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Articles

Industrial districts, multinational corporations, and their local/global paradoxes

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Abstract:

Over the past fifteen years, several studies have used the organizational theory of paradoxes to understand some typical organizational tensions, including that between global and local dimensions typically faced by multinational corporations. These studies analyze paradoxical tensions at the organizational or even intra-organizational level, while the paradox lens has not yet been applied to study systems such as industrial districts. This paper attempts to do so by analyzing and comparing the local/global paradox in multinational corporations and industrial districts. For the latter, the analysis rests on some empirical studies conducted on Italian districts. Moreover, as the presence of multinationals in these districts has become stronger in the recent phase, an attempt has been made to understand if and how this phenomenon impacts the local/global tension at the district level.

Keywords: Organizational paradoxes; local/global paradox; multinational corporations; industrial districts; Italy.

JEL Classification: F23; R12.

Distritos industriales, empresas multinacionales y sus paradojas local/global

Resumen:

En los últimos quince años, varios estudios han utilizado la teoría organizativa de las paradojas para comprender algunas tensiones organizativas típicas, incluida la que se da entre las dimensiones global y local a la que suelen enfrentarse las empresas multinacionales. Estos estudios analizan las tensiones paradójicas a nivel organizativo o incluso intraorganizativo, mientras que la lente de la paradoja aún no se ha aplicado para estudiar sistemas como los distritos industriales. Este artículo intenta hacerlo analizando y comparando la paradoja local/global en las empresas multinacionales y los distritos industriales. En el caso de estos últimos, el análisis se basa en algunos estudios empíricos realizados sobre distritos italianos. Además, dado que la presencia de multinacionales en estos distritos se ha hecho más fuerte en la fase reciente, se ha intentado comprender si este fenómeno influye en la tensión local/global a nivel de distrito, y de qué manera.

Palabras clave: Paradojas organizativas; paradoja local/global; empresas multinacionales; distritos industriales; Italia.

Clasificación JEL: F23; R12.

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1. Introduction

Looking at industrial districts (IDs) in the UK in the second half of the 19th century, Alfred Marshall (1898) described them as a population of small- and medium-sized firms (SMEs) connected to each other and concentrated in a limited area could compete with large vertically integrated firms, by contrasting the ID external economies to the internal economies that characterize large firms, the division of labor (that increases efficiency) between firms to the division of labor within firm (Belussi and Caldari, 2009). A century later, Giacomo Becattini (1979, 1989) further developed the concept, detailing the characteristics of the Marshallian ID by observing the Prato textile area in Italy: his analysis reinforced the idea, already contained in Marshall's thought, that the strength of localness rested on a solid social base, or better, on the interpenetration between ID firms and the local community. With the rise of globalization, however, firms are led to define their localization choices related to buying, producing and selling on a global scale, challenging the demise of localness as a source of competitive advantage (De Marchi and Grandinetti, 2014). Several local firms moved their activities and supply chains abroad, and several multinational corporations (MNCs) opened factories in districts or became the main customer for districts firm. In this context of profound transformation, resilient IDs are those that succeed to transform what seems a contradiction between being local and having to be global, into a virtuous coexistence.

This paper attempts to investigate such a local/global tension emerging in the current configuration of IDs, using a novel theoretical lens: the paradox theory, increasingly influential within the management community (Lewis, 2000; Smith and Lewis, 2011; Schad *et al.*, 2017). We backed the analysis based on existing empirical studies conducted on Italian IDs and on secondary data where presence of multinationals has become stronger. Accordingly, we aim at contributing both to the ID and the paradox theory. On the ID side, the use of paradox as a theoretical frame will allow not only to better understand the tensions but also to shed light on how they could be effectively managed, and on further research questions to be empirical accessed, to better understand future resilience of districts. On the paradox literature side, we contribute by focusing on a novel level of analysis – the industrial districts –, thus going beyond the traditional individual and organizational level of analysis to bring this lens to a system level in order to investigate the nature and the management of tensions emerging in systems of organizations. Over the past fifteen years, indeed, several studies have used paradox theory to understand the nature and the management of organizational tensions (Carmine and Smith, 2021), yet mainly resting at the organizational or even intra-organizational level, while the paradox lens has not yet been applied to study systems (Carmine and De Marchi, 2022; Schad and Bansal, 2018), such as IDs.

