The structuration of relational space: Implications for firm and regional competitiveness

John Nicholson, Dimitrios Tsagdis and Ross Brennan

Dr. John D. Nicholson***** is a Lecturer in Marketing at Hull University Business School where he is a member of the Centre for Regional and International Business (CRIB). His research interests are in the application of relationship marketing theories to diverse and interdisciplinary problems, in particular, the relationships between diverse geographically co-located actors. He has a further interest in the application of integrative general theories such as structuration theory, to diverse problem areas.

Corresponding address: Email: J.D.Nicholson@hull.ac.uk. Address:. Hull University Business School, University of Hull, Cottingham Road, E.Yorks, Hull, HU6 7RX, United Kingdom. Fax: UK + (0)1482 463484. Tel: UK + (0)1482 463522

Dr. Dimitrios Tsagdis is a Senior Lecturer at Hull University Business School and Director of the research Centre for Regional and International Business (CRIB). His research interests are in the areas of clusters, policy, and international business (especially FDI, SMEs, and entrepreneurship) in Europe's regions as well as in developing economies (e.g. in South America and the MENA region).

Email: D.Tsagdis@hull.ac.uk. Address: Hull University Business School, University of Hull, Filey Road, Scarborough YO11 3AZ, United Kingdom

Dr. Ross Brennan is Reader in Marketing at the University of Hertfordshire. His research interests are in business-to-business marketing strategy, macromarketing, cross-cultural marketing, and marketing pedagogy.

Email: d.r.brennan@herts.ac.uk. Address: University of Hertfordshire, Hatfield AL10 9AB, Hertfordshire, United Kingdom

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Abstract

The central contention is that there is a coincidence of research interests between industrial marketing and economic geography in relation to spatial embeddedness in business relationships. There are nuances in relational economic geography that have not been addressed in industrial marketing research, notably that in addition to geographic proximity, co-located actors may experience more or less cognitive, organizational, social and institutional proximity. A conceptual framework is built around the processes of proximation and distanciation, which, it is argued, can be either competitively generative or competitively degenerative. These processes are investigated empirically through a qualitative study, grounded in structuration theory, of a peripheral region of England that has suffered lengthy industrial decline. The qualitative study extended over six years and encompassed 87 interviews with senior managers from both public and private sector organizations. Competitively generative proximation processes are found to be the most prominent in the region; such processes involve a mixture of cognitive cost-benefit calculation and affective commitment to the region. Important enduring relational states are identified and elaborated, notably regional loyalty and relational isolation.

Keywords: structuration, relational proximity, regional competitiveness, relationship marketing, geographic proximity, evolutionary process.

1.0: Introduction

The seminal work of Halinen and Tornroos (1998) on spatial embeddedness, stimulated a growing interest in the role of location and space in business-to-business (B2B) and industrial marketing (IM) research. More recently, IM authors such as Cantù (2010) and Cova, Prevot and Spencer (2010) have acknowledged the particular significance of B2B relationships in local space. Nonetheless, the discipline *par excellence* dealing with space has been geography. It should not come as a surprise that firm co-location/geographical proximity and the impact of regionally embedded stocks of social capital have been extensively studied within economic geography (EG). In particular, following the relational turn in EG (Boggs & Rantisi, 2003), novel insights into 'relational proximity'—the quality and density of spatially embedded relationships and not just their territorial extension—assumed centre stage in accounts of firm, cluster, and regional competitiveness. Within this body of work, relational, and not just spatial proximity (or distance), is examined as part of generating (or degenerating) competitive advantages. The emphasis in this paper is on the relational processes of both proximation and distanciation. This suggests some limitations in the extant IM literature which tends to suggest that stronger relationships with more actors are better (see section 2). This paper will thus explore comparatively (between private and public sector-organisations) relational proximation and distanciation in a peripheral UK region, affording a sharper demarcation between relationships that are endogenous and exogenous to the region.

Peripheral regions tend to have a more stable actor population compared to 'central' (for example, capital, metropolitan) regions. Such stable actor-settings and relations pose some novel challenges for IM; purposeful action (agency) can take a

prohibitively long time to alter the structural conditions between actors, rendering conventional marketing strategies problematic. As a way of gaining traction on this challenge, in this paper, we turn to sociology and in particular the theory of structuration (Giddens, 1979). Although insights from structuration have been explored within marketing (examples include Ellis & Mayer, 2001; Peters, Gassenheimer, & Johnston, 2009) they are uncommon, and have neither been combined with insights from EG nor investigated in the context of IM in a peripheral region. Building on the Halinen and Tornroos (1995) relational time concept, through use of structuration, the findings offer insights into relational time in local relational space and develop the concept through consideration of the interplay between agency and structure.

The paper is structured as follows. In Section 2, the three relevant strands of literature underpinning our conceptual framework, namely industrial marketing, economic geography, and structuration are critically summarised. This is followed in section 3 with the introduction of our conceptual framework and the discussion of the five propositions explored in this paper. The methodology is developed in section 4; followed by the discussion of our findings concerning generative (Section 5.1) and degenerative (5.2) processes. The discussion of the five propositions concludes in Section 6 by delineating some implications for theory, policy, and practice and some areas of further research.

2.0 IM, EG, and structuration

Three bodies of literature have a direct bearing on the investigation pursued in this paper. Their relevant aspects are critically reviewed and their contributions juxtaposed in turn in the following sections.

