



EXTENDED ABSTRACT

Title:

Analysing multinational recruitment strategies in Industrial Districts

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Clústeres industrials, dinamisme i estratègia empresarial

Abstract: *(minimum 1500 words)*

Collocation in clusters/industrial districts facilitates face-to-face interaction, inter-firm collaboration in product manufacturing or joint problem-solving, access to high-quality information and tacit knowledge, along with learning and improving competitive capabilities. All these advantages come mainly through inter-personal and inter-firm, unintentional and uncompensated exchange of tacit knowledge and ideas, and also conveyed from access to local suppliers and large and highly-qualified labour pools (e.g. Saxenian 1994). Access to these local labour pools by recruiting workers carrying local tacit knowledge, however, remains less researched, especially in the case of multinationals (MNEs) setting a foothold in industrial districts for competence-creation or capability building. Despite great efforts on understanding multinationals in local



spaces (e.g. Fuller & Phelps 2018), along with their location behavior and decisions (e.g. Ascani, Crescenzi, and Iammarino 2016; Phelps and Wood, 2017; Mariotti, Piscitello, and Elia 2014) and labor mobility (e.g. Boschma et al. 2009), the intersection of these topics has received less attention. To the extent that, to the best of our knowledge, *recruiting strategies* by MNEs to source local (tacit) knowledge, through access to high-skills local labor markets in agglomerations, remains overlooked. Thus, our objective consists of unfolding how multinationals access to local labor pools in MIDs, as an effective way of sourcing local tacit knowledge, carried out by local employees, for building up local capabilities. Specifically, we focus on ZARA collocation in a MIDs (Marshallian Industrial District) following a competence-creation mandate, that is, entry is motivated by access to assets and knowledge (see Cantwell & Mudambi 2005), analyzing its recruiting strategy for accessing to (inflows of) local labor pools to source local tacit knowledge.

Beyond agglomeration as a spatial context of learning, recruiting strategies are claimed to constitute an effective way to access to knowledge from competitors and suppliers (e.g. Rao & Drazin 2002). Based upon this premise, and assuming that knowledge is embedded in local/regional labor networks (Almeida & Kogut 1999) and employees are principal carriers of local tacit knowledge in clusters (e.g. Saxenian 1994; Gertler 2003), our study goes a step further and contextualize multinationals' collocation and learning strategies for capability building in clusters, with the aim of sourcing local knowledge through recruiting from local labor pools. More precisely, we elaborate to produce a different yet related and complementary framework from that of labor mobility (e.g. Boschma et al. 2009) that also incorporates multinational strategies to recruit. For this purpose, we leave the debate of MNEs (inward) collocation and regional development to others (e.g. Mariotti et al. 2008; Menghinello et al. 2010). Rather, we concentrate on the strand that researches multinationals behavior in clusters (e.g. Fuller & Phelps 2018; Mariotti et al. 2014), focusing on understanding the micro-processes and mechanisms by which multinationals source local tacit knowledge for capability building through deploying recruiting strategies in clusters for accessing local labor pools. In doing so, our study answers *how* and *what* MNEs gain from collocation: how multinationals absorb knowledge from MIDs through recruiting new employees? What knowledge multinationals absorb from accessing MID local labor pools?



To these ends, we adopted a mixed quantitative and qualitative method (Cameron & Molina-Azorin 2011), encompassing statistical data analysis and direct face-to-face interviews with key informants. The focal process is the learning process of MNEs in MIDs through recruiting strategies. In this study we focused on Marshallian Industrial Districts (MIDs), characterized as socio-economic contexts with norms, social ties and a mix of cooperation and competition that constitutes a very special local environment (Piore & Sabel 1984; Beccatini 1990; Saxenian 1994). The setting is the Vinalopo footwear district of Alicante in Spain and the context is based on a mature MID in Spain, characterized by leading technology expertise and innovation capabilities, that is shocked in the late 1990s by the collocation of the world largest fashion firm (ZARA), with the commitment to build capabilities, beyond clothing, for footwear production. Assuming a competence-creation mandate, we analyse ZARA learning process at Vinalopo by dissecting its recruiting strategy for sourcing local knowledge.

Researching ZARA behavior in that MID from 2000 to 2017, through its TEMPE subsidiary, results unfold MNE recruiting strategy in MID, showing how MNEs seek to learn local technical knowledge by recruiting skills that are part of the focal district expertise, that is, those that constitute the focal *district's core capabilities*, but is not available in the multinationals' internal network. This recruiting strategy is characterized by hiring new employees that present a relatively high social capital and are originated from leading local firms dedicated to the focal district's technical expertise.

Results indicated that INDITEX collocation in the Vinalopo was motivated to build up capabilities (knowledge-seekers), confirming that literature pointing out that local environment is claimed to influence multinationals' location strategy, argument that has been pointed out both theoretically (Dunning 2009; Dunning 1998) and empirically (Phelps 2000; Shaver & Flyer 2000; Ascani et al. 2016; Phelps & Fuller 2016) (e.g. Phelps and Fuller, 2000; Shaver and Flyer, 2000; Ascani et al., 2016, Phelps and Fuller, 2016). In this chain, of thought, for competence-creation purposes, the collocation of ZARA in the Vinalopo cluster unfolds a recruiting strategy design to source technical knowledge. According to results, TEMPE aims to source local technical (footwear-dedicated) knowledge from the Vinalopo by deploying a recruiting strategy characterized by incorporating local technical expertise (from the cluster), searching for the incorporation of the district's core capabilities that are not available in the



multinationals' internal network, directly recruiting new (technically-dedicated) employees that present a relatively high social capital and are originated from leading local firms dedicated to the district core capabilities. For other non-technical footwear-dedicated knowledge, recruiting is intensively concentrated outside the cluster. Insights from this study contribute to economic geography by bringing, at the micro-level, multinationals and their *locally-dedicated* strategies at the front of economic geography. Our study also complements labor mobility debate (e.g. Boschma et al. 2009) and opens a new research avenue to strengthen understanding of GPNs: deciphering *how* multinationals learn in clusters and the type (*what*) of knowledge they take from it.

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