2. The local/global tensions

2.1. Industrial districts and the challenge of globalization

Globalization, which shows its first signs in the early 1990s and then grows in intensity and becomes increasingly disruptive in its effects, heavily impacted on IDs. Drawing on a large body of empirical research, De Marchi and Grandinetti (2014) speak of collapse of the model that marked the previous “golden season” of IDs – the Marshallian ID. This outcome was brought about by several causes converging in effect: the intensification of competition on a global scale and the consequent demographic decline of IDs due to increased firm mortality and falling birth rates, traditionally linked to spin-offs from existing firms (Furlan and Grandinetti, 2014); the increase in the concentration of each ID's total turnover and employment base in leading firms, to which is added the rarefaction of the web of relationships between firms due mainly to the de-localization choices of manufacturing operations internationally; the impact that the massive presence of immigrant workers – and in many districts also of immigrant entrepreneurs – has had on the interpenetration between social structure and production structure, which constitutes the true hallmark of the Marshallian model (Becattini, 1989); generational change, which has made the reproducibility of the entrepreneurial factor more problematic; and finally, the diversification and consequent de-specialization of the local production structure[1]. More and more local firms moved their operations abroad, and MNCs entered the district, changing their structure.

The phenomena indicated therefore prevent us from still using the Marshallian framework to represent the current reality of Italian IDs, while the focus must shift to the processes of change triggered by globalization in these local systems. One fact on which scholars agree concerns the increased heterogeneity of IDs in that the ability to respond to its challenges was found to be widely differentiated among them[2]. This has been found to be true in Italian IDs (Belussi and Sedita, 2009; Corò and Grandinetti, 2001a; Corò and Rullani, 1998; Dei Ottati, 2018; De Marchi *et al.*, 2018b; Giuliani and Rabellotti, 2018; Rabellotti *et al.*, 2009), in the other district systems studied in Europe (Belso-Martínez, 2008; Belussi and Sedita, 2008; Hervas-Oliver and Parrilli, 2018), and also in the industrial clusters scattered in the rest of the world, such as those observed by scholars of global value chains in developing countries (Belussi and Sedita, 2012; Giuliani *et al.*, 2005).

In the case of Italian IDs and reducing the differences among them to the sole aspect of the reproducibility of the district system in globalization, the observed cases lead to discriminate between IDs whose life cycle seems to have entered the phase of decline and others that reproduce the district formula of geographical concentration of interconnected firms in a business area (Belussi and De Propris, 2013; Dei Ottati, 2018; De Marchi *et al.*, 2018b). The former are seeing their global weight increasingly shrinking in the business area in which they specialize, and at the same time their *districtuality* has faded as within-district inter-firm relationships (interconnectivity) have faded. The latter qualify as evolving IDs, where globalization has resulted in a robust selection of the population of district firms in favor of those with adequate adaptability, which in turn determine the resilience of the system (Folke *et al.*, 2010; Pike *et al.*, 2010)[3]. The selection process has raised the average size of district firms, making obsolete the traditional identification of an ID with a population of employees working predominantly in SMEs (Grandinetti and De Marchi, 2012).

2.2. Multinational corporations between global and local

The literature of international marketing has long strand with the dilemma between marketing (global) standardization and marketing (local) adaptation. The issue emerged in the 1960s with reference to advertising, but then the discussion extended to other forms of marketing communication and the other levers of the marketing mix (product, price and distribution) (Theodosiu and Leonidou, 2003; Vrontis *et al.*, 2009). For a long time, the debate followed an either/or logic, with proponents of standardization (Buzzell, 1968; Jain, 1989; Levitt, 1983) and proponents of adaptation (Kashani, 1989; Papavassiliou and Stathakopoulos, 1997). Among the pro-standardization advocates, it became famous the thesis of an influential marketing scholar, Levitt (1983), who at the dawn of modern globalization claimed: technology drives the world toward homogenization of needs and desires; this process results in the emergence of global markets for standardized goods; in the new scenario, traditional MNCs are destined to succumb to globally thinking and acting firms. The former operate in a multiplicity of countries adapting to local differences, with high relative costs, while the latter conceive of the world as a single entity and operate there with low relative costs: they sell "the same things in the same way everywhere" (p. 93). In other

