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Firms

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Introduction: same firms, different firms

What have Ford, BMW and Toyota got in common? They are all transnational automobile firms and amongst some of the best known brand names in the world. In 2004, their sales and revenues exceeded the GDP figures of most national economies. Ford, the largest among the three of them, achieved a massive US $171.6 billion turnover in 2004. Trailing closely was Toyota's US $154.2 billion net revenues in 2004. BMW, the luxury carmaker, raked in US $53.5 billion in sales in the same year. For these multi-billion dollar automobile giants, everything seems to be *global* – from product presence and production locations to workforce and shareholders. All three transnational firms have their automobiles distributed worldwide – from Alaska to Russia and from South Africa to New Zealand. These cars are assembled all over the world in dedicated plants while their parts and components are sourced globally. In some cases (e.g. Ford's Mondeo) the end product is a truly global product, engineered and manufactured by some of the best talents and workers in the US and Europe, and sold to the entire global market. Needless to say, these firms rely on global financial markets for investment capital far greater than firms in other business sectors. Their shares are listed and sold in major stock markets located in international financial centres. All these facts point to the *natural* convergence of these three global firms. We would think therefore that global competition in the automobile industry should have driven these 'global' firms to behave in similar ways and to converge in their corporate practices, production activity and international business culture. Indeed, Toyota announced in April 2002 its Global Vision 2010. One of its four key themes is to be 'a truly global company that is trusted and respected by all peoples around the world' (Toyota 2005).

Upon a closer look, however, these firms are far from being global corporations that bear no resemblance to their country of origin. All three transnational corporations (TNCs) started off as family businesses – Henry Ford and his family in the US, the Quandt family in Bavaria, Germany, and the Toyoda family in Japan. Today, family members continue to be involved in all three companies. In 2005, two members of the Ford family sat on Ford's board of directors (Edsel B. Ford II and William Clay Ford, Jr.), one of the Quandt family members was the deputy chairman of BMW's supervisory board (Stefan Quandt), and two

of the Toyoda family members were involved in Toyota's board of directors and senior management (Shoichiro Toyoda and Akio Toyoda). Most of Ford's board of directors were Americans; virtually all of BMW's supervisory board and board of management were Germans; and all of Toyota's board of directors and senior management were Japanese men.

Clearly, these firms are really global only in terms of the market reach of their products and, perhaps, component sourcing. By virtue of their different origins, historical developments, and management structures, they remain *national* firms that carry with them distinctive cultural traits and behavioural patterns. This is where they diverge in their corporate practice and management processes. Geography matters here as the country of origin or the so-called 'home country effect' shapes their heterogeneous approaches to inter-firm and intra-firm relationships. These firm- and national-level differences can be summarized by the concept *economic culture*. Culture is a complex concept and refers to a wide range of shared beliefs and norms. So do Ford, BMW and Toyota have different economic cultures? Embodying the American culture of market-based price competition, Ford's adversarial approach to its suppliers differs sharply from its Japanese competitor, Toyota, which seeks cooperative relationships with its business network members (Womack *et al.* 1990). Reflecting its continental European culture, BMW sits somewhere in between these two distinctive corporate cultures of adversarial competition and cooperative partnership. Within intra-firm relationships, their approaches to transnational management vary significantly as well. While Ford is much more amenable to hiring international executives to manage its worldwide operations – no doubt a reflection of its American style of management – Toyota remains highly Japanese in its international operations, let alone its domestic business in Japan. Its presidents for sales and manufacturing in North America are 'company men' sent from Japan.

These fine differences in both national and corporate cultures among the three auto giants tell us something important about *the geography of firms*. This chapter focuses on the firm as a scale of our inquiry into the role of actors in geographical processes of change. The next section offers a critical review of how the firm is analysed in economics and economic geography. By unpacking the typical firm, I show how diverse actors and interest groups govern firms differently in different geographical contexts. The analysis also yields important insights into how social relations and corporate conventions shape firm behaviour in different places and discursive contexts. The penultimate section sheds some light on the differing geographical scales at which firms operate and examines how different networks link firms and other actors in society and space. Taken together, this chapter shows how capitalist firms and their global networks bring together diverse localities in an era of global change and adjustments.

