International entrepreneurship. How Italian SME can face the global competition and the emergence of Chinese firms in the Prato Industrial Districts

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GENERAL QUESTIONS

1) What is *international entrepreneurship*?

2) What are the forces that leverage *product innovation in international strategies*?

3) Does the “place effect” has a role in international marketing strategies? *How to manage the “Made in” effect*?

4) What can we learn analyzing the *apparel industry*? What’s happening in Prato Industrial District?
THE OBJECT OF ANALYSIS

1) THE MEANING OF “INTERNATIONAL ENTREPRENEURSHIP”
   – Focus of our attention on SME export strategies
   – Managing Product Innovation at an International scale

2) MANAGING THE “MADE IN” EFFECT: REASON FOR SUCCESS AND NEW CHALLENGES
   – The International Product Image and the “prism effect”
   – The role of “Made in” in the fashion business

3) INTERNATIONAL COMPETITION IN THE APPAREL BUSINESS – THE PRATO CASE
   – The emergence of luxury global brands (as Gucci, LVMH)
   – A new division of labor and a new organization of the value chain worldwide (the crisis of some Italian Industrial district as Prato)
   – The emergence of ethnic entrepreneurship in the Italian Industrial districts: economic and social implications
1) What is International Entrepreneurship

“International Entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services” (Oviattt and McDougall, 2003)
Different types of international entrepreneurship (Zanni and Zucchella 2009)

Our focus: Ethnic entrepreneurship
Product strategy and innovation process (Valdani-Bertoli, 2003)

- The SME international strategies have to manage the combination product/market (old or new) introducing different levels of innovation.

<table>
<thead>
<tr>
<th>Innovation process</th>
<th>Existing Products</th>
<th>Modified Products</th>
<th>Improved Products</th>
<th>New Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of strategy</strong></td>
<td>Copy Strategy</td>
<td>Incremental Strategy</td>
<td>Innovation Strategy</td>
<td></td>
</tr>
<tr>
<td><strong>Main goal</strong></td>
<td>Market sharing</td>
<td>Market sharing</td>
<td>Market creation</td>
<td>Market creation</td>
</tr>
</tbody>
</table>
2) MANAGING THE “MADE IN” EFFECT

• What does it mean “Made in”?
• What values evoke?
• What is the role of “Made in” in the fashion business? How is the real meaning of Made in USA, Made in France and Made in Italy?
• How much is important the origin denomination and how much are relevant the associated imaginaries?

↓

The nation as a life experience
(inheritance of symbols, values, tradition)
The Meaning of “Made in”: the analysis of the product and “the prism effect”

The answer of costumers to product policies can be altered by distortion effects due to perception which modified the competitive positioning of a firm. There are 3 possible distortions connected to the so called “prism effect”:

– *Amplified Effect*: the product is perceived and positioned in a more favorable way compared to the local offer

– *Transparent Effect*: the product is perceived in the same way of the country of origin; the market positioning is the same (a real “global product”)

– *Reduction Effect*: the product is perceived and positioned in a less favorable way compared to the local offer

1) The importance to analyze the impact of the product country of origin on the foreign consumer behavior (*Made in effect*).

2) The country of origin can be used by consumers as an “information substitute” which indicates the qualitative characters of products

3) Firms and governments can manage the “Made in” effect
The “prism effect”

- National product positioning (Country A)
- Amplified product positioning (Country B)
- Transparent product positioning (Country C)
- Reduced product positioning (Country D)
• History, culture, values are at the base of the country branding.
• There are three main country-associations (Roth-Romeo 1992). In the case of Italy they are:
  – Sensory (Pizza, Pasta, Parmesan, Espresso, Fashion and Design, Art and culture, shoes, ice-cream, Ferrari, Wine)
  – Emotional (holidays, weather, beauty, mafia, corruption)
  – Rational (language, history, chaos)
• A brand helps to build costumer’s confidence ⇒ associate the brand to the country identity is a way to obtain better performance in terms of sales ⇒ commercial brands and national brands can reinforce each others
• The role of the country of origin is less important for convenience products (commodities) and is more important for exclusive products (as luxury products, cars, etc.)
• The country brand is a way to conduct a glocal strategy
  – selling global products with a country differentiation which is more difficult to copy;
  – reference to the country codes can be successfully used in communication strategies (e.g. Tod’s is synonymous of the Italian style casual chic).
The “Made in” has historically played two roles:

- The country of origin is traditionally an entry strategy in foreign markets (validation effect even for unknown brands).
- The country of origin can be used as a protectionist-patriotic strategy (defense of domestic markets).

