‘PLACING’ FIRMS – ‘FIRMING’ PLACES:

GROUNDING THE DEBATE ON THE ‘GLOBAL’ CORPORATION

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Introduction

In some ways, I am increasingly reluctant to use the term ‘global’ or ‘globalization’. These terms have become so pervasive that they have taken on a life of their own. They occupy their own etymological space and have, in much of their usage, become almost meaningless. The same words are used by different people to mean different things. Like all such popular terms, however, they are difficult to shake off. I guess we are stuck with them. But, if that is the case, we need to be careful in how we use them. In this paper, I focus only on the economic dimension of globalization, and on just one aspect of the economic: the business organization or firm. My aim is to explore the relationships between firms and geographical space or territory in the context of the ongoing debate over the organization of economic activity in the world economy. Specifically, I want to refute the assertion that we are seeing the inexorable displacement of a variety of organizational forms by convergence on a single dominant form - the so-called global corporation.

I will focus on two questions. First, I will review some of the evidence for the existence of ‘global’ corporations. Second, and more substantially, I will explore some of the complex, dialectical relationships between firms and places. This involves a number of issues. How is the nature of firms related to the specific places within which they are embedded? That is, do different places ‘produce’ different types of firms? How are place (and space) ‘used’ by firms as part of their competitive strategies? Is ‘placeness’ more than simply the fundamental need for all economic activities for spatial fixity (see Harvey 1995)? What are the implications for places (at different geographical scales) of geographically discriminatory behaviour?

Global corporations rule, OK?

One of the central claims of the ‘hyperglobalists’ is that international firms are inexorably, and inevitably, abandoning their ties to their country of origin and, by implication, converging
towards a universal *global* organizational form. Kenichi Ohmae’s infamous exhortation to business managers is usually invoked as the exemplar of such a position:

> Country of origin does not matter. Location of headquarters does not matter. The products for which you are responsible and the company you serve have become denationalized (Ohmae, 1990: 94)

Ohmae’s position reflects a pervasive view among many writers. It is not a new idea. The US Under-Secretary of State in the 1960s, George Ball, coined the label ‘Cosmocorp’ to denote what he saw as the then emerging global corporation (Ball 1967). Barnet and Muller’s 1974 book *Global Reach: The Power of the Multinational Corporations* was replete with anecdotal examples of the intentions of US corporate executives to transform their firms into ‘placeless’ global corporations. They quote the musings of a Chairman of the Dow Chemical Company:

> I have long dreamed of buying an island owned by no nation and of establishing the World Headquarters of the Dow company on the truly neutral ground of such an island, beholden to no nation or society. If we were located on such truly neutral ground we could then really operate in the United States as US citizens, in Japan as Japanese citizens and in Brazil as Brazilians rather than being governed in prime by the laws of the United States…We could even pay any natives handsomely to move elsewhere (cited in Barnet and Muller, 1974:16).

More recent musings express rather vague ideas as to what is a ‘global’ corporation. For example, addressing the APEC CEO’s Summit Meeting in 1999, the then CEO of General Motors stated:

> We need a general agreement on what constitutes a global corporation and what we mean when we say that globalization has increased. For purposes of today’s discussion, I suggest we forget the academic debate and agree that a corporation is global if it holds equity or debt in affiliated corporations located in a nation other than its home country.
And, when we say that globalization has increased, we mean that the number of corporations that hold equity in firms outside their home nation has increased. Using those basic definitions, global corporations and globalization are not a new phenomenon.

Not very helpful!

As for the future, we seem to have little more than the - often bizarre - prognostications of the business and management gurus, most of whom are quite clearly in the snake-oil business. Airport bookstalls are full of such ‘literature’. One example drawn from the pages of *Business Week* gives a flavour of this kind of prediction:

> The global corporation becomes the leaderless corporation…Success will belong to companies that are leaderless – or, to be more precise, companies whose leadership is so widely shared that they resemble beehives, ant colonies, or schools of fish…You have only to look at biological systems to see that there are no big hierarchical stacks…Everything is low and flat, very adaptable and very cruel (Byrne 1999)

> The argument underlying all these positions is, essentially, that technological and regulatory developments in the world economy have created a ‘global surface’ on which a dominant organizational form will develop and inexorably wipe out less efficient competitors who are no longer protected by national or local barriers. Such an organization is, it is argued ‘placeless’ and ‘boundary-less’. The claim that the placeless corporation is, or is becoming, the norm amongst international business firms received a substantial boost in the 1990s with the persistence of the Japanese financial crisis, following the collapse of the bubble economy at the beginning of the decade, and the equally unexpected East Asian financial crisis of 1997-1998. In effect, the model of the global corporation is now, to all intents and purposes, that of the US corporation. US market capitalism has seemingly triumphed; the neo-liberal IMF/Washington/Wall Street consensus sets the rules. It now seems a very long time ago that the US business and political communities were
obsessed with the apparent failure of the US corporate model in the face of the Japanese variety of capitalism (and, indeed, of the newer forms emanating from Korea, Taiwan, and other parts of East Asia). Shareholder value is now the hot ticket. For some, indeed, it is the only show in town. The US-style corporation is seen as being the most effective way of maximizing such value. All other models of business organization are not only less efficient but will, inevitably, be vanquished in a neo-Darwinian struggle.

The notion that the world is now dominated by massive global corporations is not solely confined to the world of business. Many writers on the political left tend to take a similar view (although, of course, with a very different interpretation of the economic, social, and political implications). One of the oldest devices is to compare the size of TNCs with nation-states in order to demonstrate that TNCs have become more powerful than states. For example, a recent survey published by the Institute for Policy Studies (Anderson and Cavanagh (2000) makes the following claims, amongst others:

- ‘Of the 100 largest economies in the world. 51 are corporations; only 49 are countries (based on a comparison of corporate sales and country GDPs)...To put this in perspective, General Motors is now bigger than Denmark; DaimlerChrysler is bigger than Poland; Royal Dutch/Shell is bigger than Pakistan’ (3)
- ‘The 1999 sales of each of the top five corporations (General Motors, Wal-Mart, Exxon Mobil, Ford Motor, and DaimlerChrysler) are bigger than the GDP’s of 182 countries’ (3)

These are, of course, very striking comparisons. But it is far from clear what they really mean. In particular, as Wolf (2002) has pointed out the comparison is based on totally different criteria:

GDP is a measure of value-added, not sales. If one were to compute total sales in a country one would end up with a number far bigger than GDP. One would also be double-, triple-, or quadruple-counting...if corporations, too, are measured by value
added as national economies are...they tend to shrink by between 70 and 80 per cent. In 2000, sales by General Motors were $185bn but value added was $42bn; sales by Ford were $170bn but value added was $47bn; and sales by Royal Dutch/Shell were $149bn but value added was only $36bn...Properly measured, Denmark’s economy is more than three times bigger than GM. Even impoverished Bangladesh has a bigger economy than GM.

