

Economic Globalization and the “Power of Place”: Strategic Globalization and Social Dynamics of Localization in Transnational Corporations

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Economic Globalization and the “Power of Place”: Strategic Globalization and Social Dynamics of Localization in Transnational Corporations. This paper aims to deepen and differentiate superficial and all too “smooth” depictions of economic globalization by probing more deeply into social dynamics of conflict and resistance within Transnational Corporations. Conceiving of these as interaction systems, it is shown that (1) the living practice of organizational life is much more obstinate than is commonly assumed and makes use of diverse strategies to enact formal as well as informal resistance, and (2) that these social dynamics are both fuelled by and strengthen what, following Richard Sennett, can be called the “power of place”. Thus, strategic globalization emerges as inextricably intertwined with social dynamics of localization.

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Introduction

Large, globally operating corporations – the so-called “global players” – have most commonly been described as monolithic, unstoppable actors driving globalization. This contribution aims to contrast this superficial view by probing deeper into the organizational and social structures of the most recent, and currently probably most significant, type of multinational enterprise: the Transnational Corporation (TNC). Its main focus will be twofold: it will seek to portray the TNC’s corporate network as a complex social arena in which social conflict is enacted, and at the same time, it will strive to show how the social dynamics within the TNC as an action system are fuelled by – and have important implications for – what, following Richard Sennett, can be called the “power of place”. (Flecker 2000; Sennett 1998: 188)

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Transnational Corporations and network structures

A particularity of some of the “newer” forms of business corporations is that they can be likened to network structures. The corporate structure of the modern TNC, as opposed to “traditional”, more centralized forms of multinational firms (Bartlett – Ghoshal 1998: ch. 3-4), clearly exhibits network properties in that there are multiple and often multi-layered interlinkages between the subunits or subsidiaries, thus indeed turning the organization chart of a TNC into a network-like web (McKern 2003; for a more comprehensive discussion of the notion of networks, which lies outside the confines of this paper, cf. Powell 1990; Jansen 2002).

However, over recent stages of its theoretical refinement, the term “network” has come to be used with a distinct bias. Network theory has become a theoretical strand in its own right, but it has come to formulate increasingly generalized and abstract conceptions of social and economic networks (Jansen 2002), thus often losing touch with their actual counterparts in social practice. Clearly, this has not been without effect on the analysis of transnational economic networks either: TNCs have frequently been portrayed as idealized networks which are at once self-structuring and self-governing. This usually takes the form of a description either as purely informational structures, or as strictly harmonious normatively integrated systems.

For the first of these, we can turn to the work of Manuel Castells:

Appropriate information is critical to companies’ performance. [...] Information circulates through networks: networks between companies, networks within companies, personal networks, and computer networks. [...] This implies the capacity of the corporation to restructure itself [...] by allocating reprogramming capabilities to all its sensors while reintegrating the overarching logic of the corporate system into a decision-making center, working on-line with the networked units in real-time. [...] The ‘horizontal corporation’ is a dynamic and strategically planned network of self-programmed, self-directed units; the network enterprise makes material the culture of the informational / global economy: it transforms signals into commodities by processing information. (Castells 1998: 165-166; 172)

These are information networks, which, in the limit, link up suppliers and customers through one firm, with this firm being essentially an intermediary of supply and demand, collecting a fee for its ability to process information. (Castells 2000: 11)

Here the TNC network is equated with quasi-electronic circuits: the corporation works like a computer, like clockwork; there is no room for social dynamics, power, conflict, or dissent within its purely mechanistic information processing structures.