The new meanings of “Made in” in a global economy:

- *the enlargement of the original meaning* (less connected to the place where is manufacture the product: e.g. Geox, Ralph Loren, Nike)

- *fraudulent conversion* of the “Made in” (falsifications; the use of foreign names: e.g. Bossini, Belfast, Les Copains)

- *different legislations*: each country has different laws (Made in, Assembled in, Styled in … etc.) creating confusion in the customer
# Behind the stereotypes: the meanings of Made in France, Made in USA, Made in Italy in Fashion Business (Corbellini-Saviolo 2004)

<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>FRANCE</th>
<th>ITALY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Values</strong> (regards the society)</td>
<td>Melting pot</td>
<td>Tradition</td>
<td>Passion</td>
</tr>
<tr>
<td></td>
<td>To be realized</td>
<td>Showy</td>
<td>Craftsmanship</td>
</tr>
<tr>
<td></td>
<td>Democracy</td>
<td>Luxury</td>
<td>Functionality</td>
</tr>
<tr>
<td><strong>Stylistic identity</strong> (regards the fashion products)</td>
<td>Casual</td>
<td>Precious</td>
<td>Design</td>
</tr>
<tr>
<td></td>
<td>Practical</td>
<td>Details</td>
<td>Elegance</td>
</tr>
<tr>
<td></td>
<td>Light</td>
<td>Extravagant</td>
<td>Linearity</td>
</tr>
<tr>
<td><strong>Imagine identity</strong> (regards the fashion communication)</td>
<td>Freshness</td>
<td>Provocation</td>
<td>Beauty</td>
</tr>
<tr>
<td></td>
<td>Accessibility</td>
<td>Sophisticated</td>
<td>Sensuality</td>
</tr>
<tr>
<td></td>
<td>Simplicity</td>
<td>Arrogance</td>
<td>Romantic</td>
</tr>
</tbody>
</table>
## Some characters of the national fashion business

| Made in USA | • *Mass production* carried on at an international level  
  • *Mass distribution* (department and specialty stores)  
  • Work wear (jeans) and Casual wear: *comfort oriented*  
  • Street wear and sportswear (Nike)  
  • Emphasis on *good value for money*  
  • The place of manufacturing is less important of the brand image: *from “product origin” to “brand origin”* (Gap, Tommy Hilfiger, Calvin Klein, Ralph Lauren) |
| Made in France | • The *haute couture*: tradition; linkage between art and fashion; the role of government; glamour and eccentricity  
  • From historical couturier to *internationally luxury groups* (LVMH, PPR) diversified  
  • The importance of *communication and distribution*, no more a strong national manufacturing |
| Made in Italy | • Control of different stages in the whole *manufacturing filiera* (industrial districts)  
  • *Creativity* combined with *functionality* (*prêt a porter*)  
  • High quality in small scale production (*craftsmanship*)  
  • *Flexibility* (division of labor and specialization)  
  • Demand pull innovation (*Italian clients* are very exigent) |
PRELIMINARY FUNDINGS

• *The Made in Italy* continue to represent a source of value (some American distributors recognize the 17% of premium price to Italian products), but the new competitive scenario obliged the firm to change their strategies and firm structures (“glocal” solutions)

• *The role of suppliers* must be coherent with firms’ market positioning

• *Network organizations* are important to understand the capability “to create value” (network of manufacturing sub-contractors; network of commercial services; high tech industries supporting fashion business)

• *Some forecast on the future* scenario of Italian fashion system:
  – Growing internationalization: new export areas, more import, manufacturing delocalization for firms positioned in mass market
  – Firm concentration: evolution of network organizations to new consolidated forms (medium or large firms, small transnational groups)
  – Higher quality of national production (selection of sub-contractors)
  – High pressure on cost efficiency and stronger power of distribution chain
  – Demand polarization (luxury goods/griffe; delocalized production imported)
  – Strong selection of entrepreneurs (succession process) and new business start up
  – The importance to control the distribution (Della Valle main shareholders of Saks – luxury shopping mall in New York)
3) “Ethnic Entrepreneurship in Europe: the Emergence of the Chinese Firms in the Prato Industrial District ”
Summary

1. Purpose and research questions
2. Pertinent background information
3. Theoretical foundations
4. Research design and methodology
5. Findings: highlights and discussion
6. Conclusions
1) Purpose

- **Object of analysis:** We examine the nature of a migrant Chinese network of personal relationships and business interactions, and their level of integration with the traditional Italian firms that are housed in Prato’s industrial district.

