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Multinationals' recruiting in industrial districts

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ABSTRACT

This paper explains how multinationals source specific tacit and sticky technical knowledge in industrial districts through recruiting. Focusing on the location of the textile-dedicated company ZARA in a footwear-dedicated Marshallian industrial district, we study its recruiting strategy using mixed methods. ZARA recruits district footwear expertise by seeking primarily local workers with strong relational ties and intensive tacit knowledge originating from the best footwear-dedicated local firms that master knowledge on operations and expertise on managing local networks of subcontractors. Good local firms involuntarily benefit newcomer multinationals. The net effect on the district is the result of the tension between poaching and embeddedness and anchoring effects.

KEYWORD

multinational enterprises; Marshallian industrial district; tacit knowledge; recruiting; footwear

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INTRODUCTION

This study's topic is situated at the intersection of multinationals' recruiting and industrial districts (e.g., Bellandi, 2001; Bellandi & De Propris, 2015; Belussi & Hervás-Oliver, 2016; De Propris et al., 2008; De Propris & Crevoisier, 2011; Hervás-Oliver, 2015, 2021b; Menghinello et al., 2010) and regions (De Propris & Driffield, 2006; Mariotti et al., 2014; Phelps & Fuller, 2016), analysing multinationals' strategies in hiring valuable human capital in a Marshallian industrial district (MID).[1] While labour mobility is well studied in agglomerations and recognized as a source of knowledge circulation (e.g., Almeida & Kogut, 1999), constituting a classic stylized fact of the Marshallian model (e.g., Becattini, 1990, 1991; Saxenian, 1994), the presence of multinationals in districts, however, is under-researched (Belussi, 2018), especially for labour mobility purposes. In particular, we seek to explore multinationals' entry in MIDs and their recruiting processes, along with their net effect on the territory.

When multinationals are considered within labour mobility in industrial districts, primarily the focus is based on analysing employee outflows from multinationals to domestic firms to strengthen districts, transferring knowledge from multinationals to domestic firms (Angeli et al., 2014). Multinationals' recruiting or employee inflows from district firms to multinationals as a way to access local tacit and sticky knowledge is under-studied. This is probably because multinationals in districts is a relatively recent retaken up and under-researched phenomenon. As a result, *locally dedicated recruiting strategies* by multinational enterprises (MNEs) to source local (tacit) knowledge in industrial districts remain overlooked and constitute this study's purpose: understanding labour mobility from district firms to multinationals by focusing on the multinationals' recruiting processes. The multinational's recruiting perspective is different yet related to labour mobility and is timely in the district topic. To the best of our knowledge, there is no other study on this specific niche.

Assuming that in MIDs knowledge transfer extensively occurs, among others, through labour mobility (e.g., Almeida & Kogut, 1999; Becattini, 1991; Saxenian, 1994), it is expected that recruiting within district boundaries reinforces the multinational's access to local tacit knowledge. The latter is originated not only through new recruits' skills but also through improving embeddedness in local social networks and their access to tacit knowledge due to the fact that district employees are principal bearers of this local specific knowledge (e.g.,

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Saxenian, 1994) that is easily originated, transferred, shared and interpreted primarily within the district boundaries (e.g., Bellandi, 1989; Hervás-Oliver et al., 2017). Therefore, we posit that *recruiting* constitutes a deliberate learning mechanism for multinationals in industrial districts that not only considers workers' skills but also the spatially bounded tacit and sticky local/regional knowledge. By recruiting a highly skilled worker inside an industrial district, MNEs have access to their individual skills and also to contextually based local knowledge. This knowledge is collectively created by workers' interaction and mobility inside the institutional context of the industrial district. Bearing this in mind, we incorporate specificities of districts within the labour mobility-recruiting topic that presents a special context for recruiting. From this district perspective, we argue that multinationals know the richness of the local tacit knowledge that is primarily based on local employees who possess the *skills, capabilities and networks* that are underpinned by an atmosphere of mutual understanding and common social values, language and culture, which facilitates the knowledge recombination and circulation, reinforcing the production know-how nuclei à la Bellandi (Bellandi et al., 2019).

We posit that in MIDs, multinationals seek not only skilled (technical embodied knowledge) workers but also new recruits' ex-employers' capabilities to manage local networks and also new recruits' relational capital. Local networks, collaborations and relational capital are important in regions and districts (e.g., Hervás-Oliver et al., 2021a) and, therefore, become core elements for multinationals' embeddedness in districts. For this reason, recruiting from the best firms that orchestrate local networks facilitates getting access to those local networks to achieve (know-how, know-who and know-what) embeddedness (Hervás-Oliver & Albors-Garrigos, 2014). The latter is not obvious outside the MID literature, as the contextual specificities and local tacit knowledge in MIDs make recruiting slightly different. Recruiting, therefore, brings something else: contextualized local tacit knowledge that supports that of the product and technology, a fact not necessarily present outside MIDs.

Thus, from the industrial district literature perspective, this study seeks to explore *how* multinationals recruit talent locally in those special contexts that MIDs represent, analysing a different yet related perspective of labour mobility: recruiting. Our study's goal, therefore, consists of answering the following question: How do multinationals recruit when locating in MIDs? Additionally, this study also responds to other related research questions, primarily addressing the net effect that MNEs exert on host districts. While studies on foreign direct investment (FDI) impact on industrial districts evidence positive effects (e.g., Menghinello et al., 2010), we go one step further in order to better understand MNE recruiting and subsequent effects in MIDs.

The setting is the Vinalopo industrial district (VID) in Alicante (Spain), the largest Spanish footwear concentration, characterized by leading technology expertise and innovation capabilities, that was shocked in the late 1990s by the gradual location of the world's largest global fashion firm (ZARA[2]), with a commitment to building capabilities in footwear production, distinct but related to ZARA's existing clothing expertise at that time. This study analyses ZARA's recruiting strategy during the period 2000–17 in the district. We use mixed methods that allow a very high standard of empirical evidence, drawing data from interviews and the LinkedIn social network to build an original dataset, along with other databases (such as Bureau van Dijk).

