Reconceptualising the "Firm" in New Economic Geographies: An Organisational Perspective

Henry Wai-chung Yeung

Department of Geography, National University of Singapore,

1 Arts Link, Singapore 117570

(Tel: 65-874 6810; Fax: 65-777 3091; Email: geoywc@nus.edu.sg;

Homepage: http://courses.nus.edu.sg/course/geoywc/henry.htm)

Paper Presented at the Workshop on "'The Firm' in Economic Geography", 9-11 March 2000, University of Portsmouth, U.K.

Acknowledgement

I would like to thank Tim Bunnel, Neil Coe, and Kris Olds for their very helpful comments and suggestions. The usual disclaimer applies.

11 February 2000

Reconceptualising the "Firm" in New Economic Geographies: An Organisational Perspective

Abstract

The "firm" has been a contested analytical category in economic geography. Much of neoclassical economic geography takes the firm as a self-contained and homogenous "black box" capable of producing economic outcomes in space. The radical literature subsumes the firm under dominant capitalist class relations such that capital's logic explains the spatial behaviour of the firm. These different perspectives on the firm have served the purposes of economic geography well. The recent emergence of "new economic geographies", however, has challenged those pre-existing conceptions of the firm. Influenced by a more fluid and hybrid interpretation of the "economic", new economic geographers have drawn insights from network theories and post-structural management theory to develop alternative theories of the firm. This paper aims to deconstruct hegemonic discourses of the firm in traditional economic geography, and offers an organisational perspective to reconceptualise the firm in the study of new economic geographies. It argues that the firm is a constellation of network relations governed by social actors. Instead of being an abstract capitalist imperative, the firm is a contested site for material and discursive constructions at different organisational and spatial scales. Mapping the power geometries of the firm entails significant analytical attention to the relational power of social actors and their territorial organisation. The paper also provides some implications for studying new economic geographies.

Introduction

Since Alfred Marshall's characterisation of the representative firm, the theory of the firm has fascinated generations of economists and, more recently, other social scientists. As Williamson (1990: 1) noted, 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 behaviour)". 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. Whereas the market is regarded as the most efficient means of organising 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. Arrow (1999: vii; quoted in Williamson, 1999: 1089) observed recently that "[a]ny standard economic theory, not just neoclassical, starts from the existence of firms. Usually, the firm is a point or at any rate a black box". 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; Garnsey, 1998) and alternative governance structures (Williamson, 1975; 1985; 1999) organised by managers with different expectations, bounded rationalities, and information matrix. The emergence of such a quasi-contractual approach to the theory of the firm has seriously challenged the neoclassical "black box" conception of the firm. Ronald Coase (1937: 390) argued that "the main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism". His work was followed up much later by Williamson (1975; 1985; 1996) and Williamson and Winter (1991) who foreshadowed the birth of the "new institutional economics". Williamson went one step further to explain the alternative "governance structures" in co-ordinating economic activities and economising transaction costs within capitalist economic organisations. 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 (Aoki et al., 1990). The firm becomes an alternative governance structure to the market. The approach is less concerned with the firm as a productive force in the economy than with the firm as an organising entity in the economy.

Given these different developments in the theory of the firm in neoclassical and institutional economics, how then is the firm conceived in economic geography (see also Barnes, 1999)? Reflecting certain general theoretical developments in economics, the "firm" has been a contested analytical category in economic geography.[1] 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.

[1] The use of inverted commas to describe "the firm" implies that I do not accept neoclassical economic definition of the firm as a pure economic and transactional entity to organise modern economic life. For simplicity purposes, I shall use inverted commas only once at the beginning of this paper. All my subsequent references to the firm imply "the firm" unless otherwise specified.

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. Put in their historical contexts, these different perspectives on the firm have served the purposes of economic geography well by analysing the spatial organisation of the firm.

The recent emergence of "new economic geographies" (see Barnes, 1996; Lee and Wills, 1997), however, has challenged these pre-existing conceptions of the firm. Influenced by a more fluid and hybrid 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 organisation of the firm. The "firm" is seen as a problematical category in new economic geographies not just because the mechanistic and atomised view of the firm in neoclassical and transaction costs economics is unacceptable (see also Tomer, 1998). The concept of the efficacy of hierarchical power within the firm has been criticised as "the atomized and anonymous market of classical political economy, minus the discipline brought by fully competitive conditions - an undersocialized conception that neglects the role of social relations among individuals in different firms in bringing order to economic life" (Granovetter, 1992: 65). 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:

> In economic models, this treatment of social relations has the paradoxical effect of preserving atomized decision making even when decisions are seen to involve more than one individual. Because the analyzed set of individuals... is abstracted out of the social context, it is atomized in its behavior from that of other groups and from the history of its own relations. Atomization has not been eliminated, merely transferred to the dyadic or higher level of analysis (Granovetter, 1992: 58, 65).

More fundamentally, the firm is an "undersocialised" analytical category in much economic geography. This paper therefore aims to deconstruct hegemonic discourses of the firm in traditional economic geography and offers an organisational perspective to reconceptualise the nature of the firm for new economic geographies. My concern is not so much with the origin and growth of the firm *per se* that has been fairly well theorised in evolutionary and institutional economics (see Coase, 1937; Williamson and Winter, 1991; Hodgson, 1994; 2000; Penrose, 1995; Garnsey, 1998). Rather, I am concerned with explaining what exactly the firm is and what it does. As a means of organising social life, the firm is 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 organisational and spatial scales. The firm is therefore necessarily a site of power relations and power struggle among actors; it is a socio-spatial construction embedded in broader discourses and practices (Yeung, 1998a; see also Barnes, 1996; Oinas, 1997; Taylor, 1999). Although the boundary of the firm is increasingly difficult to identify today (see Badaracco, 1991; Holmström and Roberts, 1998; Sanchez, 1999), it is conceptually important to map out the firm and its wider relations with other actors and institutions in society and space. Mapping the power geometries of the firm entails significant analytical attention to the relational power of social actors and their territorial organisation. In this sense, the paper argues for a distinctive role of new economic geographies in understanding the spatial organisation of the firm.

This paper is organised into four sections. The next section offers a brief, but critical, review of different perspectives on the firm in economic geography. This is followed by a brief exposition into the theoretical insights from some recent work in new economic geographies. The third section develops an organisational perspective on the firm, drawing upon these insights from new economic geographies. In particular, it examines how the firm serves as an institutional structure for various actors to organise social life in three interrelated aspects. First, it discusses the role of social actors in the governance of the firm. Second, it explores the material and discursive constructions of the firm enacted through asymmetrical power relations. Third, it demonstrates how these power relations are differentiated at different spatial scales and how they contribute to different territorial outcomes. The concluding section draws some implications from this organisational perspective for practising new economic geographies. I am concerned here with the analytical (re)orientation of future research in new economic geographies.

A Critique of Perspectives on the Firm in Economic Geography

The earliest substantial contribution to understanding the firm in industrial and economic geography is Alfred Weber's industrial location theory, which was explicitly embedded in the neoclassical economic tradition. The primary objective of Weberian location theory was to identify the least-cost location of a particular firm's activity. It inherited many assumptions from neoclassical economics such as perfect competition and information, profit maximisation, and economic rationality:

> Neoclassical economics and Weberian geography beg the question of organization by treating the market as the mediator of all economic transactions, the plant as a production function, the firm as single plant, the industry as made up of representative firms producing a single product, and the region as a blank slate on which firms individually pick out the best spots to locate (Storper and Walker, 1989: 125).

By the late 1960s, there was growing discontent with this Weberian industrial and economic geography. The assumption of the representative firm was particularly frustrating. New waves of challenges were posed by the behaviourist "geography of enterprise" approach (e.g. McNee, 1960; 1974; Steed, 1968; Krumme, 1969; Dicken, 1971; Rees, 1972; 1974; Hamilton, 1974; Toyne, 1974). In one of the earliest papers on the subject, McNee (1960: 201) urged corporate geographers "to go beyond the analysis of mere things... to a consideration of man himself [*sic*] and his social organisations and institutions". The analytical framework proposed was firmly set within the interpretative and behavioural tradition. Although the geography of enterprise approach gave economic geography a new theoretical focus, it did not go far enough. Much of the research was still dominated by empirical work in the neoclassical tradition. The object of investigation in the geography of enterprise approach was neither an industry nor a region consisting of a large number of anonymous firms. It was rather the single firm or a small number of representative firms or plants. Throughout the 1960s, research in the geography of enterprise was primarily preoccupied with the motivations, locational decisions, and adjustments of individual firms (Krumme, 1969).