- The specific goal is to understand how do the unique socio-economic entity which defines the quintessential Italian industrial district, and the business culture brought over by migrant Chinese entrepreneurs enmesh with each other.
**Specific Challenge**
To examine the nature of the complex ethnic Chinese networks of personal relationships and business interactions, and their level of integration with the traditional Italian firms that are housed in the same industrial district (Prato)

**Some Research Questions**
• What are the main differences between Italian and Chinese entrepreneurship?
• What type of interactions there are between the historical ID firms and the new Chinese entrepreneurs?
• What are the effects of the Chinese immigration in the local system? (positive and negative impact)
2) Pertinent Background Information

a) The concept of Industrial Districts

b) The Prato Industrial District characters’

c) The Chinese immigration to Italy and Prato

d) The other Chinatown; trying a first international comparative analysis
a) **Industrial District (ID)**

**Definition:** “a socioeconomic entity where manufacturers, services, local Institutions, government, union, etc., live and cooperate together” (Becattini 1987).

**Main characters:** SME autonomous firms, most of the firms are working in the same industry (specialization), high flexibility and good quality (craftsmanship), local division of labor (economies of scope), trust and long run economic relationship (“coopetition”).

**Evolution:** Success of Italian Industrial Districts’ in the 80’-90’s (Porter 1990); in the last two decades some changes have weakened the local competitive advantage (introduction of the Euro currency; reduction of trade barriers; the emergence of new global competitors)

**Relevancy to the Study:** These Italian clusters of small firms continue to produce and export worldwide, but recently they register important structural changes. Different local path of development emerge
b) Prato Industrial District

- Has been known for its textile production since the middle ages.
- Firms are small, specializing in different aspects of production – (i.e., value chain activities) and collaborate with each other.
- Many of the firms are artisan firms family owned.
- Recent changes:
  - succession problems (Table 1)
  - evidence of crisis due to global competition (reduction of N. of firms, loss of employees, fall of export)
  - delocalization of some productions
  - Emerging of new leading firms (medium size)
  - Chinese immigration (30-35.000 people, around 1/3 illegal) and the emergence of new ethnic entrepreneurs
  - development of new business before non existing (clothing industries specialized in “fast fashion”): in one year around 350-400 million Euro; mass market (low cost); trendy products; quick response as critical factor (production in 48 h.)
Table 1. Variation of firm ownership in Prato Province for nationality (2001-2006)

*Source: Unioncamere Toscana*

<table>
<thead>
<tr>
<th>Sectors</th>
<th>UE</th>
<th>Non UE</th>
<th>Of whom:</th>
<th>Italian</th>
<th>N.C.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chinese</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textile and clothing</td>
<td>-3</td>
<td>995</td>
<td><strong>1.006</strong></td>
<td>-1.469</td>
<td>-1</td>
<td>-478</td>
</tr>
<tr>
<td>Electronic-mechanic-automation.</td>
<td>-2</td>
<td>9</td>
<td><strong>1</strong></td>
<td>-43</td>
<td>0</td>
<td>-36</td>
</tr>
<tr>
<td>Other industries</td>
<td>2</td>
<td>134</td>
<td><strong>123</strong></td>
<td>-142</td>
<td>0</td>
<td>-6</td>
</tr>
<tr>
<td>Constructions</td>
<td>17</td>
<td>839</td>
<td><strong>16</strong></td>
<td>305</td>
<td>0</td>
<td>1.161</td>
</tr>
<tr>
<td>Commerce and distribution</td>
<td>2</td>
<td>436</td>
<td><strong>248</strong></td>
<td>-243</td>
<td>-3</td>
<td><strong>192</strong></td>
</tr>
<tr>
<td>Transport</td>
<td>0</td>
<td>92</td>
<td><strong>25</strong></td>
<td>-115</td>
<td>0</td>
<td>-23</td>
</tr>
<tr>
<td>Real estate</td>
<td>0</td>
<td>4</td>
<td><strong>11</strong></td>
<td>85</td>
<td>0</td>
<td>89</td>
</tr>
<tr>
<td>Other services</td>
<td>5</td>
<td>13</td>
<td><strong>1</strong></td>
<td>43</td>
<td>0</td>
<td>61</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>26</td>
<td><strong>5</strong></td>
<td>-93</td>
<td>0</td>
<td>-59</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
<td>2.548</td>
<td><strong>1.436</strong></td>
<td>-1.672</td>
<td>-4</td>
<td>901</td>
</tr>
</tbody>
</table>
c) Chinese Migration to Italy and Prato