[1] Other authors take a different position regarding the issue of reproducing the Marshallian model in the globalization scenario (Bellandi *et al.*, 2019; Breznitz *et al.*, 2024; Dei Ottati, 2018). For example, Bellandi *et al.* (2019) advocate a reproduction however dynamic of the Marshallian model, although, considering the textile district of Prato (Tuscany), an archetypal example of Marshallian IDs, they admit that "at the turn of the twenty-first century, several shocks damaged the district. Low-cost competitors from Asia in the yarn and fabric markets undermined its domestic and international position, hitting local production and the related system of local firms and jobs. On the other hand, trickling since the 1990 and gathering pace more recently, an inflow of Chinese migrants led to the emergence of a parallel clothing and knitwear cluster of activities in Prato, centred around Chinese entrepreneurs and labour, and with weak relations with the historical textile district" (p. 196).

[2] However, it is worth mentioning that differences between IDs could be observed even before globalization, but they were overlooked by ID studies (Paniccia, 1998).

[3] Following Folke *et al.* (2010, p. 20), adaptability or adaptive capacity is "the capacity of actors in a system to influence resilience", while resilience is "the capacity of a system to absorb disturbance and reorganize while undergoing change so as to still retain essentially the same function, structure and feedbacks, and therefore identity, that is, the capacity to change in order to maintain the same identity".

words, Levitt asserted, in an earth destined to become increasingly flat, the logic of absolute standardization (and scale economies) dreamed up by Henry Ford will finally be vindicated.

However, Levitt's prophecy has not come true: globalization has turned out to be a far more complex phenomenon than the simple causal concatenation proposed by the author, the earth has not become flat. In their review of the empirical literature conducted, Birnik and Bowman (2007) clearly points to the fact that that the degree of standardization of marketing policies decreases as the differences between geographic markets in which the MNC sells its products (in terms of cultural distance and other variables) and local competition intensity increase. The degree of standardization is represented by a simple number, but it summarizes a complex reality in relation to: the number of distinct marketing variables for which to decide on the appropriate standardization-adaptation mix, the cross-functional relationships when the variable is the product (new product development), the interdependencies among the marketing variables, the amount of information to take into account, and the changes in the competitive environment that lead to revise the decisions made (Liu and Shi, 2020).

On the other hand, international business literature has pointed out the relevance of the local dimension to MNCs, not only in relation to the needs of customers and the demands of local communities, but also because subsidiaries are embedded in their local networks and this affects the way they practice their autonomy within the organizations of which they are a part. This issue takes shape with the shift (Bartlett and Ghoshal, 1989; Ghoshal and Bartlett, 1990; Rugman and Verbecke, 2001) from the multi-domestic and radial model of MNCs – with the high-value-added activities concentrated in the headquarters and the production-sales or sales-only activities distributed among the subsidiaries – to the transnational and networked model, which overlaps and enhances the decentralized model mentioned earlier. An MNC of the second type "consists of a group of geographically dispersed and goal-disparate organizations that include its headquarters and the different national subsidiaries. Such an entity can be conceptualized as an interorganizational network that is embedded in an external network consisting of all other organizations such as customers, suppliers, regulators, and so on, with which the different units of the multinational must interact" (Ghoshal and Bartlett, 1990, p. 603). Specifically, subsidiaries may carry out specific activities to serve the entire MNC, such as producing a component or finished good with the support of their own R&D resources, or they may be R&D subsidiaries that develop innovations under a mandate from their headquarter by collaborating with it or other subsidiaries with specific capabilities (Ambos *et al.*, 2011; De Marchi *et al.*, 2022; Medcof, 2001; Phene and Almeida, 2008).

In short, both marketing and international business literature highlighted the contraposition between a local perspective and a global one, which can lead to the emergence of local/global tensions for MNCs, due to the need to adapt global production to local needs.