2.1: Industrial marketing and space

Stemming from Halinen and Tornroos' (1998) seminal framework which included a notion of spatial embeddedness, in recent years, industrial marketing scholars have taken an increasing interest in a local spatial dimension. For instance, industrial network research is increasingly addressing local network relationships (Mandják, Simon, & Szalkai, 2011; Mei-mei & Ka-leung Moon, 2008; Persson, Lundberg, & Andresen, 2011). This interest includes increasing research into relationships within spatially bounded industrial clusters (Chiu, 2009; Felzensztein, Huemer, & Gimmon, 2010; Frisillo, 2007; Lamprinopoulou & Tregear, 2011; Liao, 2010; Lin et al., 2012), while other recent studies have discussed the impact of geographically embedded stocks of social capital on locally embedded firm competitiveness (Batt, 2008; Bowey & Easton, 2007; Butler & Purchase, 2008; Eklinder-Frick, Eriksson, & Hallén, 2011; Partanen et al., 2008; Westerlund & Svahn, 2008). Interest in local spatially embedded relationships in IM has also extended beyond B2B to examine relationships between firms and key co-located institutions (Lundberg & Andresen, 2012) and regional issue networks (Ritvala & Salmi, 2010). However, most IM studies have proceeded from the perspective that

relationships are competitively generative. This is a contention that is challenged in the EG literature, which we briefly review next.

2.2: Geographical and relational proximity

Within the EG literature, Torre and Rallet (2005:49) defined geographic proximity as the "kilometric distance that separates two units in geographical space". However, whilst inevitably sharing resources due to co-location (Feser & Luger, 2003), a firm may not have any relationship with other co-located actors purely because of geographical coincidence. Geographical proximity may only create the potential for interaction between industrial firms without necessarily leading to strong relations between co-located actors (Boschma & ter Wal, 2007; Cantwell, 2009). Hence, a study of regional industrial relations and recursive firm/regional competitiveness may be constrained by a focus on a local network as a unit of analysis. Instead, a focus on a relational space, "made of all the different relationships built among local actors" (Capello & Faggian, 2005:78), and relational proximity and distance within it may yield different insights into the impacts of relationships on the recursive interplay between firm and regional competitiveness. To identify the effect of proximity on competitiveness, Boschma (2005b:62) suggested the need to "isolate analytically, the effect of geographical proximity from 'other' forms of proximity". This is a challenge that IM scholars have not yet fully addressed; this study makes a step towards filling this gap or at least in pointing out how large it may be, and its shape.

One approach taken to such *de-territorialization of closeness* (Bunnell & Coe, 2001), in EG has been to analyse separate *cognitive*, *organizational*, *social,* and

institutional proximities between geographically co-located actors (Boschma, 2005b; Nooteboom et al., 2007). However, Broekel & Boschma (2011:2) noted that "proximity between agents does not necessarily increase their innovative performance, and may possibly even harm it." Indeed, later analysis in EG supported the proposition that proximity can have negative as well as positive consequences. For instance, taking cognitive proximity as an example, a paradox has been empirically established (Boschma & Frenken, 2010; Broekel & Boschma, 2011), in which an optimal cognitive proximity/distance exists modelled as a U-shaped curve (Isaksen & Onsager, 2010; Nooteboom et al., 2007). Essentially, these concepts suggest that the transfer of specialist knowledge may at times erode firm competitiveness. Such paradoxical tension has received some attention but little empirical investigation within IM (Cantù, 2010; Eklinder-Frick, Eriksson, & Hallén, 2011; Lamprinopoulou & Tregear, 2011). Moreover, social proximity (in the guise of social capital) in IM has been largely considered to generate competitiveness (Batt, 2008; Bowey & Easton, 2007; Butler & Purchase, 2008; Partanen et al., 2008; Westerlund & Svahn, 2008), even though work outside IM has identified the negative consequences of social over-embeddedness (Clark & Smith-Canham, 1999; Cooke, Clifton, & Oleaga, 2005; Maskell & Malmberg, 2007; Molina-Morales & Martínez-Fernández, 2009; Parra-Requena, Molina-Morales, & Garcia-Villaverde, 2010) and regional myopia (Mariotti, Piscitello, & Elia, 2010). Some authors in EG have stated a preference for the term 'relational' capital over 'social' capital. Capello and Faggian (2005:78) suggested that "social capital exists wherever a local society exists, while relational capital refers to the (rare) capability of exchanging different skills, interacting among different actors, trusting with each other and

cooperating". Capello and Faggian's also suggest that social capital may be appropriable by a co-located firm at arm's-length, even opportunistically (see also discussion by Sunley, 2008), pointing to positive competitive advantages in maintaining relational distance from other co-located actors.

The four proximities discussed above essentially posit the effects of different relational proximities between different actors groups—for example, relational proximity between different institutional groupings (such as public and private sector institutions), or between actors within industries (cognitive proximity). Relational proximity (a further concept drawn from the *relational turn* in EG) also has a converse *distance* proposition that is equally as important in the analysis of all actors and actor groups in a relational space. The literature reviewed not only highlights the need to investigate comparatively the generative and degenerative impacts of relational proximation and distanciation (as pursued in this paper), but also indicates that different proximities/distances develop over time in a non-linear fashion and contain periods where relational proximity endures (for a discussion of non-linear processes in theory building, see for instance, Schurr, 2004, 2007; Van de Ven, 1992; Van de Ven & Poole, 1995). It follows that careful consideration must be given to the time dimension in research design, which is explored in the next section.