In the last two decades Italy has experienced significant Chinese immigration (50,000 firms, +131% in 2002-2009) and the Chinese population is the fifth largest in Europe (Ceccagno, 2003).

- In Prato Chinese firms are in 2009 more than 4,000, and account for 44% of the total manufacturing firms in the ID (Prato Chamber of Commerce, 2010).

- **High turnover** of the ethnic enterprise, very high for Chinese firms (47%)
- **Industry specialization**: most of the Chinese firms in Prato work in the manufacturing (80%), mainly in garment industries (71%), only 4% in textile. Another important business is commerce (14%), services (4%) and restaurants (2%)
- **Simple juridical forms**: Individual Firm (87%), Partnership (6%), Ltds. and other similar companies (7%)
- **Gender** (2008 data): 60.6% Male entrepreneurs; 39.4% Women entrepreneurs
- The importance of “hidden or black economy” (illegal immigration, tax evasion, illegal import, etc.) ⇒ now there are more severe control
d) Comparative analysis with other Chinatown

• *International comparison* (Table 2: source Confartigianato Prato 2008):
  • there are other Chinese enclave in Europe, but not of the same dimension of Prato (in general large urban town);
  • the Chinese immigration experience in Prato is unique if we consider the timing of the process (only 10-15 years)
  • in terms of Chinese density Prato experience seems more similar to some Canadian or US Chinatown

• *The Chinese paradox in Prato* (Table 3): The Chinese firms continue to growth despite the crisis of the textile industrial district

• *Different local path of development* (Table 4: source Confartigianato Prato 2008): peculiarities of Chinese immigration in Prato by comparison to others Italian provinces
### Tab. 2 Immigrati cinesi nel mondo. Principali Chinatown

Paesi industrializzati (esclusa l'Australia)

<table>
<thead>
<tr>
<th>Stati Uniti</th>
<th>Stato</th>
<th>cinesi residenti x 1000</th>
<th>% su residenti</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco</td>
<td>California</td>
<td>152,6</td>
<td>19,6%</td>
</tr>
<tr>
<td>Honolulu</td>
<td>Hawaii</td>
<td>39,6</td>
<td>10,7%</td>
</tr>
<tr>
<td>Oakland</td>
<td>California</td>
<td>31,8</td>
<td>8,0%</td>
</tr>
<tr>
<td>San Jose</td>
<td>California</td>
<td>51,1</td>
<td>5,7%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>California</td>
<td>19,4</td>
<td>4,8%</td>
</tr>
<tr>
<td>New York</td>
<td>New York</td>
<td>361,5</td>
<td>4,5%</td>
</tr>
<tr>
<td>Seattle</td>
<td>Washington</td>
<td>19,4</td>
<td>3,4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Canada</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>British Columbia</td>
<td>161,1</td>
<td>29,5%</td>
</tr>
<tr>
<td>Toronto</td>
<td>Ontario</td>
<td>259,7</td>
<td>10,4%</td>
</tr>
<tr>
<td>Calgary</td>
<td>Calgary</td>
<td>51,5</td>
<td>5,1%</td>
</tr>
<tr>
<td>Edmonton</td>
<td>Alberta</td>
<td>39,8</td>
<td>6,1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Europa</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parigi (*)</td>
<td></td>
<td>140,0</td>
<td>1,5%</td>
</tr>
<tr>
<td>Londra</td>
<td></td>
<td>116,2</td>
<td>1,4%</td>
</tr>
<tr>
<td>Manchester</td>
<td></td>
<td>51,5</td>
<td>2,3%</td>
</tr>
<tr>
<td>Milano</td>
<td></td>
<td>19,1</td>
<td>0,5%</td>
</tr>
<tr>
<td>Firenze</td>
<td></td>
<td>11,3</td>
<td>1,2%</td>
</tr>
<tr>
<td>Prato</td>
<td></td>
<td>10,9</td>
<td>4,5%</td>
</tr>
</tbody>
</table>


Table 3: N. of Chinese firms active in Prato Province (1996-2010) Source: our elabor. from Prato Chamber of Commerce data

In the last 2 years there is a reduction in the rate of growth; an increase in the turn over of the Chinese firms (51,5% in 2010). Actually the growth is higher in the service sector by comparison than in manufacturing industry.

