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Supply Network Strategies

An Inquiry Into the Changes in the Italian Mid-Sized Company and Its Supplier Relationships

Annalisa Tunisini *
(*corresponding author)
Facoltà di Economia
Università di Urbino “Carlo Bo”
Via Saffi, 42 – Palazzo Battiferri
61029 Urbino (PU)- ITALY
e-mail: annalisa.tunisini@uniurb.it

and

Roberta Bocconcelli
Facoltà di Economia
Università di Urbino “Carlo Bo”
Via Saffi, 42 – Palazzo Battiferri
61029 Urbino (PU)- ITALY
e-mail: roberta.bocconcelli@uniurb.it

Abstract

The paper analyzes the changes affecting the supply network strategies of mid-sized Italian companies born and developed leveraging on strong supply network relationships with co-localized actors within their industrial district contexts. Particular attention is devoted to the changes concerning the management of their local and global supplier relationships as a consequence of their growth and their positioning on the international market.

The paper therefore aims at focusing on the interplay between the mid-sized company's growth and development and the most significant changes in the structure and in the substance of its supply network relationships. The focus of the analysis is a medium/large sized Italian company in the mechanical industry, specialized in the production of woodworking machinery for furniture producers, localized in the well known “furnishing Pesaro district”. We analyze its process of growth from a local small/medium sized company to a medium/large international one, trying to deal with the following issues:

- the constraints and opportunities generated by the local supply network in relation to the company's international development and vice versa;
- the modality (if and how) of the designing of a local/global supply network;
- the reciprocal influences between local and international supply base.

Key words

Supply Networks, Mid-sized Company, Supplier Relationships

1. The company's growth within the Italian districts: the focus on the "mid-sized company"

The topics of company's growth and companies' size cover a central role in the international business and economics literature. A lot of studies have been developed on the relationships between companies' growth and the changes in their strategies, performances, mechanisms of government, market positioning, and so on. These studies are mostly based on a conventional distinction between small and large companies, each of them distinguished according to quantitative and qualitative connotations. As concerns quantitative variables, the number of the employees, the revenue, the technical immobilizations and some others measures are employed to discriminate small and large businesses. As concerns the qualitative variables, the large company is the one presenting high degree of formalization of its processes, articulated organizational structures, managerial style of government, advantages connected to economies of scale. The small company has a low degree of formalization in its processes, flexible organizational structures, entrepreneurial style of government.

This distinction above is mainly founded on the assumption that the process of companies' growth can be linearly designed from *small* to *large* extremes, considering the intermediate stages as temporary conditions. As result, in the prevailing literature the mid-sized company has always been studied among the small enterprises (the unique term used is Small-Medium Enterprises-SMEs) at least until it reaches, from the qualitative and quantitative point of view, the "dignity" of the large enterprise.

In the latest years, within the Italian literature, an increasing attention has been devoted to the mid-sized company. Analysts make researches focalized on these types of organizations (Economist Intelligence Unit, 2006); scholars show particular attention organizing devoted conferences, unfortunately as isolated events with no considerable consequences (Durham Conference, 2002). Some studies and cases are reported disconnecting the medium companies from the small ones (Jenster, Jarrillo, 1994) but no theoretical and interpretative models have been really developed referring to the medium sized organization in itself.

Since the late nineties in the Italian management literature we observe more and more studies in that direction. Economists (Rosa, 1989; Guerri, 1998; Alzona, Iacobucci, 2005), organizational and business management researchers (Butera, 1998; Corbetta, 2000; Dalli, Tunisini, 2007), institutions and associations (Mediobanca-Unioncamere, 2004, 2008; Coltorti, 2004; Guelpa, Trenti, 2006; Affari & Finanza, 2004) develop deep analysis that find their reasons in the well known characteristics of the Italian industrial structure that is mostly based on small-mid sized companies that account for about the 95% of the total number of enterprises. In this respect, there has always been a large part of Italian literature dealing with small companies and with their specific features in relation to the particular Italian economic context. Today there is however a significant empirical evidence of the growing importance of mid-sized enterprises that presses to isolate these types of companies in the analysis. A recent study by Mediobanca and Unioncamere (2008) shows that 3.984 Italian companies can be defined as "mid-sized" according to the number of employees (between 50 and 499), and the amount of revenue (between 13-290 Mil. Euros). What is mostly interesting, however, is that they generate a lot amount of value and circulate large amount of revenue. They assure the 14% of the total Italian manufacturing that becomes the 22% if we consider their

connected suppliers. They also show an increasing in the added value of 44% against the 11% of the large Italian manufacturing companies.

