

**WHOLE NETWORK EMERGENCE AND DEVELOPMENT ABROAD:  
A QUALITATIVE EXAMINATION**

**Abstract**

We conducted a qualitative examination of how and why Italian firms tended to cluster in particular regions abroad at particular times. In doing so, we identify a particular type of whole network, the country of origin network, as requiring further study. Thus, we develop a process model accounting for the emergence of each network from the pre-network phase through the development of a network governance structure. Second, we identify a variety of actors ‘invisible’ from most accounts, yet essential in the development of the network. Finally, we illustrate the role of ‘place’ as important for understanding how network governance develops.

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The field of international business (IB) research has come under criticism as being unable to offer a distinct area of study (Jack, Calás, Nkomo, & Peltonen, 2008). Poulis & Poulis (2018) argue that much of this problem is based on underlying ontological assumptions leading researchers to treat the international environment, the firm and its decisions as fundamentally existent entities abstracted from their locally situated and relational realities. Adopting a processual logic holds promise for circumventing these assumptions of situational and relational independence (Poulis & Poulis, 2018). We adopted such a logic when examining how and why Italian firms tended to cluster in the regions of Timisoara, Romania and Shanghai/Suzhou, China at particular points in time. In so doing, it was revealed that whole networks that facilitate the internationalization process require additional attention.

Historically, research in IB has drawn attention to the importance of a firm having their own network in the process of internationalization. Without such a network, presumed wisdom suggests that a firm will be faced with a ‘liability of outsidership’ (Johanson & Vahlne, 2009). Yet, a common critique of studies attending to the network of a particular firm is that these studies tend to overemphasize the importance of individual organizations while underestimating the importance of the collective behavior that emerges between organizations (Provan, Fish, & Sydow, 2007). By contrast, research on whole networks has typically drawn attention to the collective behavior that emerges between firms (Provan et al., 2007). While both perspectives can offer unique insights into the internationalization of firms, the whole network perspective has typically been absent in the business literature in general (Provan et al., 2007) and the international business literature in particular. This omission is problematic because it overlooks the potential for inter-organizational cooperation to emerge as an alternative to a firm having their own network. Thus, we focus on the emergence of whole networks abroad.

Attending to the process of how Italian firms came to be clustered in particular regions at particular points in time allowed us to examine the internationalization process in a manner that is not abstracted from reality. In so doing, our study revealed that there was a general Italian network of

organizations that developed over time in each country with the stated purpose of helping individual firms succeed in these respective markets. These networks of Italian firms were comprised of public and private organizations that worked closely together to create a more attractive business environment for Italian firms in the region. In fact, many of these firms informed us about how they were trying to create an infrastructure that other Italian firms could utilize. This insight then led to our focusing on better understanding how these networks of firms came to exist in each respective country. In turn, we identified a particular type of whole networks, the ‘country of origin’ network as requiring further study. While Tan and Meyer (2011) identified the potential for networks to be based on country of origin, they primarily focused on how these networks informed the entry decisions of individual firms. By contrast, our study draws attention to how a country of origin network came to exist in these two markets. In so doing, we identified a group of actors, those that we labeled “invisible actors” that played a meaningful role in the emergence and development of these country of origin networks. While these public and private organizations are a mainstay of the whole network literature, they rarely show up in the IB literature (e.g. Spencer, 2003). Thus, by drawing attention to the role they play in an IB context we address an important topic that is largely absent in the IB literature.

Finally, examining these whole networks in an international context sheds light on the role of ‘place’ in the emergence and development of these networks. In particular, previous work on whole networks has tended to focus on characteristics of the network itself to explain why it is that some networks are governed by a network administrative organization, while others are engaged in a form of shared participant governance (Provan & Kenis, 2008). Indeed, our data illustrates that how network actors worked to respond to differences in the places in which each network developed had a significant impact on the network governance structure that actually emerged. These local differences are well known in the IB and economic geography literatures (e.g. Jones, 2018), but are largely absent in the literature on whole networks. As such, our final contribution is adding to our understanding of how whole network governance structures emerge.

In sum, our analyses led to the development of a more contextualized and holistic understanding of the conditions under which networks shape the internationalization process. In doing so, we answer the call of Connelly, Ketchen, and Hult (2013) to enrich our theoretical understanding of global business by conducting further research using alternate approaches.

### **THEORETICAL FRAMEWORK**

In the research on international business (IB), a rich literature has established the importance of individual firm networks in facilitating the internationalization process (Forsgren, 2016; Hymer, 1976; Johanson & Vahlne, 1977; Johanson & Vahlne, 2009; Martin). Scholars have primarily focused on these individual firm level networks, with research being predicated on the notion that a firm's dyadic relationships can have a positive impact on the internationalization process (e.g. Chetty & Holm, 2000; Martin, Swaminathan, & Mitchell, 1998). This model of the internationalization process is based on their being a reciprocal commitment between the focal firm and its partners (Davidson, 1980; Johanson & Vahlne, 1977; Johanson & Vahlne, 2009) which often take years to develop (Barkema, Bell, & Pennings, 1996; Henisz & Delios, 2001). It is the quality of these commitments that is theorized to determine the outcome of the internationalization process.

While these studies offer compelling evidence that firms' individual networks matter, what has been overlooked in the IB literature is the localized complexity that is abstracted away from when the focus is on particular firms and their networks (Poulis, & Poulis, 2018). By contrast, a whole network perspective enables us to draw attention to a broader group of network participants over a longer period of time. Our conceptualization of whole networks follows that offered in Provan et al. (2007: 481, 482) as a "constellations of organizations that come together through the establishment of social contracts or agreements" and are "connected in ways that facilitate achievement of a common goal." Indeed, "the goal of whole networks aims to serve the needs of a market segment or client base" (Carter, Davis, Herchen, & Chandra, 2013). In our specific case, the 'common goal' is furthering the successful internationalization of Italian firms. While clearly a group of organizations with such a goal is likely impact the internationalization process, research in international business has largely overlooked the impact of the

network as a whole (Coviello, 2006; Provan et al., 2007; Spencer, 2003; Tan & Meyer, 2011). Therefore, further research on the emergence and development of these whole networks in an international context is warranted.

To fully understand the importance of whole networks, we must first understand how these networks emerge. Indeed, “how networks evolve from early birth to maturity” is still unclear to researchers (Provan, et al., 2007: 508). In contrast to much of the current literature on whole networks which views networks as either emerging serendipitously or as being formally planned around common goals (Provan & Kenis, 2008), we find that there is also likely an emergent quality to goal directed networks that lands somewhere between this characterization of serendipitous emergence and being formally planned. Likewise, pivotal to this emergence process are the pioneering network members who underlie the formation of networks. While pioneering firms often fail (Tellis & Golder, 1996), the role of these pioneers as part of a distributed collective is missing from our understanding of network emergence because they are often long gone when the network is analyzed. As such, the role these early entrants play in testing out a market, calling attention to potential market opportunities, and drawing other actors into the network, requires additional attention.