2.3: Structuration theory

Having considered space, we turn our attention to matters of space and time. The impact of time on relationships has become an important focus for IM scholars, although the impact of time on spatially embedded relationships (rather than relationships

embedded in networks) has received less attention. The relational time concept would seem to have much to offer. For instance, Yeung (2005) and Dicken et al. (2001) both highlighted that the relational turn in EG requires consideration of both agency and structure in the analysis of relational space. Yeung (2005:44) in particular suggested the need for an "iterative process of drawing interconnections between two or more discrete categories and phenomena that may not necessarily be binaries", and advocated a research approach that would "transcend their dichotomization". We propose that such an endeavour will enhance insight into relational time, above and beyond that obtainable through research predicated on interpretevist/voluntarist assumptions. Structuration has been selected as an approach capable of gaining insight into relational time in a relational space. As Ellis and Mayer (2001:193) suggested, structuration can "bridge the gap between deterministic, objective and static notions of structure on the one hand, and voluntaristic, subjective, and process views on the other". Acknowledging criticism of structuration theory as the basis for empirical studies (cf Gregson, 1989; Hekman, 1990; Jessop, 2005; Jochoms & Rutgers, 2006; Willmott, 1999), a full discussion of which lies beyond the scope of this paper, the authors draw upon guidance from later theorists who have developed structuration theory into an empirical platform, such as strong structuration (Stones, 2005) and adaptive structuration (Brooks, 1997; DeSanctis & Poole, 1994; Gopal, Bostrom, & Chin, 1992; Walsham & Han, 1991). These approaches and later developments add guidance for theorizing and theory building techniques that allow for notions of agency and structure to be revealed in subsequent theories. In particular we draw on the work of Pozzebon & Pinsonneault (2005) in respect of theory building using structuration.

Boschma (2004; 2005b) noted that institutions and history are enabling as well as constraining mechanisms that affect firm action and performance. In the theory of structuration, structures are enduring causal forces which can exist in the practical consciousness of actors. Practical consciousness is that part of an actor's temporal knowledge that is implicit and difficult to articulate if asked about directly. Structures in the theory of structuration are not just constraining but also enable agency. Periods of enduring relational states may be characterized by an analysis of underlying structural conditions. Equally, periods of evolutionary change in a process may be underpinned by structures. Such structures are discussed by Giddens (1979) as forces of signification, legitimation, and domination. These forces demonstrate causal efficacy, and are constantly shaped and re-shaped by agency. An examination of relational space through structuration extends the understanding of structuration in relational space, and extends the empirical application of relational time to examine the interplay between agency and structure in such space and time.

3.0: Conceptual Framework

The literature critically reviewed in the previous section suggests several trade-offs between relational proximity and competitiveness. They are summarised in the conceptual framework in Figure 1. The intersection of two dimensions delineates four quadrants.

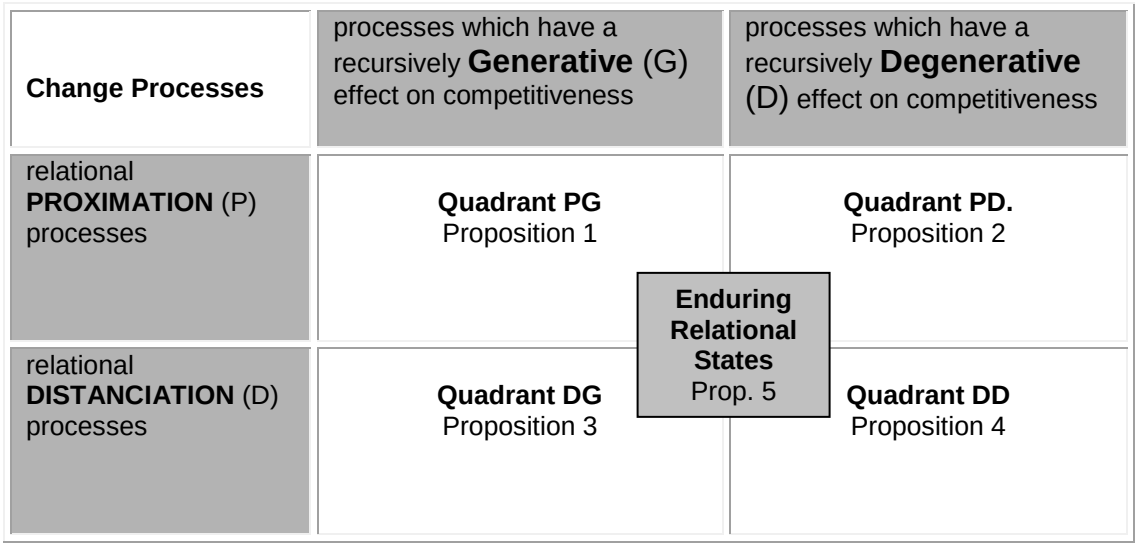

Fig 1: Conceptual framework

One proposition is advanced for each of the four quadrants of Figure 1.

P1: Relational proximation processes can affect regional and firm competitiveness generatively.

P2: Relational proximation processes can affect regional and firm competitiveness degeneratively.

P3: Relational distanciation processes can affect regional and firm competitiveness generatively.

P4: Relational distanciation processes can affect regional and firm competitiveness degeneratively

Some authors discuss a degenerative process that leads to a form of relational isolation (Boschma & ter Wal, 2007; Nicholson, 2010; Nicholson, Lindgreen, & Kitchen, 2008; Sunley, 2008). Whilst firms can gain opportunistic benefit from such isolation in a competitive region (explored in relation to P3), in peripheral regions such distanciation is less likely to be competitively generative. We conjecture that the processes covered by

propositions 1-4 can evolve to states that endure over time. We therefore further conjecture that:

P5: States of relational proximity/distance in P1-4 can endure over periods of time.

In our analysis, we identify processes and enduring relational states concerning the five propositions but also, through a narrative strategy, reveal the interplay between agency and structure in processes of relational proximation, distanciation and underpinning enduring relational states between co-located actors.

4.0: Research Approach

4.1: Methodological details.