<table>
<thead>
<tr>
<th>Year</th>
<th>N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>375</td>
</tr>
<tr>
<td>1997</td>
<td>479</td>
</tr>
<tr>
<td>1998</td>
<td>862</td>
</tr>
<tr>
<td>1999</td>
<td>1,158</td>
</tr>
<tr>
<td>2000</td>
<td>1,288</td>
</tr>
<tr>
<td>2001</td>
<td>1,499</td>
</tr>
<tr>
<td>2002</td>
<td>1,559</td>
</tr>
<tr>
<td>2003</td>
<td>1,724</td>
</tr>
<tr>
<td>2004</td>
<td>1,997</td>
</tr>
<tr>
<td>2005</td>
<td>2,414</td>
</tr>
<tr>
<td>2006</td>
<td>2,991</td>
</tr>
<tr>
<td>2007</td>
<td>3,155</td>
</tr>
<tr>
<td>2008</td>
<td>3,971</td>
</tr>
<tr>
<td>2009</td>
<td>4,395</td>
</tr>
<tr>
<td>2010 (June)</td>
<td>4,808</td>
</tr>
</tbody>
</table>
**Tab. 4** N. di residenti totali, stranieri e cinesi al 1 gennaio 2007

Prime 15 province per presenza cinese e totale Italia

<table>
<thead>
<tr>
<th>Provincia</th>
<th>Residenti totali (R)</th>
<th>Residenti stranieri (Rs)</th>
<th>di cui: cinesi (Rc)</th>
<th>% cinesi su totale Italia</th>
<th>N. di stranieri x 1000 italiani Rs/(R-Rs)</th>
<th>N. di cinesi x 1000 italiani Rc/(R-Rs)</th>
<th>N. di Cittadinanze presenti</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milano</td>
<td>3.884.481</td>
<td>317.536</td>
<td>19.128</td>
<td>13,2%</td>
<td>89,0</td>
<td>5,4</td>
<td>169</td>
</tr>
<tr>
<td>Firenze</td>
<td>970.414</td>
<td>75.621</td>
<td>11.274</td>
<td>7,8%</td>
<td>84,5</td>
<td>12,6</td>
<td>155</td>
</tr>
<tr>
<td><strong>Prato</strong></td>
<td>245.033</td>
<td>26.120</td>
<td>10.946</td>
<td>7,6%</td>
<td>119,3</td>
<td>50,0</td>
<td>116</td>
</tr>
<tr>
<td>Roma</td>
<td>4.013.057</td>
<td>278.540</td>
<td>8.144</td>
<td>5,6%</td>
<td>74,6</td>
<td>2,2</td>
<td>182</td>
</tr>
<tr>
<td>Treviso</td>
<td>857.359</td>
<td>77.947</td>
<td>5.889</td>
<td>4,1%</td>
<td>100,0</td>
<td>7,6</td>
<td>143</td>
</tr>
<tr>
<td>Torino</td>
<td>2.248.955</td>
<td>129.533</td>
<td>5.483</td>
<td>3,8%</td>
<td>61,1</td>
<td>2,6</td>
<td>156</td>
</tr>
<tr>
<td>Brescia</td>
<td>1.195.777</td>
<td>120.845</td>
<td>4.443</td>
<td>3,1%</td>
<td>112,4</td>
<td>4,1</td>
<td>152</td>
</tr>
<tr>
<td>Reggio Emilia</td>
<td>501.364</td>
<td>46.722</td>
<td>3.705</td>
<td>2,6%</td>
<td>102,8</td>
<td>8,1</td>
<td>136</td>
</tr>
<tr>
<td>Napoli</td>
<td>3.082.756</td>
<td>47.577</td>
<td>3.683</td>
<td>2,5%</td>
<td>15,7</td>
<td>1,2</td>
<td>145</td>
</tr>
<tr>
<td>Modena</td>
<td>670.098</td>
<td>59.944</td>
<td>3.499</td>
<td>2,4%</td>
<td>98,2</td>
<td>5,7</td>
<td>137</td>
</tr>
<tr>
<td>Padova</td>
<td>897.999</td>
<td>58.498</td>
<td>3.227</td>
<td>2,2%</td>
<td>69,7</td>
<td>3,8</td>
<td>145</td>
</tr>
<tr>
<td>Bologna</td>
<td>954.682</td>
<td>65.785</td>
<td>3.210</td>
<td>2,2%</td>
<td>74,0</td>
<td>3,6</td>
<td>153</td>
</tr>
<tr>
<td>Mantova</td>
<td>397.533</td>
<td>35.167</td>
<td>3.147</td>
<td>2,2%</td>
<td>97,0</td>
<td>8,7</td>
<td>125</td>
</tr>
<tr>
<td>Venezia</td>
<td>836.596</td>
<td>44.996</td>
<td>2.740</td>
<td>1,9%</td>
<td>56,8</td>
<td>3,5</td>
<td>143</td>
</tr>
<tr>
<td>Verona</td>
<td>880.230</td>
<td>72.459</td>
<td>2.537</td>
<td>1,8%</td>
<td>89,7</td>
<td>3,1</td>
<td>147</td>
</tr>
<tr>
<td><strong>Totale Italia</strong></td>
<td>59.131.287</td>
<td>2.938.922</td>
<td>144.885</td>
<td>100%</td>
<td>52,3</td>
<td>2,6</td>
<td>192</td>
</tr>
</tbody>
</table>