Even more common is the description of network organizations as inherently harmonious systems, integrated under a canopy of common norms and goals

shared throughout the corporate network. However, this line of reasoning runs the risk of lapsing into overly harmonistic accounts; for a strong formulation, we can turn to a classic contribution by Walter Powell:

In essence, the parties to a network agree to forego the right to pursue their own interests at the expense of others. [...] Benefits and burdens come to be shared [...], the 'entangling strings' of reputation, friendship, interdependence, and altruism become integral parts of the relationship. (Powell 1990: 303-304)

While Powell himself did acknowledge the possibility of resistance and conflict in networks (and used the above quote to clarify *ideal-typical* differences between networks and markets or hierarchies, in the sense of Weber 1968), some management literature has continued his argument in a truncated manner, without clarifying (or being clear on) the differentiation between reality and strictly analytical ideal types. The most typical variety of this is that, the more corporate structures are portrayed as "flat" (i.e., as lateral and therefore network-like), the more frequent is the recourse to normative integration through shared aims and norms as a coordination mechanism (e.g. Bartlett – Ghoshal 1998: 80: "normative integration [...], common culture and unifying vision").

Also based on Powell's and others' (Powell 1990, 1996; Bradach – Eccles 1989) ideal types, as opposed to authority and hierarchy in firms and to prices in markets, trust is commonly assumed to be the binding force which holds together wide-spread and diverse TNC networks (Powell & Smith-Doerr 1994: 369). However, where this trust stems from is both a crucial question and one that is hardly ever satisfactorily addressed.

At best, homophily is quoted as a sufficient base for bringing about trust; more usually, however, the emergence of trust is functionalistically inferred from the need for it, or is even simply assumed to be "somehow 'in the air'" (for examples of all three explanations, cf. Powell 1996).

When looking more closely at treatments of the problem, we have to conclude that a tautological style of reasoning is implicit: network relations produce trust produces network relations. (e.g. Tsai – Ghoshal 1998)

We have to be clear, however, on the fact that trust is a phenomenon far too complex to be guaranteed between network partners either through hierarchical *fiat* or simply because the "right" preconditions for trust are created. (Lane – Bachmann 1998; also cf. the "leap of faith" that is necessary for strong trust to arise: Simmel 1950; Moellering 2001)

Consequently, and in direct contradiction to "classic" accounts of network-like corporate structures, it is suggested here that: network relations are neither by definition nor of necessity harmonious; the TNC is neither a purely informational structure, processing information in quasi-electronic circuits, nor is it easily integrated through trust or common norms. Instead, as is consistently overlooked

by much of management theory (partly for ideological reasons), there is ample room within the TNC network for conflict, resistance, and the (formal as well as informal) exercise of social power. Accordingly, the following analysis aims to portray the TNC as a complex transnational arena in which these social practices are enacted.

On the one hand, this perspective enables us to obtain a more differentiated – and more realistic – picture of what the TNC actually *is* (i.e., what the social practices are that factually make up the TNC, as with any other system of social action). On the other, it will be shown how each of these social dynamics is directly connected to the dimension of space, and to what we are going to call the "power of place".

If we start from the assumption that the TNC network is an arena of social conflict (Morgan 2001), then, in order to achieve clarity on the shape and dynamics of this arena, we will have to ask the following questions:

What are the motivations for resistance? Who is it who resists, and what are their driving interests? What are the forms of exercising resistance within the TNC, and what power resources are available to them? What are the conditions within the TNC network that facilitate the emergence of resistance in the first place?

In the following, I will try to give an answer to each of these questions, and conclude by summarizing their implications for the "power of place" in TNC networks.

The TNC as a network and a hierarchy

First, however, the conceptualization of TNCs as employed here needs further clarification. We have already seen that its organizational structure clearly displays some network-like properties, such as intense lateral communication (McKern 2003), or the distribution of decision-making capabilities throughout the corporation (e.g. through the formation of "centres of excellence"; Frost et al. 2002). A further quality of the TNC's organization structure that would point towards a pure network form is its capacity for constant restructuring.