While continuous transformation was occurring within the geography of enterprise approach, the late 1970s and 1980s witnessed an upsurge in radical structural interpretations of geographical industrialisation. Not only was there a continual research output in the geography of enterprise approach, there was also a growing critical re-examination of the broader structural foundations of production systems by radical economic geographers. This trend resulted from an increasing penetration of critical social theories into economic-geographical research. This second challenge to the neoclassical orthodoxy was led by some radical geographers (e.g. Harvey, 1969; 1975; Massey, 1973; 1979; 1984; Storper and Walker, 1983; 1989) who were disappointed by the futile explanatory framework offered by both Weberian and behavioural approaches to the geography of business organisations and geographical industrialisation. Two streams of radical thought were particularly influential in their theoretical and empirical contributions: (1) the spatial division of labour thesis and (2) the flexible specialisation and post-Fordism debate. Whereas the spatial division of labour and industrial restructuring debate had captured much academic and public attention in the late 1970s and early 1980s, its persuasiveness has diminished since the late 1980s because of the emergence of new industrial growth centres and a theoretical reorientation of research in economic geography. This latter phenomenon is known, in various ways, as the post-Fordist flexible specialisation debate.

Four decades have now lapsed since McNee's (1960) plea for a more humanistic economic geography. During this long period of research in economic geography, we witness the emergence of such theoretical perspectives as behavioural models of the firm, the spatial divisions of labour approach, the flexible specialisation thesis, and so on. It is fair to say that these theoretical perspectives have better informed us about the spatial organisation of the (industrial) firm and its activities within the wider structural contexts and production systems. There are, however, some limitations in these theoretical perspectives in unpacking the "black box" - the firm itself. In the first place, the *geography of enterprise approach* tended to focus on a dominant firm in an industry and to study its locational decision-making and behaviour patterns. It is a functionalist construction because the firm was viewed as an integral part of the overall organisational structure of the production process. It is also an essentialist approach, or what Sayer (1982) called "pseudo-concrete analysis", that neglects the complex organisational processes inside the so-called "representative firm". This is a problem of its legacy from neoclassical economic orthodoxy. The basic building block in neoclassical location theory is "an idealistic, abstract model of the individual firm, a model constructed to represent either all, or a specified subset, of actual firms" (Massey, 1979: 59). The firm is well separated from structural relationships with the rest of the economy. The firm is abstracted from the peculiarities of its history and geography. It becomes a highly atomistic entity - a "representative firm", as it is often called. This unjustifiable "black-box" approach to the firm was applied in the corporate growth approach because "the emphasis here is on analysis of the spatial patterns produced by large industrial enterprises rather than on processes internal to the enterprise" (Watts, 1980: 29-30).

Because of this pseudo-concrete analysis, there was no sensitivity to the concrete difference in the trajectories of individual plants and firms in the corporate growth models. Organisational structures of firms were simply reduced "to no more than simple dichotomies such as establishments of single-plant or multi-plant enterprises. The implication is that while single-plant firms are somehow different to multi-plant firms, separate plants within multi-plant firms are all much the same" (Taylor, 1987: 209). The growth and locational tendencies of all corporate firms and enterprises on the economic landscape were modelled in exactly the same way. They were assumed to follow an idealised sequence of evolution over time and space. The emphasis on corporate decision-making did "little more than provide a technocratic, scientistic relabelling of processes in such a way that available economic theory - whether neoclassical, keynesian or marxist - is wittingly or unwittingly ignored" (Sayer, 1982: 75).

Second, despite its provision of a structural interpretation of industrial activities and spatial (re)organisation of production, some problems can be identified in the *spatial divisions of labour approach*. The misleading stereotypes of the spatial divisions of labour approach seemed to have constituted part of the "common sense" of the Left (Sayer, 1985c). Little consideration was given to specific firm strategies that might influence the outcome of spatial divisions of labour. The problem arose as soon as anyone assumed that these spatial divisions of labour must necessarily take particular forms inherent in capital accumulation. For example, there was a problem of overestimating the presence of unskilled labour-intensive production as technology improves. There was also no reason why standardisation of process technology should not make the production process highly capital-intensive rather than labour-intensive so that the advantages of cheap-labour locations are irrelevant. The neat pattern of spatial division of labour could be disrupted by technological change and corporate strategies, a firm-level phenomenon. The growth of technology-based industries (e.g. computer software) blurred the spatial pattern of industrial activities. It was also misleading to exaggerate the extent of the internationalisation of firm activities in the periphery. In fact, most foreign direct investment was, and still is, located within the core countries (see Dicken, 1998). This stereotyping of the firm resulted from an inadequate understanding of the geography of firms (Taylor, 1985).

Third, the *flexible specialisation debate* overtly concentrated on the transition of one mode of capital accumulation to another. Since different production systems were the key analytical unit in this debate, the firm received virtually no analytical attention. Put in another way, the firm was conceived as a representative firm, driven by the changing dynamics of production systems in which it is embedded. The tendency of some post-Fordist theorists to fall back on rather abstract ideal-typical constructs was real and dangerous. They presumed that generalised patterns of structural change inexorably were pushed in the direction of irreversible organisational tendencies. Both mass production and flexible specialisation were proposed as ideal-typical models of individual firms, sectors or national economies. In the original theoretical formulation (i.e. Piore and Sabel, 1984), neither model could ever be totally dominating in the temporal-spatial nexus. They represented merely heuristic devices to analyse contemporary industrial change in the capitalist economy. In reality, it was equally difficult to find a firm, industry or nation that is completely moulded by mass production or flexible specialisation production systems. The construction of these ideal-typical models, however, tended to generate serious misunderstanding. Subsequent scholars were tempted to regard these ideal-typical modes of organising production by the firm as two distinct phases of capitalist development.

To sum up the above critical review, the firm has not been adequately theorised in economic geography. Despite parallel developments in the theory of the firm in economics, mainstream economic geography has moved away from the firm to the production system, the regime of capital accumulation, and, more recently, the mode of social regulation as a central analytical unit. The firm, in all its variants and configurations, becomes an "essential outsider" in these theoretical currents in economic geography. It is only now with the recent emergence of "new economic geographies" that our conceptions of the firm and its social-spatial constitution are being reshaped. Coincidentally, this revitalised interest in the firm mirrors the material world in which the firm is continuously reorganised and reconstituted at different spatial scales. The late 20th century witnessed the emergence of new organisational forms (e.g. strategic alliances and inter-firm networks) that are significantly different from the hierarchial control of the firm's activities through vertical integration. These new organisational forms naturally resulted in different spatial configurations of economic activities. To say the least, these dynamic changes to the firm and the capitalist global economy have made existing theories in economic geography inadequate. It is important therefore to probe into contributions from these new economic geographies and to construct an organisational perspective on the firm in economic geography.

Changing Organisation of the Firm: Insights from New Economic Geographies

Recent theoretical and empirical contributions from the so-called "new economic geographies" have advanced the frontiers of geographical research by incorporating substantive issues that were traditionally considered as falling outside the orbit of mainstream economic geography. At their minimum, new economic geographers have (re)constituted the "economic" through an excursion into the "cultural", the "social", and the "political". As Barnes (1999: 17) noted, the basic explanatory categories become "social power, cultural identity and institutional situatedness rather than economic ownership, universal definitions and individual agency". It is not my intention to review comprehensively what constitute new economic geographies (see Barnes, 1996; Lee and Wills, 1997) or the "cultural turn" (see Barnett, 1998). I intend to present only two key features to inform the organisational perspective on the firm in this section: the social embeddedness of economic action and understanding shifting identities of economic actors.

Beginning with Karl Polanyi's (1944) seminal work and its reconstruction by Mark Granovetter (1985), the concept of *embeddedness* has made a significant impact on what

Granovetter and Swedberg (1992) called the "new economic sociology" (see also Dacin et al., 1999). The concept poses a serious challenge to the "undersocialised" view of economic action typically found in neoclassical economics. In its simplest sense, embeddedness refers to the argument that "the [economic] behavior and institutions to be analyzed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding" (Granovetter, 1992: 53). Dicken and Thrift (1992) subsequently introduced the concept into the study of new economic geographies. Today, a large body of research in new economic geographies has examined the social embeddedness of economic action in industrial firms and business networks. These studies range from debates on geographical agglomerations, industrial districts, and regional development to empirical investigations into social divisions of labour and local labour markets, changing production methods, and the spatial transfer of manufacturing technologies (see a review in Yeung, 2000a).