So, in evaluating the scale of global corporations, such comparisons are not very helpful. They do, of course, perform the extremely valuable function of forcing us to think about the shifting relative power between private and public institutions, with all that this implies politically and economically and that, after all, is the purpose of the Institute for Policy Studies. Such comparisons, therefore, have real value as polemic but they do not tell us much about the ‘global-ness’ of corporations, or even the extent to which corporations are more, or less, oriented to domestic or foreign operations.

This begs the question of how we might define a ‘global’ corporation – a far from simple task. In my view, a global corporation would be a firm that not only has significant operations in a large number of countries (not necessarily all, of course) but also a firm whose geographically-dispersed operations are functionally-integrated, and not merely a diverse portfolio of activities.

Hu (1992) suggests a rather broader set of criteria to assess the extent to which TNCs are global:

- in which nation or nations is the bulk of the corporation’s assets and people located?
- by whom are the local subsidiaries owned and controlled, and in which nation is the parent company owned and controlled?
- what is the nationality of the senior positions (executive and board posts) at the parent company, and what is the nationality of the most important decision-makers at the subsidiaries in host nations?
• what is the legal nationality of the parent company?

• To whom would the group as a whole turn for diplomatic protection and political support in case of need?

• which is the nation where the tax authorities can, if they choose to do so, tax the group on its worldwide earnings rather than merely its local earnings?

On the basis of his empirical analysis of a sample of TNCs, Hu concludes that these criteria usually produce an unambiguous answer: that it...[the TNC]...is a national corporation with international operations (i.e. foreign subsidiaries)

However, it does seem to be the case that most of the world’s largest business corporations think of themselves as either being ‘global’ or, at least, ‘globalizing’. In his analysis of the ‘transnational capitalist class’, Sklair (2001) interviewed senior figures in around 80 of the 500 largest corporations in the world in order to try to establish their use of, and the meaning they attached to, the term ‘globalization.’

The suggestion that multinationals were ‘national companies with units abroad’ was roundly rejected as old fashioned and not compatible with the demands of the contemporary global economy. Most Global 500 executives and managers in the sample considered their corporations to be in a transitional state between the multinational corporation and the global corporation, that is, they were to a greater or lesser extent globalizing. Also clear was the finding that, in order to fulfil a ‘shareholder-driven growth imperative’, most of the corporations considered that they had no alternative but to globalize…All of these findings demonstrate a move to globalization among the Global 500 and a certain level of success. Nevertheless, few of these corporations considered themselves entirely globalized (73).

A rather different approach is to analyse quantitatively the relative distribution of individual firms’ assets, sales, and employment between their home country and abroad. This is the approach

of the largest one hundred core firms in the world, not one is truly ‘global’, ‘footloose’ or ‘borderless’. There is, however, a hierarchy in the internationalisation of functional areas of management: around forty firms generate at least half of their sales abroad; less than twenty maintain at least half of their production facilities abroad; with very few exceptions, executive boards and management styles remain solidly national in their outlook; with even fewer exceptions, R & D remains firmly under domestic control; and most companies appear to think of a globalization of corporate finances as too uncertain (159).

UNCTAD has taken this kind of approach a step further and developed a composite *Transnationality Index* (TNI). This is simply a weighted average of three indicators: foreign sales as a percentage of total sales; foreign assets as a percentage of total assets; and foreign employment as a percentage of total employment. These data have now been published for seven successive years, from 1993 to 1999, allowing some comparison of trends over time. A number of important features can be identified:

1. The mean TNI for all 100 TNCs in 1999 was 52.6. In 1993, the mean was 51.6. In other words, for the top 100 TNCs as a group (although, of course, not a completely identical group because of entries and exits over the intervening period) there was no significant increase in their degree of transnationality. Hence, we cannot say that this elite group – what we could reasonably regard as the world’s global corporations – have, by this simple measure at least, become more global.
2. The fact that the TNI index for this group of firms is only a little over 50 suggests that, on average, these firms have roughly half their operations in their country of origin and half abroad. This does not suggest an especially high degree of globalization.

3. Only 57 of the 100 companies in 1999 had a TNI of greater than 50 and only 16 companies had a TNI greater than 75 (i.e. indicating more than three-quarters of their activities outside their country of origin).

4. There is no correlation between the size of a firm’s foreign assets and its TNI as Figure 1 indicates.
5. Only two companies – Nestlé and the Nippon Mitsubishi Oil Company – appear in the top 15 on the basis of both foreign assets and their TNI. In general, the largest TNCs in terms of total foreign assets all have relatively low TNIs as Table 1 shows. For example, largest
TNC in terms of assets, General Electric ranks 75th on the TNI list. GM, 4th in terms of foreign assets is 83rd on the TNI ranking. For Ford the numbers are 5 and 77: for Toyota, 6 and 82, for IBM 9 and 50.

Table 1  The top 15 TNCs ranked by foreign assets, and transnationality index, 1999

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Country</th>
<th>TNI rank</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>General Electric</td>
<td>United States</td>
<td>75</td>
</tr>
<tr>
<td>2</td>
<td>ExxonMobil</td>
<td>United States</td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>Royal Dutch/Shell</td>
<td>United Kingdom</td>
<td>43</td>
</tr>
<tr>
<td>4</td>
<td>General Motors</td>
<td>United States</td>
<td>83</td>
</tr>
<tr>
<td>5</td>
<td>Ford</td>
<td>United States</td>
<td>77</td>
</tr>
<tr>
<td>6</td>
<td>Toyota</td>
<td>Japan</td>
<td>82</td>
</tr>
<tr>
<td>7</td>
<td>DaimlerChrysler</td>
<td>Germany</td>
<td>51</td>
</tr>
<tr>
<td>8</td>
<td>TotalFina</td>
<td>France</td>
<td>21</td>
</tr>
<tr>
<td>9</td>
<td>IBM</td>
<td>United States</td>
<td>50</td>
</tr>
<tr>
<td>10</td>
<td>BP</td>
<td>United Kingdom</td>
<td>18</td>
</tr>
<tr>
<td>11</td>
<td>Nestlé</td>
<td>Switzerland</td>
<td>2</td>
</tr>
<tr>
<td>12</td>
<td>Volkswagen</td>
<td>Germany</td>
<td>45</td>
</tr>
<tr>
<td>13</td>
<td>Nippon Oil Co</td>
<td>Japan</td>
<td>11</td>
</tr>
<tr>
<td>14</td>
<td>Siemens</td>
<td>Germany</td>
<td>41</td>
</tr>
<tr>
<td>15</td>
<td>Wal-Mart</td>
<td>United States</td>
<td>90</td>
</tr>
</tbody>
</table>