2.3. The coexistence of industrial districts and multinational corporations

MNCs have long shown the interest for local IDs, both to locate their own subsidiaries (Belussi *et al.*, 2018; Hervas-Oliver *et al.*, 2020) or to source from them. Such investments are the implication of the aforementioned evolution of MNCs from the multi-domestic shape to the reticular one where subsidiaries turn out to be variously specialized to forming different configurations depending on the strategy followed by the MNC (Hernández and Pedersen, 2017).

The first entries of MNCs are documented at the turn of the 1980s and 1990s, mainly in the form of acquisitions of existing district firms (Parri, 1993). A case in point is the Montebelluna sportsystem district in the Veneto region (Corò *et al.*, 1998), where a number of foreign MNCs and a major Italian MNC (Benetton Group) acquired some of the most important firms (and brands) in the production of the district's characteristic products, mountain shoes and ski boots, during that period. Events such as these raised concerns about the future of IDs, seeing external MNCs as organizations with great market power and interested in internalizing the district's most valuable resources to replace the district form with the MNC form. Such a worry was expressed particularly by local communities, with reference to policy makers and trade unions, and was also echoed among scholars (Amin and Malmberg, 1992; Harrison, 1994a, 1994b; Whitford, 2001).

However, after the early pioneering experiences, the entries of MNCs into IDs multiplied, and thirty years later the evidence does not lead one to recognize any “predatory” effect by MNCs. On the one hand, these organizations have been attracted to IDs as places with a high density of information, knowledge, and skills related to their business, and have benefited from them in ways not unlike local actors (Camuffo and Grandinetti, 2011). On the other hand, district subsidiaries have acted as knowledge brokers between global and local (Biggiero, 2002; Grandinetti, 2019; Mariotti *et al.*, 2008), with results that have sometimes had non-negligible effects in the evolution of IDs. In the cited case of Benetton's entry into the Montebelluna ID, it has been observed that the MNC's strategic choices triggered the district's evolutionary shift from footwear specialization to a more diversified range of products related to sports or sports lifestyle, which justifies the “sportsystem” label that has become customary to apply to that district. Also in Montebelluna, the giant Nike acquired a small local firm in 1994, which it transformed into an R&D subsidiary well connected to other district firms; when Nike closed this venture after ten years, a new firm (Novation Tech) was born from it, which is now a leader on an international scale in the designing and manufacturing of high-tech components for the automotive, aerospace, sports and eyewear sectors (De Marchi and Grandinetti, 2016; Gottardi and Scarso, 2009). A very special case is then represented by the Mirandola biomedical district (Emilia-Romagna) in that, in the very formation of this ID, MNCs played an important role: at the beginning, there was only one firm in that geographic area, founded by a local pharmacist (Mario Veronesi); this venture was remarkably successful and the entrepreneur sold it to an MNC to found another one soon after; from the first one came some employees who formed their own firms (spin-offs) while the (serial) entrepreneur at some point also sold the second firm he founded to another MNC, and so on (Biggiero, 2002; Sammarra, 2003).

3. Using paradox theory to understand the local/global tensions

3.1. The paradox theory of organizations

Paradox theory is a theory about the nature and the management of tensions emerging in organizations (Carmine and Smith, 2021). This theory is increasingly being adopted to understand and investigate tensions emerging in multiple contexts and fields (Lewis and Smith, 2014). Paradoxical tensions are defined as contradictory but interdependent elements that persist over time (Smith and Lewis, 2011). Therefore, a paradoxical tension is defined, in this literature, by three core dimensions: (1) contradiction, two – or more – poles involved are in opposition, (2) interrelation, cannot be completely separated as there are strongly connected, (3) persistence, the contradiction cannot easily solved, but it remains over time.

