

# DOCUMENTS DE TREBALL

## DE LA FACULTAT D'ECONOMIA I EMPRESA

*Col·lecció d'Economia*

*E11/265*

**The origins of ‘*Made in Spain*’ fashion.  
The competitive advantage of the textile, apparel and footwear  
districts since the Golden Age**

**Jordi Catalan**

**Ramon Ramon-Muñoz**

**Adreça correspondència:**

Departament d'Història i Institucions Econòmiques | Centre d'Estudis Antoni de Capmany d'Economia i Història Econòmica (CEAC) | Facultat d'Economia i Empresa | Universitat de Barcelona (UB) | Av. Diagonal, 690 | 08034 BARCELONA | Telephone: +34 934021931 (Jordi Catalan) / +34 934039638 (Ramon Ramon-Muñoz) | E-mail: [jordi.catalan@ub.edu](mailto:jordi.catalan@ub.edu) / [ramon@ub.edu](mailto:ramon@ub.edu).

**Acknowledgements:** Earlier versions of this paper were presented at the 13<sup>th</sup> Meeting of the European Business History Association and the 55<sup>th</sup> Meeting of the Business History Conference (Milan, 2009), the 15<sup>th</sup> World Economic History Congress (Utrecht, 2009), the workshop ‘Los distritos industriales y los clusters ante la crisis económica internacional’ (Barcelona, 2010), and the 35<sup>th</sup> Meeting on Regional Studies-AEER (Badajoz, 2010). We thank the participants in these meetings for their comments, particularly Franco Amatori and John F. Wilson as well as Andrea Colli, Rafael Boix, Manuel Expósito-Langa, Francesc Xavier Molina, Francisco Puig, Vicent Soler, Joan Trullén and Josep Lluís Ybarra. We are also grateful to Guillermo Gil-Mugarza for research assistance and to Eva Angrill for helping us with maps. This research has benefited from the financial support of the Spanish Ministry of Science and Innovation through the project HAR2009-07571. The authors also acknowledge the support from the Network in Economics and Public Policies (XREPP), launched by the Generalitat de Catalunya, and the Centre d'Estudis Antoni de Capmany d'Economia i Història Econòmica (Universitat de Barcelona). The usual disclaimer applies.

## **ABSTRACT**

This paper explores the sources of competitive advantage of the Spanish export industrial districts that specialised in textile, apparel and footwear products. It shows that most of the nowadays outstanding Spanish firms in fashion-related international markets emerged from 1980s districts. Using a new database, the paper concludes that by then there were as many neo-Marshallian exporting districts dominated by small firms as hub-firm districts coordinated by medium-large companies. This probably allowed the latter to combine the advantages derived from Marshallian external economies (i.e. non-codified knowledge, subsidiary industries and specialized labour force) with those connected to leading firms' organizational capabilities.

Aquest article explora les fonts de l'avantatge competitiu dels districtes industrials espanyols especialitzats en productes tèxtils, confecció i calçat. Posa de manifest que la majoria de les principals empreses espanyoles de productes de moda en els mercats internacionals van sorgir de districtes existents en els anys 1980s. A partir de l'ús d'una nova base de dades, el present article conclou que en aquest darrer període hi havia tants districtes exportadors neo-Marshallians, dominats per petites empreses, com districtes amb empreses líders, coordinats per mitjanes i grans firmes. Probablement aquesta circumstància va permetre que les empreses que poblaven aquests darrers districtes poguessin combinar els avantatges derivats de les economies externes de Marshall (és a dir, l'existència de coneixement no codificat, d'indústries auxiliars i de mà d'obra especialitzada) amb els relacionats amb les capacitats organitzatives de les empreses líders.

**Key Words:** Competitive advantage – Industrial district – leading firms – clusters – fashion – textiles and apparel – leather and footwear - inheritance

**JEL Codes:** N64, N84, L25, R12

## 1. Introduction

Today, Spain has the world's largest fast-fashion retailing firm: the group Inditex, with its main brand Zara. Although the company's founder was already in business in 1963, the firm only opened its first store abroad in 1988. Since then, its growing presence in the international market has gone hand-in-hand with innovations such as the adoption of just-in-time techniques to fashion production and retailing. (Alonso 2000, 2011; O'Shea 2008; Tokatli 2008). Other 'Made in Spain' fashion firms have increasingly been penetrating foreign markets over the last two decades. The growing acceptance of their products abroad has paralleled the internationalization of the Spanish fashion-related industry. This paper focuses on the origins of this process by exploring Spanish export districts for textiles, clothing and shoemaking during the 1980s, just before the most important 'Made in Spain' fashion firms began to internationalize.<sup>1</sup>

The literature on the so-called 'district effect' suggests that geographical concentration may have boosted exports in textile, clothing and shoemaking.<sup>2</sup> A crucial point made in this literature is that firms in industrial districts enjoy certain advantages over the rest due to external economies of scale through spatial concentration.<sup>3</sup> In this regard, a number of empirical studies have concluded that either productivity or the level of innovation tends to be higher among firms located in industrial districts than in the rest of the industry. Furthermore, other authors have argued that firms' cooperation in industrial districts may strengthen their international competitiveness (e.g. Bagella, Becchetti, and Sacchi, 2000: 96).

If it is true that firms located in industrial districts tend to be more efficient, more innovative and better able to reduce export costs then one might expect to find a positive relationship between industrial districts and international competitiveness. This is precisely what several analyses have found.<sup>4</sup> Indeed, the results of these analyses

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<sup>1</sup> Boix and Galletto provided data for 2001 indicating that one-third of the existing Spanish industrial districts were specialized in textile and shoemaking activities (Boix, 2008a).

<sup>2</sup> In Dei Ottati's words, the 'district effect' can be defined as the "*collection of competitive advantages derived from a strongly related set of economies, which are external to the single firms, but internal to the district*". (Dei Ottati 2006: 74-75). The translation is ours.

<sup>3</sup> See, for example, Boix (2008b) for a review of this literature.

<sup>4</sup> See, for example, Bagella, Becchetti, and Sacchi (2000), Becchetti and Rossi (2000), Bronzini (2000), Bugamelli and Infante (2005), Costa and Viladecans (1999) or Gola and Mori (2000). Additional evidence on the district effect with respect to firms' productivity has been provided by Signorini (1994), Soler (2000) Molina (2001) and Pla-Barber and Puig (2009).

indicate that geographical agglomerations increase the export intensity of small and medium firms, which are said to be the types of firms that characterize industrial districts. This paper examines whether the main firms that have recently contributed to the internationalization of ‘Made in Spain’ fashion products emerged from the existing export districts for textiles, apparel and footwear in the 1980s.

Small and medium firms can certainly take advantage of agglomeration economies. However, exports from a geographically concentrated industry are not always led by small firms alone, and large firms may also be involved. Thus, a second objective of this paper is to explore the size typology of export firms in the main Spanish districts for textile, clothing and shoemaking. In this context, an important finding is that when export data at the firm level are analysed a considerable number of hub-firm districts emerge.

The paper is organised as follows. Section 2 surveys the main literature on external economies as a source of competitive advantage. The following two sections have a methodological focus: Section 3 offers a new approach in order to better identify the competitive advantage of industrial districts. In Section 4, both the typology and characteristics of textile, clothing and shoemaking districts with competitive advantage around the mid-1980s are presented. Section 5 then discusses the role that these industrial districts might have played in the recent internationalization of the main ‘Made in Spain’ fashion firms. Finally, Section 6 presents the main conclusions of the paper.

## **2. Neo-Marshallian districts versus hub-firm clusters in the formation of competitive advantage: a survey**

Firms in similar or related industries can benefit from external economies of scale through spatial concentration, and this concentration can also become a source of competitive advantage in industry. The English economist Alfred Marshall established the basis for these arguments. According to Marshall (1890, book IV, chapter X, point 3), a geographically localized industry could benefit from several types of external economies. The first has to do with non-codified knowledge, since “*if one man starts a new idea, it is taken up by others and combined with suggestions of their own; and thus it becomes the source of further new ideas*”. Another type of external economy is related to the emergence of subsidiary industries, which can be set up because in a

district “*there is a large aggregate production of the same kind, even though no individual capital employed in the trade be very large*”. The third and final external economy of importance has to do with specialized labour. In this regard, Marshall argued that “*a localized industry gains a great advantage from the fact that it offers a constant market for skill. Employers are apt to resort to any place where they are likely to find a good choice of workers with the special skill which they require*”. This triad of advantages, namely knowledge spin-offs, subsidiary industries and specialized labour, can be considered the economic foundations of the pure or classical *Marshallian* industrial district.

For many years, however, Marshall’s arguments rarely featured among economic debates, and it was only in the 1970s and early 1980s that a number of scholars analysing the Italian economy recovered and expanded upon his ideas on industrial organization. Thus, authors such as Becattini (1975, 1979, 1987, 2000), Brusco (1975, 1982), Bagnasco (1977) and Piore and Sabel (1984) added to the Marshallian triad two new types of advantages for those industries which were geographically concentrated: the small size of firms and the existence of a dense network of local institutions. According to these authors, the intense competition derived from a high concentration of small firms tended to give flexibility to the district, while robust local institutions and culture could provide other long-term benefits. One of these was the prevalence of cooperative attitudes among social actors. Thanks to both a firm’s flexibility and the existence of strong institutions and culture at local level, the Italian industry would have improved its competitiveness in the world market during the golden age and the stagflation crisis.<sup>5</sup> Districts enjoying the triad of advantages enumerated by Marshall and having the characteristics detailed by Italian scholars could thus be referred to as neo-Marshallian districts (Zeitlin, 2008).