(Source: based on UNCTAD 2001: Table III.1)
6. There are some substantial differences in the degree of transnationality between firms from different home countries. Not surprisingly, in general, firms from smaller countries (either geographically or in terms of their economic size) tend to have higher TNIs than firms from larger countries (this is very clear from Table 1). Figure 2 shows the pattern of TNIs for the leading home countries for both 1993 and 1999. A number of features are evident:

(a) Although the mean TNI for United States firms increased from 36.7 in 1993 to 41.5 in 1999, the overall degree of transnationality of US firms is lower than all the other major home countries other than Japan. In 1999, only one-third of the 25 United States firms in the list had a TNI greater than 50, with the highest value being 66.

(b) Similarly, Japanese firms have a low degree of transnationality, on average. The mean value increased from 33 in 1993 to 38.4 in 1999. Again, around one-third have a TNI less than 50

(c) Amongst European firms, those from the UK have, on average, the highest TNIs. In 1993, the UK mean TNI was 68.6; by 1999 it had risen to 75.5.
Figure 2: TNIs by country of origin, 1993 and 1999

Source: calculated from UNCTAD World Investment Report, 2001
Thus, the results of analysing the UNCTAD data are clear in one respect: the majority of the world’s leading TNCs still retain more than 50 per cent of their activities in their home country. In that sense they are, in Hu’s terms, ‘national firms with international operations’, notwithstanding the views expressed by corporate executives in Sklair’s survey. The major exceptions are firms from small home countries. But even if the figures did show a greater degree of ‘transnationality’ they would not tell us very much because the measure used is simply a dichotomous one: home versus abroad. It can tell us nothing about the real geographical extent of a firm’s activities. At least in principle, a firm could have a TNI of, say, 80 (meaning that 80 per cent of its activities were outside the firm’s home country) but all of those activities could be in one foreign country. An example would be the significant number of US firms that operate in Canada but not elsewhere. So, in fact, all the TNI and similar measures can do is to measure the extent to which a firm’s activities are domestic or foreign-based.

However, the UNCTAD data do throw light on some specific issues, particularly some of the conclusions of Anderson and Cavanagh’s comparison of TNCs and nation-states referred to earlier. In particular, the Anderson and Cavanagh list based on sales contains a much larger proportion of United States firms (41 per cent) than does the UNCTAD list based upon transnationality (25 per cent). In other words, United States firms are substantially less global than Anderson and Cavanagh’s study implies. Hence, the UNCTAD list is a much better measure of the global-ness of firms. One specific example can be used to illustrate this discrepancy. According to Anderson and Cavanagh, Wal-Mart is the biggest private employer in the world with 1,140,000 workers. The implication is that this has a major impact globally. However, if we look more closely at Wal-Mart, we find that the extent of its transnational operations is very limited indeed. Although Wal-Mart is the largest retailer in the world in terms of sales, its sales outside the United States represent only 14 per cent of its total sales. Likewise, Wal-Mart may well employ over one million
workers, but around 85 per cent of these are located in the United States. Wal-Mart’s operations outside the Americas are very limited indeed. In Europe they are confined to the United Kingdom and Germany; in Asia to a small number of stores in China and Taiwan. It is hard, then, from a non-US perspective, to regard Wal-Mart as a ‘global’ corporation.

So, all the TNI (and similar measures) do is to measure the extent to which a firm’s activities are domestic or foreign-based. They tell us nothing about their geographical spread. This can only really be achieved from company-specific investigation. Examination of firms’ annual reports or websites, although revealing great inconsistency in their degree of geographical specificity, tend to show that only a relatively small number of firms have globally-spread operations. Rather more tend to have strong regional biases in their operations.

‘Placing’ firms; ‘firming’ places

The quantitative data discussed in the previous section are useful for my present purposes because they demonstrate the continuing real ties between firms and their home countries. But they do not tell us anything about the nature of those ties: about the qualitative nature of TNC activities and their relationship to place. Neither do they help us to establish whether or not TNCs of different national origins are becoming similar in their modes of operation. It is at least possible that TNCs may retain more of their assets and employment in their home country but still be converging organizationally and behaviourally towards a universal, global form. Equally, some firms may be becoming more global but in non-uniform ways. If so, what role does the firm’s country of origin play in this?

The response of geographers to assertions of the rise of the placeless global corporation has been to re-assert - somewhat reflexively - the importance of place. But we haven’t done very much more either to think through what this involves conceptually or to provide robust empirical
evidence. I don’t claim in this paper to do either of these other than in a superficial manner, but what I hope to do is to point to some of the conceptual and empirical issues involved in what is, I believe, an important issue in both academic and policy terms.

The basis of my argument is that firms, just like all other forms of social organization, are fundamentally and intrinsically spatial and territorial. They are spatial in the sense that they are responsive to geographical distance and to spatial variations in the availability of necessary resources and of business opportunities. Such spatiality may have – indeed most often has – a territorial manifestation. Hence, firms are territorial as well as spatial in the sense that the ‘surface’ from which firms originate and on which they operate is most commonly made up of a tessellated structure of territorial entities arrayed along a continuum of variable and overlapping scales, including those of political governance. Firms themselves have territorial extent: the roughly bounded area over which they conduct their operations (e.g. their market area; their labour catchment area, their supply area, etc). For some functions of the firm the territory may be intensely local, for others it may approach the global. Such firm territories, however, are usually temporally volatile, spatially discontinuous, and not clearly bounded. Indeed, firms in competition inter-penetrate each other’s territories in highly complex and contested ways. More particularly from the perspective of this paper, firms are territorial in that they derive some of their characteristics from, and also directly influence, the characteristics of specific territories and places.

The theoretical basis for hypothesising that TNCs ‘produced’ in different places will continue to display a significant degree of organizational differentiation lies in the much used (and sometimes abused) concept of social embeddedness. The most widely-quoted proximate authority on this topic is undoubtedly the economic sociologist Mark Granovetter (see Granovetter 1985, Granovetter and Swedberg 1992, Smelser and Swedberg 1994) but its intellectual origins lie with Karl Polanyi’s (1957) seminal work, *The Great Transformation*. The intricacies of the embeddedness
concept lie beyond the bounds of this paper. Suffice it to argue that all business firms are rooted within specific social, cultural, political and institutional contexts which help to influence the ways in which they develop.