Moreover, Smith and Lewis (2011), in their seminal paper, have identified four general types of paradoxical tensions that can occur in organizations: paradox of learning, since innovation and change efforts carried out by firms generate a tension between the knowledge established in the past and the knowledge needed to face the future; paradox of belonging, as individuals seek both self-expression and homogeneity with the rest of the organization; paradox of organizing, which surfaces when the achievement of a desired outcome creates competing designs and processes within the organization; paradox of performing, which stems from the “differing, and often conflicting, demands of varied internal and external stakeholders” (Smith and Lewis, 2011, p. 384). Some paradoxical tensions operate within each of these categories: for example, a typical learning paradox is faced by those organizations that March (1991) called ambidextrous, that is, capable of simultaneously doing exploration (developing radically new knowledge) and exploitation (employing knowledge already available or at most incrementally increasing it). Other tensions arise between two categories, for example between belonging and organizing to reflect conflicts “between the individual and the aggregate, individuality vs. collective action” (Smith and Lewis, 2011, p. 383), or between learning (building capabilities for the future) and performing (ensuring success in the present). Because the elements of conflicting and interrelated poles existing simultaneously over time, a fundamental problem of paradox management arises in organizations. Existing paradox literature has highlighted that leaders and organizations faced with paradoxical tensions can respond following the either/or logic, that is, prioritizing one element and excluding the other. On the opposite, they can choice the both/and logic, that is, exploiting the interdependence/complementarity among the opposing elements in the paradox to construct a dynamic equilibrium – i.e., working through tensions and pursuing both poles simultaneously.

After the foundational contribution of Smith and Lewis (2011), paradox theory has been used by many management scholars aware that organizations in all sectors are increasingly pervaded by tensions and competing demands in their competitive environment (Lewis and Smith, 2022; Schad *et al.*, 2017; Schad *et al.*, 2019). On the one hand, several contributions have explored the role of leadership and other aspects of paradox management (Lewis *et al.*, 2014; Miron-Spector *et al.*, 2018; Smith, 2014; Smith *et al.*, 2016). On the other hand, some classic dichotomies have been read through the paradox lens, in particular: exploration and exploitation, or ambidexterity (Cunha *et al.*, 2019; Andriopoulos and Lewis, 2010; Martini *et al.*, 2013; Papachroni *et al.*, 2015); financial goal and social responsibilities, or sustainable development (Hahn *et al.*, 2018; Carmine and De Marchi, 2023; Slawinski *et al.*, 2021); collaboration and competition in inter- and intra-firm relationships, or co-opetition (Bengtsson and Raza-Ullah, 2017; Ouyang *et al.*, 2023).

3.2. Multinational corporations and the local/global tension

Within these works on organizational tensions, the local/global one is frequently cited, as clear example (Lewis *et al.*, 2014; Lewis and Smith, 2014; Smith *et al.*, 2010; Smith and Tracey, 2016). Lewis *et al.* (2014, p. 60) state that "achieving strategic agility often means attending to multiple, often contradictory demands – innovation and efficiency, global demands and local markets, and social missions and financial outcomes". The authors use Unilever as an emblematic example of a multinational company capable of facing challenges between global markets and local demands: "Unilever uses global categories to emphasize long-term goals and seeks discontinuous innovations that do not get bogged down by daily operations; while regional structures ensure short-term efficiencies, focus on local needs, and monitor ongoing operational goals" (p. 72). However, even if the global-local paradox has been presented in the literature, current research has just started to deeply investigate such tension (Carmine and De Marchi, 2023).

In this light, few IB studies started to adopt the paradox lens when looking at the local/global tension from the MNE perspective (Ambos *et al.*, 2020; Tippmann *et al.*, 2023). Current research has shown that the strategic recommendation "think globally, act locally" (Kefalas, 1998; Levy *et al.*, 2007), although suggestive, appears simplistic in the face of the complex work that makes navigating the local/global tension sustainable, during which it is necessary to think and act globally as well as to think and act locally (Keh and Thelisson, 2021; Marquis and Battilana, 2009). Pant and Ramachandran (2017) analyzed how leaders of a subsidiary (Hindustan Unilever) developed and used (navigated) an identity duality (local vs. global), i.e., a belonging paradox. Keh and Thelisson (2021) analyzed how local managers of IBM Montpellier addressed and dealt with tensions generated by headquarter choices with heavy employment implications for the subsidiary, tensions generated by a belonging paradox given the established global (IBM) mindset of the subsidiary managers but also their strong local embeddedness.