Michael E. Porter (1990) reassessed the importance of agglomeration economies by arguing they were critical to competition between firms. He analysed the factors that lie behind the competitive advantage of nations, illustrating them in his famous *Porter’s diamond*. The diamond considers four determinants in the formation of national competitive advantage: factor conditions, demand conditions, related and supporting

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<sup>5</sup> Clear cases of successful performance were found all over the *Third Italy*: textile districts in Prato (Tuscany) or Carpi (Emilia-Romagna), apparel districts in Noventa Vicentina (Veneto) or Roseto (Abruzzi), footwear districts in San Giovanni Ilarione (Veneto) or Fermo (Marche) and leather districts in Santa Croce Sull’Arno (Tuscany) or Tolentino (Marche) (Becattini, 1975, 1987, 2000; Brusco, 1975; Bagnasco, 1977; Sforzi, 1987; Dei Ottati, 1994, 2003). In the canonical case of Prato, for example, Dei Ottati showed that the real value of exports quadrupled between 1963 and 1981.

industries and, finally, firm strategy, structure and rivalry. These four factors reinforce one another, while also being influenced by government policy, as well as by historical factors and random events. The point that needs to be stressed here is that the original Marshallian advantages of geographically concentrated industries lie behind some of the sources of competitive advantage established in Porter's diamond.

Indeed, Porter argued that there were three main reasons why geographical agglomeration boosted firms' international competitiveness. First, it allowed companies to operate more productively.<sup>6</sup> Second, it enhanced innovation, due to both rivalry and proximity among firms. And third, it favoured the emergence of new firms, in part because barriers to entry are lower than elsewhere since "*needed assets, skills, inputs and staff are often readily available*" (Porter, 1998: 84). Interestingly, when defining the spatial concentration of economic activity, Porter did not use the concept of industrial district but that of cluster, which he defined as a concentration of interconnected firms and institutions in a specific territory and industry (Porter, 1998; Porter and Ketels, 2009). He also argued that neither the size of firms nor their sector specialization were crucial issues in the identification of clusters. Therefore, his conception of cluster did not require the prevalence of manufacturing activities or the dominance of small-medium firms. In this respect, it is worth noting that although Porter argued that agglomeration economies could boost competitive advantage, he also stressed the role of firms' strategies as a source of the success of nations or industries in world markets.

Historiography has increasingly stressed that geographical agglomeration might consist of a number of key large firms that dominate the regional economy. Economic geographers such as Ann Markusen (1996) suggested that the industrial districts of the *Italianate* type were more the exception than the rule in the United States. In fact, together with the *Italianate* district she identified additional types of industrial districts, such as hub-and-spoke districts, satellite platform districts and state-anchored districts, with the former type being among the most prominent in the United States.<sup>7</sup> According to Markusen, districts with hub-and-spoke firms tended to be a more representative

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<sup>6</sup> The reasons for this were that by means of agglomeration: (1) The supply of specific inputs increased, for example, workers with industry-specific training and intermediate inputs; (2) Information and ideas flowed more easily due to proximity; (3) Firms could take advantage of a set of related and supporting industries, activities and services; (4) They could also more easily access institutions, including public goods such as education; and (5) Competition among firms emerged, which motivated them to improve.

<sup>7</sup> Ann Markusen's typology seems particularly useful to discuss the sources of competitive advantage of industries and nations. We find many points in common between Zeitlin's neo-Marshallian notion and Markusen's *Italianate* districts.

form of localized industry in mature industrial economies. This type of industrial district shared with its neo-Marshallian counterparts the presence of a dense network of inter-related firms, but the cluster core belonged to one or several large and vertically integrated firms surrounded by suppliers that acted as coordinators of the system. In fact, hub-and-spoke districts were characterized by substantial intra-district trade among dominant firms and suppliers, as well as by long-term contracts and commitments between the former and the latter (Markusen, 1996: 299).

The role of leading firms and internal economies may be important in many other respects. From a Schumpeterian perspective, evolutionists pointed out the key innovative role performed by large firms (Freeman, 1974, 1995).<sup>8</sup> In addition, Nelson and Winter stressed the cumulative learning-based view of organizational competence by emphasizing the development of capabilities, considering business firms as organizations where effective routines emerge and evolve<sup>9</sup>. Although more effective ways of doing things are created and spread, routines are like genes; inheritance tends to be crucial as a source of success in industrial competition. Recent research on the development of the most impressive industrial clusters in the USA suggests that leading firms in the industry tended to generate similarly competitive spin-offs with good chances of surviving in the competitive arena. Therefore, organizational reproduction and heredity are said to be the primary forces underlying the clustering of industry (Klepper and Simons, 2000; Klepper 2010). In Breschi and Malerba's words "*the accumulation of capabilities and the growth of successful firms are key elements in the growth and development of a cluster*" (Breschi and Malerba 2001: 831).

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<sup>8</sup> Malerba and Orsenigo have shown, however, that the role of firm size on innovative activity varies depending on the type of industry (Schumpeter Mark I and Schumpeter Mark II). They have also suggested that "*technological performance is strongly associated with the emergence of a stable group of innovators, who innovate consistently and continuously over time, rather than to concentration or firm size*", which would confirm the cumulative nature of innovative activity (Malerba and Orsenigo, 1995: 59-62 and 64).

<sup>9</sup> The real firm might be much less flexible than in the canonical interpretation of the districts because choices are embedded in a capability. According to Nelson and Winter (1982: 95), "*orthodoxy treats the skilful behaviour of the businessmen as maximizing choice, and 'choice' carries connotations of 'deliberation'. We, on the other hand, emphasize the automaticity of skilful behaviour and the suppression of choice that this involves*". In large firms, innovation has been 'routinized' and often comes from the R&D laboratories of the large corporations (Nelson and Winter, 2002: 37). Not only capabilities are formally acquired through education: "*equally importantly, capabilities have to do with the problem-solving knowledge embodied in organizations –concerning, for example, production technologies, marketing, labour relations, as well as 'dynamic capabilities' of search and learning*" (Cimoli, Dosi and Stiglitz, 2009: 2). For further discussion on the concepts of routines and organizational capabilities, see also Dosi, Nelson and Winter (2000) and for the term dynamic capabilities see Teece, Pisano and Shuen (1997), Teece (2009) and Katkalo; Pitelis and Teece (2010).

From the business history perspective, it has been argued that firms' strategy, internal economies and organizational capabilities are what mostly lie behind the formation of competitive advantage in industries or territories. Alfred D. Chandler was perhaps the most prominent scholar to take this stance (Chandler, 1990, 1992). His work has been at the heart of the controversies between the leading business historians in America, Europe and Asia during recent decades (Tolliday, S. *et alii*, 1990; Scranton, 1997; Chandler, Amatori and Hikino, 1997; Wilson and Popp, 2003; Popp and Wilson, 2009; Scranton, 2008; Amatori, 2009a and 2009b). It has also had an enormous influence in areas such as strategy, organization and management of firms, particularly among evolutionary economists.<sup>10</sup>

Chandler argued in one of his last works that a common feature of the three technological revolutions was that they all took place while clustered into very specific areas (Chandler, 2005). Moreover, he always stressed that success in foreign markets required the prior emergence of firms which were large enough, and which had developed organizational capabilities, a concern shared by evolutionist scholars (Nelson and Winter, 1982 and 2002). More precisely, he suggested that organizational capabilities were based on three types of knowledge or capabilities (technical, functional and managerial), which may contribute to create powerful barriers to entry (Chandler, 1992, 2005: 6-9).<sup>11</sup> Chandler concluded that firms' organizational capabilities proved to be crucial for the conquest of foreign markets. He also stressed another important point. Together with developing organizational capabilities, in some industries large firms were able to become the node of a network of firms, in the sense that suppliers and subcontractors organized around a large industrial enterprise (Chandler and Hikino, 1997: 36; Amatori and Colli, 2011: 145).

Even in Italy, authors who have revisited the history of the industrial district are critical of the neo-Marshallian canonical type. For example, Lazerson and Lorenzoni challenged the dominant view that industrial districts always develop in opposition to large firms. They presented evidence on fashion districts such as the Castel Gofredo women's stocking cluster in Lombardy, which shows an astonishing market

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<sup>10</sup> See, for example, the essays and interviews published in the 2010 special issue of *Industrial and Corporate Change*, presented by Lazonick and Teece (2010).

<sup>11</sup> According to Chandler, organizational capabilities "were created during the knowledge-acquiring processes that are always involved in commercializing a new product for national and international markets. These learned capabilities resulted from solving problems of scaling up the processes of production, from acquiring knowledge of customers' needs and altering product and process to services needs, coming to know the availabilities of supplies and the reliability of suppliers, and in becoming knowledgeable in the ways of recruiting and training workers and managers" (Chandler, 1992: 84).



concentration in panty-hose production (Lazerson and Lorenzoni, 1999: 242). On the other hand, Rinaldi argued that typical small-firm districts where leading firms did not emerge, such as the knitwear district of Carpi (in Emilia-Romagna in the Third Italy), experienced a sharp decline in the late 1980s (Rinaldi, 2005). In fact, the Italian fashion industry has been increasingly dominated by large firms such as Benetton or pocket multinationals such as Geox (Crestanello and Tattara, 2010; Colli 2002).<sup>12</sup> Recent work on industrial districts also tends to confirm the relative decline of the canonical type and a relatively better performance of leading firms in the world market (Ramazzotti, 2010).

### **3. Identifying Marshallian exporting districts**

At this point it is necessary to ask whether the Spanish export districts for textiles, apparel and footwear fell, during the 1980s, into the category of neo-Marshallian districts, as opposed to being hierarchical districts coordinated by hub firms. Prior to answering this question we must first identify the exporting industrial districts for textiles, footwear and shoemaking. Although there are several ways of identifying industrial districts the most widely-accepted approach is the so-called Sforzi-ISTAT methodology, which was first applied in Italy by Fabio Sforzi and the *Istituto Centrale di Statistica* (ISTAT). This methodology was both revised and improved in 2005.