As opposed to "traditional", more centralized models of multinational enterprise with their bureaucratic, hierarchical structure and concomitant specific role assignments (Gouldner 1954), the network structure of the TNC is characterized by continuous restructuring². The allocation of tasks and resources, but particularly the interlinkages between subunits must be able to adapt quickly and flexibly to the tasks the TNC is confronted with; as an organizational

² Especially in light of the criticism expressed above, it should be pointed out explicitly that the description of "the TNC" as offered here is ideal-typical; I am fully aware that different degrees and varieties of these structures exist in economic life.

principle, “latent linkages” must be created, “to facilitate the emergence of appropriate linkages, as the need for them arises”. (Doz – Prahalad 1993: 27-28)³

However, the TNC should not be conceptualized simply as a network; its coordination purely by shared aims and norms has already been identified as highly problematic. Thus, the TNC is seen here not as a pure “heterarchy” (Hedlund 1986, 1993), in which the network properties of the corporation are so pronounced that headquarters’ continued existence is only explainable by irrational reasons. (Hedlund 1993: 227) Rather, in these organizational “adhocracies” (Hedlund 1993: 235n.), the function of corporate headquarters is seen as having shifted to be “increasingly defined in terms of coordination and process architecture, rather than control in the classic hierarchical sense”. (Westney 1999: 58)

While the TNC structure clearly displays network-like, “heterarchical” properties, this heterarchy is still coordinated by headquarters that now function as a “meta-institution” (Hedlund 1993: 225), hierarchically governing the (re-)structuring of the corporate network.

This form of corporate governance could thus be termed a *hierarchically coordinated heterarchy* – a network, but one with a clearly discernible “top”. The HQ as a “meta-institution” structures the networks which in their turn structure (but do not fully determine) the range of actions available to individual economic actors moving within their confines, which both enable and constrain their actions.

The TNC is thus a network *and* a hierarchy at the same time.

Global integration and local responsiveness, cooperation and competition

The motivation of subsidiaries to resist decisions made by corporate headquarters chiefly results from two sets of contradictions that the TNC aims to integrate and reconcile within its corporate network: one of them is the strategic focus on “global integration” and “local responsiveness” (Bartlett – Ghoshal 1998); the other, the balance of cooperation and competition between the corporate subunits.

The first of these contradictions is the classic opposition between global and local interests. Kristensen and Zeitlin (2004) have identified the situation more clearly: it is that of “local players in global games”⁴. Although the opposition between “the global” and “the local” has, as a matter of course, frequently been overemphasized (Beauregard 1995), there is some basic truth to it: a subsidiary’s close integration into the “global” plans of corporate headquarters will always come at the expense of its embeddedness into the local context. (See the classic

³ As Castells puts it, once more in an over-dramatic manner: “These networks connect among themselves on specific business projects, and switch to another network as soon as the project is finished. [...] The unit of this production process is not the firm, but the business project”. (Castells 2000: 11)

⁴ Also see the inverse interpretation by Eckardt et al. (1999): “global players in local ties”.

formulation by Levitt 1983) Vice versa, the more a subsidiary is concerned with integrating itself into the local context – by cooperating more closely with local suppliers and partners, or adhering more closely to local economic policy – the more this will be to the detriment of its integration into the overall coordination of the TNC network. (Kristensen – Zeitlin 2004)

The situation is rendered even more precarious by the entry of market competition into the transnational firm: subunits have to compete for the distribution of orders and investments, that is: for the resource allocation throughout the network. Thus, some of the market antagonism, and even of the struggle for existence inherent in market exchange, enter into the TNC – or at least it is often perceived this way by subsidiaries and groups within them (for an empirical confirmation, cf. von Behr 1998). Kristensen and Zeitlin aptly point out how subsidiaries develop what they call “narratives” over their time as part of the TNC. Some of these narratives may construct a strongly antagonistic relationship with headquarters, whose decisions are perceived as unjust and taking inadequate account of the subsidiary’s individual situation. (Kristensen – Zeitlin 2004: ch. 4)

Thus, in the absence of a thorough normative integration (already identified as highly problematic), internal competition often results in dangerous centrifugal tendencies, usually in the form of a certain “structural egoism” on the part of subunits. (Deutschmann et al., quoted in Hirsch-Kreinsen 1998: 51; also cf. von Behr 1998: 82; Altvater – Mahnkopf 1999: 296)

“Localness” as a power resource

Embeddedness into a local context (in the sense of Granovetter 1985) can be used as a power resource in the competition over resource allocation throughout the network, as resources can be made available locally which would otherwise stay beyond the reach of the corporation and its headquarters. In this, the relevant aspects comprise not only “hard” economic facts (such as mining natural resources in a certain location), but also “softer” sources of power: for the TNC as a whole, its subsidiaries are of crucial significance as they establish points of entry to locations that would otherwise remain barred. This comprises the economic criterion of access to local markets, but beyond that, subsidiaries can provide access to the socio-economic networks of a given society and culture.

