

**Cultural aspects of managing interfirm collaboration – evidence  
from returned Chinese executives in Shanghai**

Doctoral dissertation

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## Preface

Ethnic entrepreneurship caught my attention quite early in my academic career. Fueled by a heated political debate about a rising Turkish parallel society in Germany I started my diploma thesis in 2005 which focused on the local economic embeddedness of Turkish entrepreneurs in Bielefeld. I analyzed their linkages with customers, suppliers and workers and systematically revealed their arguments for predominant local connections. To my surprise, culture in terms of language skills, specific consumer buying habits (products / services known from Turkey) and mutual solidarity of Turkish business men (e.g. with respect to payment delays) played only a minor role; it was outnumbered by aspects such as low mobility barriers, few storage facilities, locational advantages and the range of everyday goods offered in some shops. Those latter arguments, however, could account for any entrepreneur seeking for cost and time efficiency and seem independent of their ethnicity. Given such low impact of culture I wondered whether these Turkish entrepreneurs are only an (unfortunate) exception or whether culture and ethnic resources are simply overestimated in economic-political agendas. Anna-Lee Saxenian's book about transnational migrants in Mainland China, Taiwan and India revived and reinforced my interest in culture and economy, though. Culture is found to be relevant for economic actors who operate their business relations across national borders, however, the precise impact and mechanisms of influence were hardly explained. By the start of my PhD thesis in 2007 I was determined to know more about these issues, aiming to provide a systematic overview of linkages between culture and economic development, primarily in the context of labor migration. I sincerely hope to fulfill my readers' expectations and generate more research ambition in this highly interesting but yet underdeveloped field of culture within economic geography.

Spending almost four years on this topic is, of course, impossible without the support and encouragement of my family, friends and colleagues. First of all, I would like to express my deepest gratitude to Robert Hassink whose supervision perfectly matched my rather self-organized and open-structured working style. His constructive criticism, financial support, initiatives in shared publications as well as his welcoming, uncomplicated and honest attitude did not only fundamentally shape my PhD project but also turned the last years into an outstanding experience. With their own scientific focus on China, Anna Lena Bercht and Juliane Bielinski were also particularly supportive and valuable for many questions concerning research as well as for coping with everyday life in this fascinating and dynamic, but unfamiliar environment of China. Furthermore, I would like to thank Prof. Zeng Gang and his student assistants, first and foremost Si Yuefang, for their continuous assistance in China during my field work. And finally, Oliver Plum, Carin Whitney, my parents and Jörg Martin deserve special acknowledgement for their encouraging words and advice in the last years of writing and publishing papers.

## Summary

My doctoral dissertation is concerned with the *nature and role of culture* for interfirm collaboration practices and underlying managerial knowledge in the context of labor mobility. With the rise of post-Fordist modes of business organization, that is, first and foremost, specialization and outsourcing, interfirm linkages and networks became important prerequisites of competitiveness and economic development. People's knowledge and skills are understood as its main triggers and thus, thought of as a fundamental resource, besides financial capital, for firms and regions to enhance innovation potentials. Several models of regional development such as the innovation system and learning region concepts propose specific ways of organizing such business relations in order to stimulate knowledge creation and distribution. In neoclassical thinking, culture in terms of values, norms, attitudes, preferences and world views is more or less disregarded as an influence on knowledge and practices of economic transactions. If at all, it may be reflected in the homogenous rationality of actors who are assumed to follow the strict logic of maximizing profits. However, since the *cultural turn* culture has been discussed as a variable of economic outcomes and accordingly tried to be integrated into concepts and perspectives within economic geography.

My book takes a closer look on how this is realized for the issues of *international/-regional knowledge transfer and the applicability of interfirm business practices*. From an actor-centered perspective of executives in Shanghai I analyze how culture is socially constructed and institutionally embedded, how cultural perceptions translate into observable interfirm behavior, and finally, whether and with what effects culture obstructs the application of new managerial know-how. Research gaps are identified with respect to three corresponding areas, namely the constituting elements and spatiality of culture, its significance for economic behavior in relation to other factors, and the assumed unproblematic ability of people to implement culture-sensitive knowledge into any new context. Even in (re-)migration studies which generally emphasize the potential of work migrants as knowledge brokers, little is known about the transfer of new *interfirm managerial* knowledge and practices. The empirical research therefore focuses on 34 case studies of Chinese returnees from abroad, mainly the USA, and their behavioral patterns of searching for and selecting native business partners in China, of interfirm communication and control as well as contracting and conflict resolution. The empirical findings are derived from a qualitative methodology of semi-structured interviews and evaluated by descriptive statistics and content analysis. The scope of my results is finally enhanced beyond the issue of Chinese remigration by three theoretical chapters, addressing for instance general policies on interfirm collaboration and learning in the face of cultural differences.

## Zusammenfassung

Die vorliegende Doktorarbeit befasst sich mit der *Beschaffenheit und Bedeutung von Kultur* für die Gestaltung zwischenbetrieblicher Geschäftspraktiken und dem dafür relevanten, managementbezogenem Wissen. Mit dem Aufkommen postfordistischer Formen der wirtschaftlichen Organisation, das sind vor allem die betriebliche Spezialisierung und Auslagerung, entwickelten sich zwischenbetriebliche Verknüpfungen und Netzwerke immer mehr zur Grundvoraussetzung für Wettbewerbsfähigkeit und ökonomische Entwicklung. Individuelles Wissen und Fertigkeiten bilden dafür die Basis und repräsentieren somit neben finanziellen Mitteln die wichtigste Ressource, um das Innovationspotential von Firmen und Regionen zu erhöhen. Verschiedene regionalentwicklungspolitische Modelle wie Innovationssysteme und lernende Regionen empfehlen spezifische Formen der Organisation von Geschäftsbeziehungen, welche die Erzeugung und den Austausch von Wissen anregen und fördern. Allerdings wird aus neoklassischer Perspektive Kultur im Sinne von Werten, Normen, Einstellungen, Vorlieben und Weltanschauungen eher vernachlässigt als ein Einflussfaktor auf Wissen und zwischenbetriebliche Praktiken. Wenn überhaupt, spiegelt sich Kultur in der homogenen Rationalität von Akteuren wider, die der strikten Logik der Gewinnmaximierung folgen. Seit dem *Cultural Turn* wird Kultur jedoch als Variable der Ökonomie diskutiert und entsprechend versucht, in Konzepte und Perspektiven der Wirtschaftsgeographie zu integrieren.

Meine Arbeit beleuchtet dieses unter dem Aspekt des *internationalen/-regionalen Wissenstransfers* sowie der *Anwendbarkeit zwischenbetrieblicher Organisationspraktiken* genauer. Aus der Perspektive von Managern in Shanghai untersuche ich wie Kultur sozial konstruiert und institutionell eingebettet ist, wie sie in zwischenbetriebliches Verhalten übersetzt wird, und letztlich, ob und mit welchem Ergebnis Kultur die Anwendung neuer Managementpraktiken behindert. Forschungslücken werden entsprechend dieser drei Themen identifiziert, welche im Einzelnen die konstituierenden Elemente und Räumlichkeit von Kultur, deren Bedeutung für ökonomisches Verhalten in Relation zu anderen Faktoren und die scheinbar unproblematische Fähigkeit von Akteuren, kulturempfindliches Wissen in jeglichen neuen Kontext zu implementieren, betreffen. Selbst in der Migrationsforschung, welche das Potential von Arbeitsmigranten als Wissensvermittler normalerweise hervorhebt, ist über den *Transfer von neuem managementbezogenem Wissen und zwischenbetrieblichen Praktiken* wenig bekannt. Meine empirische Forschung fokussiert daher auf 34 Fallstudien chinesischer Remigranten, vorwiegend aus den USA, und deren Verhaltensmustern bezüglich der Suche und Auswahl einheimischer Geschäftspartner in China, zwischenbetrieblicher Kommunikation und Kontrolle sowie Formen der Vertragsgestaltung und Konfliktlösungsstrategien und -zielen. Die empirischen Ergebnisse basieren auf einem qualitativen Forschungsansatz von halbstrukturierten Interviews und wurden mittels deskriptiver Statistik und qualitativer Inhaltsanalyse ausgewertet. Die Reichweite meiner Ergebnisse



wird schließlich durch drei Kapitel konzeptionell erweitert und führt somit über die konkrete Situation chinesischer Remigranten hinaus.

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## 1. Introduction

The introductory chapter specifies my motivation of engaging with the subject of culture in economic geography (from here on EG) which presents itself as a fairly ambitious endeavor. However, complemented by the discussion of the wider theoretical perspectives in Chapter 2 a well-defined approach to the culture-economy nexus is provided which is at heart of this doctoral dissertation. Furthermore, the introduction seeks to clarify the main aim and questions of my work, followed by summarizing the outline of this book.

### 1.1. Engaging with culture in economic geography

*Why did I choose to scrutinize the role of culture in EG?* My motivation is quite simple: considering culture as an impact on economic agency and the organization of economies has provoked contradictory discussion and heated debates about re-constituting EG (Castree, 2004; Scott, 2004). Since at least three decades EG has been exposed to and absorbed new conceptual ideas derived from economics, such as evolutionary economics and new institutional economics, and sociology (Schamp, 2007). It is particularly the latter, proposing networks and embeddedness as novel research themes based on new economic sociology (Granovetter, 1985), which appears to challenge established ways of thinking in EG. Also, along with discussing individual concepts from neighboring sciences, EG as well as other disciplines has been confronted with thematic turns which led to further theoretical impulses in our discipline (Schamp, 2007). Institutions as the key focus of the institutional turn (Martin, 2000) or relations of various kinds represented in the relational turn (Yeung, 2005; Bathelt and Glückler, 2003; Sunley, 2008) are, for instance, considered responsible for differences in economic outcomes and landscapes.

The *cultural turn* constitutes another, and according to Barnett (1998), one of the most contested, thematic shift in human geography which caught my special attention. Since the late 1980s geographers have begun to integrate culture into their research agendas, along with proposing a variety of definitions and ways of operationalizing culture (Philo, 2009; Mee, 2009; Gibson and Kong, 2005). This enlargement of disciplinary foci can be broadly sketched a cultural turn (Philo, 2009), well aware that it takes more than just new theoretical perspectives to describe it<sup>1</sup>. My main point here is to outline its key assumptions (complemented by Chapter 2) and summarize how economic geograph-

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<sup>1</sup> The cultural turn has also caused *new research norms* in human geography which can be summarized as constructionism and contextualism (Norton, 2006). In short, *constructionism* refers to the idea that social phenomena such as identity are not pre-given or external to the individual but a result of social construction, discourse and power relations. Thus, people are not automatically equipped with a particular identity. Instead, it develops and forms in relation to the social context and is permanently contested by 'alternatives'. *Contextualism*, as the second research norm, claims that knowledge is not only constructed but also distributed with a defined purpose. This is first and foremost applied to researchers that try to push a certain idea or concept.

ers have dealt with the uprising opportunity or threat emanating from the cultural turn. Altogether, it has inspired human geographers to pay attention to culture as a new subject-matter which has been thought to be occupied by other disciplinary fields before (Philo, 2009). A central idea is to acknowledge an intersection of culture and economy instead of separating the two in the manner of 'self' and 'other', and also, to interpret the economy as a site of cultural practices (Scott, 2004; Crang, 1997). Schools of thought such as neoclassical economics and spatial sciences have to a large degree disregarded the influence of culture on economic activities and outcomes, and ignored the socio-cultural embeddedness of actors in favor of an undersocialized and perfectly rational behavioral ideal (James et al., 2007; Hess, 2004; Philo, 2009). In contrast, adherents of the cultural turn would, for instance, argue for a variety of behavioral rationalities and norms, and deny a universal logic of workplace behavior (Ettlinger, 2003). Individual's perceptions, meanings and cognition in terms of progressing information have started to enter studies of human geography which can be circumscribed as discovering the immaterial and intangible dimension of culture (Philo, 2009)<sup>2</sup>. Accordingly, economic and social realities are then understood and analyzed as an outcome of discourse, contested meanings and power relations that bring them into being. These challenging and new ways of thinking, coupled with the rise of, often, qualitative methodologies (e.g. textual analyses, participant observation, case studies (Shurmer-Smith, 2002)) have met with different responses in EG.

Some first and foremost appreciated the upcoming opportunities of *broadening theoretical, conceptual and methodological scopes* by a culture related perspective: Amin and Thrift (2000) quite radically invited scholars to shift attention away from formal economics which seems to be the unchallenged core of EG, and to open up for theories of social sciences such as economic sociology, political economy, management studies and environmental economics (Scott, 2004; Yeung, 2001). By turning to a social, institutional and cultural understanding of the economy EG would be able to step out of the "shadow of economics" (Amin and Thrift, 2000: 8) and be revitalized as a unique discipline within social sciences. Scott (2004), too, advocates the main proposal of a cultural turn which is seen to clearly enrich approaches of analyzing the dynamics and spatialities of the economy such as Krugman's core-periphery-model. We should, however, in Scott's opinion be careful with interpreting all social and economic phenomena (e.g. industrial districts, uneven development and capitalism) only as outcomes of discursive construction. The risk appears to be the neglect of underlying economic logics such as increasing return effects on agglomerations as well as simply missing out the effects of physical or material manifestations in their own right: economy, in this view, is propagated to be more than just a theoretical idea and discourse about the world (Scott, 2004). Castree (2004) even

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<sup>2</sup> A tangible or material dimension of culture is, according to Philo (2009) represented in *everything* that can be observed, counted or mapped, e.g. churches as a religious artifact or dialects as a characteristic of language.

takes into account that such ideas can be treated as material forces themselves, thus breaking with the distinction between thought (culture) and reality (economy). This way, the research focus of economic geographers who deal with the relationship between culture and economy would become clearer: instead of struggling to define what culture and economy are we should better “focus on how the ideas of economy and culture are (or are not) used by certain actors and institutions for particular reasons with specific effects” (Castree, 2004: 224). For proponents of a cultural turn EG should hence incorporate what may be broadly interpreted as a mid-way between the criticized extreme of cultural geography and the narrow perspective of geographical economics in order to take on the challenges of contemporary economies (Scott, 2004; Castree, 2004).

Others, however, are *more critical and concerned* with losing sight of what is considered to be at the disciplinary heart of EG, namely mainstream economics (Rodríguez-Pose, 2001; Yeung, 2001; Perrons, 2001). Introducing cultural analyses is found to neither remedy identified conceptual and methodological fuzziness in EG nor does it, with its focus on case studies rather than systematic quantitative research, provide a comprehensive explanation of regional inequality and development (Rodríguez-Pose, 2001; Scott, 2004). Quite the contrary, borrowing too much from social and cultural studies challenges the position of EG as a vital contributor to the social sciences. Opposed to the previous argument by Amin and Thrift (2000) economic geographers would fail to offer something new to those neighboring disciplines (Yeung, 2001). However, according to Yeung (2001) mainstream economics show theoretical deficits which could indeed be tackled in companion with EG. For instance, with respect to the spatial fragmentation of production EG offers valuable insights in analyzing how space and place shape economic activities and could, therefore, contribute to an internal reform of mainstream economics.

Nowadays, however, only few would object that culture constitutes economic realities independent from advocating or criticizing the consequences for research in EG. I am, too, convinced that we have to understand the economic as inseparable from the cultural, or more precisely to acknowledge causality between the two that works both ways (Scott, 2004; James et al., 2007). Culture, on the one hand, is thought of as a causal factor for the emergence of certain markets, patterns of production and consumption. A socio-cultural context of conventions, norms, values, traditions, attitudes and expectations is seen to underlie observable economic outcomes such as variations and differences in consumer goods or management styles. On the other hand, the rise and success of political systems, e.g. capitalism, the idea of shareholder value or business networks as forms of economic organization are in need to be constantly reproduced by practices and discourse in order to gain legitimatization.

This reciprocity between culture and economy gets special attention here because I argue it incorporates a *constant tension between match and mismatch*. What happens when culture in terms of norms, values, preferences and attitudes does not fit in with desired economic outcomes? For instance, imagine dense cooperation as a requirement for cluster policies in a region that is shaped by only one or two big players and many highly dependent firms; or think of the introduction of new forms of labor organization which presuppose self-contained and creative minds, which however contrasts with the guidelines of a national education system. On the one hand, scholars have become increasingly aware that similar cultures of corresponding actors facilitate knowledge distribution, learning and innovation and thus firm performance and economic growth (Gertler, 2004; Williams, 2006). On the other hand, adapting cultural norms and values does not always lead to better economic performances (James, 2005). The task of matching cultures becomes even more complicated when spatial levels such as the region and nation are assumed to contain cultures on their own. Which culture or scale is, for instance, relevant to the success of a new production or R&D site abroad? *Cultural proximity* as well as the creation and distribution of *knowledge* (Chapter 2.2) are therefore highlighted throughout the book as key variables of economic development.

Finally, *international labor mobility* is considered a fruitful research field for studying the effects of culture on learning, innovation and economic development, respectively (Beaverstock, 2002; Williams, 2007). Returnees as well as transnational migrants are, firstly, capable of transferring new knowledge, practices and skills to different locations. Policy makers have proclaimed programs and initiatives that aim to attract highly-skilled work force from abroad for that reason, for instance China (Müller, 2007; Zweig, 2006) but also in technologically advanced countries such as the USA and Australia (Chiswick, 2005). Secondly, international work migrants are very likely to both, face the challenge of cultural mismatch in the business context and provide information, strategies and recommendations about solving such situations. My selection of Chinese returnees from abroad, primarily the USA, is based on several reasons. Previous studies of returnees in *Shanghai* have emphasized their potentials of initiating economic development and growth; also, along with Beijing and Shenzhen, the city appears to attract a large number of return migrants, (Müller, 2007; Saxenian, 2006; Iredale and Guo, 2001; Zweig, 2006), and finally Shanghai is classified as the “dragonhead of China’s booming economy” (Shen, 2010: 1) and contrasts, e.g. with Beijing which is described as less dynamic, vibrant and cosmopolitan due to its overwhelming political rather than economic functionality (Dreyer, 2010). Furthermore, scholars have permanently referred to the cultural peculiarities in business and management known and critically discussed as Guanxi-Capitalism or Chinese Capitalism (Redding, 1993; Dirlik, 1997; Gold et al., 2002; Yeung, 2004), which caught my attention. Often Chinese business behavior was opposed to a ‘Western’ approach to management (Leung, 2009; Ralston

et al., 1999), for instance, concluded from the GLOBE research program (Global Leadership and Organizational Behavior Effectiveness) which analyzed culture and leadership across 25 societies (Chhokar et al., 2007). Chapter 3.1 will refer to the national, regional and industrial considerations of choosing Chinese returnees in detail.

## 1.2. Research aim and main questions

The core parts of my dissertation (Chapters 5 to 8) aim to contribute to understanding the impact of culture on knowledge exchange and transfer across regions and nations. In line with James (2007) and Sadler and Thompson (2001) I criticize that it is still unclear how and under which conditions culture exactly produces and influences economic outcomes, for instance in terms of innovation and general firm performances. Even in Saxenian's (1994) seminal book about the success of Silicon Valley causal links between culture and regional development are drawn which seem to lack profound and thorough reasoning (Markusen, 2003). My aim is to systematically explore the construction and effects of culture on the transfer of managerial knowledge and applied interfirm behavior. Altogether three *main research questions* are posed which relate to each other in the following ways (Figure 1). The corresponding research gaps are identified in Chapter 2.

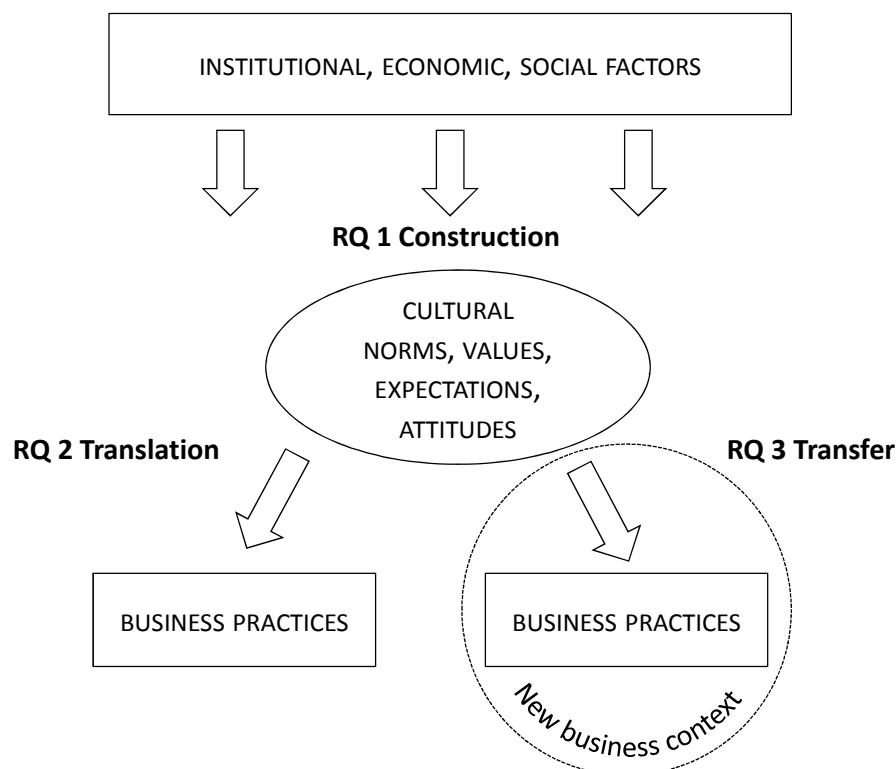


Figure 1: Overview of research questions

*Regarding the construction of culture, how is culture perceived by economic actors with respect to constituting elements and spatiality? (RQ 1)*

Given its multiple associations in contemporary human geography, culture incorporates various definitions and ways of operationalization. Amongst others, culture is understood as a way of life, as a social construction, represented in commodities and symbols and is often, but not only, studied from a qualitative methodological approach. This certainly facilitates conceptual confusion but also provides plenty of opportunities to enhance research agendas as for instance argued for the multivalency of cultural economy approaches. It is therefore not my aim to postulate a totally new concept and methodology of culture in economic geography which outplays all others. Quite the contrary, part of my research aims to relate and compare some of these established concepts to the imaginations of culture by individual actors who define cultural characteristics of their business context (Chapter 6 and 7). Particular attention is thereby paid to the constituting elements and spatiality of culture affecting interfirm behavior and knowledge transfer which plays a role in Chapter 8 as well.

*How is culture (re)produced and transformed by economic actors as interfirm practices? (RQ 2)*

The second question stresses the performative dimension of the culture-economy-nexus, namely the production of culture by economic agents. Intangible values, expectations, norms, attitudes and preferences are argued to translate into business practices and work routines which are regarded characteristic for a particular social group (Figure 1). This part of my research firstly highlights and discusses the interfirm practices of Chinese returnees with native business partners and related them to previous studies of that kind. Secondly, this research question addresses the presupposed causality between immaterial culture and patterns of economic organization. It therefore, also engages with the significance of culture in relation to other factors such as the legal and political environment of firms. The empirical Chapters 6 and 7 deal with this set of questions.

*How does culture constrain the transfer of knowledge across regions and nations? (RQ 3)*

This question refers to all culture related chapters of this book (Chapter 5 to 8). After culture has been conceptualized and linked to practices in the previous research questions, the third one is concerned with the adaptability of knowledge and corresponding business behavior in different cultural contexts. So far, scholars have only paid little attention to the transfer of managerial knowledge in comparison to technological know-how, and are undecided whether and which cultures at the corporate, regional or national level have to match in order to facilitate the transfer of knowledge, interactive learning and firm performance. The third question illuminates the limitation and potentials of so called knowledge brokers in their function to implement new knowledge into any socio-cultural context. It also highlights the outcomes of transferred managerial knowledge and related practices as



they can vary from perfect imitations to hybrids. Figure 1 illustrates this part of my research as the transfer of workplace practices to a new business context.

### **1.3. Combining culture and economic development: overview of papers**

The five papers selected for this dissertation contribute to recent debates in EG which are pointed to the configuration of business interactions as well as economic development induced by interactive learning and innovation. Therein my emphasis is clearly placed on the impact of culture on knowledge transfer across regions or nations and interfirm collaboration practices, both resembling prerequisites for economic competitiveness. Four chapters are hence directly concerned with culture: Chapters 5 to 8 draw direct links to the cultural embeddedness of actors. In the context of economic development and competitiveness they commonly emphasize cultural differences in interorganizational collaboration practices as well as the related managerial knowledge.

This culture centered heart of my dissertation is framed in *theoretical perspectives* that currently experience a significant upturn in our discipline, first and foremost relational ways of thinking. Chapter 4 therefore complements and enhances the theoretical section (Chapter 2.1) which roughly introduces a relational economic geography (from here on REG). It highlights the main conceptual merits which are referred to throughout this dissertation and should therefore mark the beginning of papers chosen for this dissertation. Evolutionary economics, on the other hand, has also inspired many economic geographers (Boschma and Martin, 2010; Hassink and Klaering, 2011) and takes shape as evolutionary economic geography (from here on EEG). In Chapter 4 it is compared to REG, however, a detailed discussion of this perspective goes well beyond the thematic scope and specification of this dissertation. Nevertheless, as part of the research outlook in Chapter 9.3 I will refer to some integrated research objectives which combine culture and fundamental aspects of evolutionary thought.

I am convinced that, on the one hand, each paper is distinctive enough in its focus and findings to form own chapters; on the other hand, a coherent and, in my view, logic arrangement of chapters is provided which result in a coordinated and clear PhD thesis. In the following I refer to the chapters' functions, thematic specification and interrelatedness in detail. As a start, however, the papers are both, attributed main content related keywords and topics and classified by an empirical and theoretical orientation (Figure 2). By an empirical emphasis I want to accentuate that the papers are based on field work that I have conducted in China during April and October 2009. On the contrary, theoretically oriented papers are primarily informed by other research results and intend to enhance conceptual perspectives on the topic.

Chapter 1	INTRODUCTION				
Chapter 2	THEORETICAL FRAME				
Chapter 3	METHODOLOGY				
Chapter	4	5	6	7	8
Title (shortened)	Strengthening EEG by REG	Remigration and innovation	Transferring interfirm practices	Spatial boundaries of culture	The end of the learning region
Orientation	Theoretical				
	Empirical				
Main topics and keywords	Remigration				
	China				
	Knowledge transfer / learning				
	Interfirm collaboration and practices				
	Economic development				
	Culture / cultural perspective				
	Institutions / institutional perspective				
	Relational perspective				
	Chapter 9	CONCLUSION			

Figure 2: Book structure with details of thematic scope and orientation of core chapters

Chapter 1: *'Strengthening evolutionary economic geography by a relational economic geography perspective – A plea for opening up to engaged pluralism'*, co-authored with Robert Hassink and in revision for *Economic Geography*, highlights conceptual benefits of REG in comparison to other streams of thought. It advocates the integration and combination of certain notes offered by an evolutionary, institutional as well as political economy perspective, and thereby underlines constituting elements of this dissertation. It, firstly, explicates main features of REG such as power and institutions which are crucial to other papers of this book. And secondly, by defining my theoretical position as relational and cultural (Chapter 2.1) I suggest a different way of combining REG, and thereby strengthen the paper's claim of engaged pluralism. In particular, Chapters 7 and 8 integrate relational concepts into a cultural approach (Figure 2). Furthermore, the reader is exposed to main characteris-

tics of evolutionary economic geography which play a role in the last section of this dissertation (Chapter 9.3).

Chapter 5: *'Understanding Remigration and Innovation – An Appeal for a Cultural Economic geography'*, published in *Geography Compass*, theorizes innovation related effects of remigration from a cultural economic perspective. It hence represents the first culture related paper of my dissertation. Recent migration studies in EG appear to neglect wider structural conditions of international knowledge transfer and fail to sufficiently explain why new knowledge can be easier absorbed and utilized in some regions than in others. A cultural approach, in contrast, is argued to direct attention to the socio-cultural construction of economies and embeddedness of returnees who, in their function as knowledge brokers, play key roles in the innovation capability of regions. Based on a literature review of remigration studies in EG and neighboring social sciences, this paper clearly displays conceptual rather than empirical references.

Chapter 6: The second paper *'Transferring interfirm practices to Shanghai – specifying the role of culture in an institutional perspective'*, submitted to *Geoforum*, follows main conceptual ideas developed in Chapter 5. It is, on the one hand, complemented substantially by my own research data and, on the other hand, narrowed down in focus to the situation in China. A cultural economic perspective is applied in order to analyze the perceived competitiveness of interfirm behavior of Chinese returnees with native partners. Current theories and concepts of regional development univocally stress business and social networks as crucial sources for firm competitiveness and regard certain arrangements as inherently successful, for instance diversity of partners as knowledge sources and the preference for weak ties to allow for flexibility. The paper challenges this view by arguing that culture in terms of behavioral expectations and stereotypes affect the application of such competitive practices in a new business context.

Chapter 7: After the significance of cultural perceptions was empirically seized in Chapter 6, *'Challenging the spatial boundaries of culture – evidence from the interfirm management practices of Chinese returnees in Shanghai'*, accepted for a Special Issue in the *International Journal of Technology and Globalization*, takes a closer look on my key theoretical frame of culture concepts in EG. Most scholars in our discipline appear to attach cultural phenomena to defined territorial boundaries, particularly the nation states. The cultural factors identified by Chinese returnees collaborating with native companies, however, neither show such clear spatial categories nor predominantly national characteristics. The exposed inconsistency with a spatially segmented view of culture requires pro-

found re-consideration which has been attempted in this chapter. By referring to the conceptual strength of REG this paper has strong links to the book's theoretical chapters.

Chapter 8: *'The end of the learning region as we knew it; towards a new, cultural perspective on learning in space'*, co-authored with Robert Hassink and submitted to *Regional Studies*, addresses a cultural approach in EG which goes beyond labor migration and turns towards the relevance of culture in economic policies. A cultural and relational perspective is suggested for the identified theoretical deficits of the learning region concept in order to strengthen policy models of regional development. The chapter elaborates on the influence of cultural norms, values and expectations on learning processes and challenges the assumed regional boundaries of interactive learning. In conclusion a relational approach on learning in networks is proposed which combines notions of a relational and cultural perspective, thus conforming to and daring first steps towards an engaged pluralism stressed in Chapter 4.

#### **1.4. Own contributions to chapters**

This subsection provides an overview of own contributions to chapters in this book. This is particularly important for Chapters 4 and 8 as they have been composed and written in cooperation with Robert Hassink. In order to determine my shares to those papers two factors of evaluation are suggested. It states in how far I contributed to both, the structural and conceptual outline of the chapter as a whole as well as to the concrete sections in particular. With respect to the first point, the structural and conceptual design of all co-authored papers was composed by Robert Hassink and me to equal parts. Secondly, different shares of contribution are evident for the subsections though, which I will summarize in the following:

- Chapter 4: The introduction and conclusions were jointly written. I have composed the whole Section 2 *'EEG and its weaknesses'* and contributed largely to Section 3 *'Strengthening EEG with an institutional, geographical political economy or relational perspective?'*.
- Chapter 8: Besides a commonly edited introduction and conclusion, Section 3 *'A critical stance on the learning region'* and Section 4 *'Towards a cultural perspective on learning in space'* (excluding 4.1) were fully accomplished by me.

## 2. Frameworks of my thesis: Own position and research gaps

The objective of this chapter is to present the main theoretical frame of this dissertation and to identify research gaps at the intersection of culture and economic development induced by learning and knowledge exchange. An overarching theoretical position is elaborated which combines and bridges the Chapters 4 to 8 without merely summarizing the conceptual parts of each paper. My theoretical background is explained to be cultural and relational, and draws on conceptual insights from EG and neighboring social sciences. Specifying my position and understanding of culture is required as a first step to alleviate fuzziness in conceptual ideas of my dissertation (Markusen, 2003).

### 2.1. Clarifying my theoretical position and understanding of culture

This dissertation aims to clarify the role of culture in a very confined field of research related to economic development which is stimulated by knowledge transfer and interactive learning. Thus, I do neither review historical trajectories of cultural thinking in human geography in its entirety nor incorporate all facets of cultural definitions<sup>3</sup>: this, by the way, seems hardly manageable and necessary as culture not only significantly informs central concepts of human geography such as identity and consumption (Miller et al., 1998), ethnicity (Peach, 2002), class (Gibson-Graham et al., 2000) and various notions of landscape (Duncan et al., 2008) but also, constitutes a separate discipline of cultural geography itself (Crang, 1998) with tailor-made methodologies (Shurmer-Smith, 2002)<sup>4</sup>.

Instead, I focus on EG and selected insights from organizational studies and international business research which are argued to complement very well the thematic scope of this dissertation. They share a common reference to economic behavior and regard culture as an influence and potential barrier to transferring knowledge and practices within and between firms. The concepts of organizational culture (e.g. Schein, 2004; Hofstede, 1991) and cultural distance (Shenkar, 2001) as well as the model of knowledge creation (Nonaka et al., 2003) are considered as most inspiring for my research (Figure 2). I will refer to their conceptual details below and in the next subsections, respectively, as they are each to their own, specific to certain aspects of culture. In order to conclude my definition of culture I find it necessary though, to embed these single concepts into a broader frame of understanding culture. Figure 3 illustrates the theoretical and conceptual relations to the idea of immaterial culture which is at heart of my understanding in this book.

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<sup>3</sup> An excellent overview of culture in contemporary English-speaking Human Geography is provided by Mee (2009), several textbooks and handbooks in Human Geography might be considered to embrace current topics related to culture (e.g. Fouberg et al., 2009; Anderson et al., 2003; Cook et al., 2000).

<sup>4</sup> Out of the burgeoning literature on cultural geography, I chose two books which sufficiently embrace the broadness of cultural geography (Crang 1998, reviewed by Ogborn 1999) as well as summarize methodological implications and approaches (Shurmer-Smith 2002, reviewed by Mitchell 2003).

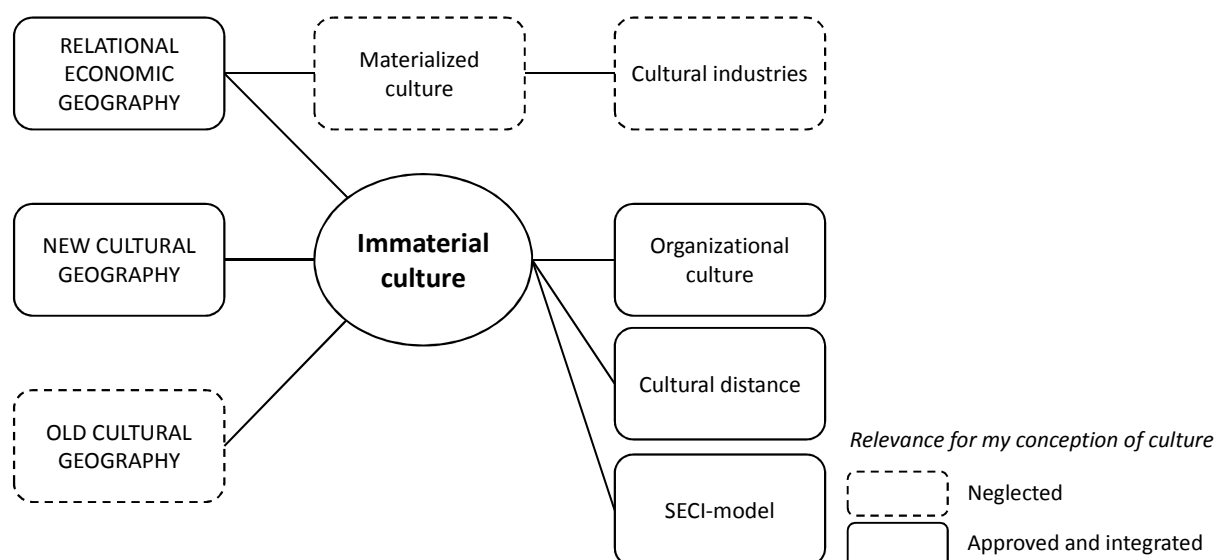


Figure 3: Theoretical and conceptual relations to the idea of immaterial culture

I start by introducing a major way of thinking culture which is nowadays classified as *new cultural geography*. New cultural geographers clearly disagree with the ‘superorganic’ concept of culture related to Carl Sauer and the Berkley School, reaching its high around the 1950s. In this view, now known as *old cultural geography*, culture is a homogenous, somewhat pregiven entity external to human influence and stylized in ideal types with defined territorial and societal boundaries (Mitchell, 1995). In 1973 Zelinsky describes culture quite to the point: “Culture also lives on its own, quite apart from the single person or his volition, as a sort of ‘macro-idea’, a shared abstraction with a special mode of existence and set of rules” (Zelinsky, 1973: 71). It is considered to affect human behavior unconsciously and, altogether, gains overwhelming causative powers in explaining economic landscapes. In my view, this concept has been convincingly criticized by adherents of the new cultural geography, most prominently Duncan, (1980), Cosgrove (1984) and Jackson (1989). In line with the assumptions derived from the cultural turn (Chapter 1.1), new cultural geographers advocate culture to be *socially constructed* instead of pregiven and overpowering, *contested* instead of homogenous, and thus capable of being *reflected by individuals* (Schein, 2008). As outlined before, this view is also strongly supported in the current conception of culture in EG. However, according to Ettlinger (2003) a further division between a *materialized and immaterial idea* of culture can be detected which I will take on now (Figure 3).

With respect to the first, culture is understood to constitute an object of economies which is *materialized* in commodities such as books, music, touristic souvenirs, food and clothing (Jackson, 2000). Products and services are attributed distinct signs, symbols and meanings which create images and identities worth consuming by certain people (James et al., 2007; Lash and Urry, 1994). Whole indus-

tries are regarded cultural economies such as the media, advertising, design or arts industry (Scott, 2001; Pratt, 1997) whereby, however, the sectoral boundaries are criticized for being conceptually weak (Gibson and Kong, 2005)<sup>5</sup>. In my opinion it seems difficult to distinguish between commodities that do not carry any particular meaning apart from its function and such products that are classed as cultural. And even here, one may argue that a mere function has cultural connotations, too. For instance, think about a cigar cutter which may be associated with a high social status or a rain cape for cyclists which may indicate a 'green' or alternative world view. But most importantly, I find that in this perspective culture is narrowed down to specific products and services and hence leaves other industries apparently unchallenged by a cultural impact. In line with Ettlinger (2003) I think that the culture-economy relationship incorporates more than that, and consider a cultural influence in all kinds of business and workplace situations. The main research questions posed in Chapter 1.2 altogether deal with the issues of constructing, translating and transferring culture which are basic concerns of the immaterial concept of culture described next.

In this approach culture is reflected in people's values, attitudes, norms, expectations, traditions and worldviews, thus, conceptualized as an *immaterial* dimension of economic and social life (Philo, 2009; Ettlinger, 2003). It is closely connected to individual cognition, perception, interpretation and experience which result in distinctive human behavior and taken-for-granted social practices (DiMaggio, 1997; Mitchell, 1995). Thus, instead of being viewed as thing the immaterial perspective sees culture to reside in intangible assets and is much more engaged with the process of translating cultural imaginations into observable behavioral patterns. Although culture and economic practices are ultimately experienced and conducted by individuals, they are also thought to be exercised within and characteristic for *regional* business networks (Saxenian, 1994), where culture is reflected in a "region's social atmosphere, built around a series of inherited traditions and practices which have created both tangible and intangible institutional characteristics" (Sadler and Thompson, 2001: 3), for *industries* (Gertler, 2004; Lechner and Dowling, 1999) and *national economies* as a whole (Dodd and Patra, 2002; Whitley, 2000). Chapter 7 will take on the different spatiality of culture in detail, and point to the conceptual limitations.