Retrospective accounts are appropriate research approaches to reconstruct the past in organizational research (Golden, 1992, 1997; Miller, Cardinal, & Glick, 1997), particularly when combined with key informant strategies. In the present study, a convergent depth interview approach was used (Brown & Erwee, 2002; Dick, 2002; Rao & Perry, 2003); emerging themes were grounded in historical recollections. The goal of the convergent depth interviews was to elicit the retrospective knowledge of the respondents and to gain access to their practical consciousness concerning relationships with co-located actors. To enhance *confirmability* (Guba & Lincoln, 1994; Lincoln & Guba, 1985), all interviews were recorded and transcribed. A theoretical coding structure for agency was constructed building on Giddens' notions of sanction, communication, and power. The a priori coding structure was supplemented with codes developed from the qualitative data. The qualitative data coding process was facilitated through the use of

NVIVO, a computer-assisted qualitative data analysis package. The presentation of the findings will follow in the IM tradition (such as in Eklinder-Frick, Eriksson, & Hallén, 2011; Wilson, Bunn, & Savage, 2010), reporting verbatim quotations. Such an approach is context rich and supports the authenticity of the findings (Miles & Huberman, 1994). The discussion will follow a *narrative strategy* (Langley, 1999; Pozzebon & Pinsonneault, 2005) for presenting process data while exposing the interplay between agency and structure. We additionally present a series of processual outcomes in a matrix coinciding with our research propositions which correspond to specific episodes identified in the narrative.

4.2: The research context.

The research context is a peripheral city-region in England, population approximately 200,000-300,000, whose economy suffered with the decline of British manufacturing industry and which has recently striven to develop new sources of economic growth. Peripheral regions have attracted less attention from scholars in both IM and EG (Lagendijk & Lorentzen, 2007; Virkkala, 2007). A series of 60 interviews were conducted in 2003 of 30-45 minutes duration, during which relevant themes relating to the five propositions were identified. Three further phases, consisting of 27, one hour interviews were conducted between 2004 and 2009. Quotations from the interviews are used in Section 5. Additional informal meetings were held and documentary evidence also used in support (as advocated by Ellis & Mayer, 2001). As recommended by Rampersad, Quester, and Troshani (2010), to aid authenticity (Guba & Lincoln, 1994; Lincoln & Guba, 1985) a sample of respondents was drawn from different institutional

sectors of society; industry, government, public sector, third sector, and universities. Respondents were senior individuals within their organizations, each of whom had significant historical knowledge of the region.

5.0: Findings and discussion

Boschma (2005a:41) proposed that "taking an evolutionary perspective, one can account for the fact that proximities may emerge, develop and disappear". To consider this conjecture, it is necessary to examine the foldings and unfoldings of such relational proximities and to establish a coherent narrative pathway through the data. Therefore, we present discussion of our findings in two parts. In the first part (sub-section 5.1) generative processes are discussed and in particular the processes of proximation and distanciation contained in propositions 1 and 3. The second part of the findings (5.2) examines the processes of relational proximation and distanciation in competitively degenerative processes encompassed in propositions 2 and 4. In both sections we look to identify change and periods in which relational states endure over periods of time; as conjectured in proposition 5. Through a narrative approach, we expose the interplay between agency and structure in this process, but conclude the section by presenting a summary (Fig.2) of the non-teleological episodes (Schurr, 2007) we identify that relate specifically to each of the propositions in Fig. 1.

5.1: Generative processes.

The language used by actors from different sectors to denote relational proximity was semantically distinctive. 'Involved' and 'engaged' were verbs used by interviewees

from the public sector and arms-length agency management organizations, but 'network' (as a verb) was preferred by industrialists. These terms are important signifiers of relational proximity.

A number of respondents with extra-regional experience considered that recursive firm-region competitiveness tensions were less apparent in the focal city than those they experienced elsewhere, perhaps because firms in the focal region were less able passively, without reciprocity, to gain the benefits of regional competitiveness (a possibility discussed in findings by Boschma & ter Wal, 2007).

> *I think there is a sense in the business community here that the profile of the area, making it attractive to incoming employees and incoming investment is something where we want to play an active role in if we can…the second reason, was really the sense…even before I got here, that there is a job to be done with the image of this area.* (Private Sector Manager 4)

> *If we were anywhere else,* […] *would the community involvement be such a big deal? I don't think it would. For a lot of companies in* [other areas] *it is not such a big deal. We feel a little bit obliged as we are the largest private employer and* [City A] *is not a massive city* (Multinational MD)

Relational proximation was therefore facilitated by the perception that the focal region was uncompetitive, which adversely affected firm competitiveness.

> *I think the profile of* [City A] *is important to our success. When you are talking to someone about bringing their business here,* […] *automatically, you are defending the place.* (Private Sector Manager 4)

It would appear that a peripheral region may have higher stocks of relational capital, even if stocks of social capital are weak. The peripheral nature of the focal region was also evident in the prevalence of small scale, lower-technology clusters.

Externalities may arise from specialized knowledge (Arrow, 1962; Marshall, 1919; Romer, 1986), diverse knowledge (Jacobs (1969), or both. Relational proximity can

therefore be discussed as proximity to cognitively proximate actors, and proximity to cognitively more distant (diverse) actors. The following quotation illustrates locational advantages largely gained through relational proximity to diverse actors.

> *At the end of the day did* [relational proximity] *help my company compete against* [my main competitor] *in Australia… no of course it didn't. Did it help me develop products… it didn't. Did it help me bring some new thinking into the company… on occasions, yes it did*. (Private Sector Manager 4)

The above respondent considered that diverse co-located actors provided benefits like logistics and IT, rather than knowledge related to the core activity of the firm. In this sense, co-located actors have diverse but relevant knowledge (discussed by Isaksen & Onsager, 2010). This may suggest that relational proximity to diverse actors with different but relevant knowledge is in most cases competitively generative. Other firms in denser local industries, such as the construction industry, discussed more Marshall-Arrow-Romer (specialized) type externalities.