What these studies have plainly shown is that economic institutions (e.g. the firm) are embedded in wider social relations such that they are spatially bound by these relations in their locational and labour strategies, as well as constrained by the influence of proximity in their innovation activities. Understanding economic geographies of firms and labour requires more than an analysis of economic and locational factors. More importantly, it requires us to examine the complex ways through which these economic institutions are spatially entangled in webs of social relationships. As such, these economic institutions are conceptualised not as merely economic machines responding to external market and cost conditions (see also Tomer, 1998), but rather as social constructions by individuals "whose action is both facilitated and constrained by the structure and resources available in the social networks in which they are embedded" (Granovetter, 1991: 78).

How then do these social actors generate and perform economic action over time and space? This question brings us to the second key feature of new economic geographies, which is concerned with how the *shifting identities of these economic actors* are spatially and discursively differentiated by gender, ethnicity, and culture. This line of enquiry argues that their plurality and multiplicity explain diverse economic activities by social actors. Instead of conceptualising economic units (e.g. the firm) as a singular site of rational, reproductive, and progressive imperatives, new economic geographers have been concerned with "decentering" and "destabilising" these fundamental categories of organising social life (e.g. Gibson-Graham, 1996; McDowell, 1997; Schoenberger, 1997). Thrift and Olds (1996: 319) declared that "the very idea of a singular story of an object denoted 'economic' is now lost. It follows that the idea of trying to focus a new economic geography around one concept or theoretical tradition, however broadly defined, cannot hold". Similarly, Gibson-Graham (1996: 15-16) argued that "a capitalist site (a firm, industry or economy) or a capitalist practice (exploitation of wage labour, distribution of surplus value) cannot appear as the concrete embodiment of an abstract capitalist essence. It has no invariant 'inside' but is constituted by its continually changing and contradictory 'outsides'" (see also Walters, 1999). Economic actors are argued to be embedded in social discourses and practices, and therefore cannot be conceived as rational and mechanistic economic entities as in neoclassical rational choice theory. Recent work by Schoenberger (1994; 1997; 1998) and others (e.g. Thrift, 1998; 1999; O'Neill et al., 1999; Pinch and Henry, 1999; Pritchard, 1999) have shown that the behaviour of corporate firms and actors is by no means governed by a singular logic of profit maximisation. Rather, these actors are subject to multiple discourses dominated by power relations and changing identities influenced by the gender, ethnicity, and culture of these actors. This refiguring of the "economic" has important implications for discursive practices and politics. O'Neill et al. (1999: 11), for example, viewed the disruptive representation of the firm as "opening up political options for action in place and over space that are relatively invisible in the vicinity of a stable, coherent and self-reproducing firm".

Towards A Relational Perspective on the Firm: An Organisational Analysis

Drawing upon these insights from new economic geographies for an organisational analysis of the firm and cognizant of parallel developments in organisation studies (e.g. Boden, 1994; Czarniakska, 1997; Whitley, 1999; Frost et al., 2000), this section further develops a *relational* view of the firm as a constellation of network relations governed by social actors through both material and discursive practices. These practices are embedded in specific power geometries and are highly differentiated at various organisational and spatial scales. The firm becomes an organisational entity to coordinate everyday life and the social relations of actors. It is no longer simply a production unit (or a "black box") in the capitalist global economy. This conceptualisation of the firm differs significantly from the neoclassical view of the firm as a production function. It also diverges from the transaction costs view of the firm as a nexus of treaties because the firm is about more than just exchange and transactions. This emphasis on social actors is important because apparently even in evolutionary economics, social actors have no distinguishable role in the firm. As recently proclaimed by Nelson (1995: 68), "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". More importantly, the firm is about how the everyday life of actors is conducted in the process of engaging production, exchange, and transactions. The firm is really about organising social relations in different places and at different spatial scales.[2] Its very constitution is made up of socio-spatial relations that define the core of the firm. To paraphrase Gibson-Graham (1996: 15) again, the firm does not have an "invariant 'inside'". It is constituted continually by ongoing social relations at different organisational and spatial scales.

Such a relational view of the firm clearly stresses interconnectedness, hybridities, and possibilities. Its intellectual origin can be traced back to the "substantivist" school (social

---

[2] The conceptualisation of the firm in this paper extends Penrose's (1995: 9) theory of the growth of the firm in which she argued 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 framework in this paper, however, is not concerned with the growth of the firm *per se*, but rather with its organisation and socio-spatial constitution.

organisation approach) in economic anthropology after Max Weber ([1947] 1964; [1922] 1978) and Karl Polanyi (1944; [1957] 1992). To the substantivists, the economy did not have a separate status from everyday social life as claimed by classical and subsequently neoclassical economists. Instead, the substantivists regarded the economy as an instituted process to produce a structure with a definite function in society. As argued by Polanyi ([1957] 1992: 34), "[t]he human economy, then, is embedded and enmeshed in institutions, economic and noneconomic". Such modern organisations as the firm, therefore, were not seen merely as an outcome of economic rationality, but also of social rationality. This view of modern organisations gave rise to the notion of the socially constructed nature of modern organisations (Yeung, 1998a).

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. The relational framework of the firm argues that the firm is an organisational unit bringing together diverse social relations in which actors in the firm are embedded. These relations may be inter-personal 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 by the broader relations of these individual actors that also define the boundary of the firm (see Badaracco, 1991; cf. Holmström and Roberts, 1998; Sanchez, 1999).[3] 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 realising social relations and obligations by these actors. The firm exists because it serves to provide an organisational framework for the coordination of these

---

[3] Empirical research in Chinese family firms has clearly shown that the firm in Chinese business is both an economic device and a social organisation for the advancement of the family and its immediate network actors (see Mitchell, 1995; Yeung, 1997; Yeung and Olds, 2000).

social relations by specific actors. Its existence is not predicated on the minimisation of transaction costs *per se*.

In fact, the constant integration and disintegration of economic activities in the history of modern organisations indicates that the firm does not necessarily result in lowest transaction costs. In reality, transaction costs should be better approximated as an *outcome* of economic institutions, not their cause. The fundamental problem with transaction costs economics is that "the idea of transaction costs has become a kind of catch-all phrase and it is not employed with sufficient precision and clarity" (Hodgson, 1988: 180). One thing for sure, however, is that the firm provides an organisational site in which actors interact and produce economic outcome (e.g. lowering transaction costs). 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. subcontracting in Italy) that allow Benetton to innovate and exploit the advantages of flexibility in production and organisation:

> 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 therefore explicitly acknowledges the important role of social actors and their embedded relations in *governing* the firm.

In conducting social relations and processes in the firm, actors construct certain discourses and engage in certain practices that may or may not be directly linked to material reality. For example, the board of directors may call for organisational reengineering based on their perception of the corporate "bottom line". But as Schoenberger (1998) showed recently in the case of Nike, the issue of "competitiveness" is not so life threatening to the survival, let alone profitability, of the firm. The reference made by the board of directors to declining quarterly results to justify corporate restructuring (and hence the layoff of employees worldwide) may be an explicit discursive strategy for this group of actors to curb the power and welfare of labour. It is less a competitive strategy *per se*, but more likely a labour strategy to weave out the so-called "expensive" labour. It is clear that the firm is constituted not only by socio-spatial relations, but also by the differentiated power geometries of these relations. As a modern business organisation, the firm is not only the result of social actions, but also very much embedded in ongoing power struggles and relations between social actors. The firm is never neutral in ideological terms, but is always value- and power-laden in its functions as an organisational site for the coordination of social (economic) life. The following sub-sections will explore how social actors govern the firm through networks, how they engage in discursive practices through differentiated power relations, and how these constructions and practices are geographically differentiated and scaled.

