Giovanni Lazzarin, called 'Nanni'. During the years the firm has been able to keep the traditional background and the profound attachment to the territory while becoming a modern company with technological machineries and innovative production methods. Today, Latteria Montello is a market leader in the national market both regarding the volumes and the turnover, and through the brand 'Nonno Nanni', under which it commercializes a number of fresh cheese products, it is recognized for the high quality of its products. The company preserves strong linkages with the territory in which it is located, especially with the farms responsible for the milk supply. Moreover, the bond with the territory, having a long dairy manufacturing tradition and culture, has been one of the most important success factor of the company, which provided the company a unique set of competences and know-how (as the manufacture of the 'Stracchino', a special kind of cheese typical of the region in the production of which Latteria Montello has a particularly strong market position). Even if the company does not consider itself as part of a district, it considers the territory and its culture important determinants for its success. Latteria Montello attentively manage the entire value chain, from the farms to the final customers, since the freshness of its products mostly depend on an efficient logistic infrastructure as well as a correct storage of the goods. The firm is convinced that in the food industry, the innovations derives not only from the territory and the identity of its people in

³⁶² This is an anonymous interview of the Center for International Management and Innovation for illustration for graduate and seminar papers. It will only be handed over to students. Please treat this interview extremely confidential. THE TRANSMISSION OF MEMOS - EXCEPT BY WISSENSCHFATLICHE staff chairs INTERNATIONAL MANAGEMENT IN THIS FORM anonymous - IS EXPRESSLY PROHIBITED.

which the firm is operating, but also from the ability to be inspired by the different experiences that the one is able to get outside the 'district'. It is important to understand that the development of a firm happens only in relation with its entire value chain: only by involving all the actors in the value chain it is possible to reposition in the market, to adapt to the international scenarios, to grow and to increase the firm's competitiveness.

B) How is the value chain enhanced?

As mentioned above, the control over value chain is extremely important in order to maintain a high quality of the productions. Highly skilled workers are employed in the process, from the farmers that have been selected in the area to the workers in the manufacturing process. The milk producers are fundamental in the company business model: for this reason they are constantly monitored and trained. The fresh milk arrives every day at the factory rich of its organoleptic properties; here it is analyzed, evaluated, pasteurized and then fermented. At this point the competences and skills of the workers (not only theoretical but also practical, gained through experience) become particularly critical for the correct realization of the final products. As a matter of fact, the dairyman that supervises the process is the key element of the entire process: he is both a highly skilled technician, able to read the data and to program the process, and an artisan that sapiently understands the state of the art, consequently acting to refine the production of every single batch. Afterwards, the products are packaged and delivered by the company not only all over Italy but also in Austria, Switzerland, Belgium, UK, etc. The logistic is very important to ensure the delivery of a fresh high quality product and it is enhanced through the means of two platforms, one near Milan and the other near Pistoia, which take care, respectively, of the distribution in the North and South of Italy.

Regarding the delocalization activities they do not even consider it since the territory has been fundamental for the growth of the company and it is still of major importance to give an added value: as a matter of fact, the territory is the symbol of the identity of the people that sapiently made the products. Such as in most of the traditional food industries, the products represent the tradition and the culture of the territory where they were conceived and created and because of this it is unthinkable to abstract them from their environment, delocalizing their productions to foreign subsidiaries. To improve their competitiveness, firms like

Latteria Montello have to use means that are different from delocalization, such as the 'Made in Italy' label.

C) Which is the value of the 'Made in Italy' for your sector?

The 'Made in Italy' represents a real factor of differentiation in the international markets: it ensures, de facto, a high quality of the products offered under its label. This is possible because the 'Made in Italy' inglobes in its perceived quality those organoleptic features and traditional production methods that derive from the image of the brand and its identification of origin. The 'Made in Italy' is knowledge of the territory, experience that comes from the traditions handed down generation after generation, care in the selection of the best ingredients, and quality ensured by rigorous controls. The 'Made in Italy' has a determinant role in the international markets where the consumers are more and more careful of the nutritional aspects, of the naturality and unicity of the food products. The so-called "Mediterranean diet" has been identified with the Italian food and wine and therefore the 'Made in Italy'. Proof of this is, unfortunately, the number of food products subject to counterfeiting and imitation abroad that are a real threat not only to the Italian offer but also as damage for the image of the 'Made in Italy' brand. The 'Made in Italy' appears useful but not sufficient to guarantee the quality of a product: the competences and know-how of the single firm, enclosed in the company brand, with its history and modus operandi are able to determine not only the final quality of the productions but also the recognition among counterfeiting offers.