The evolution of a network influences who participates in it (Kell & Levin, 2003) and how it functions (Roloff, 2008). Yet, to date, many IB studies have failed to thoroughly assess both the prevalence and impact of various less salient actors in these networks (Darbi, Hall, & Knott, 2018) – instead focusing on those deemed most relevant to an individual firm – i.e. its buyers, suppliers, and competitors (e.g. Sheng, Zhou, & Li, 2011; Yan, Choi, Kim, & Yang, 2015). Yet, doing so leaves certain actors “invisible,” despite their likely significant impact on the network equation. For instance, Spencer (2003) shows that such “invisible” players (e.g. professional societies) are paramount in knowledge sharing crucial to firm entry, and fundamentally define how the network develops and serves the firms embedded within it. Thus, more is needed to understand these “invisible” actors and their impact on network emergence and development.

Finally, as network governance has a critical impact on network effectiveness, more insight is needed on how these network governance structures develop (Provan & Kenis, 2008). It has been argued that network governance can be categorized along two dimensions, the first being whether or not governance is brokered, while the second being whether the network is participant or externally governed (Provan & Kenis, 2008). Since differences in international contexts have been shown to impact firm interactions (Cooke & Morgan, 1993; Ghemawat, 2001; Teagarden, Von Gilnow, & Millahi, 2018) it is possible that the place networks are located may impact which governance structures develop. Unfortunately, “research has rarely examined the complex combinations of processes that simultaneously shape the structural characteristics of a given network” (Kim, Howard, Pahnke, & Boeker, 2016: 23). As a result, we have limited knowledge of how institutional conditions influence the development of whole network governance structures. Therefore, we embarked on a qualitative study of two such whole networks with the hope of adding to our field’s understanding of this phenomenon.

### **METHODS**

Two historical interpretive case studies (Langley, 1999; Yin, 2003) were created using the regions with the largest concentration of Italian firms and investments outside of Italy. We followed an abductive research logic, which is an appropriate approach since theorization can occur through abductive reasoning (Mantere & Ketokivi, 2013) and we were interested in developing a better conceptual understanding of how and why Italian firms tended to cluster in these particular regions at these particular points in time. Data was collected in two rounds and we were granted significant access to key opinion leaders in both home and host countries.

#### **Research Context**

Timisoara, Romania and Suzhou/Shanghai, China were chosen due to the long-term significant presence of Italian firms outside Italy in these regions. Additionally, in different moments in time, both cities hosted the largest concentration of Italian firms outside Italy (in number of firms as well as investment) (Federico, 2006; Lan, Sellar, & Cheng, 2016; Suzhou Working Group, 2015). Therefore, these two locations were ideally suited for us to examine how a country of origin network emerged to

facilitate the successful internationalization of Italian firms. In Timisoara, Italian investments became relevant in the 1990s and growth peaked around 2008. In Shanghai/Suzhou, major Italian investments started in the 2000s and growth peaked around 2012.

### **Data Collection**

Data for this project was collected in two waves. The first wave of data collection occurred in 2006 in Timisoara, Romania, while the second wave of data collection took place in 2013-2015 in Shanghai/Suzhou, China. This data collection enabled us to gain insights into the development of Italian networks abroad. Therefore, while the data was collected at only one point in time for each case, the insights we derived occurred at different times leading up to the interviews giving us a historical perspective on the whole network. The timing of our data collection was motivated, in part, by observing increasing Italian investment and consequently wanting to better understand this phenomenon. Data collection was primarily comprised of interviews, observations and archival records.

To assess the impact of the ‘whole network’, we followed previous work and collected data from a broad variety of actors within the network. The authors carried out semi-structured interviews with participants from a variety of different backgrounds that could potentially shed light on how and why the two networks developed as they did. Following Lincoln and Guba’s (1985) guidelines for “purposeful sampling” we initially aimed to interview participants associated with Italian investment in Timisoara and Suzhou/Shanghai, the sectors with the highest concentration of business investment outside of Italy at that point in time. Initially we followed the network of Italian consultants linked with a state agency in Italy. One particularly surprising insight that emerged early in the data collection process was all the cooperative behaviors that were relayed to us: a) firms described numerous instances in which other organizations worked to aid in their foreign entry and continued operations, and these organizations were in turn willing to aid other firms in their entry/operations; b.) various intermediaries had a comprehensive view of the Italian investment in the region and were important in stimulating connections between Italian organizations; and c) there was a voluntary network linking the firms, various intermediaries, and representatives of the Italian government aimed at promoting Italian firms in the host regions as well as

lobbying the local government. As such, we began to systematically reach out to these participants that were identified as aiding in entry and operations. This resulted in interviews being conducted with senior officials from Italian public agencies (e.g. consulates), participants from national and subnational government agencies (e.g. Institute for Foreign Trade, ICE), overseas representatives of Italian regional governments, Italian business consultants, lawyers/accountants operating outside Italy, as well as many individuals in leadership positions at various firms within these communities. Subsequent participants were identified using a “snowball” technique whereby we asked interviewees who else we should talk to in order to obtain further insights into issues of interest. Most interviews were conducted in Italian and translated to English, two were conducted in English with fully proficient Romanians, while one interview was conducted in Chinese and then translated to English. The duration of interviews ranged between 20 and 60 minutes. Interviewees cited in the text are identified by key words (i.e. accountant, trade analyst, etc.). These key words are listed in alphabetical order in Table 1, which provides more information about each interviewee. As indicated in Table 1, a total of 44 interviews were conducted with 42 different participants. Interviews were recorded and additional notes were taken. These were translated to English and transcribed by the authors and research assistants when necessary.

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Insert Table 1 about here  
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Inevitably, the questions we asked evolved over the course of our study and the content of the questions varied slightly based on the position the participant being interviewed held, but there were several consistent lines of questioning throughout the process. Interviews broadly concerned the general emergence of the network and its effects on the internationalization process. Particular focus was given to the individual’s role and experience in shaping the entry and/or operation of foreign investment in the region, their particular relationship with their home country, their particular relationship with the host region, how this particular area was chosen for entry, the ways in which local explicit and implicit norms were understood and acted upon, and the ways in which relationships with local partners were managed.



As our understanding developed we modified the framing of some questions. For example, 1) How did firms (compared to consultants) perceive the need of lobbying the local government, and 2) How did firms, consultants and agencies become actively involved in building the community for fellow Italians, became increasingly important questions.