The role of social actors in the governance of the firm

So much of the literature in economics and economic geography focuses on the firm devoid of social actors. As the firm is viewed as representing the collective interests of social actors and all firms in an industry/economy are the same (i.e. the notion of the representative firm), there is no need in much of this literature to focus on variations in the action and behaviour of individual actors. The firm, as it stands, becomes the effective *governance structure* in facilitating production, exchange, and transactions that the market mechanism cannot cope in a cost-effective way. As argued above, however, the firm is not necessarily a transaction cost-effective institution substituting the market. Ghoshal and Moran (1996) argued that the firm is not merely a substitute for structuring efficient transactions when the market fails; it possesses unique advantages for governing certain kinds of economic activities through a logic that is very different from that of a market. Similarly, Holmström and Roberts (1998: 75) noted that firms are "complex mechanisms for coordinating and motivating individuals' activities. They have to deal with a much richer variety of problems than simply the provision of investment incentives and the resolution of hold-ups". One such advantage of the firm identified in this paper is its role in organising social life among actors. The important theoretical issue here is to understand the attitudes, behaviour, and power relations of social actors in the firm. This organisational perspective contributes to an emerging "managerial theory of the firm" (Bartlett and Ghoshal, 1993) that would be more attuned to the above premises of the key actors within the firm. This allows us to illuminate the corporate world as seen by these actors and to encompass the issues that they perceive to be important.

Since the firm is necessarily made up of social actors and their embedded relationships, it may be more useful theoretically to focus on the ways in which the practices of their social actors and their intertwined relationships are organised. In the recent managerial theory of the firm, researchers believe that the firm has particular capabilities to create and enhance social and intellectual capital (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Some of these organisational capabilities are embedded in the interactions of social actors and intra-firm networks of their relationships. These interactions and networks are effectively the key mechanisms through which social actors govern the firm. This organisational perspective on the firm ascribes the power of governance to social actors, instead of the abstract logic of transaction costs minimisation. After all, even the execution of this transaction cost logic of the firm requires specific social actors. It is therefore important for us to understand how social actors govern the firm through building a constellation of network relations that effectively defines the firm and its organisational boundary.

If the firm is one key organisational unit for understanding modern social life, we can come to grapple with the formation and dynamics of networks through a network typology. In this typology, networks can be formed and classified into three types: (1) intra-firm networks; (2) inter-firm networks and (3) extra-firm networks. I do not intend to repeat the nature of these networks here (see Cooke and Morgan, 1993; Grabher, 1993; Yeung, 1994; 1998a). The aim is to focus instead on how social actors govern the firm through these three types of networks. First, through *intra-firm networks*, social actors can build up strong core competencies of the firm as a whole through internally coordinated and differentiated organisational structures and processes (see also Nohria and Ghoshal, 1997). These competencies can be expressed in firm-specific knowledge (e.g. technology and patents), social capital (e.g. trust relationships), and organisational innovations (e.g. strategic business units). These competencies are predicated on the effective building of "corporate culture" within the firm by these firm-specific actors. Together, social actors in the firm form specific *networks of practice* that socialise other actors into their networks on the basis of shared representation, purpose, norms, and values (see also Schoenberger, 1994; 1997; Storper, 1997; Storper and Salais, 1997). For example, the top management of the firm may institutionalise certain good practice in relation to shop floor labour and technologists that in turn promotes shared understanding among these actors and brings them together to form a specific network of practice. Alternatively, the top management may socialise specific middle managers into their network of practice and achieve organisational learning, innovation, and entrepreneurship (for an example of Hong Kong firms in Southeast Asia, see Yeung, 1998b; 2000b).

Second, social actors may govern the firm through building *inter-firm networks*. The Benetton example earlier in this paper has shown that trust relationships among actors in different firms (i.e. Benetton and its subcontractors) through certain networks of practices can enable long term sustainable growth of the firm as a whole within specific localities and regions. The industrial district and "learning region" literature has shown that actors from different firms have created important inter-firm synergies through their ongoing social relationships. These synergies can often be enhanced through the notion of "institutional thickness" developed by Amin and Thrift (1994: 15; see also Amin, 1999). They defined "institutional thickness" as "the combination of actors including inter-institutional interaction and synergy, collective representation by many bodies, a common industrial purpose, and shared cultural norms and values". The notion refers to inter-firm relationships in specific regional development context and contributes to the understanding of network complexity in firm-specific contexts. Storper (1997: 20) and Scott (1998) argued recently that territorial development is significantly embedded in networks of relational assets and geographical proximity particularly at the local and regional scales such that "territorialization is often tied to specific interdependencies in economic life".

At another spatial scale, social actors in the firm may build relationships with actors from local firms in other countries to form transnational inter-firm networks. This transnational inter-firm network is therefore socially organised and can be strategically deployed to facilitate the extension of the firm's economic activities across space (e.g. foreign direct investments and international trade; see Yeung, 1998d; 1999a for the case of cross-border investments by Chinese business firms). Social actors, whether from the parent firm or its foreign affiliates, control strategic resources and powers to shape these inter-firm networks "at a distance". There is a mosaic of different geographies of powers exercised by different social actors in these transnational inter-firm networks (see Marschan et al., 1996; Yeung, 1998c). In Schoenberger's (1999: 210) words, there are indeed different "places" within the firm. The access to local business and other forms of inter-firm networks in the host countries may also enhance the overall performance of the firm. The strategic strength and spatial reach of social actors through transnational networks determines the competitive advantage of the firm. When foreign affiliates are capable of building up strategic strength through a process of spatial integration (intra-firm networks) and local embedding (inter-firm networks) rather than through reliance on the ownership-specific advantages of the firm, it is much more likely for the firm as a whole to compete effectively at the global and local levels. Globally, the firm can pool together strategic strengths from its networks of local subsidiaries to achieve product and technological excellence, market penetration, and effective management. Locally, the firm can compete less so on the basis of its ownership-specific advantages, but more on the basis of its embeddedness in local inter-firm networks. While the firm may have the capabilities to act at a distance, an effective strategy for local competition requires flexibility and responsiveness. In this way, embedded networks enable the firm to achieve simultaneously global integration and local responsiveness that form the basis of competing in an age of alliance capitalism (see Prahalad and Doz, 1987; Gomes-Casseres, 1996; Dunning, 1997; Doz and Hamel, 1998). Economic geographies of the firm can thus be understood within this global-local dialectic.

Third, the governance of the firm can be executed by social actors through *extra-firm networks*. Because these extra-firm networks comprise firms, nation states, research institutions, non-profit and non-governmental organisations, and other quasi-organisational forms at all levels, the governance of the firm becomes more diffused through the regulatory capacities of these institutions and organisations. The role of firm-specific actors in the governance of the firm is complemented by the broader institutional framework in which the firm is embedded. For example, a firm may enrol into extra-firm networks through specific arrangements made by its top executives and local government authorities. In return, the firm is granted certain incentives and privileges that facilitate its presence and growth in specific localities. These incentives and privileges, however, may constrain the future trajectories in which the firm grows. They may serve as a complementary form of governance. In Asia, for example, actors in firms may build strong inter-personal relationships with other actors from government institutions (see Yeung, 1999b; 1999c; 2000c). These extra-firm networks facilitate the extension of special incentives and privileges to the firm, and thereby, the involvement of those government actors in the governance of the firm. On the other hand, the firm may benefit from extra-firm networks at the expense of local authorities and institutions. Actors in the firm may be driven by specific motives to negotiate with local authorities for investment benefits. In Phelps et al.'s (1998) study of LG in South Wales, for example, this phenomenon is known as "institutional capture" in which the host institution is locked into the strategic imperative of the firm (i.e. LG). This example illustrates the importance of understanding the politics of the firm and its networks at different organisational scales.

Constructing the firm: the politics of representations and contest

Through building firm networks, social actors are capable of exercising power and control of the firm "at a distance". While there may well be formal control and coordination mechanisms between different operating units of the firm, the realisation of such mechanisms is often dependent on the discursive powers of those social actors involved: humans (CEOs, local managers, and network partners) and non-humans (communications equipment, guidelines, rules, conventions, corporate finance, and so on). The relationships between different units of the firm are often socially constructed in the sense that they involve the participation and interaction of social actors, rather than merely formal rules. It is these elements of social construction that underscore the emergence of the firm as an organising device for the coordination of social life.

A central component of any such analysis of the firm is the existence of *differential power relations* within an actor network that shape the processes of constructing discourses and discursive practices in the firm. Powerful actors are those who drive networks and make things happen. Their ability to do so depends on their asymmetrical control of key resources (physical, political, economic, social, and technological). In the network literature, most commonly, it is suggested that power in a network is a function of *positionality* within the network (e.g. centrality) or as being derived from "the strength of association between actors in the composition of the network" (Bridge, 1997: 619). But the structure of a network tells us little about the qualitative nature of the relationships that is far more important than structure *per se*. Instead, I view power as the *capacity to exercise* that is realised only through the process of exercising. The control of resources does not automatically imply that the actor is powerful until power is exercised – such control is only a necessary, but not sufficient, condition for the ascription of power to any actor. In other words, power should be conceived as a *practice* rather than a *position* within a network (see Pratt, 1997). As argued by Allen (1997: 60; original italics),

> power is an *inscribed capacity* of either individuals or institutions - inscribed in the sense that power is something that is possessed by virtue of the social relationships which constitute you or an institution... To speak of multinational firms in this context is thus to speak of the powers they possess by virtue of their capitalized multi-country operations and the workforces which comprise them, as well as the web of nation-state and market relationships which envelops them.