An impressive example of this is provided by the attempt made by American firms in the 1980s to gain access to the Japanese economy by foreign direct investment, ignoring the warnings of the powerful ministry of trade, MITI, not to do so without their consent. In this case, the coordinated behaviour of the Japanese *keiretsu* corresponded well to the model of a hierarchically coordinated heterarchy (also see Ruigrok – van Tulder 1995), with MITI acting as its gatekeeper, and the Americans soon realized that they were completely unable to

penetrate the dense *kereitsu* network with its complex system of reciprocal equities, interlocking directorates, and long-term trust relationships. Eventually, the American firms had to give in to the demands made by MITI and were granted access only after selling billions' worth of technological know-how and patents to Japanese firms in return for mere token payments. (Krasner 1995: 273-274)

Access not only to markets, but also to "industrial systems" (Lane 1998) is evidently of great value and cannot be obtained without the help of locally embedded actors and the relations that subsidiaries have established with them. MITI's argument was, to put it crudely: "Without us, you are not getting in here."

Taking a closer look, it is necessary to further differentiate between the categories of mere access and that of the "ability to form winning coalitions [..., which] depends to a large degree on [the] ability to adjust to the domestic structure of the 'target country'". (Risse-Kappen 1995: 26; also cf. the concept of "innovative milieu", Genosko 1997)

For economic units, being embedded into the respective local context is frequently indispensable – if they want to operate in a location, they will often have to "be local" (or "go native", to use an oft-quoted term) and be perceived as such. Within the scope of the aspired amalgamation of "global integration" and "local responsiveness", and of the diffusion of locally gained knowledge into the different branches of the TNC network (Ghoshal – Westney 1993: 5, 21), subunits come to play an increasingly important role, acting as the TNC's "interfaces" with its various environments. Thus, as Altvater and Mahnkopf summarize:

In general, we may assume that all relations established by a subsidiary with actors outside of the corporate network can be used as a power resource against corporate headquarters. The more other parts of the corporation are dependent on the 'good relations' of a subsidiary with its [...] environment [...], the greater will be the weight that the subsidiary can claim within the corporation as a whole. (Altvater – Mahnkopf 1999: 296-297; my translation)

On this basis, Ghoshal and Bartlett's (1993: 95) statement can be fully appreciated: "Remote control loses efficacy when 'localness', by itself, is the key requirement for maintaining the relationships." However, the realization of these potentials also depends on the way in which local management define their possibilities and bring these into the discursive process of negotiating with headquarters. (Flecker 2000: 63)

Geppert and Williams (2006) give the instructive example of a Finnish corporation's German subsidiary that used its local embeddedness to increase its bargaining power within the corporation and resist changes imposed by headquarters.

Deeply embedded in the German context, employees shared the traditionally strong emphasis on technical expertise as defining professional identity and status,

and an orientation towards employee participation, both of which can serve to infuse actors with a feeling of empowerment against unwanted intrusion by headquarters. The subsidiary successfully resisted the introduction of standardized company-wide operating procedures "by using the works council's legal rights in the areas of wages, control procedures, shifts and working hours and work organization". (Geppert – Williams 2006: 62)

Thus, for present purposes, three relevant ways are exemplified in which the subsidiary made use of its local embeddedness, as it relied on local resources (1) to define its interests, (2) to enact its resistance formally, and (3) to derive external legitimacy for its actions in internal corporate struggles.

The formation of interest groups within the TNC

So far, we have dealt only with types of formal resistance, which make use of formal channels of communication and are enacted on the principal-agent level of headquarters versus subsidiaries. However, contrary to assumptions common in much of management literature, forms of resistance may take place on any level of a corporation, down to the shopfloor.

