

European Science Foundation  
Standing Committee for the Social Sciences (SCSS)

## **SCIENTIFIC REPORT**

**ESF SCSS EXPLORATORY WORKSHOP**  
**The Governance of Networks as a  
Determinant of Local Economic  
Development**



**San Sebastian, Spain, 16-18 November 2005**

**Convened by:  
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## I. EXECUTIVE SUMMARY

- ◆ Workshop Aim: to explore different forms of governance of networks, and their varied impacts on possible economic development processes in and across the regions of Europe (in the context of globalisation).
- ◆ Workshop Objective 1: recognising the analytical deficiencies of earlier research, to focus discussion on commissioned conceptual and empirical papers. In part these papers were intended to concentrate on an Initial Hypothesis: the significant economic differences across various forms of networks arise from their respective modes of governance, defined in terms of strategic decision-making. They were also to concentrate on associated Questions, including: what is the impact on economic activity of forms of governance in particular networks in specific localities and productive sectors; what are the opportunities and threats that SMEs might encounter in seeking to access and evolve networks that might enable their success in the globalised, new economy; how might SMEs be assisted through public policy; what are the criteria and characteristics of strategic decision-making in multi-locality networks from which local development processes might be rooted; how might these criteria and characteristics be influenced by public policy?
- ◆ Workshop Objective 2: to explore and consequently determine a set of *Research Hypotheses and Indicative Questions* that will drive co-operative activities into the future.
  
- ◆ To deliver on Objective 1, Workshop participants were requested to write papers and deliver presentations each more or less focused on (at least) one of four themes: (1) the theory of local economic development; (2) the theory of network governance; (3) international linkages; (4) case work on specific networks, by sector and/or by geographical area.
- ◆ To deliver on Objective 2, special sessions of the Workshop were scheduled so as to facilitate open, exploratory discussion reflecting on and fusing specific topics.
  
- ◆ The Workshop comprised 19 participants; 4 based in Spain, 3 in France, 3 in Italy, 3 in the UK, and 1 in each of Denmark, Germany, Ireland, Sweden, Switzerland and the Netherlands; 7 female and 12 male; 4 young researchers.
  
- ◆ The Workshop succeeded in bringing together scientists from various disciplines and at the forefront of their fields. The commissioned papers were generally of a very high standard (albeit not all were written prior to the Workshop, as had been envisaged in the Workplan).
- ◆ There was a genuine desire and determination on the part of participants to share ideas and to learn from each other, fusing intellectual approaches and traditions. This required a willingness to listen to different perspectives and to seek, deliberately and painstakingly, common ground; the Workshop sessions devoted to *Reflection and Integration* were especially intense and rewarding in this regard.
- ◆ Feedback from participants suggests the Workshop was a very stimulating, thought provoking and influential intellectual experience.

- ◆ Overall, we would especially stress the scientific significance of the following inter-related points as important for future research and among the issues that emerged from the Workshop process:
  - The *Initial Hypothesis* remains a valid and interesting starting-point, albeit concepts of governance and strategy require further clarification and exploration in the networking context
  - There is a requirement for networking processes to be open
  - Correspondingly, there is a need to understand what might ensure cohesion amongst network participants; i.e. what might ‘glue’ or in some sense hold together network participants
  - The central research questions refer to ‘economic power’, implying the need to focus explicitly on: what is power; how is it distributed; how is it revealed; what are its implications?
  - It is important to undertake multi-disciplinary study of (actual and potential) cross-local (or what might be called ‘trans-territorial’ or ‘multi-locality’) networks (successful and otherwise)
  - There is a necessity to analyse the key characteristics – including the ‘unlearning’ and ‘dis-embedding’ - that might enable a once closed area to evolve into a successfully anchored region
  
- ◆ Having experienced the Workshop, it would actually have been beneficial to have had two meetings, scheduled perhaps 4 months apart; there was so much material to take in and consider from a scientific perspective, and the commitment of participants to fuse their ideas, approaches and experiences was so strong, that a second scheduled event at which all participants were enabled to contribute would have been very effective.
  
- ◆ Nevertheless, plans are under way for a follow-up meeting, to be hosted at the University of Limerick (Ireland) on 19<sup>th</sup> June 2006; it is occurring as part of the *EUNIP Exploratory Workshop on Democratic Globalisation: Innovative Policies for Enhancing Economic Participation and Governance*.
- ◆ Further follow-up projects include the possibility of analysing a particular geographical territory from a new perspective that synthesises the various dimensions/approaches that each Exploratory Workshop participant has been especially concerned with up to now; a territory that none of the participants has thus far analysed (so as to facilitate each person to explore new issues without the burdens of his/her research history).
- ◆ There are plans to publish an edited volume based upon contributions that revise and redraft papers/presentations at the Exploratory Workshop: Mari Jose Aranguren, Cristina Iturrioz and James R. Wilson (editors), *Networks, Governance and Economic Development: Bridging Disciplinary Frontiers*
- ◆ It is intended to edit a Special Issue of *Entrepreneurship and Regional Development: An International Journal*, drawing on particular contributions to the Workshop and focusing especially on cross-locality networking. The issue will be on *The Governance of Cross-Localities Networks as a Determinant of Local Economic Development* and will be guest edited by Lisa De Propris and Roger Sugden.

## II. SCIENTIFIC CONTENT OF THE EVENT

The scientific context and rationale for the Workshop was based upon various factors:

- Growing awareness of the potential for networks of enterprises and other economic actors as loci for European ‘competitiveness’ (under globalisation)
- Despite this awareness, considerable confusion in academic and policy literatures spawned by the diversity in forms of networks that have been conceptualised and observed (with corresponding variation in network linkages and impacts)
- As a consequence of this confusion, constrained understanding of the relevance of networks for local economic development
- The potential to make sense of the confusion and overcome the constraint by focusing on a governance hypothesis: the significant economic difference across various forms of network is their respective modes of governance, defined in terms of strategic decision-making
- However, the conceptual analysis of this hypothesis has been developed out of, first, the economic theory of the firm and, second, the theory of economic development. A principal deficiency is that this economics-based understanding has not been fused with inputs from other disciplines
- Further, the interface between conceptual analysis and the empirical investigation of networking has been seriously lacking: whilst there are many case studies of networks - by productive sector and by locality - the conceptual and empirical research have tended to proceed in parallel, rather than in a mutually reinforcing methodology

Accordingly, the scientific aims and objectives of the Workshop can be summarised as follows:

- Aim: to explore different forms of governance of networks, and their varied impacts on possible economic development processes in and across the regions of Europe (in the context of globalisation)
- Objective 1: recognising the analytical deficiencies of earlier research, to focus discussion on commissioned conceptual and empirical papers from invited participants on an Initial Hypothesis and associated Questions:
  - ❖ *INITIAL HYPOTHESIS:*
    - The significant economic differences across various forms of networks arise from their respective modes of governance, defined in terms of strategic decision-making
  - ❖ *QUESTIONS:*
    - What is the impact on economic activity of forms of governance in particular networks in specific localities? For instance, what is the impact on competitiveness of forms of governance in clusters in the Basque country? To what extent might the lessons of such specific localities be generalised?
    - What is the impact on economic activity of forms of governance in particular networks in specific productive sectors? For instance, what is the impact on outputs of forms of governance in research and

- learning networks in Europe? To what extent might the lessons of such specific sectors be generalised?
- What are the opportunities and threats that SMEs might encounter in seeking to access and evolve networks that might enable their success in the globalised, new economy? How might SMEs be assisted through public policy?
  - What are the criteria and characteristics of strategic decision-making in multi-locality networks from which local development processes might be rooted? How might these criteria and characteristics be influenced by (local, national and international) public policy?
- Objective 2: to explore and consequently determine a set of *Research Hypotheses and Indicative Questions* that will drive co-operative activities into the future

To deliver on Objective 1, Workshop participants were requested to write papers and deliver presentations each more or less focused on (at least) one of four themes: (1) the theory of local economic development; (2) the theory of network governance; (3) international linkages; (4) case work on specific networks, by sector and/or by geographical area. The scientific content of this work is reflected in the set of abstracts provided by authors prior to the meeting, and presented in the following Section of this Report.

To deliver on Objective 2, special sessions of the Workshop were scheduled so as to facilitate open, exploratory discussion reflecting on and fusing specific topics.

The first *Reflection and Integration Session* provided the culmination of Day 1 of the Workshop. The questions that were raised included:

- ‘Anchoring’ has been identified in the Workshop discussions as an important concept: what might the need to anchor require from governance processes?
- Is network development an issue of ‘key actors’ or of ‘key activities’?
- What does ‘local economic development’ mean in the light of definitional concerns regarding: space, territory and place; economic and social relations?
- What is ‘strategy’ in a networking context?
- Why should networking take place? Why is it an issue? What are the benefits, and why are we interested in it?
- Do significant economic differences across networks arise from modes of governance? Or are modes of governance the significant economic difference?
- What might be the significance of a particular form of governance being embedded in different contexts; might outcomes differ?
- Consider the following three dimensions: networks are a structure; governance is how you run the networks (a process); outcomes are the economic differences. Is this analytically useful? If so, are the first two dimensions interdependent, independent or dependent?
- Is a functionalist way of categorising things useful? Might we usefully consider networks as actors and/or networks as a resource (rather than talking about both of these dimensions simultaneously)?