> *The more important bit is catching up with people in the industry and finding out what common ground there is and common business opportunities.* (Private Sector Manager 5)

In many cases, respondents cautioned that unintentional spill-overs from such contacts had in the past eroded competitiveness, particularly in local markets. A crucial factor in developing diverse interaction in the focal peripheral region had been the role of arm's-length organizations (such as regional development agencies) and public sector agencies, since actors in different sectors are less likely to meet serendipitously. Respondents remembered a time when there was considerable relational distance between the public and private sectors, which such agencies had more recently helped to bridge. They believed that institutional proximity between sectors has now significantly

improved and is an important facilitator of diverse face-to-face (F2F) interaction, significantly through the role of the arm's-length organizations. F2F interaction emerged as the crucial factor in the formation of trusting relationships and in the transfer of tacit knowledge.

> *Oh yes, it's got to be from the personal contact and the chemistry. It won't happen electronically or in the printed word.* (Private Sector Manager 6)

> *So all sorts of people thrown together in a room, all having a bacon buttie* [colloquial: bacon sandwich] *and a coffee and then just talking, so a), they will normally be together and b), the very fact that they are there probably means that they are fairly into what's going on in the city and c), they feed off each other, so it creates buzz.* (Arm's Length Agency Director 2: Regional development remit)

The role of communication in the theory of structuration is bi-directional. Two-way communication through facilities such as F2F allowed actors to build up stocks of tacit knowledge that acted as interpretive schemes which were used to apply such knowledge. Past communication had built up stocks of trust, enhanced absorptive capacity (Cohen & Levinthal, 1990; Zahra & George, 2002), and, over time, had led to better communication and knowledge transfer (similar to findings by Ibrahim, Fallah, & Reilly, 2009) between diverse actors, improving regional and firm competitiveness. However, a further issue that constrained opportunities for F2F in the focal region, and therefore relational proximity, were a lack of co-location between business decision makers and regional policy makers. Whilst the operations of some large firms were in the focal region, management and therefore locus of control often was not. This constrained regional competitiveness and prevented private sector managerial embeddedness in local social networks.

> *…people nationally, operating at the national/international level don't necessarily value…unless they've been there…they don't value the impact of being seen as a very good employer locally, can have. So if you are a corporate guy in London you wouldn't necessarily appreciate the value that can be attributed to that because you have never seen.* (Private Sector Manager 6)

However, subsidiary embeddedness refers not only to the impact of head office control on the relational proximity of its regional subsidiaries. Where decision making was devolved to local agents, it was more likely that F2F between empowered decision makers could occur. For instance, one respondent recalls:

> *I know that is coming from our head office because very often, I am getting asked to be involved in these things and before I do I always check it. This is the remit, this is the scope – are you happy for me to…oh yes, very happy. Head office encourages this* […]. *There is clearly a culture of involvement or engagement for us all to take a part in.* (Private Sector Manager 2)

The following comment is typical of many others:

> *If you are going to get any commitment – unless you are relatively senior a) you won't be given the time or b) you can't make things happen.* (Private Sector Manager 4)

Comments from several respondents also discuss multi-layered networks. Indeed one respondent with nationally-recognized employment practices (although a regional business), pointed to such multi-layered embeddedness as a core competency. However, public sector respondents pointed to difficulties in gaining regional proximity when other key employees migrate in and out of the city on a daily basis. Corporate regional engagement was found to be driven by the expectations of a workforce that formed part of the focal region. Interaction with a co-located workforce was therefore a crucial factor for public sector actors to influence private sector actors.

> *I think we do believe… and feel… it is important for our workforce that we demonstrate through charitable giving… community work; we are*

> *quite supportive of local issues.* […] *That is important to people in the company… that makes them feel better about working here,* ***that*** *makes them more productive.* (Private Sector Manager 5)

Rules of domination were apparent where relational proximation was driven by explicit codes of practice and mission statements. On the other hand, rules of legitimation were identifiable where an agent referred implicitly to relational norms. In process terms, normative drivers of proximation can evolve over time into rule-based drivers of the same relational proximation process.

> *They now do their community based stuff because it is something that they have to do. I may be grossly unfair... I am just a bit cynical that people are doing this to conform to what is now becoming a requirement in terms of what you do in CSR. It didn't used to be like that.* (Private Sector Manager 5)

> *There has hardly been an organisation that hasn't said, this would be good as part of our CSR program* […]. *Companies did these things, they weren't necessarily named CSR, but now it's interesting, the private sector, all those organisations will claim that that's part of their CSR program.* (Private Sector Manager 6)

Corporate social responsibility (CSR) had both a normative case—that firms and individuals possess a desire to do good—and a cognitive business case involving enlightened self-interest (Branco & Rodrigues, 2006). The preceding two quotations highlight a distinction between CSR as compelled and voluntary relational proximation. The quotations also betray a temporal blurring of the distinction between legitimizing structures and dominating structures—the transition between them is unclear. The above respondents clearly believed that, initially, a mechanism other than CSR codes drove social proximation in their businesses. The transition shows a relational proximation process, but one within which structures evolve from legitimation to domination. Decision-making in respect of relational proximity not only therefore has a strategic

calculative component, but also contains ethical considerations. Whether relational proximation is regulated by sanction or by power, the effect on recursive competitiveness was felt to be generative.

In addition to normative and affective enablers, cognitive calculations involving assessments of costs and benefits were also apparent. Fiol et al.'s (2009:286) recent examination of firm satisfaction in clusters included personal (affective) and economic (cognitive) dimensions.