It is usually exercised by informal coalitions or groups within the TNC. As Kotthoff points out,

the organizational space is not understandable in terms of formal structure and restructuring alone [...] there is a social and cultural space that pluri-locally spans headquarters and dependencies; [this is] the space of personal connections and cooperation [...] the informal and friendly nexus of people making their careers in the company. (Kotthoff 2001: 143; 138)

In these informal interactions, coalitions may emerge on the basis of the identification of common goals; most commonly, however, these goals are connected to similarities between participants that have evolved over time.

Individual and organizational determinants interact: on the one hand, biographical elements are embedded in and influenced by membership in the organization. (Sennett 2000: 90-91) On the other hand, and more importantly, individuals inevitably carry their own biographies with them into organizational life: "the group life of the larger formation of groups in a [society] enters into a firm; social life within a business firm in a condensed form thus reflects or represents the larger social framework". (Kristensen 1996: 32; 31; also cf. Eckardt et al. 1999: 15)

Thus, within the TNC informal groups emerge which cut across the formal organization structure, as membership is not determined by firm-related criteria. The emergence of "corporate elites", for instance, is not based exclusively on similar positions within the corporate hierarchy, but also on other qualities such as similar upbringing, class, etc., and on "old boys' networks" whose members have known each other for a long time. (Bornschiefer – Stamm 1990: 225) It must be

assumed that common or at least similar socialization plays an essential part in the formation of informal groups such as the “Danish mafia”, who came to occupy increasingly central positions within the APV corporation (Kristensen – Zeitlin 2004: esp. 97-98), or, in a somewhat larger context, the economic and political elite of France, which is nearly exclusively recruited from graduates of the *Grandes Écoles*.

The latter example also points out that the formation of such groups is not restricted to the borders of the TNC. Professional groups such as engineers from the same branch of research and development keep contact across corporate borders – as Powell (1990: 309) points out, “the informal trading of professional know-how among technical professionals in competing firms is extensive” (thus demonstrating again the strength of interlinkages between the TNC network and external networks).

The importance of the informal social dimension within large corporations is well-established (Granovetter 1985: 495-496; however, also see Matthaei 1999: 62, who concludes that it is still frequently ignored in organizational analysis). In the TNC its significance must be regarded as even higher: in the TNC’s highly complex organization structure, characterized by permanent change and certain “indeterminacy” (Ghoshal – Bartlett 1993: 101), habitual social practices and routines provide a persisting principle of organization; frequently, it is only these which endure through continuous processes of restructuring. Not only Hedlund points out the overriding importance of the “tacit dimension of organizational competence” (1993: 229; Polanyi 1964) – some scholars even presume an extensive loss of significance of formal organization (Westney 1999: 57; Matthaei 1999: 162, 170-172); instead, the *social* structure of the TNC becomes clearly visible. (Ghoshal – Westney 1993: 23)

It is crucial to note that the aims pursued by these informal groups “may be in line with formal organizational aims, may be unconnected to *them*, or run counter to *them*”. (Eckardt et al. 1999: 15, my translation) In the latter case, *corporate counter-cultures* (as they might be termed) may emerge, pursuing aims of their own, making use of their own power resources and practices.

How, then, are these groups able to enact their informal resistance against headquarters’ decisions?

Informal resistance and passive resistance

To be sure, in social practice there are countless ways of deviating from official directives in a more subtle manner, feigning compliance while subversive strategies are pursued under its cover. In many cases, it seems astonishing to what extent this is possible – provided headquarters’ insight into actual local goings-on is small.

And this nearly inevitably follows from an organization structure which grants variable, and often quite high leeway to its subunits; where corporate headquarters function as a “meta-institution”, only indirect modes of control are viable. These usually take the form of “benchmarking” as a means of determining the success or failure, and consequently the future of a subunit. As Hedlund (1986: 29) points out, more complex mechanisms of control which measure performance on several dimensions are empirically still the exception rather than the rule. Consequently, these benchmarking procedures deprive headquarters to a significant extent of the ability to gain accurate insight into the actual proceedings within local subsidiaries.