- Do we need to focus more explicitly on governance as a process that is a tool? Is it a historical and institutional process, which is characterised by compromise between actors (big, small etc.), and by rules that are shaped by the actors? Are there always contradictions between actors, and at times are the contradictions stopped by compromise? Is governance the process of compromise that evolves between groups of actors?
- Is it important to keep networks as something different to hierarchies, in which case must they therefore be co-operative, democratic?
- Is what matters a mix of the proportions of three different forms of governance (market, hierarchy, co-operation) that exists within a network? In that case is network only a structure, one which depends for its governance characteristics on that mix?
- If something is organic, how can it also be strategic? Can a network be 'planned'? Or does it emerge from a changing social division of labour?

Our conclusion from this discussion on Day 1 was that it clearly demonstrated a wide range of opinions and perspectives that would be difficult to draw together across even the small number of participants involved in the Workshop. Accordingly it was agreed to break the participants into three randomly chosen discussion groups, to facilitate the finding of common ground and hence the search for coherent *Research Hypotheses and Indicative Questions*. These Group discussions were a focal point on Day 2, which culminated in the Groups reporting back to the Workshop as a whole. Summary notes were taken on these reports, and circulated for further discussion on Day 3. The summaries are as follows:

#### ➤ **GROUP 1**

- Governance is a process that includes strategic decisions, and which has time dimensions, multi-tiered geographical dimensions, and involves economic actors and institutions.
- With this definition, the initial hypothesis is OK: the significant economic differences across various forms of networks arise from their respective modes of governance.
- Within this, we can now examine different forms of governance: hierarchy, markets, co-operation, and combinations thereof.
- The structure-conduct-performance paradigm can be used to contextualise the impacts of networks.
- Structure can be defined in terms of:
  - The actors that are part of the network: firms, government and others.
  - Linkages: there is no network without linkages.
  - Social capital
  - Public goods
  - Learning
  - Context and history.
- Governance is the process that leads from structure to conduct, but at the same time, the governance depends on the structure. The two are separate, but interdependent.

- The structure and governance are particularly important at times of internal and external shocks, because the latter will influence the structure and the conduct, and thereby the performance of the network.

➤ **GROUP 2**

- The idea of network was discussed. It is impossible to speak in general about networks and network governance. Rather, one must focus on a particular kind of process, for example on the emergence of productive opportunities in an economic system, and the actions that go with these opportunities.
- These ideas were discussed in the context of Toulouse:
  - Large firms, Matra and Airbus. Matra needed to develop new processes for space research, and co-operated with research agencies, leading to local resources and solutions.
  - Links were then cut with local research centres, but these centres then became connected with Airbus.
  - Thus thanks to the creation of local resources at a certain time, local players were able to re-orientate these local resources to different contexts.
- This leads to the development of a hypothesis: a shift from agglomeration of players in a region towards specification is a necessary condition for the survival of a community in a globalised world.
- Ideas were developed around two types of players in these processes:
  - First those that are rooted in the territory – they cannot escape with their specific resources.
  - Second, those that are mobile, multi-local – that have interests in different localities.
  - The two require different governance processes, and have different needs for survival. For example, for local firms more is at stake in the local economy.
- Public policy hypothesis: the major role of local policy consists of branding the region. This provides for the shift from agglomeration to specification.

➤ **GROUP 3**

- The group agreed at the start on the aim of all this activity: to try to contribute to policy designs in territories.
- It advocated a focus on a hypothesis derived from the following objectives:
  - To enable local economic development under the conditions of globalisation, focusing most particularly on how economic processes can be anchored and embedded in the locality.
  - To structure the understanding of networks via a focus on various dimensions.
- Dimensions include: structural differences in local networks regarding the number of co-operations the network needs to deal with; the space over which the networks are spreading; the scope of the co-operation; and the specific level the co-operation would deal with (e.g. common exports, technology development).



- It is important to understand how networks are actually structured so as to identify weak points as regards embedding and anchoring, and to explore the potential to add more dimensions.
- A particular aspect of the dimensions of networks refers to the strategy dimension. Are networks able to undertake strategic decisions? To create institutions from which to produce strategic decisions?
- The policy development in a region related to the development of networks is of relevance not only for firms, but also for policy-makers in the regions, etc..

These perspectives were the subject of further consideration at the last session of the Workshop. It was agreed that they should form the basis for further interaction and thought regarding appropriate *Research Hypotheses and Indicative Questions*. The following were amongst the more specific issues/questions that were highlighted for future consideration:

- Workshop participants showed broad agreement on the idea that it is essential for networks to be open. There is some suggestion that ‘mental proximity’ is important in this regard, but what is the kernel of ‘mental proximity’ that can facilitate cohesion in an open context? What is required to keep commitment, thus cohesion, in an open context?
- Are ‘local’ networks typically informal and cross-local (or what might be called ‘trans-territorial’ or ‘multi-locality’) networks usually formal, and would such a distinction be significant? With such considerations in mind, what territorial policies might be needed for strengthening and enlarging networks?
- What are the key features needed to anchor a region, in order for that region to gain? On the other side of anchoring, what about the dis-embedding of original stakeholders in a community? How might a once closed locality be dis-embedded? Surely ‘unlearning’ and ‘dis-embedding’ are important concepts?
- Do we miss decisive points because we focus excessively on success stories rather than cases more generally?
- Should the focus really be on networking rather than networks (because that provides a stress on the process)?

Overall, it was largely agreed that the *Initial Hypothesis* used to structure the Workshop process remains a valid and interesting starting-point, albeit concepts of governance and strategy require further clarification and exploration in the networking context. Further, there was agreement on the significance of networking entailing decentralised processes that are creative and evolving. However, in practice there are also hierarchical structures/processes that interfere with these horizontal structures, implying that central questions refer to economic power: what is ‘economic power’; how is economic power revealed in networking?; what are its implications?; given that the economy in reality is not a democracy, how is economic power distributed, and how does this distribution change following the evolution of markets etc.? (On power, discussion stressed the ability to learn, and the ability to determine direction despite the potential resistance of others.)

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*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**RAFAEL BOIX**

**‘Nets, Webs and Hourglasses: How Does Knowledge Flow Through Space and Time in City Systems?’**

What is more important for knowledge generation and transmission in the systems of cities, proximity or pure interaction in networks? Do they work in the same way in the short and long term? The objective of this paper is to explore empirically the influence of the network of cities on the knowledge generation and transmission regarding distance and time. An inductive approach is proposed using three elements: (1) a proxy of the knowledge endowment and variation in the cities; (2) two types of intercity networks representing proximity (fisher’s net) and pure interaction (spider’s web); (3) global and local Moran’s I index in order to capture the intensity of the spatial interaction. Results suggest that knowledge could flow faster in proximity whereas complex networks are more important for structural (long term) processes.

*WORKSHOP PRESENTER:*

**ERMANN0 TORTIA**

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**‘Social Enterprises and the Social Economy:  
A New Perspective on the Theory of the Firm’**

Traditional economic theory considers enterprises as mere production functions rather than autonomous subjects, which may be endowed with different ownership assets reflecting the interests of the agents involved, and objective functions. The view of the economic systems that results from this approach is narrow and simplistic. By preventing the consideration of organizations other than investor-owned, it leads indeed to underestimate the contribution that these organizations can give to economic development. Hence, the identification of two main inconsistencies on which mainstream economic analysis has so far relied upon. That is to say the inconsistency between the exploration by traditional economic theory of, mainly or solely, one typology of enterprise – namely the for-profit enterprise – and the contemporary economic reality, which is instead populated by enterprises characterized by different ownership assets (for instance: employee-owned; consumer-owned; farmer-owned assets, non-profit). More specifically, traditional economic analysis tends to consider investor-owned enterprises as the sole efficient form of enterprise by definition, and alternative organizations as an exception doomed to be abandoned through the completion of markets. This does not seem to be the case. One can notice indeed two different trends, which deny this presupposition: on the one hand, a historical growth in numbers and economic relevance of organizations pursuing goals other than profit; on the other hand, a gradual differentiation of the same organizations, which are far from disappearing. Empirical evidence provides indeed evidence of the re-emergence of not-for-profit initiatives also in countries where they have been historically persecuted and oppressed.

The second inconsistency refers to the incapacity of traditional economic theory to explain the existence of organizations that explicitly pursue goals other than profit, by taking on a social aim, which is in a number of cases envisaged by law.

As remarked by Hansmann’s major work on the ownership of enterprise, mainstream economics tends to use the term “capitalism” to portray the overall system of economic organizations that may be found in advanced economies (Hansmann, 1996), thus ignoring the specificity and fundamental role played by organizations that pursue goals other than profit in promoting the interests of stakeholders different than investors. In Hansmann’s view, in the vein of mainstream economics, both the enterprises other than investor-owned and the enterprises explicitly pursuing a “social” goal are doomed to disappear as a result

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of the development of markets, though market imperfections can persist for very long periods of time and reappear in specific contexts, recreating niches where not-for-profit firms can prosper again.

Despite the disregard and incapacity of economic theory of explaining organizational pluralism, an increasing attention has been recently paid to a number of economic initiatives, which are nothing but a new expression of the “Social Economy”. This is the case, for instance, of micro-credit initiatives that are spreading in both developing and transition countries to encounter the needs of impoverished people, who are judged un-bankable by traditional credit institutions. Nevertheless, when dealing with similar phenomena, traditional economics limits itself to recognize the buffer-role allegedly covered by these organizations. Contrary to this constrained approach, an analysis of the economic systems must include all the different typologies of economic organizations. Hence, the need of a theory capable of explaining the upsurge and development of organizations other than capitalistic ones.