LITERATURE REVIEW AND HYPOTHESIS

Skills from local value chains: capturing tacit knowledge and type of investments

The higher absorptive capacity (Cohen & Levinthal, 1990) of multinationals facilitates capillarity and access to local knowledge that can be reinterpreted and recombined, increasing the productivity of workers due to the better technology and more intense use of local skilled labour through routines and capabilities which are superior to those of domestic firms, as Almeida (2007) points out. For these reasons, multinationals learn better than domestic firms, and when locating in agglomerations seek contextualized tacit knowledge, a fact that does not necessarily occur outside spatially bounded districts (Hervás-Oliver & Boix-Domenech, 2013).

MNEs recruit highly skilled workers from MIDs in order to source local tacit knowledge (Hervás-Oliver & Boix-Domenech, 2013; Nachum & Keeble, 2003). This local labour not only brings tacit knowledge embedded in skills but also the capability to access and interpret tacit knowledge from the intense local interactions occurring in the focal district. In no small part, tacit knowledge from interactions across the value chain is primarily driven by embeddedness in local networks, where social ties reduce transaction costs for accessing local knowledge. In fact, in MIDs there is abundant local tacit knowledge as well as externalities that require a higher level of *embeddedness*, something that especially applies for multinationals. Thus, Hypothesis 1 is stated as follows:

> *Hypothesis 1: Located multinationals aimed at competence-creation will recruit skilled labour of the focal district's expertise from local industries.*

Expertise on local networks and capabilities: multinationals and best local firms

Under a competence-creation mandate, subsidiaries' recruitment strategies will be directed to sourcing talented workers from those most innovative firms of the MID that can transfer knowledge to the MNE through new recruits. Particularly in MIDs, it is expected that a subsidiary would primarily prefer new recruits from those companies with better knowledge and capabilities in the district technology. In the MID literature, existing networks are vital for industrial district functioning, in so far as they provide

legitimacy to access tacit knowledge (Scott, 1992, p. 16). These social networks are the basis of the local social capital, and labour flows represent the transfer of a part of that local tacit knowledge embedded in social ties and local norms and institutions. *Advanced* or leading firms are the technology gatekeepers, that is, advanced firms that orchestrate local networks of small and medium-sized enterprises (SMEs) (Hervás-Oliver & Albors-Garrigos, 2014; Lorenzoni & Lipparini, 1999). These local networks are a core factor for multinationals' embeddedness. Recruiting from the best firms that orchestrate local networks facilitates access to (know-how, know-who and know-what) those local networks. Workers from those leading firms possess the expertise and knowledge to manage and organize local networks of firms (Hervás-Oliver & Albors-Garrigos, 2014). Therefore, recruiting from the best firms is not only based on a new recruit's district expertise through his or her skills but also on the knowledge to properly manage and easily access the complex set of local networks that make districts function: expertise for managing local networks. Multinationals usually present a capability to activate local networks through subcontracting. Therefore, managing local network expertise is essential for multinational firms vis-à-vis domestic firms.

This idea of best firms is also well rooted in Klepper's (2007) inheritance view: workers from the best companies inherit or take knowledge when they create their own new ventures or when they move to a different company, a fact accepted in the MID literature (Hervás-Oliver et al., 2017), and is also confirmed in the context of labour mobility by Boschma et al. (2009). All things considered, regarding expertise on local networks and capabilities from the best firms, it is expected that multinational firms in MIDs seek workers from the best local companies. Thus, Hypothesis 2 is stated as follows:

> *Hypothesis 2: Located multinationals aimed at competence-creation will recruit focal expertise from local district firms that possess best-in-class capabilities and expertise to manage local networks.*

As greenfield investments entice local employees (Meyer & Estrin, 2001; Slangen & Hennart, 2007), the question is: What types of employees are hired? The best local firms in the focal district's expertise are ideal candidates from which to source knowledge because leading firms possess the best knowledge, practices and routines (à la Klepper, 2007). This might produce skill depletion by involuntary outbound labour mobility, crowding out industrial districts' advanced firms in the sense of Combes and Duranton (2006) or Cooper (2001). Thus, the best industrial district firms, *specialists* or those local firms with good technical expertise play an involuntary key role for the benefit of newcomer multinationals. Following Combes and Duranton (2006), this might result in labour poaching (i.e., loss of some key workers to competition and a higher wage bill to retain the others) between competitors. Multinationals entering districts through greenfield investments, however, might produce poaching because of their superior financial resources and their need to learn, become embedded and achieve access to local networks. This can impact on those leading firms which could suffer from poaching. Thus, we state Hypothesis 3:

> *Hypothesis 3: In MIDs, the best firms, whose employees present the best knowledge and local expertise, can suffer skill depletion by involuntary outbound labour mobility towards new MNEs.*

Relational capital

In the specific case of MIDs, a district's core capabilities or advantage, underpinning its externalities, is sustained and reinforced by a *social dimension*, which in turn is sustained by trust, common language and social norms (Becattini, 1979; Brusco, 1982; Piore & Sabel, 1984). Learning in an MID, therefore, is a socially based process in so far as social capital is implicit in localized knowledge flows (e.g., Singh, 2005). Social capital conveying high-quality information and knowledge is local/regional (Almeida & Kogut, 1999; Becattini, 1990) and, for this reason, the social capital that new recruits bring into a multinational can be effectively applied when professional (and personal) ties, along with shared cognitive schemes and common mindsets, are present and contextualized in local spaces. Multinationals seek tacit knowledge and also *local* tacit knowledge (Hervás-Oliver & Boix-Domenech, 2013), especially that related to the district's core advantage, which is better diffused and understood when it originates and is used in the same space, especially in MIDs (Hervás-Oliver et al., 2017) where professional (and personal) ties, along with shared cognitive schemes and common mindsets, are embedded in local firms within the district boundaries.