Nature of the firm in economics and economic geography

Since Alfred Marshall's characterization of the representative firm, the theory of the firm has fascinated generations of economists and, more recently, other social scientists. As Williamson (1990: 1) notes, the theory of the firm is 'one of the two key analytical constructs on which microeconomic theory rests (the other being the theory of consumer behavior)'. Classical and neoclassical economics views the firm as simply a set of production units responding to competitive initiatives in accordance with the law of diminishing returns. While the market is regarded as the most efficient means of organizing economic activities, the firm is simply seen as 'a black box which responds directly to changes in costs and the pressures of the market' (Hodgson 1988: x). The firm converts inputs into outputs according to its production function and market demand. As neoclassical economics is primarily concerned

with issues of price equilibrium and optimal distribution of resources, the firm does not occupy an important position in its research agenda.

More recent behavioural and managerial theories of the firm, however, have attempted to unpack the firm as a collection of productive resources (Penrose 1995) and alternative governance structures (Williamson 1999) organized by managers with different expectations, bounded rationalities and information matrices. The emergence of such a quasi-contractual approach has seriously challenged the neoclassical 'black box' conception of the firm. In this transaction costs approach, the firm is necessarily seen as 'a nexus of treaties' made up of numerous contractual and non-contractual governance structures. The firm becomes an alternative governance structure to the market. The approach is less concerned with the firm as a productive force in the global economy. Instead, the firm is mostly seen as an organizing entity in the economy.

Reflecting these general theoretical developments in economics, the firm has become a contested analytical category in economic geography (Dicken and Thrift 1992; Taylor and Asheim 2001; Yeung 2005a). Much neoclassical economic geography takes the firm as a self-contained and homogenous 'black box' capable of producing economic outcomes in space. This conception of the firm is clearly evident in the 'geography of enterprise' approach that was preoccupied with the locational and behavioural patterns of the firm in space. This approach viewed the firm as an unproblematic category. The emergence of a radical approach in the 1970s and 1980s led to a major theoretical and empirical reorientation of research in industrial (economic) geography. This radical literature subsumed the firm under dominant capitalist class relations such that capital's logic explains the spatial behaviour of the firm (see a review in Scott 2000). Put in their historical contexts, these different perspectives on the firm have served the purposes of economic geography well by analysing the spatial organization of the firm.

The recent emergence of 'new economic geographies', however, has challenged these pre-existing conceptions (see Thrift and Olds 1996; Yeung 2005b). Influenced by a more contingent and relational interpretation of the 'economic', new economic geographers have drawn insights from network theories and post-structural management theory to develop alternative conceptions of the nature and organization of the firm. The firm becomes an analytical category in new economic geographies because the mechanistic and atomized view of the firm in neoclassical and transaction costs economics is unacceptable. The assumption that the firm is an efficient way to coordinate economic activities tends to underestimate the importance of the firm as a social organization that brings together diverse actors for productive activities. Although other economists have attempted to incorporate social relations in their analyses of the firm (e.g. role positions and role sets) the problem remains unsolved as the social contexts of these positions and sets are often taken away, resulting in what sociologist Granovetter (1985) calls 'undersocialized' analysis of the firm.

This undersocialized understanding of the firm in economics has made it extremely difficult to account for the phenomenon that opens this chapter. If the firm is merely a transaction-cost economizing device in a typical production function, then there should be no difference among the three transnational automobile firms (Ford, BMW and Toyota). After all, they are merely carmakers that bring together different component suppliers and assemble these components into automobiles for sales in consumer markets throughout the world. These three firms can only be different if they represent more than just economic agents of capitalism. To explain this non-economic dimension of the firm, we need to bring into our analysis the role of *social actors* and their *relational networks* (Yeung 2005a; Grabher 2006). As a means of organizing social life, this relational perspective conceptualizes the firm as a constellation

of network relations governed by social actors. Instead of being a mechanistic production function or an abstract capitalist imperative, it is a contested site for material and discursive constructions at different organizational and spatial scales. The firm is necessarily a site of power relations and power struggle among actors; it is a socio-spatial construction embedded in broader discourses and practices. The firm, in short, is a legal organizational entity arising from relational constructions of social networks and actors embedded in these networks. The firm is not a static 'point' or 'black box' as identified by most economists. It is indeed a dynamic and evolving organization constructed through ongoing social relations and discursive struggles among social actors in different localities and places.