An extensive array of archival documents were collected in both electronic and hard-copy forms to supplement and verify data from interviews. Examples of this data included in-depth documentation of Italian laws, public agencies' internal documents, official macroeconomic statistics, investment flows, trade agreements, and promotional materials developed by firms and agencies to promote their work in the host economy. These materials offered us observable points of interest that we used to anchor our interpretations of what was transpiring during the emergence of each network.

### **Data Analysis**

As with most qualitative studies, the process of data collection and analysis proceeded in an iterative manner. Initial analysis began as soon as we started collecting data and subsequent data collection was informed by our emergent findings in a dialectical process. Thus, while we lay out our steps in a sequential manner, in reality it was much less ordered.

Our first step involved reading through and ordering our data such that we obtained a chronological feel for what transpired in each region. Using data from interviews, observations, and archival documents we created an initial "data bank" (Gephart, 1993) for each network. We then identified all text segments related to important events that occurred in the development of each network. In so doing, we deliberately sought to situate the unfolding events in a temporally and contextually relevant manner.

Following an abductive logic (Ketokivi, & Mantere, 2010; Mantere & Ketokivi, 2013), we constructed two interpretive case studies. Abductive reasoning involves taking the role of the researcher's cognition into account such that interesting phenomenon are identified and used to untangle interesting or important theoretical mysteries (Alvesson & Kärreman, 2007). For us, we found that the cooperative behaviors exhibited in such a large concentrations of diverse groups of Italian organizations

clustering in different regions was interesting and worthy of further study as most international theories have little to say about the inter-organizational cooperation being exhibited by this diverse group of actors. This insight then led to our drawing on the whole network literature as a useful framework for beginning to make sense of the cooperative behaviors we were observing. However, the cross-border dimensions of our case challenged some traditional assumptions in the whole network space, leading us to identify the country of origin network as a particular type of whole network as requiring further study. Thus, it was this “preunderstanding” that served as the initial starting point to having a “dialogue with the data” (Mantere, & Ketokivi, 2013: 80).

While space limitations preclude a lengthy discussion of how we ascertained the trustworthiness of our data, the extensive time we spent with participants, the feedback we gained from network insiders, the triangulation between our interviews, observations and archival data, and the “peer debriefing” we engaged in, all give us confidence as to the veracity of our analyses (Corley & Gioia, 2004; Cuervo-Cazurra, Andersson, Brannen, Nielsen, & Reuber, 2016; Lincoln & Guba, 1985).

## **FINDINGS**

Once the country of origin network was identified as an interesting and worthwhile topic for exploration at the whole network level, we began to more closely examine the work that shaped how each network emerged. In doing so, we identified three phases. First, we identified informing and investing work as constituting the pre-network phase. Together these two forces increased attraction in each region leading to the next phase. In the attraction phase, supporting and coping work emerged to show how these cooperative behaviors were beginning to bind these organizations together into a whole network of Italian actors. This process made the region even more attractive for other Italian firms. Finally, the organizing work that constituted the last phase culminated with the development of actual governance structures in each region, signaling the presence of an Italian network of organizations abroad.

### **Pre-Network Phase: Goal-Setting and Market Opportunities**

This first phase is characterized by the presence of two broad forces, the Italian government setting a goal to encourage the internationalization of Italian firms and individual

firms taking advantage of specific market opportunities abroad. On the one hand, while the Italian government had a long tradition of supporting foreign policy as an export tool dating back to the early twentieth century, the end of the Cold War signaled the emergence of significant opportunities for Italy to gain a presence in the economically reformed Central and Eastern European (CEE) markets. Thus, a more explicit push was made by the Italian government to support Italian firms wishing to invest in the CEE region. For instance, a former politician, active in pursuing Italian foreign policy during the Cold War informed us:

After the end of the Cold War, I was invited to be part of the team that wrote Law 19/1991... The goal of the law was to foster economic development and business relationships between [Italy] and Central and Eastern Europe and [the] Former Soviet Union after the fall of Communism.

While the Italian government initially pursued foreign policy designed to support the internationalization of Italian firms within the CEE, legislation associated with this goal was eventually expanded to more broadly support the economic development of Italian firms abroad.

*Investing Work:* While there was an explicitly stated goal of the state supporting the internationalization of Italian firms, there was no corresponding plan in place for how this goal should be realized. Instead, we observed a myriad of Italian laws passed in the 1990's designed to further the institutional support available to internationalizing firms. For instance, Law 100/1990 established Simest, a state agency providing financial services to support firms attempting internationalization. Law 19/1991 established Finest, a second agency providing financial services, but with a more focused scope serving firms headquartered close to the former Iron Curtain. Likewise, Informest, a public-private partnership was initially conceived as a knowledge-based support structure for Finest and was set up to enable firms to acquire information about opportunities in CEE and then apply for funding from Finest. Law 212/1992 expanded both agencies and established grant programs. Importantly, the Italian government was initially agonistic to which of the specific markets within the CEE, and then abroad more generally, in which Italians firms would do business.

On the other hand, early Italian entrants into both regions of interest can be described as following general market trends for the region and period. For instance, large scale Italian investments in Timisoara could be observed starting in the 1990's (Federico, 2006). These early entrants initially moved to Timisoara because they were hoping to find cheaper labor as is illustrated by the following quote from the Italian owner of a logistics company in the region: "Italians came in large numbers, in waves. The first who came were attracted by pure cheap labor, the famous *terzisti* [subcontractors]. They had no margins in Italy anymore, so they came here." Likewise, a Romanian national, who worked as trade analyst at the Timisoara office of an Italian government agency informed us: "the pioneers were people who wanted to make big businesses with little money." Thus, early entrants into the Romanian market were primarily motivated to enter this particular market because they believed that doing so presented cost-containment opportunities.

Similarly, in the late 2000s, large-scale investment in the Shanghai/Suzhou region in China became noticeable. These investments grew significantly after 2007 (Trade Analyst). Early entrants in this region were initially enticed to move to the Shanghai/Suzhou region in response to changing supply chain trends as illustrated by this quote from the General Manager of a Textile Manufacturing firm that arrived in Suzhou in 2006:

"We are part of supply chain relocation, because the supply chain of the textile industry is moving here [to Southern China,]. ... Investments in Eastern Europe are cost-containment driven because it is easy to supply Western Europe. Here you need a different strategy."

Early entrants into this market cited 'globalization pressures' and the 'rise of Asia' as resulting in changes in their supply chains (Board Director, China-Italy Chamber of Commerce and CEO, Biomedical Company). Thus, these early entrants primarily cited the need to be responsive to changing supply chain trends as their reason for their entering this market.

Generally speaking, early Italian entrants in both regions can be described as following general market trends for the region and period. The former, striving to take advantage of cost containment opportunities while the latter striving to relocate aspects of their supply chain in response to pressures from globalization.