From this perspective, MNEs using their new recruits are brokering positions in the local web of relationships developed in the MID. By hiring these highly skilled workers they are accessing to relevant knowledge, albeit through the latent and indirect relationships that their local workers have (Agndal et al., 2008). In other words, a new recruit originating from a local firm in the MID would bring better social capital (local connections, ties, access to networks) conveying relational tacit knowledge to a multinational. Thus, Hypothesis 4 is formulated as follows:

> *Hypothesis 4: Located multinationals aimed at competence-creation seek new recruits with high social capital accumulated in firms from the focal district.*

SETTING AND METHODOLOGY

Setting: the Vinalopo Marshallian industrial district (VID) and ZARA

In Spain, the VID[3] is focused on footwear manufacturing, being an export-oriented mature district. This footwear-dedicated manufacturing pole represents around 2739

firms agglomerated in an area of 50 km^2 and accounts for over 30,000 employees, contributing to leading the Spanish footwear industry by representing over 60% of its production and exports. The district is also responsible for more than 60% of the registered designs (footwear and fashion items) in Spain, as an indicator of creativity and innovation.[4] It is called an MID and it is well endowed with all the actors and organizations for footwear production, encompassing the entire value chain: creative designers, fashion firms, shoe manufacturers, auxiliary industry (soles, heels, leather, packaging, etc.), vocational training centres, research transfer offices, trade associations and local footwear-dedicated press and magazines, as shown in Table 1. It presents a location quotient of 450% over the region's labour (Belso-Martinez, 2006).

Established in 1975, the Inditex-ZARA holding has become the world's largest fashion retailer with 162,000 employees and 7504 stores spread across 94 countries by the end of 2018. In addition to ZARA, the flagship brand which accounted for 65% of the group's turnover in 2018, the corporation owns other fashion chains (Pull & Bear, Massimo Dutti, among others).

During the 1990s, Inditex-ZARA carried out a direct (greenfield) investment setting up a subsidiary[5] in Elche at the core of the VID, a new footwear-dedicated subsidiary (ZARA-VID, henceforth), which was right in the heart of the district, and committed to competence creation in the footwear industry, a technology field distinct from Inditex-ZARA's well-established clothing expertise. This competence-creating subsidiary mandate was a strategic asset-seeking investment (Cantwell & Mudambi, 2005, pp. 1109–1110). for creating a centre of excellence, carrying out high value-added activities related to footwear manufacturing: prototyping, design, innovation, product manufacturing, logistics and global integration of contract manufacturers, although never manufacturing.

Methodology

In order to validate our hypotheses and set propositions, this study utilizes mixed methods with both qualitative and quantitative analysis, encompassing direct face-to-face (semi-structured) interviews, focus groups and quantitative data analysis from ZARA-VID recruiting. Each approach targets specific hypotheses, triangulating results. Qualitative fieldwork comprised two focus groups and 35 interviews accounting for a total number of 49 informants. Profiles included personnel at ZARA, trade associations, unions, suppliers, contractors and other key informants embedded in the district. ZARA-VID's recruiting policies were one of the key topics of the discussions and interviews. For brevity, Appendices A and B in the supplemental data online present further details, including the questionnaire, informants' profiles and the construction of different variables from databases for the quantitative approach, including LinkedIn and SABI (Bureau van Dijk). More information is available from the authors upon request.

QUANTITATIVE EMPIRICS

Method

An original database on recruiting in the VID around ZARA-VID was created using LinkedIn, capturing from a public source of data the individual-level data detailing recruits at ZARA-VID. We proceeded by searching among all the workers from Inditex-ZARA (in 2017) and then checking for the companies from which recruits had originated since 2000. For data-building, we focused on the previous jobs (ex-employers of the new recruits, capturing the name of the company) before joining ZARA-VID. Also, we collected the position that the new recruits took up when joining ZARA-VID, looking especially at the technical position that was mentioned in the interviews. Data gathered from 2000 to 2017 were then analysed as a pooled cross-section. For more information on the use of social media for research, see Appendices A and B in the supplemental data online.

Then, for the purpose of seeking information about ZARA-VID recruits' past employers (not available at LinkedIn), we used the SABI database[6] to match ex-employers' capabilities, location and other variables of interest (export, size, three-digit NACE codes, trademarks, etc.). Due to our research goals, some records were removed from the initial dataset owing to absence of information (in either LinkedIn or SABI) or inconsistencies in the profile (e.g., two simultaneous full-time working positions). After cleaning and adding different control variables from SABI, our final sample included 274 active employees at ZARA-VID. Like other online digital platforms, due to accessibility and extraction possibilities (Feldman et al., 2015), LinkedIn represents an emerging data source for studies at the crossroads between human capital mobility and the geography of innovation fields (Feldman & Lowe, 2015).

Variable generation

As regards variables, the dependent variable in this study is the position that the new recruit takes up at ZARA-VID, the *Occupation* variable, provided by ZARA-VID jobs at LinkedIn. This is a dummy variable taking 1 when the position at ZARA-VID is related to a technical footwear-dedicated job, such as footwear designers, footwear technicians in charge of prototypes/samples fit, etc.; and 0 otherwise (workers in logistics, information technology (IT), administration, etc.).

The *Capabilities* variable, a dummy variable referring to routines and knowledge gained from previous companies from which a new recruit originated, captures the potential transfer of capabilities from new recruits' ex-employers. We assigned firms to the different groups following a multi-stage procedure. Information from the qualitative fieldwork is utilized to classify firms from the sample using SABI indicators such as size (numbers of employees and assets), intangibles (trademarks) and international operations (export intensity) in their NACE category. After this process, we created the variable *Capabilities*

Table 1. The Vinalopo industrial district (VID): key supporting organizations.