> *I suppose, because usually doing something costs money.* […]. *It costs you a contribution to something… I think… yes,* […] *if we do this….I call it back-of-envelope. In a lot of things in life, a back-of-envelope is good enough.* (Private Sector Multinational Director 1)

The above respondent struggled to elucidate how the value of relationships was calculated; resorting to metaphor the respondent suggested that an implicit *back-of-envelope* approach was used. Other respondents suggested that implicit and explicit notions of benefit were relevant at the levels of the individual and of the organization. Negative assessments of firm competitiveness, sanctions or hierarchical power-plays by an agent often triggered distanciation. For instance, in the following example, sanctioning behaviour is evident when an individual manager was perceived to be making too heavy a commitment to developing relational proximity, to the perceived detriment of firm competitiveness:

> *My people thought that I got too involved, probably.* (Former Multinational CEO)

One of the above respondent's former junior colleagues (now Senior Director) confirmed what could be conceived as a form of regional myopia, a structural constraint caused by too much relational proximity:

> *We used to take the mickey out of him* [colloquial: make fun of him] *in terms of how much money we were spending on* [local] *sponsorship deals.*

The respondent went on to discuss the potential neglect of international opportunities. This seemed to trigger a period of relational distanciation in that firm, a re-focusing on the international agenda, and was remembered as competitively generative for the firm.

A further cognitive factor enabling proximation was found to be the perception of place dependence and firm immobility, referred to as a lack of "locational substitution" by Cox (1998:7). Respondents discuss such dependence as being dependent on local markets, or dependent on local resources; such as land, labour or raw material. Firms with such place dependence often demonstrated cognitively grounded motives for relational proximity to other co-located actors.

Discussions with the former (recently retired at time of interview) multinational CEO quoted above revealed affective motives to his past and continuing involvement with regional development efforts. Indeed, other respondents described him as being [City A] *down to his bootstraps.* We characterize this affective attitude to the region as an enduring relational state—regional loyalty—revealed amongst senior managers as a legitimizing structure. Often, enabling rules of legitimation survived incoming new CEOs from outside the region due to the normative effect of other senior managers and workforces. However, where firms demonstrate such loyalty through their workforce and no place-dependency exists, cognitive calculations still underlay relational proximity, and indeed continued geographic proximity.

> *At the end of the day, if the cost dynamic so dictates, I guess they would move.* (Public Sector Director 1: Regional Development Remit)

To summarize the foregoing empirical analysis, we have identified how the interplay between agency and structure evolved between co-located actors over time in a single relational space. This interplay reveals how relational time in relational space is both constrained and enabled by structures. An attempt to identify critical incidents to show where generative processes became degenerative was not fruitful. Instead, changes seem to have evolved and knowledge of such events was contained in the practical consciousness of actors who had lived and worked through them. However, it was possible to identify PG and DG episodes relating to propositions 1 and 3, and these are summarized in Figure 2 below. Further, through tracking respondents' knowledge of relational proximation we identified an enduring relational state we call regional loyalty, corresponding to proposition 5. Through a further theorizing process, it was possible to produce a second narrative relating to degenerative processes.

5.2: Degenerative processes

Degenerative processes are identified here as processes which negatively affect firm and/or regional competitiveness. The analysis presented in this section identifies how relational proximation and distanciation interact with competitive degeneration.

The *bigger picture* was a metaphor consistently used by respondents to denote regional regeneration. The big picture and indeed the story told by respondents familiar with the city for 30 years had been one of almost continual industrial decline. Hence much discussion revolved around historical processes relating to proposition 4. *Not-getting engaged with the bigger picture* referred to a perceived failure to contribute through interaction with agencies mandated to enhance regional competitiveness (public

and arm's-length agencies). Relational proximity in this sense was constrained by structures of domination manifested as a lack of facilities (time and money were consistently cited) to become involved without impairing firm competitiveness. Lack of perceived effects on firm competitiveness due to proximity to private sector actors was therefore a structural constraint.

A phenomenon quickly emerged in discussions to denote actors who were uninvolved, disengaged and absent from local networks. We conceptualize this phenomenon as 'relational isolation'. However, respondents also considered it obvious that new firms in a region would experience relational isolation, before a period of relational proximation.

> *I think there are lots of isolated companies. I don't think they are all disloyal. They don't know how to get in. (Arm's Length Agency Director 1: Regional Development remit)*

A difficulty stated in the focal region is the problem of new firms *not knowing how to get in*, due to high levels of apparent regional ethnocentricity (discussed by Li, Barner-Rasmussen, & Bjorkman, 2007; Mariotti, Piscitello, & Elia, 2010) and the city being a *big village* where *everyone knows everyone*, increasing the liabilities of outsidership for incoming firms (Johanson & Vahlne, 2009). Particularly strong relational capital may have constrained regional competitiveness by preventing new or outsider firms from gaining reciprocal access to stocks of relational capital.

Perhaps because of the effect of perceptions of relational un-competitiveness on relational proximation discussed in 5.1, relationally isolated firms were not found to be common in the focal region. When present, they were referred to by public sector respondents as being *disloyal*, having a *branch plant mentality* or being *grant hoppers*,

interpreted as an opportunistic and/or transactional/arm's-length orientation. Inevitably, many of these firms had come and gone.

> *Disloyal businesses asset strip their communities and then move on… or just move out.* (Public Sector Director 1: Regional Development Remit)

A clear perception of an absence of perceived reciprocity was evident in the stated examples of isolated firms (Sunley, 2008 argued that reciprocity is central to the existence of relational capital).

It was possible to uncover the processes through which two firms had become distanced from other co-located actors, particularly with public sector actors.

> *I have got tired of campaigning with* [the regional development agency], *I've just got sick of it, and I think it's got to a point now where most people have.* […] *disillusioned, dissatisfied, and actually running out of energy.* (Private Sector Director 3)

Later external attempts at proximation seemed constrained by internal negative sanctions, amounting to structural de-legitimation. As an extreme case, structures caused firms to enter an enduring state of relational isolation. For example, the following respondent was a CEO in a firm that had apparently been in such a state of relational isolation with both other private and public sector actors for some time before the interview.