Generalizing individual cultural norms, values, perceptions and attitudes into a collective attribute of social groups (and spaces), is a standard claim of scholars who theorize and analyze corporate behavior. Being closely related to my research topic of interfirm business practices, the concept of *organizational cultures* directs special attention to routinized business practices within firms, often focused

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<sup>5</sup> Gibson and Kong (2005) find the cultural economy to be defined in four ways, whereby one definition refers to the outlined sectoral approach. It is not my purpose here to discuss the differences in perspectives but to give an example of understanding materialized cultures.

on explaining leadership styles and managerial behavior (Hofstede, 1991; Trompenaars and Hampden-Turner, 1998; House et al., 1999). The relationship between immaterial culture and work behavior is probably best described by Schein (2004) who distinguishes between the visibilities of cultural elements. Basic assumptions and taken-for-granted beliefs represent the least visible layer and refer to fundamental aspects of life that tend to be stable, non-confrontable and least diversified within a social group<sup>6</sup>. The middle layer is characterized by norms, values and rules of which individuals are aware to a certain extent: they can distinguish between right or wrong, good or bad behavior, thus, are able to define behavioral norms and expectations. The most visible layer of artifacts represents the full range of organizational structures and processes, e.g. codified in work descriptions and organizational charts, as well as observable rituals, language, technology and products. In addition to the implied linkage between least and most visible layers of culture, organizational cultures as a whole are often presupposed to reflect national values and norms (House et al., 1999): through top-down effects a national culture – which is nested within each individual – crucially affects the behavior observed at the firm level (Erez and Gati, 2004).

Despite the wide application of the organizational culture concept in international business research scholars are also aware of conceptual and methodological shortcomings. Besides problems with proving empirical proof of the relationship between national values and individual level outcomes (Schein, 2004; Maseland and Van Hoorn, 2009) others have criticized the general assumption that underlying beliefs, norms and values are ascribed to the national level. This presupposes cultural homogeneity within whole nations conflicting with observed regional varieties of culture. Culture also appears to lack dynamism and capabilities to change, and moreover, focusing on culture neglects important other influences such as education and political stability on observed economic outcomes (Leung et al., 2005; Sivakumar and Nakata, 2001; Kirkman et al., 2006; Shenkar, 2001).

But most importantly I find culture to be misleadingly perceived as independent and somehow external to people who simply have to incorporate ‘what is already out there’. Only recently, international business studies have started to attune to a constructivist approach to culture (Gould and

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<sup>6</sup> Schein defines seven categories which are assumptions about: time and space, human nature, truth, individual and group, conception of work, family and self, and gender roles. Others concepts of organizational culture are also based on different cultural dimensions. For instance, Hofstede (1991) originally defines four categories (power distance, individualism, masculinity, uncertainty avoidance) and later adds a fifth one of Confucian dynamism; Trompenaars and Wooliams (2003) differentiate between seven cultural aspects whereby each of them is characterized by two conflicting or opposed propositions such as universalism-particularism and individualism-communitarianism; in the framework of the GLOBE project House et al. (1999) speak of nine dimensions of culture. In sum, however, the outlined differences in cultural typologies are argued to be only subtle with respect to empirical results: independent of the cultural framework nations are ascribed mainly the same cultural attributes (Leung et al., 2005; see also Drogendijk and Slangen (2006) who compare culture concepts of Hofstede and Schwartz).



Grein, 2009) which is central to the previously outline understanding of new cultural geographers. According to what has been written before, corporate culture should better be situated and evaluated in the specific socio-economic context of firms, for instance observed to be co-evolving with various global, technological and organizational forces (Lewin and Kim, 2004). Similarly, Kieser et al. (2003: 601) point out that scholarly assumptions about the inception and development of work rules<sup>7</sup> have changed from being unreflectedly “handed down by forefathers and legitimized by religion” to being “rationally constructed for certain purposes”. Nowadays, rules are understood to underlie work procedures, communication and decision-making which are then standardized in terms of routines serving, for instance, the purpose of organizational learning. Rules and routines exemplify an important source and outcome of culture at the firm level and are, in my opinion, comparable to the analyzed standard practices of *interfirm* interaction focused on in this book.

The notion of *relational economic geography* (Bathelt and Glückler, 2003; Yeung, 2005; Sunley, 2008) represents a broader frame of theoretical thinking within human and economic geography that shares the idea of explaining economic landscapes from relations and networks between people, organizations and institutions (Jones, 2009; Sunley, 2008). I refer to REG because it provides an overarching analytical lens for the proposed relationship between immaterial culture, economic behavior and development (Figure 3). Two major themes of REG, namely relational embeddedness and relational assets (Yeung, 2005) are argued to fit in well with the anticipated immaterial concept of culture.

Heavily informed by new economic sociology and Granovetter’s (1985) understanding of economic action, REG advocates the *embeddedness* of economic actors in dyadic social relations and networks (Boggs and Rantisi, 2003) which influence the behavioral logics and rationalities of individuals and firms (Ettlinger, 2003). In refining the embeddedness concept in EG Hess (2004: 176) compares culture to parts of a “genetic code” or societal background and hence clarifies a component of social embeddedness. This way, culture refers to the history of relations and therein approved perceptions and shared understandings in terms of beliefs, ideologies and assumptions which shape an actor’s strategies and actions. It is furthermore different from other dimensions of embeddedness as culture, strictly speaking, does neither include cognitive capabilities and regularities of mental processes<sup>8</sup> nor political and legal frames (Zukin and DiMaggio, 1990). As an element of *relational assets* culture is furthermore linked to practices of organizing collaboration and knowledge transfer,

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<sup>7</sup> Based on March and Simons work rules define appropriate or good behavior in a given situation and are embedded in society and/or organizations (Kieser et al., 2003). They can be formalized (written down) and informal, thus representing what has been previously circumscribed as behavioral norms and expectations.

<sup>8</sup> However, in a later paper DiMaggio (1997) argues for a certain degree of interdependence between culture and cognition (see also, Dequech, 2003).

thus, creates a basis for economic development. Institutional thickness, untraded interdependencies or localized capabilities are examples of thematic concepts that argue for relational assets in local and regional development (Yeung, 2005). They commonly place emphasis on the impact of non-economic factors on the success of regions whereby immaterial cultures play an important role in terms of shared conventions, rules and norms (Amin and Thrift, 1994; Storper, 1999; Maskell and Malmberg, 1999). Theoretically in Chapters 2 and 8 and underlined by empirical findings of Chapter 7 I will return to and explicate the reasons for adopting a relational approach in addition to the presented cultural perspective. To sum up, culture is hence conceptualized to show the following characteristics:

- Immaterial
- Socially constructed for a certain purpose
- Embedded into particular social, economic and institutional context
- Ultimately experienced and to a certain degree explainable by individuals
- Translated into observable patterns and routines of business behavior
- Linked to economic development and competitiveness

With this definition in mind, Chapter 2.2 determines research gaps which are specific to the impact of culture on knowledge transfer, learning and firm performance. It highlights that culture represents a crucial condition for economic development and competitiveness (see last bullet point of definition) and therefore specifies what has only been hinted at in the previous subsection.

## **2.2. Defining the role of culture on knowledge transfer and learning**

What is at heart of contemporary concepts of economic development and how can it be linked to culture? In a nutshell, policy models of regional development such as clusters (Porter, 2000), innovation systems (Lundvall, 2010; Cooke, 2001) and the learning region (Morgan, 1997) commonly emphasize knowledge, interactive learning and technological innovation as key variables. In the face of the knowledge economy human capital, talent and skills become prior resources for firms that need to be tapped (Dunning, 2002). Interfirm collaboration plays a vital part in this task. It promotes gathering information and knowledge exchange and thereby lays the basis for innovation activities of firms. Hence, innovation is conceptualized as an outcome of dense networking between firms as well as between firms and institutions such as local administration, universities, research and training institutes and technology transfer agencies (Bathelt et al., 2004; MacKinnon et al., 2002; Hassink, 1996). Furthermore, the spatial location and distribution of business partners and institutions who participate in these networks is argued to be far from random. Instead, economic agents are thought to co-locate and interact with nearby partners in order to benefit from knowledge spillovers and to

exchange knowledge more easily (Bathelt et al., 2004). Although these concepts tend to focus on the creation and distribution of technological knowledge and innovation, rather than managerial know-how, a core idea can be drawn from this introduction: *knowledge and proximity* are decisive for interactive learning and economic upgrading based on innovation. In the following I discuss these two key criteria and point to their intersection with culture.

### 2.2.1. Knowledge and culture

Starting with the objective of learning processes itself, a cultural imprint on knowledge is already implied by Polanyi's (1966) seminal distinction between tacit and explicit knowledge. Particularly the tacit type gained attention among economic geographers for understanding why firms still tend to co-locate and do not resign from face-to-face interactions in the face of improved information and communication technologies (Bathelt et al., 2004; Audretsch, 1998; Howells, 2002). Opposed to explicit or codified knowledge *tacit knowledge* is understood to be affected much stronger by the context and place in which it is created and the people who carry it (Amin and Cohendet, 2004). It is thought to be acquired and incorporated through individual experience and also collectively shared in a social and/or territorial unit (Gertler, 2003; Spender, 1997). Through processes of socialization and acculturation people obtain knowledge which is nested in a common 'cultural meaning system' based on language and shared understandings (Blackler, 1995). Furthermore, people are supposed to be largely unaware of tacit knowledge in the sense that they are neither able to fully communicate it nor to comprehensively explain actions resulting from it (Gertler, 2003). This assumed unclear explanation of tacit knowledge impedes its codification into written documents, formulas and manuals which in contrast characterizes explicit knowledge.

Consequently, transmitting tacit knowledge is more difficult than transferring explicit knowledge and requires mechanisms besides codification which allow others to access such culture-sensitive knowledge. This can be achieved by performing the *practice* which is rooted in tacit knowledge, although the performer runs the risk of being "not fully conscious of all the 'secrets' of successful performance" (Gertler, 2003: 78). Moreover, mere observation and imitation of performance can only partly contribute to obtaining such knowledge; according to Williams (2006) and Wenger (2000) articulation, dialogue and discourse are relatively more important for this task. This latter approach to knowledge transfer can be found in the *SECI-model* which describes sequences of socialization, externalization, combination and internalization (Nonaka et al., 2003). Therein, the sender's tacit knowledge is argued to be codified, adapted to new context and finally incorporated as tacit knowledge by the receiver (Figure 4).

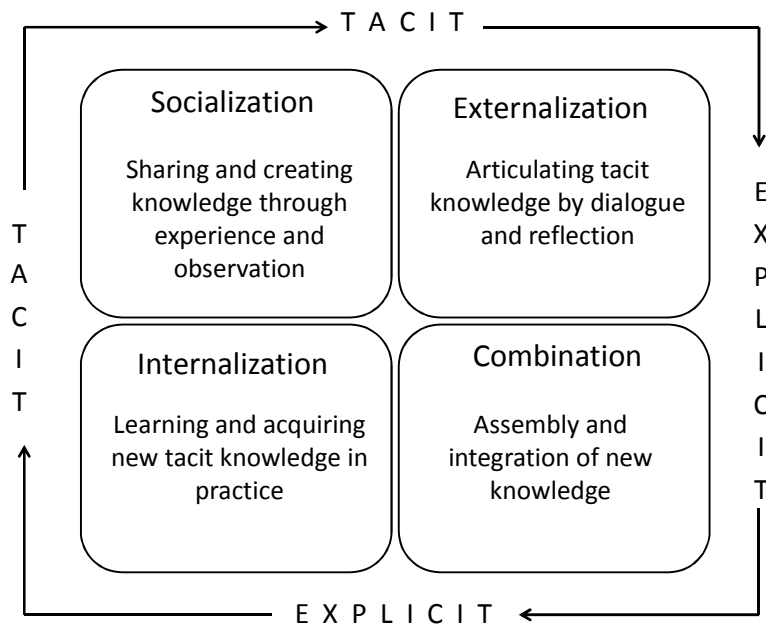


Figure 4: SECI-model of knowledge conversion

Source: Adapted from Nonaka et al., 2003: 498

Although being sympathetic to the concept due to its neat and clear structure, I am quite puzzled about the implied unproblematic adoption of tacit knowledge. The process of externalization, that is *codifying tacit knowledge*, appears to be most critical in this respect. The key challenge for senders is to bring knowledge to surface which is hidden, or in other words, “exists in the background of our consciousness” (Gertler, 2003: 77), and for receivers to be able to understand information which may conflict with their established ways of thinking and perceptions. Actors, in the ideal view of the model, are called on to “create linkages between the surface and deeper domains of social reality (...) and to detach themselves from routines by active exposure to a context that enables them to see the inherent contradiction” (Nonaka and Toyama, 2003: 5). This, however, is supposed to be a challenging task for routines based on tacit knowledge if we assume a strong sense of causality between culture, knowledge and routines. Although the authors of the model also point to this conceptual problem the basic ability of being aware of behavioral foundations is sustained throughout. Understanding knowledge rooted in different cultural context, however, I think is a privilege of so called knowledge brokers (Wenger, 2000) or knowledge activists (Gertler, 2003). Accordingly I argue that it requires at least experience in both cultural contexts for people to access and understand knowledge and corresponding practices. Furthermore, Engeström (1999) highlights that teams of knowledge senders and receivers do not always follow common goals and strategies, thus define problem in the same way for which new knowledge may provide a solution. This, however, is a crucial prerequisite in the SECI-model. I criticize that the translation of knowledge appears to be rather devoid of conflicts and power struggles between participating actors over the right or relevant knowledge to gain (Ga-

venta and Cornwall, 2008). Finally, the SECI-model has been designed by Japanese researchers who aimed to optimize knowledge conversion processes in large Japanese corporations during the 1980s and 1990s. From a constructivist perspective of new cultural geographers I argue that the model therefore reflects a distinctive mode of organizing learning itself, namely one which is perceived to be best fitting for a particular type of firm in Japan to a certain time and era. The SECI-model is, therefore, also contextual in terms of being time and place specific. In the same vein, others have found that acquiring and transferring knowledge differs substantially according to the societies it is applied in (Glisby and Holden, 2003; Weir and Hutchings, 2005). All comments hence give reason to question the *smooth* transfer of tacit knowledge across different cultural context. Core parts of my dissertation, therefore, aim to describe and explain problems and outcomes of coping with perceived cultural barriers of implementing new managerial knowledge and practices in the Shanghainese business context.

### 2.2.2. Proximity and culture

Proximity as my second core concept of economic development induced by interactive learning is generally argued to be crucial for exchanging tacit knowledge (Boschma, 2005; Gertler, 2003). Physical proximity of firms and institutions firstly facilitates deliberate face-to-face contacts with nearby suppliers, customers and supporting institutions as well as provides opportunities to obtain knowledge in a rather incidental and unorganized manner through rumors, gossip, observation and participation in the region's social life (Bathelt et al., 2004; Boschma, 2005; Gertler, 1995). All this becomes less likely and – from the viewpoint of transaction cost theory – more costly with increasing physical distance between corresponding actors<sup>9</sup>. As tacit knowledge is, secondly, claimed to be spatially sticky, too, due to its socio-cultural embeddedness, being in the same area or region is considered to support tacit knowledge transfer. Geographical and cultural proximity, in this view, appear to be highly interrelated as triggers of successful learning (for a critical view on territorialized culture see Chapters 7 and 8). In turn, distant communication therefore bears the risk of cultural barriers between actors that need to be tackled.

This last assumption is framed in the notion of *cultural distance* which broadly attempts to measure “the extent to which different cultures are similar or different” (Shenkar, 2001: 519). Often based on the cultural index composed by Hofstede (1991) the concept shows clear references to the national or societal layer of culture (Shenkar, 2001). Cultural distance has been widely applied in international

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<sup>9</sup> Transaction costs are the sum of costs arising in economic exchange ranging from search and information costs, negotiation and decision costs to policing and enforcement costs (Williamson, 1981). Scott (1988) and Storper and Walker (1989) show how spatial proximity potentially reduces transaction costs of producers with respect to obtaining new information (e.g. about suppliers, workers), market adjustments and communication.

business studies to analyze the convergence or divergence of business practices in the face of globalization and to explain foreign direct investment decisions or the performances of affiliates (Leung et al., 2005; Shenkar, 2001; Drogendijk and Slangen, 2006; Noorderhaven and Harzing, 2003)<sup>10</sup>. Theoretically, cultural distance is often considered to complicate and even obstruct interorganizational learning processes (Berthoin Antal et al., 2003; Barkema et al., 1996) and makes the transfer of organizational routines and workplace practices difficult (Kostova, 1999). Furthermore Roth et al. (2010) quite recently tried to link cultural misfit to individual and organizational inefficiency and, thereby, expand the view beyond merely knowledge transfer problems. If individuals, in their view, “hold a set of values and beliefs which are counter to those widely shared in their current cultural environment” (Roth et al., 2010: 15), his/her actions will be considered illegitimate by others, provoking critique or even denial of propagated behavioral patterns. The authors suggest that such actions run counter to established patterns of interaction which have guaranteed some basic performance related efficiency within this society and firms, respectively.

Others, however, see cultural misfits to provide opportunities of creating new knowledge (Nonaka and Toyama, 2003) and business practices that partly adapt to and are based on new ideas. See for instance research on changing production models and HRM practices in the course of mergers and acquisitions (Djelic, 1998; Hasegawa, 2001). In this strand of literature it becomes also clear that a full implementation of tacit knowledge and resulting practices is considered unlikely because the transfer is always supplemented by individual adaptation. Moving tacit knowledge across includes people to bring in “their own blend of tacit and codified knowledges, ways of doing and ways of judging things” (Allen, 2000: 28). In social interaction with others in the new context, the original idea (previous to the transfer) is finally perceived to be translated rather than completely transmitted (Williams, 2006). The behavioral outcome may thus be better described as hybrid, a notion that will be further explored in Chapter 6.

Besides the described two-folded effect of cultural proximity on learning, its analysis becomes even further complicated as cultural norms, values, attitudes, traditions and expectation are identified at various spatial levels by economic geographers. Corporate cultures are subject to Schoenberger’s (1997) analysis. Cultures at the regional or sub-national scale are defined by Saxenian (1994) and James (2005) and finally national cultures play a role in Lundvall’s (2010) concept of national innovation systems. It is unclear which of these cultures at the corporate, regional and national scale have

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<sup>10</sup> For a critical view on cultural distance, see Shenkar (2001). He discusses some conceptual and methodological properties and proposes recommendations of enhancing the cultural distance concept. However, in contrast to the critique on culture laid out in Chapter 2.1, Shenkar does not consider the constructivist attribute of culture followed in my dissertation.

to match (or even match at all) in order to foster knowledge exchange, innovation and performance. Another weakness of cultural distance addressed in this dissertation is therefore rooted in the undefined spatiality of cultural values, norms, attitudes, preferences and expectations relevant to transferring tacit knowledge and practices between firms. Based on some empirical examples of successful firms addressed below, Figure 5 illustrates scholarly confusion about the requirements of matching cultures. Arrows with continuous lines represent a cultural match whereas dotted lines between spatial levels point to success stories of firms despite non-matching cultures.

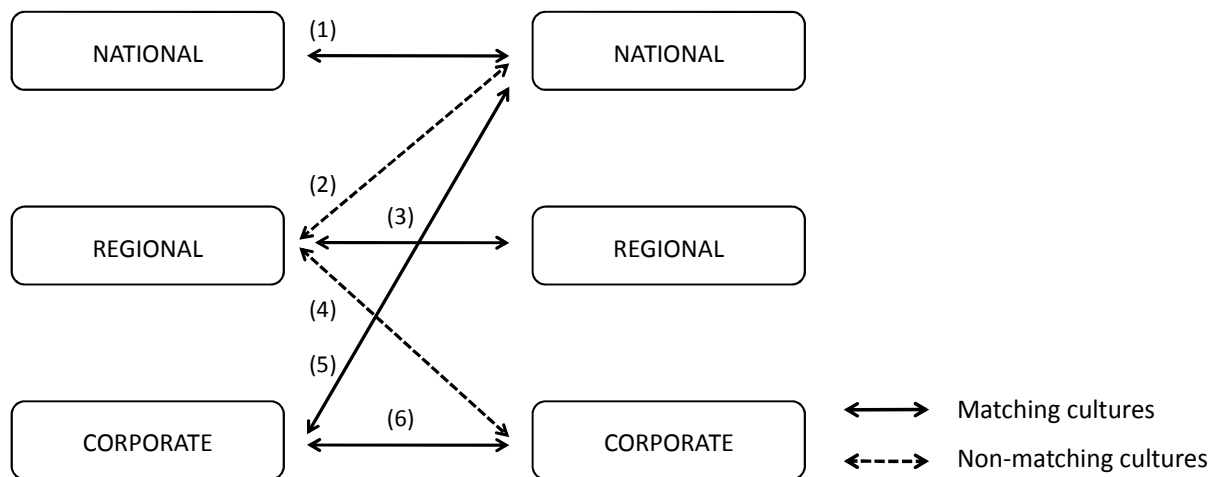


Figure 5: Cultural scales and their matching requirements for successful firms

### Matching cultures

Congruent cultures are proposed as prerequisites in at least four dimensions which I will exemplify in the following. (1) Matching *national cultures* are a crucial argument in Gertler's (2004) study about machine users in North America and producers based in Germany. The problems of implementing advanced manufacturing technologies are reasoned from the sum of conflicts regarding language, codes of communication and norms as well as opposed dominant workplace practices and industrial training regimes. Implied rather than made explicit is the assumption of congruence between industrial and national culture, that is, industrial cultures are assumed to be developed within the broader national cultural frame. Thus we may as well include a fourth cultural scale, referring to industrial cultures<sup>11</sup>. However, in his conclusion of influential factors, national institutional and cultural factors are evaluated as most important (Gertler, 2001). As implied by the cultural distance index before, the national scale is furthermore at the heart of many management studies as they assume economic

<sup>11</sup> It should be noted that industrial cultures often conflate with regional cultures, e.g. Sadler and Thompson (2001) investigates the steel industry in North England, James (2006) focuses on software firms in Utah, or Saxenian's (1994) research on the electronics and computer industry in Silicon Valley. In those cases values, norms and expectations residing within the industry can be regarded as regional characteristics which renders a proposed fourth layer unnecessary.

behavior (e.g. leadership styles) to be shaped by values, norms, attitudes and beliefs underlying basic rules within societies. (6) Moreover, as national culture is conceptualized to inform organizational cultures, too, a cultural match is also required between corresponding organizations, explaining the mutual link at the corporate level in Figure 5. (5) Following the idea of nested corporate cultures in national beliefs, values, norms and expectations a necessary match between corporate and national cultures can be identified, too. Newman and Nollen (1996), for instance, provide evidence that firms perform better if their managerial practices as parts of corporate culture match the national cultures which is thought to be characteristic for the location of the firm. Management related attitudes towards employee involvement, individual responsibility or time frames of problem solving, amongst others, appear to be dependent on the national cultural context to a large degree. (3) Finally, Hassink and Lagendijk (2001) see cultural distance as a severe obstacle to interregional institutional learning<sup>12</sup>, drawing attention to apparently common regional cultural characteristics in which economic actors are embedded. Therein, Asheim (1997) argues that the more the knowledge is based on the socio-cultural embeddedness and trajectories of regions, the more difficult is its transfer and the less recommendable is implementing policy initiatives based on tacit knowledge in a different region.

#### *Non-matching cultures*

In contrast to the previous at least two sets of empirical work can be detected that give reason to refrain from a cultural fit between economic actors in order to enhance interactive learning and firm performances (dotted lines, Figure 5). (4) The first one refers to a mismatch between corporate cultures and the culture of regions in which the firms are located. Indeed, firms that do not conform to apparently regional cultural traits are found to be characterized by higher revenue growth and R&D intensities than their 'embedded' counterparts (James, 2005). It is argued that the cultural values, norms and expectation prevailing at the regional level – shaped to a large degree by Mormonism – contrast with a special way of intra- and interfirm organization promoting success.

(2) The second example takes into account the variety of regional cultures under the same national cultural frame. Needless to say, that a certain degree of cultural heterogeneity within nations is even allowed for in the theoretical concepts of those who postulate national cultures (e.g. Schein, 2004; Hofstede, 1991). Their main argument is that cultural differences observed and measured between nations and societies are bigger than the cultural variation within. Although this may be a valid point, in my opinion, a concept of national cultures makes it difficult to explain oppositional shapes of re-

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<sup>12</sup> Institutional learning is defined as the formation and incorporation of routines and attitudes that underpin interactive learning (Hassink and Lagendijk, 2001). The transfer of knowledge thus refers for instance to policy initiatives that are based on or require such attitudes and routines. Institutional learning, in this view, has therefore strong overlaps with transferring tacit knowledge which has been previously defined as highly context-specific.



gional cultures which are both successful to a certain time (e.g. Saxenian, 1994). By comparing two regions in Japan (Kyoto vs. Hamamatsu) it can be revealed that a common national institutional frame does not prevent regions from creating their own cultures which are, indeed, quite contrary to each other (Aoyama, 2009). In contrast to Hamamatsu, Kyoto is found to display a regional culture of secrecy, protection, conservatism and indirectness which is mirrored and based on norms, mindsets and practices of ancient craftsmen, merchants and family entrepreneurs. Moreover, Aoyama is able to link this regional legacy to the new business sector of information technology and concludes a strong and persistent influence of cultural heritage across sectors within regional boundaries. And finally, despite highly different regional cultures in Kyoto and Hamamatsu entrepreneurial success (in terms of survival) in both regions is argued to result from cultural adaptation and culture conform behavior. This study leads to two propositions: firstly, regions do not need to follow a common national cultural frame in order to produce successful firms. And secondly, the requirement of cultural adaptation underpins the positive linkage between corporate and regional cultures stated before, indicated as arrow 5.

Altogether, this subsection exemplified different assumptions about matching cultures as requirements for interactive learning and firm performance. My dissertation aims to contribute to this bulk of literature by analyzing which cultural level affects the implementation and exertion of interfirm collaboration practices, and whether a spatial determination of culture is actually an appropriate conceptual perspective for this task (RQ 1).

### 3. Research design and methodology

This chapter outlines the research design and methodology of my fieldwork in China. It constitutes the basis for the empirical findings presented in Chapters 6 and 7 as both provide only a brief introduction into the study's methodology. In order to systematically define the research design I pay special attention to the selection of interview partners as well as the methods of obtaining and evaluating data (Figure 6) (Flick, 2007). A critical reflection of my research design and methodology will be performed in Chapter 9.2.

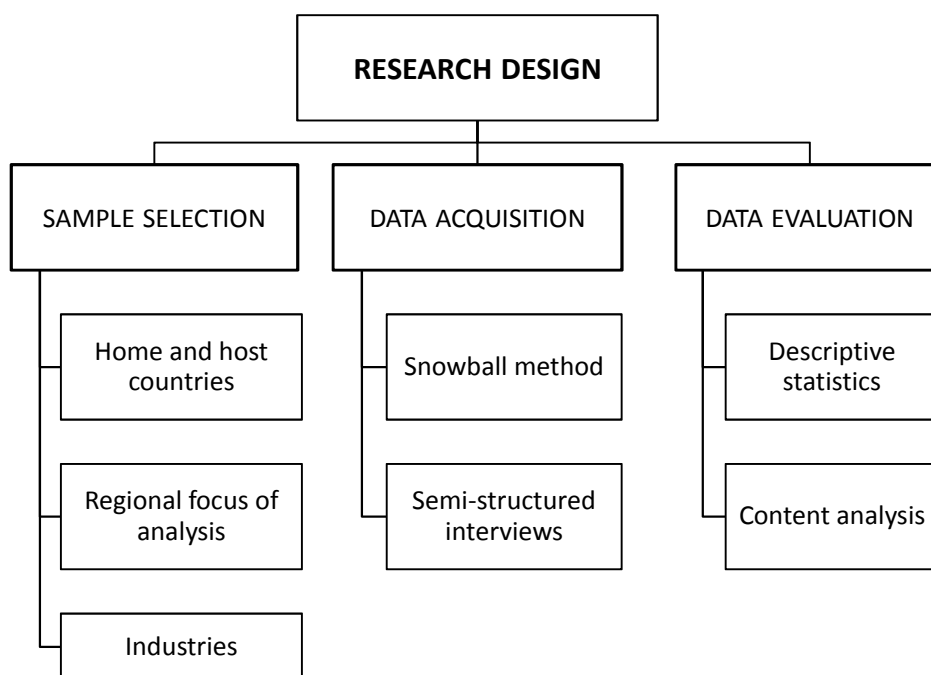


Figure 6: Qualitative research design of study

#### 3.1. Sample selection

For analyzing the role of culture on the formation of interfirm practices I interviewed 34 Chinese firm leaders in the Shanghai area who have gained occupational and, in parts, academic experiences in foreign countries. The majority of them have returned from the USA, followed by people from Western Europe and Japan. A detailed description of the case studies, e.g. regarding age, time spent abroad and sources of managerial knowledge is given in Chapters 6 and 7. In the following I concentrate on methodological issues whereby the choice of interview partners is explained and specified with respect to three aspects (Figure 6): the firm leaders' home and host countries (national level), the regional focus of empirical field work (regional level) and industrial sectors within which returnees potentially transfer managerial know-how (industry).

*Home and host countries of migration*

According to a large body of empirical and theoretical research in international business studies workplace behavior is observed to differ substantially between nations (Kirkman et al., 2006; Leung et al., 2005)<sup>13</sup>; therein, business practices in China are thought to show fundamental differences to practices applied in Anglo-Saxon nations such as the USA and UK (Hofstede, 1991; Schwartz, 1999; Chhokkar et al., 2007). The behavioral patterns of managers in China and the USA diverge, for instance, with respect to the degree of assertiveness, importance of ingroupness and acceptance of inequality and hierarchies within firms.

Comparative research points to the retention of such differences despite tendencies of Chinese managers to incorporate behavioral attitudes which are thought to be characteristic for Western business men (Ralston et al., 1999; Fu et al, 2007). Chinese managers are found to be more individualistic than older generations and appear to pay less attention to values of collectivism and Confucianism. However, there are still significant differences to the values of managers from the USA (Hoppe et al., 2007). Similar findings are concluded from the World Value Survey which was conducted in three waves (1981-1998) and allows for a comparison of values across nearly three decades: Inglehart and Baker (2000), on the one hand, find that cultural change goes along with a nation's economic development whereby societies in general tend to move away from traditional to secular-rational values<sup>14</sup>. On the other hand, the observed cultural shift is not assumed to override a society's cultural heritage rooted in religious beliefs, spiritual concerns and shaped by political ideology. Therein China is classified as an ex-Communist country and, together with South Korea and Taiwan, a member of the Confucian zone. An 'Americanization' of each industrialized country as proposed by modernization theory is explicitly regarded as misleading; instead the authors suggest the countries' values to transform differently according to their cultural paths.

The recent debate about combining Western and Chinese management research (Leung, 2009; Barney and Zhang, 2009) furthermore illustrates different viewpoints on theorizing business behavior as either *context-specific or universal*, hence following general laws and propositions. This is here exemplified by the significance of *guanxi* defined as the "Chinese cultivation of personal relationships (...) that facilitates efficient business operations" (Hsu and Saxenian, 2000: 1992). If place mattered

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<sup>13</sup> Chapter 2.1 points to the recent critique on such a national essentialism.

<sup>14</sup> Traditional and secular-rational values are composed as the extreme opposite dimensions of a society's cultural orientation. Therein, traditional is defined as a common attribute of preindustrial societies which emphasize male dominance in economic and political life, deference to parental authority, importance of family life. People in these societies are described as relatively authoritarian, show relatively low levels of tolerance for abortion, divorce, and homosexuality and place strong emphasis on religion. In contrast, *secular-rational* values are ascribed to advanced industrial societies and characterized by the opposite attributes, pronouncing self-expression, subjective well-being and quality-of-life concerns (Inglehart and Baker, 2000).

*guanxi* would be regarded as a unique Chinese attribute and its inner logics would allow explaining business behavior in China, only. In contrast, a universal perspective interprets *guanxi* as a form of social capital, thus, applying the basic understanding of a theory developed in the West to Chinese phenomena (Barney and Zhang, 2009).

Besides the empirical evidence of cultural differences, it is particularly the context-specific approach labeled Chinese theory of management (Barney and Zhang, 2009) which supports the argument of selecting Chinese returnees from abroad as research participants. Assuming workplace behavior to be characteristic for a nation is a starting point of my thesis; if, in contrast, universal management practices and underlying logics or rationalities were presupposed the transfer of managerial knowledge and practices would not require concentrating on a cross-national level, as done here. It is one task of this dissertation to scrutinize whether or not national cultures – as one way to think culture – play a role in implementing new managerial know-how into a different national business context.

#### *Regional focus of analyses*

A regional focus of empirical investigation is set on Shanghai. Together with other large cities in China such as Beijing, Shenzhen, Xian and Weihai it has attracted a high number of highly skilled returnees (Saxenian, 2006; Zhou and Hsu, 2011) and is characterized by an above-average return rate in comparison to the overall nationwide figure (Müller, 2007). Shanghai is claimed to be most successful in recruiting returnees (Zweig, 2006), although the exact number is down to estimation. About 18.000 are assumed to have settled in Shanghai, either as managers, academics or entrepreneurs in the year 2000 (People's Daily, 2000). Given the steady inflow of overseas migrants (Ministry of Science and Technology, 2007) and an increase of about 600 returnees per year<sup>15</sup> a number of around 25.000 remigrants might be regarded as realistic for the year 2009. Since the beginning of the 1990s special policies have been implemented at the national and regional administrative levels to increase return rates and exploit newly gained knowledge. Amongst others, science and technology parks were established for former overseas students which are characterized by beneficial tax arrangements, infrastructural support and reduced bureaucracy regarding the foundation of companies (Zweig, 2006). The Zhongguancun Science Park in Beijing as well as the Zhangjiang Science Park in Shanghai's Pudong New Area has attracted most attention in this respect (Berthoin Antal and Wang, 2003). About a third of my interviewees are working in firms which are located in the dedicated science and technology park in Shanghai.

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<sup>15</sup> Müller (2007: 170) documents an increase of 2.300 returnees in Shanghai between 1998 and 2002. Accordingly, an average of 600 migrants can be assumed to have returned to Shanghai per year. However, this estimation is quite vague as I have to assume a linear inflow of migrants over the years and a static number of returnees from abroad. Although these assumption are probably oversimplifying complex circumstances of in and outmigration, this estimation may be sufficient enough for the purpose of this chapter.

### *The role of industries*

Industries often play a role in studies that seek to identify regional development through knowledge generation, distribution and innovation (Cooke and Piccaluga, 2006). A sectoral focus is certainly useful for empirical designs that aim at researching technological knowledge and product innovations. As Maskell et al. (1998) rightly point out the basis for competitiveness is embodied in the rivalry amongst competitors, new entrants as well as the introduction of substitute or new products and services. Innovations are crucial for the survival of firms and technological or scientific knowledge is a fundamental trigger which fosters innovation activities in industries such as biotech sector (Plum and Hassink, 2011). Hence, sectors may be regarded as a third variable of selecting potential interview partners in order to control the research findings by industry. However, for the purpose of this dissertation I ascribe sectors only a minor importance. The analyzed interfirm practices and the underlying managerial knowledge are considered to be independent of industries and firm life cycles. Selecting, regulating and communicating with business partners constitute core elements of business network management (Sydow, 2006) which are constantly required and exercised in firms regardless of the technology involved. Thus, industries are neglected as a sample criterion.

Nevertheless, the study is dominated by firm leaders in high-tech industries as more than half of them either work in the (bio-)pharmaceutical sector or software, IT and semiconductor industries. This sectoral bias is caused by, at least, two factors. Firstly, it reflects the outlined economic policies of attracting overseas Chinese scholars which aim at strengthening high-tech industries in Shanghai (Müller, 2007; Berthoin Antal and Wang, 2003; Iredale and Guo, 2001). There is good reason to assume a larger number of returnees in those industries than in others such as the service sector or low tech industry. The chance of recruiting interview partners from high-tech sectors is hence higher due to mere number. Secondly, the snowball method of addressing interview partners is argued to have contributed to the sectoral distribution, in retrospective. This method, presented in detail in the next subsection, is based on recommendation and personal relationships between interviewees. People who share the same business (and/or social) network are most likely to be recommended as further participants. Thus, same or similar industries may have been one characteristic of business networks in which my research participants are involved.

### **3.2. Data acquisition**

Due to a poor availability of data and statistics on return migration in China (Müller, 2007) the *snowball method* was applied for recruiting interview partners in general. But instead of one person who initiates further contacts (Schnell et al., 2005) my sampling of firm leaders is better described by at least four snowballs starting to roll independent of each other. These first contacts were made with

two returnee organizations in Shanghai and firm leaders which were identified as remigrants by desktop research. The interviews of firm leaders were complemented by nine experts representing Chinese and foreign Chambers of Commerce, research centers and industrial associations, as well as three informal group discussions with returnees. As all interview partners are guaranteed anonymity their references and quotations are ciphered by a capital letter (“I” indicating firm leaders, “E” indicating experts) and number, e.g. I16 and E2.

The study is designed as *qualitative research* as I aim to reveal the returnee’s arguments and motivations of applying certain interfirm practices with native business partners. I seek to understand business behavior from the perspective of those who are studied, thereby conforming to a major goal of qualitative research (Pratt, 2009). As the cultural context is theorized to play a crucial role for applying and evaluating business practices, societal structures and individual experiences are required to be laid open by the interviewees. This is thought to be achieved best by qualitative research which refrains from pre-defined categories of answers and casual relationships between them (Winchester, 2005). An inductive rather than deductive approach is needed, at least to a certain extent, in order to identify influencing factors on interfirm behavior.

Accordingly, *semi-structured interviews* were designed instead of standardized questionnaires. The latter requires comprehensive knowledge about influences on transferring and implementing interfirm practices in a new business context. As laid out in Chapter 2 and 5, this is not the case for my research objective. Thus, the questions are partly structured according to research findings from previous studies and theories. For instance, a typology of control mechanism into formal and informal control (Dekker, 2004; Ouchi, 1979; Das and Teng, 2001) is combined with studies that presuppose a typical attitude towards trust and control in different nations<sup>16</sup> (Doney et al., 1998; Fukuyama, 1995): Wu (2000) highlights that deep interpersonal trust and reciprocity are derived from core Confucian values and represent the main mechanisms of governing Chinese business networks. This, in turn, is interpreted as a type of informal control because it rests on trust and reputation rather than being documented in writing and quantified in indicators (Ouchi, 1979).

In addition, the interview guide is structured by seven topics relevant to my research questions: (1) migration history of the returnee, (2) company features, (3) business partner characteristics, and (4-7) the description and evaluation of core interfirm practices. The interviews were held in English, the

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<sup>16</sup> Although the relation between informal and formal types of control can be seen as either complementary or substitutive (Dekker, 2004) this paper opts for the second proposal where trust and formal control are oppositional attributes of interfirm relations (Sydow and Windeler, 2003). This way, I can hypothesize that the higher people trust each other, the lower the need for formal control mechanisms such as meeting minutes, periodic reports and inspections.

questions, however, were written in English and Chinese in order to alleviate misunderstanding regarding the meaning of words or phrases<sup>17</sup>. The interview situation was characterized by an open but directed discussion about the style of current interfirm behavior and the returnee's motivation of applying new practices experienced abroad.