*Informing Work.* While the early entrants into the Timisoara and Suzhou/Shanghai markets entered their respective markets during different periods of time and cited different reasons for entry, they both expressed a similar need for support navigating the new environment that could not be met with resources internal to each firm. In both markets, the growing number of Italian firms increasingly requested support from the homeland as the following excerpt of an interview with a banker shows:

[T]he bank where I worked began to receive more and more requests of support from its customers wishing to invest in Romania... our customers complained that they couldn't be competitive enough, because other foreigners had support from their governments and banks, while they were alone.

Similarly, word of mouth by early entrants in Timisoara about the need for accounting services reached service providers back in Italy. The following quote by an executive at a *Boscolo & Partners* describes the birth of one of the largest Italian accounting firms in Romania:

[S]ome of our clients asked us to follow them to solve some problems. [W]e had a first contact with them in Romania, and from that moment we agreed that there were potentials for developments... [W]e took the risk and we invested.

Importantly, the Romanian market was not the only market within the CEE in which Italian firms attempted to enter, instead early entrants in Romania informed firms back in Italy that their experiences in the market were attractive. By contrast, a business leader that had entered the Ukrainian market during this period conveyed to us that had he known about the problems prior to entering Ukraine "he would not have invested, [he is] 100% for sure." He described the situation as one in which "you have to fight with [the Ukrainian] government, if there is not a problem, they create one, then you must pay to solve it." Likewise, another business professional in Ukraine informed us that: "corruption is a horrible story here." These types of stories were routinely conveyed by at trade fairs, conventions and in informal conversations. By the end of our fieldwork in 2009, only six Italian firms remained in the region. Thus, the experiences conveyed by the early business owners in each market played an important role conveying the potential opportunities in these markets back to firms in Italy.

A decade later, service providers in Shanghai/Suzhou demonstrated a similar pattern of attraction, following the demand of businesses who had moved operations to the area. An entrepreneur and leader

of the Suzhou Working group describes the simplicity of his firm's attraction: "In 2002, the company decided to follow its clients to China." Another example, an Italian lawyer in Suzhou/Shanghai informed us that he entered this market because: "Our services are much needed... Italian companies need to adapt to the local culture." Similarly, the chief representative of a consortium of Italian Chambers of Commerce shared that "when I came here in 2002 there were very few Italian law firms or business consultancies. [W]ith no support and often no preparation, many of these early pioneers failed." Thus, the potential for firms to pursue specific opportunities was conveyed back home to firms in Italy.

Unsurprisingly, early movers in both regions were described as struggling to establish a lasting presence. In Timisoara, early entrants were described as unorganized, unprofessional, and "contributed to the bad image of Italians" (Trade Analyst). Another Italian entrepreneur in Romania suggested, early movers were "those desperate, hoping to solve their problems here, [or...] were adventurers hoping to come here with a few coins and buy a palace... Very few remain of those who came." In Shanghai/Suzhou a similar pattern was revealed as early entrants were described as not being culturally adept enough to succeed. For instance, an Italian lawyer in a firm located in Shanghai informed us: "China is a different world... [Italian's were] not prepared to work in Asia." As a result, many of the early movers in China also no longer remain.

Therefore, the struggles of early entrants highlighted an important point in that after pioneering firms entered their respective markets they began informing service providers of the need to enter these markets as well. While many of the early entrants were not successful in Timisoara and Suzhou/Shanghai, one critical role they played was to stimulate demand from other organizations back in Italy – namely service providers (accountants, lawyers, bankers, consultants, etc.) and state associations (Chamber of Commerce, Business Associations, etc.). As such, these early entrants made a substantial impact on the trajectory of how each network eventually developed as they conveyed that the opportunities were real, even if they were unprepared to take advantage of those opportunities. In sum, the work of Italian firms informing others of their need for support in the attractive markets of Timisoara and Suzhou/Shanghai, in

conjunction with the work of state agencies supporting the stated goals of the Italian government, was instrumental in initially attracting new entrants into these markets.

### **Attraction Phase**

This second phase is characterized by the attraction, and subsequent cooperation, of new network participants to each region, and is further illustrated by a corresponding rise in FDI in each country, see Figure1. In this phase, we observed an increase in support in Timisoara and Suzhou/Shanghai as Italian national, regional and city governments worked to institute further support for Italian businesses abroad. Thus, more and more firms began entering each region, and as they did they were forced to cope with very particular conditions of each place. In so doing, a significant amount of cooperative behaviors can be observed between the Italian actors in the region. Below we illustrate some of the supporting work done by the Italian government and some of the coping work done by other actors as a network of Italian actors began to emerge in each region.

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*Supporting Work.* An increase in Italian presence in particular markets abroad also led to these markets receiving an increase in the amount of support they received from Italy. In particular, state actors at the national, regional, and city levels began establishing offices in key locations abroad to offer further support to Italian firms in these markets. In Timisoara, two Italian regional governments established representative offices, housed in the local Chamber of Commerce (Counsellor, Chamber of Commerce of Timisoara). In Shanghai, similar offices opened (Cultural Attache', Italian consulate in Shanghai). These offices provided external support including access to a wide array of business services (e.g. accounting, lobbying, regulation, etc.). Indeed, the chief representative of a consortium of Italian Chambers of Commerce described how they offered a similar blend of technical services and cultural mediation:

We organize business missions. These are visits... [where] we prepare a business profile for each company... organize the meeting with the potential partners... [and] follow up... we basically become mediators between the Italians and the local community.

Moreover, during the observation period, the Italian government reformed Title 5 of the constitution leading to even more direct interventions from regional and city governments. This change further supported those local Italian governments who were interested in increasing international investments to support Italian firms abroad (Former Vice President Informest).

All these agencies provided data about foreign markets to entering firms free of charge. They also carried out initiatives to spread Italian culture and to increase the reputation of the ‘Made in Italy’ brand, and other public goods beyond the reach of single firms. This sentiment is illustrated in a quote from a representative of the Italian Chamber of Commerce in Romania: “The Italian Chambers of Commerce abroad, together with the ICE [an institute for foreign commerce] and ENIT [a national agency for the promotion of tourism], are responsible for promoting Italy’s trade in all its facets.” Moreover, according to the Consulate General of Italy in Shanghai, that organization “interface[d] with the Chinese government and coordinate[d] the activities of the other Italian public agencies,” while other state organizations “organize[d] promotional activities and fairs and provide[d] information to support firms’ internationalization” (Cultural Attaché, Italian Cultural Institute). One of the most important organizations doing work to increase the public good was the Institute for Foreign Commerce, whose primary charge was coordinating “the services provided by all Italian public agencies” (Trade analyst, ICE). Thus, these organizations were important in facilitating linkages between Italian organizations in the region needed to carry out the promotion of Italian firms abroad.