Preganziol (TV), 27/10/2014

For the interview:

Marco Feltrin

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5.14 Abstracts of the Italian sources³⁶³

Becattini G.; 1999; La fioritura della piccola impresa e il ritorno dei distretti industriali; Economia e politica industriale; num. 103, anno XXVII, settembre 1999; p. 5-16

This paper analyzes the reemergence of the industrial districts around the world, with a particular attention to the Italian case. Even if they are considered a peculiarity and countertrend of the modern capitalism, they are an interesting organizational system able to compete with the global actors of the market. After a debate about the history of the district's literature and having clarified the terms under which an industrial district is defined, the author analyzes the origin of the competitiveness of firms with a particular care at how it is enhanced in the districts. The focus passes then to the reasons why the small firms are the natural composition of a district's population and how this is related to the concepts of know-how, creativity and variation. The district is defined as a social machine able to integrate the behaviors of the singular firms into a unique picture. He concludes that it is in this social machine that lies the difference between the district and the capitalist SME: while in the former we have collaborative behaviors among firms as well as proactive workers, in the latter a shortsighted individualism emerges.

Conti G., Menghinello S.; 1998; Modelli di impresa e di industria nei contesti di competizione globale: l'internalizzazione produttiva dei sistemi locali del Made in Italy; Popolazione, sviluppo sostenibile/7; L'industria; Np. 2; p. 315-348

This work discusses about the internationalization of production in the Italian local productive systems that felt a strong acceleration during the '90s when this paper was conceived. On one side it discusses about the typical low tech industries of the 'Made in Italy' where the markets are mostly mature and compete upon the price: here the internationalization is considered a good option to enhance firm's competitiveness. On the other hand the internationalization of productions seems to be inadequate since the greatest added value is provided by the district reality (local context, the small and medium firms, etc.) that is able to provide excellent quality, customization and diversification. For these reasons, the paper analyzes

³⁶³ The Italian sources not present in this section have already their own English abstract or summary

the dimensions and strategies upon which delocalization took place in order to optimize the value creation along the chain. After having determined the competitive advantage of the industries of the 'Made in Italy', the consequences of the internationalization process are analyzed. The analysis is then supported by Istat data on the foreign trade, discriminated by province. The main results about the internationalization trends are linked to the quality of the productions (higher the quality, lower the internationalization and viceversa) and to the average size of district's firms (higher the average dimension, stronger the propensity to go international).

Corò G.; 1998; Distretti esistenti di piccola impresa nella transizione; in Rullani E., Romano L.; 1998; Il postfordismo. Idee per il capitalismo prossimo venturo; Etaslibri; Milano

At our purpose of analysis, of this paper is interesting when the author argues that the major part of the know-how is generated by the experience and it is intrinsically related to the context in which it has been acquired. For this reason, the know-how is said to be embedded: settled in people's skills, in companies' routines, in the territories.

Corò G., Grandinetti R.; 1999; Strategie di delocalizzazione e processi evolutivi nei distretti industriali italiani; Le imprese italiane nell'est europeo/3; L'industria; No. 4; p. 897- 924

The paper aims to discuss the delocalization strategies that took place in the Italian industrial districts. The delocalization has been one of the most destabilizing factors in the organization of the districts, being pushed mainly by the adoption of the Euro and the European incentives to relocalize in Eastern Europe to improve the competitiveness. Vary has been the agents of the internationalization: from the global corporations entering the districts to the district's leader aiming to reach a global importance, from the SMEs operating in the final markets to the small firms working as subcontractors, etc. Despite the variety of actors, the district's leaders have been the one with a greater importance. The paper proceeds in the analysis of the reasons for the internationalization of the leader firms, where, above the others, we can cite the entrance in international innovation networks. The main strategies undertaken to enter global network has been: the oversee of final foreign markets, the oversee of the lead market for the raw materials, the delocalization of the subcontractors, the delocalization of the

entire chain, and the transformation of the leader firms from manufacturers to providers of immaterial services (managing of the production chain). The paper further analyzes some case studies as the sport system of Montebelluna, the tanning district of Arzignano and the thermo-mechanic of Vicenza in order to provide some insight about a model to define the evolution and the delocalization processes.