It is, however, possible to ascribe causal power to networks *per se* when network relationships generate an emergent effect so that the sum of these relationships is much greater than that of individual actors (Yeung, 1994). The configurations of these *emergent network relationships* provide another central dynamic to drive networks. In many conceptualisations of the firm, unequal structural power relations provide an explicit starting point of analysis. The radical economic geography literature briefly reviewed above, for example, derives structural understandings of the firm on the basis of the existence of unequal relationships between capital and labour and members of particular class formations. I would concur with these approaches that any discussion of the firm must address power relations, although not necessarily with the economistic essentialism that has characterised some radical approaches. This would include the power of social actors to control resources, and their power to influence events, to participate in the economy to varying degrees, and to exclude or marginalise other actors. These dimensions of economic power are fundamental to the operation of the firm, whether they are explicitly recognised in structural relationships or subsumed within the market mechanism (wherein power is seen as residing not with social actors, but with a mechanism that is assumed to operate in the name of efficiency, without prejudice or structural inequity). One way or another, power drives the firm and its constellation of networks, be it corporate, political or social power.

In gathering and exercising their power, social actors in the firm often engage in certain *discursive constructions, representations, and practices*. There are different aspects to this process of discourse construction and discursive practices. First, certain social actors in the firm may construct a discourse to advance specific corporate action, although this construction may not present a coherent "united front" against other social groups (e.g. workers). As explained in the case of Nike above, some actors in the top management may construct a "competitiveness discourse" to legitimise their ultimate aim to restructure the firm for better profit and "bottom lines" (see also Schoenberger, 1998). This discursive construction is necessary because it relegates the "problem" to a different organisational scale and avoids the loss of power and respect by the top management. The firm is seen as losing its "competitiveness" to an external competitor(s) discursively constructed by these actors in the top management. This justifies specific corporate action taken by them to regain "competitiveness". From this analysis, the business of the firm is about constructing (multiple) discourses to get social actors organised for a collective profit-making purpose of production, exchange, and transactions. These discourses are often translated into certain discursive practices that further enhance and legitimise unequal power relations among different social groups in the firm.

Second, this discursive construction is not always acceptable to other social actors in the firm. For example, the labour union may pose a counter discourse of "exploitation" that demystifies the "competitiveness discourse". Such politics of discourses may lead to different representations of the firm and severe contest of power among social actors from different networks in the firm. Whereas the top management may sometimes coherently represent the firm as "uncompetitive", the labour union may view the prevailing corporate practices of the firm as "exploitative" and refuses to accept the "competitiveness discourse". The neoclassical assumption of a representative firm is clearly misleading here because it does not represent what a firm is like in reality - it is a complex constellation of different network relations and their interactions. The representative firm is an ideal-typical construct from the perspective of the market. In other words, the market recognises a representative firm that produces, exchanges, and transacts goods and/or services. There is no attempt in this neoclassical concept of the firm to unpack what exactly the firm does and who runs the firm. This "undersocialised" view of the firm may not be entirely wrong because it helps to understand the abstract role of the firm in an economy. But its usefulness ends there because it fails to enlighten us on the nature of the firm and its social-spatial constitution *in reality*, as all these subtleties or "soft" elements of the firm are assumed away in neoclassical models of the firm. They cannot be modelled because they corrupt the elegance of mathematical calculations.

Third, the specific functions of the firm may be understood differently by different social actors in the firm. The top management may want to view the firm as a production device to generate profit for its shareholders and, sometimes, their own pockets. Middle managers may see the firm as an avenue for career advancement. Having little hope for career advancement, some shop floor employees may think of the firm as a site for everyday social interaction with other fellow employees. Or the firm may just be seen as a workplace to earn enough wages to support whatever personal and family endeavours they have. The motivations of social actors in the firm, or even in the same social class (e.g. workers, top managers, and so on), are not necessarily the same all the time. Incoherence seems to be a key attribute in defining different social groups in the firm. It is therefore very difficult to conceptualise the firm as an undifferentiated production unit in the economy. There is no particular "centre" or "core" of the firm, unless we define the top management as the centre of the firm by virtue of their executive power and management fiat (see Schoenberger, 1999). When it comes to getting the work done, however, the core of the firm must be its employees (at least by their sheer number!). The firm is made up of different social actors and their networks interacting with each other in both hostile and/or cooperative ways.

Territoriality and scales in the constructions of the firm

Closely related to the issue of organisational loci is the importance of territoriality in constructing the firm. How does geography shape these constructions of 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 recognised 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 (Yeung, 1998a). Some networks are relatively more localised because they are dependent on the traded and untraded interdependencies of geographical agglomeration achieved through territorial embeddedness (see, for example, the literature on new industrial spaces; Storper, 1997; Storper and Salais, 1997; Yeung, 2000a). Other "global" networks, however, are controlled "at a distance" when the key actors are spatially distanciated from the sites where empirical events happen (see, for example, the literature on the globalisation of finance and business networks; Thrift and Leyshon, 1994; Olds and Yeung, 1999). In all cases, however, a specific spatial configuration is created and connected to other configurations at smaller and larger 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 organisational and geographical scales.

For example, just think of the relationship between the child labour employed by a Nike subcontractor in Indonesia and the executive board of Nike in the U.S. This subcontractor is strongly embedded locally in Indonesia through extra-firm networks, 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 popularised unfavourably in the U.S. This local event in Indonesia may trigger the Nike board in the U.S. to reconsider its relationships with all its subcontractors. This change in corporate practice may come voluntarily on the basis of the top managmenet's reflexivity. 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 (e.g. the U.S.). 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 organising social life.

Not only its flows but also the very actors and networks that constitute the firm are territorially embedded. Emphasising this general issue of territorial embeddedness in the firm and its networks is important because it sidesteps a potential weakness in emphasising 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 recognised. 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 (see, for example, P. Taylor 1994; 1995; Dicken, 1998; Yeung, 1998c). Although networks cross-cut national borders, the integrity of the latter can be maintained because networks themselves are often compelled to "localise" 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 network development. Even firms operating in highly internationalised sectors still tend to retain distinct organisational forms and practices that largely reflect the regulatory environment of their home country (Whitley, 1992; 1998; 1999; see also Dicken 1998; Doremus et al., 1998; Yeung 1998c; Christopherson, 1999). At the same time, however, the very fact that production networks 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 (see Dicken, 1976). A relational perspective on the firm forces us to address the direct and indirect connectivities 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 into these networks.

To sum up this relational framework for understanding 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 organisational forms. We then need to understand the intentions and motives of these social actors and the emergent 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 localised 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, it may be sectoral, and it may be organisational. It may be some combination of these. The key point is to recognise the fundamental interrelatedness of all of these phenomena, not in some abstract sense as shown in neoclassical economics, but in seriously grounded form. What, then, should this form take in future research? The concluding section below will present some implications of this relational perspective on the firm for new economic geographies.

Conclusion: Implications for Studying New Economic Geographies

This paper has proposed a relational perspective on the firm through an organisational analysis of its foundations, constituents, and socio-spatial formations. Much of the literature in economics and economic geography has taken the firm for granted as a production unit in the capitalist world economy or as a passive organisational entity driven by abstract capitalist logic. Drawing upon insights from recent theoretical advances in new economic geographies, I have unpacked the firm as a "black box" and showed that it is more than an abstract economic entity in search of profit. Instead, it provides an organisational site for coordinating everyday life by social actors. The firm is therefore a constellation of network relations governed by social actors at different organisational and geographical scales. In governing the firm, different social actors build network relations with actors within the same firm, and from other firms and non-firm organisations. These firm-specific networks form the organisational basis for social actors to govern the firm. To ensure the efficacy of governing the firm, social actors engage in discursive constructions of the firm to represent their interests and legitimacy. These constructions are possible because of uneven distribution of power and the capacity to exercise power. The firm becomes a site of contested discursive practices. These contested practices, however, are fundamentally territorial because firm-specific networks are spatially embedded and the consequences of contest by different social actors are geographically specific. In conclusion, this relational perspective on the firm elevates the firm from an "undersocialised" theoretical status in economics. It also goes beyond the social constructionist view of the firm and its organisation because the firm is fundamentally recognised as an organising device for the advancement of the collective interests of its social actors.