These agencies were also critical in disseminating information about specific business opportunities abroad, and played an important role in facilitating the development of the Italian networks in both Timisoara and Shanghai. For instance, as some international markets became more attractive, the Italian government periodically updated their priorities to support those markets, as illustrated by the following quote from a director at an Italian public agency:

Every year the Ministry decides the ‘promotional lines’ which involves choosing the target countries and sectors for the promotional activity. The strategies cover three-year periods, and every year they choose



specific program lines, sometimes confirming, sometimes modifying the three-year plans.

Since the general process for Italian firms entering foreign markets was to visit public agencies in Italy for assistance prior to entering new markets, these agencies substantially shaped which firms entered into which markets and when. As such, the investment and promotional patterns of Italian state agencies, and the Italians who ran them, were an important part of Italian internationalization into Timisoara and Suzhou/Shanghai.

*Coping Work.* In addition to the supporting work done by the Italian government, private organizations also engaged in a variety of cooperative behaviors to further Italian internationalization in these regions. For instance, the birth of the ‘Suzhou Working Group’ illustrates such cooperative efforts as described to us by the originator of the group:

In 2007, my wife and I hosted a Christmas dinner, 20 people came... the working group has organized those every year [and] last year we were 400. At that first dinner in 2007 we acknowledged that we were few, and uninfluential... Our firms are too small to have weight with the local government. In December 2007, we decided to meet once a month to talk about common problems...we wanted to be better represented. We joined the Italy-China Chamber of Commerce; I became board member of the chamber.

Thus, individuals working in organizations abroad established Italian-centric cooperative organizations in order to cope with specific difficulties experienced by Italian business professionals in the region.

Parallel to efforts to establish cooperative networks between business organizations, private service providers and consultancies also provided firms with critical assistance (Interview entrepreneur, consulting firm EDA, 2005). That is, Italian firms relied heavily on service providers to facilitate basic coordination of most services as we were informed by the Cultural Attaché of the Italian consulate: “Foreigners traditionally cannot act independently... any business proposal has to be introduced by a local mediator.” Likewise, the director of a public-private partnership informed us: “We have to teach them how this market works, and how important it is to cultivate relationships with their Chinese partners.” As a consequence, as

connections within these Italian communities grew, they fueled a higher level of professionalism among Italian firms. In addition to sharing technical skills, a common theme that emerged across our interviews with service providers highlighted how they also envisioned their role as sharing soft skills aimed at mitigating the cultural barriers between Italian firms and local partners. For example, a lawyer in Suzhou/Shanghai suggested that at his firm “cultural issues are of paramount importance,” some services they provide include “scouting for partners... negotiating and building investments... and follow up after the investment is made”. Likewise, in Timisoara one consultancy described the efforts of one of their young partner’s to establish roots in the region:

Mr. Turchetto, came to Romania as a pioneer. He learned the language and explored. Twelve years ago this was a world entirely different from ours; then he started to learn the little legislation on our subject that existed at the time. Then we collected a few businesses that needed services... then we grew [into offering a full fledged consultancy of services to Italian firms in the region].

Thus, these consultancies were critical in the development of a broad understanding of what Italian firms needed to do to survive in these markets. Despite being lynchpins of the network, these service providers and state agencies are often “invisible” actors overlooked in most network research.

Accordingly, the cooperative behaviors we observed in each region were essential in the development of an underlying infrastructure needed to facilitate the successful internationalization of Italian firms. As this infrastructure developed and more and more connections between Italian firms were made, each market became subsequently more attractive to Italian firms. While Italian law provided some framework for particular statutes to be useful, the real work depended on how they were implemented in specific places and was entirely dependent on the free will and initiative of Italian expatriates working in the region (Board Member, China-Italy Chamber of Commerce).

### **Emergence of Governance Structure Phase**

This third phase is characterized by the emergence of a governance structure for each network. While the development of a country of origin network followed a similar process in each region, the

actual governance structure that emerged in each was distinct. Actors in Timisoara and Suzhou/Shanghai were required to cope with differing conditions of place. As they worked to respond to specific issues at specific points in time, these actors adopted particular organizing structures in response to the issues they were experiencing. As more and more of these organizing structures were implemented in each region, differences emerged in how each of the networks was governed. Using the network governance structure classification developed in Provan & Kenis (2008), we classified the more decentralized governance structure that emerged in Timisoara as a Participant Governed network, while the more centralized governance of the network that emerged in Suzhou/Shanghai as a Network Administrative Organization. Below we describe the organizing work that led to the development of each governance structure.

*Organizing Work.* First, we observed clear coordination, and in many instances overlap, between Italian business professionals and those running their respective business associations. For instance, these business associations often relied on experienced Italian expatriates to run their organizations, as illustrated by the following quote provided by the Italian expatriate hired to open the Milan Chamber of Commerce in Shanghai: “I arrived in China in July 2002...[Six years later] the Chamber of Commerce of Milan [wanted] to hire people with field experience, so I became Chief China representative.” Likewise, the president of the Timisoara branch of *Unimpresa*, an association of business professionals in Romania, described his twelve years’ of experience as an entrepreneur in Romania prior to taking his current position. Moreover, association leaders described having joint roles, such that they maintained their current positions while dedicating time to their associations. For instance, the Vice President of the China-Italy Chamber of Commerce is also a current partner in an international law firm in the region. This overlap between public and private positions signals that our previous distinctions are no longer as meaningful, thus, we discuss the organizing work that transpires by region instead.

While leaders in both regions expressed a clear awareness that Italian organizations were advantaged by being part of an Italian network, we observed differences in how each network was ultimately governed. In Timisoara, a medium sized city with a population of 670,000, Italian firms represented around 10 percent of the stock capital invested by all private firms in the city (Sellar, 2013).

Thus, in Timisoara, we observed a much more decentralized set of relationships develop between the business associations, firms doing business in Romania, and the Romanian government. Following the constitution of *Unimpresa*, a grouping of business professionals in the region, the organization soon became a major player in Romanian politics. As a national-level association with several regional branches, *Unimpresa* became the official forum for Italian businesses to consult for the negotiations between business, trade unions, and government. In Timisoara, the local level branch of *Unimpresa* was constituted by members who worked in close contact with the city government when economic policies were discussed (President, *Unimpresa*). For instance, a Romanian national working as a trade analyst for ICE gave us an example of how Italian business owners worked with Unimpresa:

Last year, the representative of Unimpresa in Timisoara brought to the consulate the representative of the Romanian trucking lobby because there was a problem with transit permits that Italy requires to Romanian trucks, and they lobbied jointly to increase the number of permits.

Thus, while organizations in both networks engaged in lobbying the local government on behalf of Italian firms, in Timisoara the business association, *Unimpresa*, was strong enough to guarantee access to the local authorities. Therefore, once *Unimpresa* was established, the relatively powerful position of Italian firms in the city's economy did not require a particularly coordinated effort by members of the network to interact with each other or the government. As a result, *Unimpresa* was a rather loose group of organizations representing Italian firms in the region, but primarily in a supporting capacity.