However, *standardized questions* were also considered necessary for stimulating people to reflect on their behavior. They are argued to provide a basis for the aforementioned definition and discussion of business practices. For instance, Question 25 concerns the importance of different kinds of contacting business partners for business matters, each ranging from 'unimportant' to 'very important' on a 5-point-scale. The answers were generally accompanied by clarifying the understanding of formal and informal contact modes and my inquiries towards the motivation and arguments for the claimed behavior. Thus, standardized questions were embedded in the qualitative research design, which allows for interpreting the answers against the background of the returnee's particular context (Flick, 2007). The interviews varied between about 45 and 90 minutes length and were either documented by audio recording or note-taking (if taping was unwanted by the interviewee), followed by transcripts.

### 3.3. Evaluation of data

In order to evaluate data two analytical tools were applied in this study (Figure 6). On the one hand, *descriptive statistics* were used for standardized questions. By generating mean values to the perceived importance of business practices, amongst others, observed behavioral patterns can be presented in a short and abstract manner. It is thought to overview main characteristics of the returnees' business behavior. The answers regarding the motivation and evaluation of interfirm practices, on the other hand, were analyzed by *content analysis*, thus searching the documents for themes (Dunn, 2005). Key of this method is the thematic coding of interview material, normally done by sentence, followed by summarizing these codes into broader categories and relating them to each other to generate theories<sup>18</sup>. This inductive procedure of theorization is argued to be particularly useful for addressing explorative research objectives (Flick, 2007). For the content analysis applied in parts of this dissertation, however, codes and categories were generated from the text as well as drawn from previous studies and concepts (Mayring, 2003). It therefore also includes the theory-led

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<sup>17</sup> The Chinese translation was conducted by a native, bi-lingual colleague of East China Normal University in Shanghai who is familiar with the subject of economic and cultural geography. A pre-test was performed with three returnees whose answers are not considered in the presented results of this dissertation.

<sup>18</sup> Within content analysis, Flick (2007) understands a theory as a system of interrelated categories which have been clearly defined by sub-categories and codes. Thereby, relations are identified as either hierarchical, that is, between main- and sub-categories or vertical, that is, between categories of the same order.

categorization of text material. Combining both procedures of content analysis, in my view, has the advantage to check *and* enhance existing theoretical ideas.

Each empirical chapter is based on own sets of codes and categories as the emphasis is placed on different topics. Chapter 6 deals with the differences of interfirm practices in China and abroad, their evaluation in terms of competitiveness and their reasons for application. Thus, each practice was subdivided into three main categories which, in turn, encompass sub-categories and/or various codes. With respect to control, for instance, the category of *differences* distinguishes between 'China' and 'Abroad', and therein, 'types of control' and 'intensity'; *evaluation* considers subcategories such as 'time efficiency', 'supervisors' and 'back-up strategies', and *reasons for application* refer to factors such as 'unreliability' or 'work attitudes'. Chapter 7 is based on the results gained from the previous chapter. It focuses on the arguments for a distinct interfirm practice with Chinese business partners, and particularly on the spatiality of identified cultural attributes. The construction of cultural stereotypes should be revealed which the returnees see responsible for their behavior. Control practices, for instance, are perceived to be related to sub-categories such as 'self-responsibility' at the *individual level*, 'strategies' at the *company level* and 'political instability' at the *national level*. A theory-led categorization is, for example, represented in the distinction of scales as previous studies highlight the significance of cultures at different spatial levels such as the region and nation.



#### **4. Strengthening evolutionary economic geography by a relational economic geography perspective – A plea for opening up to engaged pluralism**

##### **Abstract**

Economic geographers have recently been confronted with attempts to constitute a new paradigm of evolutionary economic geography. The paper aims to strengthen it by reviewing its core critique and proposed solutions, particularly that of integrating the perspective of a geographical political economy. Although we sympathize with the identified shortcomings of an evolutionary economic geography we criticise the alternative approach for being too narrow and reductionist. In contrast, a relational economic perspective is argued to theorize the core weaknesses of EEG, namely power, social agency and particularly the interrelatedness of influences on different scales, more comprehensively. By combining evolutionary and relational approaches in certain respects we, furthermore, plead for an engaged pluralism in economic geography.

##### **1. Introduction**

As several scholarly observers have notified, human geography in general and economic geography in particular, is full of enthusiastic, but often superficial attempts to embrace theoretical thinking from neighbouring social and economic sciences (Cloke and Johnston, 2005; Allen et al., 1997; Massey et al. 1999; Jones, 2009; Hamnett, 2003; Sunley, 2008; Scott, 2000). What starts with the adoption of some ideas and notes to explain phenomena, sometimes ends with a so-called turn in the discipline or the proposal of a true paradigm. Economic geographers have recently been confronted with the attempt to constitute such a new paradigm within their field of study, namely evolutionary economic geography (Boschma and Frenken, 2006; Boschma and Martin, 2007; Frenken 2007; Boschma and Martin, 2010).

Evolutionary economic geography (from here on EEG) deals with “the processes by which the economic landscape—the spatial organization of economic production, distribution and consumption—is transformed over time” (Boschma and Martin, 2007, 539). Although economic geographers have worked with evolutionary notes in the past (Grabher 1993), particularly members of the Californian school (Storper and Walker 1989), EEG has been recently constituted as a paradigm in a more syste-

matic and including way. The paper by Boschma and Frenken (2006) are, due to its high number of citations<sup>1</sup>, one of the key articles which propose the epistemological paradigm of EEG.

EEG has recently attracted much attention in economic geography, both theoretically and increasingly also empirically, which is documented by the number of publications (Boschma and Martin, 2010; Simmie and Carpenter, 2007; Schamp, 2005; Grote, 2004; Stam, 2007; Hassink, 2005, 2007, 2010; Cho and Hassink, 2009;), special issues (Hassink and Shin, 2005; Boschma and Martin, 2007; Grabher, 2009), edited books (Shapira and Fuchs, 2005; Frenken, 2007; Boschma and Martin, 2010), workshops, such as in Cambridge and Jena (at the Max Planck Institute of Economics) as well as special sessions at the Global Conference on Economic Geography in Beijing and at AAG Annual Meetings. Moreover, evolutionary thinking has been applied to define and improve existing theoretical concepts in economic geography, such as regional innovation systems (Cooke, 2004; Uyarra, 2009) and clusters (Staber, 2010; Menzel and Fornahl, 2010; Lorenzen, 2005; Klepper, 2007). EEG also has something to say about regional policy issues (Boschma, 2005, 2008; Hassink and Klaerding, 2010). Scott (2000, 494), in his seminal overview of economic geography theorising, clearly indicates the influence of evolutionary thinking on current research in economic geography. The increased importance of EEG can finally be underlined by The Times Higher Education Index where 'relational and evolutionary economic geography' ranks third by the number of citations in social sciences journals (Coe 2010, 2).

Although EEG is still in an embryonic stage of development, its future seems to be promising as it has shown to have strong explanatory power of the theoretical notes and concepts in EEG. However, it has currently been criticised for the strong emphasis on organisational routines, thereby relegating the role of institutions as well as under conceptualizing social agency and power (MacKinnon et al 2009, Pike et al 2009). This paper contributes to the theoretical advancement of EEG by reviewing its core critique and proposed solutions, particularly that of integrating the perspective of a geographical political economy (from now on GPE) (MacKinnon et al 2009, Pike et al. 2009). We sympathise with some of the criticism but also evaluate GPE as too limited. In contrast, we argue EEG to be strengthened by including some selected institutional and relational approaches in economic geography. While institutional concepts in terms of 'old' institutional economics (Hodgson, 2009) are seen as relevant solutions, neither MacKinnon et al 2009 and Pike et al. 2009, nor the other contributors to the special issue in *Economic Geography* (2009, Vol. 85) have paid much attention to relational economic geography, or parts of it. This is surprising, as we see high potentials to alleviate some of the weaknesses of the EEG paradigm.

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<sup>1</sup> According to the ISI database, accessed on 9th of August 2010, the paper is cited 57 times.

In order to clarify our points we summarize the core characteristics of EEG and its main criticism with respect to the weak significance of institutions, the under conceptualized notion of social agency and power as well as the neglected multi-scalar interrelatedness and embeddedness of firms (Section 2). Section 3 deals with the proposed alternatives to enhance EEG whereby we advocate certain elements of a relational perspective in contrast to GPE which is criticised for being too reductionist and narrow. The paper concludes by reflecting on the revised understanding of EEG regarding theoretical stability and engaged pluralism within our discipline (Section 4).

## 2. EEG and its weaknesses

EEG aims to explain the emergence and changes of economic landscapes by the underlying industrial dynamics of firms (Boschma and Frenken 2009, 152; Boschma and Martin 2010, 25). It successfully tackles research objectives addressed to different spatial levels, which, in our view, represent the research scope of contemporary economic geography (Boschma and Frenken, 2006: 293, 295): on the micro-level the decision-making and location behaviour of *firms* are analysed; the spatial evolution of *sectors* and the co-evolution of firms, technologies and territorial institutions are focused at the meso-level, whereas the convergence or divergence in spatial systems such as *regions or nations* is subject to the analysis on the macro-level. However, as shown later, EEG – as understood by Boschma and Frenken – explains spatial economic outcomes on the meso- and macro-level from the micro-behaviour of firms, thus, relegating the influence of other spatial scales. This reasoning is thought to be rooted in some of the disciplinary origins of EEG.

The major terms and concepts of EEG are derived from evolutionary economics, generalized Darwinism and complexity theory which highlight, amongst others, the roles of path dependence, variety, selection and organizational routines for regional development and adjustment (Boschma and Frenken 1999, Coe 2010). Based on Nelson and Winter's (1982) evolutionary theory of economic change, and most contrary to alternative approaches such as institutional economic geography (from here on IEG) or neoclassical thoughts, for Boschma and Martin (2007: 541) *routines* are the key: they coordinate and control firm behaviour and thereby shape distinctive competitive advantages at the micro-level which unfold onto other spatial layers through processes of interaction.

In contrast, territorial institutions are argued to affect industrial dynamics only weakly, hence opposing central assumptions of institutional approaches to economic geography (Boschma and Frenken 2006, 2009). They are attached to the meso- and macro-level of economic landscapes (Schamp, 2005: 618-19) and perceived as more durable compared to the rather temporary, more dynamic organisational routines (Essletzbichler, 2009). The marginal role of institutions, for instance materia-

lized as industrial relations or technology standards, is considered to result from its “too loose”, “nonbinding” and “so general” characteristics (Boschma and Frenken 2009, 152, 153); differences in institutional frames, as argue from an institutional perspective, would not sufficiently explain intra-regional variety of local networking activities or the replication of the same routines across national institutional boundaries.

Moreover, the weak influence of institutions on the spatial formation of new industries is identified in the concept of windows of locational opportunity (Storper and Walker 1989) which is clearly based on evolutionary thought. Since sector-specific institutions are assumed to only co-evolve with new industries, existing institutional endowments such as general knowledge, skills, service providers or a reliable judicial system are not expected to match new industrial requirements. Such basic institutions seem to be too widely available in space as if they adequately explain the evolution of new industrial regions (Boschma and Lambooy 1999: 423, Boschma and Frenken 2009, 155). Although one cannot predict where new industries emerge, it is not an entirely random process and differs from industry to industry. Boschma and Wenting (2007), for instance, demonstrated that the British automobile industry emerged on the foundations of related industries (such as coach and cycle making sectors), which provided related knowledge and skills (see also Klepper, 2007).

Closely connected to analysing emerging industries is the notion of industrial decline and regional lock-in. EEG assumes that established spatial patterns tend to be largely irreversible due to its path-dependent evolution. Lock-in situations appear because specialized industrial regions endowed with particular resources, competences and institutional structures are unable to match changing market requirements; also, built-up agglomeration economies with respect to infrastructure and services hinder renewal processes (Boschma and Lambooy, 1999, 418; Martin and Sunley, 2006, 409). However, the main argument from an EEG perspective is, again, focussed on the firm level. Organisational routines shaping the learning and creative capability of firms and whole industries are dangerously limited because they do not fit the new situation any longer whereas, at the same time, the internal selection process fails due to consolidated routines regarding problem solving (Boschma and Lambooy, 1999: 416).

Nonetheless, institutions are ascribed some relevance for economic change, namely in the process of co-evolution. “If institutions play a role, it will be more often in an endogenous manner as entrepreneurial firms, consumers and government officials engage in collective action to establish new institutions” (Boschma and Frenken, 2009, 5). Bathelt and Boggs (2003, 278), for instance, take such an approach to explain regional development through interactive learning. “Thus, interactive learning is

concerned not only with creating technological and organizational innovations (...), but with creating wider institutions that circulate capital in all its forms. Thus, regional development paths take place within a wider social context.” Regional actors are hence, challenged to shape their own capabilities to adjust and (re-)invent industrial and economic structures, for example by rebundling local resources which had previously been neglected (Bathelt and Boggs, 2003, 276-77).

The co-evolution of institutions, technologies and sectors contributes to the transformation of previously ‘neutral’ places, endowed with generic factors, into ‘real’ places (Boschma and Frenken 2006, 291). This is in contrast to an institutional approach which argues from existing institutional differences, thereby, assuming ‘real’ places as a starting point for regional economic analyses but fatally neglecting the processes of emergence (Boschma and Frenken 2006, 277).

Reasoning almost exclusively from the firm level, however, is very prone to criticism, too. The *weak significance of institutions, the under conceptualized notion of social agency and power* as well as the *neglected multi-scalar interrelatedness and embeddedness* of firms are at heart of most recent critique of EEG from a GPE point of view (Pike et al 2009, MacKinnon et al 2009). While many economic geographers would agree that institutions matter for regional development (Rodríguez-Pose, 2009; Gertler, 2010, 3), MacKinnon et al (2009, 135) reveal that, in contrast, “some of the recent contributions to EEG have risked relegating the role of institutions in shaping processes of economic change. (...) There seems to be little interest in how institutions are actually constructed and endure over time, which requires a deeper engagement with older institutionalist conceptions of instincts, habit, language, and power”.

Hodgson (2009) in response to MacKinnon et al (2009), however, has concluded such an institutional understanding from generalized Darwinism which needs to be explored further. Institutions, especially in terms of habits, would represent rule-like social structures which may stimulate economic changes due to the cumulative effects of their repeated application. Altogether a *broader approach of institutions* is proposed which emphasises its strong impact on individual agency (Hodgson, 2009), expands beyond the firm-level and acknowledges the entanglement of various scales instead of conceptualizing an almost linear relationship between institutions and organisational routines (Pike et al 2009, 179; MacKinnon et al 2009, 140). We criticize that some evolutionary economic geographers fully leave out the institutional environment and its influence on firms, particularly those who study spin-off dynamics and the passing on of successful routines from fit mother companies to their spin out companies, e.g. in the car industry or fashion design industry (Klepper, 2007; Wenting, 2008, 2009). However, firms in these locations can probably develop successful internal routines thanks to

the favourable institutional environment (specialised labour market, training institutions, innovative or creative milieu etc.); in other locations they would not have been able to develop these internal routines.

Privileging the firm as an initiator of economic change is furthermore criticised for recently neglecting other actors such as state, labour and civic society groups as well as for *losing sight of the positioning of firm in wider networks, processes and structures*, such as the embeddedness in global production networks (MacKinnon et al 2009, 139). By widening the scope of actors and scales, the EEG concept might also become more amenable towards the *role of power*. Induced by different capacities of agents to enforce interests or access information, power is regarded as a crucial source of uneven social and economic development. This appears to be overlooked in the current reading of EEG (MacKinnon et al 2009, 137; Pike et al 2009, 180), but also within the wider economic geography literature dealing with embeddedness (Jones 2008, 72). Finally, the concept of *social agency* within EEG is suggested to be reconsidered. Close attention should be paid to both, the crucial function of social structure and institutions – beyond the firm level – as enabling and constraining factors of human agency and the intrinsically evolutionary notion of structure as being constantly reproduced and transformed by collective agency (MacKinnon et al 2009, 135; Pike et al 2009, 180). In the current reading of EEG firms misleadingly appear to shape their routines almost detached from a wider institutional context.

In conclusion, we agree with the outlined critique on EEG posed from a GPE angle, particularly the ones related to institutions and real places. On the one hand, we believe to broaden the “reductionist” and “incomplete” understanding of institutions currently applied within EEG (Pike et al 2009, 179); on the other hand, we sympathise with its focus on “the processes and mechanisms by which the economy *self-transforms itself from within*” (Boschma and Martin, 2010, 4; italics in original text) reinforcing the capability of firms to create ‘real’ places. In order to overcome most criticism the next section evaluates the main conceptual contributions to EEG by three alternative approaches, namely, institutional economic geography (IEG), GPE and relational economic geography (REG).

### **3. Strengthening EEG with an institutional, geographical political economy or relational perspective?**

In order to enhance the role of institutions as complementary factors of influence to organisational routines we, along with other critics, suggest including an institutional economic thinking in the theoretical advancement of EEG. This way, institutions at different spatial level do not only gain more

attention in general, thus complementing the firm-centred perspective of EEG, for instance, with the notion of institutional thickness; but also, it is emphasised how human agency is enabled and constrained by social structures and its representative formal and informal institutions (Section 2).

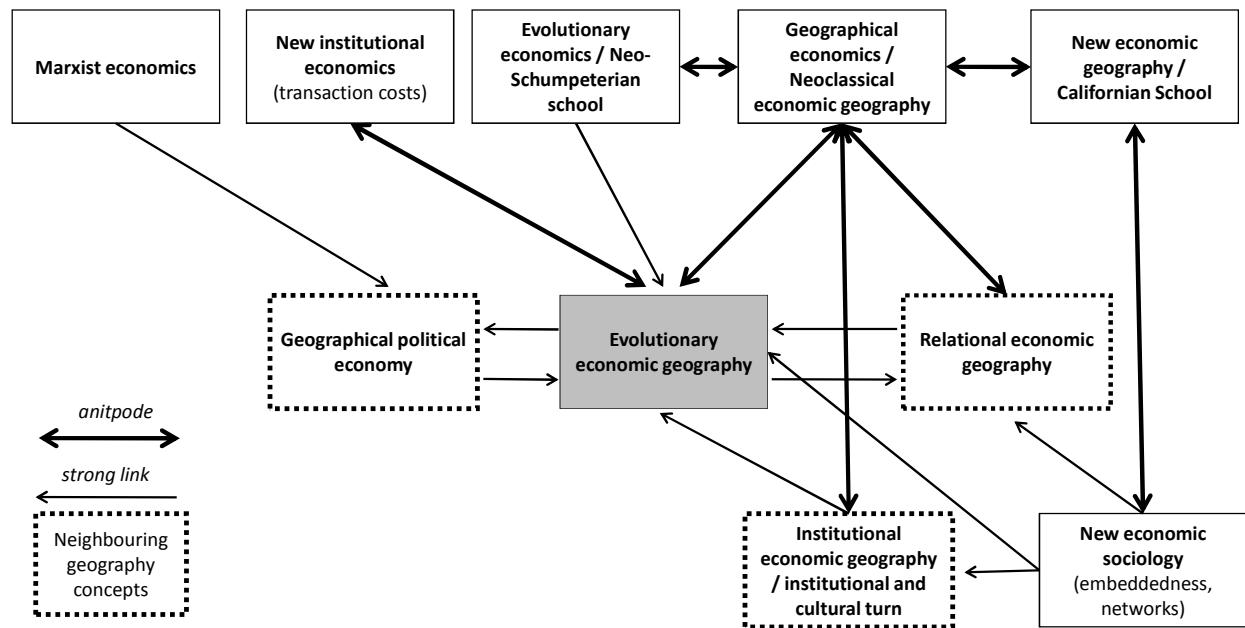
Linking constitutive aspects of IEG and EEG has recently been discussed by Gertler (2010) who proposes a revised institutional economic geography, after it has been advocated around 2000 by Martin (2000) and Amin (2001), among others. Both, the old and new version highlight to analyse “how individual institutions – as well as their interaction with other institutions – evolve and change over time” (Gertler 2010, 6). An institutional approach to economic geography represents a perspective for explaining the transformation of economic landscapes because institutions are considered as path dependent and carriers of history (Martin, 2000, 80). Path dependence, as defined by MacKinnon (2009, 499), is finally anchored in “institutional and evolutionary economics which highlights the influence of past decisions and experiences in shaping how economic actors respond to wider processes of economic change.” Schamp (2007, 247) bases his argument for relating EEG and IEG particularly on the notion of co-evolution. Hence, he elaborates on the point that has been described as most significant for bringing institutions back in (Section 2). It provides a better understanding about how regional economic development trajectories are socially constructed instead of centring on firms only. Given those reasons for a conceptual integration, we may interpret Boschma and Frenken’s (2006) strict separation of IEG and EEG in their constituting article as necessary means to draw borders and caricature neighbouring fields in order to launch the new paradigm of EEG.

But besides IEG it might also be inspiring to look at relational economic geography (from here on REG) and GPE to eliminate some of the shortcomings of EEG. Both are regarded as neighbouring geographic disciplinary paradigms, turns or theories because they imply evolutionary thoughts of path dependent development<sup>2</sup> (Figure 1).

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<sup>2</sup> In their conceptual paper about REG, Bathelt and Glückler (2003, 134) define evolution as an important constitutive elements besides organisation, innovation and interaction. Regarding GPE, the design of economies is explained by its “spatialized social relations, social agency, and socio-institutional context *over time, across space, and in place*” (Pike 2006, 206; italics by authors), clearly indicating to the notion of path dependence.

Figure 1: The position of EEG in the pedigree of theories of economic geography and related disciplines<sup>3</sup>



Source: authors' design, inspired by Scott, 2000 and Schamp, 2007

Since the last three decades economic geography has become increasingly pluralistic in terms of integrating insights from social sciences and economics, but also from cultural and political sciences (Boschma and Frenken, 2006, 273, 274; Schamp, 2007). Although EEG is mainly informed by evolutionary economics we can draw links to the core ideas of new economic sociology, too. Embedding economic agency and outcomes in structures of ongoing social relations has significant impacts on the institutional, relational and evolutionary turns of economic geography (Hess, 2004, 165). This is important in order to distinguish EEG from disciplinary streams that might be regarded as contrary to it and hence qualify less as sources for its potential contributions. Insights from Krugman's geographical economics, new institutional economics and the Californian School around Scott and Storper are assumed to relegate institutional and socio-cultural foundations of economic systems (Hess, 2004, 165) and thereby reveal themselves as antipodes to EEG (Figure 1).

So, what do REG and GPE, respectively, have to say about critical points of EEG in terms of institutions, social agency, power and the interrelatedness of scales? Although GPE has been recently proposed several times (MacKinnon et al 2009; Pike et al 2009) we suggest insights from REG in order to strengthen EEG (Yeung, 2005; Bathelt and Glückler, 2003; Boggs and Rantisi, 2003; Sunley 2008). A

<sup>3</sup> Please note that, in order to be clearly laid out, Figure 1 illustrates only main theoretical links between disciplines which are thought to be relevant for this paper. Particularly the conceptual contributions from economics (top row of Figure 1) are considered.



relational perspective is argued to provide better concepts for *comprehensively* theorizing institutions, power, social agency and particularly the interrelatedness between scales, which can be criticised for being too narrow and reductionist in political economic approaches.

In our view, REG represents a broader set of streams of relational thinking within human geography (for an overview see Jones, 2009) and economic geography (see Sunley, 2008). Its emergence coincides with major shifts in economic organization in terms of outsourcing, specialisation and increased interfirm linkages in a post-fordist production system (Boggs and Rantisi 2003, 109). Thematic concepts gained attention that stressed the relational embeddedness of actors, firms and organizations in networks, e.g. global production networks (Dicken et al., 2001; Coe et al., 2008). At the same time knowledge creation in firms, temporary work organisations (projects) as well as a socio-cultural embeddedness of actors emerged as new research fields of economic geography (Ibert, 2008: 7). Altogether, Yeung (2005, 42) identifies three categories of theoretical frameworks, namely relational assets, network embeddedness and relational scales, which constitute a thematic turn towards a REG. The next four paragraphs outline how we understand REG to contribute to the EEG shortcomings.

### ***Significance of institutions***

REG considers formal and informal institutions as central influences on the evolution of industries and the development of regional economies. Special emphasis is placed on the embeddedness of firms and organisational structures in a wider network of social relations and institutions at different spatial scales (Bathelt and Glückler 2003, 131, 133). As Yeung (2005) points out, relational assets such as institutional thickness, social capital and untraded interdependencies, all of them transcending firm levels, constitute the core themes of REG.

Furthermore, applying a relational perspective highlights the significance of institutions for the rise of new sectors. For instance the new media cluster in Leipzig developed not only from firm initiatives, such as the regional television and broadcasting service (MDR) which stimulated the co-location of media-related companies. But also, the specific socio-economic embeddedness in “specialized local resources, skills and shared trust, norms, routines and other local institutional structures [e.g. higher education and training programmes and incubators]” (Bathelt 2002: 587) is emphasized as a source of regional competitiveness and growth which clearly goes beyond the impact of organizational routines at the micro level.

With respect to institutions, scholars who wish to integrate GPE into EEG do not differ significantly from the outlined arguments of REG since both highlight the importance of institutions in the understanding of 'old' institutionalism (MacKinnon et al 2009). However, the approaches might differ in the *scope* of institutions perceived as relevant for explaining the evolution of economic landscapes. GPE primarily thinks of capital-labour relations and the state regularities as influential factors (MacKinnon et al 2009, 131). As Yeung (2005, 39) points out, this thematic focus limits the progress of whole disciplines such as radical political economy. Its decline in the late 1980s is assumed to be based in the core argument, namely the deterministic relationship between capitalist relations and spatial structures. It overemphasises the effects of class and division of labour on spatial economic development which is criticised from a relational economic geography as being too limited. A relational approach, in contrast, tends to be less preoccupied with certain categories of relevant institutions or actors, which is reinforced by the next two points closely connected to the concept of institutions.

#### ***Multi-scalar perspective of influences on economic development***

Due to the consideration of a variety of actors and institutions, REG broadens the range of influences and capabilities of political regulation of regional development. In contrast to primarily reasoning economic evolution and transformation from the micro-level of firms, REG stresses the *interdependencies* of factors on local, regional, national and global scales as well as the *embeddedness* of individual agents in multiple networks (Boggs and Rantisi 2003, Yeung 2005). However, this does not mean to "dissolve scalar units into long chains of networks and spatial relations" which has been convincingly criticised by Sunley (2008, 15) but to be more sceptical towards scale. A relational perspective helps to avoid the fallacy of EEG to conceptualise institutions and the formation of economic landscape as mere reflections and outcomes of organisational routines within this region (Pike et al 2009, 178). Darwinism clearly propagates such unidirectional influences of "structured algorithms and rule-like dispositions, interacting at the micro-level to create complex and unpredictable marco-outomes" (Hodgson 2006, 23) which are seen as problematic for two reasons:

Firstly, informed by the embeddedness concept, "microentities [such as firms] are never isolated atoms but are shaped and evaluated by their meso- and macroenvironments. Any explanation that focuses only on one level is reductionist and incomplete" (Essletzbichler 2009, 162). And secondly, even if the firm is a preferred level of analysis a relational approach would question the supposed homogenous, conflict-free and self-contained entity of agency implied by the current treatment of firms in EEG. Instead, REG reveals them as intersections of associated individuals who are involved in numerous networks within and across company boundaries, e.g. conceptualized as communities of

practice, with each following their own logic and providing individuals with different access to resources and capabilities of power (Boggs and Rantisi 2003, 112; Ettliger 2003). Accordingly, in order to explain the success of firms and regions, the focus should be shifted from firm-centred organisational routines to actors' networks and interrelations (Dicken et al 2001, 89; Boggs and Rantisi 2003, 114), resulting in no prioritization of a specific scale per se.

At the same time, such broad and unspecified understanding of relations and networks is problematic: who and which institutions should be included and excluded from the analysis? "Networks are defined in such an elastic manner that they can include virtually anything. One cannot escape the conclusion that such a loose and ubiquitous idea explains everything and nothing" (Sunley 2008, 8). We agree that this view lacks analytical clarity and boundaries, on the one hand. On the other hand, however, we sympathize with the notion of openness towards the factors that influence economic outcomes. In contrast to REG, these are clearly defined by GPE as state, trade regimes, labour and class. Although Pike et al (2009, 128) argue that they are sufficient "to dissect the causal relations, mechanisms, and processes that matter to our explanation", we, still, perceive them as too reductionist. Institutions are neglected such as the cultural and cognitive embeddedness of actors (Zukin and DiMaggio 1990, 15-23)<sup>4</sup> which are regarded as crucial sources for explaining economic behaviour.

### ***A balanced view of structure and social agency***

REG considers human agency to be enabled and constrained by wide institutional structures, thus enhancing the scope of influences on individual behaviour beyond intra-firm processes, rules and practices. Economic decisions are thought to be generally path dependent and context-specific (Bathelt and Glückler, 2003, 127) and the presence *or* absence of institutions is assumed to influence economic behaviour, for instance in terms of creating and maintaining business networks (Murphy 2003) or shaping transnational business practices (Jones, 2008). At the same time, however, both, REG and EEG deny a structure-oriented perspective which strictly determines economic outcomes by the macro-institutional environment. Instead, REG is argued to represent parts of "midrange theoretical themes" (Yeung 2005, 39) because it provides a balanced view of structure and agency where identical structural preconditions do not necessarily have the *same* effects at any time and place (Bathelt and Glückler 2003, 127) but might vary according to specific conditions (contingency).

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<sup>4</sup> According to Hess (2004, 171), Zukin and DiMaggio's concept define cognitive embeddedness as regularities of mental processes that shape the economic reasoning of individual actors. Instead of thinking purely rational in terms of homo oeconomicus, the notion of bounded rationality is emphasized. Cultural embeddedness refers to the shared collective understandings in shaping economic strategies and goals. Both, cognitive and cultural, are later on included in Hess's (2004, 176) notion of societal embeddedness as part of a revised concept of embeddedness in economic geography.

***A relational concept of power***

REG has been heavily criticised, particularly with respect to its struggle to explain broader social and institutional structures in contrast to mere description of constituting network relations (Sunley, 2008; Yeung 2002, 13). We agree with that but also see EEG to be at this risk because power relations are under conceptualized (Section 2). Yeung's (2005) notion of 'power geometries' may provide promising means to address this limitation (Boggs and Rantisi 2003, 114).

Economic change and spatial differences of economic outcomes are explained by different degrees of power inscribed in three dimensions of relationality, namely actor-structure, socio-spatial and scalar relationality (Yeung 2005, 43). Within them, firms are considered to be exposed to specific tensions which lead to different strategies, practices and firm behaviour as a whole, even if they are objectively involved in the same situation. For instance, being integrated into local business networks does not sufficiently explain the success or failure of firms per se; further analyses is required regarding the importance of extra-local linkages and the position within the production network in order to scrutinize the role of local, regional, national and global dimensions of scalar relationality (Yeung 2005, 43).

The incorporation of power in terms of capital-labour conflicts and class by a GPE perspective (Mackinnon et al 2009, Pike et al 2009) has been strongly criticised as being too vague (Hodgson 2009) and also, too limited to explain economic landscapes: "Although class is a central category and capital-labor conflict is the key driver of change in a political economy framework, it is one of many progenitors of change in evolutionary theory" (Essletzbichler 2009, 163). We agree with the shortcoming and again, refer to the specialised focus of GPE in contrast to a broader, more comprehensive of perspective of power in a relational framework. Outsourcing production processes, for instance, is, of course, linked to the wider scope of capital accumulation and political regulation as proposed by GPE but also, cultural, organisational and spatial proximities may play roles in re-organising firm structures. By analysing tensions between the political, economic, social and spatial dimension of socio-spatial relationality (Yeung 2005, 43) a tool is provided to reveal power relations causing distinct spatial outcomes of economic organisation.

**4. Conclusion**

The paper started with a conceptual overview of EEG and presented its main criticism with respect to institutions, power, social agency and the interrelatedness of influences at different spatial scales. In our view, EEG has much potential to become the new dominating paradigm in economic geography

as it has clear conceptual notes and research foci to explain key empirical phenomena in economic geography (Hassink and Klaerding, 2009). The paper therefore clearly brings the discussion about EEG forward by giving an alternative solution, other than the GPE approach proposed by MacKinnon et al. (2009) and Pike et al. (2009), to eliminate the identified conceptual shortcomings of EEG. We advocate a selective relational perspective to strengthen EEG because it provides a better approach for comprehensively theorizing power, social agency and particularly multi-scalar impacts on the formation of economic landscapes. Proponents of GPE appear too focussed on impacts emanating from the state, class and capital-labour relations whereby other factors, for instance, related to culture and cognition are under conceptualized that shape regional economic development.

Hence, the main argument in favour of REG derives from the wide range of frameworks subsumed under a relational perspective in economic geography (Yeung 2005, 40). Furthermore, it may be understood as a transdisciplinary way of conceiving economic behaviour (e.g. 'relationality in organisational research' by Bradbury and Bergmann Lichtenstein, 2000) which, by its nature, is more comprehensively designed than a rather clear political approach to economic geography. In our view, REG is particularly strong in explaining important phenomena in economic geography, such as knowledge transfer, production networks, supply chains and money flows which place emphasis on actor-network relations. And finally, REG and EEG are argued to be capable of being combined rather easily: both approaches show only subtle difference (Hassink and Klaerding, 2009), mainly with respect to their fundamental disciplinary influences: whereas REG has strong links to economic sociology, EEG is heavily based on evolutionary economics (Schamp, 2007). But this is rather seen as an advantage than a barrier to conceptual integration because it allows considering complementary influences, e.g. scope of institutions, on economic evolution.

In sum, we see high potentials to enhance EEG with the key ideas of REG presented in this paper. Promising research in which EEG is already used in a relational way to look at the evolution of global value chain has been published by Oro and Pritchard (2010).

To be clear, strengthening EEG by a relational perspective does not mean to propose an alternative paradigm. We rather intend to contribute to a more sophisticated EEG in order to meet today's and tomorrow's research challenges of economic geography as well as to consolidate such a revised version of EEG. With our paper we facilitate *theoretical stability* instead of provoking shifting and short-lived paradigmatic commitments caused by criticism and the rise of new ideas from neighbouring social sciences which has been generally observed by Amin (2001, 1238) and Grabher (2009) in economic geography.

Combining complementary theoretical perspectives, furthermore, underlines ‘engaged pluralism’ which is contrary to fragmented pluralism in economic geography (Barnes and Sheppard 2009). The divisions between EEG and Marxist political economy, on the one hand, and EEG and institutional economic geography, on the other hand, “presents evolutionary economic geography as self-sustaining and autonomous but at the cost of setting up ‘us’ against ‘them’ (Barnes and Sheppard, 2009, 12). Fragmented pluralism which is arguably necessary to constitute a new paradigm at the beginning, crucially limits the opportunities for cross-fertilisation (MacKinnon et al. 2009, 130) which can be inspiring for progressing paradigms that are still in its infancy like EEG. Hence, in line with MacKinnon et al. (2009) and Grabher (2009) we advocate EEG as a pluralistic project which is open to engage with relational perspectives, or others, that may be discussed in the future.

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## 5. Understanding remigration and innovation – an appeal for a cultural economic geography

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### Abstract

The acquisition of new knowledge is a crucial capital of highly skilled remigrants and its utilization in home countries can play a major role for regional economic development. By reviewing the remigration literature it is shown that remigrants are able to create innovation in their home countries and promote regional development. But also theoretical deficits can be identified regarding the structural conditions of transferring new knowledge across regions which precedes potential innovation processes. Recent theoretical ideas cannot sufficiently explain why remigrants become innovative to varying degrees depending on their home regions. A cultural approach of economic geography is needed to highlight the cultural construction of the economy. It allows for remigrants to be perceived as knowledge brokers, which crucially influences the returnee's capacity to innovate.

### 1. Introduction – International Labour Migration

Increased labour mobility constitutes a characteristic dimension of economic globalisation as the amount of international labour migration in general (Oezden and Schiff 2007) and temporary work migration in particular have been rising in the recent years (OECD 2008; Rannveig Agunias and Newland 2007). The major emigration countries are on average less developed than most immigration countries which results in directed migration towards industrialised regions. This immigration pattern can be observed for educated and highly skilled people in particular (Fischer et al. 2008). The majority of skilled workers move to North America, followed by destinations in Europe and Australia (OECD 2002).

(Re-)Migration has been studied by economic geographers since the 1960s to understand its effects on the socioeconomic structures of home and host countries. In theory, sending and receiving countries experience positive and negative consequences regarding the capacities of financial and human capital and empirical studies reveal mixed results, accordingly (Rannveig Agunias 2006; Regets 2001;

Thomas 2008). But whereas this strand of research seems comprehensively analysed, still, little is known about the conditions which enable or restrict regional development. This paper argues for an approach which investigates the underlying factors of knowledge transfer and innovation capabilities of remigrants who potentially contribute to regional development. By applying a cultural economy perspective remigrants are taking the role of knowledge brokers which crucially influences the returnee's capacity to innovate. To support my appeal for a cultural economic geography I review Saxenian's (2006)<sup>1</sup> prominent work about highly skilled returnees in Asia as the key empirical case and underline my arguments by further studies within the field of economic geography. Hence, this paper brings forward a new conceptual approach for understanding innovation and remigration which is based on empirical studies applying related theoretical frameworks.

Before turning to the conditions of promoting regional development it seems necessary to clarify the effects of returning migrants on the economic structure of their home countries. Starting with *financial aspects* positive impacts can be observed for home countries in terms of remittances and for remigrants in terms of higher wages. Remittances support the local economy as money is spent on consumption or invested in productive activities back home (Hermele 1998). According to the World Bank remittances are an important source of income for many developing countries and can account for up to 30%<sup>2</sup> of the country's GDP (Coe et al. 2007). Spending purposes include investments on the household level, e.g. basic goods, children's education or health care, entrepreneurial activities (Black et al. 2003; McCormick and Wahba 2003; Mueller 2007; Saxenian 2006) or the improvement of community infrastructure as pointed out by Scott (2003) or Macphersons (2004). There is also growing evidence from Egypt, Ireland and Hungary that migrants benefit from returning to their home countries in terms of occupational payment. Compared with workers in the same position but who had not left the country remigrants are paid higher wages because of their experiences gained abroad (Barrett and O'Connell 2001; Co et al. 2000; Oezden and Schiff 2007)<sup>3</sup>.

With respect to *human capital*, the concepts of brain drain and brain gain can be applied which usually refer to the effects of highly skilled migration. Sending countries suffer a loss of educated people as migration was assumed to be permanent and selective towards skilled professionals (Adams 1986; Bhagwati and Hamada 1974; Hodgkin 1972; Hunger 2000). Such brain drain effects are well documented for health professionals in West Africa who have left the country for better educational or occupational opportunities (Black and King 2004)<sup>4</sup>. However, since the 1980s the perceptions of brain drain and permanent migration are complemented by theoretical ideas dealing with new migration patterns of temporary in- and out-migration and remigration respectively (Findlay 1988; King 1986). These phenomena do no longer account for a minority of labour migrants. As

shown for highly skilled people in the United States and Canada the inflow of temporary migrants outnumbers the immigration of permanent workers (OECD 2008).

*Brain gain and brain circulation* have become prominent theoretical concepts to analyse the human capital effects of home countries in the course of remigration (Hunger 2000; Pethe 2007). The main concerns of these perspectives are the positive effects of labour mobility for sending countries in terms of contributing new knowledge and skills. In comparison to the brain gain concept, the idea of brain circulation appears to hold a more dynamic view as circularity refers to repetitious and continuous migration between home and host countries (Gaillard and Gaillard 1998; King 1986; Rannveig Agunias and Newland 2007). Whereas the perspective of brain gain emphasises the enhanced human capital of home countries after remigration, the concept of brain circulation takes into consideration gains (and losses) of skills and knowledge over time. Also, return does not necessarily mean the end of a migration pathway as illustrated by Bovenkerk (1974) early conception of return migration<sup>5</sup> but constitutes a stage within a migration cycle. In the following remigration is broadly defined and includes temporary as well as permanent return to the home regions. That way, the benefits of circular migration resulting from maintained relations to the host countries are taken into account, too.