There are at least three theoretical implications of this relational perspective on the firm for the study of new economic geographies.[4] First, since social actors, not the firm as an abstract entity, become the key analytical focus, it is important for us to shift our attention from the underlying capitalist logic of the firm to the *relations* among these firm-specific actors. As argued by Schoenberger (1999: 211), we need to study "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. In short, it's not just the cavalry versus the Indians, but the Thursdays versus the Yorkes, that are centrally at issue". Through exploring their interrelationships and interconnectedness, we are in a better position to understand the nature of the firm, its functions in an economy, and the organisation of its operations. The successful shift in our analytical attention may bring us back to McNee's (1960) plea for a more humanistic economic geography. After all, the firm in economic geography should be concerned with its organisational capacity and its benefits to actors in society and space. In doing so, we would have gone a long way from the abstract

[4] For methodological implications of this relational perspective, please see Yeung (2000d).

economic modelling of the firm that tells us little about what the firm and its actors really do (see also Tomer, 1998).

Second, there is a need for a more *fluid and open conception* of the firm in new economic geographies. It is one thing to believe that the firm is about relations among actors, it is quite another thing to conceptualise the firm as more than an abstract capitalist device for economising costs and maximising profits. We need to reconceptualise the firm as an organisational entity constituted by political, economic, social, and cultural forces. The firm is surely about more than serving the economy. It is also about bringing benefits to the society and its people. We must go beyond a narrow economistic conception of the firm by integrating insights from different academic disciplines. We need to "decenter" the firm and to appreciate the diverse and, often conflicting, discourses and practices by its actors and their network relations (see also Miller, 1997; Carr, 1998).

Third and in a related way, we need to *refigure the economic* dimension of the firm and to recognise the role of the firm as a site for engaging politics, cultural practices, and social interactions in specific territorial settings. Strangely, the territorial outcome of these interactions and practices is often not limited to a specific locality. It may sometimes have a global impact. As economic geographers, we should be even more sensitive to these different geographical configurations of firm-specific interactions and practices. In these ways, I believe we can bring social life back into the firm and understand the firm as a fundamentally socio-spatial being, not just another fancy set of equations in the calculus of some econometric models.

References

Allen, John (1997), 'Economies of power and space', in Roger Lee and Jane Wills (eds) *Geographies of Economies*, London: Arnold, pp.59-70.

Amin, Ash (1999), 'An institutionalist perspective on regional economic development', *International Journal of Urban and Regional Research*, Vol.23(2), pp.365-78.

Amin, Ash and Thrift, Nigel (1994), 'Living in the global', in Ash Amin and Nigel Thrift (eds.), *Globalization, Institutions, and Regional Development in Europe*, Oxford: Oxford University Press, pp.1-22.

Aoki, Masahiko, Gustafsson, Bo and Williamson, Oliver E. (eds.) (1990), *The Firm as a Nexus of Treaties*, London: Sage.

Arrow, Kenneth J. (1999), 'Foreword', in G. Carroll and David Teece (eds.), *Firms, Markets, and Hierarchies*, New York: Oxford University Press, pp.vi-vii.

Badaracco, Jr. Joseph L. (1991), 'The boundaries of the firm', in Amitai Etzioni, and Paul R. Lawrence (eds.), *Socio-Economics: Toward a New Synthesis*, Armonk, New York: M.E. Sharpe, pp.293-327.

Barnes, Trevor J. (1996), *Logics of Dislocation: Models, Metaphors, and Meanings of Economic Space*, New York: Guilford.

Barnes, Trevor J. (1999), 'Industrial geography, institutional economics and Innis', in Trevor J. Barnes and Meric S. Gertler (eds.), *The New Industrial Geography: Regions, Regulation and Institutions*, London: Routledge, pp.1-22.

Barnett, Clive (1998), 'The cultural turn: fashion or progress in human geography?', *Antipode*, Vol.30(4), pp.379-94.

Bartlett, Christopher A. and Ghoshal, Sumantra (1993), 'Beyond the m-form - toward a managerial theory of the firm', *Strategic Management Journal*, Vol.14, Special Issue, pp.23-46.

Boden, Deirdre (1994), *The Business of Talk: Organizations in Action*, Cambridge: Polity.

Bridge, Gary (1997), 'Mapping the terrain of time-space compression: power networks in everyday life', *Environment and Planning D: Society and Space*, Vol.15, pp.611-26.

Carr, Adrian (1998), 'Identity, compliance and dissent in organizations: a psychoanalytic perspective', *Organization*, Vol.5(1), pp.81-99.

Christopherson, Susan (1999), 'Rules as resources: how market governance regimes influence firm networks', in Trevor J. Barnes and Meric S. Gertler (eds.), *The New Industrial Geography: Regions, Regulation and Institutions*, London: Routledge, pp.155-75.

Clegg, Stewart R. (1990), *Modern Organization: Organization Studies in the Postmodern World*, London: Sage.

Coase, Ronald H. (1937), 'The nature of the firm', *Economica*, Vol.4, pp.386-405.

Cooke, Philip N. and Morgan, Kevin (1993), 'The network paradigm: new departures in corporate and regional development', *Environment and Planning D: Society and Space*, Vol.11, pp.543-64.

Czarniakska, Barbara (1997), *Narrating the Organization: Dramas of Institutional Identity*, Chicago: University of Chicago Press.

Dacin, M.T., Ventresca, M.J. and Beal, B.D. (1999), 'The embeddedness of organizations: Dialogue & directions', *Journal of Management*, Vol.25(3), pp.317-56.

Dicken, Peter (1971), 'Some aspects of the decision-making behavior of business organizations', *Economic Geography*, Vol.47, pp.426-37.

Dicken, Peter (1976), 'The multiplant business enterprise and geographical space: some issues in the study of external control and regional development', *Regional Studies*, Vol.10, pp.401-12.

Dicken, Peter (1998), *Global Shift: Transforming the World Economy*, Third Edition, London: Paul Chapman.

Dicken, Peter and Thrift, Nigel (1992), 'The organization of production and the production of organization: why business enterprises matter in the study of geographical industrialization', *Transactions, Institute of British Geographer*, New Series, Vol.17, pp.279-91.

Doremus, Paul N., Keller, William W., Pauly, Louis W. and Reich, Simon (1998), *The Myth of the Global Corporation*, Princeton, NJ: Princeton University Press.

Doz, Yves L. and Hamel, Gary (1998), *Alliance Advantage: The Art of Creating Value through Partnering*, Boston: Harvard Business School Press.

Dunning, John H. (1997), *Alliance Capitalism and Global Business*, London: Routledge.

Frost, Peter J., Lewin, Arie Y. and Daft, Richard L. (eds.) (2000), *Talking About Organization Science: Debates, Discourses, Dialogue, and Directions*, London: Sage.

Garnsey, Elizabeth (1998), 'A theory of the early growth of the firm', *Industrial and Corporate Change*, Vol.7(3), pp.523-56.

Ghoshal, Sumantra and Moran, Peter (1996), 'Bad for practice: a critique of the transaction cost theory', *Academy of Management Review*, Vol.21(1), pp.13-47.

Gibson-Graham, J.K. (1996), *The End of Capitalism (As We Knew It): A Feminist Critique of Political Economy*, Oxford: Blackwell.

Gomes-Casseres, Benjamin (1996), *The Alliance Revolution: The New Shape of Business Rilvary*, Cambridge, MA: Harvard University Press.

Grabher, Gernot (ed.) (1993), *The Embedded Firm: The Socio-Economics of Industrial Networks*, London: Routledge.

Granovetter, Mark (1985), 'Economic action, and social structure: the problem of embeddedness', *American Journal of Sociology*, Vol.91(3), pp.481-510.

Granovetter, Mark (1991), 'The social construction of economic institutions', in Amitai Etzioni, and Paul R. Lawrence (eds.), *Socio-Economics: Toward a New Synthesis*, Armonk, New York: M.E. Sharpe, pp.75-81.

Granovetter, Mark (1992), 'Economic action, and social structure: the problem of embeddedness', in Mark Granovetter and Richard Swedberg (eds.), *The Sociology of Economic Life*, Boulder: Westview Press, pp.53-81. Reprinted from *American Journal of Sociology*, Vol.91, November, 1985, pp.481-510.