Mid-sized companies can be defined according to quantitative items (see above). However, what is mainly characterizing them as significant isolated business organizations is their qualitative features. They seem to combine and re-formulate distinctive characteristics of both the small and the large companies, designing original and successful business models. As a consequence, we observe an increasing attention to the mid-sized companies by Italian literature.

Among the studies that have emphasized the role and the peculiarities of the mid-sized companies we find the researches conducted in respect to industrial districts. In particular, the interest into the medium sized company is connected to the fact that in many cases it acts as strategic centre (Lorenzoni, Baden Fuller, 1995) or as leader of small-sized companies located in the same regional cluster (Varaldo, Ferrucci, 1997; Corò, Grandinetti, 1999; Micelli, Di Maria, 2000).

The greater novelty affecting these companies, that has been the stimulating input for the research we are presenting in this paper, is that these mid-sized companies are assuming some characteristics that can be more and more “isolated” from the specific “context” they have developed in, along a double and interconnected dimension: *time* and *space*.

In relation to the *time* dimension, it seems that these companies have performed a development process from the small to the medium size through a process that is not leading them to acquire the traditional features of the large-sized company. Rather they are characterized by a strong identity in the market they are acting in. It doesn't mean that they are not changing anymore. They are following new patterns of quantitative and qualitative development that generate over time new and non-conventional business and organizational models not comparable to the more traditional “large-sized” one. We can observe that they are embodying a new and authentic nature (even if still difficult to grasp in its substance) *in time*.

In relation to the *space* dimension, it have been studied that many of these companies originated in contexts well known as industrial districts based on a division of labour among different actors performing complementary activities and combining heterogeneous resources around geographically coupled production systems (Camuffo, Grandinetti, 2006).

Since the beginning of the nineties important changes have characterized many Italian districts and some studies have highlighted the emergent role of leading companies acting as main point of reference for a set of smaller suppliers and sub-suppliers and for the future development of the district. The emergent role of these companies and their development have questioned the future role of the districts and of many of smaller suppliers.

Some scholars have particularly stressed the role of the leading companies as strategic centres with co-ordination capabilities and capable to promote the economic development of the local context, i.e. the district. In particular, they have highlighted the internationalization process guided by the strategic centre that improves its competences and knowledge and promotes its own development through the interaction with other co-located actors (Caroli, Lipparini, 2002).

Some scholars have addressed their attention to how these regional firms start production facilities abroad and increasingly relate to inter-regional and international suppliers (Pilotti, 1998; Grandinetti, Rullani, 1996). What these authors have observed is the “opening of the districts” and of many district companies to globalisation, thus questioning many elements that have always been considered an advantage of the division of labour among local clusters of companies, first of all their physical closeness. In this respect a question is debated among scholars on how much its origins has a company rooted in a local network context can be a limit to the company’s development or how much the local network can be propulsive for its international development and growth.

Putting into evidence that, giving the priority to their own individual strategies of growth, many mid-sized companies base their business models on combining both international and local relationships, it becomes difficult to rigorously connect the identity of these enterprises to the nature of the district of origin and vice-versa. Rather, these companies develop a more open and diverse space of action thus embodying a new and authentic nature *in space*.

What is mainly characterizing the mid-sized company under observation in its being and acting in time and space, is a set of dualisms:

- In the governance, the company combines both managerial and entrepreneurial governance styles. On the one side it reflects the traditional entrepreneurial approach based on intuition, low formality, confidence on past experience, value given to the learning processes and to the emergent side of strategy; on the other side, it shows the search for greater managerial attitude in handling processes and structures connected to the use of managers, to a certain sensibility to structure market analysis and need for precise plans of development.
- In its strategy, the company combines both individual and collective strategies i.e. it follows its own individual objectives of growth and development beyond the district as well as it takes into account the set of interdependences it has with its own historical contexts and the advantages that these interdependences can give.
- In its business relationships, the company combines local and global: in particular, it combines local roots and networks, origin of its success and source of great opportunities (but also constraints), with the access to and the development of, global networks, essential to reinforce its position in the international market and often to the surviving of the company itself.
- In its organization, the company combines its configuring as a net-enterprise into a network of enterprises: the company is an important node of a network of enterprises in which it can sometimes cover the role of leading company; at the same time it follows an autonomous route of organizational growth inspired to the principles of the flexible organization. One preferred organizational mode is the holding one being configured as a modular organizational (Miles et al., 1997; Benassi, Tunisini, 2000) aimed at combining the flexibility of the small organization with the economies of scale of the big one (Balconi et al., 1998; Cainelli, Iacobucci, 2005).