Cognizant of parallel developments in economic sociology (see Peck 2005; Grabher 2006) this relational perspective draws upon insights from new economic geographies for an organizational analysis of the firm. It affords significant analytical importance to *social actors* because they make or break a particular firm. Highly corporatized supermarket chains, for example, are often run differently from neighbourhood family-managed stores. Even among what most consumers consider as similar retail giants such as Wal-Mart and Costco in the US, there are significant differences in the ways they treat their employees and customers (Herbst 2005). The world of transnational retail giants is clearly made up of drastically different firms that range from Wal-Mart to Tesco and Carrefour (Wrigley *et al.* 2005). This emphasis on social actors is important because, even in evolutionary economics, social actors have no distinguishable role in the firm. As proclaimed by one of its influential proponents,

> firms are the key actors, not individual human beings. Of course (implicitly) firms must provide sufficient inducements to attract and hold the individuals that staff them. But within these [evolutionary economics] models, individuals are viewed as interchangeable and their actions determined by the firms they are in.
>
> (Nelson 1995: 68)

This way of seeing social actors as 'interchangeable' and thus perfectly 'substitutable' has no doubt reduced each individual to an 'atom' in the economic system, allowing for nothing other than economic rationality and profit maximization to drive firm behaviour. This economistic conception of the firm has abstracted away human diversity and discursive practices that come to constitute firms in different localities and places.

In reality, however, the firm is about how the everyday life of actors is conducted in the process of engaging production, exchange and transactions. The firm provides a setting for organizing social relations in different places and at different spatial scales. Its very composition is made up of socio-spatial relations that define the core of the firm. To paraphrase Gibson-Graham (1996: 15), the firm does not have an 'invariant "inside"'. It is constituted contingently through ongoing social relations at different organizational and spatial scales. This conceptualization of the firm extends Penrose's (1995: 9) theory of the growth of the firm in which she argues that the firm is 'a complex institution, impinging on economic and social life in many directions, comprising numerous and diverse activities, making a large variety of significant decisions, influenced by miscellaneous and unpredictable human whims, yet generally directed in the light of human action'. To her, the firm is both an administrative unit and a collection of productive resources with certain boundaries (p. 24). The growth of the firm is significantly dependent on its existing repertoire of resources and managerial competence. The relational perspective on the firm in economic geography, however, goes beyond the growth of the firm *per se* and investigates its organization and socio-spatial constitution. By taking into account all those 'miscellaneous and unpredictable human whims' in corporate

decisions and behaviour, we can understand why Ford, BMW and Toyota are such *different* organizational entities embedded in different corporate cultures and geographical contexts.

Such a relational view of the firm clearly stresses interconnectedness, hybridities and possibilities, just as broader notions of place as network described in Chapter 5 stress the relation rather than the entity. Its intellectual origin can be traced back to the 'substantivist' school (social organization approach) in economic sociology after Max Weber and Karl Polanyi (see Peck 2005; Grabher 2006). To the substantivists, the economy does not have a separate status from everyday social life as claimed by classical and subsequently neoclassical economists. Instead, the substantivists regard the economy as an instituted process to produce a structure with a definite function in society. Such modern organizations as the firm, therefore, are seen as an outcome not merely of economic rationality, but also of social rationality. This view of modern organizations has given rise to the notion of the socially constructed nature of modern organizations. It is one thing to view the firm as a social construct; it is yet another thing to clarify exactly what this social construction of the firm is about. A relational approach to the firm argues that the firm is an organizational unit bringing together diverse social relations in which actors in the firm are embedded. These relations may be interpersonal relationships, family linkages or simply social ties. Through the interpenetration of these relations, the firm is constituted not by individual actors who are seen as rational and self-interested in neoclassical economics. Rather, the firm is constituted through the broader relations of these individual actors that also define the boundary of the firm. For example, the firm in Chinese business can be both an economic device and a social organization for the advancement of the family and its immediate network actors (Yeung 2004).