At least in origin, TNCs are ‘locally grown’; they develop their roots in the soil in which they were planted. The deeper the roots the stronger will be the degree of local embeddedness, such that they should be expected to bear at least some traces of the economic, social and cultural characteristics of their home country. In other words, they continue to contain elements of the local within their modes of operation…the local social-cultural milieu is a major influence on how firms evolve and behave even when their operations are geographically very extensive. This is not to argue a case for cultural determinism or even to argue that all firms of a given nationality are identical. Clearly they are not. But they do tend to share some common features (Dicken, Forsgren, Malmberg 1994:34).

Although such embeddedness may occur at a variety of geographical scales the most significant scale would appear to be that of the national state, the major ‘container’ within which distinctive practices develop. The term ‘container’ should not be taken too literally. It is used here as a fairly loose metaphor to capture the idea that nation-states are one of the major ways in which distinctive institutions and practices are ‘bundled together’. Of course, such containers are not (except in very rare cases) hermetically sealed off from the outside world. The container is permeable or leaky to varying degrees. It can be argued that the impact of the modern information technology and communications systems has made national containers even more permeable. That’s true – but it does not mean that the container no longer exists at all. Indeed, there is a good deal of compelling evidence to show the persistence of national distinctiveness - although not necessarily uniqueness - in structures and practices which help to shape local, national and international patterns of economic activity.
From an economic perspective, there are relatively few comprehensive and robust analyses of how cultures vary between countries. A classic study, still highly relevant today, is Hofstede’s massive survey of more than 100,000 workers employed by the American company, IBM, in fifty different countries (Hofstede 1980, 1983). The great strength of Hofstede’s study is that, by focusing on a controlled population within a common organizational environment, he was able to isolate nationality as a variable. Hofstede identified four distinct cultural dimensions:

- Individualism versus collectivism
- Large or small power distance
- Strong or weak uncertainty avoidance
- Masculinity versus

Hofstede went on to show how different countries could be characterized in terms of their positions on varying combinations of these four dimensions. Although it is always rather dangerous to classify phenomena into statistical boxes, the categories identified by Hofstede seem intuitively reasonable. Most of us, I think would be able to recognize our own national contexts, whilst also realizing the danger of using simple stereotypes without due care. At the same time, there are some rather odd anomalies. Of course, quite apart from the robustness of Hofstede’s cultural typology there is the question of whether it is still valid more than thirty years on. A recent study (Gooderham and Nordhaug (2002) has replicated Hofstede’s analysis using a sample of more than 1,300 European business school students. While generally validating Hofstede’s approach, they concluded that ‘in terms of nationality our findings indicate a significant convergence of values across Europe.’ They found that while Hofstede’s category of power distance still seems to be related to nationality they also found that gender was a more significant differentiator.

In addition to ‘culture’, three characteristics are especially important in defining the context within which firms develop (Doremus, Keller, Pauly, and Reich 1998): the dominant ideology of the state; the nature
of its political institutions; and the nature of its economic institutions. Taken together, these dimensions help to define distinctive *business systems* which Whitley defines as:

- distinctive configurations of hierarchy-market relations which become institutionalized as relatively successful ways of organizing economic activities in different institutional environments. Certain kinds of activities are coordinated through particular sorts of authority structures and interconnected in different ways through various quasi-contractual arrangements in each business system....They develop and change in relation to dominant social institutions, especially those important during processes of industrialization. The coherence and stability of these institutions, together with their dissimilarity between nation-states, determine the extent to which business systems are distinctive, integrated and nationally differentiated... The distinctiveness of business systems...depends on the integrated and separate nature of the contexts in which they developed. The more that major social institutions such as the political and financial systems, the organization of labour markets and educational institutions, form distinctive and cohesive configurations, the more business systems in those societies will be different and separate (Whitley 1992: 13, 14)

Porter (1990), writing from the more instrumentalist viewpoint of the ‘competitiveness of nations’, expresses a broadly similar view:

- Competitive advantage is created and sustained through a highly localized process.
- Differences in national economic structures, values, cultures, institutions, and histories contribute profoundly to competitive success. The role of the home nation seems to be as strong as or stronger than ever. While globalization of competition might appear to make the nation less important, instead it seems to make it more so

(Porter, 1990, p. 19)

Such ‘national containers’ of distinctive assemblages of institutions and practices help to ‘produce’ particular kinds of firms. In the TNC literature, Dunning (1979) was one of the first to
make the explicit connection between what he terms the ‘ownership-specific’ advantages of firms and the ‘location-specific’ characteristics of national states. Like all writers in the FDI theoretical literature, he owed an immense debt to the pioneering work of Stephen Hymer (1976). Dunning’s view, however, was that ‘as an enterprise increases its degree of multinationality, the country specific characteristics of the home country become less, and that of other countries more, important in influencing its ownership advantages’ (Dunning 1979: 284. See Nachum, 2000 for related ideas). I will return to this latter point in a moment.

However, despite these general observations on the hypothesised relationships between firms and the national contexts in which they are embedded there have been very few systematic comparative empirical studies. Those that do exist give some support for the idea that firms from different countries differ, at least in part, because of variations in their national institutional structures. For example, Sally (1994) finds significant differences between French and German TNCs. Biggart and Hamilton (1992) and Yeung (1998) critically analyse the differences between Asian and Western businesses. Whitley (1999) explores the ‘divergent capitalisms’ of East Asian economies. Gerlach and Lincoln (1992) compare Japanese and United States business networks. I will use three recent studies to illustrate this argument in more detail.

The first is the substantial study entitled *The Myth of the Global Corporation* by Doremus, Keller, Pauly, and Reich (1998) (see also Pauly and Reich 1997). These writers explicitly confront the ‘convergence’ thesis through a detailed empirical comparison of United States, German, and Japanese TNCs along a series of structural and behavioural dimensions, including their modes of corporate governance, corporate financing systems, and their strategic behaviour (notably in relation to R & D, direct investment, and intra-firm trade). Table 2 summarizes these institutional and structural features. In the case of United States, German and Japanese firms, their conclusions are unequivocal: There appears to be
little blurring or convergence at the cores of firms based in Germany, Japan, or the United States… Durable national institutions and distinctive ideological traditions still seem to shape and channel crucial corporate decisions… the domestic structures within which a firm initially develops leave a permanent imprint on its strategic behavior… At a time when many observers emphasize the importance of cross-border strategic alliances, regional business networks, and stock offerings on foreign exchanges – all suggestive of a blurring of corporate nationalities – our findings underline, for example, the durability of German financial control systems, the historical drive behind Japanese technology development through tight corporate networks, and the very different time horizons that lie behind American, German, and Japanese corporate planning (Pauly and Reich 1997: 1, 4, 5, 24)