By using the Sforzi-ISTAT methodology, Boix and Galletto developed a map of industrial districts in Spain for the year 2001, which has since been compared to both the Italian and the British ones (Boix and Galletto, 2006, 2007, 2008; Boix, 2008a). They found that Spain had 205 local labour markets with characteristics of neo-Marshallian industrial districts. These districts accounted for 20% of total jobs and 35% of total manufacturing employment in Spain. According to Boix and Galletto's data, textiles and textile products, as well as leather and footwear, were among the industries with the largest number of neo-Marshallian industrial districts, ranking first and third respectively in the Spanish list of industrial districts. Interestingly, these two industries also topped the Spanish ranking regarding the share of total employment in the sector that was accounted for by industrial districts (see Table 1).

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<sup>12</sup> In our view, in the long term the failure of Carpi might be interpreted as a case of path dependence, given that in 1988 it only exported 27% of its output; in contrast, the local system led by Benetton exported 57% of its total sales during the same year (Brusco, 2007: 70).

**Table 1**  
**Neo-Marshallian industrial districts and employees in textiles, apparel and footwear;**  
**Spain, 2001**

<i>Indicators</i>	<i>Textile and textile products</i>	<i>Leather and footwear</i>	<i>Subtotal (1)+(2)</i>
Number of industrial districts	46	23	69
<i>as % of total Spanish industrial districts</i>	22.4	11.2	33.6
Number of employees in the industrial district	136,324	83,808	220,132
<i>as % of total Spanish industrial districts</i>	14.2	8.8	23.0
<i>as % of sector</i>	50.4	85.2	59.7
Number of employees in the main industry of the industrial district	85,064	72,786	157,850
<i>as % of the main industries in total Spanish industrial districts</i>	21.1	18.1	39.1

Source: Boix and Galletto (2008); Boix (2008a)

The Sforzi-ISTAT methodology begins with the identification of local labour markets, which are considered to represent the geographical unit of reference. These labour markets are identified through the analysis of labour mobility across municipalities. Once identified, the method consists in estimating a series of coefficients in order to establish whether the local labour markets can be considered an industrial district. According to the methodology, a local labour market falls into the category of industrial district when it is specialized in manufacturing, as well as when small- and medium-size firms prevail in the main industry of the market. To some extent, the Sforzi-ISTAT methodology identifies what we might call neo-Marshallian districts.

More precisely, the method states that once local labour markets are known, three steps have to be followed in the process of industrial district identification. In this respect, it is worth noting that the employment variable is taken into consideration throughout the identification process. The first step of the process consists in computing two different indexes (specialization index and prevalence index) in order to know whether a local labour market is specialized in manufacturing. The second step is to calculate a firm-size index for those local labour markets that are specialized in manufacturing. The prevalence of small-medium size firms, which are defined as those with fewer than 250 employees, is a necessary condition for a local labour market to be considered as a potential candidate for industrial district status. The final step concerns the identification of the main industry in those local labour markets with a prevalence of small-medium size firms. In this respect, the main industry (or district industry) of a manufacturing local labour market is defined as that industry for which both

concentration and size are substantially larger than the country's average. Additionally, it is considered that a main industry is mostly formed by small-medium size firms when the employment in these firms accounts for more than half the total employment of the local labour market in question.

Although very useful in comparative analyses, the Sforzi-ISTAT methodology is not exempt from problems, and most authors who have used it explicitly recognize this. For the purposes of this paper, three main limitations need to be pointed out. The first is that the Sforzi-ISTAT methodology does not offer a precise account of the existing industrial districts. This is because it does not take into account multi-specialized districts, since it only considers the main industry of the local labour market. Therefore, many industries are excluded during the identification process, even though they do constitute an industrial district.

The second limitation of the Sforzi-ISTAT methodology concerns the definition of industrial district itself. According to the methodology, industrial districts are associated with small-medium firms, and this leads to the exclusion of geographically concentrated industries that are characterized by a notable presence of large firms. As Boix and Galletto (2007:7) point out, in the Sforzi-ISTAT methodology "*the taxonomy is rigorously dichotomous a local system is a district or it is not a district*", which suggests that the map of Marshallian industrial districts should be complemented by an analysis of manufacturing systems of large firms (Trullén, 2006). In addition, a certain degree of arbitrariness is observed in defining small, medium and large firms.

The third limitation of the Sforzi-ISTAT methodology has to do with the fact that it relies on employment data. As already mentioned, this methodology is based on the identification of local labour markets, which means that employment is the variable taken into account when identifying industrial districts. The extreme dependence on employment data may represent a serious shortcoming when the aim of research is to identify export districts, or when a study seeks to determine the competitive advantage of districts.

Of course, this is precisely what the present paper aims to do for the Spanish textile, apparel and footwear industries during the 1980s. Therefore, a new database was created for the 1980s through the use of secondary sources, including business magazines and other complementary publications.<sup>13</sup> At the present stage of our research,

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<sup>13</sup> A detailed description of the sources is available from the authors upon request.

this database consists of about 470 exporting firms distributed around 190 municipalities. Although the new database probably does not include all export firms, it does seem to cover a very large percentage of them.

A first step in the process of identifying exporting industrial districts was to group export firms according to the geographical location of their plant. Firms were initially grouped by municipalities, after which point we analysed the extent to which a single municipality or group of municipalities fell into the category of industrial district. Historical evidence was also taken into account in this identification process. Thus, a municipality or group of municipalities was said to form an industrial district when the available historical evidence confirmed the existence of Marshallian external economies, namely specific but non-codified knowledge, subsidiary industries and a specialized common labour market. Evidence on the existence of local institutions was also considered. Additionally, it was established that the maximum distance between a municipality and the centre of the district should be approximately 25 kilometres.<sup>14</sup> Although somewhat arbitrary, this geographical limitation was introduced in order to define district borders in a more precise way. Of course, certain requirements regarding the minimum number of firms which had to be concentrated in the territory were also taken into account. Specifically, it was established that the municipality or group of municipalities had to be formed by a minimum of ten exporting firms in textiles, clothing or shoemaking in order to be considered as an exporting industrial district. It is acknowledged that this decision is somewhat arbitrary.

Using this method the total number of Spanish textile, clothing and shoemaking export districts identified for the late 1980s amounts to fourteen (see Table 2 and Map 1). In alphabetical order they are: Almansa (province of Albacete), Barcelona-Baix Llobregat (Barcelona), Elda (Alacant), Elx (Alacant), Igualada (Barcelona), Inca (Illes Balears), Madrid (Madrid), Mataró (Barcelona), Olot (Girona), Ontinyent-Alcoi (València, Alacant), Granollers (Barcelona), Sabadell (Barcelona), València (València) and Vic (Barcelona). These can also be considered the fourteen Spanish industrial districts that enjoy a competitive advantage in textiles, apparel and footwear, since the propensity to export is an indicator of competitiveness (e.g. Costa and Viladecans, 1999). If we accept that exports reflect a firm's efficiency, then it should also be

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<sup>14</sup> Geographically, districts tend to approximate to old counties, which, in Catalonia, were reorganized in the 1930s by considering the main market in which farmers traded their produce.

concluded that these fourteen districts probably included firms with an above-average level of productivity.

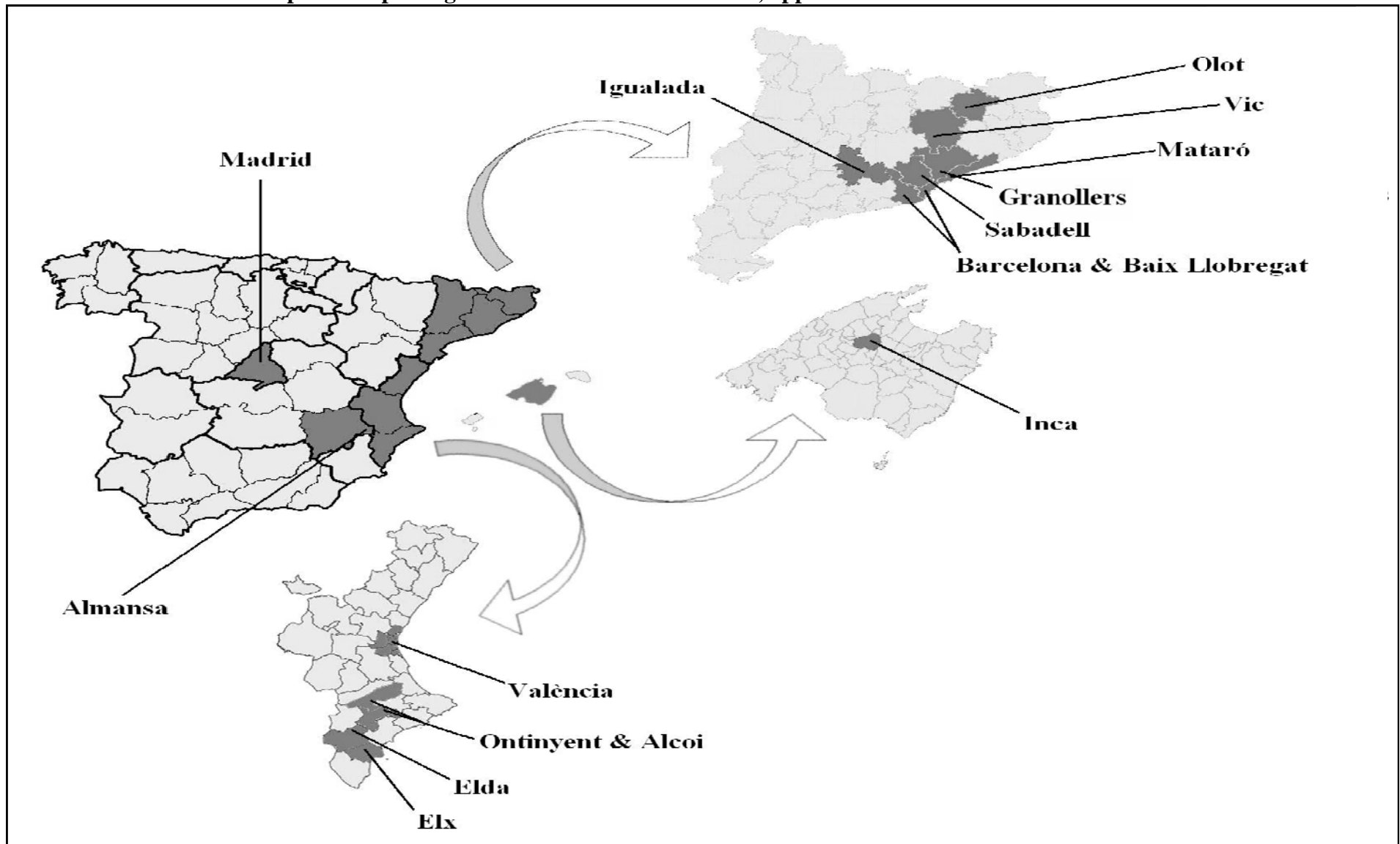
**Table 2**  
**Spanish exporting industrial districts for textiles, apparel and footwear in the 1980s**