Corò G. Grandinetti R.; 2010; *Frontiere e attori dello sviluppo oltre la crisi: il laboratorio del Nord Est; Economia e società regionale; vol. 2; p. 43-63*

The paper analyzes the development of the North East model and the actors of its development. It starts describing the existing imbalances, the crisis and the structural changes undertaking the world economy of the recent years, often referring to previous crisis (as the one of 1929) to make comparisons. Three are the main keys to analyze the economic evolution of the North East: the first names the technological, geo-economical and monetary conditions as main reason for the increasing lack of competitiveness of the local firms; the second see the 'entrepreneurial capitalism' as basis for the Venetian economy and the massive delocalization as simple strategy to regain efficiency in such a system; the third hypothesis, even if considers our economic system as an entrepreneurial capitalistic one, attribute the current evolution of the economy as an effect of five major forces: quality (and differentiation), technology, internationalization, industrial services and general services for the entire population. The author undertakes the last scenario as more plausible and follow discusses about the knowledge intensive services provided by the so-called KIBS. Three are the considered distinctive elements of the 'Made in Italy': authenticity, typicality and experience, characteristics able to provide a competitive advantage the national offer of product and services. Moreover, the author believes that the economic success of the Venetian industry is also given by the quality of the social context in which firms operate: this is not only given by a vast network of suppliers and service providers that enhance the value chains, but it is also a cultural aspect that provides that district's atmosphere of Marshallian flavor. Finally, the discussion turns on the evolutionary path of the Venetian firms, where the author points out how increasing the firms' dimension is not enough, being more and more essential to enhance their innovativeness,

true evolutive factor and only goal that should be aimed at by the industrial policies.

Corò G., Micelli S.; 2006; I nuovi distretti produttivi: innovazione internazionalizzazione e competitività dei territori; Marsilio; Venezia

This work speaks about how the new productive districts enhance innovation and competitiveness through internationalization and the means of ICT. Regarding our analysis it is interesting how the authors analyze the pros of the global networks. These structures mostly use the different means of modularity to enhance not only the production of an output with a greater variety and customization, but also new uses of the knowledge, new ways to serve the customers, etc.

District's development plans

The following agreements observe the same structures and provide the same data that have been used in the present paper.

Namely they are:

- Distretto del mobile della pianura veneta; 2010; Patto di sviluppo del distretto del mobile della pianura veneta. Triennio 2010-2013;
- Distretto di Nove e Bassano; 2010; Patto per lo sviluppo del distretto della ceramica, porcellana e vetro artistico 2010-2013;
- Distretto Calzaturiero Veronese; 2009; Patto di sviluppo del distretto calzaturiero veronese 2009/2011;
- Distretto orafo-argentario di Vicenza; 2009; Patto per lo Sviluppo del Distretto Orafo-Argentiero di Vicenza 2009-2012;
- Venetoclimate; 2006; Patto di sviluppo del distretto Venetoclimate, Distretto veneto della termomeccanica. Triennio 2006-2008;
- Distretto della meccatronica; 2010; Patto per lo sviluppo del metadistretto della meccatronica e delle tecnologie meccaniche innovative. Triennio 2010-2013.

After an introduction and a brief consideration of the economical conditions, these works describe the specific context in which the firms operate. In doing so an analysis of the strength and weakness of the districts are highlighted, followed by the actions that the present agreement aims to support.

Fortis M.; 2005; Le due sfide del Made in Italy: Globalizzazione e innovazione. Profili di analisi della seconda conferenza sul commercio con l'estero; il Mulino; p. 35-334

This work analyzes the data presented at the second national conference on foreign trade (Rome, February 2005). It debates around the industries of the 'Made in Italy' that since the '60s have been a successful experience, recognized worldwide. The author highlights how the 'Made in Italy' has become something more than a brand of origin, being intrinsically linked with design excellence, quality and reliability. Despite so, the globalization took new challenges to the Italian industries, especially due to the Chinese competition in the Italian manufacturing specializations. The book analyzes the challenges to the local enterprises, to the districts, to the institutions and government, offering a chance to reconsider the specialization of our industries as well the economic policies that governments might undertake. The unfair competition and counterfeiting is addressed as one of the major issues that the Italian firms, together with the institutions, should attempt to solve. The discussion turn than to the constraints to Italian competitiveness, debating how firms should foster it through dimensional growth, using the delocalization tools where necessary, increasing the R&D investments as well as the advertising and marketing campaigns.

Grassi M., Pagni R.; 1999; Sistemi produttivi localizzati e imprese leader; Economia e politica industriale; num 103, anno XXVII, settembre 1999; p. 241-272

The paper debates around the local productive systems and the impact of the leader firms on their organization. It starts discussing about the role of the small firms in the national economy and the organization into the districts. Follows the description of the selective processes with the opposite organizational phenomena of convergence and diversification. The emergence of the leader firms in the local systems is seen as an attempt of some firms to lead and organize the value chain in micro-productive systems where the leader is a downstream player who manage the entirety of the supply chain. The leader firms are also considered as a blend of global and local: they are central nodes able to attract the codified knowledge from the global context, contextualizing it in their territories. Global networks are than formed as natural evolution of the district where leader firms emerged and attempt to internationalize their view.