The explanatory strategy hereby suggested attempts to explain why organizations displaying a social function are created and continue to exist, thus denying their transitory role. This is done by making recourse to the complex mix of motivations that drive the behaviours of agents.

More specifically, this paper pursues a twofold goal: to understand the rationale of alternative enterprises and verify the existence of a theory capable of explaining both organizational pluralism and the role that different organizations characterized by different goals and constraints can play in different contexts and historical phases. The investigation hence forth carried out is ultimately aimed at grasping the potentials of organizations other than capitalistic as vehicles for economic development especially at a local level in transition economies.

The explanatory objectives are pursued by introducing two extensions with respect to the mainstream approach. In the first place, a new theory of the enterprise which doesn't limit itself to consider the enterprise as a mere production function, but rather as an autonomous subject, a problem solving device able to adapt to local conditions, and drawing its survival and growth potential from localised knowledge and motivations embodied in its stakeholder contribution to the firm operation. Secondly, the move from a self-interested approach towards a new one which considers the existence of not self-interested behaviours, characterised by attention paid to fairness and reciprocity, reflects key elements of the firm organisation, such as distributive equity, and is better able to explain the development of organizations characterized by a social connotation, which are in a number of cases explicitly incorporated in their statutes.

## **References**

Hansmann H. (1996), *The Ownership of Enterprise*, London, The Belknap Press of Harvard University Press.

WORKSHOP PRESENTER:

**OLIVIER CREVOISIER**

PAPER AUTHORS:

**BERNARD PECQUEUR, OLIVIER CREVOISIER,  
VÉRONIQUE PEYRACHE-GADEAU, LEÏLA KEBIR, JOSÉ CORPATAUX,  
KRISTIAN COLLETIS-WAHL\***

**‘The Territorial Economy: A General Approach in Order to Understand and Deal with Globalisation’**

Today, (too) many contributions exist that are dedicated to local economic development (industrial districts, clusters, etc.) or to local innovation dynamics (innovative milieus, technopoles, regional innovation systems, etc.). In our opinion, the crucial question at present no longer consists of providing new notions and concepts. We believe that it is time to develop a more ambitious, theory-oriented research programme that aims to take space and time in socio-economic theory fully into account.

This proposal is presently being discussed within the European Research Group on Innovative Milieu (GREMI) in order to define a new research programme.

Our initial assertion is that socio-economic questioning cannot be understood either independently of space and time, or in an abstract way, without reference to concrete, situated and dated *situations*. Therefore, *Territorial Economy* is a research programme at two levels. First, it aims to understand emerging socio-economic questions (concrete, situated and dated) (Part 1). Second, it tries to build a renewed theoretical approach based on the assertion that spatialities and temporalities are not neutral frames, but on the contrary constitutive elements of socio-economic transformations (part 2).

In order to reinforce this proposition, ties need to be strengthened between economics (especially the institutionalist approach) and geography, because both focus on situated phenomena.

This should make it possible to ask questions about development in general, in an original way. Nevertheless, it supposes going beyond, or at least enriching, the classical approach to innovative milieus (centred on products, on technology, on industrial production, etc.) and to envisage innovation/change in a more global way. It is now necessary to enlarge the notion of innovation and to shift to the more general notion of *trans-formation*. The latter notion gives an account of the spatial and temporal nature of changes, while alluding to the concept of *trans-action* put forward by Commons (1934).

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\* This text is the result of a two-day workshop “Finding new paths for innovative milieus” held in Neuchâtel on 17 and 19 March 2005.

## *THE SOCIO-ECONOMIC OBJECTIVES: IDENTIFYING CURRENT QUESTIONING AND RESPONDING TO IT*

The originality of our proposal can be resumed thus: socio-economic questionings cannot be understood either independently of space and time or in an abstract way without reference to concrete, situated and dated situations. Territorial economy is therefore a two-level project. Its primary aim is to renew comprehension of emerging socio-economic questions (that are concrete, situated and dated). Secondly (see the following section), it seeks to construct a new theoretical hypothesis, i.e. that spatialities and temporalities are not neutral frames but on the contrary are socio-economic transformations.

To reinforce this proposal, we shall favour interdisciplinary rapprochements around the notion of territory between geography and economics. Such a dialogue is essential because both are related to "*situated*" phenomena.

This will make it possible to grasp questions of development in general in an original way. It does, however, suppose going beyond classical innovative milieus (links to products, technology, industrial production, etc.), and to envisage innovation / change in a more global manner. It is thus necessary to broaden the notion of innovation and generally to move on to one of transformation: this latter term takes into consideration the spatial and temporal nature of change (but sadly, and in doing so, loses the reference to the economics sector).

A research programme is, however, only meaningful if it deals with the questions of its era. Among these, and without wishing to provide an exhaustive list, two in particular appear to us to be important.

### **The rise of service-type activities with a high cultural content**

The nature of economic innovation has undergone considerable modification over the last fifteen years. Innovation of a predominantly technological nature is no longer as central within an economy massively dominated by services and in which the intangible and the cultural play a major role. The cultural industries (cinema, media, publishing leisure, sport, wellbeing, etc.), finance (including services to companies) and the higher services (health, higher education, etc.) form the heart of the richest European economies. Traditional activities (clothing, agro-food, etc.) are reorganising themselves around these axes while undergoing massive and long-distance relocation.

A first consequence of this is that *face to face relations, or at least proximity relations, play a greater role within the economic systems*. With the considerable growth in the mobility of factors and of consumers, these service activities are moving more and towards exportation, to the point that they form new, complex production / consumption systems. The production location also becomes the location where expenditure occurs, and this leads to the growth of the large urban regions that represent considerable markets. Consequently, the innovative milieus are not exclusively productive. Within the service-oriented economy, the supply / demand relationship becomes more of a structuring element within territorial construction. The image of regional or national production systems that export their products far away becomes obsolete, or at the very least must be re-examined. For example, major football clubs have – by tradition – local markets. Today, they constitute considerable poles of attraction within certain urban economies but also well beyond them because of their impact on tourism

(spectators flocking to matches, visits to the stadiums, image effects, etc.), plus their related tertiary and industrial activities (television broadcasts, merchandising, etc.). In such systems, the new information and telecommunications technologies and the media play an essential role, since they permit – in activities such as finance or sport – remote, large-scale sales of the products / services resulting from a complex local dynamic.

Another characteristic of this service-oriented and intangible economy is the *close imbrication of the cultural and economic dynamics* and consequently the questioning of the traditional frontiers between the socio-cultural and economic spheres. Innovation can in fact be characterised today by the incorporation of increasingly marked "cultural components". By definition, cultural resources (national heritage, either natural or constructed), history, lifestyles, aesthetic traditions, etc.) constitute the basic components of a community or of a society. To produce and to innovate is today is to confront someone and to sell him cultural specificity. By doing so, of course, the relations between a company and its "clients" are placed at risk. Commercial relations are less and less distinct from the cultural and social link, both within a company and beyond it. To innovate is to differentiate while continuing to maintain the aspect of inter-cultural, commercial exchange.

### **The growth of mobility / anchoring and economic, socio-cultural and spatial continuities / fragmentations**

The extraordinary growth in the circulation of goods, but above all of capital, individuals and knowledge is the other transformation that is marking our societies and that cannot be ignored. The causes of this growth in circulation are multiple, ranging from the development of new technology and transport systems to international agreements. Naturally, this increase in circulation does not take place at random or in a generalised way. It affects certain territories more than others, and leads to new spatial configurations (for example the "global cities"), it transforms relationships of power, it increases the pressure on the natural and constructed environment massively yet selectively, etc.

Our hypothesis is that with *the increase in mobility, the question of anchoring arises in an accentuated and renewed way.*

In fact, although financial capital makes it possible to transfer the ownership of securities from one corner of the globe to the other instantaneously, the question of the spaces concerned by these transactions arises. The actors and the spaces participate in this movement in ways that differ tremendously. Some of them master it and derive benefit from it, while others are at a disadvantage. Yet others simply remain at the sidelines to these movements.

The changes concerning the mobility of individuals and competences are also considerable. The traditional hypothesis of the regional economy, which once considered capital to be mobile at least on a national scale and labour to be largely immobile within the region, is no longer tenable. The circulation of skilled personnel has grown considerably, to the point where the great majority of European flights are now day returns. Concerning less qualified persons, and above all those from countries that are not in the European Union, migration is becoming extremely difficult and fraught with perils.

All this lead to various paradoxes: the hyper-mobility of capital, which leads to the development of both "global cities" and at the same time micro credit, or the increased circulation of the elites and competences that goes hand in hand with the dramatic tightening of frontiers that is bringing about thousands of



deaths each year in the Mediterranean and the Rio Grande. Further aspects that are becoming more prevalent are the question of the articulation of competences and of know-how, but also that of social conditions surrounding the mobilisation of the labour force coming from territories that are both strongly compartmentalized and/or distant and increasingly economically integrated.

A first set of questions leads back to the issue of mobility / anchoring. How are forms of anchoring or capacities for interacting and developing complex apprenticeships created? What spaces are able to participate in rich dynamics that have become multi-local and multi-scale? What responses can be provided when "holes" – ever deeper spatial ruptures – appear in the territory? Everything takes place as if, paradoxically, anchoring takes place both via seeking specificity and territorial construction and by the mobility of the resources.