<i>District</i>	<i>County or Community of municipalities</i>	<i>Province/Region</i>	<i>Main industry</i>	<i>Number of export firms</i>	<i>Export values (million pesetas)</i>	
					<i>Total</i>	<i>Per firm</i>
Ontinyent and Alcoi	Vall d'Albaida-Alcoià	València-Alacant/VAL	Household textiles	43	23,227	540.2
Barcelona and Baix Llobregat	Barcelonès-Baix Llobregat	Barcelona/CAT	Synthetic fibres	39	22,442	575.4
Granollers	Vallès Oriental	Barcelona/CAT	Leather	22	19,763	898.3
Madrid	---	Madrid/MAD	Clothing	25	19,525	781.0
Elx	Baix Vinalopó	Alacant/VAL	Footwear	39	18,961	479.3
Vic	Osona	Barcelona/CAT	Leather	10	16,194	1,619.4
Sabadell	Vallès Occidental		Wool fabrics	44	14,898	338.6
Elda	Vinalopó Mitjà	Alacant/VAL	Footwear	36	14,850	412.5
València	València	València/VAL	Clothing	15	14,178	945.2
Mataró	Maresme	Barcelona/CAT	Knitwear	26	12,472	479.7
Almansa	Monte Ibérico-Corredor de Almansa	Albacete/CMAN	Footwear	15	6,794	452.9
Olot	Garrotxa	Girona/CAT	Cotton fabrics	10	4,722	472.2
Inca	El Raiguer	Illes Balears	Footwear	14	3,536	252.6
Igualada	Anoia	Barcelona/CAT	Knitwear	12	3,159	263.3
<i>Total</i>				<i>350</i>	<i>194,721</i>	<i>556.3</i>

**Abbreviations:** CAT: Catalonia; CMAN: Castilla-La Mancha; MAD: Madrid; VAL: Valencia. **Notes and Sources:** See text and footnotes.

Table 2 and Map 1 provide additional information about the exporting districts identified. In particular, they show their geographical location, their product specialization and their importance in terms of number of firms and export values. This information merits a number of comments. Firstly, by the 1980s most of the textile, clothing and shoemaking export districts were geographically located along the Mediterranean coast of Spain. In fact, this was the area where these economic activities developed, following a process that dates back to the first industrial revolution or even earlier.

**Map 1**  
**Spanish exporting industrial districts for textiles, apparel and footwear in the 1980s**



Secondly, the Spanish industrial districts which, in the 1980s, enjoyed competitive advantage in textiles, apparel and footwear were far from being homogenous in terms of the number of firms they concentrated and the total value of the products they exported. At the top of the ranking is the household textiles district of Ontinyent-Alcoi. This district had 42 export firms, which is more than four times the number of export firms found in the cotton textiles district of Olot, which was ranked bottom. Regarding export values, the Ontinyent-Alcoi district was again ranked first, with total exports amounting to 23,227 million pesetas. This means that total exports in Ontinyent-Alcoi were seven times higher than in the knitwear district of Igualada, which was the district with the lowest export values.

**Table 3**  
**The top neo-Marshallian Spanish districts for textiles, apparel and footwear in 2001 when using employment data and Sforzi-ISTAT methodology**

<i>District</i>	<i>County or Community of municipalities</i>	<i>Province/Region</i>	<i>Main industry</i>	<i>Employees (number)</i>	<i>Were they also export districts in the 1980s?</i>
Elx	Baix Vinalopó	Alacant/VAL	LF	27,141	YES
Sabadell	Vallès Occidental	Barcelona/CAT	TC	21,468	YES
Elda	Vinalopó Mitjà	Alacant/VAL	LF	14,568	YES
Mataró	Maresme	Barcelona/CAT	TC	11,670	YES
Igualada	Anoia	Barcelona/CAT	TC	6,262	YES
Ontinyent	Vall d'Albaida	València/VAL	TC	5,612	YES <sup>a</sup>
Alcoi	Alcoià	Alacant/VAL	TC	3,707	YES <sup>a</sup>
Talavera de la Reina	---	Toledo/CMAN	TC	3,690	NO
Manresa	Bages	Barcelona/CAT	TC	3,678	NO
Villena	Alt Vinalopó	Alacant/VAL	LF	3,646	YES <sup>b</sup>
Calella	Maresme	Barcelona/CAT	TC	3,525	NO
Almansa	Monte Ibérico-Corredor de Almansa	Albacete/CMAN	LF	3,491	YES
Ubrique	Sierra de Cádiz	Cádiz/AND	LF	2,828	NO
Arnedo	Arnedo	La Rioja	LF	2,795	NO
Cocentaina	Comtat	Alacant/VAL	TC	2,349	YES <sup>b</sup>
Crevillent	Baix Vinalopó	Alacant/VAL	LF	1,988	YES <sup>c</sup>
Monòver	Vinalopó Mitjà	Alacant/VAL	LF	1,973	YES <sup>b</sup>
Fuensalida	Torrijos	Toledo/CMAN	LF	1,849	NO
Xàtiva	Costera	València/VAL	TC	1,845	NO
Catral	Baix Segura	Alacant/VAL	LF	1,795	NO
Inca	El Raiguer	Illes Balears	LF	1,642	YES
Banyeres de Mariola	Alcoià	Alacant/VAL	TC	1,634	YES <sup>a</sup>
Saix	Alt Vinalopó	Alacant/VAL	LF	1,574	YES <sup>c</sup>

**Abbreviations:** BAL: Balearic Islands; CAT: Catalonia; CMAN: Castilla-La Mancha; MAD: Madrid; VAL: Valencia; LF: Leather and footwear; T: Textiles, TC: Textile, knitwear and clothing.

**Notes:** <sup>a</sup> included in the export district of Ontinyent-Alcoi; <sup>b</sup> included in the export district of Elda, <sup>c</sup> included in the export district of Elx; **Source:** Boix and Galletto (2006)

Of course, this ranking would vary greatly if instead of taking into account total export values the average export value per firm was considered. In this case, the leather district of Vic would be ranked first, whereas the footwear district of Inca would be at the bottom. However, cross-district disparities remain even when considering average export values per firm. For example, in the district of Vic the average export value per firm was 6.4 times higher than in the district of Inca.

The final comment on the Spanish textile, clothing and shoemaking districts which, in the 1980s, enjoyed a competitive advantage must be made for comparative purposes. When these export districts are compared with the local labour markets whose characteristics are those of the neo-Marshallian industrial districts identified by Boix and Galletto (2006) using 2001 employment data, then numerous correspondences emerge. For example, eight of the top ten local labour markets were also (or formed part of) export districts. The same applied to fifteen of the top twenty-three local labour markets (see Table 3). However, according to Boix and Galletto (2006) the districts of Barcelona-Baix Llobregat, Madrid, Olot, Granollers, València and Vic, which we identified as districts with a competitive advantage, do not fall into the category of textile, clothing and shoemaking industrial districts. Clearly, both methodological and data issues account for most of these differences.

#### **4. Textile, apparel and footwear districts with competitive advantage before the rise of internationalization**

Were the Spanish export districts in textiles, clothing and shoemaking dominated by small firms? At first glance, it seems plausible that this was the case. Table 4 compares firms' average export values in the fourteen textile, clothing and shoemaking export districts identified above. These data show that most of the districts were below the export value of the average firm, with only five being above this average (Table 4, fourth column). Similarly, only about one-third of all firms had export values above the average firm (Table 4, fifth column). The same trend emerges when we compare firms' export values with the export value of average firms in their own district (Table 4, sixth column). These results suggest that small-medium size firms also predominated in export districts, as neo-Marshallian scholars would predict.

However, the predominance of small- and medium-size firms alone provides an insufficient basis on which to conclude that during the 1980s the Spanish export



districts in textiles, apparel and footwear should be considered as neo-Marshallian districts. Although they were mostly populated by small-medium size firms, it could also be that some medium-large firms accounted for a significant share of total district exports. If this was the case, then the district should be identified as a hub-firm district rather than a neo-Marshallian one<sup>15</sup>.