Table 2  National variations in business environments and structures

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Germany</th>
<th>Japan</th>
<th>Ethnic Chinese</th>
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<tr>
<td><strong>Institutional structures</strong></td>
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<tr>
<td><strong>Political institutions</strong></td>
<td>Liberal democracy</td>
<td>Social democracy</td>
<td>Developmental</td>
<td>Often hostile or unfavourable host country environment</td>
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<td></td>
<td>Divided government</td>
<td>Weak democracy</td>
<td>democracy</td>
<td>Strong centralization tradition in China</td>
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<td></td>
<td>Highly organized</td>
<td>Corporatist</td>
<td>Strong bureaucracy</td>
<td>Merchant insecurity</td>
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<td>business groups</td>
<td>organizational</td>
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<td></td>
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<td>legacy</td>
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<td></td>
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<td><strong>Economic institutions</strong></td>
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<td>Tiers of firms</td>
<td>Guided, bifurcated,</td>
<td>Family-based corporate organization</td>
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<td>Unconcentrated, fluid</td>
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<td>penetrate markets</td>
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<td>Free enterprise</td>
<td>Social partnership</td>
<td>Technonationalism</td>
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<td><strong>TNC Structures &amp; strategies</strong></td>
<td>Direct investment</td>
<td>Intra-firm trade</td>
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<td><strong>Extensive inward and outward</strong></td>
<td>Extensive outward Limited competition from inward</td>
<td>Extensive outward</td>
<td>Fluctuating and diversified Innovation oriented</td>
<td>Short-term shareholding Managers highly constrained by capital markets Risk-seeking, financial-centred strategies</td>
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<td><strong>Selective/outward orientation</strong></td>
<td>Higher</td>
<td>Narrow base/process, diffusion orientation</td>
<td>Narrow base/process, diffusion orientation</td>
<td>Managerial autonomy except during crises Low take-over risk Conservative, long-term strategies</td>
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<td><strong>Extensive outward</strong></td>
<td>Very high</td>
<td>High, steady growth High-tech and process orientation</td>
<td>High, steady growth High-tech and process orientation</td>
<td>Stable shareholders Network-constrained managers Take-over risk only within network Aggressive market-share-centred strategies</td>
</tr>
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<td><strong>Limited</strong></td>
<td>Moderate</td>
<td>Low, but recent growth Product adaptation Customer-based innovation</td>
<td>Low, but recent growth Product adaptation Customer-based innovation</td>
<td>Long-term shareholding Control within family members Constrained by family ideology More reliance on ‘network capital’</td>
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</table>

(Source: Yeung, 2002: Table 1.4)

My second example is drawn from Yeung’s work on ethnic Chinese firms and, especially, his comparative analysis of firms from Hong Kong and Singapore (Yeung 2002). The final column of Table 2 summarizes the characteristics of the institutional and strategic context of ethnic Chinese firms. Yeung shows how the different political and institutional histories and environments of the two states have produced distinctive entrepreneurial characteristics even though, in both cases, their ethnicity is comparable.

In Hong Kong, the Chinese business system is the dominant mode of business operations. The spirit and ethos of capitalism in Hong Kong have produced socially,
culturally, and politically specific business systems…Ethnic Chinese industrialists in Hong Kong are known for their entrepreneurship and higher propensity to engage in risky business and overseas ventures…The peculiar neoliberal political economy in Hong Kong had several consequences for transnational entrepreneurship in Hong Kong. First, the private sector assumed a leading role in Hong Kong’s economic development…Second, the lack of direct state intervention in Hong Kong’s industrialization and economic development processes has contributed to the growth of domestic companies in both large firm sectors and small firm networks…Third, the financial system in Hong Kong…is highly favourable for the development of the service sector (Yeung 2002: 98)

In contrast, although the Chinese mode of business is clearly present in Singapore, it differs in some important respects from the situation in Hong Kong. The main reason, in Yeung’s view, is the very different institutional structure in Singapore.

Notably, a large proportion of local investments, particularly in the manufacturing sector, came from foreign firms and GLCs…[government-linked companies]…and their various subsidiaries. The role of indigenous private enterprises in Singapore’s industrialization is rather limited…The majority of Singaporeans have become contented with their job security and are less willing to take specific kinds of risks to launch new business ventures (Yeung 2002: 99)

My third empirical example is drawn from the comparative study of Korean and Taiwanese firms carried out by Hamilton and Feenstra (1998). There are very strong similarities in the history and developmental experiences of Korea and Taiwan. Their business firms also share common features of Confucian-based familism. ‘In all these background variables – economic, social, and cultural – Taiwan and South Korea are as nearly the same as could be imagined between any two countries in the world today. Yet the economies of these two countries are organized in radically
different ways’ (Hamilton and Feenstra 1998: 124). Although business organizations in both countries are organized as networks of family-owned firms their mode of organization differs considerably.

In Korea, the dominant type of business group is the chaebol. The model for such firms was the Japanese zaibatsu, the giant family-owned firms which had been so important in the pre-Second World War development of the Japanese economy. The chaebol ‘are highly centralized, most being owned and controlled by the founding patriarch and his heirs through a central holding company. A single person in a single position at the top exercises authority through all the firms in the group. Different groups tend to specialize in a vertically integrated set of economic activities’ (Wade 1990: 124). As a result, the Korean economy became highly concentrated and oligopolistic, while the small- and medium-sized firm sector is relatively underdeveloped. Not only this, but many of these smaller firms are tightly tied into the production networks of the chaebol. Indeed, the chaebol have developed as some of the most highly vertically-integrated business networks in the world: ‘the firms in the chaebol are the principal upstream suppliers for the big downstream chaebol assembly firms…in Samsung electronics, most of the main component parts for the consumer electronics division are manufactured and assembled in the same compound by Samsung firms’ (Hamilton and Feenstra 1998: 128-129).

Taiwanese business networks, in contrast, have low levels of vertical integration. The more horizontal Taiwanese networks consist of two main types: ‘family enterprise’ networks and ‘satellite assembly’ networks (independently-owned firms that come together to manufacture specific products primarily for export.

