

Companies, Cultures, and the Region: Introduction and overview

NICK CLIFTON*, STEFAN GÄRTNER & DIETER REHFELD**

*Cardiff School of Management, Cardiff Metropolitan University, Cardiff
(UWIC), Cardiff, UK

**Institut Arbeit und Technik, University of Applied Sciences Gelsenkirchen,
Gelsenkirchen, Germany

Clifton, N., Gartner, S. & Rehfeld, D. “Companies, Cultures, and the Region: Introduction and overview”, in Clifton, N., Gartner, S. & Rehfeld, D. (eds.) (2014) *Companies, Cultures, and the Region: Interactions and Outcomes*, Oxford, Taylor and Francis, pp 1-9.

European integration is based on the idea of regional differentiation. Therefore, a diverse range of specific regional cultures have to be accepted, and space for individual paths of regional development is required. This also influences economic competitiveness and innovation because regional differentiation enables complementarities and synergies. Nevertheless, this European idea is under pressure as the reality of European integration is more and more driven by the homogenization, standardization and deregulation that go hand in hand with increasing globalization. A strong commitment to local/regional traditions and specialities is therefore required to counterbalance these trends and thus reinforce the underlying European model.

This idea was the starting point for a European 6th Framework Programme project on the interaction between regional culture and company culture (CURE—Corporate Culture and Regional Embeddedness). The focus was on the culture of firms being influenced by regional culture, as a potential strength—this regional culture needs to be activated and can thus only be fully realized via interaction with regional companies. Increasingly, this interaction is of special interest in regional innovation studies.

There are as yet however few systematic empirical studies into these topics; in regional science empirical results are discussed which highlight the “weight” of regional culture, Saxenian’s (1994) comparative study on Silicon Valley and Route 128 being prime examples of the impact of regional cultures on company behaviour. Another example is provided by Maillat et al. (1996), who analyse the diverging development paths of the Swiss and French Jura Alps, demonstrating that regional consensus, shared future visions, common habits and culture have a strong influence on the pattern of behaviour of firms and on a region’s

adaptability and innovativeness. Keeble and Wilkinson's study on high-tech regions in Europe (2000) also provides evidence of cultural influences on collective learning.

In these studies, regional culture is regarded as playing an "anchoring" role, embedding firms in the regional economy. Little is said, however, about the active strategies of companies to shape their regional environment. Moreover, all of these studies focus on specific sectors in more or less specific regions. The questions as to why or why not a company is engaged in a region, the processes of creating a shared culture, and the related images and symbols therein are thus neglected, as are the potential tensions and conflicts for both companies and the region. Interaction between companies and the region is by no means harmonious. These are issues in need of investigation, and which are reported on in a variety of contexts in the following chapters of this book.

With the "cultural turn" in humanities the understanding of culture evolved. Culture had been a residual category of explanation for a long time (Harrison & Huntington, 2000), but in the course of the last three decades culture became more and more a synonym for social contexts (Burke, 2005). As often in science, the success of a concept and its widespread use can make its meaning increasingly fluid; so culture is now potentially a weak concept. Nevertheless, there are some corresponding results that are considered crucial for the understanding of culture in the CURE project.

In general, culture is focused on values that guide the orientation of groups in a certain time and space context. So, as a basic definition one can say that by culture we mean "shared cognitions, values, norms, and expressive symbols" (DiMaggio, 1994, 27). In its traditional understanding, culture is an accumulated collective experience. This is true, though nowadays there are additional approaches. Bhabha (2000, 51ff) for example claims that especially when facing globalization or being confronted with other cultures, a specific culture is reflected by members and external observers and thus becomes more vital. This is what he means by talking about the "third space": The process that makes a specific culture knowable when confronted with other cultures. This could be helpful for the understanding of corporate culture because companies are engaged in different functional spaces (market, group, production chain, innovation network or region) and cultures (Camagni, 1991; Hatch & Schultz, 2004).