**Table 4**  
**Average export size of firms in the Spanish export districts for textiles, apparel and footwear in the 1980s**

<i>District</i>	<i>Main Industry</i>	<i>Number of export firms</i>	<i>Export values per firm (million pesetas)</i>	<i>Percentage of firms below the average export value</i>	
				<i>all firms</i>	<i>firms' district</i>
Ontinyent-Alcoi	Household textiles	43	540.2	69.8	69.8
Barcelona-Baix Llobregat	Synthetic fibres	39	575.4	74.4	76.9
Granollers	Leather	22	898.3	54.5	77.3
Madrid	Apparel	25	781.0	52.0	60.0
Elx	Footwear	39	486.2	69.2	53.8
Vic	Leather	10	1,619.4	50.0	70.0
Sabadell	Wool fabrics	44	338.6	81.8	79.5
Elda	Footwear	36	412.5	75.0	66.7
València	Apparel	15	945.2	60.0	80.0
Mataró	Knitwear	26	479.7	57.7	50.0
Almansa	Footwear	15	452.9	73.3	46.7
Olot	Cotton fabrics	10	472.2	60.0	50.0
Inca	Footwear	14	252.6	92.9	64.3
Igualada	Knitwear	12	263.3	83.3	58.3
	<i>Total</i>	<i>350</i>	<i>556.3</i>	<i>68.6</i>	<i>66.3</i>

**Notes and Sources:** See Table 2, text and footnotes.

A way to know whether this was the case is to calculate concentration coefficients for each of the fourteen export districts identified above. The literature offers a number of coefficients in this regard, although none of them is free from problems (e.g. Clarke, 1985). One of the most widely-used indexes is the concentration ratio ( $CR_r$ ). This is defined as the market share of the  $r$  largest firms in the market (or industry), where  $r$  is an arbitrary number of firms; however, the four largest firms are generally used to estimate concentration ratios (this being known as  $CR_4$ ). One of the major criticisms of this ratio is precisely the arbitrary choice of  $r$ , as well as the fact that it only takes into account a single point of the concentration curve. To avoid these

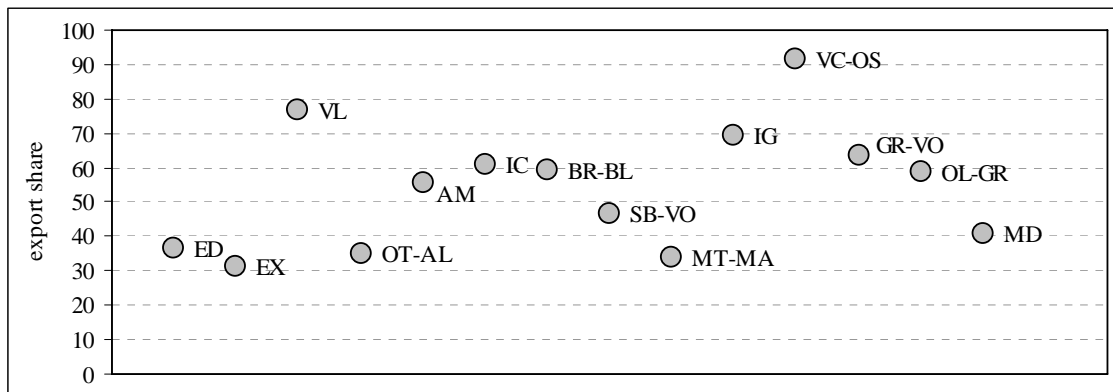
<sup>15</sup> We have already identified the two types of districts in previous works on the historical pattern of development in Mediterranean countries. See Catalan (2011); Catalan, Miranda and Ramon-Muñoz (2011a), (2011b); Ramon-Muñoz (2011).

problems, scholars have increasingly used the Hirschman-Herfindhal index (HHI), which is estimated as the sum of the squares of the market shares of firms in the industry. This index takes a maximum value of 1 for monopoly.

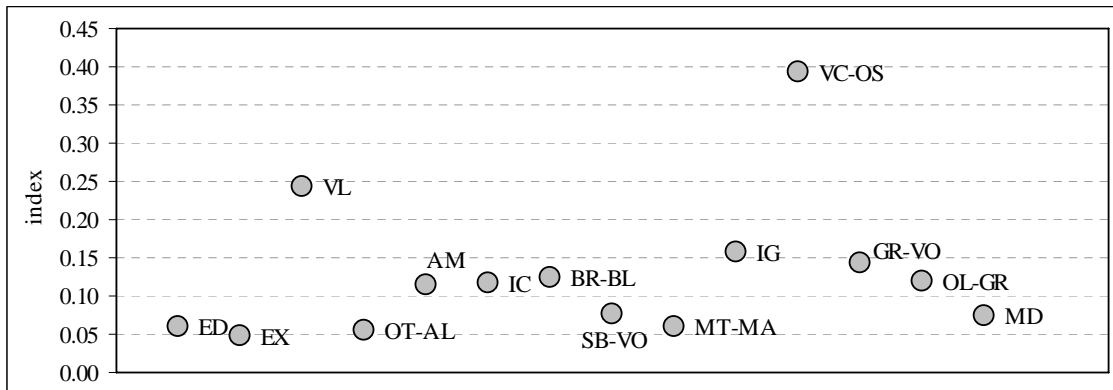
Of course, the CR<sub>4</sub>, the HHI and other concentration indices are very sensitive to the number of firms operating in a market or industry. Furthermore, they also fail to provide clear information about concentration inequality. Consequently, inequality coefficients are also used in order to overcome the potential shortcomings of concentration indexes. These coefficients are widely used as a measure of inequality of income or wealth distribution, but they are also applied in industrial organization and in studies analysing the geographical concentration of economic activity. A simple way to measure concentration inequality is to construct decile ratios in order to determine the share of market, sales or any other variable which concentrates the chosen 10% of firms. The measure of inequality most commonly used by scholars is, however, the Gini coefficient, which ranges between 0 (complete equality) and 1 (complete inequality).

**Figure 1**  
**Concentration and inequality measures in the Spanish export districts for textiles, apparel and footwear in the 1980s**

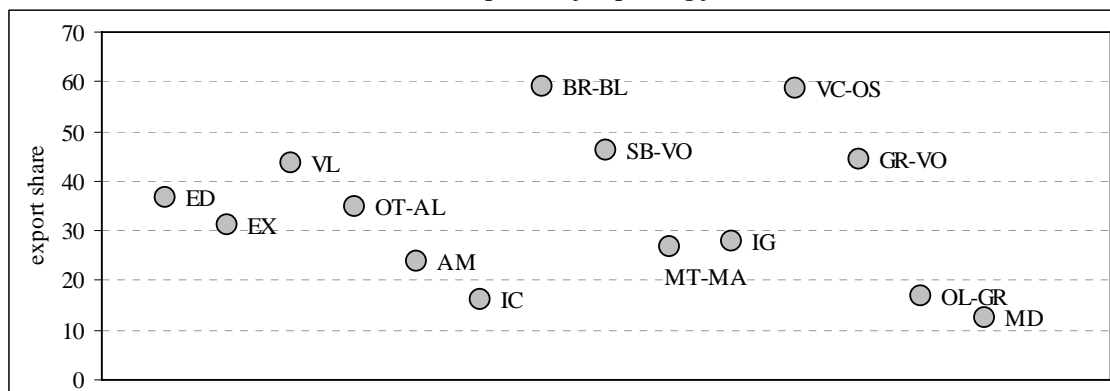
*1.1. Four-firm concentration ratio (CR<sub>4</sub>)*



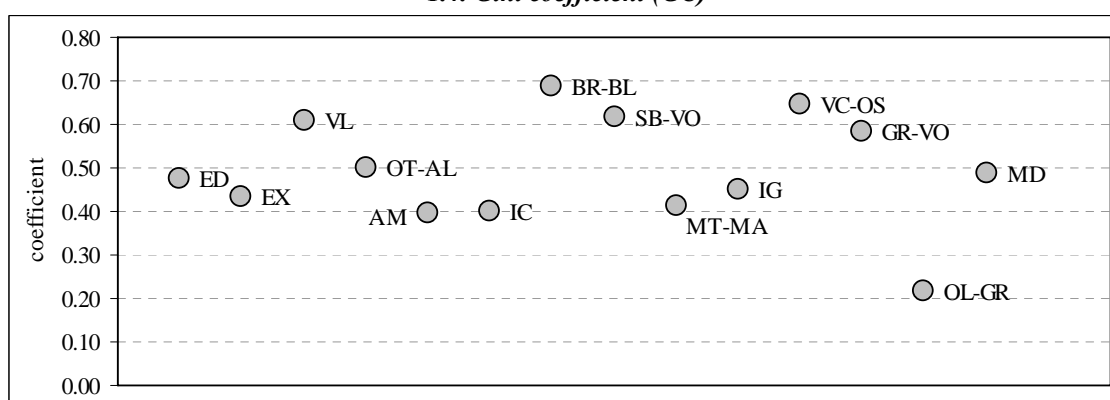
*1.2. Hirschman-Herfindhal Index (HHI)*



### 1.3. The top 10% of exporting firms



### 1.4. Gini coefficient (GC)



**Abbreviations:** Almansa (AM), Barcelona-Baix Llobregat (BR-BL), Elda (ED), Elx (EX), Igualada (IG), Inca (IC), Madrid (MD), Mataró-Maresme (MT-MA), Olot-Garrotxa (OL-GR), Ontinyent-Alcoi (OT-AL), Granollers-Vallès Oriental (GR-VO), Sabadell-Vallès Occidental (SB-VO), València (VL), Vic-Osona (VC-OS).

**Notes and Sources:** See Table 2, text and footnotes.

Figure 1 reports the four indices mentioned above for the particular case of Spanish export districts for textiles, apparel and footwear in the 1980s. The first of these measures is the four-firm concentration ratio ( $CR_4$ ), which shows the market share of the four leading export firms in total district exports (Figure 1.1). The second is the Hirschman-Herfindhal index (HHI) (Figure 1.2). In both cases, firm size is proxied by export values, while the firms' market shares are calculated at district level. It can be seen that the use of these concentration measures yields similar results. The only major difference is that relative to the  $CR_4$ , the HHI overstates the distance between districts in terms of export firms' concentration. This is because the HHI gives more weight to the share of the larger firms. Nonetheless, a clear picture emerges from Figures 1.1 and 1.2. In many districts, exports are in the hands of a small number of firms which concentrate a large share of the district's exports. For example, in eight out of fourteen export

districts the four top leading firms account for 50% or more of the district's exports. These eight districts also have a HHI above 0.1.<sup>16</sup>

Interesting as they are, these results remain open to criticism. For example, it could be argued that they depend heavily on the method used to measure concentration. As already said, both the CR<sub>4</sub> and the HHI are very sensitive to the number of export firms present in the district. A simple correlation analysis shows that districts with a lower number of export firms tend to have higher concentration levels, and vice-versa.