	Main traits
Education, training and research and development (R&D)	
University Miguel Hernandez (UMH) University of Alicante (UA)	Universities located in the cluster develop specific postgraduate education and research. Particularly, UMH has an Institutional Footwear Chair to evidence the socio-economic impact or promote innovative practices in the industry. Research is also devoted to footwear production, manufacturing and components (soles, heels, adhesives, etc.)
IES La Torreta IES Sixto Marco	Spanish reference (benchmark centres in Spain) centres for vocational footwear education and training. Located in the VID
INESCOP (technological centre)	Footwear-dedicated Centre for Technology and Innovation. With more than 45 years of experience and more than 100 researchers, the institute works to provide technology services, transfer knowledge and conduct research for its 400 members. International collaborative projects on eco-innovation and Industry 4.0 should be highlighted
Supporting organizations	
Valencian Association of Shoe Manufacturers (AVECAL)	Business organization representing footwear firms and entrepreneurs based in the VID. AVECAL offers advanced services and leads the main structural changes of the industry. Organizes meetings, seminars, monitors trends, provides support services (lobby, joint purchasing, etc.)
Spanish Association of Footwear Components Firms (AEC)	Business organization that defends the interests of associated firms mostly located in the VID and provides comprehensive advisory services in internationalization, promotion, marketing, training, innovation, technology, quality, fashion and design
Federation of Spanish Footwear Industries (FICE)	Business organization that represents the Spanish sector at national and international levels. It brings together more than 90% of the footwear industry. A member of the main cross-sectorial business organizations and European Footwear Confederation
Spanish Association of Footwear Designers (AMEC)	Designers' organization that nurtures the local design and development community. Set up by a group of professionals with the aim of uplifting the state of web design in the VID and the country through fashion events, conferences and workshops
Association of the Leather Industry for Foreign Trade (ACEXPIEL)	Business organization to promote foreign trade and external promotion. Also, it manages the economic and social interests of associated companies. ACEXPIEL belongs to the International Council of Tanners
Footwear Museum	Cultural and didactic space that shows the influence of the sector in the VID as well as contemplating the evolution of different shoe and machinery collections of the top companies of the footwear sector
Spanish Institute of Foreign Trade (ICEX) Valencian Institute of Foreign Trade (IVEX)	National and regional public business entities whose mission is to promote the internationalization of companies and the promotion of foreign investment
Regional Institute for Competitiveness (IVACE)	Public entity dedicated to regional industrial policy and support to companies in the areas of innovation, entrepreneurship, technology or eco-sustainability
Footwear and fashion media	
Gaceta del calzado	Monthly magazine for leather goods focused on professionals, technicians and manufacturers
Revista del calzado	Informative and commercial tool that connects the manufacturer with footwear retailers. The journal provides updated information about professional fairs and tendencies

(*Continued*)

Table 1. Continued.

	Main traits
Técnica del calzado	Professional journal with 5000 copies per quarter. Also publishes a digital magazine and newsletters which reach more than 3500 users. It provides updated information about technical or fashion issues
Guía de marcas del calzado	Paper and internet publication that gathers all the updated information about the main footwear companies and brands operating in the Spanish market. It includes sample books with new products
Lederpiel	Cross-sector publication dedicated to the tanning sector and other leather manufacturing industries, such as footwear or leather goods
INFOFICE	Quarterly bulletin published by FICE. Mostly focused on the analysis of the evolution of the industry and its internationalization
Trade shows and events	
MOMAD	With 323 exhibitors in 2018, MOMAD is the most popular fashion showcase for the presentation of new footwear collections and trends. It is also a tool to expand the relationships between the sectorial actors
FUTURMODA	Component exhibition held twice a year in the VID. A total of 350 exhibitors present the latest components and technological novelties to 6000 professionals. The committee organizes a schedule with top-level seminars
SHOESROOM	Fashion and accessories umbrella brand that comprises a selection of top footwear brands, new designers and leather accessories

that takes value 1 for *Advanced* firms (those firms attaining more robust resource and knowledge assets, i.e., higher capabilities) and value 0 for firms that present less resources, vis-à-vis advanced ones. The latter ones are the best firms in footwear (*Specialists*), generally employing those employees named *coordinators*, presenting lower capabilities (less export intensity, fewer intangibles, smaller size, etc.). The *specialists* are footwear-dedicated leading firms that present less performance that those *advanced* ones that are leading firms outside the footwear field but are also located in the district area, such as consultants (e.g., KPMG), logistic firms (e.g., DHL), packing firms (e.g., Smurfit Kappa), etc. Multinationals seek both types of firms but the ones with more footwear-dedicated knowledge are the *specialists*.

Third, the *Footwear technology* variable, indicating the industry (whether or not from the district's expertise) of the company from which a recruit originated, using the three-digit NACE code available in SABI. It is a dummy variable that takes the value of 1 when a new recruit at ZARA-VID originated from footwear-related industries (footwear, fashion industry, etc.); or 0 otherwise (logistics, IT, and other non-footwear dedication). The next variable was the *Relational capital* variable, depicting the relational capital obtained by the new employee, reflected in how many firms they had worked for before joining ZARA-VID (assuming they have been embedded in different networks), as well as how many firms a recruit has previously worked for. Finally, the *Geography* variable, a dummy variable capturing the geography or spatial location of the company from which a recruit originated. It takes 1 when a new recruit has originated from a company located in the VID (all different municipalities of the district); or 0 otherwise (he/she originates from a company located outside the district).

Quantitative results

Correlations are presented in Table 2. The model is depicted in the following baseline equation (1), where *Occupation* is the dependent variable (*Occupation*: type of post that a new recruit takes at ZARA-VID: 1, technical footwear dedicated; 0 otherwise). We also include interaction terms to capture hypotheses:

$$\begin{aligned} Occupation_i = {} & \beta_0 + \beta_1 Age_i + \beta_2 Education_i \\ & + \beta_3 Years' experience_i + \beta_4 Relational\ capital_i \\ & + \beta_5 Capabilites_i + \beta_6 Footwear\ technology_i \\ & + \beta_7 Geography_i \ + \epsilon_i \end{aligned} \tag{1}$$

where i represents a recruit; and ϵ_i is the error term.

Following on from this, Table 3 shows the logistic regression results, using coefficients. For testing, Hypothesis 1 is operationalized through *Geography*Footwear technology* (referring to local industries in the VID value chain); Hypothesis 2 is depicted by *Geography*Capabilities* (capturing local advanced capabilities); and Hypothesis 3 is measured as *Geography*Relational Capital* (addressing VID-located relational capital).