These contrasts between the Korean and Taiwanese business groups – despite the strong similarities between the two countries - have been explained as arising from
differences in social structures growing out of the transmission and control of family property. In South Korea, the kinship system supports a clearly demarcated, hierarchically ranked class structure in which core segments of lineages acquire elite rankings and privileges. These are the ‘great families’…In Taiwan, however, the Confucian family was situated in a very different social order…Unlike Korea (and in the early Chinese dynasties), where the eldest son inherited the lion’s share of the estate and all the lineage’s communal holdings, in late imperial China the Chinese practiced partible inheritance, in which all sons equally split the father’s estate…This set of practices preserved the household and made it the key unit of action, rather than the lineage itself…In summary, although based on similar kinship principles, the Korean and the Chinese kinship systems operate in very different ways (Hamilton and Feenstra 1998: 134, 135)

Such differences in socio-cultural practices largely explain the contrasts between the ways that business firms are organized in the two neighbouring countries.

However, we should not assume that, because the conditions in which firms develop in their home country environments exert an extremely powerful influence on their behaviour, the impact of the host environments in which they operate is no longer important. Indeed, for a whole variety of reasons - political, cultural, social - non-local firms invariably have to adapt some of their domestic practices to local conditions. It is virtually impossible, for example, to transfer the whole package of firm advantages and practices to a different national environment with different institutional and regulatory practices. Abo (1994, 1996), for example, points to the ‘hybrid’ nature of Japanese overseas manufacturing plants. The same argument applies to United States firms operating abroad. Even in the United Kingdom, where the apparent ‘cultural distance’ between the US and the UK is less than in many other cases, there is a very long history of American firms having to adapt some of their business practices to local conditions. Wever (1995) analyses the industrial relations difficulties
faced by German firms operating in the United States and of United States firms operating in Germany. Gertler’s analysis of the experiences of German machinery manufacturers in Canada (Gertler, 2001) similarly shows the importance of different macro-regulatory and institutional contexts for the transposition of German production systems.

But at what geographical scale is that influence manifested? The above discussion focuses on the national scale but there is ample reason to believe that it may well operate at the sub-national scales of region and community. Certainly that has been the case historically with distinctive modes of business operation developing in highly specific geographical clusters. Although technological developments in communications technologies may have blurred some of the distinctiveness between different parts of the same national space it is unlikely that total uniformity has displaced geographical diversity. Recently, for example, some of the problems facing General Motors have been attributed to ‘the ingrained Midwestern focus of GM’s top executives’ (Simonian and Tait 1999). More systematic evidence of place-specific differences in business behaviour is provided in Saxenian’s (1994) comparative study of the Silicon Valley, California and the Route 128 electronics clusters in the United States.

**TNCs as relational networks**

One fruitful way of conceptualizing the transnational corporation is as a complex *relational network*, that is, as a network of internalized, intra-firm relationships embedded within networks of externalized, extra-firm relationships (see Dicken and Malmberg 2001). These webs of intra- and inter-organizational relationships are woven across geographical space in ways which not only connect organizations, and parts of organizations, together but which also connect highly dispersed places together through the networked flows coordinated by the TNC. In one sense, therefore, the economies of places reflect the ways in which they are ‘inserted’ into the organizational spaces of TNCs.
either directly, as the geographical locus of particular functions, or indirectly through customer-supplier relationships with other (local) firms. Because the TNC, by definition, is a multi-locational firm operating across national boundaries, it has the potential to manipulate geographical space and to use places as an intrinsic part of its competitive strategies. Thus, the ability to ‘control’ space and the ability to utilise the resources (in the broadest sense) of specific places are diagnostic characteristics of TNCs although, of course, the nature and effectiveness of such control varies enormously from firm to firm. Although there is a widespread tendency to regard the relationships between firms and places as being ‘top-down’, in reality such relationships are essentially dialectical.

The business-organizational literature has tended to have a naive view of the spatial character of firms and of the ways in which firms relate to territory. Mostly, spatiality has either been assumed (and, therefore, ignored) or conceptualized simplistically and dichotomously in terms of ‘domestic’ and ‘foreign’ operations or headquarters and subsidiary roles. The ‘local’ dimension of firms’ activities is rarely, if ever, specified (Dicken 1994) and invariably refers to the national scale or even to such supra-national ‘regional’ groupings as the EU or the NAFTA. The connections between the organizational architectures of firms discussed earlier and their geographical forms have been poorly conceptualized. In one sense, we do not appear to have moved very far beyond Hymer’s (1972) simplistic projection of the hierarchical-organizational structure of the large TNC on to geographical space to create a crude international division of labour. As Schoenberger (1999: 206-207) has recently observed,

our image of the large, multi-locational firm has for a long time stressed its ability to hive off pieces of itself and locate them in various parts of the landscape, however, remote, essentially as smaller, uncontaminated images of itself. The firm operates its own internal dynamics and imports a set of practices into every territory it inhabits. The outpost’s role and character is determined by the center, and enforced by lines of power and control
linking the periphery to the core…This view does not, of course, imply that firms had
the unfettered capability to transform these various localities into little replicas of their
home bases. It was recognized that they would encounter different local
circumstances…But the strong expectation was that the essential policies, technologies,
practices, relations and understandings of the center would manifest themselves largely
intact in the firm’s various locations. Certainly, there was no expectation that the various
permutations that might emerge in particular places would have any effect on the
center…Headquarters do not get transformed by outposts or, to put this another way,
the periphery may resist, but it cannot transform the centre.

We are gradually beginning to understand that, in fact, the relationships between different
parts of firms located in different places and occupying different positions within the firm’s
organizational architecture are not only far more complex than this but also that such complexity is
deeply embedded within the firm’s spatiality and territoriality. Schoenberger argues that different
‘places’ within the firm, organizationally and geographically, develop their own identities, ways of
doing things and ways of thinking over time, the reason being that they ‘live in different places and
must confront and respond to the particularities of these places across a whole range of practices and
issues” (p 211). She goes on to suggest that ‘in effect, the large firm is internally regionalized and
what goes on in its regions is important’. Thus, the firm’s dominant culture necessarily contains
multiple subcultures. Some of these may ‘revolve around functions and cut across places…but some
will have real geographical locations…the interesting locus of study and of transformative processes
is not only where ‘the firm’ (conceived as unitary agent) meets the world (competitors, markets,
suppliers), but also internally as competing subcultures strive for validation and expression’ (p 211).

Schoenberger herself provides some case study evidence to support her claims. But there is
also a growing literature within international management that focuses on the changing relationships
between different parts of the firm, notably between headquarters and subsidiaries (see, for example,
Birkinshaw, 1996, 2000, Birkinshaw and Hood, 1998). Two related aspects of this literature are especially relevant to the current debate on firm-territory relationships: (a) the nature of the internal power and bargaining relationships between headquarters and subsidiary units and between subsidiaries units themselves and (b) the processes whereby subsidiary units are able to carve out distinctive and influential roles within the firm. Much attention has been focused on the influence of such variables as the size of subsidiary units or the role of dynamic and powerful individual subsidiary managers and management groups on these two dimensions and these are, no doubt, important in intra-firm bargaining processes. But there is a growing body of evidence to suggest that the particularities of a unit’s territorial embeddedness are centrally important to the nature and influence of subsidiary units within firm structures.