In order to control for this shortcoming, alternative measures of concentration were also calculated, the results obtained being shown in Figures 1.3 and 1.4. The data in Figure 1.3 refer to the share of the top 10% of exporting firms in the district's export values, while Figure 1.4 shows the Gini coefficients (GC) across export districts. Once again, firm size is proxied by export values, while the firms' market shares are calculated at district level.

The results here are revealing. Firstly, they confirm the existence of a wide range of concentration levels across export districts. For example, between the district with the maximum and the minimum concentration level, a difference of 1:5 is found when using the Top 10% ratio, as opposed to 1:3 when the GC is applied. Although distances across districts may vary depending on the index used, both measures of inequality generally yield very similar results: export districts at the bottom (or the top) of the concentration ranking derived from the Top 10% ratio tend to remain in the same position when the Gini coefficient is estimated.

In addition to the substantial differences in export concentration levels, Figures 1.3 and 1.4 also reveal another key point: in the 1980s a large number of Spanish exporting districts in the textile, apparel and footwear industries corresponded more to the category of hub-firm districts than to the neo-Marshallian one. We are well aware, however, that "*in the absence of a theory of concentration it is hard to know what the cut-off is for "high" concentration*" (Berry and Pakes, 2003: 11).

In interpreting the results obtained with the Top 10% ratio, we established the arbitrary (though sensitive) cut-off point of a 30% export share. In other words, we consider that an export district falls into the category of a hub-firm district when the top 10% of exporting firms account for more than 30% of the total district export values. Similarly, we also established that export districts with a Gini coefficient below 0.5 can

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<sup>16</sup> This value is sometimes considered as the cut-off point between concentrated and non-concentrated industries. See, for example, Uriu (1996: 186-187).

be considered as neo-Marshallian districts. Under these criteria, the use of the Top 10% ratio indicates that there are eight hub-firm districts, whereas the Gini coefficient gives a figure of seven. These values are not so different from the number of hub-firm districts identified by the CR<sub>4</sub> and the HHI, although the district categorization varies depending on the coefficient used (see Table 5). It is clear that different measures rank the same set of data in different ways, and this is a matter that requires further attention in future research.

**Table 5**  
**Hub firms (H) and neo-Marshallian (NM) Spanish export districts for textiles, apparel and footwear in the 1980s**

<i>Export District</i>	<i>Main industry</i>	<i>CR<sub>4</sub></i> <i>≥ 50%</i>	<i>HHI</i> <i>≥ 0.1</i>	<i>Top 10%</i> <i>≥ 30%</i>	<i>GI</i> <i>≥ 0.5</i>
Ontinyent-Alcoi	Household textiles	NM	NM	H	H
Barcelona-Baix Llobregat	Synthetic fibres	H	H	H	H
Granollers	Leather	H	H	H	H
Madrid	Apparel	NM	NM	NM	H
Elx	Footwear	NM	NM	H	NM
Vic	Leather	H	H	H	H
Sabadell	Wool fabrics	NM	NM	H	H
Elda	Footwear	NM	NM	H	NM
València	Apparel	H	H	H	H
Mataró	Knitwear	NM	NM	NM	NM
Almansa	Footwear	H	H	NM	NM
Olot	Cotton fabrics	H	H	NM	NM
Inca	Footwear	H	H	NM	NM
Igualada	Knitwear	H	H	NM	NM
<i>Total number of Hub-firm districts</i>		8	8	8	7
<i>Total number of Neo-Marshallian districts</i>		6	6	6	7

**Notes and Sources:** See also Table 2, text and footnotes.

In light of the above evidence, one might conclude that in the 1980s about half the Spanish exporting districts in the textile, apparel and footwear industries fell into the category of hub-firm districts, with medium-large firms probably acting as coordinators. It is perhaps even more important to note that these hierarchical districts accounted for a substantial share of total district exports, although this share varies depending on the index used (see Table 6). The figure is around 50% when the cut-off point is based on the CR<sub>4</sub> and the HHI, both of which, as noted above, bias the results towards those districts with a lower number of firms. By contrast, the value of exports carried out from leading-firm districts accounts for at least 67% of all export values when the concentration cut-off point is based on the Top 10% ratio or the GC.

**Table 6**  
**Hub-firm and neo-Marshallian districts in the export trade of Spanish textile, apparel and footwear industries in the 1980s**

<i>Typology of export districts</i>	<i>CR<sub>4</sub></i> ≥ 50%	<i>HHI</i> ≥ 0.1	<i>Top 10%</i> ≥ 30%	<i>GI</i> ≥ 0.5
<b>Panel 1: Hub-firm districts</b>				
Number of districts	8	8	8	7
<i>(as % of total export districts)</i>	<i>(57.1)</i>	<i>(57.1)</i>	<i>(57.1)</i>	<i>(50.0)</i>
Number of firms	137	137	248	198
<i>(as % of total export firms)</i>	<i>(39.1)</i>	<i>(39.1)</i>	<i>(70.9)</i>	<i>(56.6)</i>
Total export values	90,788	90,788	144,243	130,227
<i>(as % of total export values)</i>	<i>(46.7)</i>	<i>(46.7)</i>	<i>(74.2)</i>	<i>(67.0)</i>
Average export values per firm	663	663	582	658
<i>(export values of the average firm = 100)</i>	<i>(119.3)</i>	<i>(119.3)</i>	<i>(104.7)</i>	<i>(118.4)</i>
<b>Panel 2: Neo-Marshallian districts</b>				
Number of districts	6	6	6	7
<i>(as % of total export districts)</i>	<i>(42.9)</i>	<i>(42.9)</i>	<i>(42.9)</i>	<i>(50.0)</i>
Number of firms	213	213	102	152
<i>(as % of total export firms)</i>	<i>(60.9)</i>	<i>(60.9)</i>	<i>(29.1)</i>	<i>(43.4)</i>
Total export values	103,663	103,663	50,208	64,224
<i>(as % of total export values)</i>	<i>(53.3)</i>	<i>(53.3)</i>	<i>(25.8)</i>	<i>(33.0)</i>
Average export values per firm	487	487	492	422.5
<i>(export values of the average firm = 100)</i>	<i>(87.6)</i>	<i>(87.6)</i>	<i>(88.6)</i>	<i>(76.1)</i>

**Notes and Sources:** See also Table 2, text and footnotes

With hierarchical districts accounting for between 50% and 75% of export values, a further point to consider is why these districts were able to account for such high percentages. Unfortunately, it is not possible to give a precise answer to this question at the present stage of our research. Nonetheless, one is tempted to conclude that hub-firm districts did take advantage of both external and internal economies. Together with the classical Marshallian externalities of the district, they also benefited from technological, managerial, and marketing and distribution capabilities mostly provided by leading firms.

## **5. Districts in the internationalization of ‘Made in Spain’ fashion: the role of inheritance and leading firms**

Thus far, we have identified and characterized Spanish export districts for textiles, clothing and shoemaking based on information referring to the 1980s, just before the most important ‘Made in Spain’ fashion firms began to internationalize. The question which now needs to be answered is whether the 1980s’ exporting industrial districts contributed to the internationalization of what are nowadays the main ‘Made in Spain’ fashion firms. Before tackling this question it will be useful to have an overview

of both the process of internationalization of fashion firms and the historical transformation of ‘fashion export districts’.

In recent decades, Spain’s textile, apparel and footwear industries have undergone a strong process of internationalization. Indeed, since the late 1980s the trend in Spanish exports of fashion products has been one of robust growth,<sup>17</sup> and exports have become a major driving force behind the country’s main fashion industries. Some studies have estimated that by 2007, exports already accounted for 65% of total clothing output, as well as for 96% of total footwear output. In parallel to the growth in exports, a considerable number of Spanish fashion firms have opened their own retail stores in foreign markets, including the major fashion capitals of Europe. This strategy has not only boosted export expansion, but has also contributed to the diffusion and strengthening of some Spanish fashion trademarks abroad. Another dimension of this internationalization process has been the transformation of location patterns. From the early 1990s onwards, the largest Spanish fashion firms have progressively delocalized their production to lower labour cost countries and regions, such as Portugal, northern Africa and Asia (see, for example, the case studies by Alonso, 2000, 2011; Manera, 2002; Tokatli, 2008; Pla-Barber and Puig, 2009; Manera, Molina and Casasnovas, 2011). Alongside this process the largest Spanish fashion firms have “*increasingly focused on branded, quality products, characterized by original and innovative design*” (Saviolo and Ravasi, 2007: 104).