Though the firm is bounded by certain contractual obligations – a phenomenon well explained in transaction costs economics – these obligations are effectively carried out through specific social relations among actors within the extended boundaries of the firm. As such, the activities of the firm (e.g. production, exchange and transactions) are the collective outcome of realizing social relations and obligations by these actors. The firm exists because it serves to provide an organizational framework for the coordination of these social relations by specific actors. Its existence is not predicated on the minimization of transaction costs *per se*. For example, the success of Benetton as a firm is explained with reference to its embeddedness in a geographically specific set of social relations (e.g. complex family business and subcontracting relations in Italy) that allow Benetton to innovate and exploit the advantages of flexibility in production and organization:

The Benetton we see is quite different if we look only at the focal firm or if we look more broadly at the social relations in which it is embedded. What makes Benetton possible, in part, is 'a sophisticated application of "telematics" [computer applications in design, production and distribution] to enable a far more flexible manufacturing system than an older, labour-intensive organization could have achieved' (Clegg 1990: 124).

This relational view of the firm as embedded in complex production networks therefore explicitly acknowledges the important role of social actors and their embedded relations in *governing* the firm – a theoretical approach explicitly developed in the global production network perspective in economic geography (see Henderson *et al.* 2002; Coe *et al.* 2004).

Geographies of firms

Closely related to the issue of organizational loci is the importance of territoriality and geography in constructing the firm. If networks are social structures and relational processes

constituted by intentional actors and are causal mechanisms capable of effecting empirical changes, they must be recognized as having distinctive time–space specificity in their workings such that no regular conjunctions of events and outcomes can be fully predicted by network formation. We can expect networks to create a variety of different spatial configurations in economic life. Some networks are relatively more localized because they are dependent on the traded and untraded interdependencies of geographical agglomeration achieved through territorial embeddedness (see Storper 1997). Other 'global' networks, however, are controlled 'at a distance' when the key actors are spatially distanciated from the sites where empirical events happen (see Dicken *et al.* 2001). In all cases, however, a specific spatial configuration is created and connected to other configurations at lower and higher geographical scales. Territoriality and scale matter because they shape the constitution of the firm through their geographical effects on social actors and their network relations. Understanding the territoriality of actor networks helps us to understand the nature and behaviour of the firm at different organizational and geographical scales.

For example, think of the relationship between the child labour employed by a Nike subcontractor in Indonesia and the executive board of Nike in the US. This subcontractor is strongly embedded locally in Indonesia through extra-firm networks with state officials, thereby being able to circumvent local labour laws. This child labour abuse by the subcontractor, however, may be discovered by some NGOs or media reporters from outside Indonesia and popularized unfavourably in the US. This local event in Indonesia may trigger the Nike board in the US to reconsider its relationships with all its subcontractors that result in tightening of its suppliers' code of conducts. This change in Nike's corporate practice may come voluntarily as a reflexive reaction from top management. The board may also be forced by the bad publicity generated by the NGOs to declare the end to the use of child labour by its subcontractors. The Indonesian subcontractor may be finally dismissed from Nike's global production networks. What appears to be a local phenomenon may be represented by institutions at another geographical scale. The outcome may become global when Nike forbids all its worldwide subcontractors to employ child labour for the manufacturing of all Nike products.