The evolution described above toward transnational and networked models of MNE further supports the creation of local/global paradoxical tensions. For example, the study by Kuivalainen *et al.* (2020) adopted the paradox lens to study the phenomenon of R&D offshoring, i.e., the relocation of headquarter R&D activities to R&D subsidiaries located in countries with low-cost engineering work to meet global operational requirements. MNCs adopting this strategy expect high project performance from R&D subsidiaries. On the other hand, the latter – partly thanks to the knowledge-intensive relationships they develop with local actors – are interested in developing their own autonomous innovation capability and demonstrating it at headquarters in competition with other R&D subsidiaries. This creates a paradoxical tension that the authors call learning but which, on closer inspection, arises from the opposition between learning and performing – "between building capabilities for the future while ensuring success in the present" (Smith and Lewis, 2011, p. 384).

3.3. Extending the paradox theory to understand the local/global tension in industrial districts

The local/global tension might be experienced not only in the MNCs context, but also in IDs, as discussed above, and IDs literature has investigated those conflicting dynamics. However, paradox theory has not be adopted to study such tension in the context of IDs. Extending paradox theory to IDs may seem an inappropriate choice given that they are not organizations with centralized governance (Grandinetti, 2014). However, they are rather cohesive systems due to the presence of several factors: the typical vertical relationships between firms specializing in different manufacturing or service activities; the presence of shared rules of behavior and values that reduce transaction costs in inter-firm relationships and facilitate the circulation of information and knowledge among district firms; and sometimes, the presence of institutional actors that produce collective resources (identity, culture, knowledge) through carrying out specific activities and providing services. Systemic cohesion is particularly strong in the Marshallian or neo-Marshallian district, which Becattini (1989, p. 112) defined as "a socio-territorial entity characterized by the active coexistence, in a circumscribed, naturalistically and historically determined territorial area, of a community of people and a population of industrial firms. In the district ... [where] ... the community and firms tend, so to speak, to interpenetrate with each other". However, some systemic cohesion is also present in IDs or clusters that cannot be ascribed to the Marshallian model (Porter, 1998)[4]. The strong systemic interconnections existing in IDs make them an important setting where to understand tensions' dynamics and management at a broader level than the organizational one, due to the strong effect tensions can generate over the organizations of the system.

Traditionally in IDs literature, the local and global dimensions have mostly been described in terms of opposition. The competitive advantage of IDs has been derived from their relative closeness as systems, capable of developing locally much of the knowledge needed to efficiently produce the products of district specialization and to innovate them (Grandinetti, 2019). However, we can increasingly describe also the local-global tension to be characterized by interrelation. Globalization exerts a formidable pressure toward the openness of the district system in relation to the multiplying opportunities – for individual district firms – to make or purchase advantageously in places outside their ID (Corò and Grandinetti, 2001a) or to become part of global value chains. Being global, in any of the possible forms this word could assume for an ID firm, is, indeed, inextricably linked with the possibility to be competitive. Finally, this tension is also persistent over time. While attention to globalization of IDs started in the 2000s, when the size of the phenomena got it to the fore in academic and practitioners' studies, this tension has not solved yet. Not even a strong crisis such as the one spurred by COVID-19 managed to localize production activities: local production activities keep being well embedded in global production systems (De Marchi *et al.*, 2022). Accordingly, we suggest that the local-global tension can be described and studied as a paradoxical tension.

3.4. The role of local/global interfaces in evolving industrial districts

Having clarified that it is possible to transpose the concept of organizational paradox from the company (organizational system) level to the ID (inter-organizational system) level, it is nevertheless necessary to ask whether the analogy should break down when we move on to consider the paradox management aspect. In order to resolve this doubt, however, the need to return to the impact of globalization processes on IDs discussed in section 2.1.