Moreover, culture is by no means homogeneous (Bhabha, 2000; Hall, 2002). Global culture in particular requires differentiation (Hall, 2002) or, from a company's or a regional point of view; culture is what makes the difference (Baecker, 2003, 47). Therefore, it has to be kept in mind that, as noted above, a company's culture or a regional culture is characterized by tensions and conflict as well as by shared values and symbols.

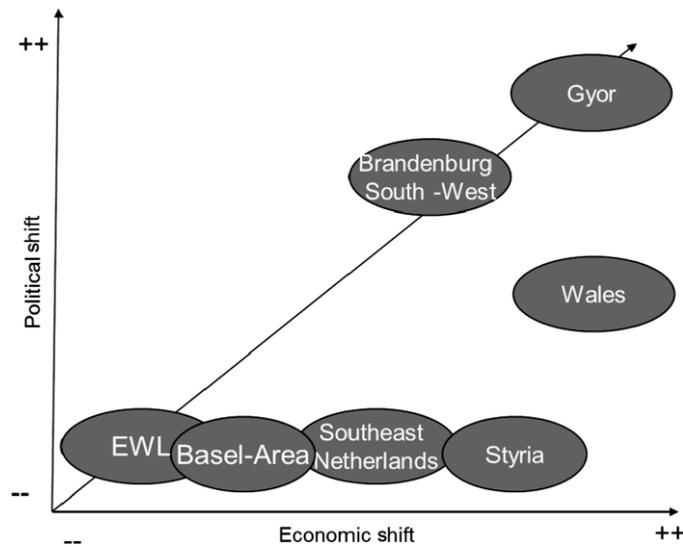


Figure 1. Seven regions compared

The approach of CURE was thus an interdisciplinary one which sought to combine case studies and comparative analyses. Therefore, within the project we chose to study regions that have different experiences with regard to political and economic shifts (Figure 1). A short description of the regions that were studied (developed by Peter Prud'homme van Reine and Ben Dankbaar) is given as follows.

Brief description of the regions investigated in the CURE project

By Peter Prud'homme van Reine and Ben Dankbaar

Southeast Netherlands

Southeast Netherlands includes the South-East of the province of Brabant and the Province of Limburg in The Netherlands. It has been described as “a top technology region” and as “the heartland of the Dutch industry”, and is characterized by the presence of internationally oriented, knowledge intensive companies; the concentration of technologically advanced manufacturing industry; and the presence of internationally renowned universities and other knowledge institutes. The region is approximately 5500 square kilometres in size and has a population of around 2.9 million. The region accounts for 29% of the industrial employment in The Netherlands, 48% of private R&D investments and 55% of patent applications.

The main cities in the region are Eindhoven (also called the “innovation heart” of the region because of the presence of the R&D centres of companies such as Philips) and Maastricht (the capital of the Province of Limburg).

The region has a distinct culture and identity, related to geographical location and history: It is a predominantly Catholic region in a predominantly Protestant country. The region can be best described as an “urbanized rural area”—it is originally a peripheral region of The Netherlands that only recently developed to a more central position as “gateway to Europe”. There is no large, metropolitan city in the region. It is characterized by a high-technology orientation. It has a culture of intensive cooperation and networking which is nowadays visible in the so-called Triple Helix between government, companies and knowledge institutions.

Three of the main clusters in the region were selected for the research: the two clusters with a long history in the region (High Tech Systems and Automotive) and the relatively new Life Sciences and Performance Materials cluster.

The Basel region

The region of Basel is located in Northwest Switzerland, bordering both Germany and France and is positioned as a metropolitan tri-national region. The focus of the CURE research was on the region of Basel in its “narrow” delimitation, comprising the cantons of Basel city with 187,000 inhabitants and Basel country with 270,000 inhabitants, and approximately 555 square kilometres in size. The region has evolved into an important competence-centre for the whole Life Sciences Industry, especially in the subsectors of pharmaceuticals, agribusiness, food and medical technology industries. Basel is one of the leading Life Sciences clusters in the world and is looking back on a long-term tradition in the chemical, pharmaceutical and—in the last years—Life Science Industries. In addition to advantageous economic conditions, the companies and other regional actors have accumulated great experiences in the Life Sciences including the interaction processes of the whole innovation chain.