We develop the analysis of the complex development of mid-sized companies originating from district contexts in time and in space. We focus on a very representative company in this respect. The focus is mainly concerning the changes affecting its supplier relationships and its supply network in connection to its growth and international development.

2. The mid-sized mechanical company beyond the district

2.1. The approach

This paper originates from a research that we have conducted since the late '90s on the "Pesaro furnishing district" in the middle-east of Italy. The main focus of the study is the understanding of the nature and the development of business networks in this "regional area" adopting alternatively the perspective of different actors in the market.

The geographical area has an historical concentration of important Italian furniture companies that have developed during time in parallel with some important mechanical companies specialized in the production of wood-working machineries. In the latest years our attention has been mainly addressed to the study of the role of some growing mid-sized mechanical companies in the district and of their development strategies in relation to their supplier relationships.

In this paper we aim at investigating the changes in supply networks relationships of an important woodworking machinery producer in relation to its development that we have identified in three main phases. We shall analyze the company's process of growth from a local small/medium sized company to a medium/large international one, trying to deal with some main issues such as:

- the constraints and opportunities generated by the local supply network in relation to the development strategy of the firm and vice versa;
- the modality (if and how) of the designing of a local/global supply network;
- the reciprocal influences between local and international supply base.

The first two phases of the company's development (*from a local small/medium sized company to a local medium/large company and -from a local company to an international company with sophisticated commercial structures all over the world*) have been mainly analyzed by the elaboration of data and information collected through in depth interviews developed in 10 years of continuous contacts and interactions with different managers of the company (par.2.2.).

The last phase of growth (*The development of the production strategy and the new experience in India*) is the most interesting one (par. 2.3). It's an ongoing phase and in this respect it represents in the same time a point of arrival and departure for elaborating some general observations (par. 3) in relation not only to the "future" of the development process of the company, but also for reading, in a more general perspective, the first two phases. For this last phase two specific in depth interviews have been conducted to three managers of the company: one interview to the Operations Manager and one interview to the Overseas

Procurement Department Director and to the Group Purchasing Manager together. To complete the empirical frame for this last part, it has also been assumed the perspective of two of the suppliers of the company under analysis through two interviews to their managers/entrepreneurs.

2.2. History matters

From a local small/medium sized company to a local medium/large company

The company was borne in 1969 in the centre of Italy (Pesaro) and its founder was specialised in mechanical working processes. The original location of the company has a particular meaning. Historically, its geographical location was dominated by a large number of mechanical factories by large Italian Groups and therefore it has a long mechanical tradition.

The founder of the company developed its own abilities in these groups. Starting from the great intuition and capacity of the owner, the company has considerably grown in the '80s thanks to the demand by the local furniture producers. The geographical area has in fact an historical concentration of important Italian furniture companies. The close connection between the furniture producers and the producers of wood-working equipment has given a great impulse to the development of both the kind of companies. We may say that there was a fruitful combination between different resource elements that made that geographical area particularly rich and plenty of promising business development.

In 1978 this equipment company introduced the first numerically controlled boring machine dealing with panel processing and rapidly became worldwide leader in this business. It is still leader today in this business and it has also broadly enlarged its offering to other applications and processes. The innovation coming from the strict collaboration with the furniture producers in the district have constantly pushed the development process of the company in these first years. The market that was mainly made by the local and some national furniture producers, was a very dynamic market characterized by a fast development both from a quantitative and qualitative point of view: the furniture companies were mainly asking for a huge automation of the "panel processing" that has been the predominant material (with linked technologies) in the district; in the same time new materials and linked production technologies were emerging in furniture's manufacturing process such as stone, glass and metal.

The company answered to this development with a correspondent strategy of growth that was very rapid as well and that reached its maximum level in the 80's, through an intensive merger and acquisition strategy, mainly finalized to the control of all the technologies involved in the furniture production processes (wood, stone, glass and metal working technologies). The goal was to ensure to customers a complete range of products for the automation of the production processes.