The paper demonstrates, with the support of data from the central archive of financial statements, that those firms able to enter global network are more innovative than the ones that stays exclusively in their local context.

Lando F.; 2009; La geografia dell'industrializzazione nel secondo dopoguerra. La situazione nazionale e il caso veneto-friulano; Cedam

The book offers an analysis about the development of Italy and more with greater details of Veneto and Friuli Venezia Giulia from the Second World War to the present. The work undertake the analysis of one of the most dynamic region of Europe, providing data about its development from one o the poorest area of Italy to one of the richest. Since the dynamism have been irregular and peculiar to the rest of Italy, it is interesting to analyze the data in order to try to draw the main ways and the exact territories where the growth took place. At this purpose the data of the Istat's national surveys (the so called 'Censimento') helps to visualize the development of the population and of the economic activities every decades. The industrialization has been the main target of the book at the purpose of observe how it has developed, in which areas (center or periphery), in which forms (small or big industry firms) and who have been the main actors (institutions, districts, big stand alone corporations, etc). In particular, it firstly analyze the reconstruction period, than the 'economic miracle of the '50s, the trade union struggles that took place during the restructuring of the industry in the '60s, the modernization and normalization process of the '70s, with the success of the districts over the heavy industry, the local models of development created in the '80s and finally the internationalization of the industrial districts that happened in the '90s together with the political changes and the progressive entrance in the European Union.

Messina P.; 2006; Alla ricerca di un modello perduto? Delocalizzazione e internazionalizzazione in Romania nel contesto dell'Europa allargata. Il caso del Veneto; in Dstretti produttivi e conoscenza. Il capitale umano risorsa strategic per l'economia del Veneto tra innovazione, internazionalizzazione e delocalizzazione; Agfol, Marsilio editori; Venezia; p. 41-58

The paper, supported by the data of Istat and the Chamber of Commerce of Veneto, analyze the delocalization of Venetian firms in Romania. After pointing out some general data about the situation of the industry in the early years of the

new millennium, the authors provides some reasons that pushed Venetian firms to undertake the internationalization of production. One of the most original reasons is the word of mouth that proved to be, according to interviews with Venetian entrepreneurs, one of the greatest factors influencing the choice to relocate in Romania. The paper further discusses the pros and cons of the long chains and the means upon which Venetian firms attempt to optimize their productions. Lastly, considerations are made upon the entrance of Romania in the European Union and how it was expect to foster the firms' propensity to undertake further investments in the region.

Micelli S.; 2000; Imprese, reti e comunità virtuali; Etas Libri; Milano

The book analyzes the new information and communication technologies and how they are changing the practice of the firms who undertake them. As a matter of fact, the ICT offers great opportunities to the players able to read them in a new creative way. It defines some interpretations upon the new economy, analyzing the economic theories and phenomena of the last decade under the lens two key elements: knowledge and value. It doesn't only highlight how the old mass production logics are outdated but also provides new productive systems based on the management of networks with distributed intelligence. The starting point, developed along the book, is around the on line communities, main character of the new consumption models, that are the new centers around which it is possible to rethink and build new forms of competition and innovation. After it, the book reflects about the evolution of the ICT, proposing the virtual community as new model for organizing the economic activities and the online community as the new focal points. Concluding, it highlights the attention as the new scarce resource increasingly important for the firms: he concludes that the ICT are progressively transforming our economic system in an economy of the attention.

Micelli S.; 2011; Futuro artigiano. L'innovazione nelle mani degli italiani; I grilli; Marsilio; Venezia

The volume discusses about the main characteristic of the 'Made in Italy' industries: the artisan work. Through number of real cases and highlighting the various form in which the artisan work take place in the modern industry, the book offers a new perspective toward manufacturing, that should be further

exploited in order to enhance the Italian competitiveness. The practical know-how is still the greatest treasure of Italy and it is the essential ingredient for the well-known quality and innovativeness of the Italian firms. This new awareness of the know-how, than comes from the manual work more than from the intellectual one, has been spreading all around the world, offering many successful examples of a new possible economic strategy for our industry. The artisan work is forcing firms and institutions to reasoning about the true meaning of creativity, growth opportunity, meritocracy, innovation: many insights are provided to focus our attention toward a new perspective that could offer new possibility to the new generations as well as a new vision of the manufacturing world.

