

Beyond the Giants: The Hidden Role of Micro and Small Enterprises in GVC Reconfiguration Dynamics

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The current debate on GVC reconfiguration is strongly centred around the role of medium and large multinational enterprises (MNEs) operating through FDI. This attention is also reflected in policy measures developed by some EU member states that has offered tax benefits for repatriating activities only to firms engaged in FDI. Such an approach overlooks the key role played by micro and small enterprises (MSEs), which mainly engage in global sourcing by purchasing intermediates from independent foreign suppliers. Although smaller firms have been acknowledged by the EU as significant players in the GVC reconfiguration process through the EU Small and Medium Enterprise strategy, the attention of policymakers appears to focus more on shielding them from vulnerabilities rather than maximizing their potential as catalysts for change. The present article aims to develop an empirical framework to analyse the determinants and consequences of reshoring decisions by MSEs. Exploiting firm-level data from Italy for the 2008-2015 period we study: the main firm-level and regional determinants of reshoring decisions by MSEs; whether the reshoring strategies by MSEs improve their financial performances; and which set of firm-level and regional factors is more likely to be associated with positive performances after the reshoring decision by a MSE.