It is the presence of local actors with adaptive capacity that discriminates between declining and evolving IDs. Among these actors, we distinguish in particular those that function as local/global interfaces, meaning by this term the (competitively relevant) connecting function between the district context and the global environment. Several authors, referring to the Italian case and beyond, have emphasized this function by stressing its cognitive or entrepreneurial value. In cognitive terms, interface actors absorb knowledge (tacit or codified) from the global environment and feed it into the local context, and vice versa; sometimes, they combine knowledge absorbed from both fronts to produce new knowledge

[4] The broad category of IDs/clusters hosts distinct variants, including the Marshallian variant (Belussi and Caldari, 2009).

that they again make available to district firms (Bathelt *et al.*, 2004; Camuffo and Grandinetti, 2011). Those who have addressed the entrepreneurial dimension that these local/global interfaces or global pipelines can take on (Bathelt *et al.*, 2004) have considered cases of district firms capable of identifying and exploiting opportunities on an international scale, and involving other district actors/resources in the process (Amdam and Bjarnar, 2015; Carbonara, 2018; Grandinetti, 2019; Randelli and Lombardi, 2014).

Reasoning in terms of local/global paradoxes, it is the interfaces described that provide a dynamic balance between the two dimensions and support the evolution of their IDs. Returning to the initial doubt, IDs lack an orchestrator capable of managing the local/global paradoxical tension (something analogous to managers who, within organizations, represent paradox leaders). However, the joint action of local/global interface actors leads to a similar outcome.

The role of local/global interface can be played by different actors: subcontracting firms that, leveraging the skills developed in district customer relationships, have become global subcontractors; small or medium-sized final firms active in global niches; district firms that have attained the rank of MNCs; and local firms acquired or created by external MNCs (Belussi et al. 2011; De Marchi *et al.*, 2018a; Hervas-Oliver, 2015). Focusing on the latter type of local/global interface, MNCs are among the key evolutionary actors observed in IDs capable to evolve (De Marchi *et al.*, 2018a). Consider below the case of the eyewear district of Belluno and that of the Riviera del Brenta footwear district, both in the Veneto region.

The eyewear district in the province of Belluno has shown a long and irreversible process of concentration in a small number of leading firms (Camuffo, 2003), including at the top Luxottica, with its extraordinary growth path (Tripodi, 2008). Luxottica also represents an anomalous case in the landscape of district firms in that its growth strategy has been based on a strong and extended integration of the value chain from manufacturing operations to retailing (Corò and Grandinetti, 2001b): because of this "anti-district" characterization, the great weight this company has acquired on the total revenue of the Belluno eyewear ID has led to talk of a hierarchical evolution of that ID (De Marchi *et al.*, 2018b). Luxottica's growth path is punctuated by a number of turning points, the latest of which occurs in 2018 when EssilorLuxottica was born from the merger of the Italian frames maker Luxottica with the French lens maker Essilor (Flaig *et al.*, 2021). This event changes the international structure of the eyewear industry because Essilor-Luxottica, whose headquarter is based in Paris, constitutes by far the world's largest eyewear company in terms of revenues.

If this event did not have a significant impact on ID – due to the weak link between Luxottica and the rest of the Belluno ID and the different specialization of Luxottica and Essilor – the same cannot be said for a second event that had happened in the meantime. We refer to the creation in 2014 of Kering Eyewear by Kering Group, a world leading organization in the luxury market with brands such as Gucci, Yves Saint Laurent, Bottega Veneta, Balenciaga, and others (Cabigiosu, 2020). Kering Eyewear follows the Kering's established business model, based on the coupling of concentration on high added-value activities such as R&D and marketing and outsourcing of manufacturing (as opposed to Luxottica) for which it uses a large number of subcontractors, most of them located in the Belluno district. Kering Eyewear can rely since its founding on the demand for sunglasses coming from the collections of the house-brands, and thus represents a major buyer for district first- and second-tier suppliers. A special case in point is Gucci, a Kering Group maison whose eyewear collection was produced by Safilo, the second largest company in the district after Luxottica, and unlike the latter not vertically integrated; Kering Eyewear has renewed its agreement with Safilo for the production of Gucci eyewear, partly due to the fact that the CEO of the former had previously been CEO of the latter. Kering Group is based in Paris, Kering Eyewear is based in the city of Padova (capital of another province in the Veneto region) but has deep roots in the Belluno district. In seemingly paradoxical fashion, the foreign MNC (Kering) helps the district evolve by reproducing the district form much more than the local MNC (Luxottica).