Ns. elabor. su dati Istat
3) Theoretical Foundations

* Ethnicity and entrepreneurship research:
  - entrepreneurship is the product of interaction of ethno-culture and socio-cultural factors with political-economic factors (Waldinger 1990)
  - the role of “transnational communities” and of ties to the countries of origin (Zhou, 1996; Portes, 2004)
  - mixed embeddedness approach (Kloosterman, Rath 2003 ) and the role of networks
  - “Community-Based Enterprise” theory (Predo, Chrisman 2006): a community acts entrepreneurially to create and operate a new enterprise embedded in its existing social structure.
  - The existence of different ethnic business model

* Chinese entrepreneurship research
  - the Laoban-self employed model (Collins, 2002)
  - high adaptability and evolution (Seow Wah, 2001)
  - cultural heritage could act as a barrier too (Liao-Sohment, 2001)
  - the family value (jia), the role of trust (guanxi) and the “bamboo networks” (Yeung, 1999)

* The Study of Industrial Districts (Becattini et al. 2009)
  - Different SME local systems in Europe and worldwide
  - The future of the Industrial district model: crises or evolution?
4) Design/Methodology

• Data have been collected through a survey, previously tested, which included structured and semi-structured questions. The questionnaire (wrote in Italian and in Chinese) was directly submitted to 50 Chinese entrepreneurs in Prato.

• Field researchers have encountered the same difficulties encountered by other researchers involved in similar studies, one such difficulty has been getting in touch with entrepreneurs and getting reliable data on performance and finance.

• Entrepreneurs were interviewed in Chinese in order to minimize language barriers and difficulties in communicating and establishing trust relationships.
5) Findings: Highlights

• **Biography** – young entrepreneurs, 90% coming from the same province (Zhejiang), the presence of the family is the main reason to come to Prato


• **Production focus** – Focalization and the emergence of a new district specialized in the garment business (“fast fashion”). The low end of the market (cheap products). Low investment in marketing and design (Italian employees).

• **Family business.** The cultural heritage of Chinese entrepreneurs is the primary force that guides their behavior. The role of the family is key – reason for immigration, job creation, relationship with China, source of capital.

• **Networks** – Chinese partners are easy to be substitute, on the contrary they show more resistance in changing the Italian players involved in the network. Chinese entrepreneurs demonstrate a low level of integration with the industrial district of Prato and exhibit an international orientation.

• **Facing the crisis.** The low level of interaction with the local economy helped Chinese businesses to better weather the current economic crisis than their Italian counterparts (less exposed to the credit crunch) Most will stay in Italy despite the economic crisis.
Findings: discussion (1)

i) Positive effects
• New local productive specialization (towards a “fashion district”)
• Strategic complementary positioning (low cost mass market)
• The new entrepreneurship has avoided local de-industrialization
• Other economic spill-over (real estate market, luxury cars, services ..)