To bring forward my appeal for a cultural economic geography in the context of remigration and innovation I have structured the paper as follows: I begin with the innovation potential of remigrants which is based on the transfer of human capital (see section Remigrants as Innovators). Given the literature's focus on skilled migration<sup>6</sup> and the transfer of qualified personnel within transnational corporations (Pethe 2007; Williams 2007) I uphold this rather restrictive view, too, although it leaves behind less qualified workers. By outlining the main theoretical shortcomings in the third section, I argue for an alternative approach of a cultural economy to understand better the impact of remigration on innovation. The fourth section demonstrates the added value of the proposed approach compared with a conventional analysis of the innovation potential of remigrants. Finally, the fifth section summarises limitations and ongoing challenges.

## **2. Remigrants as Innovators**

The impact of remigration on regional development can be accessed on the *micro-level* of individual migrants as well as on the *macro-level* of institutional structures of home and host countries. I argue that the latter requires special attention to address the conditions for knowledge transfer and the probability of creating innovations. In the context of this paper, innovation is rather broadly defined and includes the introduction of new products, processes as well as new organisational and management procedures (Lam 2005); all forms require the transfer of new knowledge and its successful

implementation in the returnee's firm. Thus, remigrants can be perceived as innovator because they are capable of transferring new knowledge which precedes potential innovation processes.

Considering the *micro-level*, returnees can play the role of innovators or catalysts of regional development by introducing newly gained skills and knowledge to their home countries. By drawing on Bovenkerk (1974) early work, King (1986) describes several conditions that foster regional development in terms of economic and cultural changes. Returnees should be *professionals and graduates* rather than uneducated labourers and should *concentrate in time and numbers* to be effective. Moreover, their *period of absence* should be long enough to absorb new experiences and values and finally, the return should be well organised and related *or integrated into national or regional policies*. Also, Hodgkin (1972) examines the role of returned foreign trained persons in Southeast Asia such as accountants or engineers and concludes that remigrants are able to contribute to the process of modernisation in their homelands. She distinguishes between different levels of innovation potential and hence, adds another supportive condition for regional development. The *key position* to initiate change is claimed for remigrants in regional or national governments, large corporations and research institutes. Cerase (1974) studies Italian returnees from the United States and identifies sociocultural aspects as another decisive variable for becoming innovative in the home region. He emphasises the crucial influence of *social power structures* in Southern Italy on the successful implementation of new skills and knowledge by remigrants. Introducing new farming methods, local processing plants or opening businesses in new industries such as tourism are seen as both, challenging the established market situation and shaking vested power structures of the communities. The outlined micro-level concepts of innovative returnees assume remigration to be preplanned and understood as positive. It is perceived as a *calculated strategy* (Galor and Stark 1990) and takes place when individually set targets regarding the accumulation of financial capital or level of professional qualification are reached (Cassarino 2004). Thus, this perspective is opposed to the neoclassical viewpoint where return migration is conceptualised as a consequence of failure in the host region<sup>7</sup> (Borjas 1994; Cassarino 2004).

Recent empirical studies of skilled remigrants show their contribution to regional economic development in the home regions resulting from the transfer of new knowledge and skills. For example, technology entrepreneurs who commute between Silicon Valley and Taiwan's Hsinchu Corridor, Shanghai, Tel Aviv or Bangalore were significantly involved in establishing new technology regions in their home countries. These regions are now functioning as successful nodes of the global high-tech industry network (Saxenian 2006). Furthermore, studies in Egypt and China provide evidence that returnees exert a significant higher influence on the economy than their domestic counterparts.

In the case of Egypt, McCormick and Wahba (2003) distinguish between the entrepreneurial activities and characteristics of small firms owned by return migrants and those who have not migrated. In comparison returnees appear to make higher investments and employ more workers. Likewise, Zweig et al. (2004) analyse foreign educated returnees and domestically trained researchers in China's major developmental zones<sup>8</sup>. They conclude that remigrants are more probably to import technology in general and to introduce internationally new technology in particular. Also, they tend to invest more foreign capital. Both variables are essential for upgrading the economic development of firms and regions. But not all remigrants are successful, despite similar individual preconditions, and have to deal with transfer problems of human capital instead (Saxenian 2006).

*A structural approach of return migration on the macro-level* provides an explanation as it takes into consideration the socioeconomic and political context of host and home countries. Conditions are described which are probably to promote remigration and increase the innovation potential of home countries. By quoting studies about Puerto Ricans in the United States or European guest workers in Germany, Gmelch (1980) already points out unfavourable economic conditions in the *host countries* resulting from industrial recession which reinforces remigration. With respect to the *home regions*, political stability, regional economic policies for attracting remigrants, certain levels of economic openness and development as well as particular standards of technical education are identified as promising conditions for remigration (Mueller 2007; Saxenian 2006; Zweig et al. 2004). And above all, the successful utilisation of new knowledge and skills tends to depend on its consistency with the demands of the domestic labour markets (Fromhold-Eisebith 2002).

In other words, human capital acquired abroad has to fit into the structural conditions of the home economy. But what exactly constitutes an economy and favourable conditions for promoting innovation? How can we explain the different degrees of innovativeness and innovation potentials resulting from knowledge transfer of highly skilled remigrants in their home regions? The paper argues for the perspective of a cultural economy to tackle these shortcomings.

### **3. Arguing for a Perspective of the Cultural Economy**

The cultural economy approach sheds light on two aspects explaining the innovation behaviour of remigrants. First, it allows for the analysis of the underlying *sociocultural conditions* of transferring human capital across regions. Secondly, it allows for remigrants to be conceptualised as *knowledge brokers* to overcome culture based problems of knowledge transfer. The following studies demonstrate the lack of theoretical engagement with the cultural construction of economic behaviour.

Saxenian (2006) frames the analysis of rising technology regions in Asia in the concepts of brain circulation and transnational communities. Continuous relations between host and home countries have enabled remigrants to transpose new technological know-how as well as knowledge and skills summarised as the Silicon Valley model of a technology based entrepreneurial system<sup>9</sup> to home regions. Its low degree of implementation in India and China, compared with the successful case in Taiwan, is broadly explained by a different standard of technical education and less political and economic stability. But in line with Gertler (2008) and Storper (2007) who reviewed her book, I feel rather unconvinced about this argument which involves a structural perspective but neglects the *influence of socio-cultural aspects*. Storper suggests that the migrant's culture in terms of attitudes towards entrepreneurship and hard work might be a crucial factor for becoming a successful Argonaut. In the same way, Gertler criticises that the sociocultural dimension has not been exhaustively addressed. Despite identified shared social context and language as essential conditions for creating a Silicon Valley model in the home countries Saxenian fails to go into detail about 'the deeper institutional contours' (Gertler 2008: 107) underlying language and communication. Although communication problems of Taiwanese returnees are described by Saxenian and interpreted as being rooted in different nation-specific cultures, a further investigation of the restrictive and enabling effects of culture on the transfer of knowledge and innovation capabilities is missing.

Ammassari's (2004) case study of élite return migrants in Africa shows similar deficits in analysing a cultural frame of economic agency. She surveyed the workplace activities of highly skilled remigrants<sup>10</sup> in Côte d'Ivoire and Ghana and applied the concept of brain gain to reveal socio-cultural and economic changes such as innovative business practices and productive investment. She found that despite a stable political and economic environment in Côte d'Ivoire about two-thirds of these returnees experienced occasional or strong difficulties as new knowledge and skills were transferred to the home region. Ammassari explain this by conflicting attitudes between the remigrants and their domestic counterparts, the threat to existing values and orders provoked by returnees and general difficulties of readapting to the 'local work culture and conventional ways of doing things' (Ammassari 2004: 146). But again, cultural constraints or influences have not been systematically addressed.

Also, by turning to the proposed cultural perspective special attention is paid to the role of remigrants as knowledge brokers (Beaverstock 2005; Wenger 2000; Williams 2006, 2007). Because of their familiarity with the socio-cultural context of the host and home countries remigrants are able to utilise new knowledge in the home regions effectively. This seems particularly relevant for the transfer of tacit knowledge as it is considered to be deeply embedded in socio-cultural settings which are only partly transferable through corporeal mobility (Eraut 2000; Polanyi 1967; Yang 2003). Also



knowledge brokers are able to create innovations which can be classified as hybrids or modifications because knowledge transfer always involves the translation of ideas and practices (Allen 2000). In the course of remigration knowledge gained abroad is separated from its original context and integrated in the specific economy of the home regions – potentially resulting in modified innovative outcomes. Such hybrids are observed for returnees in Taiwan where ‘they mimic management and entrepreneurial models’ known from the United States; but at the same time, these technology regions are not becoming replicas of Silicon Valley because ‘varied social structures, cultures and institutions of these economies shape the capabilities and regional trajectories’ (Saxenian 2006: 101–102), resulting in a source of competitive regional advantage.

Before applying the proposed approach in the next section, I turn to the questions: why is a cultural economic geography relevant within the context of remigration and innovation and what then, are its conceptual building blocks? My point of departure is empirical evidence from the outlined studies which understand similar cultural backgrounds of corresponding economic actors as a basis for explaining knowledge transfers and innovation outcomes respectively. This argument already plays a prominent role within disciplines located at the intersection of economy and culture such as international business studies (Schwartz and Sagiv 1995; Trompenaars and Wooliams 2003), cross-cultural management studies (Adler 2002), organisational sociology (Hofstede 1991; Whitley 2000) or political economy (Hall and Soskice 2001). Considering economic geography, the institutional and cultural turn have drawn attention to the importance of culture in the learning and innovation literature (James 2007).

From a *conceptual point of view* economic agency is argued to be embedded in culture at different spatial scales which mutually inform themselves<sup>11</sup> (Hess 2004; James 2005). Empirically culture can be identified at the level of firms (Schoenberger 1997), industries (Gertler 2004) and regions (Saxenian 1994) because of the author’s distinct unit of analysis. Culture and economy are understood as interdependent, thereby forming a *cultural economy*. Economy and markets are both, perceived as culturally constructed because they operate in a sociocultural context and as a mirror of their cultural environment (Barnes 2005; Castree 2004; Gibson and Kong 2005; James et al. 2008). This concept is a relational construct, too, which has to be analysed within its specific time and spatial boundaries. Furthermore, the cultural economy has multiple definitions and approaches (Gibson and Kong 2005). For the purpose of this paper, an approach is selected which focuses on the organisation of production, e.g. applied by Gertler’s (2004) analysis of culture as industrial practice. Thereby, the analysis is not restricted to specific industries such as arts or media which is advocated by a sectoral approach (Pratt 1997) and which might exclude an important group of remigrants working in the high-tech

industries. Following the proposed perspective, a cultural economy can be characterised by common traditions, conventions, routines, practices, codes of conduct as well as rules and legislation regulating economic behaviour (Gertler 2004).

#### **4. Added Value of the Cultural Economy Approach for Remigration**

I argue that a cultural economic geography leads to two new insights into the remigration and innovation literature. First, it will be shown that the returnee's capacity to innovate crucially depends on the underlying cultural conditions of economic behaviour. Secondly, innovations regarding (inter-) organisational and management practices are emphasised as an emerging research field which has been neglected so far.

With respect to the first aspect, I already demonstrated that the innovation potential of highly skilled remigrants is influenced by their capabilities to act as knowledge brokers. Furthermore, the familiarity with the cultural economy of host and home regions provides a fundamental advantage of remigrants for increasing their innovation potentials because it generates trust. For example, Ammassari (2004) quotes a Ghanaian entrepreneur who has built up a brokerage firm which turned out to take the leading role in the development of Ghana's capital markets. In the returnee's opinion the reason for the success is based on his ability to understand the language, the culture of performance and local business ethics which are established in the home region. The returned entrepreneur was perceived as trustworthy and able to introduce new financial products to local customers. Another innovative venture is set up by a Ghanaian who has launched a new energy regulatory body which licences all service providers in the energy sector. According to him, economic culture represents a key dimension for entrepreneurial success. It influences the acceptance of newly introduced expertise such as standards of performance and business guidelines by the domestic workforce and business partners. Cultural awareness seems necessary to detect and handle such knowledge transfer problems. A third example is delivered by Saxenian (2006) portrayal of a returned Taiwanese CEO whose firm is a leading network equipment manufacturer. He regards his knowledge about Western and Chinese business practices as a crucial advantage to operate his business<sup>12</sup>.

These selected cases point out the positive effects of highly skilled remigrants as knowledge brokers resulting in increased innovation potentials and successful entrepreneurship. However, the adaptation of economic behaviour to prevailing regional cultures can generate constraining effects on the economic performance of firms, too. This seems to be the case where regional cultures conflict with key elements of the firm culture, as shown for computer software firms in Utah (James 2005). Firms acting in accordance to the predominant regional culture of Mormonism show significantly less reve-

nue growth and R&D intensities than their non-Mormon counterparts. In this case, regional Mormon culture is conceptualised as opposed to an industrial or corporate culture which advocates practices such as interfirm networking, outsourcing and reliance on external financial sourcing. Although this study does not focus on returnees at all, its results give good reason to question the outlined positive relation between firm performance and innovation on the one hand and cultural fitness on the other hand.

The cultural economic perspective seems necessary to draw attention to the cultural construction of economic behaviour to explain innovative capabilities. It complements conventional concepts within the knowledge and learning literature such as the absorptive capacity (Cohen and Levinthal 1990) which stresses only similar cognitive skills between economic agents in terms of occupational expertise. In addition, the cultural economy enhances the approach of transnational communities which argues for the importance of global business networks including venture capitalists, services providers as well as immigrant professional and technical associations (Saxenian 2006). By applying the proposed perspective we are able to explain why networking seems to be a key condition for promoting innovation (because it is part of a successful economic culture in Silicon Valley) and why the transfer of a Silicon Valley model causes difficulties in China and India (because it conflicts with established domestic economic cultures).

Furthermore, this approach allows for an enhanced view about the innovation potential of highly skilled remigrants because it includes new organisational and managerial practices of intra- and interfirm interaction<sup>13</sup>. In general, economic geography seems to focus on the returnee's skills and financial capital instead (Williams 2007). When knowledge transfer has been considered technological upgrading had drawn most attention (Chen 2008; McCormick and Wahba 2003; Rannveig Agunias 2006). Less analytical precision in describing managerial and organisational knowledge indicates to me its insignificance and degradation to side-effects of technological transfer. Although Rannveig Agunias's (2006) literature review on circular migration includes the effects of newly gained human capital – besides direct investment – she concentrates in detail on technology transfer. But interestingly engineers and technicians do not always represent the majority of foreign professionals seeking temporary residence abroad. According to Salt and Clarke (1998) executives and managers are the biggest group of labour migrants from non-EEA (European Economic Area) countries to the United Kingdom; the same accounts for EU immigrants to the United States of America (Mahroum 2000).

The approach of a cultural economy seems particularly useful to analyse innovation in the shape of management and organisational practices for two reasons. First, cultural economy can be defined by

the organisation of production (see section Arguing for a Perspective of the Cultural Economy) and includes specific modes of inter- and intrafirm behaviour such as open and flexible networking. Hence, the theoretical focus is already on the outlined type of innovation. Secondly, managerial and organisational know-how implies a high amount of tacit knowledge which, in turn, is considered to be closely tied to economic culture. Tacitness has emerged through individual experience and learning, it becomes embodied and results in behavioural routines and conventions about how things are getting done (Blackler 1995; Yang 2003).

But why is it important to complement the existing literature on (technological) innovation with managerial and organisational innovations? According to Lam (2005) both types of innovation are intertwined and mutually influence each other. It is necessary to consider managerial and organisational innovation, too, to understand fully the impact of remigration on regional development. For example Saxenian's case shows that technological innovation within the field of information and communication technology equipment cannot be strictly separated from organisational and management innovations referred to as the Silicon Valley model of entrepreneurship<sup>14</sup>. The following studies already emphasise the significance of these types innovations: Iredale and Guo (2001: 14) show that the majority of highly qualified returnees in Shanghai introduced 'advanced techniques and managerial skills'; about a quarter saw themselves as carriers of 'western culture, ideals, and values as well as international business practices and rules'. Ammassari (2004) finds that instead of technical know-how, organisational and management competences in terms of communication modes, time management, decision making and exertion were rated first by Ghanaian remigrants as contributions to the workplace.

## **5. Summary and Concluding Remarks**

Against the background of increased labour migration towards industrialised nations and rising numbers of temporary migrants this paper deals with the innovation potential of return migration in home regions. The concepts of brain gain and brain circulation emphasise the transfer of new knowledge and skills by highly skilled remigrants which potentially upgrades their innovation capabilities in the home regions. But, still, little is known about the underlying structural conditions that influence successful knowledge transfers and innovation potentials. Recent studies show two conceptual shortcomings: first, the lack of a detailed analysis of the sociocultural frame of economic activities and secondly, less attention is paid to the role of remigrants as knowledge brokers to transfer tacit knowledge effectively across national borders. The paper argues for a cultural economy perspective in terms of the organisation of production. A more comprehensive understanding of remigration and innovation is provided as it allows for the analysis of underlying cultural conditions which crucially

influence the remigrant's capacity to innovate and emphasises the creation of organisational and managerial innovations. Although research questions can be approached which consider the different degrees of (technological) innovation in home countries, despite otherwise promising political, educational or economic conditions, I have some critical remarks, too.

The cultural economy approach is based on a relational perspective because it explains economic agency depending on its specific temporal and spatial embeddedness. However, the effects of remigration in the home regions have to be explained by a dynamic perspective including the specific experiences and knowledge acquired along the migration path which covers a time span. Innovations such as the implementation of technologies or managerial practices are resulting from the interplay of cultural economies of the host and home regions over time. In the context of this paper, it seems fruitful to integrate a more history oriented perspective such as path dependence (Martin and Sunley 2006) into the rather static approach of the cultural economy.

Finally, remigration studies that deal with innovation effects are currently biased towards home regions in developing countries in Asia and Africa and towards highly skilled people. To evaluate the full impact of remigration on innovation and regional development we need to know more about the impact of less skilled migrants and about the transfer of technological, organisational and managerial know-how between industrialised nations.

## Notes

<sup>1</sup> Saxenian researched the impact of returned high-tech entrepreneurs in India, China, Taiwan and Israel who have gained educational and professional experiences in Silicon Valley. She concludes that circular migration plays an important role for transforming rather peripheral regions into established technology centres of a global economy.

<sup>2</sup> For the top 20 countries listed, the highest share accounts for Tonga [31.1% of the gross domestic product (GDP)], followed by Moldova (27.7%) and Lesotho (25.8%). The share of remittances accounts for more than 10% of the GDP for each of the 20 countries listed.

<sup>3</sup> On the other side, most workers who immigrate to industrialised countries earn significantly less than their native-born counterparts (Miracle and Berry 1970; OECD 2008).

<sup>4</sup> A critical view on the issue of brain drain in Africa is presented by Russel et al. (1990).

<sup>5</sup> Bovenkerk (1974) differentiates between six forms of migration. Return migration is assumed when people return to their region or country of origin after spending significant time abroad or in another

region. This migration form is different from circulatory migration where movements between host and home regions or countries become repetitious.

<sup>6</sup> When speaking of highly skilled migrants, I refer to academics and professionals (Iredale and Guo 2001) including university students, engineers and technicians, researchers, business executives, managers, expatriates as well as entrepreneurs (Mahroum 2000).

<sup>7</sup> Within the neoclassical framework migration is motivated by wage differentials between the home and host countries. As the migrant expects higher wages in the host country, the aim is to maximise financial capital by extending the duration of stay. Returning to the home region is interpreted as failure because the migrants could not derive the expected higher earnings abroad.

<sup>8</sup> Suzhou, Guangzhou, Shanghai, Wuhan and Hangzhou.

<sup>9</sup> This includes 'venture capital finance, nice market specialisation, professional management, minimal hierarchy, merit-based competition' (Saxenian 2006: 96) as well as the reliance on cross-regional collaborations.

<sup>10</sup> All returnees had an occupation encompassed in one of the following three major groups of classification: (i) legislators, senior officials and managers, (ii) professionals holding a university degree and (iii) technicians and associate professionals (Ammassari 2004: 153).

<sup>11</sup> For example, James (2005) analysed the high-tech industry in Utah against the background of the region's cultural embeddedness in Mormonism. He observes consistencies between the cultural patterning at the firm level and the cultural traits of the region which is visible rooted in Mormonism. He concludes interdependencies between cultures at different spatial levels.

<sup>12</sup> Also, the idea of matching cultures is not restricted to the context of (re-)migration. For example, Newman and Nollen (1996) tested the correlation between firm performance and management practices. They investigated European and Asian work units of one US-based multinational company. Financial performances of work units appear to be higher when the employed management practices – or firm cultures – are matching the regional culture of the location site.

<sup>13</sup> Organisational and managerial knowledge can be more generally defined as sets of economic behaviour which is relevant for and associated with a certain situation and group of people. Regarding the firm, it encompasses practices such as conflict solving, negotiation style or the allocation of responsibilities, resources and tasks. This knowledge is based on historically evolved collective understandings and experience (Scott 1995; Tsoukas and Vladimirou 2001).

<sup>14</sup> Gertler's (2004) study about industrial practices underlines this argument. The cooperation between German and Canadian professionals failed because of inadequate problem solving and communication; the machine itself had already been installed successfully.

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## 6. Transferring interfirm practices to Shanghai – specifying the role of culture in an institutional perspective

Manuskript currently under review as Klaerding, C. (2010), Transferring interfirm practices to Shanghai - specifying the role of culture in an institutional perspective.

### Abstract

By studying interfirm practices of Chinese returnees with native companies the paper scrutinizes the transfer of managerial know-how obtained by experiences in the West. Due to the highly tacit nature of such knowledge the institutional frame is argued to crucially influence the adaptation to local context. Labour migrants are considered to be particularly helpful for this task, but in contrast to technological know-how, the transfer of management-related knowledge and practices have only gained little attention, so far. Thus, the paper aims at analysing how institutions and self-identified culture, as part of it, shape the application of foreign business practices in Shanghai. It concludes that the introduction of new interfirm managerial practices in Shanghai is constrained by cultural attributes ascribed to native business partners, limiting the potential of returnees to initiated behavioural changes. Furthermore, the applied inductive approach reveals the perceived national cultures as constructed primarily based on legal and economic institutions.

### 1. Introduction

Generating and exploiting knowledge is understood as a key factor for facilitating innovation and firm competitiveness (Lam, 2000; Amin and Cohendet, 2004). Besides learning within defined corporate or regional boundaries, external linkages and knowledge transfer are necessary means to enrich existing knowledge pools. For instance conceptualized as global pipelines, deliberately established connections to actors outside contribute to the locally available knowledge in industrial clusters (Bathelt et al., 2004).

With respect to labour migration, knowledge import is the central issue of the brain gain concept. Receiving countries are considered to benefit from highly-skilled immigrants such as African health professionals moving to industrialized countries (Black and King, 2004), and also sending countries may exploit new knowledge and skills of returning migrants who can be classed as innovators (King, 1986). In addition to this singular and unidirectional process of transferring know-how, Beaverstock (2002), Findlay et al (1996) and (Saxenian, 2006) highlight the important roles of highly-skilled transnational work migrants. Due to their continuous relationships to actors in home and host countries

they are able to access and transfer new knowledge and skills over a period of time, thus stressing a more dynamic perspective on knowledge exchange.

However, Williams (2007) complains about the lack of research investigating the role of international migrants for transferring tacit knowledge. He criticizes a limited cross-fertilization of migration research with other disciplines specialized on studying knowledge and its transfer: "Migration researchers looking more to economics (...) than to management studies, which is the main locus of knowledge transactions research" (Williams, 2007: 30). Moreover, if knowledge is considered in recent remigration studies there seems to be a bias towards technological know-how (Liu et al., 2010) while the introduction of new management-related knowledge is treated as its side-effect: Saxenian (2006) for instance understands professional management, minimal hierarchy and merit-based competition as parts of a wide range of newly introduced knowledge which is applied for organising business relations. Up to now only few remigration studies (Iredale and Guo, 2001; Ammassari, 2004; Berthoin Antal and Walker, 2006) point out a high relevance of managerial know-how, e.g. related to decision-making, time-management and communication at the workplace, in contrast to technological and technical knowledge.

This is at odds with theories of learning and economic development which understands competitive advantages of firms and regions to arise from more than improved scientific, rather codified technological knowledge (Amin and Cohendet, 2004). Managerial know-how and practices are crucial to scholars of organisational studies (Lam, 2005) and economic geographers who, for example, study firm routines (Boschma and Frenken, 2006); comparable to conventions and habits routines are supposed to govern and define organizational behaviour (Gertler 2003), hence, manage social relations in and between firms. Such management-related know-how is argued to be of a highly tacit nature because it refers to procedures learned over time rather than codified facts (Gertler, 2003; Berthoin Antal and Walker, 2006). The practices of inter-organisational management are hence assumed to be far from universal, e.g. across firm sizes (Chew and Yeung, 2001), and in need to be contextualized (Sydow, 2006). This has important implications for the adaptability of management-related knowledge in a business environment which is different from its place of emergence. An institutional perspective is argued to help specifying the influencing factors on economic behaviour in terms of formal and informal institutions (Scott, 2001; North, 1991; North, 1990).

In this study, Chinese firm leaders were interviewed who returned from academic and occupational experiences in North America and Western Europe (the West); they were chosen because the Asian and Anglo-American business systems (Whitley, 2000) as well as organisational and managerial cul-

tures are assumed to differ fundamentally (Hofstede, 1991; Trompenaars and Wooliams, 2003). Therefore, the effects of transferring interfirm practices can be assumed to be particularly evident. Also, studies on highly-skilled Chinese remigrants point to conflicting values and work attitudes between host and home regions which influence the transferability of knowledge and skills in general (Saxenian, 2006; Müller, 2007). However, in contrast to most culture-related research in international business studies (IBS), this paper does not presuppose a national (Chinese) culture (Gould and Grein, 2009). Instead, an inductive theoretical approach is applied which works with *self-identified* cultures by return migrants (James, 2005). This perspective addresses the individual's imaginations and perceptions of culture which are significant for organising interfirm relations from their point of view. Accordingly, the aim of the paper is to illuminate *how* culture as part of the institutional environment influences the transfer of managerial know-how, rather than to prove a common culture of Chinese business men.

Section 2 elaborates on the conceptual outline of the study which follows an inductive approach to culture as parts of a culture-institutional framework. Section 3 introduces the methodology of the case studies, followed by the main characteristics of the firm leaders and their sources of managerial knowledge. The transfer of interfirm management practices experienced abroad is analysed with respect to both, the constraining self-identified cultural and institutional factors (Section 4), and the returnees' potentials of transforming business practices in China (Section 5). The paper finishes with a conclusion and research prospects based on identified shortcomings.

## **2. A cultural-institutional perspective on transferring managerial practices**

This section introduces an institutional theoretical frame which highlights the role of culture for everyday economic behaviour. Thereby, I aim to strengthen a cultural concept in economic geography which, at the moment, is described as polyvalent, displaying multiple definitions and research agendas (Gibson and Kong, 2005). This conceptual ambiguity, I argue, bears the risk of fuzziness (Markusen, 2003) and the degradation of culture as a fully-fledged theoretical idea. Here, culture is proposed as part of the culture-institution-framework and helps to specify its role for transferring and adapting managerial knowledge to a new business environment.

### **2.1. The impact of informal institutions on interfirm relations**

Institutions are understood as central means of governing human behaviour (Hodgson, 1997); they are thought to constitute the constraining and enabling "rules of the game" (North, 1991: 3) which

are necessary for society to function<sup>1</sup>. Furthermore, institutional settings are not regarded as pre-given external influences to which individual agents are ultimately exposed. Rather, they are assumed to derive from collective, repetitive action of individuals, thus, shaped and, at the same time, performed and sustained by people (Hodgson, 1997; Amin, 2001). This constructivist element of institutions also allows explaining institutional dynamics triggered by individual agency to a certain extent (Faulconbridge, 2008; Yeung, 2004).

With respect to *economic geography*, the wide range of institutions is often analytically separated, most notably drawing on the conceptual distinction by Douglass North (1991) (Rodríguez-Pose, 2009). Thereby, formal rules primarily reflected in codified laws and regulations are opposed to informal rules of norms, values, traditions, and codes of conduct. By theorizing institutional thickness, Amin and Thrift (1994) complement rule-based *formal institutions* with private and public organizations such as banks, unions, chambers of commerce and universities. This wider concept is adapted here as the outlined organisations are considered to play important roles for facilitating innovation, knowledge transfer and regional economic upgrading (Cooke et al., 1997).

Also, Scott (2001) offers an elaboration of *informal institutions* and differentiates between a cultural-cognitive and normative dimension. Normative institutions (norms, values) are supposed to be deliberately constructed by individuals and define a desired or ethical behaviour. They are assumed to be open to negotiation in contrast to the cultural-cognitive pillar of institutions. Those taken-for-granted beliefs are thought to affect human agency rather unconsciously, making it difficult for individuals to reflect and explain their behaviour appropriately. The latter has strong similarities to (DiMaggio, 1997: 269) notion of *automatic cognitions*, defined as “routine, everyday cognition (that) relies heavily and uncritically upon culturally available schemata”. Those schemata are important because they attach “default” meaning to objects and situations, and result, for instance, in stereotypes and social roles which are expected to be fulfilled. Based on past experiences stereotypes are understood as shared sets of beliefs about characteristics that are ascribed to members of a social category; the unconscious operation of stereotypes in social interaction has been highlighted by Greenwald and Banaji (1995). People are assumed to orient their behaviour to the attributed traits included in the stereotype although they are considered to be unable to precisely define the past experiences from which those individual qualities have derived (Greenwald and Banaji, 1995).

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<sup>1</sup> This paper understands institutions as enablers and constraints of human agency. Thus it enhances North (1991) who mainly focuses on the impeding effects of institutions by integrating Hodgson’s (1997) work advocating the enabling function of institutions in terms of rules and habits.

This paper proposes that *expectations* about the business partner's behaviour also play a decisive role in the design of interfirm management practices. In the same way, Faulconbridge (2008: 504) defines the work culture of transnational law firms to be affected by those clients – from the US and UK – who frequently make use of their services. Ongoing interactions and experiences are understood to form expectations about business behaviour which finally result in standard norms of procedures and practices; hence, whenever a new US-American or British client engages with this firm behavioural stereotypes are likely to direct the first business meetings.

The impact of informal institutions on interfirm relation is furthermore analysed in studies that seek to clarify the effect of *regional cultures* for economic development. Recently, James (2005) demonstrated how shared beliefs, attitudes and norms influence the partner selection behaviour, amongst others, of software firms in Utah. The self-identified cultural traits of self-sufficiency and unity amongst Mormons is claimed to be reflected in the preference for Mormon business partners. Similarly, the attitude of debt avoidance is argued to explain the preferred internal financing strategies of Mormon firms and their low usage of external venture capitalists. In his study about industrial cultures, Gertler (2004) shows how contrasting attitudes, expectation and habits between (German) producer and (Canadian) users, e.g. regarding maintenance and training, actually hinder the successful application of advanced machinery in firms. And quite prominently, Saxenian (1994) describes the mutual relationship between shared understandings, attitudes and routinized behaviour within firms, and the degree of interfirm collaboration in industrial clusters. Boston's Route 128, for instance, is characterized by firms placing emphasis on secrecy, corporate loyalty and hierarchical authority systems, which are mirrored in an industrial system, dominated by relatively integrated firms and weakly pronounced horizontal cooperation. Latest attempts to establish management geography brings the relationships between space, (informal) institutions and managerial practices in and between firms even into sharper focus (Yeung, 2004; Jones, 2008).

## **2.2. An inductive approach to culture and institutions**

An institutional frame, therefore, seems fruitful to analyse the transfer of interfirm management practices by Chinese return migrants. The paper suggests a theoretical outline that substitutes the dualism of formal (regulative) and informal (normative, cognitive) institutions by a *culture-institution-framework* (Figure 1). This new terminology helps to analytically separate institutions from culture, thereby specifying its potential role in studying interfirm organisation. But most importantly, it shows strong similarities to the notion of culture applied in IBS which is value-based (Schein, 1992; Schwartz, 1999; Trompenaars and Hampden-Turner, 1997; Hofstede, 1991). Therein it is commonly argued that managerial behaviour such as leadership and conflict resolution is embedded in particu-



lar norms, values, beliefs and attitudes which define the organizational culture of a firm. This general idea conforms to the rule-based function of informal institutions defined by North and Scott; but at the same time the proposed idea of culture within the culture-institution framework makes an important distinction to most culture concepts applied in IBS: it explicitly denies the assumption of *national or societal values*.

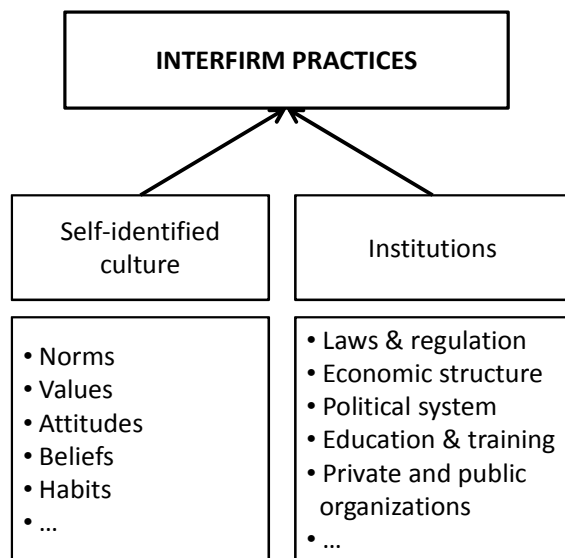


Figure 1: The culture-institution framework of interfirm practices

Identifying a significant relationship between national cultures on the one hand, and individual-level outcomes such as managerial behaviour on the other hand, proves to be highly problematic (for an overview, see Leung et al., 2005; Gold and Grein, 2009). Gerhart and Fang (2005) propose five assumptions which support such an initial thesis, for instance, country differences in culture should be larger than culture differences due to other factors (e.g. type of organization). However, by reviewing IBS literature they only find them weakly supported and conclude that national cultures have been over-emphasised at the expense of other contextual factors. Although results opposing national culture influences might be due to the methodological approach of value surveys in general (Maseland and Van Hoorn, 2009), the main argument against such nationalism refers to the suggested homogeneous and static business behaviour accounting for all members of a nation (Peck and Theodore, 2007). This view heavily conflicts with studies that make out different regional cultures within one country, as shown for Silicon Valley and Route 128 in the US (Saxenian, 1994) and Hamamatsu and Kyoto in Japan (Aoyama, 2009), and particularly for the case of China. Since the late 1980s the country has undergone enormous social, political and economic transformation processes (Guthrie, 2006) which challenge the existence of one common cultural trait; managerial values and attitudes are observed to differ between older and younger generations of Chinese managers (Ralston et al., 1999) and with the rise of the private sector and inflow of foreign direct investments organisational cul-

tures in China have diversified (Tsui et al., 2006) or converge towards those types observed in industrialised countries (Yeung, 2004; Warner and Rowley, 2010).

In order to scrutinize cultural influences on transferring management practices the paper therefore, applies an inductive approach of *self-identified culture*, representing one column of the culture-institution framework (Figure 1). A similar methodology is used for the analyses of institutional forces on corporate governance mechanisms in Chinese banks (Nolan, 2010) and the corporate culture of high-tech firms in Utah (James, 2005). The fallacy of presupposing national cultures can thereby be avoided as culture is thought to be *constructed* by the individuals concerned<sup>2</sup>; it allows analysing how cultural perceptions influence economic behaviour, rather than claiming to verify a highly controversial, national uniformity of culture (Leung et al., 2005, 2010; Gould and Grein, 2009). In line with the proposed theoretical frame, the influence of *institutions* – as the second column of the culture-institution frame – is also considered from the view of returnees. Again, the paper refrains from applying a list of institutions which are assumed as highly relevant beforehand, as this is at odds with the literature that suggests context-specific institutional endowments of regions and nation states, respectively (Rodríguez-Pose, 2009; James, 2006).

Thus, the overall research question sought to be answered in this paper is: *Which cultural and institutional factors influence the transfer of interfirm business practices from the point of view of Chinese returnees?* Thereby, particular attention is paid to the constraining effects of institutions and self-identified culture.

### **3. Introducing the case studies: Chinese returnees from the West**

#### **3.1. Methodology**

Managerial knowledge and practices are specified in six dimensions of inter-firm management, namely search and selection, contacting and control, as well as conflict solving and business agreements. According to Sydow (2006) they represent core features of interorganizational network management which is applied here to the business relation between returnees and native Chinese companies. The transfer of managerial knowledge is furthermore operationalized as the introduction of management *practices* that were experienced abroad (Park et al., 2009). By focussing on observable behaviour it is ensured that knowledge is actually utilized in the new business environment.

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<sup>2</sup> It is important to note that, in the interview situation, a Chinese business culture was never claimed by the interviewer, but constructed by the interviewees which then became part of qualitative data analysis.

In semi-structured interviews 34 firm leaders who returned from the West were asked to describe, explain and evaluate their current managerial behaviour with Chinese partners, compared to business experiences abroad. Additionally, three group discussions with firm leaders were arranged and nine representatives from local returnee associations, Chambers of Commerce and industrial associations were interviewed. The evaluation of business practices in terms of firm competitiveness is a vital part of this paper because transferring knowledge requires an incentive or problem to fix (Berthoin Antal and Walker, 2006). Firm competitiveness, for instance achieved by more time and cost efficient management practices, is proposed as a valid reason to initiate knowledge transfer. The interviews were conducted between April and October 2009 and participants were recruited by the snowball-method<sup>3</sup>. Due to the explorative nature of the study, the following results are based on qualitative data analysis which refrains from pre-defined categories of answers and causal relationships between them (Winchester, 2005). Descriptive statistics were generated from standardised questions in order to underline the presented arguments.

### **3.2. Main characteristics of firm leaders and their knowledge sources**

The firms of the interviewed company leaders are located in Shanghai and its neighbouring cities Suzhou and Wuxi within the Yangtze River Delta. All returnees hold top management positions and are involved in the analysed processes of interfirm organisation. On average the remigrants have joined or founded the current company in 2003, resulting in a mean leadership experience of six years at the time of the survey. Furthermore, the small firm sizes – less than 250 employees – allow the managers to be better informed about internal processes compared to highly segmented, large corporation. The sectoral structure shows a bias towards the pharmaceutical and biotech as well as the IT, software and semiconductor industries. This is not surprising as a large number of returnees have settled in Science and Technology Parks in China's major cities, placing emphasis on developing high-tech sectors (Wright et al., 2008; Müller, 2007). Most native business partners are situated nearby, in the Yangtze River Delta, and take the positions as customers or suppliers.

On average the remigrants were 42 years old, mostly male, and left China for six years (ranging between three and 23 years). The vast majority (76 %) stayed temporarily in the USA, followed by Germany, the United Kingdom and Japan. Nearly two-thirds (65 %) was born before the late 1970s when substantial political and economic reforms were initiated in China. The following post-reform era is characterized by a high degree of societal change, also affecting managerial values and attitudes of Chinese business men (Ralston et al., 1999; Warner, 2003). However, the impact of this period is

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<sup>3</sup> Due to a poor availability of data on return migration in China and Shanghai (Müller, 2007) the snowball method had to be applied. The first contacts were made with local returnee associations and firm leaders that were identified as remigrants by desktop research.

assumed to be relatively low because most returnees (76 %) had emigrated by that time<sup>4</sup>. Also, since they have mainly returned in or after the year 2000 (88 %) the experiences in the West are thought to be crucial for obtaining managerial knowledge and practices.