By contrast, in Shanghai/Suzhou, Italian firms had less power and access to the host government. A major reason for this difference was the difference in concentrations of Italian firms in Timisoara versus Suzhou/Shanghai. Suzhou alone has a population of around 12 million inhabitants, equivalent to roughly half of Romania's total population. Therefore, the 80 Italian firms that employed approximately fourteen thousand people afforded the Italian firms little political weight in China (Board Director, China-Italy Chamber of Commerce; General Manager SIT Manufacturing).

As such, in Suzhou/Shanghai a more formal structure for the network was needed to just allow basic access to the local authorities. A Consul member described this as a system of close coordination and planning involving the Consulate, other Italian public institutions, and key firms as follows:

The Consulate General coordinates the activities of all [Italian public actors]... Each one is independent, but the Consul General is regarded as the highest Italian authority in Shanghai and surrounding provinces, and thus provides the overall strategy for all institutions. The consulate holds daily meetings with Italian enterprises (around ten meetings a day); in so doing, diplomats listen to their inputs to develop a common strategy. For the same purpose we hold weekly meetings with the territorial coordinators [individuals that are part of the consular network outside Shanghai]. Every two months we have a general meeting with all institutions and managers of Italian firms. We also have targeted meetings for specific purposes – for example, recently we had a meeting to discuss the consequences of the extension of the free trade zone to the whole territory of Shanghai. Those meetings are dedicated to sharing best practices among firms and institutions.

As such, there is significantly more effort to coordinate the interest of the Italian firms in Suzhou/Shanghai than there is in Timisoara. While there is no formal authority that the consul can exercise over its members, there is remarkable coordination between the different participants. Such coordination was dubbed by the consulate, *Sistema Italia* (Italy's system), and is the fruit of several talented consuls (Vice President of China-Italy Chamber of Commerce).

First, these consuls streamlined the work of Italian public agencies by introducing coordination in event planning (Consulate Officer, 2013). Second, they built synergies with Italian consultants and manufacturers by introducing strategic planning, regular stakeholder meetings, and information-sharing that involve both representatives of the Italian public agencies and businesses (Consulate Officer, 2013). The name, *Sistema Italia*, was an explicit branding effort by the Consulate and the Italy-China Chamber of Commerce aimed at advertising those changes (Consulate). Thus, the loose set of relationships that characterized the network in Timisoara had been replaced by a much stronger and coherent structure that played a central role in facilitating both political appeals of the Italian government and economic ambitions of the Italian firms.

For instance, the network between firms' association and the consulate enabled access to the local government in Suzhou. This move was particularly important as the Chinese government, including city governments, had a strong tradition of partnering with other governments rather than with firms directly. This point is well illustrated by a CEO of a textile manufacturing firm that informed us that the Italian Consulate and ICE is often asked to step in on the behalf of firms to work with the Chinese Government "on issues such as the new restrictive rules on visas and the crackdowns on safety issues." Moreover, well-coordinated government interactions such as this were essential for local firms to obtain direct access to the Chinese local authorities.

Thus, in Suzhou/Shanghai firms responded to their lack of access to the Chinese government by organizing with other Italian firms in the region. As members of these firms worked together in their business associations, we observed that the Italian firms in the Suzhou/Shanghai region organized themselves in a more centralized, coordinated fashion, and relied more heavily on official representatives of the Italian government (e.g. the Consulate), than were the Italian firms in the Timisoara region. Consequently, the highly formalized *Sistema Italia* was the result of the work of the consulate. In addition to the personal effort put forth by these actors, the very existence of *Sistema Italia* was possible because the local conditions in Shanghai/Suzhou made it more necessary for increased coordination and centralization between Italian organizations in the region than was required in Timisoara.

In sum, the specific governance structures that emerged in Timisoara and Suzhou/Shanghai can be understood as the accumulation of the work of key actors in the region responding to specific issues at specific points in time. Over time, this organizing work congealed, resulting in the establishment of specific channels to facilitate coordination between Italian organizations in each region. Once a network of organizations was established, new firms entering each region could take advantage of it, as illustrated by the following quote from a General Manager, "[future firms] can enjoy the networks we already built." While we identified different approaches to network governance in each region, in both regions we understand this process of emergence as the accumulation of specific instances of organizing work where

actors in the region worked together to solve common problems they were experiencing. We have articulated this process in Figure 2.

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Insert Figure 2 about here  
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## **DISCUSSION**

We follow existing calls for qualitative scholars to examine complex social systems, such as networks, that are underrepresented in IB research (Burgelman, 2011). In so doing, we provide new insights into the process of how whole networks may emerge in an international context. While, the presence of country of origin agglomerations of firms has been shown to exist in previous literature, with Tan and Meyer (2011) showing that greater numbers of FDI firms with the same country of origin are more likely to attract additional investment by others with the same country of origin, we know less about why this is the case. That is, are these agglomerations simply groupings of firms and investments from the same country of origin with no systematic relationships between them or are these firms connected by some meaningful set of relationships. We examined this issue by exploring how and why Italian firms clustered in Timisoara, Romania and Suzhou/Shanghai, China as both cities hosted the largest concentration of Italian firms and investments outside Italy at particular moments in time. We did so by adopting a processual logic in which we attended to the historical constitution of each clustering of firms (Poulis & Poulis, 2018).

As our data revealed extensive cooperation between firms, business associations, and government organizations, we ascertained that a network of organizations did indeed exist, but we found that the traditional focus on firm-level networks that tends to focus on a firm's networks as constituted by the firm's buyers, suppliers, and competitors (e.g. Sheng, Zhou, & Li, 2011; Yan, Choi, Kim, & Yang, 2015), was less useful for making sense of what was transpiring in our data. Consequently, this led to our identifying the whole network literature as potentially useful for making sense of our data (e.g. Provan et. al., 2007).

Previous examinations of whole networks have primarily taken place “within the health and human service sector” (Provan, et al., 2007: 488), within a single country of origin. Thus, our data on how a whole network of Italian organizations emerged in two locations abroad, contributes to the whole network literature by shedding light on how a particular type of whole network (i.e. country of origin) may emerge, and to the IB literature by providing new insight into factors that shapes the success of foreign firms abroad. While we make no such claims that our findings are generalizable to the development of all whole networks nor that our results will be applicable to all foreign firms abroad, we do believe our findings are transferrable in a number of ways. We address these next.