⇒ Immigrant entrepreneurs can be instrumental in giving certain sectors a new lease on life (Vinogradov and Kolvereid 2006; Dana 2007)
⇒ The use of social capital and networks to reduce production and transaction costs (Rath 2002, 2006). Immigrant entrepreneurs build new linkages with supplier and customers to create bridges with other networks outside their enclave
⇒ Ethnic entrepreneurship in Prato can be explained by 3 main characters (Waldinger, Aldrich 1990):
   i) local opportunities (favorable market and law conditions; good ownership conditions due to succession process or vacancy chain inside the Italian firms);
   ii) ethnic characters (specific Chinese resources, as labor and capital)
   iii) ethnic strategies (entrepreneurial Chinese behavior that tend to adapt resources to market conditions)
Findings: discussion (2)

ii) Negative effects

- *A parallel system of production* (a separate Chinese enclave inside the industrial district”) with low connected networks
- *Low social integration*: Chinese Entrepreneurs that reside in Prato tend to live and work with other Chinese a phenomenon that on balance, reduces meaningful cultural exchange and social interactions with their Italian counterparts (30% low knowledge of Italian language)
- *Weak innovation effect* and possible risk to transfer local productive knowledge in other countries (low learning process)
- *Low investment impact* (most of the resources risks to come back to China via money transfer (around 500 million Euro in 2009)
- *The negative consequences of the “black economy”*: 
  - Diffused parallel business to avoid taxes
  - Unfair concurrence to Italian legal firms (fake luxury products)
  - High social costs (illegal immigration, children work, no environmental control, etc.)
  - Possible influence of Chinese Mafia on other illegal business
Recent trends

• Uniocamere (2017): Chinese firms continue to grow in Italy
  – At the end of 2016, the Chinese “Individual Firm in Italy were 50,737 (+10,000 in 5 years; in 2011 they were 40,318).
  – Among the Italian Regions in Tuscany there are 10,391 Chinese firms, before Lombardy (10,270) and Veneto (5,560)

• CCCIAA Prato (2017; 2018): the Chinese firms in Prato continue to grow and to develop:
  – At the end of 2016 there were 5,676 Chinese firms (+4,4%); in 2017 there were 5,842 (+2,9%)
  – In the last decade stabilization of the annual growth rate: + 4,0%-4,4%
  – Reduction of turn-over; young entrepreneurs (average age: 42 years old)
  – More Public limited company (growth of capital firms and less simple individual firms)
  – Diversification strategies: towards services, in particular real estate business
  – The importance of Chinese entrepreneurship in Prato ID: 50% of manufacturing firms are Chinese; recent growth in services too
6) Conclusions

• **Structural characters:**
  – Italian and Chinese firms have similar structural characters (with the exception of the finance where *Guanxi* culture reduces bank credit) but the Chinese firms have weaker linkage with the external environment.
  – The importance of the “black economy” (not legal competition) to evaluate the real impact of Chinese immigration in Prato ID.

• **Strategies:**
  – Data analysis revealed that Chinese firms follow different paths than the Italian firms in Prato (a separate “district inside the district”).
  – Differences happen because of the role played by Chinese cultural heritage that strongly influences entrepreneurial orientation, strategic decisions and know-how improvement.

• **Research Limitation:**
  – Sample size was limited.
  – Need to investigate further relationship between environmental variables and entrepreneurial behaviors.
  – Try to consider other Italian industrial districts.
Future development:

- The dynamic of the Prato Chinese enclave:
  - The Chinese is a permanent immigration that is going to change the Prato industrial district model (strong selection process inside ID)
  - Possible future succession problems for the Chinese family firms too
- The governance
  - How can we overcome the risk of a “separate district inside the district”? (the importance to fight illegal economy)
  - What social policies could support this fast social-economic change? (the importance to avoid the emergence of social tensions; peculiarities of a rich ethnic communities that ask a low public support)
- The network
  - Is it possible to create “transnational communities”? (second generation more embedded in the local system, but connected with new emerging markets)
  - Is it possible to govern the evolution of this network? (from local value chain to global networks)
  - Are there linkages with other European Chinatown? (International comparative analysis)
- The strategies
  - “Made in” Effect: less important in terms of production, but still important in terms of quality, innovation and design (Italian partner are more stable in the Chinese network)
  - Export capabilities of Chinese firms. Prato begins to export again in 2010 (+17.9%) and 1011 (+8.8% in the first semester). Apparel industry seems to export better than textile industry
REFERENCES