Quadrio C. A.; 2005; Introduzione: Il made in Italy tra commercio leale e innovazione industriale; in Fortis M.; 2005; Le due sfide del Made in Italy: Globalizzazione e innovazione. Profili di analisi della seconda conferenza sul commercio con l'estero; il Mulino; p. 19-31

The present work is a second introduction to the work of Fortis M. (2005). It briefly provide an overview of the work of Fortis, highlighting the main data and discoveries, adding a own perspective upon the current state of the economic system and how to foster the companies' competitiveness. At this purpose, interesting is the discussion about the delocalization: premising that a massive delocalization that would include also the small companies appeared unfeasible, he distinguishes among a positive and negative delocalization (positive when the Italian plant is kept, negative when relocated), advocating that a positive delocalization would have the effect of expanding the companies volumes without compromising the operations of the Italian plants.

Rullani E.; 1997; Più locale e più globale: verso una economia postfordista del territorio; in Bramanti A., Maggioni M.; 1997; La dinamica dei sistemi produttivi territoriali: Teorie, tecniche, politiche; Franco Angeli; Milano; p. 85-111

This paper analyzes the evolution of the districts within the globalization process. The reasoning starts with the internationalization process of the '70s when the Italian SMEs started to sell abroad to expand their volumes. The author points out how the process of globalization, with the blurring of the national boundaries and the detachment of economy from territory due to the impact of the new technologies, seems to contrast with the emergence of the districts and their deep relation with their specific territorial contexts. The emergent importance of

the territory appears to be connected with the concept of knowledge. As a matter of fact, most part of the district's knowledge is the tacit, not codified, deeply linked to the context where it has been developed (through experience). Moreover, the territory is called to be the mean through which the codified knowledge can be translated in practical knowledge, being acquired from the individuals. In such a context the local and global dimensions are equally important, being the first the means to decode and acquire new the knowledge, and the global, being the occasion to exchange different types of abstract knowledge. The territory is a variable that hardly enters in the economic calculus and for this reason is taken apart in the economic evaluations of the modern multinationals. The district has been able to use the territory as a mean to simplify the complexity of the environment for its firms while increasing it for the outside ones. Finally the author debates about the possibilities offered by a so called Post-Fordist economy, where global networks relate are able to exploit the possibility of broader knowledge contextualized in different territories and original means.

Rullani E.; 2006; Dove va il nordest. Vita morte e miracoli di un modello; Marsilio; Venezia

The Italian North East, with its economic boom of the '80s and the diffusion of the districts, has become one of the most famous models of the world. A model characterized for an organization form, mostly unconscious, able to drive innovative process as no never before. Moreover, it has been able to develop in the right moment when the Fordist model was showing its problems. Today, the district's model is facing the new challenges of the globalization and appears to be a greater crisis than what it really is. Indeed, the purpose of this book is to deeply analyze the state of the North East economy in order to understand where the model can still apply: the Venetian firms can still be competitive using their traditional form of organization, investing in their vast fortune of core competences. The issue is that they are, most of the times, hidden; it is important to be able to recognize and use them, regenerating the knowledge and the relations that the system offers. The book offers a proper analysis of the competitive factors of the North East industry, highlighting the reasons that lead to such a peculiar organizational form and the elements that are changing the context in which the Venetian firms are operating. Moreover, it provides the main development routes as well as the prescriptions for firms and institutions. Particularly important are two elements: the knowledge as central element for our

economy and the delocalization as mean to be able to 'stay' and compete. The author further analyze the distinctive elements of the 'Made in Italy' as a brand and its ability to be used even when the productions are delocalized: even so, the question of the territory is not taken for granted and is called to be one of the major added value elements in our productions. Concluding, it debates about the network of firms (district) as an alternative model of the firm's network (big firm with disperse production).

Urso A.; 2005; Il Made in Italy e la sfida globale; in Fortis M.; 2005; Le due sfide del Made in Italy: Globalizzazione e innovazione. Profili di analisi della seconda conferenza sul commercio con l'estero; il Mulino; p. 11-18

This brief paper is the preface to the work of Marco Fortis about the challenges of the 'Made in Italy'. Being written by the deputy minister of economic development of those years, it offers the point of view of the national institution of those years. Particularly interesting is the analysis of the issues of the industry of which the most relevant has been named the entrance in the Euro and the impossibility to devaluate the currency. It further explains which are the specializations of the Italian industry (agribusiness, furniture, automation and fashion) for than point out how the 'Made in Italy' is more than just a brand of origin.

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