A second set of questions concerns the nature of the globalisation and the construction of the proximity. The selective continuity process of the production processes, which involves long distances and which is in constant movement, leads to fragmentation on a proximity level. Territorialisation persists in new forms: during the 1980s, it was possible to observe spaces reputed to be continuous and that functioned by means of osmosis between production and society, and in a world where accelerated circulation had not been integrated. Today, it is necessary to bear in mind that there are discontinuous territories, discrete territories, and ruptures not only among the regions but within the very interior of the spaces and cities. Our hypothesis is that *what is global is not a non-differentiated space but a process of developing a close relationship between distant spaces: the discontinuous spaces that are the reference territories of today*. To describe these, observing the mosaic of the production systems or innovative milieus is no longer sufficient. Other ideal-types regarding territories remain to be constructed.

Thus, the system of the "here and there", i.e. the multi-local, is tending to become articulated with that of "local and global", i.e. the multi-scale. If we now place that in relation to the contemporary characteristics of innovation (the "culturisation" of products / services), it follows that seeking and constructing specificities of an increasingly cultural nature is also an identity system – not only among nations or regions taking part in the exchange but also a decomposition / recomposition system of the local societies themselves.

Within the delocalisation processes, we thus place the "here and there" in relation with one another; we should move on to study "multi-scale dynamics", become interested in productive networks, in forms of circulations and in the multi-local; we should take into account the modalities of the exchange in the space-time contraction, but also the multi-co-ordinations and their impact in terms of the convergence-divergence of the territories and actually within the territories.

The phenomenon of "globalisation" has never had any genuine theoretical content. We contented ourselves with identifying and understanding local dynamics on the basis of transformations initiated on the global scale, yet without knowing who instigates them or where they begin. Today, it is time to give these transformations content, by observing *the multi-scale dynamics*. Our perspective will be to operate a formulation based on the postulate that the territory is the key to understanding changes in the world.

### **An initial objective: the territory as *the regulator of globalisation***

During the 1980s, the work of GREMI (Aydalot 1985) was based on the question of regions in crisis, on the problems inherited from industrialisation and of course on the possibilities of re-qualifying these territories by deriving inspiration from the "successful" milieus. Today, the question for the territories has become on the one hand that of participation in forms of circulation, of legibility and of long-distance networking and on the other, that of *regulating the ruptures and discontinuities* that exist within the cities and regions.

Our hypothesis is, in fact, that the growth of mobility leads to an increased necessity for re-anchoring. This leads to the necessity of re-formulating a "new, New Spatial Division of Labour (NSDL)". To date, we had the postulate of the immobility of labour, of competences, of consumers, and the low mobility of capital – yet this is no longer valid! What is the spatial division of labour today? What place do territories hold within relations among local production systems at each corner of the world? Mobility and the confrontation of territories constitute the two processes of a "new" NSDL.

The relationship between mobility and anchoring can be read from the point of view of the utilisation of the territory (logic of localisation / delocalisation, but also of its specialisation, merchandisation, etc.). We can also observe this through the incoherencies, the ruptures, the dysfunctions, the pressures of all kinds... the global pressure brought to bear on certain places is becoming massive because they become part of the circuits... and add to this the question of those territories that find themselves excluded from the logics of circulation. It is, in a way, a question of measuring what participating – or not participating – in mobility implies from the point of view of the conditions for the sustainability of the development.

### *THE THEORETICAL OBJECTIVE: PLACING THE TERRITORY AT THE CENTRE OF THE ECONOMIC NOTIONS, CONCEPTS AND THEORIES IN ORDER TO RECREATE SOMETHING MEANINGFUL*

Territorial economics consists of approaching questions of economics by means of time, space, and by systematic reference to *concrete situations*. But *territorial economics is a theoretical project that encompasses more than this*. It is vital to carry out a new reading of economics from the territorial angle, and even to go further, i.e. to state the principles behind a genuinely territorial, political form of economics.

It is thus necessary to envisage laying the methodological and theoretical foundations of the territorial approach a) as a social science that is likely to serve as a reference within inter-disciplinarity, b) as a research method, a fundamentally methodological theory, and c) as a (re)reading grid for the key concepts of economics.

Proposal: *In order to be understood, conceptualised and theorised, economic trans-formations are perceived from the angle of time and space. However, space and time are not neutral frameworks of the economic process, but the constitutive elements of these processes. On the methodological level, these trans-formations cannot be understood without relating them to concrete terrains and to society's questioning.*

This approach is aimed at providing a basic explanation of economic phenomena by means of territory. GREMI has without doubt succeeded in giving such a status to the concept of innovation. Innovation is no longer simply a

novelty (temporal aspect) that has appeared on the (abstract) market. It is also the result of a confrontation between a milieu (which is both conceptualised and which pertains to concrete, dated and situated *situations*) and its environment. The history of the place and its present capacity to project itself into the future are constitutive factors within territorial innovation. The local conditions and the processes of differentiation, specification or specialisation in relation to the "elsewhere" or the "global", are equally essential to the very conception of the notion of innovation from GREMI's perspective.

We could also cite as an example the *financial capital*, whose principal characteristic in terms of territorial economics is instantaneous or highly short-term mobility within space. This capacity to defect, however, cannot take place in an abstract space but in a structured one with certain places that are able to generate this mobility, to manage it, and to attract the financial capital and to carry out its re-anchoring. *Real capital*, on the other hand, is characterised by its virtual immobility on the long term. Its articulation with concrete, local conditions is a necessity if it is to reproduce. Real capital can be handled like all the concrete production capacities of a given society at a given moment.

Finally, beyond the reformulation of the concepts and theories of political economics, territorial economics should construct new ideal-types besides that of the innovative milieu. We could imagine, for instance, a "new" New Spatial Division of Labour, although this merits a better term.

These ideal-types are made up of relations and ruptures in space and time; relations that consist of both articulations and tensions. For example, how can the virtually instantaneous hyper-mobility of financial capital and the temporalities of innovation be articulated with one another? This question has been the subject of a considerable amount of literature, to which territorial economics can provide original responses.

*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**JEAN-PIERRE GILLY**

**‘The Sector-Territory Relations Analysis: The Case of Aeronautical Activities in Toulouse’**

The presentation is made up of two sections. The first section goes back to some concepts:

- the territory and the sector as meso-economic constructions
- an approach to the coordination of the actors in terms of proximities; the institutional dimension determines and explains territories’ variability in time and space
- the notion of territorial governance, which underlies and controls local productive dynamics
- a typology of territories: agglomeration, specialization, specification; the concept of territorial specific resource built by the actors, attached to a territory, untransferable elsewhere, but allowing the implementation of several trajectories of development locally
- a non-localist conception of the territory and of territorial governance

The second section analyses the transformations of the Toulouse aeronautical space: from an agglomeration space to a specification territory.

This approach, of an institutionalist and regulationist type, aims at articulating in a dialectical way the local and global dynamics by introducing a sectoral dimension. Thus, the core of the approach aims at crossing territorial dynamics and sectoral dynamics by means of their reciprocal impacts as regards competences, resources and externalities, highlighting consequently the recompositions in progress, both productive and institutional, of the sectors and the territories.

*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**ANNE LORENTZEN**

**‘The Spatial Extension of Knowledge Networks’**

The success of firms in contributing to regional development is connected to their ability to compete globally. Global competition can be felt by producers of goods and services wherever they are located, as long as trade is free. Specialisation through innovation is a widely shared strategy among firms producing goods for the global market. Literature on RIS and LR focus on systemic and collective processes of innovation and learning, claiming that learning is an interactive process which is decisively stimulated by institutional support and cultural and social affinity at the regional level. Stable regional networks is said to be favourable to innovation and growth

This paper takes a different view. It is argued that firms operate under conditions of competition, which is detrimental to cooperation. Firms have to create and search for knowledge to stay competitive. Knowledge sourcing can take place both internally and externally, and at different spatial scales, depending on branch of industry and the quality of the institutional environment.

It has been argued that ‘proximity’ is enabling knowledge exchange or sharing, because affinity nourishes trust among partners, which again nourishes knowledge sharing. Proximity is not only geographic, but also organisational, cultural, social and professional.

This paper argues that partners meet in different contexts at different scales that need not be confined to the regional territory. It also argues that knowledge partners need not be permanent. On the contrary firms will look for new partners along with the changing challenges and needs, although periodically stable partners may be quite important. Temporary and/or distant partners or networks rely on the global ICT infrastructure and the new forms of ‘work by travelling’. There is a mobility connected to innovation, which the territorialized innovation theories do not consider.

The firm is however the core and driver of innovation, and its success depends not only on the accessibility to knowledge through networks and

institutions, but also on the capability to decode and transform the knowledge into something useful. Financial, organisational and qualificational resources together determine this capability.

These ideas will be illustrated with examples from Polish manufacturing firms.

*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**BERNARD PECQUEUR**

**‘Territorial Dynamics: Toward a New Model of Development Facing the Globalization?’**

In the post fordist world, new forms of localized networks can be observed (Innovative Systems, Industrial District, Agro Food Clusters,...). The paper will stress, in its first part, on the analysis of these forms: what is the role of institutional actors in these clustering forms, what is the characteristics which make them different of a classic production organization (hierarchical and vertical forms) and what is the importance of consumer’s choices in the construction of the local market and the local image. I will focus mainly on North American and European examples.

The second part of the paper will try to define the emergence (because of the extension of the clustering forms of production) of a “model of specificity” (based on quality norms and cultural differentiation) versus the productivity model (based on generic production and mimetism).

