

# Industrial and knowledge relocation strategies under the challenges of globalization and digitalization: the move of small and medium enterprises among territorial systems

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**Abstract:** Owing to globalization and digitalization, small and medium firms adopt relocation strategies to transfer their activities (and implicitly also knowledge) among territorial systems, inducing transformations into both source and destination areas. Cognitive proximity and knowledge creation/transfer play a crucial role, especially critical when concerning tacit knowledge, which can be transferred only by moving people. In each industrial cluster or industrial district it is possible to identify a kernel of critical activities, which requests complex competencies and has high added value, and a kernel of tacit knowledge, which is based on repeated face-to-face interactions. The former resists globalization and the latter prevents digitalization, which impacts heavily on territorial systems lacking trust, cooperative attitude, and other sociocognitive factors. Relocation strategies are divided into selective and replicative alternatives, depending on the ability to preserve large kernels. When replicative strategies are followed by many firms, the socio-cognitive integrity and the economic competitiveness of the territorial system are severely damaged. Thus, in order to prevent the ruinous consequences of massive replicative relocation, local and regional governments should steer territorial systems towards selective relocation strategies supporting innovation and improving human capital, paying attention and developing socio-cognitive factors too. In the final part of the paper, case studies of industrial and knowledge relocation at intra-European level are discussed, and a general model is proposed.

**Keywords:** digitalization; globalization; industrial relocation; knowledge transfer; tacit, knowledge; territorial systems.