The disintegrating effects of internal competition, as referred to above, are regularly the result of a failure on the part of subsidiaries or individuals to identify with the corporation as a whole. This situation may be aggravated, e.g. in a newly acquired subsidiary which is forced to accept the dismantling of its habitual structures and practices of conducting daily business, and then enters into a competition against other subunits of the same corporation. Frustrations in this competition, once again possibly determined by impersonal numerical “benchmarking” methods which block out the specificity of individual circumstances, can deepen the perceived or constructed divide between subsidiary and headquarters, resulting in an antagonistic and potentially destructive self-narrative, which may extend to a point where a “state of war” against headquarters is informally declared (see the case of the “Lake Mills”-subsidiary in Kristensen – Zeitlin 2004: esp. 180-184, 209). In such cases, subsidiaries as a whole, but particularly informal groups or coalitions within them, may adopt practices of “passive resistance”.

However forceful attempts at representing information flows and communication channels as constitutive for the modern TNC may be, production and its organization are performed in the daily interactions of individuals (see below). If these individuals refuse to adopt innovations promoted by headquarters, this may be termed “passive resistance”: the innovation is not, or to an insufficient degree, put into practice, the rationale behind this mostly being that it may subsequently be dropped due to its ineffectiveness. Even if this outcome has been caused intentionally, this may not be realized by headquarters oriented only towards benchmarking data.

Consider for instance the problems that the *Deutsche Bahn* faced 2000/2001 in its extensive reorganization efforts (the so-called “Fokus” program)⁵. Numerous

⁵ The following example is not concerned with a TNC; it was chosen because it perfectly exemplifies the dynamics of passive resistance, which can occur in any type of company, global, transnational, or purely local, but is rarely ever well documented. For a hint (of the usual length) at such passive resistance in a multinational corporation, see e.g. Geppert and Williams (2006: 62):

measures for cost reduction, administrative streamlining and market development, including an entirely new pricing system and a new software system, had been designed by the upper echelons of management, but in early 2001, the *Deutsche Bahn* analysts concluded that about 75% of all measures had not even begun to be implemented and would hardly be before the target date of June 8, 2001. (Deutsche Bahn 2001) Media coverage chose as a motto for this “brake and block”. (Der Spiegel 17/2001: 104-105) Many of the innovations were simply blocked by lower management, but also by the employees who were still used to being part of a state-owned enterprise despite recent privatization, were unwilling to change their daily routines and likely did not want additional controls imposed on them. Formal protest was not deemed necessary – routines were simply slowed down, and innovations not used in daily business on the shopfloor level. “Impulses from corporate headquarters died away unheard in the labyrinthine corporation, and the CEO’s efforts at reorganization collapsed as they were not supported by subordinates” (ibid.; my translation). It seems that consequent attempts at disciplinary action did not show effect to any significant degree.

The motto of this highly informal form of resistance is obvious: irrespective of how much power headquarters may have – in the end, “someone has to *do* things!”

A similarly instructive example is described by Dalton with reference to an internal audit in a pharmaceutical corporation:

Notice that a count of parts was to begin provoked a flurry among the executives to hide certain parts and equipment [...] materials *not* to be counted were moved to: 1) little-known and inaccessible spots; 2) basements and pits that were dirty and therefore unlikely to be examined; 3) departments that had already been inspected and that could be approached circuitously while the counters were en route between official storage areas [...] As the practice developed, cooperation among the [department] chiefs became well organized and smoothly functioning. (Dalton, quoted in Granovetter 1985: 499)

This proves beyond any doubt that descriptions of the TNC as a mere information-processing structure or as consisting of strictly harmonious network relations are starkly oversimplified: neither the position of a subunit within the corporate network nor its internal organizational life are governed solely by the plans of headquarters. The subunits as well as groups within them obviously possess a “will of their own”, and they have a plethora of possibilities at their disposal to organize resistance against unfavourable decisions made by headquarters.