A subsidiary’s level of competence determines the strength of the subsidiary within the corporate network and influences its power to make strategic and operational decisions. The genesis of such competence is in the location- or territory-specific advantages that emanate from the uneven distribution of resources, knowledge, and technological or organizational capabilities among territories. In this respect, the competence of a firm’s subsidiary unit is driven (at least partly) by environmental factors derived from the dynamics of the location in which it is situated. The competencies of a corporate unit are created over extended periods as a firm interacts with its surrounding environment.

Birkinshaw’s (1996) findings into how transnational subsidiary units gained world product mandates provide indirect support for this. In addition, internally generated acts of entrepreneurship and change will add to competence accumulation. The evolution of subsidiary competence or ‘subsidiary development’ has recently attracted increased interest in the research literature (for reviews see Birkinshaw & Morrison, 1996; Birkinshaw & Hood, 1998). Depending on the history of a subsidiary unit – whether a green-field unit or an acquired unit – and the quality of the surrounding
cluster we would expect subsidiary competence to vary. The more unique and valuable the competence of the subsidiary is in the corporate network, the more likely it is that the subsidiary will be assigned the mandate of centre of excellence. Overall, the mandates of foreign units have tended to become more diverse, reflecting an increasing number of units capable of contributing to the overall development of the TNC.

In other words, it is extraordinarily difficult to generalize across the board about the precise ways in which firms and places are mutually interconnected. What we can say is that the global economy is made up of intricately interconnected localized clusters of economic activity which are embedded in various ways into different forms of corporate network. Such corporate networks vary greatly in their geographical extent and organizational complexity. Some TNCs are globally extensive; most have a more restricted geographical span. Either way, however, firms in specific places – and, therefore, the firms themselves – are increasingly connected into international and even global networks. The precise roles played by firms, and parts of firms, in these networks will inevitably have very significant implications for the communities in which they are based. In that sense, we can think of places as being ‘firmed’. At the same time, as we have seen, firms are ‘placed’; they, and their component parts, are themselves embedded in places whose attributes actively impinge upon them.

These highly complex connections – between the component parts of firms and between firms and the places in which they operate – are fundamentally embedded within asymmetrical, multi-scalar power structures. From the perspective of the present discussion, four highly interconnected sets of relationships are especially relevant:

- **intra-firm relationships**: between different parts of a transnational business network, as each part strives to maintain or to enhance its position vis-à-vis other parts of the organization
- **inter-firm relationships**: between firms belonging to separate, but overlapping, business networks as part of customer-supplier transactions and other inter-firm interactions
• **firm-place relationships:** as firms attempt to extract the maximum benefits from the communities in which they are embedded and as communities attempt to derive the maximum benefits from the firms’ local operations

• **place-place relationships:** between places, as each community attempts to capture and retain the investments (and especially the jobs) of the component parts of transnational corporations

Each of these sets of relationships is embedded within, and across, *national/state* political and regulatory systems which help to determine the parameters within which firms and places interact.

Notwithstanding changes in the international political economy which are reconfiguring the role and functions of nation-states, the state remains fundamentally important as both a regulator of economic transactions and as a container of distinctive institutional practices. In addition, each of the three sets of relationships is closely connected with the others. Let me outline very briefly how these relationships work in general terms.

Even in the archetypal hierarchical business organization, in which decisions are essentially top-down, it is by no means the case that each component part simply operates as a passive recipient of decisions handed down from on high (for an analysis of the differential roles of subsidiaries within TNCs, see Bartlett and Ghoshal 1998; Birkinshaw and Morrison 1995). On the contrary, intra-firm relationships within all firms are highly contested processes - the manifestation of internal power structures and bargaining relationships (see Schoenberger 1997) - and these have profound implications for national, regional and local economies. As Cawson and his colleagues observe: ‘firms are themselves systems of power with constituent groups (e.g. of engineers, managers, workers, R & D staff) challenging each other’s power…[and]…in which different kinds of interests within the firm try to pursue their own…strategies’ (Cawson et al 1990:8, 27). In a similar way, the individual affiliates of a firm (its subsidiaries, branches etc.) are continuously engaged in competition to improve their relative position within the organization by, for example, winning additional
investment or autonomy from the corporate centre. At the same time, the performance of each affiliate is continuously monitored against the relevant others (internal benchmarking) and this is used as an integral part of the internal bargaining processes within the firm. In a transnational firm, operating in a diversity of national/cultural environments, the very nature of these environments – the places in which parts of the firm are embedded – will exert an influence on these internal bargaining processes.

Indeed, because each affiliate is itself grounded in a specific geographical community, there is a strong stimulus for that community to try to influence the outcome of these intra-firm bargaining processes by, for example, making concessions or improving local conditions which may enhance the likelihood of the local affiliate winning out in its struggle for additional investment. Such a stimulus is even greater, of course, when a parent company uses threat of closure or downsizing of a specific plant. It is in these circumstances that concessions (usually by the workforce) are most often sought. The dilemma for the local community is that it is often extremely difficult to ascertain whether the threat is real or merely a bargaining ploy. In this respect, the bargaining process between the firm and a local community is highly asymmetrical because multi-locational firms have a substantial degree of potential flexibility to switch and to reswitch their operations between locations, both within and between countries.

Thus, one aspect of the firm-place relationship is that between firms and those places in which they already have operations. The other aspect concerns the search by firms for new investment locations and by communities attempting to attract such investments. It is here, above all, that the firm-place and place-place bargaining processes meet through what are sometimes termed ‘investment tournaments’. Indeed, one of the most striking developments of the last two or three decades has been the enormous intensification in competitive bidding between states (and between communities within the same state) for the relatively limited amount of internationally mobile
investment. Such ‘cut-throat’ bidding undoubtedly allows TNCs to play off one state against another to gain the highest return for their investment. In fact, much of the actual financial investment may be provided by the host government itself in the form of various kinds of financial and fiscal (tax) deals as well as in the form of physical and social infrastructure.

States, like firms, therefore, engage in *price competition* in their attempts to capture a share of the market for mobile investment. Like firms, states also engage in *product differentiation* by creating particular ‘images’ of themselves such as the strategic nature of their location, the attractiveness of the business environment, the quality of the labour force, and so on. States (and local communities) undoubtedly face a major dilemma. If they do not join the bidding battle they face the probability of being left out of TNCs’ investment plans, even though the evidence suggests that incentives are not among the main determinants of FDI locational decisions (UNCTAD 1995: 299).