In its conclusion, the paper will discuss about the opposition and the compatibility conditions between the two models in the global trend of the world economy.

*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**BENGT JOHANNISSON**

**‘The Limits To Control - From Strategic Choice To Self-Organising’**

Now at the turn of the millennium the frequent contributions of the network metaphor to public discourse on economic and social development has almost turned it into a platitude. As a contribution to a rescue operation in order to save the network concept from such a fate, it is i.a. important to elaborate upon what kind of control that can be practiced in the context of network organising. Since networks/networking is a phenomenon bridges the macro and micro levels of analysis and as well as deterministic and voluntaristic images of the socio-economic reality it invites a wide range of control mechanisms. Both from a theoretical and practical point of view a spatially demarcated system, a place or locality, appears as an appropriate empirical context for imagining such optional modes of network control. On one hand local firms and public bodies on the local, regional and (inter)national levels take strategic, i.e. deliberate, action in order to promote the creation of networks ('strategic alliances', 'clusters', 'innovation systems'), on the other physical, social and mental proximity may trigger self-organising processes originating in spontaneity and commitment to place. In order to make the latter processes intelligible the taken-for-granted management framework has to be completed with concepts originating in entrepreneurship. The analytical elaboration will be illustrated with findings from field research in a Swedish industrial district where ongoing networking processes materialise collective entrepreneurship.



*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**KLAUS SEMLINGER**

**‘Cooperation and Competition in Network Governance’**

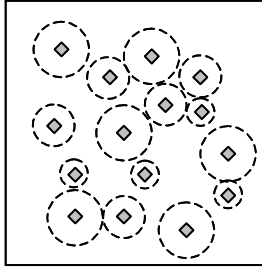
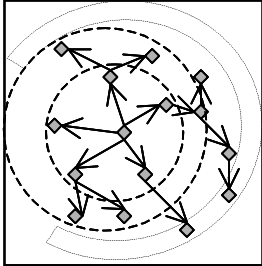
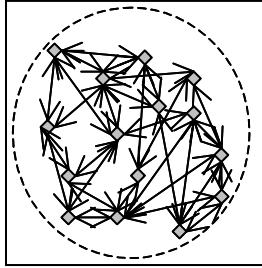
The re-discovery of industrial districts has shown that mere co-location of entrepreneurial entities has to be supplemented by intentional co-operation to result in competitive advantage: To develop and to sustain state-of-the-art competence companies have to specialise; yet to preserve and increase flexibility and to arrive at a competitive product more often than not it is necessary to make use of the special knowledge of other firms, too. Therefore, close collaboration of specialized firms – which is facilitated by local proximity – is supposed to be the decisive driving force behind regional economic development. Additionally, because increased specialization unavoidably leads to growing asymmetry of information and thus hampers both market mode collaboration and the hierarchy mode of control, it is argued that regional collaboration should take place in cooperative networks of trusted partners. However, in a developing Knowledge Society it is more and more unlikely that the most advanced knowledge is always at hand nearby in a well-established network of well-acquainted insiders. Correspondingly, regional networks have to open themselves for collaboration with unknown outsiders and they have to combine cooperation and competition. The paper will elaborate on these necessities, investigate the generic mode of cooperative interaction, and try to solve the imposed dilemma of the requested “antagonistic melange” of competing governance structures.

*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**ROBBIN TE VELDE**

**‘The Dialectics of Network Governance: A Story from the Front’**

The optimum structure of a network depends on the information costs within the system. When these costs are very high there will be (I) no co-ordination between the nodes. When the information costs drop, co-ordination does occur albeit (II) in a hierarchical manner with one central hub and the other nodes as spokes in the network. When information costs drop even further, a (III) polycentric network appears which marries the advantages of I (knowledge-based) with those of II (co-ordinates between all nodes).

	I	II	III
<b>A Network type</b>			
<b>Epistemology</b>	Knowledge-based	Information-based	Knowledge-based
<i>Governance</i>	Decentralized	Centralized	Decentralized
<i>Coordination</i>	Not coordinated	Coordinated	Coordinated
<i>Interconnectivity</i>	None (zero)	Medium	Maximum (fully meshed)
			

The transition from one stage to another implies radical changes in the division of power between the nodes (autonomous nodes vs. central hub). Given the ever-decreasing information costs in many cases II might not be the most efficient governance structure anymore. However by commoditizing local knowledge (making the nodes mutually exchangeable) the hub can maintain its central position for a long time. Thus especially the transition from II to III will be difficult. On the other hand III will have the tendency to introduce some hierarchy

to cut down the great number of links and to have some locus for the formulation of the overall direction. This is not a stable situation since the autonomous nodes might be wary of any kind of difference between them – even a *primus inter paribus* is not accepted.

These observations are not merely theoretical notions but grounded in the practice of the author of running a multinational type III consultancy for over a year. Type III does indeed turn out to be much more efficient (overhead is about 10 times less) and more effective (local knowledge is much better exploited) than type II. Nevertheless it appears to be difficult to make the transition directly from I (the point of departure: a loose network of local one-person shops) to III. The major challenge is to change the perceptions of both the members of the network (who find it hard to think of the network as a whole) and the clients (who have a bias towards the traditional type II kind of contractors).

The (open) question is whether it is possible to bypass stage II or whether dialectics takes its toll and one cannot arrive at a synthesis without an antithesis.

*WORKSHOP PRESENTERS:*

**CRISTINA ARAGÓN AND CRISTINA ITURRIOZ**

*PAPER AUTHORS:*

**CRISTINA ITURRIOZ, MARI JOSE ARANGUREN AND CRISTINA ARAGÓN**

**‘Do Cluster Approaches Really Enhance Networking  
and Increase Competitiveness?’**

One of the changes in the discipline of political economy nowadays is the transition towards a new political economy of development. A component of this transition is the evolution from government to governance, which must be taken into account in a variety of different levels from global to local. On the other hand, a shift from competitiveness policy towards policies based on knowledge creation and transfer can also be observed. These changes have made policy makers consider networks and clusters as useful devices to canalise their industrial policies.

Besides this, driven in part by the desire to maximize the use of public resources in policy assistance, interest in developing and testing new methodological approaches to evaluate such industrial policies has been steadily rising. This interest is even higher in policies devised through clusters and networks, where there has been a lack of evaluation, mainly because of the difficulties in defining the object to be evaluated.

In clusters and networks, the basic aim is to create/enhance cooperation and relationships and to increase the capacity of individual agents within the network or cluster to make effective use of networking, and consequently improvements in the competitiveness of the network agents. Thus, the competitive advantage lies in the interactions of specific collectives of firms and other organizations, so the evaluation has to consider changes in agents' behaviour.

Following different theoretical and methodological approaches, we develop a tool that aims to evaluate initiatives that try to enhance cooperation among

different agents to improve their competitiveness or results<sup>1</sup>. After the description of the proposed tool, we will contrast it in a cluster association<sup>2</sup> in the Basque Country.

So, after presenting existing cluster associations, we study the Paper Cluster Association, which is a cluster association integrated by seventeen partners, mainly pulp and paper producers but also, suppliers of capital goods, engineering firms and a training centre. Once contrasted the presented tool in it, we present the conclusions about the real achievement of an effective networking and its results in the firms' competitiveness.

The methodology used will be based on personal interviews to different agents in the network.

So, this paper that we present is an empirically oriented paper where we propose a framework to evaluate networks and clusters and we contrast it in a real case in which we evaluate the effects of these kind of initiatives in the enhancement of cooperation among the different agents involved to improve their competitiveness or results.

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<sup>1</sup> This tool was presented in EUNIP 2004.

<sup>2</sup> More information about this two network models can be found in Aranguren, Larrea and Navarro (2004): *The policy process: clusters versus spatial networks in the Basque Country* in Christos Pitelis, Roger Sugden and James R Wilson, *Clusters and globalisation: The development of economies*, Edward Elgar (Forthcoming)

*WORKSHOP PRESENTER:*

**HELENA LENIHAN**

*PAPER AUTHORS:*

**HELENA LENIHAN AND BERNADETTE ANDREOSSO O' CALLAGHAN\***

**“The Governance of Networks as a Determinant of Local Economic Development in the Shannon Region of Ireland”**

The paper examines the governance of networks as a determinant of local economic development in the case of the Shannon Region (SR) of Ireland. The SR is unique in that it is home to Shannon Development - Ireland's only regional development agency.

The study through the use of a questionnaire during face-to-face interviews with the managing directors of firms located in the SR (focusing on 3 sectors) will focus on the following key research questions: What type of network governance is there in the SR? The ultimate question to answer is what is the economic impact (in terms of firm competitiveness, turnover, employment and innovation) of this form of governance? Through the face-to-face interviews, the paper will also explore the extent to which SMEs in the SR are integrated in global production networks and the degree to which MNEs in the SR are embedded in their local productive system. Additionally, the paper will examine the structure of the firm decision-making process and the degree of social interactions in addition to assessing the level of openness (in terms of information exchange; cooperation in terms of innovation; production linkages; knowledge transfers, etc) between the various actors in the SR. Finally, the paper will analyse the degree to which public policy influences strategic decision making in this network and the extent to which SMEs (indigenous firms) 'survive' without MNEs.

The case study of the Shannon region will highlight important and transferable lessons for other regions and countries in Europe, from both a theoretical and a policy perspective.