The acquired companies were all Italian companies mainly localized in the same regional area. In a couple of years (1987/'88) the company acquired three companies specialized in various phases of furniture production – panel processing – (assembling lines, panel sectioning, mechanical component). This strategy of growth continued intensively in the first '90s with the acquisition of other companies specialised in stone, glass and metal working

technologies, mainly localized in the same area. In 1991 the company became a group based on numerous series of production units in the district.

Due to this very fast process of growth, the company has rapidly changed over time its supplier relationships often on bases that were not always clear or correctly perceived by the management. At the beginning of its activity, the company had some close and stable relationships with very few small mechanical suppliers in the regional area that was characterized by excellent capacities in mechanical working processes. The fast process of growth led in a very short time to an increase of the supplier relationships for the company due both to the need of new capacities and resources not exploited by the company before, both to the acquisition strategy that caused a sum of stratified net of relationships of the acquired companies in the present supply network of the company.

In this phase of growth through acquisitions, the attention of the management has been focalized on the “coupling” of the supply network of the acquired company with the “previous” one. The main goal was the exploitation of the enormous potential mainly based on the local supply base, trying, in the same time, to minimize the inefficiencies stemming from a very large portfolio of relationships.

From a local company to an international company with sophisticated commercial structures all over the world

The 90's have been primarily characterized by the development of the company in the international markets with the opening of a series of commercial subsidiaries and the construction of a very large distribution structure. In the 1990 the company started the process of internationalization with the opening of the first subsidiary in North America. In these years some changes have also affected the production process generating changes also in the in-sourcing and out-sourcing strategies.

The international market represented in the nineties a great opportunity for the company. The productive capacity and the technology developed in the local context had to be not just exported but exploited in diverse ways in different contexts.

Placing commercial business units responsible for the image and the development of the company's product in the different local markets was viewed as a basic strategy. These business units were (and are) mostly charged with the organization of local resellers and sales representatives developing a strong connection with local customers and local use culture. They combine the “made in Italy” image in the mechanical product with the country-specific uses of the products and expectations on its applications. In this respect, the company faced some problems. In Germany, for example, the “made in Italy” image is not always connected to a positive image. As a consequence, business units responsible in Germany dealt with problems of changing the users' approach towards a made in Italy product.

The result of the process of international growth has been that at present about 75% of the company's sales are outside Italy and 30 commercial units are located all over the world in the most important markets.

The international growth has been accompanied by a re-organization of the production process and of supply network strategies.

The increasing attention to a variety of international customers with specific needs in different geographical and cultural contexts led gradually the company to in-source some activities and processes, previously performed by suppliers, as considered strategic in the process of value creation for the final customer and source of economies of scope. In particular, the company proceeded to an internal reorganization of its activities with the constitution of three main divisions (Wood Division, Glass and Stone Division and Mechatronic Division). The goals were the control of the central phase of the product development – numerical control, systems and engines (Mechatronic Division) – and to provide with Wood and Glass and Stone Divisions to the creation and diffusion of the value for the customer with a complete range of customized solutions focalized on services and problem solving capabilities.

Up to the beginning of 2000s, the company has searched for a great product customization and adaptation to different needs of different customers by leveraging on the capabilities of the acquired companies and of their networks of supplier relationships. But when, over time, the process of differentiation of the offering increasingly shifted to be connected not solely to the product in itself but, more to a set of multiple dimensions such as service, problem solving, time, assistance, training, the company moved towards a reconsideration of its supply network strategy. The network of supplier relationships (defined as “broad” and “far”) was considered in this phase a constraint to the growing process of the company, also considering the huge investments in the acquiring strategy that the company made in these years.

We therefore observe the company to select local suppliers and considerably reduce their number as well as develop tight relationships with the selected ones. This has been mainly obtained through the elimination of multiple sourcing, the high specialization of the single supplier (just one type of component/process for one supplier), the purchasing of pre-assembled complex systems instead of single components by selected first-tier suppliers.

The recalled strategy of reduction of supplier from 700 to 400 was not easy. That especially because many of these supplier were, on their part, considerably grown, thanks to their connections with the company. Mutual dependence made it difficult both to cut some relationships and to address some others as the companies wanted.