The Nike example shows that by virtue of its flows in different spheres (i.e. capital, labour, goods and services) the firm is a *de facto* territorial device for organizing social life. Headquartered in Beaverton, Oregon, Nike specializes in the design, R&D and marketing of its sports products. Its production in Asia is entirely handled by developed partners in Hong Kong, Taiwan and South Korea. These partners have established production facilities throughout Asia, e.g. in Bangladesh, China, Indonesia, Malaysia, Sri Lanka, Thailand and Vietnam. A Japanese trading company handles the financial and logistical aspects of Nike's production in Asia. Nike's subcontractors in South America (e.g. in Brazil, El Salvador, Ecuador and Mexico) and Eastern Europe (e.g. in Bulgaria, Turkey, Tunisia) are managed respectively by its international buying offices in the US and Europe. As of 1 April 2005, Nike had contracted over 700 such factories throughout the world. Its 124 active contract factories in China alone employed over 200,000 workers and its 34 active contract factories in Vietnam employed another 84,000 workers. As a consequence of intense criticisms from social and labour movements on the working conditions in its subcontractors' factories, Nike has attempted to develop extensive subcontractor monitoring and assessment systems. Through its partnership in the Global Alliance for Workers and Communities, it aims to give greater voice to its contract factory workers through regular field studies and focused interviews. It remains unclear if this partnership will dramatically improve the conditions of factory workers.

The actors and networks that constitute a firm such as Nike are territorially embedded. Emphasizing this general issue of territorial embeddedness in the firm and its networks is important because it sidesteps a potential weakness in emphasizing the networked nature of economic activity. Moving away from the 'topological presupposition' (Thrift and Olds 1996) of the 'bounded region' runs the risk of losing sight altogether of profound geographical variations across localities and regions. More significant, however, is the tendency to denigrate the role of the territorial state in shaping the governance of the firm. While some approaches in economic geography successfully incorporate the state as an actor, the state as a *territorial* entity is less well recognized (see Chapter 19 for a wider discussion of the role of the nation-state). A network link that crosses international borders is not just another example of 'acting at a distance'. It may also represent a *qualitative disjuncture* between different regulatory and cultural environments. Although networks crosscut national borders, the integrity of the latter can be maintained because networks themselves are often compelled to 'localize' differently within specific national territories. National regimes of regulation continue to create a pattern of 'bounded regions'. Networks of social actors and their economic activities are not simply superimposed upon this mosaic; nor is the state just another actor in these firm-specific networks.

The regulatory environment created by different states is still an immensely formative influence on the firm and its network development. Even firms operating in highly internationalized sectors (e.g. finance and electronics) still tend to retain distinct organizational forms and practices that largely reflect the regulatory environment of their home country (see Christopherson 1999; Dicken 2003). At the same time, however, the very fact that production networks coordinated by firms cross nation-state boundaries means that territories (at all scales) are, in effect, 'inserted' into firm-specific networks whose coordinative and control mechanisms may lie elsewhere. This has implications beyond that of the old debates on the 'external control' of local economies. A relational perspective on the firm encourages us to address the direct and indirect connections between firms and economic activities stretched across geographical space, but embedded in particular places. We have a mutually constitutive process: while social actors and their firm-specific networks are often embedded within territories, territories are also embedded in these networks. As space is socially constructed through culturally mediated processes, the spatiality of social relations has to be negotiated by social actors, and this process may be intertwined with how actors make sense and construct their corporate reality. Understood as such, different territorial configurations of regions and industrial ensembles may be closely linked to corporate constructions and both may thus mutually influence each other (see Dicken and Malmberg 2001; Coe *et al.* 2004).

To sum up this relational perspective on the firm in new economic geographies, we need to start by identifying both social actors and their firm-specific networks because the firm is constituted by 'spaces of network relations'. Social actors in the firm can be represented by different operating units, business divisions, labour unions, subcontractors and other organizational forms. We then need to understand the intentions and motives of these social actors and the bargaining power in their network relationships. These relationships are embedded in particular spaces. This, of course, does not mean that all social actors in each network must be bound together in exactly the same territory. Rather, there are distinct 'spaces' for social actors to engage in network relationships. These 'spaces' can include localized spaces (e.g. financial districts in global cities) and inter-urban spaces (e.g. webs of financial institutions and the business media that bind together global cities). The firm is made up of social actors engaged in relational networks within a variety of 'spaces'. The analytical lens we

adopt can thus vary widely. It may be geographical, sectoral or organizational, or some combination of these. The key point is to recognize the fundamental interrelatedness of all of these phenomena, not in some abstract sense as shown in neoclassical economics, but in seriously grounded forms.