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*WORKSHOP PRESENTER AND PAPER AUTHOR:*

**MARCO BELLANDI**

**‘International Trans-Local Collaborative Relations.  
Some Notes on Progressive (i.e. Not Regressive) Reactions to the  
Chinese Industrial Challenge’**

The paper builds on the results of an ongoing research on the new industries in China (Bellandi and Di Tommaso 2005). The challenge that new Chinese industries take to European industries, in particular to those at the core of our industrial districts, is explained by a rich and varied combination of factors of development: cheap labour; large internal market; state and local policies opening to MNE investments; but also local reserves of entrepreneurship and competence; regional policies supporting the development of industrial clusters; regional policies for the constitution of large infrastructures of education, research and communication; and the influence of networks of overseas Chinese entrepreneurs. The several cases of specialized towns (i.e. localities characterized by the presence of an industrial cluster), found in the most developed regions of China, exemplify this rich variety of factors’ combinations. Within the specialized towns and industrial clusters of Guangdong, for example, some suggest a relatively strong role of developmental local factors. These cases represent in perspective a great challenge to our districts, but also an opportunity for an enlarged and fruitful frame of division of labour and exchanges. The paper discusses in particular the possibility of building international trans-local collaborative relations. These relations need the support of specific trans-local public goods, from technical and communication standards, to trust rules and cognitive proximity. Such goods are constituted both through strategic action and cross-cultural fertilization. Trans-local collaborative relations do not cancel out the competitive challenge, but they give an alternative to games led by MNE playing localities against localities: re-localization instead of de-localization. The paper concludes coming back to some recent Italian and international debates on related issues.

*WORKSHOP PRESENTER:*

**SAIOA ARANDO**

*PAPER AUTHORS:*

**SAIOA ARANDO, MIKEL NAVARRO AND IÑAKI PEÑA\***

**‘International Linkages Within a Regional Growth Pole:  
The Case of the Basque Eurocity’**

The disappearance of internal borders in the European Community has provided cities located in cross-border areas with a unique opportunity to establish new economic activities among international firms. Companies which belong to different European States, but are sited each close to the other within a narrowly defined geographic area, can now freely interact and build new relationships across borders.

One example of this phenomenon is the Basque region, which is divided between the States of Spain and France. To our knowledge, no study has attempted to examine the existing business relationships between Basque companies located in both sides of the frontier. The objective of our study is to analyze the extent to which Basque companies from Spanish and French sides collaborate and partner in business activities. Also, the study is an attempt to examine the business demography of the Eurocity region and to assess the contribution of the development of an Eurocity promoted internationally by government authorities to regional growth.

Data have been collected from EUSTAT and AMADEUS databases, which allow us to test for collaborative agreements between Basque firms located in the Spanish and French sides of the Basque region. We conduct different analyses for Basque firms within the “Eurocity pole” and “out of the Eurocity pole” in order to capture the economic impact of the “Basque Eurocity” institutional program.

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\* Saioa Arando and Iñaki Peña are from University of Deusto, Spain.



*WORKSHOP PRESENTER:*

**LISA DE PROPRIS**

*PAPER AUTHORS:*

**LISA DE PROPRIS, STEFANO MENGHINELLO AND ROGER SUGDEN\***

**‘Multi-National Webs:**

**A Preliminary Conceptualisation and an Application’**

The competitiveness of local production systems depends more and more both on their ability to create knowledge and be innovative, and on their capacity to remain on the frontier of technology in their relevant sector. This means exploiting the economies generated by co-location and embedded competencies, and at the same time being open to outside stimuli by having permeable borders. The internationalisation and openness of local production systems may mean the development of strong bridging relationships across systems and across localities. We consider the possibility for local production systems to establish productive relations with actors outside their locality, and in particular to create multi-national webs of production systems.

The possibility for cluster firms to engage in such multi-national webs cannot be seen as the failure of the cluster model of production. On the contrary, it must be considered as an opportunity to expand such a model to envisage international production networks across localities. The latter, whilst retaining the heterarchical governance structures of clusters, offer firms the possibility to acquire knowledge and competences beyond their geographical proximity.

The risk of such openness is, however, that in doing so firms undermine the solidity of the intra-systemic bonding relationships, and more importantly the foundation on which such systems are built upon, namely trust, embeddedness and social capital.

The paper presents a conceptual framework for the analysis of multi-national webs: firms’ drivers to internationalise; the features of the host localities; and finally types of relationships and related governance issues.

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\* Stefano Menghinello is from L’institute and the University of Birmingham (UK).

We explore the forms and the dynamics that internationalisation processes have taken for firms in Italian industrial districts. We suggest that the re-location of district firms' production activities to neighbouring Eastern European countries constitutes an opportunity to maintain a competitive advantage, but can pose a problem to the traded and untraded inter-dependencies internal to districts.

*WORKSHOP PRESENTER:*

**ROGER SUGDEN**

*PAPER AUTHORS:*

**DAVID BAILEY, LISA DE PROPRIIS, ROGER SUGDEN AND JAMES R WILSON\***

**‘International Networking in Research and Learning:  
Reflections on the Impacts of Different Governance Processes’**

This paper draws on literature in the economics of business to consider aspects of international linkages in networking. It focuses on a particular productive sector, namely research and learning in higher education. We consider stylised forms of network that are characterised by particular and contrasting governance processes. We contemplate the rationale for different forms of network and discuss impacts on performance. The arguments are illustrated through reflections on a particular experience: a continuing set of research and learning initiatives studying the development of economies and public policy (and of which the ESF Workshop on “The Governance of Networks as a Determinant of Local Economic Development” is a part). In the paper’s contextual and concluding comments we consider the general implications of our analysis for manufacturing and service sectors more widely.

More specifically, the focus is on a humanistic method of research and learning that stresses creativity in each individual, acting in a social context that respects and draws on differences in expertise and approach. It is argued that this method indicates the desirability of a certain form of network, namely: a ‘multinational web’, the crucial characteristics of which include ‘democracy’, positive freedom and ‘multinationalism’ amongst participants. We argue that a multinational web could have desirable (quality, efficiency and distributional) impacts on research and learning outcomes; that it would need to be served by a particular institutional framework; and that such a framework must be purposely designed so as to enable a web to emerge and thrive.

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\* David Bailey is from the University of Birmingham (UK).

#### **IV. ASSESSMENT OF THE RESULTS, CONTRIBUTION TO FUTURE DIRECTION OF THE FIELD**

Feedback from participants during and after the Workshop suggests that it was a very stimulating and thought provoking intellectual experience, certainly one that is continuing to influence the ways in which participants think about and address the subject-matter. Follow-up activities - including a further Workshop, publications and wider dissemination of material and ideas - are being undertaken. Nonetheless it ought also to be noted that the aims and objectives of the project were ambitious, and on reflection it proved to be extremely difficult to pull together the material so as to meet the desired outcomes in a one-off event.

The Workshop succeeded in bringing together scientists from various disciplines and at the forefront of their fields. The conceptual and empirical papers commissioned from the invited participants were generally of a very high standard (albeit not all were written prior to the Workshop, as had been envisaged in the Workplan), and a real spirit of intellectual exchange was created: there was a genuine desire and determination on the part of participants to share ideas and to learn from each other, fusing intellectual approaches and traditions. This required a willingness to listen to different perspectives and to seek, deliberately and painstakingly, common ground; the Workshop sessions devoted to *Reflection and Integration* were especially intense and rewarding in this regard.

As discussed in further detail in Section 2 of this Scientific Report, those sessions led to the airing of detailed and provocative ideas. In summary, we would especially stress the scientific significance for future research of the following inter-related points:

- The *Initial Hypothesis* used to structure the Workshop process remains a valid and interesting starting-point for analysis, albeit concepts of governance and strategy require further clarification and exploration in the networking context
- There is a requirement for networking processes to be open
- Correspondingly, there is a need to understand what might ensure cohesion amongst network participants; i.e. what might 'glue' or in some sense hold together network participants
- The central research questions refer to 'economic power', implying the need to focus explicitly on: what is power; how is it distributed; how is it revealed; what are its implications?
- It is important to undertake multi-disciplinary study of (actual and potential) cross-local (or what might be called 'trans-territorial' or 'multi-locality') networks (successful and otherwise)
- There is a necessity to analyse the key characteristics - including the 'unlearning' and 'dis-embedding' - that might enable a once closed area to evolve into a successfully anchored region

Having experienced the event, however, one further conclusion is that it would actually have been very desirable to have designed the project with two Workshops, scheduled perhaps 4 months or so apart, so as to ensure that the ideas could be reflected upon and taken further in the most stimulating and effective ways. In a sense, there was so much material to take in and consider from a scientific perspective, and the commitment of participants to fuse their ideas, approaches and experiences was so strong, that a second scheduled event at which all participants were enabled to contribute would have been very effective.

Nevertheless and on a very positive note, plans are under way for a follow-up meeting, and it is expected that at least some of the participants in the San Sebastian Exploratory Workshop will be able to join in, despite the lack of financial support; each contributor will be responsible for funding their own participation. This follow-up is to be hosted at the University of Limerick (Ireland) on 19<sup>th</sup> June 2006; it is occurring as part of the *EUNIP Exploratory Workshop on Democratic Globalisation: Innovative Policies for Enhancing Economic Participation and Governance*.