“resisting [...] also in their daily work practices by non-adherence to new procedures, i.e. not inputting data into the new SAP system at all or not doing it properly so the information the MNC receives is not trustworthy.”

Although these practices of resistance cannot always prevent decisions being implemented, they are likely to interrupt and disturb proceedings within the TNC to a significant degree. Communication with subunits and possible reconciliation of interests are thus evidently decisive factors for the factual organizational shape of the TNC. (Hirsch-Kreinsen 1998: 47-48)

Dalton’s example also demonstrates that organizing resistance usually requires internal coalitions. As Granovetter (1985: 501) states, individual resistance forms a rare exception (since hardly promising success); instead, it is the informal networks referred to previously which permit the organized pursuit of divergent interests.

Production as a “real” process

These patterns are part of living corporate practice; they are not depicted in any organization chart of any firm, and thus make clear how little these are able to depict organizational reality. But stating that production and its organization are “real” processes seems more self-evident than it really is (Giddens 1995: 175): a significant number of accounts of economic globalization still embrace abstract perspectives which portray globalization as a monolithic, unstoppable force which can be described by sweeping generalizations.

But talk of “global actors” or even “global forces” glosses over more complex realities – however high the degree of comprehensive planning, electronic information processing and indirect control, however forceful the attempts at describing the TNC in impersonal and abstract terms, it has become fully evident that the TNC does not exist in a socio-cultural vacuum; even in the “new informational economy” (Castells 1998), “someone has to *do* things”.

As Sassen (2001: 196) rightly points out, “the capabilities for global operation, coordination and control contained in the new information technologies and in the power of transnational corporations need to be produced”. They are produced in the everyday dealings and actions of individuals, which constitute the TNC as an action system. As soon as interaction ceases, the organization collapses; without it neither the values of shares (which frequently seem to be mistaken for the corporation itself) nor the complex organizational and informational structure of the TNC exist. Or, as Ruigrok and van Tulder (1995: 2) put it, “[a]fter all, goods do not descend as ‘manna from heaven’, but because they are produced by living people.”

In order to obtain new and viable insights into internationalized forms of production, it is crucial that distance be gained from those theoretical accounts to which Sassen (2001: 196) refers: “The master images in the currently dominant account about economic globalization emphasize precisely these aspects: hypermobility, global communications, the neutralization of place and distance”.

Production in “real” space

By the same token it is irrefutable that production and its organization are clearly located and anchored in space and time. This, again, should not be taken for granted: in much of globalization theory, the development of multinational, and particularly transnational, forms of enterprise is portrayed as sublimating the dimension of space entirely. (See again, for example, Castell's depiction of the TNC as quasi-electronic circuits) Many theorists of economic globalization invariably emphasize the effects of modern information and communication technologies (ICT): they make a “hypermobility” of information and capital possible, bridge any distance without effort or loss of time, they dissolve all kinds of borders (Ohmae 1995), thus rendering the dimension of space utterly irrelevant. As Ludger Pries (2001: 14) points out, “[i]n today's discussion of globalization, space is often brought in only to argue that it is of little importance any longer”.

While the decisive influence of ICT on economic organization is indisputable, many of these accounts are too preoccupied with the “upper circuits of capital”. (Sassen 2001: 197) In fact, what we are dealing with here is often a simple mistake (cf. Rugman 2002: 3, 8) that confuses “hypermobility”, virtual financial capital with thoroughly physical, material forms of capital, necessarily bound to a place in space and time – rarely are production plants with all their material equipment readily moved to another nation-state. And even the much-quoted international mobility of personnel applies only to the “upper circuits” of management. (Reichwald – Moeslein 2001)

The concept of spatial-geographical proximity also continues to play a role in the TNC that should not be underestimated. As Reichwald and Moeslein (2001) are able to verify empirically, despite the opportunities for communication offered by the modern ICT, high-ranking executives still travel from place to place to meet their dialogue partners (instead of, for instance, video-conferencing with them); face-to-face interaction remains the preferred and most significant means of communication. Here too social, and largely tacit, criteria must be a decisive factor.