Indeed, *Western universities and employments* are seen as most relevant for returnees to gain managerial know-how; 61 % of the answers refer to these knowledge sources (Figure 2). Thereby, the majority claims to have learned management-related knowledge during their employment in companies<sup>5</sup> as opposed to academic education. Altogether, scholarly courses including university or evening classes appear to be less important for organising interfirm relations; for instance, majoring in MBA or related fields applies to only few returnees. It is, therefore, surprising that only a relative low number of answers (27 %) refers to occupational experiences in China. Despite current employments in this country, the ability to manage today’s business relations appears to stem from experiences abroad by a large extent. The next sections analyse whether those work experiences have resulted in a transfer of interfirm managerial practices to the Chinese business context.

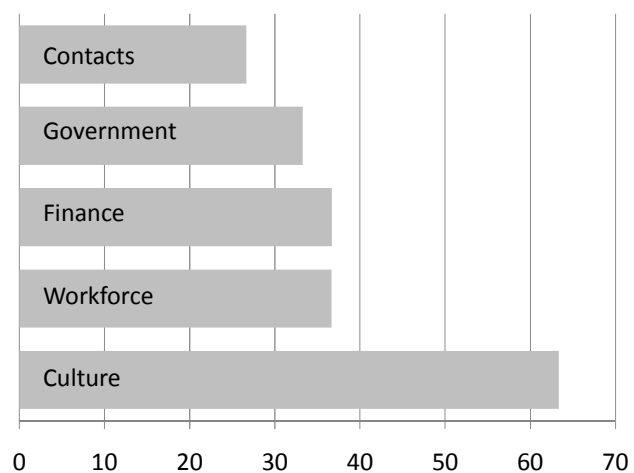
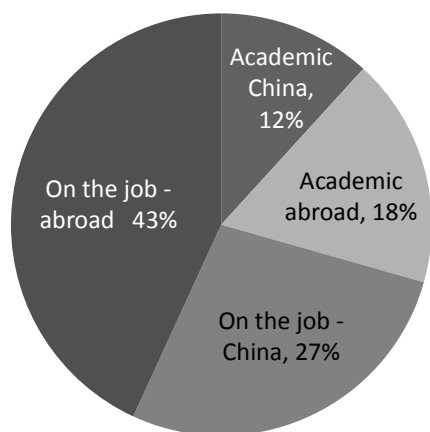


Figure 2: Sources of managerial knowledge      Figure 3: Business related difficulties after return (in %)

#### 4. Transferring interfirm business practices to China

To begin with, attention is drawn to the experienced business-related difficulties after returning to China (Figure 3). It broadly addresses the relevance of cultural factors as opposed to other challenges such as acquiring capital or dealing with government administration. Almost two-thirds of the firm

<sup>4</sup> 41 % of the firm leaders left China in the 1980s and 35 % emigrated in the 1990s.

<sup>5</sup> Most returnees (59 %) have achieved senior positions abroad, e.g. senior consultant, senior scientist, R&D manager, one was self-employed. The remaining gained work experience below senior employments, e.g. software engineer, analyst, or provided no answer to this category (12 %).

leaders complain about different '*ways of doing business*' hindering a re-integration into the Chinese economy. The respondents point to various factors, thereby contrasting markets, societies and business behaviour which are assumed to be characteristic for 'old' and 'new' China or 'Western/foreign' nations. Other problems are perceived as significantly less challenging, ranging between 27 % and 37 % of mentions. It points to the returnee's construction of culture and stereotypes and its constraining effects for transferring culture-sensitive, tacit knowledge.

Distinctive business practices are furthermore specified with respect to interfirm management practices: averaged 62 % of the respondents claim to behave significantly different when working with people abroad compared to native ones. Perceived differences are the highest for communication, control and conflict resolution. In contrast, business agreements or contracting seem to be more standardised across national borders with the lowest share of returnees adapting their behaviour accordingly. This behavioural assimilation underlines the potential conflict of introducing new interfirm managerial practices learned abroad.

The next sections will reveal whether and why the transfer process has been successful or failed due to cultural and institutional barriers. Thereby, each subsection is structured as follows: firstly, the current management practices with Chinese partners are described, followed by a perception of differences to experiences abroad. Finally, the introduction of new practices is analysed, based on an evaluation about this behaviour.

#### **4.1. Search and selection of business partners**

The introduction of potential business partners by friends, existing business partners and family members stands out as the main *search mechanism* of the returnees. On average 85 % of the business partners were contacted with the help of known people; even a third of the interviewees claimed to have found their partners by introduction exclusively. In contrast, averaged 15 % of native collaborators were addressed directly by so-called 'cold calls' emphasising the unaffiliated contact method. Only six returnees made use of the recruitment service of governmental or industrial institutions and reported to have found between two and 50 % of their business partners accordingly. Altogether, most current partners are reported to be known from previous work experience (63 %), followed by university classmates (24 %). In only three cases family related ties turned into business partnerships which defines the third category.

The *selection of business partners* in China is dominated by price and quality considerations of the product or service in demand (Table 1). Personal relations turn out to be the second relevant factor

as 59 % regards previous experiences or positive referrals about a business partner by friends as a decisive variable. A little less importance is attached to publicly available business records and credit rankings of firms which provide an alternative source of information and evaluation.

	Unimportant		Indifferent	Important	
	Very	Rather		Rather	Very
Price & quality	0	0	2 (7%)	4 (13%)	24 (80%)
Business records	1 (3%)	3 (10%)	9 (30%)	10 (33%)	7 (23%)
Personal relations	3 (10%)	3 (10%)	6 (20%)	10 (33%)	8 (26%)
Reputation & image	1 (3%)	2 (7%)	12 (40%)	9 (30%)	6 (20%)

Table 1: Selection criteria of business partners

By explaining their interfirm practices, returnees reveal a distinction of business behaviour for Western and Chinese partners, suggesting a national view of culture at first glance. Both, the unaffiliated contact method and relying on business records is considered as more usual in the Western business environment (I17, E1, E2, I22<sup>6</sup>). In contrast, Chinese business men would, to a greater extent than their Western counterparts, prefer relying on trust-based personal relations for establishing business partnerships (I29, I27, I22). This is in line with authors who stress the role of interpersonal relations (*guanxi*) as an inherent feature of the Chinese business context (Gold et al., 2002; Warner, 2003).

However, the explorative part of the interviews exposes the underlying institutional factors that appear to shape such behavioural stereotypes. Attempts to introduce an impersonal selection approach are regarded as less successful in the face of China's growing economy and market size (I29, I17). It is argued that the industries in which the returnees operate appear to be unorganised with only few established players and an unmanageable choice of business partners; this situation is perceived as highly risky for selecting trustworthy and reliable collaborators in China. Also, sectors controlled by the Chinese government are argued to rely heavier on introductions of business partners through social networks than other industries in China (I23, I29). On the contrary, small business communities such as a specialized textile sector would be less dependent on personal referrals because business opportunities are limited and a prior selection criterion based on known/unknown candidates is assumed to be unnecessary (I24).

<sup>6</sup> The interviewees' names have been encoded according to their grouping as returnees (I) or experts (E). The number is randomly selected.

The relevance of personal relations is furthermore analysed in the selection and evaluation of potential partners. The crucial role of double-checking public company information in China is reasoned from a perceived unreliability of published information, as opposed to experiences abroad (I27, I22, I21). Others are asked about the candidate's reputation and credibility in order to validate the information delivered by official business records and credit rankings. In contrast, companies in the West are ascribed an inherent trustworthiness (I31). *"Foreign firms can be handled differently to Chinese firms. They are already qualified in some way, they are big and strong. You don't have to consider their qualification as much as with Chinese firms"* (I16). Double-checks appear to be even more important for evaluating small scale firms and start-ups (E6, I29) as they lack a sufficiently wide or long history which can be addressed.

To be clear, returnees univocally identify themselves with a selection procedure that prioritizes the professional competence of business partners over personal sympathy; accordingly *"social relations are needed to initiate business contacts but they don't play an important role when the business goes into depth"* (I31). This is in line with scholars who critically address the argument of interpersonal relations in China (Hsu and Saxenian, 2000; Chow, 2008); instead of an overwhelming power which determines business behaviour, neither social networks based on shared language, culture and history, nor a mere trust base is argued to substitute professional experience and competence. This study, however, pinpoints that personal relations are crucial for *evaluating* the skills and abilities of business partners in China, which is perceived to be a different procedure from experiences abroad.

The returnee's perception of preferences in China is seen to hinder a less person-oriented approach of selecting partners because it is evaluated as disadvantageous in the given stage of economic transformation and growth: the reliance on personal relations is argued to turn into a barrier when new business partners are needed in previously unknown market segments (E1, E2, I5, I12), and the development of business relations with Chinese firms is perceived to be more time-consuming (I27, I25, I17) potentially distracting from other business tasks: *"The time to validate, to qualify a supplier is shorter when you do it with foreign firms. Even if we do it with Hong Kong firms, we still do research very carefully. But the local ones take longer, a long time"* (I16).

In short, specific economic structures are detected to underlie perceived behavioural stereotypes of Chinese business partners in the search and selection process – an argument that is developed further and substantiated empirically throughout the paper.

**4.2. Communication practices I: contacting Chinese partners for business matters**

Table 2 demonstrates that formal contact modes defined as office calls, e-mail or meetings<sup>7</sup> are ascribed nearly the same relevance for discussing business with native partners as informal contacts during lunches, dinners or social occasions.

	Unimportant		Indifferent	Important	
	Very	Rather		Rather	Very
formal	0	1 (3%)	7 (23%)	9 (30%)	13 (43%)
informal	1 (3%)	2 (7%)	4 (13%)	9 (30%)	14 (46%)

Table 2: Modes of contacting business partners

Thereby, informal meetings in China are often regarded as different from those experienced in the West with respect to its function and intensity. They are arranged primarily to get to know each other before engaging in an economic commitment (E6, I21, I5, E1, E2): *“With the customers in Germany normally you are not invited for diner or lunch and particular not in the first several meetings. But here in China, no matter the first or the second time, normally you will be invited. It is a kind of respect”* (I11). Mixing private and business life in a rather informal atmosphere is argued to facilitate the development of personal sympathy and trust which is thought to be required more in China (I14, I15) (see Section 4.1). Social events and gatherings are, therefore, often perceived as more critical concerning business than in the Western context (I21, I30).

However, formal contacts are evaluated with nearly the same importance by the firm leaders than informal meetings (Table 2). But their function is explained to be rather complementary to the informal type, apparently becoming more important after trust-based relations have been created (I25). *“It depends on how close you are with the decision-maker. If you do not know the person for long the behaviour is more distant, more polite and you would have to invite them for diner to make the personal relationship smoother. This is not the case for business partners that are already good friends. Then the formal office meetings are more important to decide business”* (I27).

Applying formal office contacts from the start is reported to cause frictions in Sino-foreign collaborations: foreign business partners were said to be irritated when meetings with Chinese partners failed to conclude in binding business commitments. Such behaviour would be interpreted as a lack of engagement and professionalism and its role for developing trust would be underestimated by the Western business partners (E6, I18, I22). In order to ensure success in business, returnees have ex-

<sup>7</sup> Business meetings are classed as formal when they take place in the company, during the usual working-hours, and are documented by meeting-minutes, agendas or the like.



plained to barely circumvent informal meetings in favour of formal office contacts (I25, I12). If the application of this practice was considered at all, the success rate was expected to be comparably low from the outset because it contrasts with described behavioural expectations of business partners in China. Most firm leaders evaluate informal communication modes as more time-consuming (I11, I20, I22) as evening gatherings are open-ended and business matters are combined with private talk. The advantages of working with foreign partners are accordingly highlighted by a service-provider: *“I hardly have any business dinners, it’s weird, I know. The industry is small and we merely deal with foreigners. (...) I actually enjoy this, you don’t have to take them out all the time, that they make it work is the most important thing, and the place to talk about that is in the office”* (I16).

#### **4.3. Communication practices II: controlling Chinese business partners**

The last two sections pointed to the relevance of trust developed in personal relationships as a crucial factor for organising interfirm relations. This argument will be further illuminated with respect to controlling business partners. According to Ouchi (1979) informal control builds upon trust and reputation as well as shared norms and values developed during previous experiences with the business partner. In contrast, formal control is usually documented in writing and rather explicit, often based on quantifiable indicators<sup>8</sup>.

On average 43 % of the firm leaders make use of formal control whereby periodic reports are most commonly requested from the business partners, followed by regular meetings and the periodic inspection of the company facilities (Figure 4). Shareholding and seating the board of directors, in contrast, represent the least favoured practices<sup>9</sup>. The reliance on formal control is reinforced by the perception of high control intensity towards Chinese collaborators. Every third interviewee claims to enact tight or very tight supervision on the collaborators (Figure 5). Only one fifth reports to control their business partners rather weakly. Delays in delivery and payment as well as quality problems are identified as the major challenges of working with Chinese companies.

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<sup>8</sup> Although the relation between both types of control can be seen as either complementary or substitutive (Dekker, 2004) this paper opts for the second proposal where trust and formal control are oppositional attributes of interfirm relations (Sydow and Windeler, 2003).

<sup>9</sup> The low amount of shareholding is often explained by a lack of capital to invest in business partners, and vice versa, due to the young age of firms and the high-tech sector respectively. Thus, the weak percentage of shareholding – often thought to be combined with BoD – should not be interpreted as a low willingness of applying such formal control measures.

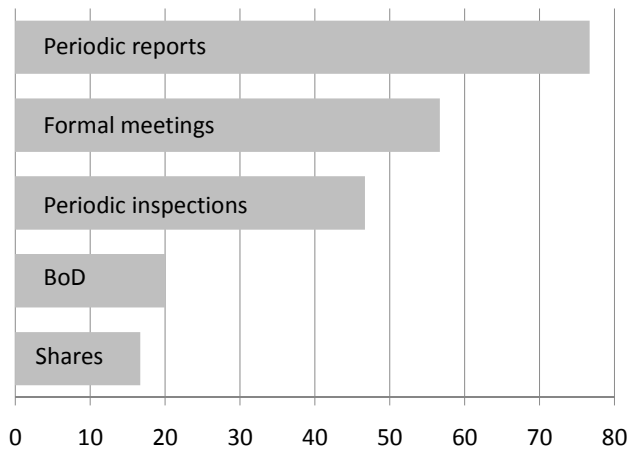


Figure 4: Application of formal control (in %)

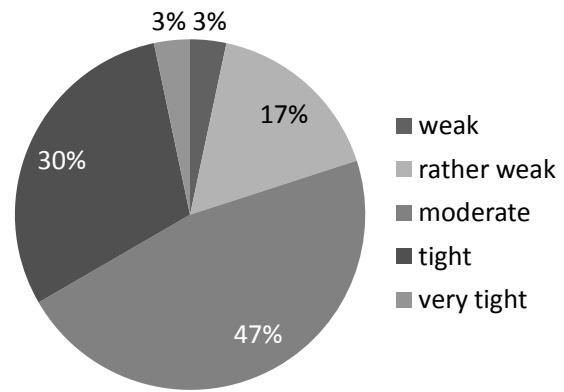


Figure 5: Perceived intensity of formal control

The interviewees clearly accentuate a tighter control of Chinese business partners than experienced in the West (I1, I14, I15, I17). The reports and inspections are described as fairly pedantic and strict, such as weekly reports and picture proofs of the current state of production. This behaviour is thought to be necessary in order to deal with native companies that are altogether perceived as less reliable than foreign firms. The business behaviour of Western companies, in turn, is idealized by the returnees as inherently trustworthy, adhering to business ethics and morals, e.g. committed to honesty and fairness (I13, I 17, I18, I25, I26, I33). Whether or not those stereotypes match reality, the main point is that they appear to ultimately guide the behavioural pattern of firm leaders. By explaining the control practices in detail, however, institutional frames are detected that underlie the cultural stereotypes.

The claimed unreliability of Chinese firms is closely related to the uncertainty of the Chinese market induced by growing competition, the rise of the private sector and unsteady political regulations (E6, I34, I22). The opening-up of China’s economy is seen as a major reason for carefully controlling native business partners, as *“the new China with the rise of private-owned companies and capitalistic goals, money-making plays an essential role”* (I25). Unreliable political programs and laws are argued to reinforce this behaviour: *“You cannot be sure that a certain regulation will not change within a month or a year that will harm your business. It encourages people to make money quickly”* (I34). A returnee claims this attitude to be largely responsible for quality problems with native partners: *“Their priority is making money, entering markets and pay less attention to quality and brand-building, whereas for the West it is important to do brand-building in China and distinction through quality”* (I13).

Again, particular institutional factors in China prevent returnees from minimizing formal control measures which are criticised for binding time and personnel (I1, I21). Cancelling contracts for different native partners is considered as ineffective because of the perceived stereotypes and institutional circumstances. In order to reduce the risk of being tied to unreliable companies back-up strategies are applied such as increasing the number of collaborators (I23, I25). Total order quantities are said to be split between new suppliers selected for modern technology or lower prices and 'old suppliers' who have proven their reliability over the years. Studied trust in business partners is established by a gradual increase of responsibility or order quantities (I24, I25). Most radically, an interviewee reintegrated parts of the production into his own firm in order to maintain low production costs and gain independence from Chinese firms (I1).

The described communication practices of contacting and controlling Chinese firms reveal the ambivalent nature of interpersonal trust in business relations once again. On the one hand, informal contact modes appear necessary to gain trustworthiness, a feature that is argued to be highly important in the Chinese context. On the other hand, formal control measures are considered as indispensable for completing business tasks which points to the limits of personal relations in collaborations. This way, personal trust and formal control should better be understood as complementary attributes of interfirm relations in China instead of substitutive.

#### **4.4. Regulation practices I: contracting with Chinese business partners**

The vast majority of firm leaders (averaged 89 %) include detailed descriptions of tasks, sanctions and modes of payment as well as quantified durations and time schedules into business agreements with native companies. This formal style of contracting<sup>10</sup> is reinforced by the high share of returnees that bound alterations of the original agreement by contract (77 %), instead of informal 'hand-shake' agreements, and take legal advice about the arrangement of contracts (70 %). As described below, returnees thus largely adapt to a contracting style which has been observed as typical for Western business.

In contrast, firm leaders and experts perceive Chinese business men to generally pay less attention to the detailedness and commitment to formal contracts (I1). Compared to the Western experiences,

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<sup>10</sup> Business agreements can be handled either formally or informally whereby "formal mechanisms clearly specify the required degree of co-operation (...) through the use of a written document or agreement, (whereas) informal agreements (...) are defined as unwritten agreements between firms which are enforced (...) by the desire to create and maintain a positive reputation for integrity and fairness and build trust" (Frankel et al., 1996). However, contracts guarantee legal enforceability and hence relying on informal agreements only is perceived as highly unlikely. Therefore informal agreements are wider defined in this paper as unwritten but binding outcomes of negotiation processes and superficial formal contracts lacking detailed descriptions.

native business partners are observed to work out contracts that are shorter, hence more superficial, and should be better described as a letter of intent (I20) or memo (I21). The commitment to formal contracts is observed to be lower and re-negotiation processes are thought to happen more often after the contract has been signed (I14, I15, I18, E6). It is argued that agreements set out in writing function as an accepted legal instrument in the West, whereas Chinese partners would rather express their willingness to cooperate by signing a contract, marking a first step towards future business relation and on-going negotiations about the contractual details (E6). Such details, for instance about different business scenarios, are perceived to be already included in formal contracts arranged by Western companies (I20, E6).

Dismissing formal contracts in the way described before is argued to have severe disadvantages, indicating that the returnees do not feel comfortable with the current contracting habits. Firstly, as they still provide formal modes of business agreements firm leaders criticise the amount of time and personnel involved in working out and checking contracts and modifications (I18, I20, E6). Replacing them by trust-based informal and undocumented agreements is thought to be too risky in conflict situations (I31, I22), thus formal contracts are seen as necessary in order to protect the company against the violation of contract terms. Secondly, informality is considered to generate additional costs of re-negotiation and supervising that are prevented by formal contractual arrangements (I12, I14, I23). Behavioural certainty, however, which is thought to be provided by formal contracts, can only rarely be assumed by the returnees as such agreements are not expected to be strictly followed by the native business partners.

This behavioural pattern of Chinese business men is mainly reasoned from the unpredictable jurisdiction in China and a lower probability of taking legal action in order to enforce terms of contract. *“As a business man you can calculate that the risk that you will be forced to court is relatively low, so the contracts are not watched as carefully and don’t have such a binding here in China”* (I19). Particularly, small scale firms are assumed to lack a professional management, also with respect to working out business agreements, which causes dependence on informal negotiation processes (I20, I31). In order to ensure business, returnees describe how interpersonal trust compensates for the lack of trust in Chinese jurisdiction, a mechanism that has been highlighted for business in China many times (for an overview, see Potter, 2002). Personal relationships are perceived to substitute formal contract clauses, having the following effects on the arrangement of contracts with Chinese business men: *“There are two criteria for a business agreement: The key terms which are rather kept superficial and the relationship which determines the degree of details. Our agreements combine the core feature but without ‘hurting the relationship’. It is necessary to judge your business partner adequately, so*

that you don't 'make somebody feel uncomfortable' (...) that is why the details of a penalty clause are kept short and open" (I19). The quote illustrates the perceived power of good relationships as they determine the most delicate contractual clause, namely its enforceability.

**4.5. Regulation practices II: Resolving conflicts with Chinese business partners**

Conflict styles are argued to differ according to the individuals' intentions (Thomas, 1976, 1992) and tactics (Ohbuchi et al., 1999). Intentions are broadly subdivided in the degree of cooperativeness which refers to the extent of individuals to satisfy other person's concerns, and the extent to which individuals want to satisfy their own interests (degree of assertiveness). If both concerns are low, the conflict style is described as *avoiding*, implying a delay of confrontation; if the self-concern is high and the concern for others low, a *competing* conflict style arises pushing on an open discussion and exchange of arguments (Morris et al., 1998).<sup>11</sup> The tactic of third-party-intervention, conceptualized by Ohbuchi et al, is proposed to add to the previous categories because it draws attention to conflict solving authorities such as legal consultants and arbitrators and the underlying legal system.

The returnees have a clear preference for direct *conflict approaches* which focus on open and immediate discussions as soon as a problem arises (Table 3). However, more than half of the firm leaders (52 %) are sympathetic to the contrary strategy of avoiding conflict situations and delaying a confrontation with the people concerned. Taking legal action is appreciated the least with the majority (63 %) claiming to feel uncomfortable about this practice.

	Uncomfortable		Indifferent	Comfortable	
	Very	Rather		Rather	Very
Avoidance	3 (10%)	4 (13%)	7 (23%)	8 (26%)	8 (26%)
Open discussion	1 (3%)	0	4 (13%)	5 (17%)	20 (67%)
Legal advice	10 (33%)	9 (30%)	9 (30%)	1 (3%)	1 (3%)

Table 3: Conflict resolution strategies

Maintaining long-term relations and preserving a good public image appear as the predominant *aims of resolving conflicts* (Table 4). That way, a win-win situation is provided for both parties which are assumed to redeem themselves for others (Ma, 2007). It therefore contrasts with the observed com-

<sup>11</sup> In line with Morris et al. (1998) this paper focuses on the outlined two dimensions as the most polar conflict style at the level of assertiveness. Other conflict styles according to Thomas's model are: high concern for self and others (collaborating), low self-concern and high cooperativeness (accommodating) and moderate concern for self and others (compromising).

peting intention of open discussions, on the one hand; on the other hand, it may explain the surprisingly high approval of avoiding conflicts because self-concerns are neglected. The ambiguous evaluation of enforcing own viewpoints in conflict situations supports the argument: only one third of the returnees rate the low willingness to compromise as important, even 27 % claim the factor, which stresses the dominance of self-interests above others (Ma, 2007), to be unimportant.

	Unimportant		Indifferent	Important	
	Very	Rather		Rather	Very
Own enforcement	2 (7%)	6 (20%)	12 (40%)	9 (30%)	1 (3%)
Long-term relation	0	0	2 (7%)	9 (30%)	19 (63%)
Public image	1 (3%)	0	4 (13%)	9 (30%)	16 (53%)

Table 4: Conflict resolution goals

By explaining the conflict behaviour with native partners a clear distinction between Western and Chinese conflict practices is identified in the frequency and perception of taking legal action against business partners; this strategy is perceived to be applied and expected more often in the Western context (I30, I21, I22), although in both cases it is seen to represent a final way of conflict resolution. However, lawsuits in China are attached a higher degree of uncertainty, making its application less likely (I14, I15, I22, I24): *“If I have a conflict with foreign partners I could just go ‘either see you in the court or pay me what it says in the contract’. It is pretty simple. In china, as I said, be very careful when you go to the court. Sometimes it is not very helpful”* (I12). The uncertainty of outcomes is assumed to be linked to the transformative stage of the legal system where standards of decision-making and execution of court orders are still in the course of formation: *“In the past, the companies didn’t want to do so because the legal system, the laws was not as complete as it is nowadays. The judge didn’t know how to deal with this. So the development of the legal system and also, the experience of the court are important. But I believe in the past 10 years, the legal system is becoming a more reliable system to resolve company conflicts”* (I31). The distrust in jurisdiction, potentially fostered by a lack of rules and processes that help to interpret laws (Potter, 2002), is hence argued to prevent lawsuits from becoming an accepted means of conflict resolution like that experienced abroad.

The de-escalation of conflicts is accordingly perceived to play a more important role for returnees in handling conflicts with native partners than experienced in the West. This is claimed to be achieved by a subtle and less assertive way of communicating conflicts of interests (I18, I20, I 23, I24). *“In gen-*

*eral, the Germans are very straightforward. They don't like to make some compromise, they insist themselves. Even sometimes they are very self-standing. (...) (Chinese business partners) will not tell you, 'we end it there and do not want to keep this relationship'. They will never do this. They think but will not say it. That is a big difference" (I11).*

A straightforward approach, relating to a competitive conflict intention in the sense of Thomas (1992), is often considered as less successful in the Chinese business context; despite preferring such an approach because of its perceived quick and transparent way of solving conflicts, behavioural stereotypes and experiences with Chinese business partners prevent the permanent introduction (I23, I20, I18). *"Direct confrontation does not work in China. It is better to shift the order to another vendor because even if you have an open discussion the answers of the vendor are not fully reliable"* (I25).

## **5. A comprehensive view: transforming managerial practices by returnees?**

Taking a closer look at the behavioural outcomes, one may interpret some of them as indicators of changing management practices in the course of return migration. Morgan (2001), indeed, scrutinizes the role of transnational communities in global enterprises for creating spaces in which hybrid business practices may evolve, fostered for instance by multi-sited learning. Labour migrants in general, and expatriates managers in particular are thought to be able to transfer new working practices as long as they are familiar with the cultural and institutional settings of the firm locations between which knowledge is transmitted (Williams, 2007; Schlunze and Plattner, 2007). However, up to now it is unclear whether the observed business practices simply reproduce national models or constitute new forms, conceptualized as hybrids<sup>12</sup> (Morgan, 2001). This paper also advocates the view that individuals are capable of transforming business practices (Yeung, 2004; Faulconbridge, 2008) but, at the same time, disagrees with the categorisation of economic behaviour along national borders often implied by the hybridity concept<sup>13</sup>. Attention is therefore directed towards the *changes* of behavioural patterns due to experiences abroad.

A transformation of interfirm practices is argued to be evident in the undefined role of personal relations as a selection criterion and strategy of conflict resolution, as well as in the inconsistent con-

<sup>12</sup> By drawing on Held et al. (1999), Morgan understands hybrids as one of three possible outcomes from increased internationalization of economic activities. It is argued to be different from a 'hyperglobalist' view which sees a homogenization and convergence in firm strategies, structures and practices, and from a 'sceptic' view that claims differences between firms based on national institutional frames to remain important.

<sup>13</sup> Hybrid outcomes are for instance suggested for the partial implementation of Japanese HRM practices in British companies (Hasegawa, 2001) or the transfer of a foreign model of industrial production in European countries to different degrees (Djelic, 1998). This clearly ascribes economic behavior to the national level which, in this paper, is argued to be highly critical.

tracting behaviour of returnees. Firstly, personal relations appear to stand out as a highly ambiguous variable of managing interfirm contacts. In the selection of business partners (Table 1) and as a component of avoiding conflicts<sup>14</sup> (Table 3) it displays a relatively high share of both, high and low evaluations.<sup>15</sup> This overall indecisiveness is proposed to indicate a transitory stage of the importance of personal relations for those business practices. Identified as behaviour that is assumed to be typical in the Chinese context, the returnees do not strictly compare with the preference of managerial practices based on personalism. Instead, the data suggests them moving away from self-identified 'traditional' behavioural attitudes, underlined by the negative evaluation of such practices with regard to competitiveness. Still, they are not considered antiquated in the Chinese context, too, which would indicate a clear renunciation from perceived traditional practices. The latter, however, may be regarded as rather unlikely as long as the underlying institutional factors reported by the returnees (complex and uncertain market, legal deficiency) remain the same.

Secondly, behavioural inconsistencies in handling business agreements are exposed which may further substantiate the idea of returnees' intentions and effects of transforming business practices that are relying on interpersonal relations. On the one hand, formal contracting is clearly evaluated as important by the returnees and accordingly applied; on the other hand, they are perceived to conflict with the self-identified behavioural expectations of informal negotiation styles in China, thought to compensate a lack of confidence in jurisdiction authorities. The dualism of behaviour is reflected in Luo's (2002) study of Chinese managers in international joint ventures who are observed to be caught in-between formal and informal handling of business agreements, too: while a high importance and commitment to formal contracts is attached to foreign partner firms, the same managers apply informal contracting styles based on personal relationships to a greater extent with Chinese companies. It shows that, despite a substantial improvement of China's legislation in contract laws (Guthrie, 2006; Potter, 2002), trust in the legal system is not fully developed which, in turn, would encourage a shift from personal to impersonal contracting styles (Child and Tse, 2001). This causality is undermined by the returnee's low acceptance of lawsuits for resolving conflicts as it is also perceived to be related to a weak legal system (Section 4.5).

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<sup>14</sup> Avoiding conflicts can be interpreted as a strategy to keep relationships, thus emphasize personal relationships at the extent of problem solving. Kozan (1997), for instance, conceptualizes such a behavior in the 'harmony model' of conflict resolution.

<sup>15</sup> About equally high and low evaluations are also characteristic for the enforcement of own viewpoints as a conflict goal (Table 4). However, out of the three proposed goals it is also favored the least. This is opposed to the selection criterion and conflict strategy referring to personal relations with both of them ranked second place.



Altogether, the paper did not attempt to verify a change in managerial practices, in the first place. However, the presented results point to a transformation of interfirm behaviour that has been observed to a certain extent in IBS, too (Warner and Rowley, 2010). But instead of arguing from a national-culture perspective, focussing on a change of individual's values as independent variables of economic behaviour, this paper reasons differently by pinpointing the influence of underlying institutional factors.

## 6. Conclusions and future research prospects

The qualitative study about 34 Chinese return migrants in the Shanghai region illustrates how *self-identified cultures* based on stereotypes and experiences with Chinese business partners, and *institutional frames* primarily associated with the legal and economic systems affect the transfer of interfirm managerial practices (Figure 6). Due to an inductive approach the individual's perceptions of relevant cultural and institutional influences are pronounced. This is different from a conceptual outline that assumes certain formal and informal institutions as crucial influences on economic behaviour *beforehand*. Thus the paper proposes the culture-institutions framework to capture the shift of perspective, and also to express similarities to the value-based cultural understanding in IBS. But in contrast to it, the cultural concept within this study does not presuppose a homogenous and pre-given national culture for all members of a nation. Instead it accentuates that perceived national cultures of Chinese or Western business men are constructed, resulting from distinct institutional settings in which the returnees operate. For instance, most behavioural preferences and expectations of Chinese business men are explained by a high institutional uncertainty, compensated to different degrees by interfirm practices that are based on trust in personal relationships (see also Li, 2000).

Culture thus, turns out to be a *medium* through which institutional influences are resembled (Figure 6); behavioural stereotypes and experiences depend on distinct conditions of the legal and economic system which shape the interfirm practices of returnees. Moreover, self-identified culture is seen to continue guiding interactions with native business partners as long as the legal and economic structures are perceived to remain the same, e.g. keep inducing uncertainty. A *unidirectional* impact of institutions on culture is thereby highlighted which neglects the assumption that continuously reproduced (informal) habits and conventions are the potential basis for formal institutions (Hodgson, 1994). In the same vein, James (2005) reasons formalized company policies (Sunday work restriction) from particular cultural beliefs of the employees and managers (importance of worship, rest and spiritual renewal). From the point of view of firm leaders, however, the perceived behavioural stereotypes of Chinese business men are often evaluated as obstructing firm competitiveness; a rein-

forcement of the current underlying institutional conditions is, therefore, neither desired nor intended by the returnees. Instead, their deliberate attempts of *altering* management practices are revealed, but success is shown to be limited. Overall the paper contributes to understand how self-identified cultures, informed by institutions, influences everyday interfirm managerial behaviour. It highlights the impact of institutions mediated through perceived cultural stereotypes, rather than providing evidence for a direct impact of institutions on interfirm management practices (Figure 1).

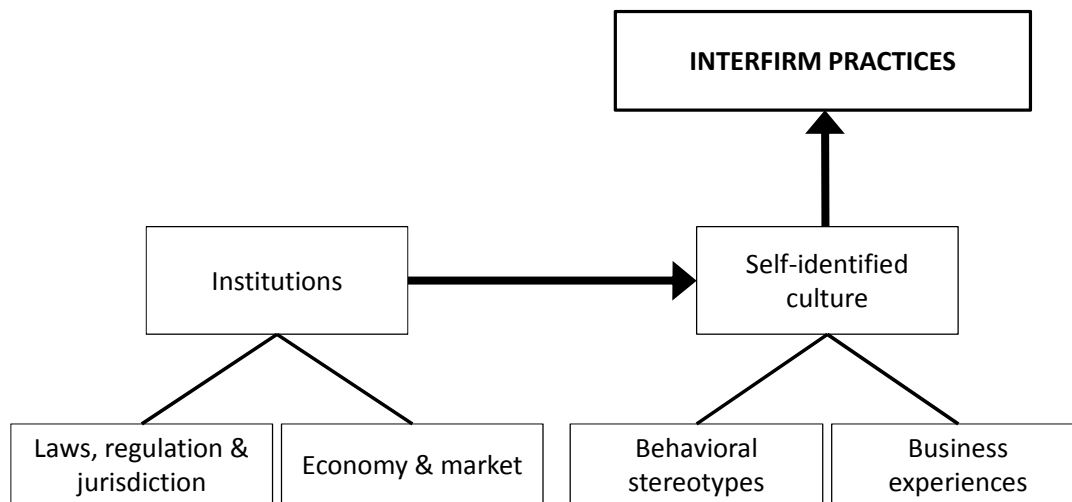


Figure 6: Influences on transferring interfirm practices

Nevertheless, the paper also has its limitations giving way to future research prospects. It is designed as a micro-scale study, emphasizing influencing factors on interfirm management that are perceived to be relevant from the individual's point of view. This view is selective and neglects other institutions that are assumed to be crucial for transferring knowledge, such as the education and training system (Gertler, 2004). Also, the study is qualitative in nature, thus unable to generalize results in the manner of a quantitative survey. Further research might aim to verify, reject and enhance the presented influences on managerial knowledge transfer. And finally, this paper analyses the managerial behaviour of Chinese returnees to a certain point in time; longitudinal studies are required in order to reassess the assumed transitory stage of certain interfirm practices.

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## 7. Challenging the spatial boundaries of culture – evidence from the interfirm management practices of Chinese returnees in Shanghai

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### Abstract

By studying Chinese executives in Shanghai who gained occupational experiences in the USA and Western Europe for several years the paper analyses how cultural perceptions affect the application of competitive interfirm practices in China, thus scrutinizing a cultural impact on economic behaviour. Although theoretical concepts such as the innovation systems ascribe culture to several spatial scales, key influences on economic outcomes have always been pronounced for *one* distinct spatial level, particularly the national. By taking the perspectives of returnees in top management positions the paper challenges the effect of national cultures, and spatially defined cultural boundaries as a whole, on the design of everyday collaboration practices in China. The cultural factors identified as relevant by the returnees neither show such clear boundaries nor predominantly national characteristics. Hence cultural effects on economic organisation are argued to be better understood from a relational perspective.

### 1. Introduction

Since the cultural turn in the 1990s culture has gained increasing attention for explaining differences in economic development induced by learning and innovation processes (Boschma, 2005; Gertler, 2004, 2010; Williams, 2006; James, 2005). The cultural constitution of economic practices, including the creation and distribution of knowledge, represents one of many important topics which have derived from a perspective that understands culture to be unavoidably connected to the economic (James et al., 2007; Gibson and Kong, 2005). The interdependence of cultural and economic spheres, however, has been rigidly separated in other theoretical perspectives: particularly in neoclassical economic approaches cultural factors are neglected as influences on the economy. They are considered as ‘background’ and ‘soft’ factors (James et al, 2007) or simply appear inconsistent with the



prevalent undersocialized and perfectly rational<sup>1</sup> view of economic action in the neoclassical paradigm (Hess, 2004; Lundvall, 2010). This paper in contrast, pinpoints the effects of culture on economic behaviour, specified by the application of new business practices by Chinese returnees in Shanghai.

In my reading *culture* is often conceived as informal and as part of the institutional environment in which firms and individual actors operate, drawing a linkage between culture in terms of shared understandings, norms, values, habits and attitudes on the one hand and business behaviour on the other hand. Culture is considered to underlie distinct patterns of intra- and interfirm interaction which, in turn, affect economic development (Saxenian, 1994; Gertler, 2004; Boschma, 2005; Storper, 1992). One may then define culture as informal ‘rules of the game’ which guide behaviour to a certain extent (North, 1990; Granato et al., 1996). These rules can be further specified as patterns of beliefs, values and norms learned within a group *in order to solve problems* which “has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein, 2004: 17). This definition of culture appears to be better tailored to particular needs of firm managers who, in their interaction with business partners, constantly face challenges of selection, communication, control and regulation (Sydow, 2006).

I will show below how scholars that research the organisation and development of economies such as organisational studies, political economy and economic geography tend to localize culture at spatial scales (e.g. national, regional). The concepts of innovation system (IS), for instance, quite prominently link innovation and learning capacities at the regional or national level to economic outcomes and performance (Lundvall et al., 2009). Therein the various organisations involved in IS (e.g. firms, research institutes, banks, government agencies) are complemented by underlying cultural factors such as ideologies, values and attitudes towards risk aversion, learning or collaboration (Cooke et al., 1997; Schoser, 1999).

This view, however, implicitly assumes culture to occur at rather independent territorial entities (Mee, 2009)<sup>2</sup>. Against the background of increased internationalization of economic activities it con-

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<sup>1</sup> In neoclassical assumptions economic agents aim at maximizing profit and utility and are able to access all available information relevant to markets such as products, competitors and prizes. Markets are considered as ‘pure’ in terms of anonymous relationships between buyers and sellers, thereby, suppressing history, institutions and culture as important frames of behavior (Lundvall, 2010).