Spaces of firms

One such space that makes a difference to economic change and outcomes lies at the *intra-firm* scale. Different corporate cultures and conventions may exist in the same space of a single firm. The failure to understand these divergent corporate cultures and conventions has been argued by some economic geographers to represent 'the cultural crisis of the firm' (Schoenberger 1997). This crisis has led to irrational corporate strategies that subsume major industrial players to unexpected business failures. The stakes of understanding corporate cultures and conventions and appreciating their geographical specificity become very high. What then exactly is corporate culture? How do conventions come into the picture? Corporate culture can be viewed at the following four levels:

- *Ways of thinking*: This refers to the mental level that ranges from ideas and meanings to processes of interpretation and the construction of knowledge. These ideas and meanings can be top-down in the sense that the top management imposes them on employees. They can also be bottom-up in a more cooperative context. Different ways of thinking can persist even in the same firm, let alone different firms. We can think of 'subcultures' co-existing in the firm. For example, employees in the finance department are often much more prudent and thrifty than their colleagues in the marketing department. Engineers have very different worldviews from accountants, salespeople and clerical workers. This difference in ways of thinking can be translated into the next level, when different actors in the firm behave differently in their everyday practice.
- *Material practices*: At the action level, corporate culture is about what we do and how we go about doing it. It thus entails a wide range of everyday practices such as conversations, meetings, work tasks, divisions of labour, making products, delivering services, and so on. Over time, many of these material practices become routinized such that employees will perform them almost as a matter of fact. The need to write minutes of meetings may be so routinized in some firms that the appropriate personnel will do so 'naturally'. In other firms, there are routines on how to dispose of used papers, whether coffee breaks are held indoor/outdoor, and what kind of taboos can be discussed openly. Different employees may understand and conduct these practices routinely. In doing so, they contribute to the formation and perpetuation of specific corporate cultures. Employees in other firms may not buy into certain material practices. Their understandings are also mediated by a whole variety of other factors such as personal feelings and institutional constraints (e.g. in professional business such as law and accountancy where secrecy and confidentiality prevail). Their everyday practices may therefore subvert dominant corporate cultures.
- *Social relations*: Everyday practice is both a material and a social activity. We need rooms to hold meetings and assembly platforms to make cars – the material aspect of practice. But equally important are the social relations that bring different people together in a room or an assembly platform. Friendship, partnership and team spirits

are particularly important as the social glue that facilitates how the job is done. Social relations thus become the organizing framework through which work is distributed, obligation is met, order is followed through, strategy is executed, and so on. These social relations are about behavioural norms and standards among peers: some firms have very hostile working relations among co-workers, whereas cooperation and mutual help may be common in other firms. Once institutionalized and shared, they become *conventions* that are taken for granted in everyday social interaction within the firm. For example, few employees in McDonald's fast food outlets will question the routinized social relations between the cashier and the burger maker. The former needs to complete an order and a transaction with the customer and the latter depends on the former in order to make to order. Both of them must cooperate or else the entire service chain will break down.

- *Power relations*: This idea of a chain within firms is further evident in a hierarchical and vertical sense when social relations are embedded in differential power and control among different employees. These power relations can be expressed in the form of dress codes (formal vs informal) greeting styles (last name vs first name) reporting procedures (hierarchical vs lateral) decision processes (centralized vs consensual), and so on. Not all firms have highly hierarchical command chains – some prefer to adopt a more flexible and flattened reporting system so that the negative effects of unequal power relations (e.g. employee dissatisfaction) can be mitigated. This difference in vertical power relations can occur in firms from within the same country of origin and between different home countries.