> [The firm] *has tried a few times in the past to engage with the community. Every time they popped their heads above the parapet, one* [a co-located actor] *threw a brick at it.* (Private Sector Chairman)

Local interactions had been conducted transactionally. Sense-making was again exposed through the use of metaphor; having a *nose chopped off* or a *brick thrown* at a head. It was clear that the constraining structures of legitimation had been degeneratively created through agency; unsatisfactory experiences had resulted in the respondent

becoming relationally isolated. The preceding quotation helps to clarify Capello and Faggian's (2005) preference for the term relational capital over social capital. Clearly relational capital existed in the region, but the firm had no access to it. Since the core business of this firm was to maintain local transport infrastructure, it could not re-locate; its reaction to negative agency was therefore to isolate itself relationally. However, several respondents mentioned another example—a firm that had re-located out of the region after a period of extreme distanciation. In this case key staff changes had eroded what were previously remembered to be high levels of regional loyalty.

> *The* [firm's] *decision to move out of* [the city] *was a local decision and that was very disappointing and in terms of the loyalty it is an interesting point, loyalty… that family… there was a management change and the decision was made to move it. It is a shame.* (Public Sector Director 3: Regional Development Remit)

Loyalty to place was revealed as a form of legitimation; with a change of management, social proximity altered and dissatisfaction was not mitigated by stocks of relational capital. It would seem to build on work examining satisfaction with place (Izquierdo, Carrion, & Gutiierrez, 2008); economic and social (individual) dimensions should also be considered (as supported by findings by McKee & Wang, 2006). Relational proximity can therefore be assessed at any moment of time as the degree to which different proximities exist with different constituencies, with an extreme lack of relational proximity manifest as relational isolation. Relational isolation seemed to be an enduring condition, one not easily changed by individual agency but still susceptible to being altered by agents over time. Relational isolation therefore denotes non-reciprocal exchange between a firm and its relational space, discussed as a transactional regional orientation (such as *grant hopping*), or having no sense of interdependency (a *branch-*

plant mentality). Findings therefore support Sunley's (2008) assertion that relational proximity must include some notion of reciprocity. As Sunley (2008:4) further suggested, a firm may be "impersonal, and atomistic and motivated by opportunism and profit seeking". Respondents considered opportunism to refer to a situation where a firm understood the nature of untraded interdependency, but took the strategic or ethical stance not to reciprocate.

Local traditions of government were historically dominating structures which constrained proximation processes due to the resentment of perceived past power-laden practices used by the public sector on private sector actors. Such practices were remembered as a thirty year trend of DD process in the focal region. While such traditions of local government had changed recently, the words of a number of private sector respondents showed that a negative legacy of past public sector practices remained, which constrained agency. Consequently, a number of firms expressed doubts about the likelihood that increased proximity to public sector actors had positively affected firm competitiveness. Seen from the public sector perspective, a different perception of power emerges. It was clear that many public sector agents felt able to trust and felt trusted by private sector agents.

> *…and in most cases you can have a relationship where the private sector will say to us, this is commercially sensitive, we say fine. They trust us…we will respect that and we do, because in fairness, you only let them down once, not only do they not take you into their confidence they tell everyone else, don't touch the council we don't trust it. And that reputation, takes you ten years, to build* […] *you could lose it in a day.* (Public Sector Director 3: Regional Development Remit)

Public sector actors were becoming more aware of pressure by private sector agents to amend regional policies to favour individual firm, or single industry interests. The following example is such a power play by a strong local firm.

> *I looked the Councillor in the eye and said, that's very interesting and if you want to play that game then you will be the ones who ultimately pay the price when* [the firm] *pulls out of this region, so you go ahead,* […] *I will then no longer be responsible for the consequences, when I say to my bosses in London that I have real trouble recruiting in* [City A] *because of the image of the city.* (Former Public Sector CEO)

In such examples, public sector actors seemed to feel compelled to employ relational distanciation to demonstrate impartiality. Power-plays by either sector therefore seem to be to the detriment of short-term regional competitiveness and long-term firm competitiveness. The over-use of power by strong firms in weak regions may therefore have long term negative effects on the firms themselves. This suggests a U-shaped curve governing optimal relational proximity between public and private sectors, as well as in relationships between firms.

Summarizing the preceding empirical analysis, we have been able to identify a series of PD and DD episodes relating to propositions 2 and 4 and we show these in Figure 2. The region had been characterized largely by a 30 year DD episode which respondents felt had recently (the last five years) begun to slow down and possibly reverse. PD episodes of regional myopia leading to social over-embeddedness were observed, as were over-focussing on matters of regional competitiveness, to the detriment of firm competitiveness. There were periods when incoming and new firms could not penetrate regional networks and therefore access relational capital because of regional

ethnocentricity. In connection with proposition 5, we identify an enduring state of relational isolation.