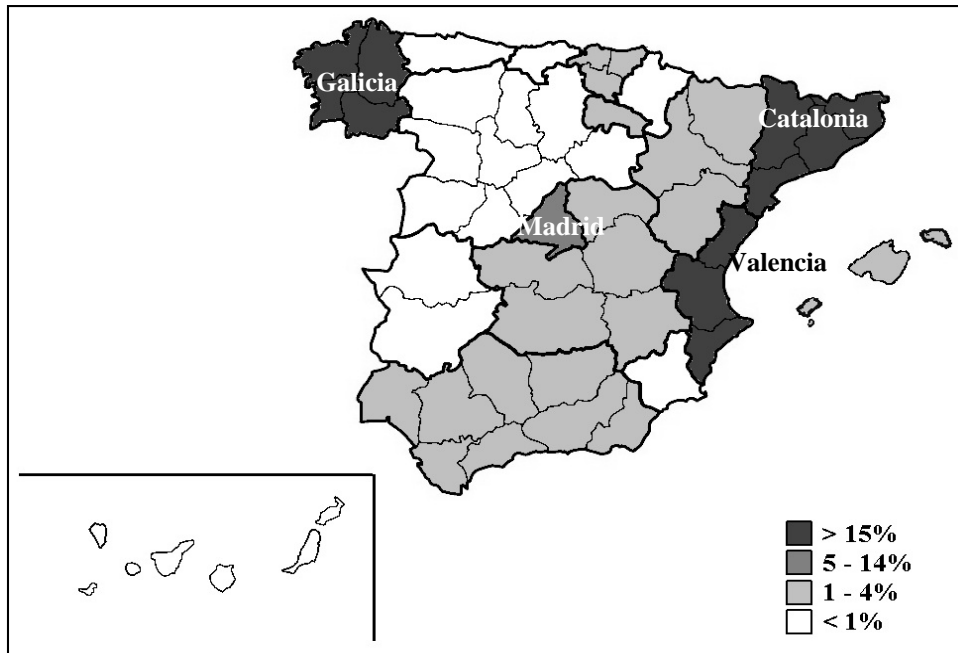
The outcome of this recent internationalization process has been that a considerable number of Spanish firms have been able to penetrate foreign markets. According to the available information, Spanish fashion products are nowadays sold to more than 70 countries, although the bulk of these exports have Europe as their final destination. To give some examples, by 2007 almost 70% of all Spanish clothing exports were sent to the European Union. During the same period, the Old Continent also accounted for almost 77% of Spanish footwear sales abroad, with France as the major client.<sup>18</sup>

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<sup>17</sup> According to official data, between 1988 and 2008 the export values for textiles, clothing and shoemaking grew at an annual rate of more than 6% at current prices (around 2.5% in real terms). Own calculation, derived from <http://datcomex.comercio.es>.

<sup>18</sup> Data taken from “Spanish fashion in figures”, <http://www.fashionfromspain.com>.

**Map 2**  
**The geographical origins of Spanish exports of textile, apparel and footwear products, 2006/2007 (percentages)**



Sources: See text and footnotes.

The regional origin of this export trade also reveals a noteworthy level of concentration in Spanish textile, apparel and footwear exports. By 2006/2007, two single regions accounted for around 60% of total exports, while the top four export regions concentrated more than 80% of all Spanish textile, clothing and shoemaking exports. Map 2 shows the four largest export regions for these industries, which in descending order were Catalonia (35%), Galicia (25%), Valencia (18%) and Madrid (7%). This geographical distribution of exports needs to be stressed. Leaving aside the case of Galicia, the other three major export regions in 2006/2007 (Catalonia, Valencia and Madrid) were precisely the regions which, during the 1980s, hosted twelve of the fourteen export districts for textiles, clothing and shoemaking that have been identified in the preceding sections.



**Table 7**  
**From industrial districts to fashion clusters: leading firms and their origins**

	<b>Firm</b>	<b>Activity</b>	<b>Origins</b>	<b>Sales 2006 (million €)</b>	<b>Did the firm emerge from a 1980s industrial district?</b>	<b>District</b>
1	Industria de Diseño Textil, S.A. (Inditex)	Fast-fashion retailer	1963	6.740,8	Yes, but not from an exporting district	Coruña
2	Cortefiel, S.A.	Fashion retailer	1880-1933	1.041,0	Yes, from an exporting district	Madrid
3	Mango MNG Holding, S.L. (Mango)	Fast-fashion retailer	c1968-1984	942,0	Yes, from an exporting district	Sabadell-VO
4	La Seda de Barcelona	Synthetic fibers and polymers	1925	644,5	Yes, from an exporting district	Barcelona
5	Corte Inglés/Induyco+Sfera	Apparel and fashion retailer	1934	634,7	Yes, from an exporting district	Madrid
6	Camper-Coflusa	Footwear fashion and retailing	1877-1975	374,3	Yes, from an exporting district	Inca
7	Tavex Algodonera, S.A.	Cotton fabrics, apparel and household textiles	1846	248,6	No	---
8	Adolfo Domínguez, S.A.	Fashion creator and retailer	1973	165,2	No	---
9	Dogi International Fabrics, S.A.	No woven fabrics	1954	137,0	Yes, from an exporting district	Mataró-Ma
10	Sociedad Textil Lonja, S.A. (Stl)	Fashion creator and retailer	1997	135,6	No	---
11	Anglés Textil, S.A. (Antex)	Yarn spinning	1968	127,9	No	---
12	Comdipunt	Apparel retailing	1998	123,2	Yes, from an exporting district	Mataró-Ma
13	Ubesol, S.L.	Household textiles	1979	121,2	Yes, from an exporting district	Ontinyent-Alcoi
14	Punt Roma	Fashion retailing	1997	121,2	Yes, from an exporting district	Mataró-Ma
15	Armand Basi, S.A.	Fashion creator and retailer	1948	114,9	Yes, from an exporting district	Mataró-Ma
16	Mayoral Moda Infantil, S.A.	Children's fashion	1941	109,2	Yes, from an exporting district	Madrid
17	Sport Street	Footwear retailing	1994	105,8	Yes, from an exporting district	Madrid
18	Sedatext	Textile fabrics	1940	100,6	Yes, from an exporting district	Barcelona
19	Giró GHS	Textiles fabrics and distribution	1994	99,4	Yes, from an exporting district	Mataró-Ma
20	Textil Santanderina	Cotton fabrics	1960	96,4	No	---
21	Merkal Calzado	Footwear	2003	96,3	Yes, from an exporting district	Barcelona
22	Pronovias, S.L.	Wedding wear	1964	92,4	Yes, from an exporting district	Barcelona
23	Caramelo, S.A.	Fashion creator and retailer	1969	73,7	Yes, but not from an exporting district	Coruña
24	Sáez Merino, S.A.	Outwear	1960c	70,0	Yes, from an exporting district	València
25	Marie Claire, S.A.	Knitted outwear	1907	67,1	No	---
26	Julián Rus Canibano	Apparel retailing	1996	66,5	No	---
27	Elastómeros Riojanos	Footwear rubber parts	1972	66,3	Yes, but not from an exporting district	Arnedo

(Table 7, continued)

Firm	Activity	Origins	Sales 2006 (million €)	Did the firm emerge from a 1980s industrial district?	District
28 José Royo, S.L.	Textile fabrics and retailing	1976	65,5	Yes, from an exporting district	València
29 SATI Grupo Textil S.A.	No woven fabrics	1956	61,4	Yes, from an exporting district	Granollers-VOr
30 Pikolino's Interncontinental	Footwear	1984	61,1	Yes, from an exporting district	Elx
31 Colortex 1967 SL	Finishers of textiles	1967	54,5	Yes, from an exporting district	Ontinyent-Alcoi
32 Colomer Munmany	Leather and apparel	1792	48,7	Yes, from an exporting district	Vic-Os
33 Ródenas y Rivera	No woven fabrics	1972	46,4	No	---
34 Industrias Murtra, S.A.	Yarn, tapes and fabrics	1897	45,2	Yes, from an exporting district	Granollers-VOr
35 Puig (Fashion division)	Fashion retailer	1914	50,9	Yes, from an exporting district	Barcelona
36 La Doma SA de Curtidos	Leather	1985	48,7	Yes, from an exporting district	Vic-Os
37 Estebanell y Pahisa	Household textiles	1927	45,4	Yes, from an exporting district	Vic-Os
38 Iriarte Trading Fashion	Apparel and retailing	1991	42,2	Yes, from an exporting district	Madrid
39 Sprinter Megacentros del Deporte	Footwear retailing	1999	41,8	Yes, from an exporting district	Elx
40 Antecuir	Household textiles	1989	39,6	Yes, from an exporting district	Ontinyent-Alcoi
41 Emboga	Footwear retailing	1988	37,7	Yes, from an exporting district	Elda
42 Velamen	Textile bags	1971	37,5	Yes, from an exporting district	Barcelona
43 Joma Sport	Footwear	1975	37,2	Yes, but not from an exporting district	Fuensalida
44 Cadena	Apparel	1961	36,2	Yes, from an exporting district	Madrid
45 Roberto Verino Difusión, S.A.	Fashion creator and retailer	1982c	35,5	No	---
46 Viscocel	Synthetic fibers	2000	35,5	Yes, from an exporting district	Madrid
47 Calzados Pablo	Footwear	1975	34,9	Yes, but not from an exporting district	Fuensalida
48 Industrias Valls	Knitted outerwear	1945c	32,0	Yes, from an exporting district	Igualada
49 Abasic, S.L.	Fashion creator and retailer	1984	29,8	Yes, from an exporting district	Barcelona
50 Blue Tower, S.L.	Fashion creator and retailer	1980c	28,5	Yes, from an exporting district	Barcelona

**Abbreviations:** Ma (Maresme), Os (Osona), VO (Vallès Occidental), VOr (Vallès Oriental).

**Source:** Own elaboration from SABI database (Sistema de Análisis de Balances Ibéricos).

The case of Galicia, which ranks second in the regional export list, merits further comment. In the 1980s, no export districts were identified in this north-western Spanish region. However, there is clear evidence that around the cities of Redondela, Vigo and A Coruña the clothing industry had reached a certain level of development during the 1970s, which suggests that industrial textile districts might have emerged. At all events, during the stagnation crisis (1973-1985) the Galician textile industry underwent a profound transformation. Large firms declined as labour costs rose, whereas more flexible small- and medium-size firms were able to survive, in part by making use of the *Verlagssystem* or putting-out-system (Carmona and Nadal, 2005: 368-376).<sup>19</sup> Interestingly, one of these firms was owned by Amancio Ortega (Alonso, 2000, O'Shea 2008; Tokatli 2008), the founder of Inditex/Zara, the company that has become the world's leading textile distribution group.