First, we developed a process model accounting for the development of a network of Italian organizations in each region from the pre-networking phase through to the emergence of a network governance structure. In so doing, we draw attention to the work accomplished by a variety of actors that is critical in the development of the network, but are often ‘invisible’ in much of the international business literature. For instance, in the pre-network phase we show how the ‘informing work’ of early market entrants was important in the network development as who these firms reached out to and what type of information they conveyed was significant in shaping if and which later firms decided to enter the region. Additionally, we show how the ‘investing work’ of government actors made foreign investment in particular regions more attractive at particular points in time. Combined, while much of whole network literature views whole networks as either emerging serendipitously or as being formally planned around common goals (Provan & Kenis, 2008), these two points together suggest that there is also likely to be a middle ground in how whole networks emerge. That is, there was the general goal of increasing Italian internationalization, but these networks emerged in Timisoara and Suzhou/Shanghai and the specific contours of the governance structures that developed in each region, were much more serendipitous as they were the outcome of a broad variety of actors working to bring these networks to life.

The variety of cooperative behaviors associated with the attraction phase, draws attention to the work that was being conducted by firms, business associations, and government actors. This work is often ‘invisible’ in much of the international business literature, as such we offer new insights into the



background work that is often overlooked, but necessary in the development of a vibrant community of businesses abroad. For instance, while previous work has argued that country of origin agglomeration offers firms increased access to local market knowledge and to local home-country-specific resources (Tan & Meyer, 2011), we show how this occurs. That is, we show that service providers and home-country government organizations both at home and abroad, are critical in the development, accumulation, and dissemination of local market knowledge. These organizations also developed and promoted the “made in Italy” brand, facilitated coordination between Italian firms, provided access to additional funding opportunities, and just generally facilitated making the business environment more attractive for Italian firms. Thus, our examination of how whole networks emerge highlights Poulis and Poulis’ (2018) suggestion to show the on-going work done by a variety of actors in the network to facilitate the business environment in *becoming* attractive. Further work is needed to unpack how each of actors shapes the attractiveness of the business environment.

Finally, we highlight the role of place as important in shaping which governance structure emerged in each region. Though previous research has tended to identify four key structural and relational contingencies that shape the development of a particular form of governance (Provan & Kenis, 2008), our findings suggest that a situated understanding of the place in which the network emerged was consequential in making sense of how each governance structure developed. For instance, the similarity in cultural background, administrative policies, and geography made it much less necessary for Italian firms in the Timisoara region to organize around a centralized forum in order to coordinate with other Italian firms in the region. Rather, they could reach out to the particular firms constituting *Unimpresa* as needed, leading to a governance structure that more closely resembled Shared Governance. By contrast, in the Suzhou/Shanghai region a much more centrally coordinated forum emerged as important to the success of Italian firms. Most relationships between organizations in the region were brokered by the *Sistema Italia*, where daily, weekly, and monthly coordination meetings occurred, as such this governance structure more closely resembled a Network Administrative Organization. While the international dimension of our study likely exaggerates the role place played in shaping how these

governance structures emerged, we suspect that the role place plays in the development of governance structures is likely transferrable to non-international contexts as well. As such, further research could look into this issue.

## **CONCLUSION**

By taking a whole network approach, we were able to garner insights into the reasons behind country of origin agglomeration trends of Italian firms in two distinct regions. While whole networks are rarely examined in an international context, we found that doing so offered unexpected and interesting insights into IB phenomena. Indeed, understanding the internationalization trends in each region could not simply be understood as the sum of the individual firms, but instead a more holistic view of the overall network needed to be considered and accounted for as new firms entering into each region could tap into a pre-existing and complex set of cooperating and coordinating structures between organizations in the region. Furthermore, by assessing the whole network, we were able to identify and understand how specific segments of actors, typically absent from the literature, informed the process of network emergence. These “invisible actors” were key in driving the formation of the network, coordinating responses to the contextual conditions, and shaping the governance structures that emerged. Thus, our examination offers a unique view of internationalization and hopefully motivates future research to continue to unpack theoretically and practically significant network-level phenomena.

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## TABLES

Table 1: Data Sources

## Panel A: Sources of Interviews (Timisoara, Romania)

Name of organization / firm sector	Location of interview	Year the organization was established	Date of the interview
<b>Accountant</b> , Boscolo & Partners, Timisoara	Timisoara	1994	2006, April
<b>Apparel OEM</b> , producers for a parent firm in Italy + subcontractor for a large multinational	Timisoara	2001	2006, April
<b>Apparel subcontractor 1</b> (cut, make trim, CMT)	Timisoara	1989	2006, April
<b>Apparel subcontractor 2</b> (original equipment manufacturer, OEM)		1997	2006, April
<b>Branch plant</b> , CMT (100% owned by Italian own brand manufacturer, OBM)	Timisoara	2004	2006, April
<b>Counsellor</b> , Department of External, Internal Economic Relations and European Integration, Chamber of Commerce of Timisoara	Timisoara	N/A	2006, April
<b>Country manager</b> , Banca Italo Romena,	Timisoara	1980	2006, April
<b>Dye Works</b>	Timisoara	2000	2006, April
<b>Embroider</b>	Timisoara	2005	2006, April
<b>General Secretary</b> , Italian Chamber of Commerce in Romania	Bucharest, Romania	1993, recognized by the Italian government in 2005	2006, March
<b>Head of Local Development and EU integration</b> , The City Hall of Timisoara	Timisoara	N/A	2006, April
Platform	Timisoara	2004	2006, April
<b>Platform</b> (company managing multiple subcontractors on behalf of a parent company in Italy)	Timisoara	2003	2006, April
<b>President, Unimpresa Romania, Timis County branch</b> . President, Norad Group	Timisoara	2004	2006, April
<b>Project manager, ADETIM</b> [Romanian public agency]	Timisoara	1995	2006, April
<b>Subcontractor CMT</b>	Timisoara	2005	2006, April
<b>Trade Analyst</b> , ICE Punto di Corrispondenza di Timisoara	Timisoara	2004	2006, April
<b>Transport and logistics, entrepreneur</b>	Timisoara	1994	2006, April