As shown in Table 3, *Occupation* (dependent variable) indicates that new recruits' present relatively higher probabilities of being hired for technical footwear-related positions when they originate from companies in the footwear industry (*Footwear technology* variable, $\beta = 2.050$ at $p <$

Table 2. Correlation matrix and descriptive statistics.

	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Occupation (1)	0.42	0.495	1							
Age (2)	−61.63	1269.282	0.059	1						
Education (3)	1.73	0.598	0.104	−0.032	1					
Years' experience (4)	1.9	4.799	0.112*	0.028	−0.325***	1				
Relational capital (5)	2.89	1.024	0.141**	−0.008	−0.024	0.406***	1			
Capabilities (6)	0.77	0.424	−0.336***	−0.037	0.106	−0.093	−0.105	1		
Footwear technology (7)	0.51	0.501	0.372***	0.071	−0.156**	0.190***	0.178**	−0.022	1	
Geography (8)	0.3	0.459	0.300***	0.045	−0.071	0.145**	0.176**	−0.359***	0.006	1

Note: ***$p < 0.01$; **$p < 0.05$; *$p < 0.1$.

0.01) and are located in the district (*Geography* variable, $\beta = 1.349$ at $p < 0.01$) and *Specialists* firms (*Capabilities* variable, $\beta = -1.692$ at $p < 0.01$). *Relational capital* is not significant as a direct effect, although it is once it is based on local geography (see below, specification 4).

As observed from specification 1, *Footwear technology* and *Geography* are highly significant and relevant, as expected, as well as *Capabilities*, but not the *Relational capital* variable. Why does *Capabilities*, as expected, show a negative relationship? The reason is based on the fact that non-district and non-footwear firms are stronger than local footwear firms. The best footwear firms providing technical knowledge to the multinational, in this particular case, are those categorized as *Specialists*. In other words, in the way the variable *Capabilities* is measured (*Advanced* versus *Specialists*), non-footwear-dedicated firms (e.g., DHL, KPMG, etc.) are the *Advanced* ones, being larger and presenting greater capabilities. Multinationals do not only source technical (footwear in this case) knowledge, but also managerial knowledge referred to IT, logistics, legal, finance or just administration tasks, and they do that from the best 'general' firms. These firms are not precisely located at districts, and do not belong to the same industry (footwear in this case); rather, they are located in larger cities and usually workers from those occupations are sourced from large multinationals and domestic firms such as those from the Big Four or the like. In other words, the footwear-dedicated firms are the *Specialists* when comparing them with other companies that are not footwear dedicated, showing smaller assets, lower intangibles and profits, although they are the best firms specialized in footwear. For this reason, the

Table 3. Logistic regression results on occupation.

	Model 1		Model 2		Model 3		Model 4	
	β	SE	β	SE	β	SE	β	SE
Age	0.005	0.012	0.005	0.012	0.001	0.012	0.007	0.012
Education	−0.033	0.317	−0.045	0.323	−0.003	0.317	−0.033	0.317
Years' experience	−0.012	0.043	−0.017	0.044	−0.013	0.043	−0.004	0.043
Relational capital	−0.007	0.197	−0.001	0.203	−0.007	0.203	−0.269	0.250
Capabilities	−1.692***	0.460	−1.772***	0.471	−1.000*	0.602	−1.727***	0.465
Footwear technology	2.050***	0.405	1.631***	0.448	2.039***	0.406	2.090***	0.411
Geography	1.349***	0.417	0.623	0.569	2.550***	0.840	−0.731	1.262
*Geography*Footwear technology*			1.607**	0.872				
*Geography*Capabilities*					−1.659*	0.966		
*Geography*Relational capital*							0.706***	0.409
Intercept	Yes		Yes		Yes		Yes	
LR chi-squared	68.403***		72.128***		71.532***		71.633***	
Pseudo-R^2	0.388		0.405		0.402		0.403	
N	274		274		274		274	

Note: *Occupation*: type of post that a new recruit takes at ZARA-VID: 1, technical footwear dedicated; and 0 otherwise. *Capabilities*: capabilities, routines and knowledge from previous companies from which a recruit originated: 1, *advanced*; and 0 *specialists* (footwear experts). *Relational capital*: number of firms a new recruit has worked for before joining ZARA-VID. *Footwear technology*: 1, footwear-related industries; and 0 otherwise. *Geography*: referring to the geography (location) or spatial unit of the last company from which a recruit originated: 1, cluster located; or 0, non-cluster located.
Control variables: Years' experience: professional experience was measured as the number of years of professional experience of the new recruit when joining ZARA-VID. Education: education level of the new recruit joining ZARA-VID; Age: number of years at the last firm where workers have been previously employed since its constitution.
***$p < 0.01$; **$p < 0.05$; *$p < 0.1$.

Table 4. Logit regressions: marginal effects on occupation.

	Model 2		Model 3		Model 4	
	Estimate	**SE**	**Estimate**	**SE**	**Estimate**	**SE**
Footwear technology	2.111***	(0.414)				
Capabilities			−1.495	(0.484)		
Relational capital					−0.058	(0.207)
Geography	1.446***	(0.459)	1.279***	0.425	1.309***	(0.424)

Note: ***$p < 0.01$; **$p < 0.05$; *$p < 0.1$.

variable *Capabilities* remains negative and significant (−1.692, −1.772, −1.0 and −1.727, across specifications 1–4, respectively). Notice that the *Specialists* are the firms in the footwear industry that present those valuable employees named *coordinators*.