2.3. Today and tomorrow: the development of the production strategy and the new experience in India

After a significant crisis in 2001 due to a wrong investment in the acquisition of an European company and to the significant reduction of the orders from the US market (because the US dollar and Euro change), the company faces an important turnaround that can be considered a truly radical change of company’s business model aimed at maintaining and reinforcing its position on the international market. The managers interviewed declared that this is the more crucial period the company faced in its growing process.

The internationalization is considered contemporarily as a point of departure and of arrival of a more integrated strategy of growth that is based on the reviewing of the processes of:

- Product Development;
- Product Manufacturing;
- Supplier Integration.

As declared by the management, the main objective of the changes in these processes is the re-discovery of the “core business” of the company on an international level: the company that, until two years ago, was very internationalized, but purely on the commercial side, decided both to rationalize the production activities performed internally through co-located suppliers and to start production activities in India.

On the one side, the company is facing the urgency to evolve as a flexible organization capable to ensure rapid response to the requests for customized offerings by customers in its traditional “mature” markets. On the other side it is pressed to rapidly occupy a relevant position in some new emerging markets with different needs expressed by local customers oriented to standardized working processes and thus asking for more standardized products.

The Product Development and Product Manufacturing processes are reformulated in a logic of *lean product development* and *lean manufacturing*, thanks to the collaboration with Toyota System Production and Porsche Consulting (in the last year has been implemented a total renewed production line in Pesaro). The goal is to respond – mainly through the use of modular strategies in design and production – efficiently and effectively to different customers requests. This strategy has important impacts on the local network of supplier relationships. These impacts are somehow coherent with the previous strategies in terms of suppliers’ portfolio rationalization and creation of stronger relationships with selected local suppliers.

But when coming to the parallel strategy of setting up of a new production site in Bangalore things become much more complicated. The geographical area of Bangalore has been considered as a great opportunity to exploit the local Indian suppliers’ technical capabilities to produce some basic and standardized products for the local (Asiatic) emerging market. The main object that has been declared is the construction of a local supply network that “reproduces” the way of functioning of the “district of origin” with the productive site in India functioning as the coordinator between the supply base in Bangalore and the supply network in Italy just for very few strategic components and systems.

This process is not so easy and unidirectional as described. In synthesis, we can observe a strong reciprocal influence between the changes affecting the traditional set of suppliers and the international supply base that could lead to a change of the whole supply network strategy of the company influencing its development processes.

The local Indian suppliers (100-120 at the moment) with some major technical capacities show a lack in the organizational skills that the company had thought much easier to fill up. In this respect the company is now involved in training processes that are taking longer time and much more resources than planned before.

In this very delicate phase, the company is thus forced to balance for a time, that is not still defined, this situation with a temporary (?) reconsideration of its supply strategy in Italy in relation to some “minor suppliers”. This mainly through an expanding (or in some cases new) demand for some smaller Italian suppliers that had been considered “marginal” in the perspective of the local production restructuring but that have now to be exploited again in relation to the international production started in India.

The construction of the production site in Bangalore is strongly influencing and differently addressing also the strategy of selection and integration of Italian major suppliers. The selection of Italian suppliers is now mainly influenced (given the difficulties experimented on the ground in India) by their sensibility and disposability to develop in the future an integration on an international level and it is thus more and more submitted to the international vocation of the supplier itself.

In this respect we can find very different responses of the Italian suppliers also in relation to their own market strategy and entrepreneurial attitude. This is the case of the two suppliers of the company we have interviewed that have respectively “accepted” and “not accepted” the possibility to implement a strategy of follow sourcing. These two suppliers have differently evaluated the risks and opportunities coming from a strict collaboration with the company in relation to their own strategy of growth more or less centred on the development of their existing network of relationships. These different behaviours seem today more and more depending on the access to financial resources.

These different orientations of some “focal” Italian suppliers are thus shaping increasingly the form of the Indian net of suppliers and in the same time are addressing the modalities that the company is following for the designing of the local supply base in Italy.

The internationalization of the production activities has strongly influenced also the relationships of the company with large internationalized suppliers and vice versa.

These large suppliers (i.e. Siemens, Bosch) have been, until now, suppliers for “commodities” (standardized components and small sub-systems). The relationships have been always between the Group Purchasing Department and the Italian commercial subsidiaries of these large companies for the local production in Pesaro.