The prime example of global hypermobility, however, is clearly the internet, which is seen to have finally succeeded in turning the world into the much-quoted “global village”, and in producing a fully global, borderless space of its own; as Zygmunt Bauman writes:

In this case, at least, the reduction of travel time leads to a new quality: to a total annihilation of spatial constraints, or rather the total ‘overcoming of gravity’. Whatever moves with the speed approaching the velocity of the electronic signal is practically free from constraints. (Bauman 1998: 55)

But, as has rarely, if ever, been considered, the internet too rests on an entirely physical, material infrastructure – and this insight is hardly marginal, as is

demonstrated by the example of an American geographer. With the help of software he developed specially, he was able to construct a map of the internet within the USA – in the form of the *cables* through which the data streams pass. His software was also able to identify those knots of the net the severance of which (with tools as simple as a bolt cutter or a chainsaw) would cause the greatest damage: according to the software, economic damages worth several billion dollars could thus be caused in only a few hours' work. (Der Spiegel 32/2003: 128-129)

On the one hand, it deserves emphasizing again that the use of ICT has decisively changed the ways of organizing economic activity, and that there are indeed segments of economic organization that can be “pluri-localized” (e.g. the use of software systems that allow accessing and manipulating not just databases, but also the organization of economic transactions from anywhere in the world in real-time)⁶.

On the other hand, the above example shows clearly: There is no such thing as a “de-spatialized” economy; transnational structures do not produce complete independence from the dimension of space. Much to the contrary, many of their distinctive features are produced by their embeddedness into different contexts, which are different precisely because they have emerged in different places. Space, in the form of “real” places, must be recognized once more as a principal category in the analysis of transnational business structures.

Conclusion: corporate social dynamics and the “power of place”

What lessons are to be learned from this – admittedly brief – look at the organizational structures of Transnational Corporations with respect to the “power of place”? The most important points may be briefly summarized as follows:

The network structures of a TNC (conceived of as a “heterarchically coordinated hierarchy”) are not purely information-processing structures. Nor are they necessarily of a harmonious nature; neither the emergence of trust nor self-governance through normative integration may be assumed *a priori*. Instead, the TNC must be analysed as a complex social arena in which the exercise of power, social conflict and resistance are the order of the day.

One of the crucial power resources at the disposal of subunits is their “localness”: they are able to act as “interfaces” between the corporate network and its diverse environments; only through them is the TNC able to gain access not only to local markets, but also to locally embedded social and socio-economic networks.

⁶ I am indebted for this point to an anonymous reviewer.

Informal groups that cut across formal organization are frequently formed not only by common interests, but also by common origin; more often than not it is a form of common socialization, which is in many ways place-bound too. Accordingly, in the framework of potential conflicts between “global” and “local” interests, the interests of these groups (possibly of whole “corporate counter-cultures”) as well as those of entire subunits may be shaped strongly by their local environments.

The organizational principles of the TNC, foremost among them mechanisms of indirect control, leave much greater leeway to subunits than was the norm in more centralized forms of multinational enterprise. The type of “passive resistance” informal groups may adopt is made possible by the fact that corporate headquarters may have only very limited insight into actual local proceedings in subsidiaries.

Ultimately, these dynamics are only explicable when systematically taking into account that, despite the undeniable effects of information technology, the majority of the processes of production and its organization continue to be “real” processes taking place in “real space”.

Thus, it has also become evident that there is no such thing as a “de-spatialized” economy; the all-too “smooth” depictions of transnationalisation as a sublimation of space will have to be corrected in significant ways. An understanding of transnationality must be adopted that recognizes its potential to change places – but not to dissolve them. Transnationality must be understood as a pluri-local form of interconnecting places in novel ways without, however, touching on their spatial integrity.

Transnational Corporations are certainly among the main protagonists of economic globalization. But neither are they the monolithic, all-powerful actors they may seem at first glance, nor are their effects only those of globalization. By trying to profit from the “power of place”, at the same time they help to retain and strengthen it.

These days, there hardly ever seems to be any localization without globalization. There has never been any globalization without localization.

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