<sup>2</sup> Connecting culture to values, beliefs, rules and practices that represent a particular ‘way of life’ of a distinct social group, represents one of the most common approaches to culture: these groups may be characterized by

flicts with recent conceptual work that understands culture to be interwoven across spatial scales (James, 2006) or overrides national entities by people who create transnational spaces (Saxenian, 2006; Morgan, 2001). Although Lundvall (2010), too, is sceptical about nations as an adequate unit of analysis for similar reasons, he upholds the view of political and cultural homogeneity within nations for analytical reasons, namely to provide a conceptual model or “archetype” to study the consequences and limits of globalisation (Lundvall, 2010: 3).

By researching the impact of cultural factors on interfirm behaviour from the perspective of Chinese remigrants the paper aims to challenge the conventional spatial segmentation of cultural factors. Based on identified shortcomings of this view the paper proposes a *relational* understanding of culture as an alternative (Yeung, 2005). Cultural values and behavioural norms are thought to be (re)produced through but not contained exclusively within firms, regions or nations. In the same vein, places of knowledge production and circulation are not argued to “map neatly onto demarcated physical spaces or organizational spaces” (Jones, 2009: 212).

This paper combines culture and knowledge transfer and asks: *What are the perceived cultural differences in organising interfirm relations based on managerial knowledge experienced in China and abroad? And, to which spatial levels do the cultural factors relate?* Note that ‘spatial’, here, is defined as an attribute of territories in which culture appears to be contained. It thus represents a narrow sense of (physical) space, and does not include other dimensions such as the social and virtual<sup>3</sup>. Research about Chinese returnees already point to the relevance of culture for transferring managerial practices (Mueller, 2007; Saxenian, 2006; Berthoin Antal and Walker, 2006) but it has been treated as an unspecified variable and its impact on economic agency has been analysed rather unsystematically (Klaerding, 2009).

In order to tackle the research question 34 personal interviews with returnees, nine complementary expert interviews and three group discussions with firm leaders were conducted in April until October 2009 in the Shanghai region. High-skilled returnees are observed to settle in China’s major cities, particularly Shanghai and Beijing (Saxenian, 2006; Zhou and Hsu, 2011), and to set up companies in dedicated Science and Technology Parks for returned overseas scholar (Berthoin Antal and Wang, 2003). About a third of my interviewees are working in firms which are located in the Zhangjiang Science and Technology Park in Shanghai. Before turning to the methodological details of the qualitative study in Section 3, Section 2 introduces the theoretical frame of this paper. It contrasts two ap-

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their dominant ethnic, religious or class orientation, but also attached to particular places and territories asking “how scaled practices of culture impact upon ways of life” (Mee, 2009: 455).

<sup>3</sup> For an overview on dimensions of space, see Elden (2009) and Kitchin (2009).

proaches to culture, namely a territorialized view exemplified by concepts of IS, and a relational economic perspective on culture. The research results about Chinese returnees are presented in the core parts of the paper: Section 4 deals with the cultural significance and foundations of interfirm practices, followed by a discussion about the limitation of a spatial segmentation in favour of a relational understanding of culture in Section 5. The paper finishes with a summary and research outlooks (Section 6).

## **2. Spatially segmented and relational constructions of culture**

The influence of culture on human behaviour is a well established argument in several disciplines focussing on economic activities: in international business studies managerial behaviour within firms, e.g. leadership styles and HRM practices, are thought to be rooted in values, norms and beliefs which are enacted as workplace practices or organisational cultures, respectively. Often these cultures are assumed to be characteristic for business behaviour in whole nations because they are learned and applied in other realms of social life, too, such as family and school (Hofstede, 1991; Smith et al., 2002; Chhokar et al., 2007, Trompenaars and Wooliams, 2003; Schein, 2004)<sup>4</sup>. In political economy, the structure and design of intrafirm behaviour appears to depend on national institutional frames and shape particular forms of capitalism (Hall and Soskize, 2001) and business systems (Whitley, 2000). The latter, for instance, are argued to be characterized by distinct features of the state and labour market, financial and educational system as well as by conventions, norms and values that govern trust and authority relations between business partners and between employers and employees. "Variations in these conventions result in significant differences in the governance structures of firms, the ways in which they deal with each other and other organizations, and prevalent patterns of work organization, control and employment" (Whitley, 2000: 51).

Two opposing cultural conceptions are discussed in economic geography, namely at first a territorialized and spatially segmented idea of culture (Section 2.1.). This comes close to the outlined understanding in related disciplines which suggests a link between cultures residing at the national level and behavioural outcomes in terms of intra- and interfirm management. In economic geography I particularly find the concepts of IS to display such a spatially segmented understanding with reference to regions and nations. And secondly, a relational idea of culture is exposed which, in short, finds apparently 'local', 'regional' or 'national' cultures to be shape in relation to factors on more than one particular spatial level (Section 2.2).

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<sup>4</sup> For a critical view on national cultures in international business studies see Gould and Grein (2009) and Leung et al. (2010).

## 2.1. A territorialized construction of culture

Particularly the IS approaches have gained much political attention in order to explain and enhance interactive learning and economic development at regional and national levels (OECD, 1997, 2001; Doloreux and Parto, 2004; Hassink). Although IS concepts target intra- and interfirm behaviour which aims at optimizing knowledge creation and innovation activities, they also qualify well to exemplify how underlying cultural norms, values, habits and conventions affect the transfer of managerial knowledge, leading to distinct interfirm behaviour.

Transaction cost economics (TCE) is often a starting point for the analysis of NIS as innovations are framed, that is, designed for and developed in a distinct *market* – a key institution in Williamson's (1981) approach of TCE. In short, Williamson seeks to clarify the conditions under which economic transactions are organized internally (as hierarchies) or via the market. Vang and Overby (2006), for instance, begin with TCE for explaining investment decisions of firms with respect to outsourcing / offshoring in the context of India's NIS. However, TCE is soon found out to disregard institutional and cultural differences as well as corresponding costs and difficulties (Vang and Overby, 2006) which are at the heart of this paper. Moreover, innovations are argued to hardly take place without these specifications of markets and individual norms of agency (Edquist and Johnson, 1997; Lundvall, 2010). I also think that the relevance of culture in TCE is not very clear. Although Williamson (1973) hints to heterogeneous preferences and values of individuals under the aspect of 'atmosphere', this notion is superimposed by a strong neoclassical assumption of human behaviour governed by maximizing profits and minimizing costs, respectively<sup>5</sup> (Edquist and Johnson, 1997).

As founding fathers of NIS, amongst others, Edquist and Johnson (1997) as well as Lundvall (2010) provide conceptual insights about a cultural dimension of national innovation systems (NIS) and the consequences for the creation and distribution of knowledge. Referred to as informal institutions customs, traditions, work norms, convention, habits and practices are argued to regulate relations and interactions between people (Edquist and Johnson, 1997) or, to be more precise, to determine an actor's rationality, motives and ambition of action (Lundvall, 2010). Because markets are considered imperfect and information is obtained to different degrees as access is costly or limited, individuals are assumed to behave differently (Lundvall, 2010). For actors who operate in the same na-

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<sup>5</sup> Williamson (1981) tries to distinguish TCE from neoclassical economics by adding two behavioural assumptions of bounded rationality and opportunism. The first refers to „limits in formulating and solving complex problems and in processing (receiving, storing, retrieving, transmitting) information“ (Williamson, 1981: 553) whereas opportunism takes into account untrustworthiness „or, more generally, [actors who] disguise attributes or preferences, distort data, obfuscate issues, and otherwise confuse transactions“ (Williamson, 1981: 554). Both conceptual extensions, however, lack a clear consideration of cultural differences in the sense proposed in this paper.

tional cultural environment, culture reduces uncertainty about the behaviour of others because culture frames incentives and sanctions for a certain way of (inter-)acting. In contrast, cultural differences between corresponding actors might provoke misunderstandings and generally impede transactions aiming at learning and innovation (Gertler, 2004; Boschma, 2005). Hence in order to prevent such situations actors are advised to flexibly adapt to the cultural rationalities of business partners (Lundvall, 2010). Others stress the role of transnational communities (TC) (Saxenian, 2006; Vang and Overby, 2006; Morgan, 2001) who are also able to cope with different cultural frames in economic decision-making processes. Therein, members of TC are able to decrease cultural distances in knowledge transfer and learning processes because they are considered to be familiar with the diverging institutional frames of economic activities.

Adaptation as well as the TC concept, however, requires people to certainly *know* about the behavioural norms and values of others. Given previous experiences in other countries, adaptation may be less challenging because cultures in the NIS framework (and, also in large parts of the TC literature) are assumed to be widely homogenous within a particular nation. On the contrary, adapting becomes problematic when cultures are *conceptualized to vary within nations*. With reference to China, several authors have disagreed with the notion of 'Chinese (or Confucian) capitalism' (Yeung, 2004; Hsu and Saxenian, 2000; Chow, 2008) in order to explain the nation's economic success in the last decades: supportive behavioural norms and values such as respect for authorities and hierarchy and dependence on closely-knit networks are no longer supposed to account for all Chinese people or be distinctive for China, at all. Dirlik (1997: 314) quite early recognized that "there is sufficient evidence to indicate that these values are products of particular social and historical circumstances, which casts strong doubt on culturalist claims that represent them as essential, exclusive, and unchanging Chinese values. (...) The origins of the contemporary Chinese business ethic are located somewhere in recent history in the interactions of Chinese with others, and with alien environment". My paper will demonstrate how the 'Chineseness' of business partners as perceived by the returnees is based on factors which are not solely attached to the national scale, thus, denying an overall Chinese culture underlying business interaction.

This argument may be reinforced by research on clusters and industrial agglomerations which claim *regional* cultures to co-exist and override apparently dominant national influences: for the USA, Saxenian (1994) contrasts Silicon Valley's strong culture of cooperation, openness and informality with Boston's route 128 which appears to be based on shared understandings and attitudes towards hierarchy, self-sufficiency and formality in communication. In a similar vein, Aoyama (2009) describes how, amongst others, different norms, mindsets and codes of conduct of entrepreneurs shape the

regional cultures of Hamamatsu and Kyoto. Also, regional innovation systems (RIS) are argued to be characterized by specific cultural attributes such as the willingness for interorganizational cooperation which are reflected in a more or less pronounced network structure (Cooke et al., 1997; Asheim und Isaksen, 2002). Besides geographical proximity shared cultural values and understandings between regional actors (so called *cultural proximity*) play a central role in explaining the success of RIS as both facilitate the exchange of (especially tacit) knowledge through trust based relations (Doloreux, 2002).

What puzzles me is that although cultural influences are considered at the regional and national levels – others, also, translate the idea of IS to specific sectors (Malerba, 2005; Breschi and Malerba, 1997)<sup>6</sup> – the nation state still appear to be central in the IS literature (Lundvall et al., 2009; Fromhold-Eisebith, 2007; Edquist, 1997): thereby, particular emphasis is placed on innovation policies as parts of the institutional frame of IS which, in most cases, are designed and enforced by the national government. However, thinking about cultural values, norms and attitudes to be restricted to national (or regional) territories can be criticized. Rutten and Gelissen (2010), for instance, suggest analysing the effect of social values (e.g. hard work, tolerance, openness) on economic development on the level of subgroups or networks rather than regions as a whole. This idea clearly deviates from a territorialized or spatially segmented understanding of culture which will be further elaborated towards a relational view in the next subsection.

## 2.2. A relational construction of culture

According to Hess (2004) who analyses the spatiality of factors that underlie economic activities, the relevance of culture is heavily based on the notion of embeddedness (Polanyi, 1944; Granovetter, 1985). Therein, economies are assumed to be affected by the wider social and institutional frameworks in which culture is represented as shared values, norms, understandings and traditions. Moreover, it is apparently not the concept per se that ties culture to particular spatial scales but the various disciplines that apply and modify it (Hess 2004). In other words, cultural embeddedness is interpreted as a-spatial because individual behaviour is reasoned from the integration in social (interpersonal) networks that potentially span across territories.

In the face of globalization and labour migration Amin (2002), too, points to the inadequacy of local, regional and national differentiations of space for analysing economic activities. Instead of ascribing cities and regions a defined context, e.g. a localized economic system with particular logics of inter-

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<sup>6</sup> I do not elaborate on sectoral innovation systems as a third type of IS because they postulate the same arguments of cultural influences than the outlined RIS and NIS (Doloreux, 2002).

actions, places are considered to be formed by practices which result from social transactions *within and outside* them: such a sense of place “posits local economic activity as part of, and inseparable from, proximate and distanced transactions, and assumes that whatever counts as the local is the *product of varied spatial practices*” (Amin, 2002: 395, own emphasis)<sup>7</sup>. Without going into detail about new ways of thinking global-local relations (Brenner, 2001; Swyngedouw, 1997; Amin, 2002), it may be safe to summarize one of the core arguments here: in short, economic behaviour that has been classified as typically local – that is, contained in and characteristic for a particular place – turns out to be a product of extra-local factors, too. Consequently, I assume management-related practices applied to interfirm relations to be shaped by more than just place-specific cultural values, attitudes and norms of behaviour. It is the aim of this paper to scrutinize inter-scalar processes and relations which form cultural imaginations relevant to and underlying everyday economic transactions<sup>8</sup>. In the same vein Gertler (2010) has recently reflected on the role of institution and postulates to address the issue of inter-scalar interaction: “one needs to understand better (...) how institutional forms and the incentives that they create at any one particular scale influence, are influenced by, and interact with, the institutional architectures that are erected at other geographical scales” (Gertler, 2010: 6).

A relational perspective, as proposed by Yeung (2005), Boggs and Rantisi (2003) and Bathelt and Glueckler (2003) is argued to help identifying cultural influences across scales. Therein, space is argued to be a *perspective* for analysing socio-economic processes such as learning, communication and interfirm collaboration, not as a container characterized by cultural regularities or structures. Thus, physical space or territories are socially constructed, hence neutral from the start without any predefined effect on economic outcomes (see also Brenner, 2001). Accordingly, a relational perspective prevents conflating too quickly socio-cultural with geographical embeddedness which fosters a territorial categorisation of culture into local, regional or national entities beforehand (Bathelt and Glueckler, 2003; Boggs and Rantisi, 2003).

In order to determine cultural influences on economic behaviour the applied practices themselves are analysed because a causal relationship between culture and behavioural outcomes is assumed (Section 1). Being aware that such a linkage can be problematic, as shown for the effect of national cultures on leadership and organizational behaviour (Maseland and Van Hoorn, 2009)<sup>9</sup>, the paper

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<sup>7</sup> See also Massey's (1994) concept of open and porous places that provides similar arguments.

<sup>8</sup> Gibson and Kong's (2005) evaluation of the cultural economy concept in economic geography identify two strands of research agendas whereby one aims at revealing scalar interdependencies, too.

<sup>9</sup> Maseland and Van Hoorn (2009) see value surveys in general to be a problematic tool of measuring cultures as they “elicit marginal preferences rather than underlying values”. However, a national construction of culture is maintained. My paper disagrees with such a spatiality of culture but acknowledges the authors' methodological criticism.

takes an actor-centred perspective (Faulconbridge, 2008; Yeung, 2004). In doing so, cultural factors are identified and evaluated by the people themselves instead of presupposing any effects from the start. In other words, the *production* of cultural embeddedness is centred on which leads to certain economic outcomes: “A relational practice-centred theoretical approach (...) replaces the static conceptions of entities (firms, institutions, regional clusters) with concepts generated around the dynamic practices and relational associations that *constitute* action and *produce* these entities” (Jones, 2008: 73). In the same vein, Yeung (2005) argues to look beyond relational constructs such as networks or assets (e.g. traded and untraded interdependencies, social capital) as important influences on economic development. Similar to Jones’s argument, it would be insufficient to only take into account their absence or presence to explain the success or failure of regions. In addition, a relational perspective asks why such assets and networks are regarded as more or less important by different firms, thus, introducing power into the concept which is exercised through actor-specific practices (Yeung, 2005). The key argument of both authors is that practices are enacted *through* physical places and rooted in complex spatialities.

### **3. Research methodology and basic returnee characteristics**

In order to scrutinize the spatiality of culture on economic behaviour, managerial practices of returned firm leaders in Shanghai are analysed who collaborate with Chinese companies (e.g. supplier, customer). These interfirm practices include core elements of business network management (Sydow, 2006) and are subdivided into processes of (i) search and selection, (ii) regulation in terms of modes of business agreements and conflict resolution, and (iii) communication and control. In detail, the returnees were asked to describe and evaluate each interfirm practice (experienced abroad and in China) and to explain the reasons for their behaviour with Chinese collaborators. Whereas the first questions (description, evaluation) were partly standardised and evaluated by descriptive statistics, the latter was raised openly, thus preventing a bias towards certain cultural factors or scalar classifications. As proposed by Jones (2008) who studied economic practices of TNCs, a retrospective and re-constructive method is applied in order to identify the associations of practices which produce economic outcomes. According to the qualitative nature of this part of the study results are based on categorisation of arguments for applying certain behaviour (Mayring, 2003) and presented as a summary.

Interview partners were selected by the snowball method as data about firm managers with foreign work experience is difficult to obtain from local agencies (e.g. Statistical Office Shanghai, Shanghai Association of Science and Technology) (Mueller, 2007). The first contact was made with a local association for returned scholars from overseas and complemented by desktop research on companies



situated in local Science and Technology Parks (e.g. Zhangjiang, Caohejing) where the gross of returnees are observed to have settled (Berthoin Antal and Wang, 2003). Two criteria were required for returnees to participate in interviews: firstly, returnees should have been away for at least two years in a row<sup>10</sup>, preferable in countries of North America and Western Europe<sup>11</sup>, and gained work experience abroad. Secondly, after returning to Shanghai interview partners should be in the position of executives and familiar with the interfirm management practices relevant in this survey.

Altogether, 34 return migrants were interviewed. On average they were 42 years old, left China for six years (ranging from three to 23 years) and returned from the USA. Most returnees (59 %) have achieved senior positions abroad, e.g. senior consultant, senior scientist, R&D manager, one was self-employed<sup>12</sup>. The remigrants have joined or founded the current company in 2003, resulting in a mean experience as executives of six years at the time of the survey (ranging from one to 14 years). Due to the snowball method of recruiting interview partners the sectoral structure shows a bias towards the pharmaceutical and biotech as well as the IT, software and semiconductor industries. The firms are small and medium sized (below 250 employees) with the majority employing less than 51 people. Most native business partners are situated nearby in the Yangtze River Delta and take the positions as customers or suppliers. The semi-structured interviews with returnees were complemented by three group discussions with firm leaders and nine interviews with representatives of local returnee associations, Chambers of Commerce and industrial associations.

#### **4. Cultural significance and foundation of managerial interfirm practices**

After returning from the West the firm leaders and entrepreneurs reported problems of re-entering the Chinese business context<sup>13</sup>. But instead of referring to standard challenges of recruiting qualified labour, finding investors or other business partners and dealing with government or administration

<sup>10</sup> As some of the first theorists who studied return migration, Mary C. Hodgkin (1972) and Russell King (1986) suggest certain duration abroad for migrants to contribute to innovation and economic development in their home regions. On the one hand, more than two (King) and four (Hodgkin) years were required in order to be able to absorb new experiences, skills and values. On the other hand, a very long duration bears the risks of becoming too alienated from the home region, or lacking time and energy because of age for implementing new values and skills (King, 1986).

<sup>11</sup> Comparative studies propose a distinctive difference between US-American and Chinese business norms and behaviour (Adams and Vernon, 2007; Chhokar et al., 2007). If national cultures turn out to play a role in organizing interfirm relations, one can assume them to be particularly prominent in this group of returnees. Also, the majority of overseas scholars in China is observed to study and return from the USA (Ministry of Science and Technology of PRC, 2007; Ministry of Education of PRC, 2009). This is helpful for recruiting interview partners by the snowball-method because the group size of such returnees is supposed to be the largest, compared to those from other countries.

<sup>12</sup> The remaining gained work experience below senior employments, e.g. software engineer, analyst, or provided no answer to this category (12 %)

<sup>13</sup> The question is standardized and includes five answer categories. The fifth item 'ways of doing business in China' is designed to show no overlaps to the previous answers. It represents the challenge of cultural re-integration and refers to underlying factors of business such as communication, manners, ethics etc.

the interviewees evaluated the adjustment to the 'ways of doing business in China' as highly problematic. Nearly two thirds experienced such difficulties compared to an averaged third accounting for the described standard problems. According to the previous argument of cultural proximity (Section 1) adaptation to local context is understood as a necessary strategy to facilitate business. The majority of the returnees apply different interfirm practices according to the nationality or location of the collaborator suggesting different behavioural logics on national scales. Perceived differences are the highest for communication, control and conflict resolution, whereas business agreements seem to be more standardised across national borders with the lowest share of returnees adapting their behaviour accordingly. At first glance, these findings confirm a somehow national character of culture relevant to interfirm business organisation. But what lies beneath these arguments? The next subsections reveal the factors that constitute the cultural imaginations of national (e.g. Chinese, US-American) behavioural norms, expectations and routines. After a short description of interfirm practices that are identified as Chinese<sup>14</sup> by the interviewees, the underlying sources and factors are summarized and schematically illustrated.

#### 4.1. Search and selection practices

The process of finding Chinese collaborators is subdivided into search/approaching and selection/evaluation practices. On average 85 % of the business partners were contacted with the help of known people (e.g. friends, family members), whereas averaged 15 % of native collaborators were addressed directly by so-called 'cold calls' emphasising the unaffiliated contact method. The prioritized selection criterions are the price and quality of the product or service in demand which comes as no surprise. But interestingly, personal relations are evaluated as second relevant thereby, outnumbering another rather objective variable of publicly available business records (e.g. annual reports on websites) or credit rankings. Unaffiliated contact methods and reliance on official information are perceived to be more common in the Western context<sup>15</sup>. They are only scarcely utilized in

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<sup>14</sup> In the presentation of research results "Chinese" (or "Western", "US-American") refers to the self-identified characteristics of certain business behaviour as it is perceived by the interview partner. I assume, however, that such national cultural attributes are potentially generalized from distinct experiences, stories or media reports which are not representative for all Chinese involved in business. Thus, we should keep in mind that the cultural ascription based on nationality or ethnicity should not be taken literally, but rather represent abstraction from singular business experiences.

<sup>15</sup> Western, in this paper, is used as an attribute that refers to the interviewees' experiences abroad and characteristics ascribed to foreign business partners. It summarizes features that are mainly experienced in the USA, but also in Germany, the UK and Japan where altogether a quarter of the interviewees has temporarily stayed. A distinction between foreign countries, however, can be neglected in my opinion, as emphasis is placed on the reconstruction of *Chinese* culture which underlies interfirm management behaviour. The description of self-identified foreign cultures and practices is regarded necessary from a methodological point of view: In think that by contrasting foreign experiences with those made in China interviewees can accentuate cultural differences better than without a comparison. Hence, the paper refers to Western attributes primarily in order to highlight differences in interfirm behaviour.

China where the returnees report to necessarily double-check publicly available information by asking others about the reputation and credibility of the potential business partner.

Hence, in comparison to the Western experience personal relations strongly mediate the search process and play a complementary role for selecting appropriate business partners. Figure 1 illustrates the arguments for introduction and referrals (search) and for double-checks of public information (selection). Both relate to the same argument, namely the *significance of relationships* as characteristic for China. The white boxes represent the reasons or factors for applying this behaviour with Chinese business partners; note, that the assembly of white boxes does not represent any hierarchy or order of importance. The figure, thus, schematically reconstructs lines of arguments which underlie the perceived cultural stereotypes of Chinese business behaviour.

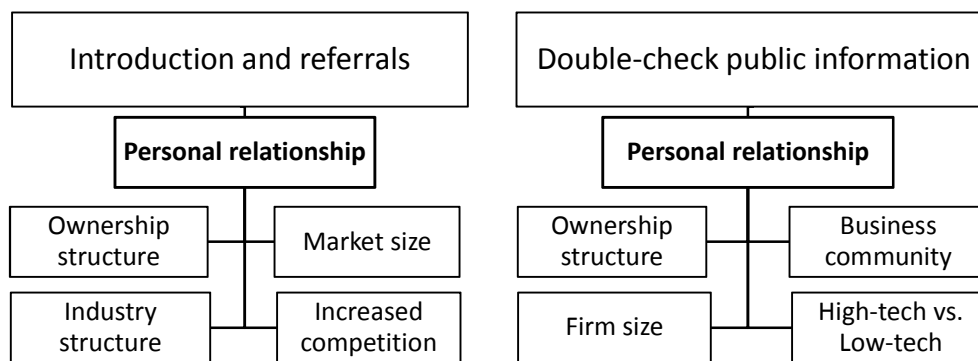


Figure 1: Cultural foundation of search and selection practices

It is argued that *introduction and referrals* are necessary for contacting potential business partners because in contrast to the West the Chinese *market* is rapidly expanding, the *industries* (mainly high-tech) appear to be unorganised with few established players and an unmanageable *choice of business partners*. Selection uncertainty is reinforced by the perception of both, a high amount of start-ups which are then difficult to evaluate or a high rate of firm deaths weakening the trust in new companies. This situation is perceived as highly risky for selecting trustworthy and reliable collaborators in China. Furthermore, personal relations are seen as crucial for approaching *state-owned companies* within China's key industries compared to contacting privately owned firms. Business relations with SOEs are still seen as advantageous because of the strong influence of the state on the economy as a whole (see McNally (2008) for the role of state in China's emergent capitalism). Thus, contacts to SOEs are in great demand. Being introduced by people who are already known to them is evaluated as more promising than unaffiliated search mechanisms because the latter means a higher degree of uncertainty to the SOE.

The requirement to *double-check publicly available information* about Chinese companies is explained by general distrust in such data. Especially information published by firms themselves is evaluated as highly subjective and one-sided which is partly due to the competitive situation and market uncertainty outlined before. The larger the specific *business community* and the *smaller and/or younger* the potential Chinese companies the stronger is the argument for a complementary request of personal opinion about the collaborator. Finally, the interviewees point to certain sectors where personal references are seen as more important for evaluating a potential partner in China, explicitly labour intensive industries. In comparison to *technology-based industries*, the choice of business partner in those sectors is thought to depend mainly on low-cost-competition which apparently enhances the potential of being cheated by false or incomplete public information.

#### **4.2. Regulation practices: Conflict resolution and business agreements**

The conflict resolution is analysed in terms of the returnee's strategy (avoidance, open discussion, third party involvement) and aims (enforcement of own viewpoint, maintenance of relationship, keeping good image or reputation). The interviewees differentiate between a straightforward conflict approach experienced with business men in the West and a compromise-oriented strategy which is assumed to be characteristic in China where conflicts are carried out less confrontational but subtle and cautious. In the returnees' views Western and Chinese conflict practices are also assumed to differ in the frequency and perception of involving mediators or lawyers. This strategy is perceived to be both, applied and expected more often in the Western context.

The interviewees adapt their *conflict resolution* practices to their expectation about the business partners preferred treatment, namely to be less confrontational and more subtle. They argue that this behaviour serves the *preservation of good personal relationships* which are evaluated as more crucial in China than in the West. Conflicts are carried out with the aim to compromise contrasting viewpoints instead of enforcing them unconfined. Confrontational attitudes, e.g. direct accusations, are seen as counterproductive for facilitating *long-term partnerships and good reputation* because they are perceived as personal assault, thus fusing failure in business with the person itself. The awareness of keeping relationships is considered to be even higher within *small business communities* due to less alternative collaborators in cases of break-ups. The cautious behaviour is furthermore reported to be related to the role of court in conflict situations. Because of the perceived *unreliability of judgements* in China the returnees feel less encouraged to file lawsuits in conflict situations which cause them to pay more attention to compromise and harmonic resolution practices (Figure 2).

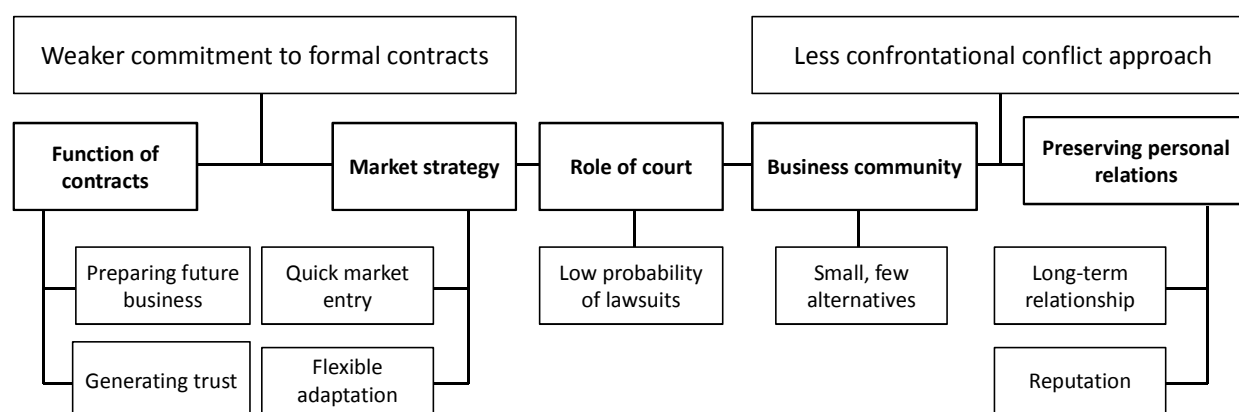


Figure 2: Cultural foundation of regulation practices

Concerning modes of business agreements the commitment and specificity of written contracts and informal agreements is analysed, whereby the latter is defined as unwritten but binding outcomes of negotiation processes (“handshake”-contracts) and superficial formal contracts. Despite a wide application of formal contracts throughout the sample the interviewees tend to expect their Chinese collaborators to pay less attention to elaborated formal contracts. Compared to the Western experiences, they are observed to work out shorter contracts better described as a letter of intent or memos. The commitment is perceived to be lower and re-negotiation processes in China are claimed to happen more often after the contract has been signed.

The *uncertainty of legal enforceability*, being discussed for the conflict practices, is also a crucial point for the perceived *weak commitment to formal contracts* in China. Shorter or more superficial versions of contractual arrangement with Chinese collaborators are considered to be linked with the different function compared to the Western business context. Instead of being viewed as a legal instrument guarding against any eventuality – which would require specificity and detailedness – contracts would rather express the willingness to cooperate, marking a *first step towards future business relations* and on-going negotiations about the contractual details. Shorter and hence less time-consuming informal contracts are also assumed to be beneficial for *operating in a highly dynamic Chinese market*; they enhance flexible adaptation to changing demands and support quick market entries (Figure 2).

#### 4.3. Communication practices: Business meetings and control

The communication practices selected for the management of interfirm relations firstly consider the relevance of formal and informal business meetings whereby formal contacts are arranged during the work hours and do not require personal attendance (e.g. e-mail, telephone). Informal meetings, in contrast, take place outside work hours and often combine social with business matters, for in-

stance in the form of shared meals and drinks. Although both contact modes are ascribed the same relevance for discussing business matters, informal meetings are seen as an inherent part of Chinese culture. Formal modes, in contrast, also play a role for collaborating with Chinese firms, but – against the perceived Western understanding – rather fulfil a complementary and subordinate function.

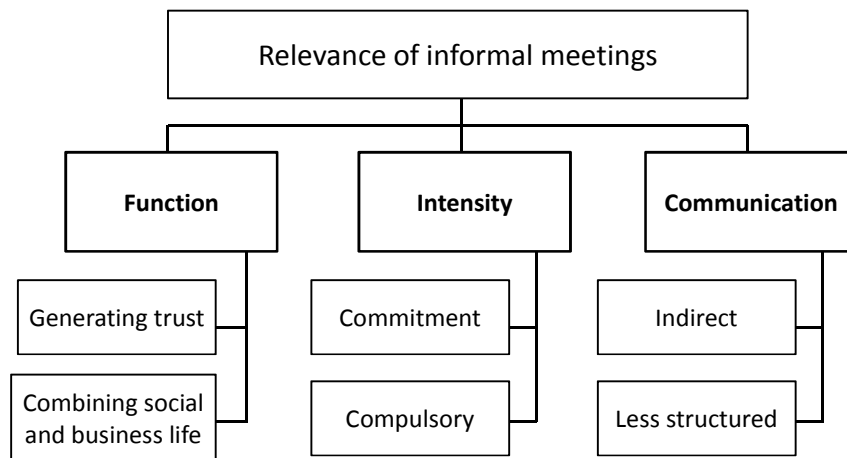


Figure 3: Cultural foundation of meeting practices

The relevance of *informal business meetings* in China is explained by the specific function and intensity in comparison to the Western experience. In contrast to formal office contacts, attention is directed towards the person(ality) and the *creation of interpersonal trust*. Business is perceived to be interlinked with sharing social life and mutual sympathy which provides a basis for engaging in commitments with Chinese business partners. Due to the significance of good personal relationships in China (see previous subsections) invitations to informal meetings are understood as *compulsory* and the discussed topics related to business are perceived as binding, similar to the expectation of formal office contacts in the West. The relevance of informal meeting practices are furthermore argued to be related to Chinese communication patterns which are identified as *indirect* (“reading between the lines”) and less structured or organized compared to the West. Informal meetings would match such patterns better because they are less temporary restricted and are based on personal sympathy which facilitates indirect communication (Figure 3).

The second communication practice focuses on the type of *control (formal and informal)* and its perceived strength or weakness of application. The majority of returnees do not only report to rely mainly on formal control methods such as periodic inspections but also, every third interviewee claims to enact tight or very tight supervision on the collaborators. This strict behaviour is seen as characteristic for operating in China in order to deal with native companies that are perceived as less reliable compared to the Western experience, e.g. regarding on-time delivery or quality issues.

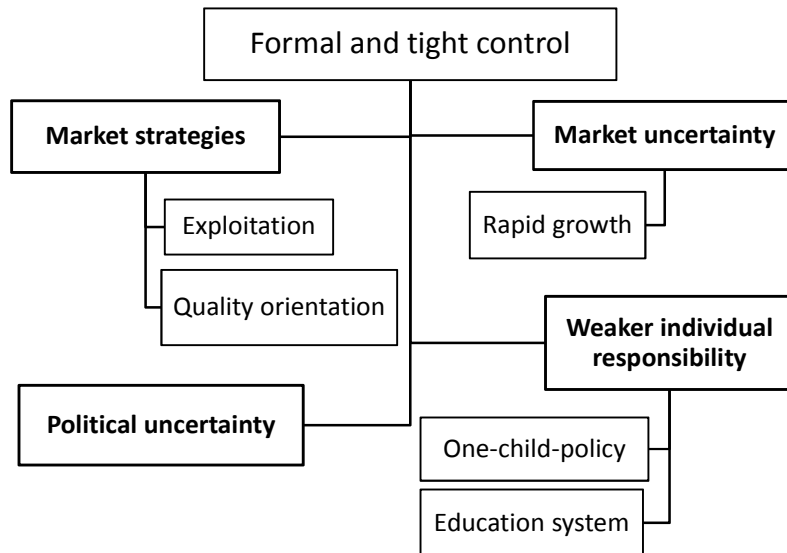


Figure 4: Cultural foundation of control practices

The interviews reveal that formal and tight control of Chinese collaborators is necessary because of the perceived *market uncertainty* induced by rapid growth and an increased choice of potential business partners in China. Also, industry related *political regulations and programs* are evaluated as rather unsteady which appears to encourage firm leaders to capitalize beneficial treatment before the situation changes. Strict control measures are reported to be necessary for Chinese collaborators who are assumed to follow *market exploitation strategies* that neglect good quality or/and brand-building in favour of low production costs and profit maximisation (“predatory capitalism”). Finally, this interfirm behaviour is argued to be linked with the *weaker notion of individual responsibility* assumed for Chinese business partners which is seen as a negative impact on reliable work attitudes. The cultural sources are identified in the education system where learning-by-heart instead of applied knowledge appears to be highly rewarded hindering critical thinking and problem solving (Jacobson 2007), and in the one-child-policy causing sheltered and over-protected offspring.

To sum up, interviewees reason their managerial interfirm practices with business partners in China from expectations, norms and work routines which are presented as taken-for-granted national stereotypes of Chinese business men and women. However, this chapter has also tried to reveal the cultural foundations of the perceived homogenous way of doing business in China. The arguments and associations with the observed behaviour, indeed, connect to a variety of (political, economic, social) factors such as firm size or market uncertainty. This is an important point: scholars who analyse Asian business often try to differentiate between cultural and other institutional factors of influence (Tan and Peng, 2002; Adams and Vernon, 2007; Hendrischke, 2007). Therein, culture is understood as societal norms and values rooted in Confucianism which appear to be external to other

(economic, political, legal) systems, pre-given and static. For instance, the success of Chinese business networks is explained by Confucian norms and values such as interpersonal trust, reciprocity and harmony which overlap with constituting elements of network organisation themselves (Wu, 2000; Li, 2007). In addition to such a cultural basis, business practices are assumed to be affected by “considerations other than culture”, namely “ownership/organization of the enterprise, its legal setting, its economic situation, and the technological advancement” (Adams and Vernon, 2007: 352). This view, in my opinion, overlooks how apparently cultural factors derive from and interact with distinct political, economic or legal settings. The presented findings strongly support this perspective. If we acknowledge the interdependence between cultural and non-cultural factors, as postulate by the cultural turn in economic geography (Section 1), it also becomes clear that a claim of ‘national’ or territorial understanding of culture can no longer be productive for analysing economic behaviour in the context of labour migration. The next section elaborates on this idea by discussing the segmentation of cultural foundations into spatial levels; it is argued to understand them as interlinked analytical entities that produce behavioural stereotypes rather than cultural attributes demarcated to physical space.

## **5. The limits of spatially defined cultural dimensions**

Following the conventional approach, Figure 5 illustrates the relationships between cultural attributes located at different spatial layers based on the summary of previously outlined arguments (Section 4). Instead of discussing each layer in detail the next paragraphs highlight the *limitations* and, in response, propose a relational understanding of culture.

Firstly I criticise that the spatial segmentation into four units is more or less random with respect to the number as well as labelling of dimensions. For instance, the uncertainty of political programs observed at the national level might also apply to the regional Shanghai administration, and the identified regional cultural dimensions might be better understood as distinctive industrial characteristics. In the same vein, one might ask whether the reported individual attributes are representative for a whole society, regions or industries and should thus be better conceptualized at a collective level.