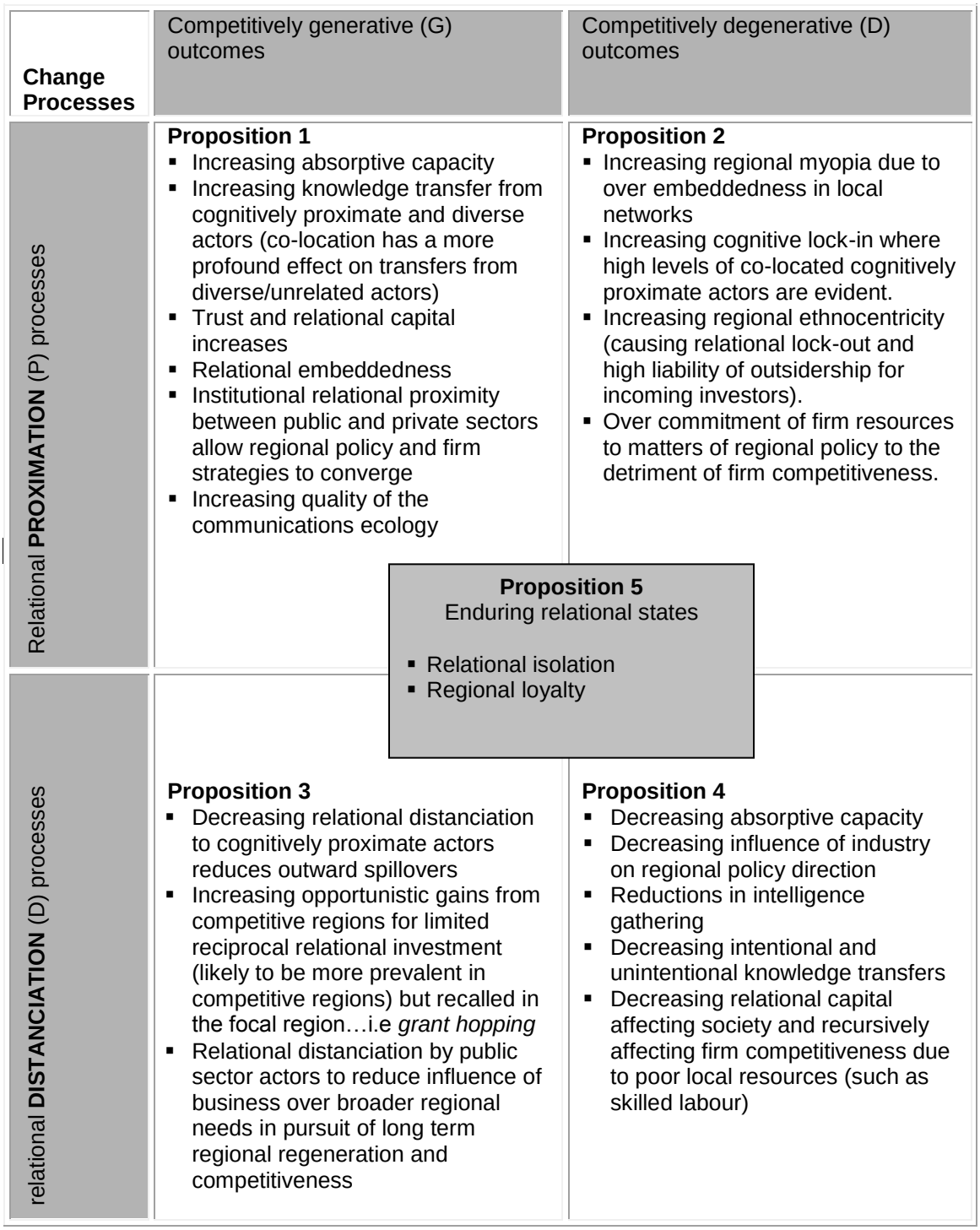

Fig 2: Summary of non teleological episodes relating to the five propositions stated in Section 3

6.0: Implications for research and practice

This paper has made a contribution to theory development in an area which has much to offer firms and public organizations in understanding the links between firm and regional competitiveness. The findings illuminate the interface between firm strategy and industrial policy in relation to regions, particularly in peripheral regions. The empirical analysis showed that most activity relating to regional involvement occurred rather spontaneously. This paper suggests strategic questions for industrial marketing managers who should perhaps consider optimum levels of relational proximity to specific co-located constituencies more explicitly. Further research in this area may lead to the development of specific items to be included in an industrial firm's strategic planning.

In the above narrative we have identified the interplay between agency and structure between co-located actors. Interdisciplinary research requires that broader transferability in theoretical contributions be considered. In this paper, the general theory of structuration has been used to identify the interplay between agency and structure. Over-reliance on voluntarist assumptions may miss the constraints caused by historical stocks of knowledge, and indeed periods where relational states endure. The combination within a research design of structuration with a relational time dimension would enhance the insights obtainable. For example, relational isolation, optimal proximity and regional loyalty were found to be enduring relational conditions. However as structurational phenomena, they are all capable of being changed by agency, usually over long periods of time. The theory of structuration and perhaps other integrative general theories such as critical realism offer the best opportunity for further tri-partite interdisciplinary theory development in industrial marketing and relational economic geography.

The findings discussed in the previous section support to varying degrees the processes and propositions summarized in the framework of Figure 1. PG processes (P1) were the most prevalent, and DG processes (P3) the least prevalent. It is possible that the research context—a peripheral region—may partly explain this. Further research conducted into relational proximation and distanciation in slightly different contexts, such as high-technology or metropolitan regions, could investigate whether relational distance and even isolation between cognitively proximate actors can be competitively generative. The degree to which relational distanciation protects against outward unintentional spillovers (and therefore is competitively generative) also marks an important point for further examination. However, the matrix (Figures 1 and 2) developed in this paper is transferable (Guba & Lincoln, 1994; Lincoln & Guba, 1985) to the analysis of relational proximity in other spatial environments. Whilst many of the findings in the above narrative are contextually particular (Gummesson, 1991), the interplay between agency and structure revealed is likely to be recognizable in other regions.

Building on the findings in this paper, further research could usefully investigate whether peripheral regions generally have richer relational spaces with greater contact between more diverse actors than highly competitive regions. The construct of relational isolation developed in this paper may prove helpful here—is relational isolation more prevalent in certain types of regions than in others? For example, is relational isolation more characteristic of metropolitan areas than peripheral regions? An interesting approach would be to develop longitudinal case-study analysis for firms in different

regional settings to build our understanding of proximation and distanciation processes within the relational framework.

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