Although preliminary confirmation of some hypotheses is observed in Table 3, Hypotheses 1–3 are captured through their respective interaction terms with *Geography*, albeit direct effects also show preliminary insights. We observe the strength of the variable with its main effect where *Footwear technology* remains positively related to *Occupation* (*Footwear technology* variable, $\beta = 1.631$ in specification 2; $\beta = 2.039$ in specification 3, and $\beta = 2.090$ in specification 4 at $p < 0.01$) across different specifications, indicating that recruiting specific expertise available in the focal industry is of high value for multinationals. Then, when we cross *Geography* and the focal variable, specification 2 shows the statistical relevance of the interaction *Geography*Footwear technology* ($\beta = 1.607$ at $p < 0.05$), indicating clearly that it is not only footwear technology (specific value chain activities) but from the local district which really matters for this specific case. Thus, Hypothesis 1 stating that multinationals located in MIDs will recruit footwear technicians from the district's firms is confirmed. This result yields conclusive insights when we also join both qualitative and this quantitative result.

Furthermore, in specification 3 the interaction term captures Hypothesis 2, that is, *Geography*Capabilities* ($\beta = -1.659$ at $p < 0.1$) is negatively related to the *Occupation* variable. Therefore, Hypothesis 2, on the idea that multinationals located in districts will recruit technical (footwear) expertise from specialists is maintained, indicating that those specialists are local. As previously explained about specification 1, new recruits present higher probabilities of being hired for footwear design and technically related activities when they originate from leading companies located in the district, those *specialists*, that take the negative coefficient because of the variable definition (*Advanced* and *Specialists*). These results coexist with the negative main effect of *Capabilities* ($\beta = -1.000$ at $p < 0.1$) and the positive main effect of *Geography* ($\beta = 2.550$ at $p < 0.1$), endorsing the preference of ZARA-VID of employees from local footwear *Specialist* firms.

Finally, in specification 4, the positive relationship of *Geography*Relational Capital* interaction with recruiting specific expertise related to footwear design and technical operations ($\beta = 0.706$ at $p < 0.01$) corroborates Hypothesis 3. Multinationals co-located in districts will recruit technical expertise through new recruits with solid relational capital accumulated from local firms. The direct effect per se was not enough; it is strongly aligned to the *Occupation* variable when it is locally related. Thus, the higher the number of local firms the new recruit has been working for, the higher the probability of being hired for footwear design or technical operations by the multinational. This outcome reinforces the role of local relational capital versus non-local, as its solidness and breadth increase the probability of it becoming an embedded multinational through the recruit's relationships, which tap into existent different local networks. Overall, the results offer robustness checks to those from the qualitative exercise. Finally, Table 4 shows marginal effects on the *Occupation* variable that reinforces the results. The results and the positive and significant coefficients reinforced the stated hypotheses.

QUALITATIVE EVIDENCE

Empirical fieldwork

At the time of entry (late 1990s), ZARA was a textile-devoted firm. Accessing to new technical learning knowledge on footwear was the leitmotif. ZARA chose to locate at VID for its expertise and powerful auxiliary industry (over 2000 firms) finding social and institutional proximity especially in terms of language, culture, labour market regulations and others in Spain, the home base of the group. ZARA, however, is a global multinational.[7]

As was stated during interviews, ZARA-VID primarily seeks technical knowledge related to footwear:

> They [ZARA-VID] are interested in the technical expertise for footwear; everything related to fashion [trends, colours, etc.] or non-footwear activities [IT, logistics, law, etc.] is not necessarily sourced from the district … they have much of that … .
>
> (trade association representative)

Other ways of learning, apart from recruiting, were also evidenced:

> I would not say they only learn from recruiting … that is one option, but they are highly developed as regards outsourcing

> … they also started with the support of a local entrepreneur … .
>
> (local firm from the footwear industry)

As key informants revealed during interviews, ZARA-VID likes to recruit technicians from the best local firms:

> ZARA-VID is really recruiting from the best local firms … they know what they want and for this reason recruit from the best local companies that possess the know-how to coordinate the local value chain. … .
>
> (local firm in the industry)

> [Y]es, they are afraid [of local firms] … absolutely, they [coordinators] know that they have the best people capable of organizing local people … they know everything about who is serious, who is not, who delivers on time and so forth. … ZARA-VID wanted them from the beginning, which means your knowledge walks out the door … !!
>
> (local firm, a direct competitor)

> Yes, absolutely, they want those key workers [from coordinators] … especially their technicians and plant managers that know how to coordinate the rest of the local actors … they make the local value chain functional and coordinate all the separated activities and firms … .
>
> (trade association representative)

As shown, evidence from interviews confirms that new recruits taking up technical (footwear-related) product manufacturing positions at ZARA-VID have a relatively high probability of being recruited when they have been previously working for advanced footwear-dedicated local firms. Among local firms, those whose employees have expertise in developing products and manufacturing, showing skills for problem-solving and integration in offshoring activities across borders and even co-integrating local and global activities are named *Coordinators* (as network orchestrators). These *coordinator* companies used to be manufacturers that gradually built up capabilities of design, prototyping and commercializing, outsourcing their production to local manufacturing firms and climbing the ladder of high-value adding activities, although some of them continue to manufacture a proportion of their sales. Their workers are highly valued. Those local companies are the ones ZARA is interested in.

As the results of the interviews indicated:

> They recruit from leading firms in all different industries, but especially they want local expertise … yes, those design teams, plant managers, technicians, all of them working in footwear manufacturing are from the district … they speak the local language of business … they know what is needed … and who does what … .
>
> (local firm, direct competitor)

> [F]ootwear product manufacturing skills are really sought after, then the multinational applies its profound market knowledge, launches theme collections and sets the 'trend' … locally, ZARA-VID transfers all this 'fashion' knowledge into the local value chain … they have fused clothing and footwear … .
>
> (firm from the auxiliary industry)

As regards relational capital, results from interviews clearly indicated that relational capital is important when it is locally based and contextualized. During interviews, this point was also made:

> Expertise is a must, … local expertise I mean, the more people and teams you know the better you coordinate tasks and solve technical problems faster … you have more references for benchmarking … and getting support; knowing who does or knows what is paramount: that is the really tacit knowledge from the district … .
>
> (local firm)

While it is true that ZARA recruits from all local firms, in no small part due to their greenfield approach, they primarily poach local *specialists*. Local firms that work as subcontractors, however, receive new knowledge and skills about organization and footwear-dedicated technology directly, while others not working with ZARA also benefit from indirect spillovers based on new technology, market analysis and the best reputation of the focal district. As some local firms commented:

> ZARA has positioned our territory in the footwear global map, becoming a more important international hub for footwear that it was before ZARA.