**Conclusion**

The central argument of this paper has been that, contrary to much received wisdom, place and geography still matter fundamentally in the ways in which firms are produced and in how they behave. My basic point is that firms – including TNCs - are ‘produced’ through an intricate process of embedding in which the cognitive, cultural, social, political, and economic characteristics of the national home base play a dominant part. TNCs, therefore, are ‘bearers’ of such characteristics, which then interact with the place-specific characteristics of the countries and communities in which they operate to produce a set of distinctive outcomes. The Russian painter Marc Chagall once observed that ‘every painter is born somewhere, and even if later he responds to other surroundings, a certain essence, a certain aroma of his native land will always remain in his work’\(^2\) It seems to me that Chagall’s observation is a better metaphor of the relationship between TNCs and place than

\(^2\) Notes to an Exhibition at the Royal Academy of Arts, London, on ‘Chagall: Love and the Stage’, 1998
Ohmae’s vision of the placeless corporation. It more sensitively captures the complexity of the embeddedness process in which both place of origin and the other places in which TNCs operate influence the ways in which such firms behave and how they, in turn, impact upon such places. Within this essentially dialectical relationship, however, the TNC’s *place of origin* appears to remain the dominant influence.

This is not to claim that TNCs from a particular national origin are identical. This is self-evidently not the case; within any national situation there will be distinctive corporate cultures, arising from the firm’s own specific corporate history, which predispose it to behave strategically in particular ways. Neither does this imply that nationally-embedded business organizations are unchanging. On the contrary, the very inter-connectedness of the contemporary global economy means that influences are rapidly transmitted across boundaries. This will, inevitably, affect the way business organizations are configured and behave. There ‘is essentially a process of co-evolution through which different business systems may converge in certain dimensions and diverge in other attributes.’ (Yeung 2000: 425)

For example, the *keiretsu* have been at the centre of Japanese economic development during the post-war period. But the financial crisis in Japan that has persisted since the bursting of the ‘bubble economy’ at the end of the 1980s has put them under considerable pressure to change at least some of their practices. In particular, the recent influx of foreign capital to acquire significant, sometimes controlling, shares in some of these companies has had a catalytic effect. The most notable example was the acquisition by the French automobile company, Renault, of 36.8 per cent of the equity of Nissan. There are strong pressures, particularly from western (notably United States) finance capital, for the Japanese business groups to open up to outsiders, to reduce or eliminate the intricate cross-shareholding arrangements, and to become more like western (i.e. United States) firms with their emphasis on ‘shareholder value’ rather than the broader socially-based ‘stakeholder’
interests intrinsic to Japanese companies. While, without doubt, some changes are occurring it would be a mistake to assume that Japanese firms will suddenly be transformed into US-clones. The Japanese have a very long history of adapting to external influences by building structures and practices that remain distinctively Japanese.

Similarly, Korean and other East Asian firms have come under enormous pressure to change some of their business practices in the aftermath of the region’s financial crisis of the late 1990s. In Korea, the chaebol are being drastically restructured and the relationships with the state reduced. Among Chinese businesses, the strong basis in family ownership and control is being challenged both by internal and external forces. Greater involvement in the global economy is forcing these firms to modify some of their practices (see Yeung 2000: 411-424). And yet it would be extremely surprising if the distinctive nature of nationally-based TNCs were to be replaced by a standardized, homogeneous form despite the dreams of the hyperglobalists.

Hence, despite the unquestioned geographical transformations of the world economy, driven at least in part by the expansionary activities of transnational corporations, we are not witnessing the convergence of business-organizational forms towards a single ‘placeless’ type.

Surface similarities in the behavior of …[TNCs]…abound…[but]…At root…the most strategically significant operations of …[TNCs]… continue to vary systematically along national lines. The global corporation, adrift from its national political moorings and roaming an increasingly borderless world market is a myth…

The empirical evidence…suggests that distinctive national histories have left legacies that continue to affect the behavior of leading…[TNCs]…The scope for corporate interdependencies across national markets has unquestionably expanded in recent decades. But history and culture continue to shape both the internal structures of …[TNCs]…and the core strategies articulated through them (Doremus, Keller, Pauly, and Reich 1998: 3, 9)
This is because, over time, and under specific circumstances, societies have tended to develop distinctive ways of organising their economies, even within the broad, apparently unitary, ideology of capitalism. Not all capitalisms are the same; capitalism, like a famous brand of canned food, comes in many different varieties (see, for example, Albert 1993; Berger and Dore 1996; Hollingsworth and Boyer 1997; Turner 2001; Whitley 1999). Not only this, but such distinctive forms tend to persist over time, even though they may become modified ‘at the margin’ through interaction with other social systems of production:

forms of economic coordination and governance cannot easily be transferred from one society to another, for they are embedded in social systems of production distinctive to their particular society…Economic performance is shaped by the entire social system of production in which firms are embedded and not simply by specific principles of management styles and work practices…institutions are embedded in a culture in which their logic is symbolically grounded, organizationally structured, technically and materially constrained, politically defended, and historically shaped by specific rules and norms…

There are inherent obstacles to convergence among social systems of production of different societies, for where a system is at any one point in time is influenced by its initial state. Systems having quite different initial states are unlikely to converge with one another’s institutional practices. Existing institutional arrangements block certain institutional innovations and facilitate others… Despite the emphasis on the logic of institutional continuity, this is not an argument that systems change along some predetermined path. There are critical turning points in the history of highly industrialized societies, but the choices are limited by the existing institutional terrain. Being path dependent, a social system of production continues along a particular logic until or unless a fundamental societal crisis intervenes (Hollingsworth 1997: 266, 267-268)

Organizational diversity, related at least in part to the place-specific contexts in which firms evolve, continues to be the norm. That, at least, seems to me to be a reasonable interpretation of existing empirical evidence. But that should not be seen as the end of the story. Much of the
evidence we have is suggestive rather than conclusive. There is a real need to unravel the complexities of firm-place relationships in a more theoretically sophisticated and empirically rigorous manner. Such a research agenda needs to involve more than an intellectual exercise *per se*. If, as I have argued in this paper, firms from different geographical contexts are different in significant respects then this has enormous implications for economic development policy at national, regional and local levels. To understand these implications requires meticulous comparative international analyses of firm-place relationships. In this regard, such research forms part of the broader intellectual effort devoted to understanding the nature and characteristics of the persistently varied and divergent forms of capitalism.

References


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