Prior to that event, participants in San Sebastian are continuing to interact on follow-up and future project possibilities. These include a desire to provide each other with written critique and comment on presentations at the Exploratory Workshop. They also include the suggestion that it is important to design a suitable research project that would enable contributors at the Exploratory Workshop to continue to exchange, hence to modify and alter, their ideas, and that would provide a vehicle for immediate scientific contribution to a live policy environment. A specific suggestion is to analyse a particular geographical territory from a new perspective that synthesises the various dimensions/approaches that each Exploratory Workshop participant has been especially concerned with up to now; a territory that none of the participants has thus far analysed (so as to facilitate each person to explore new issues without the burdens of his/her research history). An objective would be to continue the syntheses of our analysis in a step-by-step process, and our intention would be to approach the European Science Foundation for support with such a project. It has been suggested that the need is to analyse a territory in Europe, and one where English is commonly used (so as to facilitate the research effort amongst a multinational group of researchers. Slovenia has been proposed as a specific possibility, but only tentatively at this stage.). Linked to this project idea, it has also been suggested that it could be desirable to undertake comparative studies of different European regions, each with distinct cultural situations; this variety might prove very interesting for our fused analysis.

Whilst such possibilities are being further contemplated and discussed, two specific follow-up projects are currently being taken forward with immediate effect: first, an edited volume based upon contributions that revise and redraft papers/presentations at the Exploratory Workshop; second, a Special Issue of *Entrepreneurship and Regional Development: An International Journal*, drawing on particular contributions to the Workshop and focusing in particular on cross-locality networking. These are detailed below: in turn, the preliminary proposal for the edited volume and the special issue announcement/call for papers are reproduced.

PRELIMINARY PROPOSAL, 25<sup>th</sup> November 2005

## **Networks, Governance and Economic Development: Bridging Disciplinary Frontiers**

Edited by

**Mari Jose Aranguren**  
(University of Deusto)

**Cristina Iturrioz**  
(University of Deusto)

**James R. Wilson**  
(University of Birmingham)

### **Introduction and Rationale**

In recent years there has been growing academic and policy awareness of the potential for networks of actors to play an important role in delivering economic success for localities. This awareness has grown alongside concerns surrounding the impacts of globalisation processes on localities, and is frequently analysed in terms of contributing to the ‘competitiveness’ of localities.<sup>3</sup> For example, the extensive literature on industrial districts, clusters, innovative *milieux* and other place-specific agglomerations of firms has suggested that networks of different forms may contribute to positive impacts in terms of employment, income, productivity and export performance. Moreover, while geographical proximity is often argued to play a crucial role in facilitating the production, knowledge and social relationships that characterise many such networks, there is also the potential for networks to operate across localities, enabling individual localities to be ‘competitive’ hubs in a network of global production activities.

Simultaneous to this growing interest in local and multi-local networks as a driver for local economic development, concerns with globalisation have spurred a separate academic and policy concern with governance. This has been reflected, for example, in both an increasing focus on ‘good governance’ in development by international institutions such as the IMF and World Bank, and in a wave of concern with ‘corporate governance’ and ‘corporate and social responsibility’ in the analysis of business.

These largely separate interests, in networks and in the impacts of governance on performance, are in need of bringing together in order to advance understanding of the determinants of local economic competitiveness in the

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<sup>3</sup> This reflects the popularity of the ‘competitiveness’ concept in the context of the globalisation debates of recent years. While the precise meaning of competitiveness is contested, it is often taken to imply the ability of localities to compete (and in some sense ‘win’) in global market places.

context of globalisation. Indeed, if both networks and governance are in some sense important for local economic success, then this raises crucial questions regarding the governance of networks themselves. The integration of these strands of research requires a significant bridging of disciplinary boundaries, incorporating as it does different theoretical perspectives on the meanings and roles of territory, of economic development, of different forms of networks and of different forms of governance. Empirical and case analysis is also required in order to understand the processes that currently take place in different forms of networks, and how these contribute (or not) to economic success.

In November 2005 a European Science Foundation Exploratory Workshop was convened around these issues in San Sebastian, Spain. As a point of departure, the workshop aimed to explore the initial hypothesis that *the significant economic differences across various forms of networks arise from their respective modes of governance, defined in terms of strategic decision-making*. The Workshop brought together an international group of scientists from the disciplines of economics, geography, sociology, political science and business to present their ideas and to refine this initial hypothesis and a related set of research questions.

This volume represents a subsequent stage in the research process. It aims to bring to bear multidisciplinary theoretical and empirical research on the analysis of networks, governance, and economic development. It is structured in two Parts:

- The first Part brings together different perspectives on territory, governance and networks that have implications for local economic success. Each contribution addresses relevant theoretical issues in specific contexts, integrating appropriate empirical and case material.
- The second Part has an empirical focus. It brings together detailed analyses of specific cases that examine practical experiences of networking and governance in the context of local and multi-local economic processes.

### **Word Limits**

It is proposed that each chapter has a **strict word limit of 7,000 words**, including references. With 15 chapters (and a foreword of 1000 words), the total volume will therefore comprise **106,000 words**.

### **Proposed Deadline Schedule**

- First drafts of chapters to be sent to the editors by end of **June 2006**
- Editing process to be completed by end of **November 2006** and chapters sent back to authors for checking and revisions
- Final manuscript submitted to publishers by end of **February 2007** and further copy editing and proof-reading processes to proceed in line with publishers' timetable

## **Proposed Structure and Contributions**

### **FOREWORD**

*Exploring the Governance of Networks as a Determinant of Local Economic Development*

**Mari Jose Aranguren** (ESTE-University of Deusto, Spain) and **Roger Sugden** (University of Birmingham, UK)

### **INTRODUCTION**

*Networks, Governance and Economic Development: An Introduction*

**Mari Jose Aranguren** (ESTE-University of Deusto, Spain), **Cristina Iturrioz** (ESTE-University of Deusto, Spain), and **James R. Wilson** (University of Birmingham, UK)

### **PART ONE: PERSPECTIVES ON NETWORKING, GOVERNANCE AND ECONOMIC DEVELOPMENT**

*The Territorial Economy: A General Approach in Order to Understand and Deal with Globalisation*

**Olivier Crevoisier** (Université Neuchâtel, Switzerland)

*Territorial Dynamics: Toward a New Model of Development Facing the Globalisation*

**Bernard Pecquer** (Université Joseph Fourier, France)

*The Spatial Dimensions of Innovation*

**Anne Lorentzen** (Aalborg University, Denmark)

*The Limits to Control: From Strategic Choice to Self-organising*

**Bengt Johannisson** (Växjö University, Sweden)

*Cooperation and Competition in Network Governance*

**Klaus Semlinger** (Technische Universität Berlin, Germany)

*The Governance of Networks as a Determinant of Local Economic Development*

**Lisa De Propris**, **Stefano Menghinello** and **Roger Sugden** (University of Birmingham, UK)

*City-networks: From Theory to Assessment*

**Roberto Camagni** (Politecnico di Milano, Italy)

### **PART TWO: NETWORKING, GOVERNANCE AND ECONOMIC DEVELOPMENT IN PRACTICE**

*The Sector-Territory Relations Analysis: The Case of the Aeronautical Industry in Toulouse*

**Jean-Pierre Gilly** (Université Toulouse, France)



*Does Cluster Policy Really Enhance Networking and Increase Competitiveness?*

**Cristina Iturrioz, Cristina Aragon** and **Mari Jose Aranguren** (ESTE-University of Deusto, Spain)

*The Governance of Networks in the Shannon Region of Ireland*

**Helena Lenihan** (University of Limerick, Ireland)

*Water Governance and Urban Local Development: An Analysis of Water Services Access in Sub-Saharan African Cities*

**Catherine Baron** (Université Toulouse, France)

*International Trans-Local Collaborative Relations: Some Notes on Progressive Relations to the Chinese Industrial Challenge*

**Marco Bellandi** (Università di Firenze, Italy)

*The Dialectics of Network Governance: A Story from the Front*

**Robbin Te Velde** (Eindhoven University of Technology and Perquirimus Ltd., The Netherlands)

*International Networking in Research and Learning: Reflections on the Impacts of Different Governance Processes*

**David Bailey, Lisa De Propris, Roger Sugden** and **James R. Wilson** (University of Birmingham, UK)

ANNOUNCEMENT AND CALL FOR PAPERS, 29<sup>TH</sup> JANUARY 2006***ENTREPRENEURSHIP AND REGIONAL DEVELOPMENT***  
***An International Journal***

SPECIAL ISSUE:

***THE GOVERNANCE OF CROSS-LOCALITY NETWORKS***  
***AS A DETERMINANT OF LOCAL ECONOMIC DEVELOPMENT***

Guest Editors

Lisa De Propris and Roger Sugden  
(University of Birmingham, UK)Context and Subject-Matter

European economic success in a 'globalised' and 'new' economy has become increasingly linked with the capacity of particular localities to achieve 'competitiveness', and this has coincided with growing awareness of the potential for cross-locality networks of enterprises and other economic actors as loci for such competitiveness.

For example, whilst literature analysing networks of small and medium-sized enterprises has focussed on the knowledge and expertise that is embedded in a local set of production and social interactions, it has nevertheless recognised that networks cannot be closed entities. A crucial factor for their sustainable development is openness - in terms of knowledge and information exchange, innovation co-operation, and production linkages - to competencies and resources that are absent locally. Once this is recognised, it points towards researching various forms of cross-locality networking, including international networking. For example, arguments have been made for so-called 'multinational webs' of small and medium-sized enterprises. These webs would be underpinned by linkages between firms in different localities in different nations, and might enable individual localities to be 'competitive' hubs in a network of global production activities that serves all interested parties.