> Yes, we continuously learn about what is new at ZARA, designs, products … you learn it and it is a source of valuable information.

> New designers trained at ZARA are now available as freelancers, with new techniques and knowledge … this is good for the local firms.

Overall, there are both positive and negative effects but a net positive effect that has reinvigorated a mature industrial district.

Results from the qualitative field study

Specifically, the results show how the *coordinators* (of the local value chain) or those highly skilled workers from the best local footwear firms (*Specialists*), with extensive experience in orchestrating local networks, best-in-class local technical expertise and abundant relational capital, are the preferred targets. These workers possess ex-employers' technical capabilities and specific skills in managing local networks (knowing-how, knowing-who and what expertise). Thus, the focal MNE can better integrate local operations with local networks more efficiently and develop embeddedness to obtain local knowledge from different local sources. Through these heuristics, MNEs speed the process of accessing tacit local knowledge and strengthen embeddedness in the local

community. This knowledge sourcing is also complementary to other sources of knowledge, not within this study's scope, such as inter-firm cooperation with suppliers for subcontracting, local alliances or access to local research infrastructure. While some firms face a potential problem of poaching, in order to build up footwear-dedicated capabilities, as manifested in these results, the territory also benefits from new technical and market knowledge from the focal multinational's embeddedness and anchoring performance (Bellandi, 2001; De Propris & Crevoisier, 2011). How does the territory benefit?

De Propris and Crevoisier (2011) evaluate the role of international firms in MIDs as regards two main dimensions: *local embeddedness* and *anchoring*. The former refers to the system of relationships and structures where firms and institutions interact, depicting interaction and knowledge sharing. In this case the focal multinational learns but can also spillover knowledge and technology to the local networks. In a similar way, Bellandi (2001) argues that in large firms in districts that show a moderately strong level of embeddedness, the benefits can be related to a 'virtuous cycle of increasing technological capabilities', where MNEs learn from local highly skilled labour, R&D facilities and institutional support while also spillover technology and knowledge is disseminated throughout the district. Therefore, the presence of a multinational in a district could provide a balanced net effect where learning from local interaction and embeddedness in local networks coexists with knowledge dissemination to those local networks.[8] De Propris and Crevoisier (2011) also refer to *anchoring*, from Feldman (2003), understood as the capacity of firms from outside the location to establish their roots in the local context but at the same time 'engaging in open, multi-local networks'. This implies not only the presence of an MNE that would automatically absorb local knowledge, but one that would also diffuse knowledge from other external networks where the multinational is also embedded. In other words, anchoring bridges the local district to access knowledge from other contexts that pollinate the local context with inputs, ideas and innovations, thus creating positive effects in focal territories. This effect is shown in Hervás-Oliver and Boix-Domenech (2013) that empirically show anchoring when multinationals are multi-embedded across districts and connect them, transferring knowledge in global pipelines. In this particular case, our evidence shows how the focal MNE is embedded in local networks, transferring knowledge from other locations, through its internal networks, to the focal territory, knowledge such as skills, market analysis, fashion information, etc. This embeddedness and anchoring performance constitute positive spillovers that counteract those negative ones from poaching. This is the sign of a non-predatory strategy that also fuels a virtuous circle of recombining the local know-how nuclei and strengthening the territory where the focal multinational sources knowledge and production, sustaining local development.[9] In fact, the multinational does not compete with local firms, as ZARA sells its products globally and exclusively through its own stores, while local firms are primarily focused on Europe and the US using different multi-branded stores. Also, the specific segments covered by ZARA differ. For instance, local firms produce for Armani, Gucci or Prada, a segment not covered by ZARA.

As identified in the interviews, the district benefits from different types of spillovers, such as those associated with technical knowledge, design and market knowledge. Specifically, the territory gains through the multinational's interactions with local actors, spilling over technical and market knowledge, as well as ZARA's ex-employee outflows to local firms, especially designers.

The hiring dynamics observed not only involve the acquisition of district-specific knowledge by the ZARA subsidiary, but also a rejuvenation of local capabilities through learning interactions with local actors (manufacturers, technological institutes, universities or suppliers) because ZARA is embedded in those local networks. This embeddedness produces knowledge diffusion (spillovers) from the multinational to those local firms working as subcontractors. When local designers and technicians from local firms work with ZARA as subcontractors, they update and complement their specific skills through training in advanced design software or 3D prototyping, whose implementation requires cooperation with both sides. Contacts and knowledge from ZARA's internal networks, throughout its locations in different footwear districts in the world, bring to the focal territory new managerial practices in the orchestration of productive and logistical activities, digitalization of procedures or socio-environmental responsibility routines to local firms. ZARA also diffuses, with its manufacturing orders to local firms, new fashion tendencies from all around the world and from the clothing and fashion fields, new product designs and updated market analysis insights (e.g., designs, tendencies, market opportunities, highly popular new products, etc.) that constitute a *must* for those local firms that manufacture premium shoes based on top fashion standards. ZARA, therefore, also performs a positive anchor role. Occasionally, some of ZARA's ex-designers start up as freelancers and work with local manufacturers, diffusing new tendencies and new organizational and footwear-specific knowledge routines. All these spillovers produce a positive effect on the territory.

DISCUSSION

Our study shows that in MIDs, multinationals seek not only skilled (technical embodied knowledge) workers but also new recruits' ex-employers' capabilities to manage local networks and also new recruits' relational capital. Recruiting, therefore, brings something else: contextualized local tacit knowledge that supports that of the product and technology, a fact not necessarily present outside MIDs. Through these heuristics, MNEs speed the process of accessing tacit local knowledge and strengthen embeddedness in the local community.