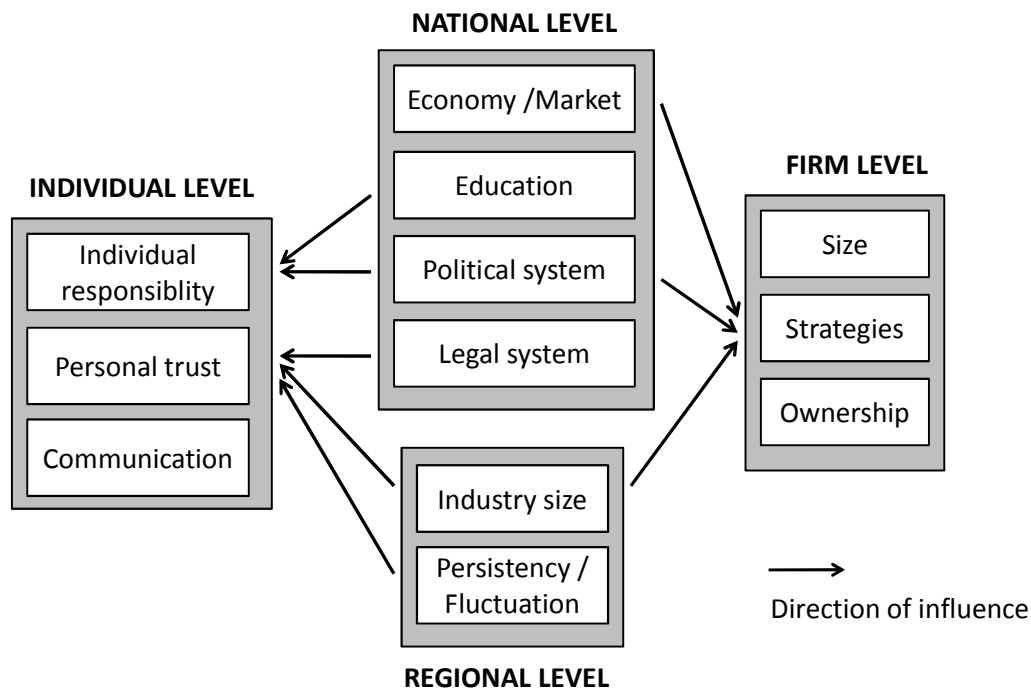


Figure 5: Spatial segmentation of cultural foundations and exemplary linkages

But apart from the appropriate numbers and labels of analytical units, my main point is more substantial: a precise spatial segmentation distracts from the argument that produces cultural perceptions occurring at different scales, at the same time. For instance, the assumed impact of the business community size is first of all a *relational* asset because the trust(worthiness) and reputation accessed through business networks are the focal argument of returnees, e.g. to select partners. Social proximity based on friendship and experience (Boschma, 2005) overrides the argument to define spatial boundaries. Although this might be particularly pronounced for returnees who often span transnational business networks (Saxenian, 2006) labour migration has increased since the 1990s (OECD, 2008) which potentially raises the number of international business contacts for any manager. Likewise, the predatory strategies of Chinese companies which influence control and search mechanisms have to be analysed *in relation* to China's current economic, political and legal system instead of focussing solely on the corporate level. Otherwise it is hard to understand why certain interfirm practices that are evaluated positively in the Western experience (e.g. contacting potential business partners via 'cold-calls') have not worked out in the Chinese business context, despite a decision-maker (returnee) who is willing to implement such practices. Here, the new practice incorporated at the individual level is perceived to conflict cultural norms and values expected to be taken for granted by Chinese business partners.

Secondly, I argue that the spatial separation is suggestive of being rather static because cultural attributes are generalized on spatial layers. Against the background of globalisation with increased

international flows of labour, knowledge, goods and money, change should be reflected in the cultural conception of work behaviour (Erez and Gati, 2004). This claim might be particularly true for China where fundamental political and economic reforms have taken place (McNally, 2008; Guthrie, 2006) and whose previous and current conditions of economy and society contrast with the new influences of industrialized countries. The following two business practices exemplify different outcomes of a steady improvement of the Chinese legal system (e.g. which is assumed to affect the *significance of personal relationships* in interfirm collaboration. As described for the application of formal contracts (Section 4.2), the commitment to such agreements is observed to remain rather weak in the Chinese business context indicating the retention of informal trust-based agreements (Potter, 2002; Luo, 2002). On the contrary, some kind of dualism can be detected for conflict practices which points to cultural transition or change. Although returnees predominantly apply an open approach based on immediate reaction to conflict situations characteristic for the West, they also stress the maintenance of harmonic interpersonal relations as a prime conflict resolution goal rooted in Chinese culture. These results are in line with newer studies that stress a two-folded approach of harmony and openness (Chen et al., 2005; Tjosvold et al., 2006). The outlined examples of preservation versus transition reinforce a dynamic understanding of culture because behavioural standards seem to be differently affected by changing environments. A relational approach is capable of explaining such dynamics at the workplace because it situates collaboration practices in a distinct spatio-temporal context (Ettlinger, 2003; Jones, 2008). This requires taking into account how the practices have derived from current cultural circumstances, as well as how they relate to alternative, competing practices.

Hence, and thirdly, observed interfirm practices can be understood as an outcome of power which is broadly defined as relational effects of social interaction (Allen, 2003: 2). Generally speaking, firms and organisations respond to tensions at different dimensions which are solved in negotiating processes about the right behaviour or strategy. Yeung (2005) conceptualizes such tensions within the spatial relationality (global, national, regional, local), the actor-structure relation and the socio-spatial dimension where political, social, economic and spatial attributes are competing against each other. As shown before, culture is perceived to both, penetrate territorial layers and derive from various socio-spatial units. Also, the actor-oriented perspective applied here makes clear that returnees constantly struggle between structural constraints and individual agency. This is exemplified by firm leaders who, for example, evaluate formal business agreements and meeting styles positively but fail to implement them into the Chinese business context<sup>16</sup>. Here, *economic* interests (competi-

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<sup>16</sup> The evaluation of business practices and the adaption to the perceived local business context in Shanghai is analyzed in detail in my other paper. Altogether, the introduction of new interfirm behavior is concluded to be

tive practices due to a perceived higher time and cost efficiency) compete with the described *cultural* norms, values, habits and routines expected by returnees for Chinese business partners. Also with respect to agreements, *global* contractual standards, primarily guaranteeing legal enforceability, appear to conflict with cultural norms, values and habits which are expected to be followed at the *firm* level of Chinese companies. A relational approach, thus, helps to uncover the implementation of practices resulting from tensions at multiple dimensions.

Moreover, the consideration of power which derives from such tensions allows explaining why the same arguments or cultural foundations do not always have the same effects on the design of inter-firm behaviour in every business context. For instance, formal contracts are seen to be well accepted in Germany and the USA despite firms who also follow quick market strategies and require flexible adaptation – the argument promoted by returnees for a weaker commitment to formal contracts. A relational view can explain a common application of contracts by referring to a strong political and legal power which ‘overrides’ the social dimension of business, namely relying on good personal relations to achieve certainty in business transactions.

Fourthly, a relational cultural approach supports coherent multi-scalar policies which, due to the sensitivity of context, have to be negotiated case-by-case. Therefore, transferring competitive inter-firm practices would be only promising if they match established cultural frameworks or if they are potentially powerful enough to override them. An analytical division of scales, in contrast, denies the complexity of perceived cultural realities and might be misleading for policy implications. As described in my previous arguments, institutional changes at the national level do not automatically translate into new forms of interfirm behaviour. For instance, in order to introduce the positively evaluated conflict resolution strategies (quick reaction to conflicts, open and task-centred discussion) in China cultural changes have to be initiated with respect to the role of court and the creation of institutional trust in order to minimize the effect of personal relationships.

## 6. Conclusion and outlook

The paper started by a reflection of cultural concepts in economic geography and focussed on the spatiality of culture with respect to territorial/physical units of space. Thereby, a conventional view of spatial segmentation as for instance assumed in the IS concepts is opposed to a relational perspective. This way, culture in terms of shared values, norms, habits, conventions and routines is treated as a crucial attribute of business contexts which is rooted in multiple scales and interacts with ‘non-

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low for most business practices because of the described conflict with norms, values and habits that are considered by the returnees to underlie behavioral expectations in China.

cultural' factors of the economic, political and legal system. By analysing interfirm practices of Chinese returnees in Shanghai cultural perceptions have been reconstructed which in the opinion of those executives were classed as highly relevant for organising day-to-day business with partners in the Yangtze-River-Delta. The research results postulate a relational understanding because territorialized cultures are randomly defined and distract from core arguments, lack dynamism, are misleading as a basis for political regulation and neglect the tensions and practices that constitute culture.

The paper shows that a relational perspective of culture is particularly fruitful to uncover apparent national stereotypes which crucially shape everyday economic interaction. It is described in detail how factors at different spatial levels influence the construction of such stereotypes. A business culture based on values, norms and expectations of management behaviour is formed only in conjunction with other, dynamic institutional, political and economic circumstances. In order to understand the evolution and application of interfirm practices a separation between cultural and non-cultural factors is therefore rejected. Furthermore, Section 5 has hinted at the role of power to explain why certain managerial know-how and practices can be successfully introduced in certain business environments, whereas they potentially fail in others. Yeung (2005) offers power relations in different dimensions as an analytical tool to answer this question.

I hope that my study on managerial practices of Chinese returnees initiates further research which scrutinizes:

- (i) how power is negotiated between those dimensions in total (and not just exemplary as done here),
- (ii) how managerial practices change over time due to a constant inflow of returning overseas scholars and professionals in China (Ministry of Science and Technology of PRC, 2007),
- (iii) how managerial practices and other institutions (economic, political, legal) co-evolve and frame a system of innovation,
- (iv) how returnees of other home countries deal with the challenge of introducing new practices that are regarded as more competitive (comparative studies with respect to nations or regions).

Especially the latter addresses the issue of generalizing the findings presented here. Because of the qualitative research approach this study is not designed to abstract findings in a quantitative manner that is, for the whole group of returnees in China or Shanghai. Instead, the aim was to understand behaviour of Chinese executives from their point of view, reconstructing their lines of arguments in order to generate a set of factors that underlie the perceived role of culture. These factors have nei-

ther been counted (in terms of frequency of mentions) nor weighted by other means to infer an importance or order of influential criteria. The paper should be best understood as a trigger to further conceptual and empirical work, as indicated by the previous research outlooks.

Finally, this paper directs more attention to the cultural embeddedness of managerial knowledge, individual actors and firms, and strengthens the claim for culture-sensitive multi-scalar policies in the innovation and learning literature. Many of them, including IS concepts, understand interfirm collaboration and networks as core elements for knowledge exchange and innovation, but have a limited, territorially bounded perspective of influencing factors. By investigating culture as one those I have demonstrated the potential of a relational perspective.

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## 8. The end of the learning region as we knew it; towards a new, cultural perspective on learning in space

Manuskript currently under review as Hassink, R. and Klaerding, C. (2010), The end of the learning region as we knew it; towards a new, cultural perspective on learning in space.

### Abstract

Since its launch in the mid-1990s, the learning region has been much debated in academics and applied in regional policies, which are as such positive signs. However, the concept has also been criticised for its fuzziness and its spatial (or regional) fetishism. By applying a cultural and relational perspective, the paper contributes to a better understanding of the organisation of learning and its link to regional economic development; it postulates a shift from a learning region view of studying regions as places of learning to studying culture based learning processes in relations or networks of people and organisations.

### 1. Introduction

In the framework of the contemporary transformation from an industrial to a knowledge-based economy, the learning economy (LORENZ and LUNDVALL 2006), learning regions and also learning cities have been propagated as future concepts for successful economic development in many countries of Europe (MORGAN 1997; HASSINK 2007; ASHEIM 2009; BOEKEMA et al. 2000; OECD 2001; BELLINI and LANDABASO 2007). The debate about learning regions has not been confined to an academic and abstract one, it has also been taken up by the OECD (2001) and the EU (BELLINI and LANDABASO 2007) and numerous policy initiatives launched under the label of learning regions (LAGENDIJK and CORNFORD 2000).

However, despite these positive signs, many critical voices can be heard, as well (ASHEIM 2009, HASSINK 2007, COOKE 2007, HUDSON 1999). HUDSON (1999) asks himself what is new about the concept. MALMBERG (1997, 576) observes another significant shortcoming: "The questions in urgent needs of an answer may thus be phrased: what are precise the characteristics of 'learning regions'?" According to COOKE (2007) learning regions waxed and waned quickly because the concept is unreflective and leads to the absorption of old information. In a similar critical, but slightly more constructive vein, this paper will point out a number of weaknesses, such as the fuzziness, normative character and

strong overlaps of the learning region concept with other similar concepts as well as its squeezed position between national innovation systems and global production networks.

In sum, the learning region (LR) in its current form is argued to be abandoned: we see few chances for it to survive as a promising and sound theoretical concept in regional studies and economic geography. However, we also identify an important merit of the LR which, in our view, deserves further research attention, namely its focus on *learning processes*. The capacity of both individuals and organisations to engage successfully in exchanging and generating knowledge is regarded as a crucial component of economic performance in the knowledge-based economy. Therefore, "... identifying and strengthening the factors that can support ... economic learning have become critical goals for policymakers and academic researchers alike" (BENNER 2003, 1809). MALMBERG (1997, 576) even referred to the 'learning turn' in economic geography.

The aim of this paper is, therefore, to contribute to a better understanding of such learning processes by applying a cultural and relational perspective. Thereby we emphasize that culture in terms of value based practices significantly influences people's ability to exchange and generate knowledge, hence culture is considered to affect innovation activities at least indirectly. Furthermore, we highlight the relational rather than regional/territorial nature of learning processes because they do not stop at the border of a region. Altogether, the paper postulates a shift from a LR view of studying regions as places of learning to studying culture based learning processes in relations or networks.

The paper begins with a literature review on the LR (Section 2), followed by a systematic overview of its main points of critique (Section 3). Since we are convinced that learning processes are of key importance for innovativeness and competitiveness of regions, we will give an alternative cultural and relational perspective in Section 4 which helps to tackle the main questions and challenges derived from a critical view on the LR. Section 5 will summarise the main results of this conceptual paper, as well as research questions for future research will be posed.

## **2. The learning region: a literature review**

Reading the literature on the learning region, four not mutually excluding angles can be distinguished from which this concept has been launched (see also ASHEIM 2009; RUTTEN and BOEKEMA 2007b), namely from a macro angle, from a micro firm angle, from a regional innovation policy angle and from a higher education angle.

First, few authors have developed a theoretical-structural perspective considering the learning region as a spatial outcome of grand societal and economic changes at the macro level. This perspective has been launched by FLORIDA (1995) who broadly defines learning regions as the outcome of the shift from mass production capitalism to global, knowledge-intensive capitalism. These ideas have not been taken up by others to a large extent (one exception is CREVOISIER (1999), see also ASHEIM 2009).

Secondly, more authors have written about the relationship between entrepreneurial learning, innovation and spatial proximity at the micro level (BOEKEMA et al. 2000; SCHAMP and LO 2003). For their competitiveness firms depend on innovation processes. In order to come to such innovation processes firms have to exchange information and reproduce this information into knowledge, in other words they have to learn. Innovation processes of firms can hence be regarded as learning processes of the firm's employees. These actors permanently collect information and compress it into innovations. The information and knowledge that is needed for innovations can be collected both inside and outside the firm. Due to an increasing cutthroat competition and shorter product life cycles, firms, particularly small and medium-sized enterprises, are increasingly dependent on information and knowledge sources that are only available outside the firm. Firm innovation processes therefore increasingly take place in interaction with other organisations, be it with other business partners, such as customers, suppliers or competitors or with public research establishments, higher education institutes, technology transfer agencies and regional development agencies. Innovation processes nearly never take place any more in isolation. The spatial environment provides different institutional contexts for interactive learning. These contexts differ not only nationally, but also regionally and locally from each other. Firms are therefore embedded in different institutional contexts for interactive learning. Proximity particularly eases the formation of rules, norms and routines. Although spatial proximity might stimulate communicative interaction between actors, it is not a sufficient condition. In order to achieve this interaction social proximity (equal or similar characteristics such as age, vocation, language and equal or similar views on values and norms) and organisational proximity (corporate structure, intra- and inter-firm network structures) are necessary factors as well (BOSCHMA 2005). From this perspective, regional learning can be considered as learning by interacting between actors who are linked to their location or embedded in their region: elsewhere learning by interacting in its present form would not have been possible. Collective learning processes and a collective tacit knowledge are linked to the location because of the coinciding of social, cultural and spatial proximity (MASKELL and MALMBERG 1999; COOKE and MORGAN 1998; BOSCHMA 2005). This collective tacit knowledge in regions bears strong similarities with the concept of untraded interdependencies (STORPER 1997) and social capital (OECD 2001; LORENZEN 2007; HAUSER et al. 2007). They affect both

individual and organisational learning (OECD 2001). Low stocks of them can impede learning, high stocks, on the other hand, can lead to path dependence and lock-ins (HASSINK 2010; OECD 2001).

Thirdly, most authors, however, have launched the concept as a theory-led regional development concept from an action-related perspective at the meso-level, which aims at achieving and/or supporting collective learning processes (MORGAN 1997; BUTZIN 2000; OECD 2001). In many countries a general shift of innovation and labour market policies can be observed from the national to regional levels of decision-making, partly supported by supra-national organisations such as the EU and the World Bank (OECD 2001). The regional level is more and more seen as the level that offers the greatest prospect for devising governance structures to foster learning in the knowledge-based economy (COOKE and MORGAN 1998; LORENZEN 2001; BOEKEMA et al. 2000). According to the OECD (2001, 23, 24) the learning region "constitutes a *model* towards which actual regions need to progress in order to respond most effectively to the challenges posed by the ongoing transition to a 'learning economy'". It is "characterised by regional institutions, which facilitate individual and organisational learning through the co-ordination of flexible networks of economic and political agents" (OECD 2001, 24). Regional policies are crucial for stimulating individual and organisational learning, because policy-makers can address path dependence that goes beyond the interest of single agencies and firms (OECD 2001). Both, changing the industrial structure and institutional unlearning are issues that can fruitfully be addressed by regional policy-makers. As the learning region is a model, it is not possible to identify examples of actually existing learning regions (OECD 2001). There are various trajectories towards the goal to become a learning region. To stimulate the development of social capital in regions is an important element of the learning region strategy. Moreover, regional actors should stick to a certain set of "policy principles" (OECD 2001), such as carefully co-ordinating supply of and demand for skilled individuals, developing a framework for improving organisational learning, which is not only focused on high-tech sectors, but on all sectors that have the potential to develop high levels of innovative capacity and carefully identifying resources in the region that could impede economic development (lock-ins). In a similar vein, MASKELL and MALMBERG (1999) point at the ability of regional actors in learning regions to 'un-learn', which involves the removal of formerly significant institutions which now act as a hindrance to further development. There appears a great variation in the ability of regions to 'un-learn', "which makes it possible in some regions but not in others to inaugurate new institutions and simultaneously dissolve ones" (MASKELL and MALMBERG 1999, 179). The network is open to learning, both to intra-regionally and inter-regionally (HASSINK and HÜLZ 2010), and willing to unlearn. Of all territorial innovation models, the learning region concept is arguably most focused on policies influencing regional economic adaptability (BOSCHMA and LAMBOUY 1999)

and clearly has neo-Schumpeterian and evolutionary elements (SIMMIE 2010; HASSINK and KLAERDING 2010).

Fourthly, and less prominently, the learning region has been used to propagate the role of higher education institutes for regional development (RUTTEN et al. 2003; KEANE and ALLISON 1999). The objective in this angle is to conceptualise the role of higher education institutes in regional learning processes, for example by looking at the relationship between regional innovation policy and higher education institutes or the knowledge transfer between the latter and regional businesses (RUTTEN et al. 2003). According to KEANE and ALLISON (1999, 901) “a key characteristic of the learning region is the way in which knowledge is transferred from one group to another to create learning systems. Universities are a critical resource in this process”.

### **3. A critical stance on the learning region**

No matter from which angle the learning region has been launched, recently critical voices on the learning region have become loud (HASSINK, 2007; COOKE, 2007; MARTIN, 2001, 98; SIMMIE, 2010; CREVOISIER AND JEANNERAT, 2009). Among others they criticise its fuzziness in terms of conceptual clarity and rigour in the presentation of evidence as well as weak empirical testing. Besides such methodological issues other critique has been raised that prevents the learning region from becoming a fully-fledged theoretical concept in regional studies: (i) not regions but actors learn, (ii) the normative character of the concept relating to a one-size-fits-all mentality, (iii) the overlap with other concepts of regional innovation strategies, (iv) its fuzziness, (v) its squeezed position between national innovation systems and global production networks and (vi) the strong focus on social capital.

Because the criticism, in our view, is strong enough to refrain from further developing the LR concept we find it necessary to describe them in detail. Thereby main research foci and challenges of analyzing territorialized learning processes are revealed which we propose to study from a cultural and relational perspective.

#### **Not regions but actors learn**

ASHEIM (2009) highlights that learning processes first of all, require people to initiate and participate in the exchange and creation of knowledge, not regions per se; the regional level is argued to become important due to the social and institutional embeddedness of actors creating territorialized learning processes. It is criticized that regions are at risk of being perceived as collective actors taking over the rationalities of firms. According to CUMBERS ET AL. (2003, 333) “One of the main effects of these analytical shortcomings is to encourage an ontologically false treatment of regions a strategic

agents with causal powers of their own ... The LR literature in particular displays this tendency towards spatial fetishism, rooted in a conceptual slippage from the level of the firm to the level of the region". Thus the policy attention is turned towards the development *in* regions instead of centring on evolving processes *of* regions. In other words, there is much written about *what* the ideal learning region is, but little is understood about *how* we get there. As long as we do not know enough about the learning processes that lead to a learning region strategy, we argue not to speak about a learning region yet.

### **A normative concept**

A normative concept suggests a distinct way of handling regional innovation deficits usually concluding in one-size-fits all solutions. This has been convincingly criticised and resolved by TÖDTLING and TRIPPL (2005) with respect to regional innovation systems, but also the learning region clearly displays a normative approach: it firstly lacks a sound empirical base and therefore, rather represents a theory-led model. In contrast to most of its siblings in the TIM-family, who are mainly based on experiences in growth regions such as Silicon Valley, Baden-Württemberg or the Third Italy, the learning region is not derived from experiences in any particular region. It did not develop any typologies or other categorisations that point to the relevance of the institutional context of application or emergence. Secondly, the concept appears to stick to unique policy principles which can be applied to a broader range of regions, thus proposing one-size-fits all solutions (HASSINK and LAGENDIJK 2001, OECD 2001); learning regions are supposed to foster innovation activities when regional actors are integrated into flexible, bottom-up, participatory and horizontally based networks, stressing the actor's autonomy of action and structural organisation as flat hierarchies (ASHEIM 2009).

### **An overlapping concept**

As the learning region can be considered as an eclectic concept (FÜRST 2001), it strongly overlaps with several existing theory-led development models and policy-oriented innovation concepts such as clusters, industrial districts or regional innovation systems (MOULAERT and SEKIA 2003). Learning regions belong to the family of territorial innovation models that are situated somewhere in between the extremes of abstract theories and regional policy strategies. Some authors see learning regions as successors of these somewhat older theory-led development models (ASHEIM 1996), others, in contrast, see close links between the learning region and the innovative milieu concept (BUTZIN 2000; FÜRST 2001). We find the regional innovation systems approach (COOKE et al. 2004) to be most strongly overlapping with the learning region concept but also here opinions differ about the superiority of one concept over the other (COOKE and MORGAN 1998). In other words, there is no consensus yet on what exactly distinguishes the concepts from each other. In our view there are three main



differences which, however, are subtle rather than significantly separating the two competing concepts (see also CUMBERS ET AL. 2003). Firstly, the learning region is in fact a conceptual model, whereas the regional innovation system concept has been far more empirically described and tested (COOKE et al. 2004). Secondly, the regional innovation system concept is a slightly broader concept than the learning region (MORGAN 1997). It contains more regional actors who have impact on innovation than the learning region, which is more focusing on innovation support policies and agencies. Thirdly, there might be a difference related to the focus on 'innovation' of regional innovation systems and 'learning' of the learning region concept

### **A fuzzy concept**

Fuzzy concepts are considered to lack clarity as terminological definitions and applied methodologies are vague, scholars contradict themselves and empirical evidence is scarce or collected in anecdotal ways (MARKUSEN 2003). The learning region can be classed as a fuzzy concept in many ways (e.g. HASSINK, 2007; BOEKEMA et al. 2000, MARTIN 2001, SIMMIE 2010, CUMBERS ET AL. 2003): it has some methodological shortcomings with respect to clarity, rigour and operationalisation as well as diverse definitions and interpretations, as has been laid out in the previous section. Seldom concrete examples are shown (exceptions are the OECD 2001; BENNER 2003) and policy-makers do not make much effort to define what they actually mean by learning regions (LAGENDIJK and CORNFORD 2000). It is argued that the concept appears to travel easily from academic circles to policy-makers and back without deep thoughts about its meaning (HASSINK and LAGENDIJK 2001). According to MARKUSEN (2003) all this will turn out to be problematic if the LR aims to become a solidified concept for policy makers based on sophisticated scientific work.

### **A concept squeezed between national innovation systems and global production networks**

Speaking about learning regions, one should not forget the role of nations and industries for learning processes. In order to stay competitive, companies must integrate locally specific competence with codified, generally available knowledge, or, in other words, they must link their own innovation system with national innovation systems and international knowledge flows (FROMHOLD-EISEBITH 2007). Policy makers, thereby, are observed to set different priorities of improving the LR depending on the nation in which they operate. Accordingly, ASHEIM (2009) distinguishes an American from an European approach whereby the former stresses LR strategies that enhance the quality of knowledge infrastructures and the latter emphasizes the improvement of trust and social capital.

Besides national differences in strategic foci the learning region concept is criticized for neglecting sectoral differences and the position of firms in global production networks. By stressing the supply

architecture for learning and innovation, it tends to ignore that "different kinds of products will 'demand' different kinds of innovation systems" (STORPER 1997, 107,108). Firms in different industries need different partners for technological learning (chemical industry – public research establishments; building industry - customers) at different distances. Most regional policy-makers, however, have little knowledge about the global production networks regional firms are embedded in (HERRIGEL 2004). Regional learning is therefore less and less confined to the local (BATHELT et al. 2004), whereas learning region strategies mainly focus on supporting intra-regional learning processes.

### **A too limited view on social capital**

As a consequence of neglecting extra-regional influences ASHEIM (2009) criticises that the role of social capital has been over-emphasised for learning regions; moreover, social capital seems to be understood as a local or regional asset stressing the collective nature instead of viewing it as an individual resource. However, dense social capital clearly facilitates cohesion, trust and cooperation which are commonly assumed to be important prerequisites for interactive learning processes. LORENZEN (2007), for instance, derives from theory that social capital often evolves at scales lower than national or international but is not limited to regional boundaries, if organised appropriately. Business ties may be globally spanned but in most cases they would originate from localized civic relations. Furthermore, social capital defined as interpersonal relations are only economically valuable when complemented by social, cognitive and regulatory institutions that foster such cooperative interfirm relations (LORENZEN 2007, see also BOSCHMA'S (2005) assessment of cognitive, organizational, social and institutional proximity). There are, however, legions of empirical studies stressing the weaknesses of strong ties: too strong ties or too much social capital can lead to cognitive lock-ins and thus weaken regional economic adaptability (HAUSER et al., 2007; FLORIDA, 2003; HUBER, 2009; RODRÍGUEZ-POSE and STORPER, 2006; SAFFORD, 2009). "Breaking such community norms and habits – *this is how we do things here* – may take generations, until which regional choices and outcomes might reflect a kind of path dependence" (PENDALL et al., 2007, 18, see also INGLEHART and BAKER 2000; DURANTON et al. 2009).

Based on the outlined points of critique we finally conclude that the LR concept provides only an insufficient basis for studying regional economic development. However, it draws attention to important issues of learning processes that should be thoroughly analysed. The criticism highlights that learning is an interactive process of individuals which takes place within and between economic actors such as firms, universities and research institutes. Learning is argued to happen in interrelationships or networks of people and organisations which are located at different spatial scales rather than being exclusive to the region. It becomes clear that the organisation of learning is influenced by

the specific institutional context (e.g. industry, national innovation system) and that strategies to stimulate learning processes cannot be easily transferred across space in a one-size-fits-all manner. And finally, exchanging and producing knowledge appears to require a certain extent of social capital which allows for accessing relevant resources via trust based relations on the one hand, and openness and diversity with respect to ideas, on the other hand. In the following the paper suggests a cultural and relation perspective in order to better understand how learning processes are arranged and linked to regional economic development.

#### **4. Towards a cultural perspective on learning in space**

Surprisingly little has been written about the effect and role of culture in the learning region concept. Although it is mentioned here and there, it has been dealt with in a highly superficial manner and has hardly been taken up in the few existing empirical studies testing the learning region concept. MORGAN (1997) limits himself to a few remarks about networking culture, ASHEIM (1996, 395) states that “this new understanding of the institutional and cultural context of a 'learning economy' stresses the importance of the 'fusion' of the economy with society, where socio-cultural structures ... are not only looked upon as reminiscences ... but as necessary prerequisites for regions in order to be innovative and competitive in a post-Fordist global economy”, and finally FLORIDA (1995) does not mention culture or cultural factors at all in his seminal text on the learning region. If conventions are understood as part of the socio-cultural environment of firms (GERTLER 2004), though, a facet of culture has indeed been addressed by most proponents of the LR concept (MORGAN (2007), STORPER (1993), FLORIDA (1995) ASHEIM (1996).

So how do we define culture when it comes to analyzing regional economic development induced by learning and innovation? Neighbouring disciplines of economic geography and regional studies that already work at the intersection of culture and economy might be useful as a starting point. International business studies, cross-cultural management research and organisational studies often conceptualize culture as workplace behaviour which is based on shared norms, attitudes, beliefs and habits within the firm (SCHEIN, 1992; SCHWARTZ, 1999; TROMPENAARS AND HAMPDEN-TURNER, 1997; HOFSTEDE, 1991). Culture is argued to structure leadership styles, conflict resolution and negotiation, to name only a few (for an overview, see KIRKMAN ET AL. 2006). It also affects the arrangement of inter-firm relation, leading to different national business systems (WHITLEY, 2000) and business networks (DODD and PATRA 2002); TSANG (2006), for example, observes that in contrast to Ireland, Chinese business networks of the software industry rely heavier on ties to family, kinship and friends because they are assumed to emphasize in-groupness and particularism. Culture is hence commonly defined to be reflected in observable business behaviour although a strict cultural determinism is

denied: instead of acting solely in accordance to the cultural environment individuals are able to behave in new, creative or unexpected ways, too (GERTLER, 2004; HOFSTEDE, 1991). However, a main problem of these concepts is seen in the reference to a national homogeneity of cultural values, norms and attitudes. Most notably, HOFSTEDE (1991: 5) describes culture as the “the collective programming of the mind” shared by individuals who grew up in the same social environment which he later specifies as nation states. This view has been heavily criticized (GOULD AND GREIN, 2009; GERHART AND FANG, 2005), particularly because the relationship between national cultures and individual-level outcomes is not very clear (for an overview, see LEUNG ET AL 2005). A national cultural construct also conflicts with studies that reveal different cultures within a nation, such as contrasting entrepreneurial cultures in two Japanese regions, Hamamatsu and Kyoto (AOYAMA, 2009).

We, therefore, disagree with conceptualizing homogenous national cultures too, but also believe that a value based approach is fruitful for analysing learning processes related to regional development. This has been successfully applied by several authors who analysed the causal linkages between cultural values of social groups and differences in regional economic performances: BEUGELSDIJK (2007) focuses on entrepreneurial attitudes at the regional level and concludes that, amongst others, a risk-taking attitude, personal responsibility and orientation towards performance and achievement is beneficial for regional innovativeness and growth. RUTTEN AND GELISSEN (2010) find social values related to ‘self-expression’ (ambition, openness) and ‘tolerance’ (openness to new ideas and people) as the strongest predictors for regional innovation activities and wealth. And GRANATO ET AL. (1996) highlight that instead of a whole set of cultural values, one dimension appears to be particularly relevant: societies that place emphasis on ‘achievement motivation’ (individual autonomy and economic achievement) display comparably high economic growth rates. In contrast, other values, norms and attitudes have been conceptualized to hinder regional development: according to INGLEHART AND BAKER (2000) ‘traditional values’, e.g. stressing consensus instead of conflict and obedience to authorities, are shared more often by low than high income societies.

The studies outlined so far focus on values and attitudes of individuals which, once they are translated into behaviour, influence regional growth. But the economic performance of regions is also thought to be affected by its own, regional, culture. It defines a crucial dimension of regional industrial systems which, apart from culture, are shaped by local institutions, the structure of industries and internal organisation of firms (SAXENIAN, 1994). Thereby, culture is defined as “shared understandings and practices that unify a community and define everything from labor market behavior to attitudes towards risk-taking” (SAXENIAN 1994: 7). A successful region, such as Silicon Valley, is observed to display a culture that values entrepreneurial risk-taking, competitive individualism and a

strong sense of community-building and cooperation. This regional culture is complemented by a distinct corporate culture emphasizing autonomy in decision-making, flat hierarchies and participation as well as openness, e.g. in information sharing. Recently, JAMES (2005) has related a self-identified regional culture (values, norms, conventions and beliefs) of Mormonism in Utah to firm performances, too. Growth rates and R&D intensities are thought to suffer from, amongst others, an inward-looking attitude, self-sufficiency and a high importance of religion which are incorporated into practices and policies of Mormon-owned firms. In contrast, networking, openness, outsourcing and exploiting other firms' competences are identified as key cultural elements for enhancing firm competitiveness and regional growth, respectively. Finally, AMIN AND THRIFT (1994) conceptualize shared cultural norms and values which aim at promoting cooperation and openness as crucial factors that underlie the institutional thickness of regions. Together with inter-institutional interaction, a collective representation and a common industrial goals or vision, they are argued to enhance regional innovation capacities (see also, KANTER (1995) who proclaims a local culture of collaboration for a higher chance of attracting foreign direct investment (GERTLER, 2004)).

In sum, the examples of regional cultures point to the role of cooperation and interaction between actors for stimulating regional growth – a feature that is highlighted by several theoretical concepts and models of regional development (regional innovation systems, clusters and innovative milieus; see MOULAERT AND SEKIA 2003); depending on the degree regional actors emphasise cultural values that foster business networking, regions are considered more likely to experience growth. However, by conceptualizing regional cultures the same homogeneity of individual's values within a given territory is proposed that has been previously rejected for the national level. Under this assumption it becomes difficult to explain the rise of different cultures of firms (corporate culture) that are located in the same region; in these cases, the assumed common regional cultural traits are apparently overridden by other factors, such as the size (CHEW AND YEUNG, 2001) and ownership structure (TSUI ET AL, 2006) of the firm.

Thus we find ourselves in the dilemma of being convinced by outlined research that culture matters but, at the same time, we are struggling to define how cultural values of individuals are affected by whole regions, nations or places in general. Note that we only speak of a *relationship* between cultural values and regional growth. The direction of influence, however, has not been specified since the causality between the two factors is argued to work both ways (GRANATO ET AL., 1996; INGLEHART AND BAKER, 2000). The main challenge, in our view, therefore is to overcome the fallacy of presupposing 'territorialized' cultural values which dominate the behaviour of people as well as within/between companies. We think that the latest work of RUTTEN AND GELISSEN (2010) and GOULD

AND GREIN (2009) provide an interesting approach of conceptualizing cultural influences on regional development. They commonly suggest cultural values to be shaped and applied as economic behaviour in interpersonal networks or communities. Communities are argued to “involve a shared consciousness [based on values, norms, attitudes] that differs from that outside the community, and community practices are an important way for instantiating culture” (GOULD AND GREIN, 2009: 247). By limiting a cultural impact to the realm of interpersonal/-organisational networks a generalization of culture for whole regions or nations can be avoided in two ways: firstly, it allows thinking of various subgroups within one region holding different social values; in the view of RUTTEN AND GELISSEN (2010), the creative class might differ in this respect from traditional blue collar workers; and secondly, people who are involved in learning processes are not necessarily bound together at the regional scale but still hold common values that guide their ways of communication and interaction with business partners. The following subsection elaborates why learning in relations rather than regions seems more fruitful for analysing the effects on regional economic growth.

#### **4.1. From learning region to learning in space**

The outlined cultural perspective forces the learning region concept not only to shift its focus on underlying attitudes, norms and values about learning. Moreover, the often territorially bounded, local and regional, understanding of cultural influences, we argue, should give way to a relational view of learning processes in space. In one of the latest attempts to save the learning region concept from demise, RUTTEN and BOEKEMA (2007a) propose a relational view on the learning region, as well, with elements of structural, relational and social embeddedness derived from the sociological perspective of Durkheim and Granovetter. At first glance, there is little that distinguishes our view from their proposal. Norms, rules, values and conventions are declared as social institutions or capital operating at the regional level as part of social embeddedness; also, they can be analyzed as individual characteristics and thus, be found in concrete dyadic relations. However, what we criticize is the retained regional focus and the effort to identify precisely the effects of interfirm networks, regional knowledge infrastructure and social capital on the process of regional learning (RUTTEN and BOEKEMA 2007a). This is exemplified by their definition of the learning region: “the learning region as the theory that explains regional learning; that is, the process of knowledge creation between actors within a region while accounting for the characteristics of that region, its actors and the relations between them” (RUTTEN and BOEKEMA 2007a, 276). Knowledge creation is not always and primarily regional, neither in theory (BATHELT et al. 2004) nor in practice (SCHAMP 2009), because national and global agents and institutions play crucial roles for learning processes in small and medium-sized enterprises and multinational corporations, too.

This critique is not new but reinforced by the presented cultural perspective which is based on the idea of overlapping and interdependent levels of culture, particularly centered on the interrelation between corporate and (regional) network cultures (JAMES 2006). Norms, values and attitudes at the regional level can thus neither be viewed as “ingredients of innovation networks” (OERLEMANS et al. 2007, 174) nor added to the “shopping-list’ of necessary institutions” (JAMES 2006, 197) and treated as independent variables, in order to enhance regional competitiveness. Consequently, implementing policies that foster participation, openness and cooperation between regional actors means to penetrate *all* cultural levels; concentrating on the region only, is too narrow-minded. This way, cultural proximity provides stronger arguments than spatial (regional) proximity per se (see BOSCHMA 2005), for analyzing and influencing learning processes within regions. In line with a relational perspective, the region then increasingly has to be treated as a level of analysis or spatial cutout of a broader cultural landscape created and reproduced by the interplay between various cultures (see also KLAERDING 2009, 2010). That is why we suggest speaking of ‘learning in space’ rather than learning regions.

## 5. Discussion

As has been shown in this paper, a large group of scholars in economic geography, regional economics and spatial planning have published widely on learning from four angles, from a macro angle, from a higher education angle, which both draw limited attention, and from the more prominent angles of micro firms and regional innovation policy. This paper has also shown that the learning region concept suffers from six main weaknesses, namely (i) not regions but actors learn, (ii) the normative character of the concept relating to a one-size-fits-all mentality, (iii) the overlap with other concepts of regional innovation strategies, (iv) its fuzziness, (v) its squeezed position between national innovation systems and global production networks and (vi) the strong focus on social capital. In order to solve some of these problems, a shift from learning region to learning cluster has been proposed in previous critical publications (HASSINK 2007). That would mean, however, that the learning region would become a sub-concept of clusters. Learning, however, is too essential for innovation and competitiveness to be treated as a sub-concept of clusters or regional innovation systems. Therefore, in our view learning deserves separate and full conceptual and empirical attention in regional studies and economic geography.

In our view a cultural perspective on learning in space, which is distinctive enough from clusters and regional innovation systems and less bound to the regional level<sup>1</sup>, as has been laid out in this paper, is a sound and promising alternative to the learning region as we knew it. Culture particularly affects the transfer of tacit knowledge and the organisation of network structures which crucially impacts interactive learning processes. Hence the variety of cultural influences does not allow for the prevailing claim of a unique or one-size-fits all model of learning. At the same time, however, we do realise that the cultural perspective is not equally relevant for dealing with the angles and criticisms presented in this paper. The cultural perspective contributes to all angles, but can be particularly well integrated in to the micro angle of learning firms. Regarding criticism, it is well suited to resolve the criticism of its squeezed position between national innovation systems and global production networks, as culture cuts through various analytical levels and scales, on the one hand. Concerning methodological issues, on the other hand, both the learning region and the cultural perspective suffer from fuzziness. In advocating this direction, we are in line with colleagues such as SCOTT (2004), who recently argued “for culture” ... but “against the cultural turn”, which he regards as overly abstract and too far from economic reality, and GERTLER (2010, 4) who considers that “the interest in ... learning regions ... served to foreground the role and importance of regional institutions and distinctive ensembles of practice (or ‘culture’) within economic geography ...”.