These major suppliers have now proceeded to different commercial and productive strategies – with a connected supplying strategy mostly based on the acquisitions of some small local suppliers – in different countries with different “market proposals”. In particular, these multinationals have developed a their own production activity in Bangalore with autonomous commercial subsidiaries offering different and much more complete solutions for mainly standardized productions that can compete with some of the suppliers located in Italy.

These differentiated offerings have now to be considered differently by the company under analysis in its purchasing process. In some cases it appears more convenient to start the relationships (thorough Overseas Procurement Department) with the local subsidiaries of multinationals (for example, relating to Siemens’ Indian subsidiary). In other situations it is more convenient to centralize (through the Group Purchasing Department) the purchasing strategy in Italy relating to Italian subsidiaries of the multinationals (for example, relating to Siemens’ Italian subsidiary). In other cases it can be also that the supply relationships with the Indian subsidiaries of the multinationals is functional to the Italian production (for example, relating to Siemens’ Indian subsidiary both for the Indian and for the Italian factories).

3. Company's growth and Supply network strategies

As literature has stressed, supplier relationships cover a central role to gain or increase the company's competitiveness (Spekman *et al.*, 1994; Cox, Hines, 1997; Christopher, 1998; Gadde, Håkansson, 2001; Axelsson, Rozemeijer, Wynstra, 2005; Bocconcelli, Tunisini 2007). Network studies highlight that the supply networks in which the company plays its action are characterized by a substantial variety and dynamism in their structure and in their substance (Ford *et al.*, 2003).

Tight relationships with co-localized suppliers have always been an important driver of development for the district companies acting as strategic centres. In the meantime the latter's growth has always represented a source of growth for the supplier' themselves. Nowadays we observe dynamics that can generate important changes in the supply networks characterized by the co-location of their actors.

We particularly refer to the development of international supply network by the mid-sized company that are more and more looking for "excellent" suppliers on international scale – often linked to production decentralization strategies – . We also refer to the parallel attempt of growth by their suppliers aimed at obtaining a more independent position in the market by means of the enlargement of their customers' base and of the entrance in international supply networks (Bocconcelli, Tunisini, 2006, Pagano, 2005; Grandinetti, 1998).

As concerns the first trend the case under analysis shows that there is a significant interconnection between company's growth and suppliers relationships. This interconnection emerges progressively and it is tightly related to the changes in the company's approach to customers.

In particular we can observe that the company under study has progressively proceeded to an increasing integration with the final customer characterized by a differentiation of the offerings through the adaptation to different needs expressed by different markets and by an increasing focus on service and problem solving abilities.

The search for growing integration with the customers has been accompanied by a physical nearness to the final customers: in the first phase of company's development we have stressed the strong connection with some leading customers in the local district, in the second phase we have showed the internationalization on the commercial side and the creation of branches in different countries; in the third phase we have emphasized the company's internationalization on the production side in one important country of destination of the products.

These processes had been accomplished throughout a re-organization of the *upstream* activities, traditionally based on the closeness with co-localized suppliers. In particular, in the three phases we observe a continuous and interconnected change in the in-sourcing/out-sourcing decisions and in the structure and dynamics of the company's supply network (number of suppliers, substance of the supplier relationships; cooperation and conflicts in the network).

	<i>Aims</i>	In-sourcing/out-sourcing decisions	Number of suppliers	Relationships substance	Suppliers' network
I phase <i>Growth from small to mid-large size through acquisition strategy</i>	<i>To exploit the opportunities offered by the location of origin.</i>	Outsourcing strategy.	Increasing (from few to a lot localized suppliers-around 700).	Transactional exchanges; some technical co-operation with some local suppliers	Some large international suppliers (MNC) for standardized components in large volumes; many local suppliers for specific components.
II phase <i>Growth through commercial internationalization</i>	<i>To exploit the opportunity stemming by differentiation of customers' needs through a reorganization of the value creation activities.</i>	In-sourcing of strategic components and services to the final customer.	Decreasing (process of reduction from 700 to 400 local suppliers).	Close relationships with selected co-located suppliers focused on operational and strategic integration.	Conflict among local suppliers for controlling some more value added phases. Emerging of first tier suppliers and growth of some of them from small to mid-sized companies.
III phase <i>Growth through production internationalization</i>	<i>To exploit the opportunity stemming by emerging markets.</i>	In-sourcing strategy in relation to product development and engineering activities. Out-sourcing strategy for the new production set in India; construction of a local supply network.	Increasing/Decreasing? On-going process difficult to evaluate	Tight relationships with some first tier Italian suppliers ; Changes in the relationships with large internationalized suppliers; Loose relationships with Indian new suppliers	Increasing cooperation between some first tier suppliers and sub-suppliers for internationalization; Increased competition between the first tier suppliers and subsidiaries of MNC; Uncertain future of the network of the smallest Italian sub-suppliers and of some suppliers