ZARA's competence creation, however, has a cost for the district. The cost is related to *poaching*, that is, the best

local firms with the focal district's expertise are ideal candidates to source knowledge from, as leading firms possess the best knowledge, practices and routines. Thus, multinationals produce skill depletion, crowding out the focal district's advanced firms (e.g., Combes & Duranton, 2006), those named *specialists*. On the contrary, multinational's embeddedness and anchoring performance positively feed the district with new technical, design and market-product knowledge, nurturing local capabilities and allowing a positive recombination of local know-how, strengthening the focal district. Overall, we point out that the net effect that ZARA exerts in the focal district is explained by the difference between the benefits gained by the district (technical, design and market-product knowledge) from embeddedness and anchoring versus the cost of poaching for ZARA's competence creation. The tension between those two dimensions, and their specific direction, can differently impact districts.

In addition, from the qualitative evidence, we can also infer an additional insight. The particular mode of accessing to local knowledge is moderated by the type of MNE investment for entering into MIDs. In this case, we evidence a *greenfield* investment that requires hiring local employees to absorb local tacit knowledge and access to local networks. Put differently, it is a *must* hiring because multinationals start from scratch. While in a brownfield operation, the focal MNE utilizes its own resources and combines them with assets acquired locally, a greenfield investment uses primarily assets of the multinational itself (its own logistics, organizational procedures, IT infrastructure, etc.) (Meyer & Estrin, 2001). As a consequence, greenfield investments clearly require the hiring of local workers, because that implies building a subsidiary from bottom up. In the case of brownfield investments or acquisitions, however, MNEs acquire the whole pack of employees, tacit knowledge and access to local networks. As Meyer and Estrin (2001, p. 578) posit, brownfield investments and acquisitions give multinationals direct access to local resources by buying employees and team-embedded tacit knowledge. Greenfield investments, however, make multinationals rely on local markets and networks to hire workers and obtain other knowledge (Slangen & Hennart, 2007). In any case, as De Propris et al. (2008, p. 578) point out, both imply control of production activities and high exposure to risk. Therefore, we can relate greenfield investment with recruiting local workers and poaching effects on the focal district.

Our study adds more knowledge to the district and multinationals phenomenon, point out specific resources sought beyond local networks and outsourcing, confirming also the importance of mature districts for multinationals' expansion of operations (e.g., Belso-Martínez et al., 2015, 2018)

CONCLUSIONS

This study's topic is situated at the intersection of multinationals' recruiting and industrial districts, analysing *locally dedicated recruiting strategies* by MNEs to source local (tacit) knowledge in industrial districts. Our study's goal is to answer the following question: How do multinationals recruit in MIDs? Additionally, our study also responds to other related research questions, primarily addressing the net effect that MNEs exert on host districts.

Our insights, based on mixed methods, explain through quantitative and qualitative evidence how multinationals design recruiting strategies to source knowledge in MIDs, confirming the four stated hypotheses: (Hypothesis 1) located multinationals aimed at competence-creation will recruit skilled labour from local industries of the focal district's expertise; (Hypothesis 2) recruiting is aimed at focal expertise from local district firms that possess best-in-class capabilities and expertise to manage local networks; (Hypothesis 3) best firms whose employees present best knowledge and local expertise can suffer skill depletion by involuntary outbound labour mobility (*poaching*) towards new MNEs; and (Hypothesis 4) new recruits with high social capital accumulated in firms from the focal district are preferred.

These results expand our knowledge in the regional and MID literature about multinationals' embeddedness beyond modes of entry or networking in districts (Bellandi, 2001; De Propris et al., 2008; De Propris & Crevoisier, 2011; De Propris & Driffield, 2006; Mariotti et al., 2014; Menghinello et al., 2010) In particular, this study's insights propose an alternative approach to access to local sticky and tacit knowledge recruiting from best firms in districts. Also, results complement and expand the MNEs' and MID dialogue (e.g., Belussi, 2018; Østergaard & Park, 2015), enriching distinctively the geography of labour mobility by presenting a different perspective and connecting to the economic geography of multinationals in regions.

The literature has primarily measured multinational impacts in districts, proving that FDI is quite positive for local districts (e.g., Menghinello et al., 2010). Our study, however, adopts a different angle and presents novel insights from a different perspective. According to the results, and for policymakers, it is worth highlighting the adverse effects that multinationals might cause to advanced home-grown firms that can suffer skills depletion by outbound labour mobility, crowding out industrial districts' advanced firms in the sense of Combes and Duranton (2006) or Cooper (2001). This being the case, the best industrial district firms play an involuntary key role for the benefit of arriving multinationals. This is a very novel result in the MID literature. Interestingly, the different approach to FDI, whether brown or greenfield, determines how intense recruiting and poaching will be. The net effect, therefore, on a focal district is determined by the specific mode of entry, and its associated poaching effect, and the tension between embeddedness and anchoring. This is also interesting for districts' literature.

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NOTES

1. Throughout, *clusters* and *Marshallian industrial districts* are used interchangeably, albeit we do recognize different social mechanisms prevailing in the latter.
2. We use ZARA and Inditex indistinctly throughout, the latter being the name of the corporation.
3. The Vinalopo industrial district (VID) in Spain is made up of four main municipalities: Elche, Elda, Petrer and Villena. Elche is, by far, the leading and largest hotspot. It is one of the largest footwear clusters in Europe, along with Riviera del Brenta in Veneto, Italy, sourcing shoes for premium brands such as Armani, Gucci, Prada, etc.
4. For more about the cluster, see Belso-Martinez (2006).
5. Named TEMPE within the ZARA-Inditex Group structure.
6. This is the Bureau van Dijk database for Spanish companies, for instance, the same version of the Italian AIDA (the latter for Italian companies) (see https://sabi.bvdinfo.com/version-2019222/Login.serv?product=sabineo&SetLanguage=en).
7. See Rugman et al.'s (2016) classification.
8. Adverse effects might also occur (Bellandi, 2001).
9. At least, while multinationals are interested in the local know-how.

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