Our proposed conceptual shift brings up a variety of research questions about learning in space that are, compared to the learning region literature as we knew it, much more concerned with the concrete role of non-regional actors in terms of their channels and magnitude of influence on regional learning processes. What are the home country effects of multinationals on foreign subsidiaries (NOORDERHAVEN and HARZING 2003)? How do migrant workers or cross-regional communities of practice affect interactive learning processes (SAXENIAN 2006)? What are the effects of values, norms and attitudes in comparison to the wider regulatory institutional frame on learning processes? Due to the neglect of culture in previous theories and concepts of regional development little is known about the relative importance of each cultural category on the regional level.

Considering individual attitudes, norms and values, the following research questions are relevant: how important are non-work places for exchanging knowledge? When is a person seen as trustworthy or an insider qualified for knowledge exchange? Is it accepted to challenge different opinions and make mistakes? Are people used to rather autonomous and independent work behaviour? How much participation is commonly expected in knowledge networks? How much and what kind of su-

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<sup>1</sup> It is in our view particularly the regional innovation systems concept that is much stronger bound to the regional (administrative) level and which fits much better as a tool to explain innovation disparities between regions and is hence a better basis for regional innovation policy than the learning region concept.



pervision is acceptable for enhancing knowledge exchange and creation? How comfortable do economic actors feel with taking risks and overall market or business uncertainty?

These questions need to be complemented by further investigations towards the mechanisms that cause certain cultures to persist or come to dominate in rivalry with other subcultures. How can regions prevent culturally influenced lock-ins? How can they provide opportunities to constantly renew themselves? It is particularly also cultural norms and habits that may be an important source of a cognitive lock-in negatively influencing adaptability? Is there a relationship between resistance to cultural change in groups of people (BURKE 2009) and resistance to economic change?

Sound empirical research on these culturally influenced questions will safeguard the important position of learning processes in regional studies and economic geography, but in a much less normative and strict spatial strait-jacket than the previous learning region literature.

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## 9. Conclusion

This last chapter systematically summarizes the results of the dissertation against the background of the research questions posed in Chapter 1.2. It highlights the papers' theoretical contributions and specifies the role of culture in EG. Moreover, as announced in the introductory chapter I will integrate those findings with new insights of evolutionary thinking in EG whose main characteristics such as co-evolution and lock-ins were introduced in Chapter 4. I think that EEG substantially increases research agendas in general, and my thesis in particular, by highlighting aspects which cannot be answered by a mere relational or cultural perspective. However, as with every research this book has its limitations, too. Those are firstly addressed by a critical review of the applied research design and methodology (Chapter 9.2). And secondly, every research finding poses new questions which, by nature, cannot be solved within the same analysis. Chapter 9.3 therefore proposes emerging research objectives which, I find, enhance the understanding of culture in EG beyond the scale and scope of my dissertation.

### 9.1. Contributions to economic geography

#### *9.1.1. Perception and construction of culture*

Throughout the core chapters of the book I asked how culture is perceived with respect to constituting elements and spatiality. As a start, Chapters 2 and 5 outlined how scholars have dealt with culture as a variable of economic development so far, thus pointing to the *perception of culture in academia* and its research gaps specific to knowledge and proximity. With regard to knowledge I questioned a smooth transfer of tacit knowledge across borders (as implied by the SECI-model) and revealed strategies and outcomes of coping with perceived cultural barriers in the Shanghainese business context. Regarding proximity I investigated whether and on which spatial levels matching cultures are required for a successful implementation of new managerial know-how. In Chapter 2.2 I have presented my understanding of culture and ascribed seven characteristics to it: immaterial, socially constructed for a certain purpose, embedded into particular social, economic and institutional context, ultimately experienced and to a certain degree explainable by individuals, translated into observable patterns and routines of business behavior, and linked to economic development and competitiveness.

With this definition in mind, Chapter 5 emphasized the relevance of socio-cultural aspects as part of the wider structural frame for transferring knowledge across regions. It became clear that the remigration literature has largely ignored a systematic analysis of cultural influences on the potential of high-skilled migrants to contribute to regional economic development. Moreover, managerial knowledge and practices turned out to be only of secondary research attention compared to the stimulat-

ing effects of technological know-how and innovations. My first task for this dissertation was hence to reason a cultural perspective for the transfer of managerial knowledge relevant to interfirm collaboration, economic development and competitiveness. I argued that the ways people interact, communicate, learn or solve problems are heavily based on tacit knowledge and strongly affected by the socio-cultural environment in which they operate. The overarching aim of this book was to look precisely on those effects of culture in terms of its construction and translation into practices and the transfer of tacit (culture based) knowledge. This subsection now summarizes the first objective, namely how culture is constructed as an influential variable of economic transactions.

In both empirical papers (Chapter 6 and 7) *self-identified culture* in terms of stereotyped norms, values, traditions and behavioral expectations and preferences plays a vital role for returnees to organize interfirm collaboration with business partners in China. These involve processes of search and selection, communication and control, contracting and conflict resolution and are assumed to be largely independent of sectoral distinctiveness and firm life cycles. The returnees and executives of firms in Shanghai state its importance by referring to a conceived *Chineseness* of business practices which prevents them from applying new managerial know-how experienced abroad. Chineseness is here defined as the reference of interviewees to seemingly typical patterns of business behavior, drawn from arguments analogous to such as “here in China we behave in this particular way” and “Chinese firms do it like this”. Well aware that such statements are generalizations and may be exaggerations from the returnees’ experiences and/or stories heard and read about Chinese business in Shanghai, these arguments point to an evident discrepancy to what has been conceptually proposed before. Although the assumption of homogenous national cultural characteristics is rejected for the reasons stated in my theoretical frame, they are revealed to have fundamental consequences for organizing everyday economic collaboration. The cultural stereotypes relevant to interfirm management practices are found to be utilized by the interviewees without any wider reflections about its implications. Chapter 6 clearly marks the experienced differences of business behavior in China and abroad. Moreover, the behavior stated as adequate in the Shanghainese business context majorly conforms to the criticized oversimplification of Chinese business characteristics which are, in short, paying much attention to interpersonal relationships, reputation (‘face’) and ingroupness as well as showing only limited amount of trust in institutions, formal rules and regulations (Fu et al., 2007; Hofstede, 1991; Inglehart and Baker, 2000). Thus, at first glance the findings presented in Chapter 6 and 7 support claims about some persistent national cultural traits in contemporary China (Ralston et al., 1999; Fu et al., 2007; Redding, 2000).



However, in contrast to much research cited in international business studies the two chapters univocally do not conclude the observed interfirm business behavior and corresponding managerial knowledge to derive from values, norms and attitudes deeply rooted in Confucianism and the Communist era. Such religious and political ideologies do not appear at all as arguments by the returnees. In my view, theoretical thinking must be seen as incomplete which claims economic outcomes to be affected by culture that is solely identified as preferences based on religion and ethnic origin (Guiso et al., 2006). Of course, they may exist as underlying beliefs and assumptions that unconsciously guide behavior and are thus hard to explicate (Schein, 2004), but such linkages must remain speculative here. Instead my research suggests a different interpretation which takes on Dirlik's (1997: 314) early remarks about the origins of Chinese business behavior located "somewhere in recent history in the interactions of Chinese with others, and with alien environment". Based on qualitative content analysis I was able to link the perceived appropriateness of management related practices to specific social, economic, political and legal aspects of the returnees' business environment. Culture is thus concluded to be a transmitter or medium of such institutional factors, e.g. unreliable jurisdiction and high market uncertainty. It opposes theoretical perspectives which, on the one hand, treat culture as an *external* overpowering influence on economic behavior and, on the other hand, *separate* cultural from institutional aspects (Chapter 9.1.2).

Chapters 7 and 8 furthermore address the notion of *cultural spatiality* defined as territorialized culture at the regional (industrial) and national level. By taking a relational perspective they demonstrate the limitation of tying cultural values, norms, attitudes and expectations about interfirm behavior and learning to a specific place, as exemplified for the innovation systems and learning region approach. A relational view is offered in order to better identify cultural influences within social relations, communities and networks that are not necessarily restricted to administrative regions and nation states. The claim goes in line with the constructivist thinking of new cultural geographers who understand culture to be socially produced through discourse, therefore, depending on individuals reacting to / interacting with others and their institutional environment. Core chapters of my dissertation provide empirical and theoretical evidence for strengthening a cultural and relational perspective in EG, the latter being introduced in Chapters 2.1 and 4.

### *9.1.2. Performing culture*

The performative dimension and causal effects of culture refer to the translation of individual values, norms, expectations and attitudes into economic practices. Based on Mitchell's (1995) claim to refrain from reifying culture as a thing with causal powers, culture is treated as an idea or discursive construction that is used to "control and order aspects of an unruly (but nonetheless highly struc-

tured) world” (Mitchell, 1995: 113). Taken this quote literally, I have analyzed how immaterial and discursive cultural categories such as behavioral norms, expectations and attitudes are utilized for explaining social practices between firms.

One task was to compare my findings of interfirm behavior presented in Chapters 6 and 7 with other studies about Chinese management practices. Chapter 3.1 already made clear that they are assumed to differ from an Anglo-American approach of managing business relations. In my empirical papers I have pointed to the congruence with research that ascribes Chinese business men and women distinct ways of searching for business partners, conflict resolution and contracting. For those collaboration practices interpersonal trust, amongst others, is revealed to be of high value for the returnees, confirming and reinforcing the importance of *guanxi* as a feature in their contemporary Chinese business context. However, as stated before, my explanation is fundamentally different from most of the cited international business studies who argue from a national and Confucianism based culture.

Another task for the second research question of performance was to address the presupposed causality between immaterial culture and patterns of economic organization and to engage with the significance of culture in relation to other factors. Throughout the book I have made unmistakably clear that culture matters for organizing and managing everyday business interaction, theoretically in Chapters 2, 5 and 8, and empirically in Chapters 6 and 7. Together with the first research field of this book I was also able to reveal why culture is exceedingly significant: because cultural norms, attitudes and behavioral preferences derive from and are fed by institutional factors in which firms operate, e.g. market size, firm ownership and strategy, education and legal system. In this perspective cultural influences blend into institutional ones whereby I have demonstrated in particular a unidirectional influence of institutions on culture. However, this relation was not always clear to the returned executives who first and foremost referred to a distinct Chineseness in work behavior; indeed it was a central part of my content analysis to establish those linkages. Cultural arguments were applied rather uncritically by individuals, hence providing some evidence for the assumed unreflected or taken-for-granted nature of cultural norms, values, attitudes and expectations in business.

Such stereotyping of Chinese business practices may be regarded legitimate for explaining interfirm behavior in general (as culture provides a guideline which induces behavioral certainty). For firm leaders who mainly left China at the beginning of economic reforms in the early 1980s and returned from the West after several years, cultural arguments may be of particular importance though. Since these people have more or less missed out on personal experiences in the Chinese post-reform era cultural stereotypes are utilized as a first behavioral orientation in an expected new business context

in Shanghai. Furthermore, those can be assumed to largely build on cultural values, norms and preferences individually experienced in Chinese society before emigration. As a result returnees would expect business behavior from their native partners which conforms to 'old ways of doing business in China', underlying the identified congruence of some performed interfirm practices in this study with previous accounts of a Chinese or so called *guanxi* capitalism. This conclusion from my research, however, is rather speculative. More evidence from further quantitative research is needed to underline or reject the assumption.

### 9.1.3. Transferring culture

Closely connected to the preceding subsection of performance and translation the next paragraphs summarize findings about the transfer and applicability of culture in a different business context. I have analyzed how self-identified culture constrains the implementation of new managerial knowledge and paid attention to hybrid behavioral outcomes which are understood to indicate a change in culture based business practices. In Chapter 6 I have empirically proven that cultural norms, values, expectations and attitudes which the executives perceive as valid for Chinese business partners *hinder the introduction* of some interfirm practices that are evaluated as more competitive. Practices such as searching for, contacting and controlling native partners could not be substituted by less time-consuming and more cost-efficient modes of interfirm management experienced abroad. In these cases the requirement of matching cultures between corresponding actors is concluded to be very high. The internalization of new tacit knowledge is found to have failed although returnees are potentially capable of doing so in their function as knowledge brokers. The finding underlines criticism raised against the SECI-model of knowledge conversion which assumes a consensus on rationales, strategies, goals and problems between knowledge senders and receivers (Chapter 2.2.1). For the interfirm practices in question, it is obvious that behavioral logics and underlying cultural values, attitudes and preferences are different for returnees and Chinese business partners. From the viewpoint of the executives the adaptation to apparently adequate interfirm behavior in China is seen as the necessary consequence to guarantee successful business.

However, and in contrast to the previous I have also provided empirical indication for returnees *shifting their behavior* from apparently 'old' and established interfirm practices in China to new modes observed and learned abroad. Selecting native business partners, conflict resolution strategies and contracting are assumed to be in the process of alteration (Chapter 6). I have argued that these practices can be termed hybrid: the firm leaders are ambiguous about the importance of applying interfirm behavior in these fields which is identified as Chinese and foreign respectively, underlined by a negative evaluation of the perceived typical behavioral patterns of Chinese business men and wom-

en. In the case of contracting the application of formalized business agreements is quite evident which however is seen to contradict perceived cultural values, norms and preferences in China. The findings thus suggest returnees to have started to implement new tacit knowledge into a different business environment and be able to overcome cultural barriers to a certain extent. Accordingly it is concluded that a cultural match between economic actors is rather dispensable in those three situations of interaction. By utilizing Yeung's (2005) idea of power (and power struggles) in a relational perspective I have exemplarily explained why culture turns out to matter differently for the application of interfirm management practices (Chapter 7). Cultural influences are argued to appear in at least two dimensions of relationality which affect economic behavior and outcomes. As part of the actor-structure-relationality and socio-spatial-relationality I find cultural values, norms, attitudes and expectations competing against other influences such as self-determination and conviction of individuals as well as economic and political factors. Whether or not culture is a barrier to knowledge transfer is thought to depend on power ascribed to these influences and exercised by actors. Testing this assumption of power struggles and tensions is beyond the scope of my research, however, it might inspire others to do so.

## 9.2. Methodological reflections

The research design and methods of obtaining and evaluating data presented in Chapter 3 are critically reflected, whereby special attention is paid to the reliability and validity of my results. These criteria are commonly argued to define the quality of qualitative research (Flick, 2007; Mayring, 2003) and hence, allow evaluating the presented findings.

*Reliability*, in general, is thought to be achieved when research results are characterized by stability: regardless of the analysing researcher, times of repetition of survey / interviews and applied methods research outcomes should be congruent with each other (Friedrichs, 1973). But as this criterion is primarily utilized in quantitative studies substantial problems and weaknesses occur when the idea of reliability is applied to evaluate qualitative research (Mayring, 2003). A convincing approach to reliability is presented by Flick (2007) which has been adopted in this dissertation. Key to ensuring reliability is seen in the transparency of data acquisition and coding in content analysis, thus, illuminating the black box of data processing. It aims at revealing the interview style and transcription as well as the codes by which the researcher distinguishes and classifies raw text material. Thereby, it is less important whether another researcher concludes the same categories, as stressed by Krippendorff's (1980) notion of reproducibility. Instead, emphasis is placed on opening up procedures of research and content analysis. I have described the research design and methodology (Chapter 3) as well as documented the interview material and interview guide accordingly (Appendix 1). In line with

Bradshaw and Stratford (2005) I have also explained my motivation, purpose and theoretical dispositions in Chapters 1 and 2 in order to clarify my research position.

Closely connected to reliability is the *validity* of results which concerns the processes of interpreting data and drawing conclusions. It is, in my view, also linked to the representativeness of results to which I will turn later. Firstly, a core issue of validity is taken into account, namely the trustworthiness of obtained data and plausibility of conclusions. Thereby it is important to note that valid results should not be equated with finding the right or true explanation of examined social phenomena (Mansvelt and Berg, 2005). Validity rather refers to the consistencies between text material, interpretation and conclusions; it hence tries to *prevent misunderstandings* between the researcher and participant. A main source of producing invalid results is based in the interview situation itself and posed questions (Flick, 2007).

With respect to the first point, creating a trustworthy atmosphere and relation to the interviewee is thought to be extremely important for obtaining valid answers. I gained this trustworthiness to a considerable degree because I was, in most cases, recommended to firm leaders by previous interview partners – according to Valentine (2005) a valuable advantage of the snowball sampling method. Some Chinese as well as German research colleagues also argue that this procedure is more important for doing research in China than in other countries due to an apparently strong emphasis on interpersonal relationships in Chinese society. The research results presented in Chapters 6 and 7 underline the supposed significance of personal relations and recommendation in business; they certainly made it easier for me to access returnees, too, whose locations are generally difficult to identify (Chapter 3)<sup>19</sup>. Other experiences, however, challenge this view since I was also successful in recruiting interviewees via direct contacting and on the contrary, rejected by few people despite personal recommendation. Two ideas immediately sprang to my mind related to interpreting these observations: one the one hand, returnees might simply place less emphasis on interpersonal relations due to their cosmopolitan and less traditional worldviews (similar to my findings regarding the evaluation of managerial business behavior). On the other hand, however, I wonder whether direct contacting would have been largely successful, too, if I actually had an up-to-date list of returned executives in Shanghai. I think my attention was perhaps too strongly directed towards the issue of personal relationships which caused me to exaggerate interview denials and to evaluate functioning recommendation as taken-for-granted. Hence for upcoming research I suggest scholars to choose

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<sup>19</sup> The snowball technique represents one of the most common methods in migration studies (McKenzie and Mistiaen, 2007) and was also applied by other research on return migration in China (Müller, 2007).

their sampling methods independent of presupposed national cultural preferences and, instead, select them initially according to the research aim and existing data basis.

The second source of invalid results highlighted by Kromrey (1998) is the deliberate use of *suggestive questions*. Thereby, directed answers are provoked by the researcher which match or support the desired outcome of the research, e.g. the acceptance or rejection of hypotheses. Such questions have been avoided in the design of the interview guide at hand. Nevertheless, it was a difficult task for me to stay 'neutral' throughout the whole interview. I am, in fact, convinced that suggestive questions can also be fruitful for conversations that have run dry as well as for interview partners who are tight-lipped. The following two examples represent suggestive questions which in my opinion fit those situations: "Do you *really* think so?" Or: "My last interviewees had a totally different opinion on that. *Are you sure?*" Although these questions are provocative and imply my dissatisfaction with the interviewee's previous answers they also stimulate a discussion and foster rethinking aspects that, in my eyes, appear to lack thorough consideration. In those situations, my role deliberately shifted from an unswayed researcher calling for valid answers to a discussant with own opinions and impressions. Although I am sure that those passages improved the quality of my interview, I also think that it was important to apply further methods of enhancing the validity of my results, in particular triangulation. I checked the impressions derived from the interviews with firm leaders against the opinion of experts, discussed them informally within groups of returnees (e.g. during meals), and balanced them against the existing literature (data triangulation). Also, by combining standardized and open questions towards one subject methodological triangulation was performed. Since both sets of answers are related to each other, inconsistencies in arguments happen to be detected and solved with the participant immediately.

Despite my efforts of providing valid research results by trustworthiness and triangulation, I however think that another type of misunderstandings, related to a word's meaning and association, is difficult to identify and prevent in a real interview situation. Frequent words of my survey such as trust, personal relationship, conflict, problem and difference is individually defined and attached to certain situations, people and feelings. My interpretation of words (e.g. *at what point* does a situation become problematic?) may deviate from that of my interviewees just as my returnees may not share a common idea about particular words, too. Also, since the interviews were conducted in English and not in the interviewee's native tongue my research may be potentially prone to language related problems. In the worst case these misunderstanding remain undiscovered. In theory, explication and paraphrasing surely avoid talking at cross-purposes. However, adhering rigidly to such procedures is argued to be unfeasible in concrete interview situations. In an average one hour conversation one

cannot scrutinize and harmonize their language and, at the same time, derive research results from the interviewee's answers, let alone to maintain a flow of words and line of argument. Explication, in my opinion, has hence to be limited to few key words and, first and foremost, to be complemented by the researcher's ability to recognize inconsistencies of meaning. Apart from paying close attention to my interviewee's reactions and words, I assume that this skill can only be obtained by experience.

Finally I would like to shortly comment on the aforementioned issue of *representativeness* and limits of generalizing my research results of Chapter 6 and 7. The sampling procedure is considered to crucially influence representativeness as it determines how the findings from the interviews relates to the whole population of returnees in Shanghai (McGuirk and O'Neill, 2005). While Noy (2008) emphasizes the advantage of snowball sampling for accessing people who are otherwise difficult to reach, it turns out to be a major weakness for analyzing highly diverse populations. The snowball method bears the risk of excluding people who, in my case, belong to other sectors, share different business associations, be significantly younger or older, or whose businesses have even failed due to cultural barriers. As only few statistical data is available to me about the population of returnees I am unable to offer a sound evaluation of the study's representativeness. A generalization of results such as the average importance of interfirm practices for *all* returnees in Shanghai would hence be illegitimate.

Qualitative research, however, does not aim at abstracting results into models (Flick, 2007; Mayring, 2003) seeking to explain and predict phenomena such as the success rate of implementing new managerial knowledge in the Chinese business environment. I cannot determine how the success rate changes as a function of influencing factors (e.g. duration of experiences abroad, knowledge sources, type of business partner, degree of institutional trust, age). The answers given by the executives and experts reflect their individual views and are thus treated as context-specific information. Still, my findings are argued to go beyond those analysed 34 cases. As explained in Chapter 9.1 they are utilized for enhancing our knowledge about certain concepts and theories and give reason to reconsider aspects of a cultural and relational economic perspective.

### **9.3. Future research objectives**

Below I will categorize two future research fields which are drawn from further research suggestions given in Chapters 4 to 8 as well as from the conclusion of the previous subsections. I distinguish between methodological concerns and theoretical issues that should be solved in order to complement my research presented in this dissertation. They commonly focus on the extent of change in culture

and practices, how it is initiated and accomplished. However, both research fields also interrelate as the design and methods are the basis for some theoretical contributions.

#### *Methodological improvements*

My research is first and foremost an actor-centered, micro-scale study dealing with the perception of culture by returnees and their potentials of introducing new managerial knowledge and practices to China. Other triggers of cultural change have been neglected such as the management-related *education and training systems* (e.g. MBA curricula in China and abroad), *popular science of management and economics* (e.g. on the secrets of China's entrepreneurs by Nie and Xin, 2009) or *media coverage of successful managers and business cultures*. The Financial Times (2009a, 2009b), for instance, reports about the restructuring of business culture and work attitudes in a Japanese investment bank after parts of foreign banking activities had been acquired. In a similar vein, The Economist (2009) published an article about the re-organization of a large Japanese company of consumer electronics whose CEO was substituted by a foreign manager. Thereby, foreign influences are commonly implied to enrich existing, rather conservative, behavioral models within the Asian based corporations. In the framework of *discourse analysis*, for instance, future research could take into account the assumed change in educational and media related influences of management cultures in China.

Also, my research is focused on the impact of returnees to a certain point in time which concludes willingness (due to a chance of enhancing competitiveness) but little success in transforming perceived established practices in the Chinese business context. *Longitudinal studies* could reassess the observed transitory stage of interfirm practices and underlying cultural values, norms, expectations and preferences. One could evaluate better the direction, persistence and duration of behavioral and cultural transformations. All three aspects contribute to the open issues of converging cultures (of competitiveness) due to intensified globalization and hybridization which requires new cultures to be locally adapted. A different approach to this research questions may also be provided by more *comparative studies*. They could analyze in how far the observed transformation of managerial values and behavior occurs in different remigration context regarding home and host countries.

#### *Theoretical implications*

Future research could be more concerned with the *interdependence* of culture and institutions of the legal, social, political and economic systems which collectively shape a system of innovation conducive to economic development. How do culture and institutions relevant to economic activities react on each other and influence the other's shape and development? In Chapter 6 I have only partly



answered this question and conceptualized culture as the informal and value based institutional environment of economic actors. By means of qualitative content analysis I was also able to verify a one-way linkage between culture and institutions. However, new values, attitudes and expectations carried by labor migrants might also cause formal institutions to change which stresses the opposite impact of culture on institutions. Both directions of influence are captured in the process of *co-evolution*, a key note of evolutionary thinking. REG, in contrast, can be criticized for neglecting those historical trajectories of economic landscapes and settings, as well as for paying less attention to path-dependence and lock-ins (Hassink and Klaerding, 2009). Institution inertia, as opposed to change, is often seen as a barrier to regional industrial restructuring which, in contrast, requires quick and flexible adaptation to new economic challenges. By concentrating on co-evolutionary processes new research could contribute to a better understanding of how returnees stimulate institutional change. Policy implications could be elaborated which allows preparing and / or accelerating this important process. Furthermore, my research has shown that culture is *path-dependent*, detected in the returnees' application and adoption to behavior that is perceived to be consistent with Chinese business culture. Thereby, cultural values and related practices are reproduced and become stabilized over a period of time, creating a path or, in other words, an approved pattern of managerial behavior. The risk of cultural path-dependence, however, is evident in *lock-ins*. Similar to the previous notion of inertia, lock-ins are theorized to hinder necessary restructuring processes that would benefit the competitiveness of regions and firms. Cultural lock-ins caused by the reinforcement of business values and practices perceived as characteristic for Chinese are concluded to underlie the failed implementation of new managerial knowledge: I have shown how executives have evaluated new practices as more competitive which, however, could not be introduced to native business partners because of perceived cultural constraints. Future research could elaborate on mechanism and political strategies to overcome cultural lock-ins, too.

Altogether, relational and evolutionary perspectives provide interesting concepts which allow analyzing the impact of culture on tacit knowledge transfer across national borders. In Chapter 2.1 I have emphasized that *relational embeddedness* and *relational assets* embrace immaterial culture as a variable to account for differences in economic behavior and outcomes. In several parts of my dissertation I have advocated a *multi-scalar perspective* and disagreed with regarding one spatial level as superior to others. Chapter 7 furthermore points to the potential of introducing *power* and tensions in my analysis which is seen as an important conceptual extension of REG (Yeung, 2005). All these aspects are found to be more comprehensively considered in REG in comparison to an alternative theoretical way of thinking, recently discussed as EEG. From the comparative analysis in Chapter 4 it is concluded that EEG focuses too narrowly on institutions at the *firm level* and has to a large degree

neglected the impact of institutions at other spatial levels. Moreover scholars have criticized EEG for overlooking the influence of *power* which is argued to refer to an actor's capacity to enforce interests and access resources. Nevertheless, by integrating the notions of co-evolution, path-dependence and lock-ins, EEG can in my view also contribute to a more comprehensive picture about my research concern. I would like to finish this thesis by encouraging more researchers to think pluralistic and creative with respect to combining different key notes. It may also be a tool for avoiding "conceptual lock-ins" and allows EG to renew and re-define itself according to new research challenges.

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## **Appendix**

**Appendix 1: Interview guide**

**Appendix 2: Erklärung**

## A. Migration history 移民历史

1. Location of your college/high school in China 您在国内技校/高中所在城市: \_\_\_\_\_
2. Location of your university in China 您在国内大学所在的城市: \_\_\_\_\_  
Degree 学位: \_\_\_\_\_
3. Your year of birth 您的出生年份: \_\_\_\_\_
4. Have you worked in China before you left to the U.S.  
您去美国之前, 是否有在国内工作的经历?  Yes  No
5. In which year did you arrive and leave the U.S. 您在美国的起止年份? *from* \_\_\_\_\_ *until* \_\_\_\_\_

6. Please state the 3 longest employments whilst overseas  
请您列举在国外持续时间最长的3个工作经历:

<i>Firm location (city, country)</i>	<i>Sector</i>	<i>Position</i>	<i>Duration</i>
1.			
2.			
3.			

7. Your highest university degree gained overseas 您在国外获得的最高学位:  
 Bachelor 学士       Diploma / Master 硕士/毕业文凭       PhD 博士
8. Have you experienced the following problem when you started your company in China?  
您在国内创建企业时是否遇到过以下方面的困难?  
*Acquiring capital, finding investors* 获取资本, 寻找投资者.....  Yes  No  
*Finding qualified labor* 找到合格的人力资源.....  Yes  No  
*Government / administration* 政府/行政.....  Yes  No  
*Establishing business contacts* 建立业务联系.....  Yes  No  
*Adapting to "ways of doing business in China"* 适应“中国的经营方式”.....  Yes  No

## B. Company features 公司特征

9. In which year was the company founded at this site 贵公司在上海成立的年份? \_\_\_\_\_
10. Is your firm a part of a multi-firm company 贵公司是否归属于某多分支的集团公司?  
 Yes (Location of headquarter 总部所在地): \_\_\_\_\_  No
11. Please indicate the ownership structure of your company as 贵公司的所有制结构...  
 Private owned 私有企业       State-owned or TVE 国有或乡镇企业  
 Joint stock enterprise (incl. Ltd.) 股份制企业 (含有限公司)  
*What is the nationality of the largest owner* 贵公司最大拥有者是隶属于哪国的: \_\_\_\_\_

12. Industry 产业: \_\_\_\_\_ approx. number of employees 员工人数的近似值: \_\_\_\_\_

13. Main activity, e.g. production 主要活动 (例如生产): \_\_\_\_\_

14. Are you in charge of the firm management 您是否是公司的负责人?  Yes  No  
Are (other) returnees in top-management positions  
是否有其他归国人才处于公司的高级管理职位?  Yes  No

15. Please specify your management education as 请指定您的管理教育作为:

University courses or similar 大学课程或相似课程 (例如夜校) ...  in China  in U.S./Europe  
On the job training 在职培训.....  in China  in U.S./Europe

### C. Business relations with local partners\* in China

**在中国与当地合作伙伴的业务联系** \*Business partners are firms (suppliers, customers or services) which collaborate with your firm on the basis of co-operative business agreements. 业务合作伙伴是指与贵公司有合作业务协定和公司 (供应商, 客户或服务公司)

16. Please estimate in % the location of your business partners in China  
贵公司在国内商业合作伙伴的空间分布:

Yangtze River Delta	%
Beijing region (Bohai Rim)	%
Pearl River Delta	%
Hong Kong, Macao, Taiwan	%
Mid & West	%
	= 100 %

17. Please estimate in % the main function of your business partners in China  
贵公司在国内商业合作伙伴的功能分布

Supply / Manufacturing	%
R&D	%
Customer / Sales	%
Other business services, e.g. marketing, financial consultancy	%
	= 100 %

18. Please specify your most important business partners by a) location and b) function  
贵公司最重要的商业伙伴 A ) 的位置和 B ) 的功能:

a)  Yangtze River Delta  Beijing  Pearl River Delta  Mid/West  HK, MAC, TW  
b)  Supply/procurement  R&D  Customer/Sales  Other business services

### D. Selection of most important business partners in China

**贵公司在国内最重要商业合作伙伴的选择路径**

19. How many of your business partners have you found by 您与商业伙伴建立合作的途径..

a) By your own inquiries and your direct approach to the firms  
您自己的调查和您与对方的直接联系? \_\_\_\_\_

b) By your friends, family or current business partners who introduced them to you  
您朋友、家人或当前业务合作伙伴的介绍? \_\_\_\_\_



c) *By assistance from local government or non-government institutions*

当地政府或非政府机构的协助? \_\_\_\_\_

20. Are you a member of the following business association or economic committee in China  
您是国内企业协会或经济委员会的成员吗?

*Governmental association/committee* 政府协会/委员会, 例如政协会..... Yes  No

*Non-governmental association/committee* 非政府协会/委员会, 例如行业协会..... Yes  No

21. Please estimate in % if your business partners are 您的商业伙伴是....:

<i>Members of family / relatives / kinship</i> 家庭成员/亲属/亲属	%
<i>School friend or university colleagues that you know from the U.S.</i> 美国学校或大学的同事朋友	%
<i>School friend or university colleagues that you know from China</i> 中国学校或大学的同事朋友	%
<i>Business partners that you know from your work experience in the U.S.</i> 美国工作时认识的商业合作伙伴	%
<i>Business partners that you know from your work experience in China</i> 中国工作时认识的商业合作伙伴	%
<i>Business partners that you know through your political relations in China</i> 在中国通过政治关系认识的商业合作伙伴	%
	= 100 %

22. How many of your business partners are returnees 您的商业伙伴中归国人士所占的比例?

None  < 10 %  < 50 %  > 51 %  All  no answer

23. How important are the following features for selecting a new business partner

以下选项对于您选择国内新商业合作伙伴的重要性?

(1= "unimportant" to 5 = "very important")

*Price and quality of product/technology/service* 产品/技术/服务的价格和质量 1 2 3 4 5

*Business records, official credit rankings* 业务成绩, 官方信用排名.....1 2 3 4 5

*Personal relationship, "Guanxi"* 个人关系, "关系".....1 2 3 4 5

*Reputation, public image of partner* 声誉, 公众形象.....1 2 3 4 5

24. Do you apply any different selection standards for business partners outside China

你选择国外商业合作伙伴的标准和国内商业合作伙伴的标准是否存在不同?

Yes  No

**E. Communication with most important business partners in China**  
**贵公司与国内最重要商业合作伙伴的联系方式**

25. How important are the following modes of contacting your partners for business matters  
请您评价以下方式在您联系合作伙伴中的重要程度？

(1 = "unimportant to 5 = "very important")

*Formal office-contacts, company-meetings* 正式的办公联系，公司会议.....1 2 3 4 5

*Informal meetings (meals, social events)* 非正式会见 ( 餐饮，社会活动).....1 2 3 4 5

*Business-related events (e.g.seminars)* 业务有关的活动 ( 展览，研讨会).....1 2 3 4 5

26. Have you established regular, formal meetings with your business partners

你是否已经和业务合作伙伴建立了定期的，正式会见机制？

Yes (how often 多久一次?): \_\_\_\_\_  No

27. Do you control your business partner in the following ways 您如何控制您的业务合作伙伴？

*Periodic reports* 工作进展的定期报告?.....  Yes (how often?) \_\_\_\_\_  No

*Regular inspections* 定期检查.....  Yes (how often?) \_\_\_\_\_  No

*Participation in board of directors* 参与董事会..... Yes  No

*Share-holding* 股权控制..... Yes  No

28. Please indicate if you perceive your control of your business partner as

您认为您对业务合作伙伴的控制强度为...

Very tight 很紧  Tight 紧  Medium 中  Rather loose 相对松散  Very loose 非常松散

29. Do you communicate with or control your business partners outside China any different

你对境外业务合作伙伴的联系和控制与对国内伙伴是否不同？

Yes  No

**F. Business agreements with most important business partners in China**  
**贵公司与国内最重要商业合作伙伴的商务协议**

30. Please indicate if you include the following issues in a formal written contract

您与合作伙伴签署的正式书面合同中是否包含以下内容：

*Detailed description of tasks, procedures* .....  Yes  No

任务、程序的详细说明

*Detailed description of sanctions for breaching contracts* .....  Yes  No

违反合同制裁的详细说明

*Detailed description of modes of payment* 形式支付的详细说明.....  Yes  No

Quantification of the duration of partnership 合作的时间期限.....  Yes  No

Quantification of time schedule 时间任务表.....  Yes  No

31. How do you usually adjust conditions of business agreement

当商业协议出现改动时，你通常如何调整？

Verbal agreement, without alteration of the original written contract 不改变原来的书面合同

Verbal agreement, with alteration of the original written contract 然后改变原来的书面合同

32. Do you employ or hire lawyers or arbitration agents who check formal business contracts

你是否雇用或聘请律师或仲裁代理人来检查正式的商业合同？

No  Yes (please specify their location / city 请具体说明其位置/市): \_\_\_\_\_

33. Considering the establishment of the business relation with your most important partners, please estimate 您与最重要合作伙伴建立业务关系....:

The average duration from first contact to final agreement (in days)

从第一次接触到最后协议的平均时间 ( 天数 ) : \_\_\_\_\_

The average number of meetings and firm visits from first contact to final agreement

从第一次接触到最后协议的非正式见面的平均次数: \_\_\_\_\_

34. Do you do business agreements any differently with business partners outside China

您和境外业务合作伙伴签约生意协议的方式与和国内伙伴是否不同？

Yes  No

## G. Conflict solving with most important business partners in China

### 贵公司与国内最重要的商业合作伙伴的冲突解决方式

35. Did you have to cancel a business relation with a Chinese firm

yet 你是否取消过与中国公司的业务合作关系？

Yes  No

36. Did or would such a cancellation negatively affect your firm's relation in the local business community, e.g. decrease of reputation, difficulties in finding new local partners

这些合作关系的取消是否对贵公司在本地商业行为造成负面的影响 ( 例如：降低声誉，很难找到新本地合作伙伴 ) ？

Yes  No

37. How comfortable do you feel with the following strategies for solving conflicts

以下解决冲突的方式，您更认可哪种？

(1= "very uncomfortable" to 5 = "very comfortable")

Avoiding conflict situations, 'keeping quiet' 避免冲突状况.....  1  2  3  4  5

'Open discussion', straight forward approach "公开讨论" .....  1  2  3  4  5

Involvement of lawyers or arbitrators to regulate the conflict.....  1  2  3  4  5

通过律师或仲裁员的介入来解决冲突。

38. How important are the following aims for your conflict solution

以下解决冲突的目的，您更认可哪种？

(1= "unimportant" to 5 = "very important")

Enforcement of your viewpoint 执行您的观点..... 1  2  3  4  5

Maintaining a long-term business partnership 保持长期的商业伙伴关系... 1  2  3  4  5

Keeping a good reputation / image of own firm..... 1  2  3  4  5  
保持自身公司的良好声誉/形象，自己的公司

39. Do you handle conflict situations any different with business partners outside China

您和境外业务合作伙伴处理冲突的方式与和国内伙伴是否不同？

Yes  No

## H. Evaluation of most important business partners in China

### 您对中国最重要商业合作伙伴的评估

\*Evaluation is a procedure which is the basis for deciding whether or not a business relation should be maintained or cancelled.

评估是指确定与某业务合作伙伴是否维持或取消合作关系的程序

40. Do you evaluate your business partners regularly and in predefined turns

您是否对您的业务合作伙伴做定期的评估？  Yes (how often 多久一次?) \_\_\_\_\_

No

41. How important are the following evaluation criteria for you 以下评估标准，您认为那些重要？

(1= "unimportant" to 5 = "very important")

Quantifiable aspects, e.g. generated value for the firm..... 1  2  3  4  5

量化标准，如该公司创造的价值

Personal relationship with partner 与合作伙伴的个人关系..... 1  2  3  4  5

Reputation of partner 合作伙伴的声誉..... 1  2  3  4  5

42. Is your evaluation standardised so that any other person would come to the same evaluation result if he/she evaluated your business partner

您的评估标准是否标准化，即其他人对您的合作伙伴采用同等评估方式会得到相同的结果？

Yes  No

43. Do you apply any different standards of evaluation business partners outside China

您对境外业务合作伙伴的评估标准与与对国内伙伴是否不同？

Yes  No

## **Erklärung**

Hiermit erkläre ich, dass die Abhandlung – abgesehen von der Beratung durch den Betreuer – nach Inhalt und Form die eigene Arbeit ist. Die Arbeit wurde bisher keiner anderen Stelle im Rahmen eines Prüfungsverfahrens vorgelegt. Einzelne Kapitel wurden bereits veröffentlicht bzw. sind zur Veröffentlichung bei den in der Arbeit angegebenen Fachzeitschriften eingereicht. Die Arbeit ist unter Einhaltung der Regeln guter wissenschaftlicher Praxis der Deutschen Forschungsgemeinschaft entstanden.

gez. Claudia Klaerding