

The internationalization of the Italian “Sistema Moda” to Romania

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1. Introduction

„Made in Italy“ was the symbol of the Italian fashion industry (Sistema Moda) until the 1990's. This all changed with the liberalization of trade. Sistema Moda, an industry based on intensive manual labour could no longer keep production in Italy due to rising costs. Outsourcing to low labour countries, in this case primarily Romania, was imperative.

The quintessence of this report is to analyze the paradigm shift of Sistema Moda to attain therein a better understanding of the outsourcing process of Italian enterprises and the effects thereafter.

Although several studies (Schiattarella 2003, Turato 2002, Migotto 2001, Tattara and Crestanello 2003) have been conducted about this phenomenon, they were all limited to quantitative research and methods thereof.

The hypothesis of our research was: outsourcing for Sistema Moda is a collective and spatial learning-decision process from a group of actors in a spatially bounded area. Hence we needed for the purpose of our analysis to answer the following:

1. Which determinants were responsible for an enterprise to outsource or the need thereof?
2. Are there differences or similarities in the motivation among enterprises of different size and corporate strategy?
3. Are there differences or similarities among enterprises of different size and corporate strategy in choosing a certain internationalization strategy?
4. Why was Romania singled out as a main production location?

Our hypothesis can be summarized as: outsourcing of the Sistema Moda is comprised of multiple aspects. Not merely economic reasons must be the root; rather the inherent sourcing is intertwined with behavioural and cross-cultural aspects.

2. Methodology

Theoretical guide line for the survey was based upon:

Dunning's eclectic paradigm (1981, 1988 and 1993),

the Uppsala-model by Johanson and Vahlne (1977) and

the findings about the Italian variant of Industrial Districts from Becattini (2000).

Insights from models about decision in a spatial context such as by Golledge and Stimson (1997) and data concerning changes in world economics and the institutional environment underlined the multifactorial approach.

Both the eclectic paradigm and the Uppsala-Modell elucidate the choice of the internationalization strategy and the decision about a specific destination. Dunning highlights owner specific advantages and thus the inner entrepreneurial motivation for internationalizing. Johanson and Vahlne conclude that internationalization is a firm specific and continuous learning process influenced by the cultural, psychological and spatial distance of the destination country. Italian industrial districts are described as spatially bounded areas in which learning and production can be re-defined as a hybrid between market and hierarchy. It should be noted, that the spatial pattern of Sistema Moda in industrial districts is interpreted as an owner specific advantage and the Uppsala model was modified for explaining production outsourcing.

As the study is explorative a purely quantitative approach thereof would have been short sighted. Therefore we designed two different interview manuals with the cognizance (spatially and qualitatively) for carefully uncovering the borders between phenomenon and context with our research questions.

3. Results

Identifying three different groups of companies --- “Movers”, “Settlers” and “Laggards”, the primary determinant for all companies regarding outsourcing was cost and yield-oriented strategies. Yet many enterprises outsourced for capacity reasons due to the lack of labour in booming times regarding foreign and domestic demand.

Depending on the enterprises' involvement in local and supraregional networks and their owner specific advantages – a learning curve of the Firm can be observed, which continuously sharpens the entrepreneurial cognitive map. This results in a collective learning process of which two distinct models can be observed: influenced by local early movers and stimulation from international Networks. A further aspect therein is the observation of a “Band-Wagon Effect” of enterprises that are not located in an industrial district. Hence one can ascertain the learning process in all Italian industrial districts is a collective act as well it is integrated with a spatial component towards geographically and culturally more distant markets.

A high degree of uncertainty in a culturally and spatially more distant environment resulted in enterprises to succumb to foreign direct investment. In contrast high owner specific advantages, the buyers' inherent power on factor markets, openness to outsourcing to new and unexpected areas and openness to gain international market knowledge, nullifies the need for foreign direct investment.

The learning curve over Romania and its location advantages highly depend on market knowledge. Little market knowledge about the outsourcing destination makes companies take advantage of primarily rational economic location advantages. In contrast, a high degree of market commitment and market knowledge plus personal experiences contribute to positively sharpen the cognitive map. In contrast a lower degree of market commitment, a broader spatial production-portfolio and quick reaction to outsourcing needs leads to cognizant distance.

Sistema Moda and the outsourcing thereof must be seen as a hybrid driven by economic, behavioural and cultural aspects.

4. Discussion

Not by any means is the district a guarantee for entrepreneurial success. Rather the district can be summarized as a basic socio-economic structure. Empirically – “Made in Italy” has been driven by Italian “Ars Vivendi”; a sustainable future though needs to be driven by the restructuring of districts away from areas dominated by production towards areas specialized in knowledge-intensive services.

“Learning by doing”, disclosure from co-operation, ethnocentric attitudes and lacking management expertise will not contribute to the sustainability of one's business. Rather the ones are successful which pursue an anticipating strategy.

Due to the missing internal procurement market, high labour mobility and rising labour costs Romania is becoming less competitive. However, it will be the optimal production location for small and middle enterprises with smaller production volumes. Hence a positive side effect has occurred: the shift from cost oriented motivation to sales market-oriented strategy.

Being able to master the restructuring of the Industrial Districts in Italy will also contribute to a sustainable development in Romania and the Sistema Moda in general.

5. Theoretical, empirical and methodological advances of contribution

The survey conducted was able to challenge Beccattini's findings about Italian industrial districts. Natural cooperative relations do not exist, enterprises act very isolated from each other and competition among actors prevails. According to our findings the exclusiveness of the thesis by Johanson and Vahlne and Dunning must also be put into question. Internationalization does not necessarily follow a path with an increasing level of internalization.

Although we could verify that outsourcing follows a path to more geographically and culturally distant destinations it must be highlighted that the learning process is not limited to a spatially bounded area. The diffusion knowledge rather is an open process --- which should be an invitation

to participate. It should be highlighted that these findings are the earnings of our multifactorial and qualitative approach.

Aside from valuable insights, shortcomings of our survey must be seen. Due to the limited sample our results cannot contribute to general answers. Thus, further research is needed to support our findings and generalize them for other sectors. To elucidate the process of outsourcing more deeply the connections between districts should be observed as well.

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