Cross-locality and international linkages are also a central concern in the economic literature on networks that has focussed on the activities of large and especially transnational corporations. It is argued, for example, that such firms can catalyse the competitiveness of localities through investments that stimulate the incorporation of local 'clusters' into transnational networks. However, one view is that the typical transnational is centred on a headquarters, and branches out production activities in localities across various countries according to the specific advantages that those localities offer (including, for example, cheap labour or low corporate tax). In this case, any perceived 'competitiveness' emerges through the top-down expansion of transnationals' activities beyond and above localities' needs, placing the latter on economic development trajectories that may be neither desirable nor sustainable.

Accordingly, it is possible to conceptualise and observe diverse forms of network, with correspondingly varied linkages and impacts. However, this diversity has spawned

considerable confusion within the academic and policy literatures, and has constrained understanding of the relevance of networks for local economic development.

To make sense of this confusion and overcome the constraint, it has been hypothesised that the significant economic difference across various forms of network is their respective modes of governance. On the one hand, for example, hierarchical governance is associated with hub-and-spoke networks, where processes of strategic decision-making are centred on a leading firm that controls the production activities of all others. On the other hand are polycentric networks of mutually dependent firms whose relationships are based on cooperation and integration. Here, production and investment strategic decisions are taken by individual firms in accordance with their own objectives and those of their partner firms. This is heterarchical governance. In between these extremes, one can find intermediate forms of network governance.

However, the conceptual analysis of this hypothesis has been developed out of, first, the economic theory of the firm and, second, the theory of economic development. A principal deficiency is that this economics-based understanding has not been fused with inputs from other disciplines. This deficiency is currently a binding constraint on understanding the characteristics of suitable networks, therefore on the potential for European regions to realise their benefits. In addition, the interface between the conceptual analysis and the empirical investigation has been seriously lacking. Whilst there are many case studies of networks - by productive sector and by locality - the conceptual and empirical research have tended to proceed in parallel, rather than in a mutually reinforcing methodology. A consequence has been that theoretical advances on the significance of governance processes for successful local economic development have tended neither to feed into, nor to feed off of, research and practice on the actual operation of cross-locality networks. Yet what also has been happening is that the theoretical and empirical investigations have been encountering parallel difficulties in taking their research further forward. Moreover, one consequence is that realisable implications for policy design and implementation, and for policy-makers, have not therefore been sufficiently developed.

#### Invitation to Submit

It is in this context that it is proposed to publish a **Special Edition** of *Entrepreneurship and Regional Development* focused on ***The Governance of Cross-Locality Networks as a Determinant of Local Economic Development***. The editors hereby invite submission of papers addressing that subject-matter.

- Submissions should be made electronically to the editors on [m.m.valania@bham.ac.uk](mailto:m.m.valania@bham.ac.uk) by **31<sup>st</sup> AUGUST 2006**.
- There is a strict limit of 7000 words per paper (including references and notes). Papers must conform to the house style of *Entrepreneurship and Regional Development* (see [www.tandf.co.uk/journals/titles/08985626.asp](http://www.tandf.co.uk/journals/titles/08985626.asp) for details).

**V. FINAL PROGRAMME****WEDNESDAY 16<sup>TH</sup> NOVEMBER, 2005**

10.00 – 11.00	<p><b><i>Welcome, Introductions and Aims Clarification</i></b></p> <p>Because the effectiveness of the process of collaborative research and learning is enhanced by a prior understanding of each other's background, research perspective and aims, the opening session focuses upon:</p> <ul style="list-style-type: none"> <li>▪ Introduction by the Workshop organisers to the aims and format of the Workshop</li> <li>▪ Brief introductions by each participant, focusing on their research perspectives/expertise, and their personal aims from participating in the Workshop</li> </ul>
11.00 – 11.15	<p><b><i>The European Science Foundation</i></b></p> <p>An introduction to the <i>ESF</i> and to the <i>ESF Standing Committee for the Social Sciences</i></p>
11.30 – 13.30	<p><b><i>Workshop Topic Session I: Local Economic Development</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Olivier Crevoisier: 'The <i>Territorial Economy: A General Approach in Order to Understand and Deal with Globalisation</i>'</li> <li>▪ Jean-Pierre Gilly: 'The Sector-Territory Relations Analysis: The Case of Aeronautical Activities in Toulouse'</li> <li>▪ Ermanno Tortia: 'Social Enterprises and the Social Economy: A New Perspective on the Theory of the Firm'</li> </ul>
15.30 – 16.50	<p><b><i>Workshop Topic Session II: Network Cases</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Cristina Aragón and Cristina Iturrioz: 'Does Cluster Policy Really Enhance Networking and Increase Competitiveness?'</li> <li>▪ Helena Lenihan: 'The Governance of Networks in the Shannon Region of Ireland'</li> </ul>
17.20 – 18.30	<p><b><i>Reflection and Integration Session I</i></b></p> <ul style="list-style-type: none"> <li>▪ An open, semi-structured discussion, reflecting on the Topic Sessions so far. The aim of the session is: <ul style="list-style-type: none"> <li>○ To start to refine the <i>Initial Hypothesis and Questions</i> in the light of the different perspectives and ideas discussed during the day</li> </ul> </li> </ul>

**THURSDAY 17<sup>TH</sup> NOVEMBER, 2005**

10.00 – 10.40	<p><b><i>Aims for the Day</i></b></p> <p>A brief presentation and discussion that takes stock of the position reached at the end of the previous day, and that identifies aims for this day's work</p>
10.40 – 12.00	<p><b><i>Workshop Topic Session III: International Linkages</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Marco Bellandi: 'International Trans-Local Collaborative Relations: Some Notes on Progressive Reactions to the Chinese Industrial Challenge'</li> <li>▪ Lisa De Propriis: 'The Governance of Networks as a Determinant of Local Economic Development'</li> </ul>
12.20 – 13.40	<p><b><i>Workshop Topic Session IV: Network Governance</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Klaus Semlinger: 'Cooperation and Competition in Network Governance'</li> <li>▪ Catherine Baron: 'Water Governance and Urban Local Development. An Analysis in Terms of Water Services Access in Sub-Saharan African Cities'</li> </ul>
15.30 – 16.10	<p><b><i>Workshop Topic Session V: Network Cases</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Robbin Te Velde: 'The Dialectics of Network Governance: A Story from the Front'</li> </ul>
16.30 – 18.30	<p><b><i>Reflection and Integration Session II</i></b></p> <ul style="list-style-type: none"> <li>▪ Group discussions, reflecting on the Topic Sessions so far. The aims of the session are: <ul style="list-style-type: none"> <li>o To continue refining the <i>Initial Hypothesis and Questions</i> in the light of the different perspectives and ideas discussed during the day</li> <li>o To start to explore ideas on how the emerging <i>Research Hypotheses and Indicative Questions</i> can be taken forward with regards specific hypothesis-driven research projects</li> </ul> </li> </ul>

**FRIDAY 18<sup>TH</sup> NOVEMBER, 2005**

10.00 – 10.20	<p><b><i>Aims for the Day</i></b></p> <p>A brief presentation and discussion that takes stock of the position reached at the end of the previous day, and that identifies aims for this day's work</p>
10.20 – 11.40	<p><b><i>Workshop Topic Session VI: Network Governance</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Anne Lorentzen: 'The Spatial Dimensions of Innovation'</li> <li>▪ Bengt Johannisson: 'The Limits to Control – From Strategic Choice to Self-Organising'</li> </ul>
12.00 – 14.00	<p><b><i>Workshop Topic Session VII: Local Economic Development</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Roberto Camagni: 'City-networks: from Theory to Assessment'</li> <li>▪ Rafael Boix: 'Nets, Webs and Hourglasses: How Does Knowledge Flow Through Space and Time in City Systems?'</li> <li>▪ Bernard Pecqueur: 'Territorial Dynamics: Toward a New Model of Development Facing the Globalization?'</li> </ul>
15.30 – 16.50	<p><b><i>Workshop Topic Session VIII: International Linkages</i></b></p> <p>Presentation and discussion of:</p> <ul style="list-style-type: none"> <li>▪ Saoia Arando: 'International Business Networks: A Study on Cross-border Collaborative Agreements in the Basque Eurocity'</li> <li>▪ Roger Sugden: 'International Networking in Research and Learning: Reflections on the Impacts of Different Governance Processes'</li> </ul>
17.20 – 18.30	<p><b><i>Reflection, Integration and Planning Session</i></b></p> <ul style="list-style-type: none"> <li>▪ An open, semi-structured discussion, dedicated to a final reflection on the scientific content of the Workshop and planning further research steps. The aims of the session are: <ul style="list-style-type: none"> <li>o To finalise a deliverable <i>Research Hypotheses and Indicative Questions</i> document, building on the discussion and reflection throughout the Workshop</li> <li>o To agree a series of steps, and an action plan, through which different parts of the <i>Research Hypotheses and Indicative Questions</i> can be further explored through ongoing collaborative hypothesis-driven research projects</li> </ul> </li> </ul>

## VI. FINAL LIST OF PARTICIPANTS, CONTACT INFORMATION AND STATISTICAL DATA

Participants are listed alphabetically. M/F signals male/female and Y signals young researcher

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\* Originally scheduled to attend as a 'listener' but became a 'full participant' following the enforced, last minute withdrawal of another intended participant.