In the Riviera del Brenta district, located between the provinces of Venice and Padova and specialized in the production of women's footwear, transformations began more recently than in the eyewear district, and in an accelerated manner. Described still in the 1990s as a typical Marshallian district in the in-depth research carried out by Belussi (2000), with the turn of the century a phenomenon occured that, starting with early pioneering experiences, spread rapidly in the area. It is the entry of luxury MNCs (LVHM, Kering, Prada, Giorgio Armani, and others), first as buyers of finished products made by functionally downgraded district firms (Amighini and Rabellotti, 2006), and then through the acquisition of existing firms or the creation of greenfield plants (Belussi *et al.*, 2017; De Marchi *et al.*, 2018b) that nonetheless make extensive use of the production skills of local firms. The first acquisition was that of Rossimoda by luxury giant LVHM, which had great clamor in the area because Rossimoda historically represented the leading district company (Belussi *et al.*, 2017). The case is also interesting because it shows the complexity that acquisition processes of this magnitude can have: the process began in 2001, when LVMH, interested by Rossimoda's development potential and its technical know-how, acquired some shares, and could only be said to have been completed in 2014, with the transformation of Rossimoda's business model, its reorganization and integration within LVHM's Fashion & Leather Goods Division as a platform for the development and production of footwear for the Celine and Givenchy maisons[5].

4. Conclusion

In this paper we have shown how, within the conceptual framework of paradox theory (Smith and Lewis, 2011), the local/global paradox offers a useful tool for analyzing both MNCs and IDs as they evolve. In the case of MNCs, the traditional tension between the global-scale standardization of what they offer and its adaptation to the needs of local markets has been compounded – with the emergence of the internal (inter-subsidiary) network model embedded in local networks – by the tensions arising from the fact that each subsidiary becomes an interface between "contradictory but interdependent elements" (Lewis, 2000, p. 760) coming from its local environment and the organization to which it belongs, respectively. IDs are inherently cohesive and co-opetitive local systems that, after a long season of competitive localness, have suffered from the formidable competitive pressure exerted by the globalization process. To remain competitive in the global economy, they must become global, but how to do so without losing localness? IDs capable of reproducing and evolving in the current competitive scenario, as they have been described by empirical studies, offer answers to this paradox, and the invariant element that characterizes them is the presence of local actors operating as local/global interfaces.

Among these local/global interfaces that are vital for the reproduction of the district model in the global economy, some studies point to the growing importance of subsidiaries established in IDs by MNCs interested in access to the skills diffusely embedded in these local networks. In this way, the presence of MNCs in IDs does not pose a threat to IDs, as was feared in the past, but rather offers support in the "systemic" management of the local/global paradox that IDs face today. It must be emphasized, however, that for this support to be effective it must be complemented by *other* interfaces, in particular, thinking of luxury IDs, by district firms capable of operating their brand in the end markets: otherwise, the ID is functionally downgraded to a mere productive appendage of MNCs within their GVC configuration. Therefore, IDs hosting MNCs become an interesting object of future research as well (Hervas-Oliver *et al.*, 2023). On the other hand, it would be equally interesting to understand whether – within the internal network of the MNC to which they belong – ID subsidiaries are distinguished from other subsidiaries with respect to the presence or absence of tensions that can be classified as local/global paradox, and the specific nature of these tensions.

To the best of our knowledge, this paper represents the first attempt to read IDs through the paradox lens. We believe that the results obtained from our reflection may open a new strand of studies on resilient/evolving IDs, with a focus on actors capable of performing the function of local/global interface, managing the local/global paradox de facto.

[5] The case of Riviera del Brenta is not unique: the district of Santa Croce sull'Arno – based in Tuscany and specialized in the production of leather for accessory and fashion industries – followed a similar path. Several international maisons increasingly acquired small and medium sized local companies. In some cases, these district firms have been working before as long-term suppliers for those firms.

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