Granovetter, Mark and Swedberg, Richard (eds.) (1992), *The Sociology of Economic Life*, Boulder, CO: Westview Press.

Hamilton, F.E. Ian (1974), 'A view of spatial behaviour, industrial organizations and decision-making', in F.E. Ian Hamilton (ed.), *Spatial Perspectives on Industrial Organization and Decision-Making*, London: John Wiley, pp.3-43.

Harvey, David (1969), 'Conceptual and measurement problems in the cognitive-behavioral approach to location theory', in Kevin R. Cox and Reginald G. Golledge (eds.), *Behavioral Problems in Geography: A Symposium*, Northwestern University Studies in Geography, 17, pp.35-68.

Harvey, David (1975), 'The geography of capitalist accumulation: a reconstruction of the Marxist theory', *Antipode*, Vol.7(2), pp.9-21.

Hodgson, Geoffrey M. (1988), *Economics and Institutions: A Manifesto for a Modern Institutional Economics*, Cambridge: Polity Press.

Hodgson, Geoffrey M. (1994), *Economics and Evolution: Bringing Life Back into Economics*, Cambridge: Polity Press.

Hodgson, Geoffrey M. (2000), *Evolution and Institutions: On Evolutionary Economics and the Evolution of Economics*, Cheltenham: Edward Elgar.

Holmström, Bengt and Roberts, John (1998), 'The boundaries of the firm revisited', *Journal of Economic Perspectives*, Vol.12(4), pp.73-94.

Krumme, Gunter (1969), 'Toward a geography of enterprise', *Economic Geography*, Vol.45(1), pp.30-40.

Lee, Roger and Wills, Jane (eds.) (1997), *Geographies of Economies*, London: Arnold.

Marschan, Rebecca, Welch, Denise and Welch, Lawrence (1996), 'Control in less-hierarchical multinationals: the role of personal networks and informal communication', *International Business Review*, Vol.5(2), pp.137-50.

Massey, Doreen (1973), 'Towards a critique of industrial location theory', *Antipode*, Vol.5(3), pp.33-9. Reprinted in Richard Peet (ed.), *Radical Geography: Alternative Viewpoints on Contemporary Social Issues*, 1977, Chicago: Maaroufa Press, pp.181-97.

Massey, Doreen (1979), 'A critical evaluation of industrial-location theory', in F.E. Ian Hamilton and Godfrey J.R. Linge (eds.), *Spatial Analysis, Industry and Industrial Environment: Progress in Research and Applications*, Vol.I, Chichester: John Wiley, pp.57-72.

Massey, Doreen (1984), *Spatial Division of Labour: Social Structures and the Geography of Production*, London: Macmillan.

McDowell, Linda (1997), *Capital Culture: Gender at Work in the City*, Oxford: Blackwell.

McNee, Robert (1960), 'Towards a more humanistic economic geography: the geography of enterprise', *Tijdschrift voor Econmische en Sociale Geografie*, Vol.51, pp.201-6.

McNee, Robert (1974), 'A system approach to understanding the geographic behaviour of organisations, especially large corporations', in F.E. Ian Hamilton (ed.), *Spatial Perspectives on Industrial Organization and Decision-Making*, London: John Wiley, pp.47-76.

Miller, Daniel (1997), *Capitalism: An Ethnographic Approach*, Oxford: Berg.

Mitchell, Katharyne (1995), 'Flexible circulation in the Pacific Rim: capitalism in cultural context', *Economic Geography*, Vol.71(4), pp.364-82.

Nahapiet, J. and Ghoshal, Sumantra (1998), 'Social capital, intellectual capital, and the organizational advantage', *Academy of Management Review*, Vol.23(2), pp.242-66.

Nelson, Richard R. (1995), 'Recent evolutionary theorizing about economic change', *Journal of Economic Literature*, Vol. 33(1), pp.48-90.

Nohria, Nitin and Ghoshal, Sumantra (1997), *The Differentiated Network: Organizing Multinational Corporations for Value Creation*, San Francisco, CA: Jossey-Bass.

Oinas, Päivi (1997), 'On the socio-spatial embeddedness of business firms', *Erdkunde*, Band 51, pp.23-32.

Olds, Kris and Yeung, Henry Wai-chung (1999), '(Re)shaping "Chinese" business networks in a globalising era', *Environment and Planning D: Society and Space*, Vol.17(5), pp.535-55.

O'Neill, Phillip M. and Gibson-Graham, J.K. (1999), 'Enterprise discourse and executive talk: stories that destabilize the company', *Transactions of the Institute of British Geographers*, Vol.24(1), pp.11-22.

Penrose, Edith (1995), *The Theory of the Growth of the Firm*, Revised Edition, Oxford: Oxford University Press.

Phelps, Nicholas A., Lovering, John and Morgan, Kevin (1998), 'Tying the firm to the region or tying the region to the firm? Early observations on the case of LG in South Wales', *European Urban and Regional Studies*, Vol.5(2), pp.119-37.

Pinch, Steve and Henry, Nick (1999), 'Discursive aspects of technological innovation: the case of the British motor-sport industry', *Environment and Planning A*, Vol.31(4), pp.665-82.

Piore, Michael J. and Sabel, Charles F. (1984), *The Second Industrial Divide: Possibilities for Prosperity*, New York: Basic Books.

Polanyi, Karl (1944), *The Great Transformation*, New York: Holt, Rinehart.

Polanyi, Karl [1957] (1992), 'The economy as instituted process', in Mark Granovetter and Richard Swedberg (eds.), *The Sociology of Economic Life*, Boulder: Westview Press, pp.29-51. Reprinted from *Trade Market in the Early Empires*, by Karl Polanyi, Conrad M. Arensberg and Harry W. Pearson, 1957, The Free Press.

Prahalad, C.K. and Doz, Yves (1987), *The Multinational Mission: Balancing Local Demands and Global Vision*, New York: The Free Press.

Pratt, Andy C. (1997), 'The emerging shape and form of innovation networks and institutions', in James Simmie (ed.), *Innovation, Networks and Learning Regions?*, London: Jessica Kingsley, pp.124-36.

Pritchard, William N. (1999), 'Local and global in cyberspace: the geographical narratives of US food companies on the Internet', *Area*, Vol.31(1), pp.9-17.

Rees, John (1972), 'The industrial corporation and location decision analysis', *Area*, Vol.4, pp.199-205.

Rees, John (1974), 'Decision-making, the growth of the firm and the business environment', in F.E. Ian Hamilton (ed.), *Spatial Perspectives on Industrial Organization and Decision-Making*, London: John Wiley, pp.189-211.

Sanchez, R. (ed.) (1999), *Beyond the Boundaries of the Firm: Integrating Theories of the Firm and Theories of Markets*, Oxford: Pergamon.

Sayer, Andrew (1982), 'Explanation in economic geography: abstraction versus generalization', *Progress in Human Geography*, Vol.6(1), pp.68-88.

Sayer, Andrew (1985), 'Industry and space: a sympathetic critique of radical research', *Environment and Planning D: Society and Space*, Vol.3(1), pp.3-29.

Schoenberger, Erica (1994), 'Corporate strategy and corporate strategists: power, identity, and knowledge within the firm', *Environment and Planning A*, Vol.26, pp.435-51.

Schoenberger, Erica (1997), *The Cultural Crisis of the Firm*, Oxford: Basil Blackwell.

Schoenberger, Erica (1998), 'Discourse and practice in human geography', *Progress in Human Geography*, Vol.22(1), pp.1-14.

Schoenberger, Erica (1999), 'The firm in the region and the region in the firm', in Trevor J. Barnes and Meric S. Gertler (eds.), *The New Industrial Geography: Regions, Regulation and Institutions*, London: Routledge, pp.205-24.

Scott, Allen J. (1998), *Regions and the World Economy: The Coming Shape of Global Production, Competition and Political Order*, Oxford: Oxford University Press.

Steed, Guy P.F. (1968), 'The changing milieu of a firm: a case study of a shipbuilding concern', *Annals of the Association of American Geographers*, Vol.58, pp.506-25.

Storper, Michael (1997), *The Regional World: Territorial Development in a Global Economy*, New York: Guilford Press.

Storper, Michael and Salais, R. (1997), *Worlds of Production: The Action Frameworks of the Economy*, Cambridge, MA: Harvard University Press.