Table 1 *Company's growth and changes in the supply network*

Considering the table above, in the first phase of development we see the company's growth mainly based on the exploitation of the opportunities offered by the local context. The company, mainly through a process of acquisition of some co-localized competitors, became the "centre" of a net of a large number of supplier relationships locally rooted and interconnected. Some relationships exist with multinationals as suppliers of large volumes of standardized components.

In the second phase, the company pursues an increasing internationalization of its commercial organization to exploit the opportunities of the international market and of a re-organization of its value creation activities. This strategy was based on the in-sourcing of the development and production of some strategic components and systems being them the core technology for the entire range of products.

The connected process of reduction of the number of Italian suppliers and the creation of closer relationships with selected ones was both supported and hindered by the previous network of relationships and by an increasing level of conflict among suppliers that were searching for an independent space of action in the national/local context. The company had the opportunity to base its process of growth on the competences, know how and capabilities co-developed with the network of localized suppliers, but in the same time it had to face the difficulties to concretize this opportunity because of the dynamics of the network itself.

In this respect, in the third ongoing phase of growth, the company is still trying to compose and combine these difficulties aiming at exploiting the opportunity stemming by the emerging markets in an international context. The company is proceeding to a parallel reorganization of its Italian production process (with an increasing in-sourcing of some strategic processes) and to the internationalization of the production activities in India that implies a main change in its whole supply network that is increasingly affected by the reciprocal influences between the emerging supply base in India and the changing supply base in Italy. In particular, the new production set in India has opened unexpected opportunities and promoted some unexpected changes with different impacts on the mid-sized company and its suppliers' base.

On the one side, it has created room for the increasing entrepreneurial independence of some Italian first tier suppliers aiming at occupying a more relevant position in the local supply network; the internationalization of production processes by the company under analysis has also given room to the internationalization of the Italian suppliers aiming at occupying a stronger position in the international supply network.

On the other side, it has given to the mid-sized company the possibility to enlarge and also radically change its supply base. In India, in fact, the company may have access to local suppliers as well as to the branches of MNCs it has already relationships with in Italy. Moreover, once the local Indian suppliers have acquired the needed competences and capabilities they could partly replace the old first tier Italian suppliers; concerning the MNC, different alternatives can be seen by the company: to relate to the Indian subsidiaries solely for the Indian production or to rely on the Indian subsidiaries also for the Italian production. At present it is difficult to preview the future. That especially because these possibilities were in great part unexpected and the company has to carefully analyze the possible consequences of different choices.

4. Further research development

The empirical analysis object of our study brings up a lot of questions. The company we have analyzed suggests a viewpoint on the complexity and uncertainty of the development of

Italian mid/large-sized companies, acting as strategic centres in geographical industrial areas and of their future role in the global market being they influenced and constrained between local roots and international vocation.

In order to really understand the difficulties and the opportunities for these companies, it is necessary to enlarge the study to numerous Italian mid-sized companies acting in different locations, dealing with different business and relating to different international markets. The research should be addressed to the investigation of different strategies of internationalization in different countries (i.e. delocalization of production activities Vs parallel production activities in different foreign markets) and to the study of the interrelated changes in the supply networks of the companies.

Our case stresses the growing importance of some first-tier suppliers in the internationalization process and their emerging role in the development of the district with respect to smallest sub-suppliers. In this perspective we also think that is important to focalize on these actors rather than solely on the traditional strategic centres.

From the theoretical point of view, the case illustrates how the in-sourcing/outsourcing decisions, the configuration of the network of relationships and the substance of the relationships the company is involved in are constantly changing. These changes are contemporarily due to the strategy performed by the company itself and by its counterparts, to the intrinsic dynamism of the supplier relationships and to the changes affecting the network of interconnected relationships the actors are involved in. Considering these aspects we think that the IMP approach can play a valuable support to catch the dynamics of the Italian growing mid-sized realities and of the Italian districts today.

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