**Panel B: Sources of Interviews (Suzhou/Shanghai, China)**

<b>Name of organization / firm sector</b>	<b>Location of interview</b>	<b>Year the organization was established</b>	<b>Date of the interview</b>
<b>Board director</b> , China-Italy Chamber of Commerce General Manager SIT Manufacturing (Suzhou) Co., Ltd	Suzhou	1991 (chamber of commerce) – 2007 (Suzhou Working Group)	2015, April and June
<b>Ceo at Metamanagement.srl</b> - Cluster and Network Manager [private consultancy]	Milan, Italy	2009	2014, June
CEO, Biomedical company	Shanghai	2006	2015, February
<b>Chairman IC&amp;Partners Group</b> , [private consultancy]	Udine Italy	2000 as consortium, 2008 holding	2014, June
<b>China Chief Representative</b> , China Representative Office, Consorzio camerale per l'internazionalizzazione [consortium of Italian chambers of commerce]	Shanghai	2013	2013, December
<b>Cultural attaché</b> Italian Cultural Institute	Shanghai	N/A	2013, December
<b>Director</b> <b>Consorzio TexTech</b> [Chinese- Italian public-private organization]	Prato, Italy	2010	2015, June
<b>Former and Founding President</b> , <b>Informest</b> public agency]	Gorizia, Italy	1991	2014, June
<b>Former president</b> <b>Unione Industrial Pratesi</b> (Confindustria) [business association]	Prato, Italy	N/A	2015, July
<b>Former Vice President</b> , <b>Informest</b>	Trieste, Italy	1991	2014, July
<b>General Manager, Automation</b> (automation processes for ceramics and logistics)	Suzhou	2000	2015, April
<b>General Manager, Automotive</b> (tires changers manufacturer)	Suzhou,	2012	2015, April
<b>General Manager, Textile manufacturer</b> , Manufacturing (yarn)firm	Suzhou	2006	2015, April
<b>Head of Business Development</b> , <b>Genertec Italia</b> [Italian branch of a Chinese consultancy]	Phone (company located in Milan)	1988	2015, June
<b>Head of business services</b> , Informest Consulting	Gorizia Italy	2010	2014, June
<b>Head of Corporate &amp; Institutional Banking</b> Head of Italian Desk Bank 'Intesa San Paol'	Shanghai	1986 (representative office); 1991 (branch office)	2015, July
<b>Lawyer</b> , Zunarelli B&T International Law Firm	Shanghai	N/A	2014, January; 2015, July
<b>Official, China-Italy Foundation</b>	Milan	2003	2013, November

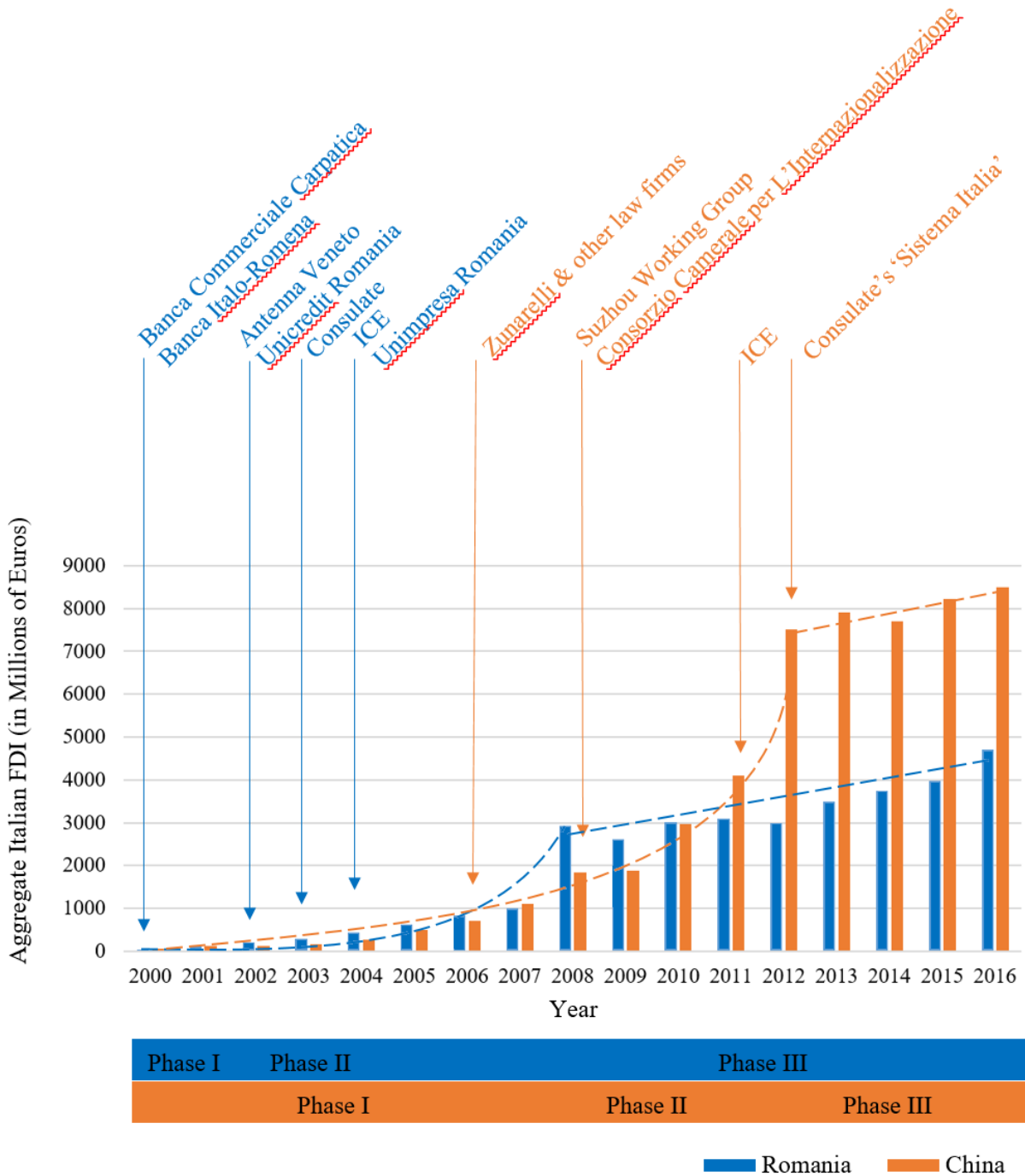


Whole Network Emergence and Development

<b>President</b> CNA Federmoda [business association] Entrepreneur, Rinfreschi Ltd	Prato, Italy	N/A	2015, June
<b>President, IRIS</b> – Strumenti e risorse per lo sviluppo locale [joint public private consultancy]	Prato, Italy	N/A	2015, May
<b>Project Manager</b> Development Executive Project Coordination executive Sino-Italian Campus, Tongji University	Shanghai	2006	2013, December
<b>Trade Commissioner</b> Italian Trade Commission (ICE), Shanghai Office	Shanghai	N/A	2015, February
<b>Undisclosed interviewee</b> (Italian public organization (Italian))	Shanghai	N/A	2013, December
<b>Vice Director</b> Administrative Committee of Suzhou National Hi-Tech Industrial Park (Chinese state official)	Suzhou	1991	2015, July
<b>Vice President, China-Italy Chamber of Commerce</b> Partner, DLA Piper UK LLP Shanghai Office	Shanghai	1991	2015, February

**FIGURES**

**Figure 1: Timeline of Italian FDI**



FDI data based on Organization for Economic Co-Operation and Development Data (OECD).

**Figure 2: Whole Network Emergence and Development: A Process Model**