Storper, Michael and Walker, Michael (1989), *The Capitalist Imperative: Territory, Technology and Industrial Growth*, Oxford: Basil Blackwell.

Storper, Michael and Walker, Michael (1983), 'The theory of labour and the theory of location', *International Journal of Urban and Regional Research*, Vol.7(1), pp.1-43.

Taylor, Michael (1985), 'Industrial geography', *Progress in Human Geography*, Vol.9(3), pp.432-42.

Taylor, Michael (1987), 'Technological change and the business enterprise', in John Brotchie, Peter Hall and Peter W. Newton (eds.), *The Spatial Impact of Technological Change*, London: Croom Helm, pp.208-27.

Taylor, Michael (1999), 'The small firm as a temporary coalition', *Entrepreneurship and Regional Development*, Vol.11, pp.1-19.

Taylor, Peter J. (1994), 'The state as container: territoriality in the modern world system', *Progress in Human Geography*, Vol.18, pp.151-62.

Taylor, Peter J. (1995), 'Beyond containers: internationality, interstateness, interterritoriality', *Progress in Human Geography*, Vol.19(1), pp.1-15.

Thrift, Nigel (1998), 'The rise of soft capitalism', in Andrew Herod, Gearóid Ó Tuathail and Susan M. Roberts, *An Unruly World: Globalization, Governance and Geography*, London: Routledge, pp.25-71.

Thrift, Nigel (1999), 'The place of complexity', *Theory, Culture & Society*, Vol.16(3), pp.31-69.

Thrift, Nigel and Leyshon, Andrew (1994), 'A phantom state? The detraditionalisation of money, the international financial system and international financial centres', *Political Geography*, Vol.13, pp.299-327.

Thrift, Nigel and Olds, Kris (1996), 'Refiguring the economic in economic geography', *Progress in Human Geography*, Vol.20(3), pp.311-337.

Tomer, John F. (1998), 'Beyond the machine model of the firm: toward a holistic human model', *Journal of Socio-Economics*, Vol.27(3), pp.323-40.

Toyne, Peter (1974), *Organisation, Location and Behaviour: Decision-making in Economic Geography*, London: Macmillan.

Tsai, W.P. and Ghoshal, Sumantra (1998), 'Social capital and value creation: The role of intrafirm networks', *Academy of Management Journal*, Vol.41(4), pp.464-76.

Walters, William (1999), 'Decentering the economy', *Economy and Society*, Vol.28(2), pp.312-23.

Watts, Hugh D. (1980), *The Large Industrial Enterprise: Some Spatial Perspectives*, London: Croom Helm.

Weber, Max [1947] (1964), *The Theory of Social and Economic Organization*, Translated by A.M. Henderson and Talcott Parsons, New York: The Free Press.

Weber, Max [1922] (1978), *Economy and Society: An Outline of Interpretive Sociology*, Berkeley: University of California Press.

Whitley, Richard (1992), *Business Systems in East Asia: Firms, Markets and Societies*, London: Sage.

Whitley, Richard (1998), 'Internationalization and varieties of capitalism: the limited effects of cross-national coordination of economic activities on the nature of business systems', *Review of International Political Economy*, Vol.5(3), pp.445-81.

Whitley, Richard (1999), *Divergent Capitalisms: The Social Structuring and Change of Business Systems*, New York: Oxford University Press.

Williamson, Oliver E. (1975), *Markets and Hierarchies: Analysis and Antitrust Implications*, New York: The Free Press.

Williamson, Oliver E. (1985), *The Economic Institution of Capitalism*, New York: The Free Press.

Williamson, Oliver E. (1990), 'The firm as a nexus of treaties: an introduction', in Masahiko Aoki, Bo Gustafsson and Oliver E. Williamson (eds.), *The Firm as a Nexus of Treaties*, London: Sage, pp.1-25.

Williamson, Oliver E. (1996), *The Mechanisms of Governance*, New York: Oxford University Press.

Williamson, Oliver E. (1999), 'Strategy research: governance and competence perspectives', *Strategic Management Journal*, Vol.20, pp.1087-108.

Williamson, Oliver E. and Winter, Sidney G. (eds.) (1991), *The Nature of the Firm: Origins, Evolution, and Development*, New York: Oxford University Press.

Yeung, Henry Wai-chung (1994), 'Critical reviews of geographical perspectives on business organisations and the organisation of production: towards a network approach', *Progress in Human Geography*, Vol.18(4), pp.460-90.

Yeung, Henry Wai-chung (1997), 'Business networks and transnational corporations: a study of Hong Kong firms in the ASEAN region', *Economic Geography*, Vol.73(1), pp.1-25.

Yeung, Henry Wai-chung (1998a), 'The social-spatial constitution of business organisations: a geographical perspective', *Organization*, Vol.5(1), pp.101-28.

Yeung, Henry Wai-chung (1998b), *Transnational Corporations and Business Networks: Hong Kong Firms in the ASEAN Region*, London: Routledge.

Yeung, Henry Wai-chung (1998c), 'Capital, state and space: contesting the borderless world', *Transactions of the Institute of British Geographers*, New Series, Vol.23(3), pp.291-309.

Yeung, Henry Wai-chung (1998d), 'Transnational economic synergy and business networks: the case of two-way investment between Malaysia and Singapore', *Regional Studies*, Vol.32(8), pp.687-706.

Yeung, Henry Wai-chung (1999a), 'The internationalization of ethnic Chinese business firms from Southeast Asia: strategies, processes and competitive advantage', *International Journal of Urban and Regional Research*, Vol.23(1), pp.103-27.

Yeung, Henry Wai-chung (1999b), 'Under siege? Economic globalisation and Chinese business in Southeast Asia', *Economy and Society*, Vol.28(1), pp.1-29.

Yeung, Henry Wai-chung (1999c), 'Regulating investment abroad? The political economy of the regionalisation of Singaporean firms', *Antipode*, Vol.31(3), pp.245-73.

Yeung, Henry Wai-chung (2000a), 'Organising "the firm" in industrial geography I: networks, institutions and regional development', *Progress in Human Geography*, Vol.24(2).

Yeung, Henry Wai-chung (2000b), 'Embedding foreign affiliates in transnational business networks: the case of Hong Kong firms in Southeast Asia', *Environment and Planning A*, Vol.32(2).

Yeung, Henry Wai-chung (2000c), 'A crisis of networks in Asia?', *Environment and Planning A*, Vol.32(2).

Yeung, Henry Wai-chung (2000d), *Practicing New Economic Geographies? Some Methodological Considerations*, Paper Presented at RGS-IBG Annual Conference, Brighton, University of Sussex , 4-7 January 2000.

Yeung, Henry Wai-chung and Olds, Kris (eds.) (2000), *The Globalisation of Chinese Business Firms*, London: Macmillan.

firm in traditional economic geography and offers an organisational perspective to. reconceptualise the nature of the firm for new economic geographies. Myconcern isnot so. much with the origin and growth of the firm per se that has been fairly well theorised in.Â 6. A Critique of Perspectives on the Firm in Economic Geography. The earliest substantial contribution to understanding the firm in industrial and. economic geography is Alfred Weber's industrial location theory, which was explicitly. Portal. Societies. Index. Geographers. v. t. e. Economic geography is the subfield of human geography which studies economic activity. It can also be considered a subfield or method in economics. Economic geography takes a variety of approaches to many different topics, including the location of industries, economies of agglomeration (also known as "linkages"), transportation, international trade, development, real estate, gentrification, ethnic economies, gendered economies, core-periphery theory Reconceptualising entrepreneurship and entrepreneurial processes: contributions from economic geography R. Le Heron, University of Auckland Dr. Le Heron s paper lays the foundation for a geographic perspective on entrepreneurship. The conceptual paper is an especially useful assessment of geography s historical and potential capacity to unlock entrepreneurial processes. 11. Entrepreneurial processes in agglomeration areas: Attitudes, behaviours and outcomes of different types of entrepreneurs C. TamÃ¡sy, University of Auckland Dr. Tamasy presents an interesting study of entrepreneurs and their This paper presents a survey of the so-called "New Economic Geography" (NEG) approach to International Trade, giving particular emphasis to the impact of labour mobility on the spatial distribution of economic activities across integrated countries. The liberalisation of international trade boosts industrial concentration according to a core-periphery pattern. However, when some factors of production, especially labour, are internationally immobile, a further reduction in trade costs scales up the importance of price and wage spatial differentials in the cost function of a typical firm compare