Taken together, corporate cultures and conventions can exert very powerful *stabilizing* effect on the behaviour and practice of actors in specific firms. This is where interesting economic-geographical questions might be asked: how do corporate cultures evolve in specific places, and how they exhibit tendencies of path dependency – a process whereby past behaviour guides present and future decisions such that similar behavioural outcomes emerge? To answer these two questions, I draw upon a well-known geographical study of international competition by Erica Schoenberger (1997). Her study was primarily concerned with how large and powerful corporations, once dominant leaders in their respective industries and markets for decades, can suddenly become uncompetitive. Two of the examples she used are Xerox, the American giant in the copying and imaging business, and Canon, its Japanese challenger. Her main puzzle is that Xerox, as the first company to introduce and market the xerographic machine in 1949 and a billion-dollar US firm by the 1960s, was on the verge of collapse by the early 1980s. Its market share in copier machines dwindled from over 90 per cent in the early 1970s to just under 15 per cent at the end of the decade. Xerox's market share loss was taken over by Japanese entrants such as Canon, Ricoh and Sharp. As early as 1970, Canon developed its own first plain-paper copier, the NP-1100, by avoiding Xerox patents in copier technology. In 1971, Xerox did approach Canon with the idea of licensing Canon's copier technology. But Xerox's technologists, presumably the most 'knowing' people in the organization, condemned the approach as selling out to juniors.

In these two cases, spaces of economic cultures worked out rather differently in terms of their competitive outcomes. At the time when these Japanese entrants were focusing on developing small, low-volume, simple, cheap but reliable copiers, Xerox was paying its attention exclusively to its American rivals, Kodak and IBM. As Schoenberger (1997: 195) writes, 'this segment of the market had been written off as uninteresting. The dominant culture [in Xerox] valued large, fast, technically elegant, and high-margin [machines] and, in

the absence of any viable alternatives in the market, these commitments were unchallengeable'. The central command in Xerox was so focused on its archrival American competitors and their familiar style of competition that it failed to recognize or respond to a new kind of competition from 'outsiders'. To Xerox, the Japanese competition simply didn't matter, not because it did not exist, but because it was invisible and it came from the 'wrong place' – Japan – that clearly fell outside the known world of competition. The corporate culture in Xerox was so blindfolded by its instantaneous success in the US and its excessive focus on American counterparts. This reflects a corporate culture of what counts (competition from Kodak and IBM) and what does not (the likes of Canon, Ricoh and Sharp). The end result is clear – Xerox was almost forced out of the very industry it helped to create.

The case of Xerox clearly shows how corporate culture can stabilize the competitive environment as much as immobilize the ability of the firm to change in response to this competitive environment. The relegation of the Japanese competition by Xerox headquarters as 'localized' and 'unthinkable' had profound effects on the competitive outcome in this industry; it heralded the change of fortune in favour of Japanese manufacturers throughout the 1980s and the 1990s. The key economic-geographical lesson, then, is that spatial change in competitive dynamics is not necessarily an outcome of economic factors (e.g. price, cost, technology and investment) but also of cultural factors within certain firm spaces (e.g. ignorance and a superiority complex) that significantly influence the effectiveness of these economic forces.

Conclusion

This chapter has shown not just the enormous variety of firms as the core economic institutions of capitalism. More importantly, it has unravelled the socio-spatial nature of contemporary capitalist firms from a relational perspective. In doing so, the chapter has enabled us to go beyond conventional economistic understanding of the firm as merely a cost-efficient organizational device in the event of market failure. Indeed, we can appreciate better the complex interrelationships of different actors that constitute and drive the firm. We can also see how these interrelationships can be organized in the form of networks that span different territorial formations. There are thus 'places' even within the same firm as its corporate cultures vary in different geographical contexts. These firm-specific 'places' can exert a powerful influence on change and continuity in different locations in which the firm operates. The cases of Xerox and Nike have offered useful evidence to make apparent these 'places' and their importance in shaping firm behaviour.

This co-existence of different 'places' is much more likely among *different* firms, particularly those from different countries of origin. In the case of the three automobile giants, they have drastically different organizational networks to facilitate their productive activities. They also exhibit very different corporate cultures and behaviour, leading to divergent responses to change in the global economy. The contemporary landscape of capitalist firms is thus characterized not by the same firms everywhere, but by a mosaic of different firms even at the time when their globalization efforts are stepping up. In doing so, they articulate different places into their corporate networks and exert profound influence on these places. And yet, these firms are becoming more embedded in these places via social relations developed over time. As argued strongly in Dicken (2000), this intertwined relationship between firms and places represents perhaps one of the most significant insights in a relational perspective on the firm in economic geography.

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