Table 7 presents additional evidence on the geographical origins of Spain's current textile, apparel and footwear products: it indicates the location of the top fashion-related Spanish firms, which are ranked according to their sales value around 2006. This table shows that most of the firms under Spanish control in the industries of textiles, apparel and footwear emerged from Marshallian districts. Thirty-six out of fifty (i.e. 72%) of these leading firms in fashion-related industries were established within the fourteen exporting districts listed above.

A second group of firms emerged from districts which were not identified as exporting ones in the late 1980s. There were five such firms in our sample of top fashion-related product sellers. Therefore, 10% of today's top fashion firms from Spain were set up in districts with a poor export performance before the country joined the EEC. These firms belonged to the districts of Coruña (Galicia), Fuensalida (Castilla La Mancha) and Arnedo (Rioja). Inditex, which is currently the world's top retailer of fast-fashion products, came from the first of these districts. It should be stressed that Ortega's firm accounted for 49% of the sales of the top fifty Spanish fashion-related firms.

Finally, only nine of the top fifty fashion-related firms were born out of Marshallian districts. In other words, just 18% of today's most important firms in the business of 'Made in Spain' fashion did not benefit from original district externalities.

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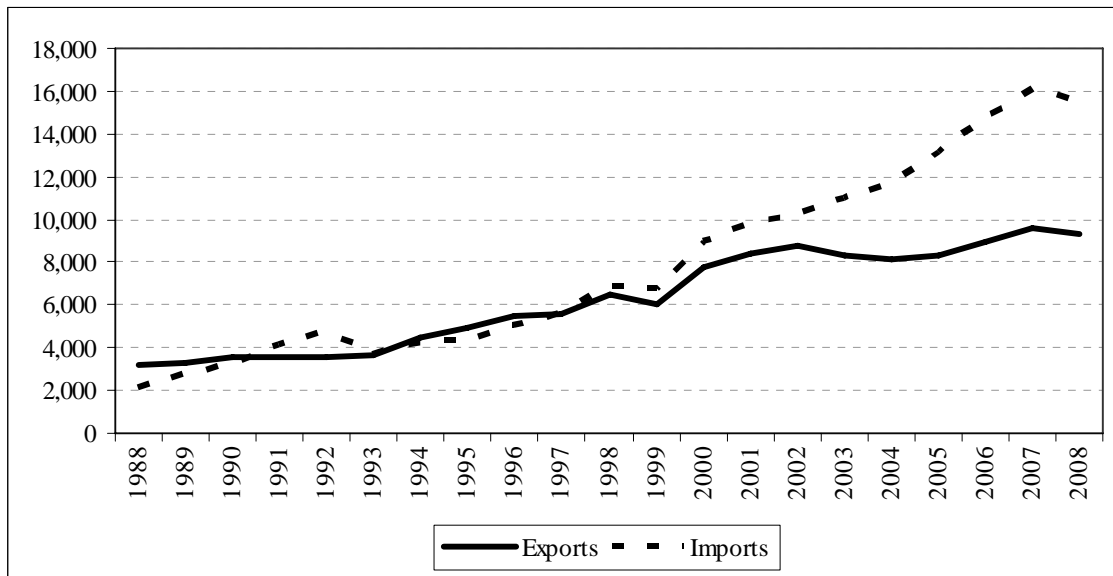
<sup>19</sup> It is worth noting that other districts also experienced significant restructuring prior to the mid-1980s. Barcelona had begun this process in 1969, when its main cotton mill, La España Industrial, closed down. A comparable hub firm in the wool district of Sabadell, Marcet, followed during the stagnation crises. During this period, other districts which saw their hub-firms collapse were Redondela (Regojo), Vigo (Dresslok), Mataró (Marfá) and Elx (FACASA). Some of these presumably imitated the Galician strategy of outsourcing in order to cope with the crisis.

In short, one of the main conclusions to be drawn from Table 7 is that 82% of Spanish firms in fashion-related business benefited from the classical externalities of the Marshallian district. Furthermore, and this is of enormous interest from an evolutionist perspective, Table 7 shows that at least thirty-one of the entrepreneurs behind the firms in the sample were already in post prior to 1974. Therefore, 62% of the top fashion-related firms originated before the end of the Golden Age.

In light of the above evidence it can be argued that the recent internationalization of Spanish fashion firms was favoured by spatial concentration and the external economies of scale that emerged through industry concentration or clustering. However, in parallel to the internationalization of Spanish fashion firms, industrial districts for textiles, clothing and shoemaking were transformed and, in some cases, declined during the 1990s and early 2000s.

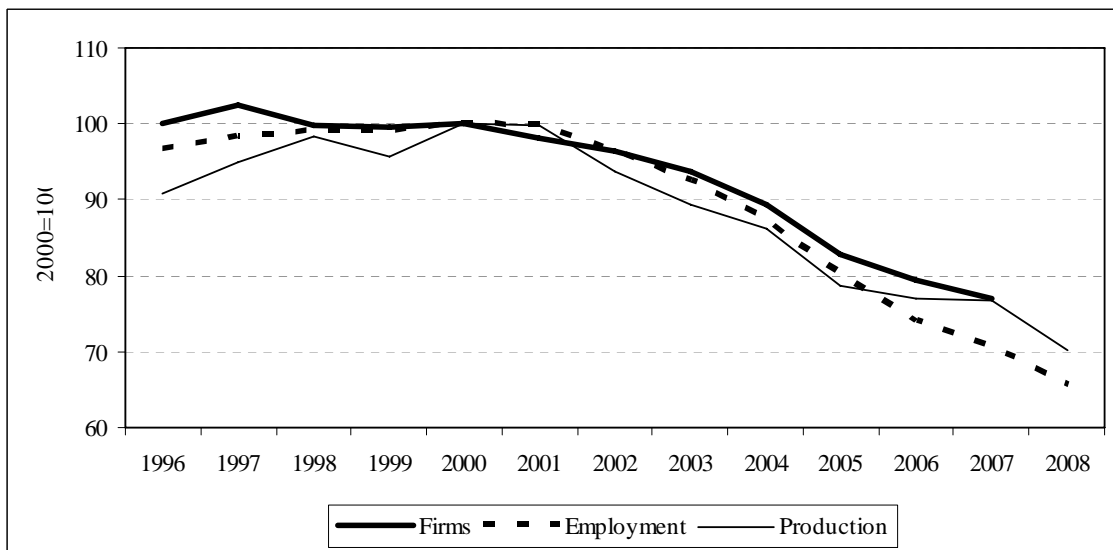
Indeed, until the recession of the early 1990s, exporting districts and internationalized firms went hand in hand. Subsequently, however, they became divorced as increasing deregulation encouraged outsourcing beyond national borders (see Manera 2002 and Manera, Molina and Casasnovas 2011 for the case of the Majorcan footwear brand Camper). In addition, the diffusion of new information and communication technologies enabled medium-large firms to become more flexible, thereby eroding a traditional advantage of districts. In this context, fast-fashion began to experience a boom, since new technologies made it possible for firms to know very quickly which products and models their customers preferred, and to ensure shop-shelves were restocked several times per week. Moreover, these technologies also allowed outsourcing very far from the original district: in the case of Spain, this initially meant Portugal, followed by Northern Africa and, finally, Asia. In short, hub firms, which had invested in branding, retailing, design and new technologies, were able to benefit the most from the possibilities of just-in-time fashion, whereas districts had a hard time trying to compete against foreign suppliers with extremely lower labour costs.

**Figure 2**  
**The Spanish foreign trade on textiles, apparel and footwear products, 1988-2008 (Million euros)**



Source: Our own elaboration from <http://datacomex.comercio.es/>

**Figure 3**  
**Firms and employees in the Spanish textile and footwear industries, 1996-2008 (2000=100)**



Source: Our own elaboration from Alonso (2000) and <http://www.cityc.es/>

The removal of import quotas from China, after its adhesion to the WTO, also ushered in a new period of tremendous erosion of competitive advantage (2001-2009). The Spanish districts experienced a dramatic loss of firms within the traditional textile, apparel and footwear industries, as well as a generalized reduction in both output and employment (Molina, 2008). Figures 2 and 3 clearly illustrate the mentioned difficulties. The resort to massive overseas outsourcing became a common strategy among Spain's fashion-related hub-firms, and the decline of districts seemed difficult to

halt. Nevertheless, at a time in which a Galician firm (Inditex) has become the world's leading fashion retailer, it should be stressed that nearly all the top Spanish fashion firms originated within Marshallian districts and, therefore, had benefited to some extent from their classical externalities.

## 6. Conclusions

By the mid-2000s, a remarkable number of Spanish fashion-related firms had succeeded in international markets, and other companies sold a large share of their sales abroad. This process of internationalization began in the late 1980s. But the actors were not new: our results show that around two-thirds of the present top Spanish firms manufacturing fashion-related products were set up before 1974. As the evolutionists argue, inheritance seems to have mattered.

Marshallian externalities also mattered. We found that more than 80% of the present leaders in the fashion-related business were nurtured within industrial districts and, therefore, benefited from the classical Marshallian externalities, that is, knowledge spin-offs, local suppliers, and qualified labour force. However, these were not the only externalities that favoured internationalization. Our research shows that already in the late 1980s there were at least as many neo-Marshallian exporting districts dominated by small firms as there were hub-firm districts coordinated by medium-large companies acting as district leaders.

In the light of this evidence, this paper argues that the advantages of flexibility in fashion-related exporting districts were balanced by the organizational capabilities created by certain leading firms, those which had intensively invested in management, marketing and distribution. During the last two decades, the organizational capabilities of medium-large firms tended to play an increasing role in the internationalization process of the fashion *made in Spain*. By contrast, the competitive advantage of traditional export districts seems to have eroded over time.

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