The focus of the CURE research in the Basel region has been on the Life Sciences Industry because of its economic relevance for the region and because it is the driving force for all other economic activities. Most of the investigated companies belong to the regional Life Sciences cluster either in a narrow sense as pharmaceutical, chemical or biotechnological companies or in a wider sense as knowledge institutions, suppliers or regional initiatives.

East Westphalia Lippe

The research region East Westphalia Lippe (EWL) is a NUTS-2-region congruent with the “Detmold administrative district”. It is one of five districts of the federal state of North Rhine-Westphalia in Germany. The Detmold district government has statutory power, as it works as an intermediate authority between the local level and federal states. It is responsible for a number of issues such as land-use planning regulation and

environmental affairs. Additionally, “EWL Marketing GmbH” functions as a policy body for the whole region.

The region consists of seven counties, is approximately 6500 square kilometres in size and has a population of around 2,000,000. The settlement pattern is structured by a handful of medium-sized cities and two bigger cities (Bielefeld: approximately 325,000 inhabitants and Paderborn: approximately 145,000 inhabitants) as well as a larger number of small cities embedded in an extensive rural landscape. Urbanization has taken place during the past few years, but in general the region remains rural.

In the sample of companies selected for the CURE research in EWL, non-public listed companies dominate, which is consistent with the regional economic structure in general. EWL is dominated by a high number of family-owned businesses. The majority of companies are older than 20 years and have been resident in the region for a long time, which again is equivalent to the regional situation. However, younger (“new” and “in-between” companies) are also represented in the research.

Styria

The region of Styria is situated in the South East of Austria. In political-administrative terms, it has the status of a “Bundesland” (federal state or province) and it constitutes a NUTS 2 region. The population of the region is approximately 1.2 million and the region is 16,300 square kilometres in size.

The region consists of three subareas which show distinct economic and cultural profiles, i.e. (1) the core region of Graz and its surroundings, (2) the old industrialized region of Upper Styria and (3) the rural periphery. Styria has an elected legislative body (Landtag) and a regional government (Landesregierung).

Styria is the second largest of Austria’s nine provinces and one of the industrial heartlands of the national economy. It is an old industrialized area in which a dominating industrial cluster had promoted growth and prosperity for a long time, which has however declined when external conditions changed. In the post-war Fordist era, Styria had been a major growth pole of the Austrian economy and its prosperity had been based on industries such as iron, steel and metal products. However, in the 1970s and 1980s these traditional branches experienced a severe crisis and—due to both an overspecialization of the region in these industries and a weakly developed adjustment capability—Styria turned into an old industrialized area. Although the 1980s witnessed an intensive restructuring process, it was only since the mid-1990s that a recovery of the Styrian economy has become clearly visible. A process of catching-up with respect to growth, employment, new firm formation and innovation has set in and a structural shift from basic to more technology-intensive branches has occurred.

The CURE research in Styria focused on three different sectors (Metal Industry, Automotive and Software).

Wales

Wales is a NUTS 1 region within the UK, being one of 12 such government office regions of the UK. Of these, three (Northern Ireland, Scotland and Wales) have some form of devolved regional government. Wales is located on the Western side of the UK, it is approximately 20,800 square kilometres in size and has a population of just under 3 million; the capital city of Cardiff (population 300,000) is to be found in the South East of the region. Inward investment and “new economy” activities have played a role in revitalising other urban areas, but the South Wales Valleys remain a typical old industrial region, suffering the associated persistent problems of deprivation, inactivity and unemployment. Much of mid and west Wales is largely rural.

The sample of companies selected for the CURE research is skewed towards private companies: these are generally firms with their HQs in Wales (22 in total). Conversely, 6 of the 30 have ownership which is based outside of the UK—the majority of these are classic foreign direct investment projects. The group of companies selected for the research tends to be either Welsh or international—only two are headquartered at the UK level. With regard to size breakdown, the sample of companies is fairly reflective of the Welsh economy in general in that there is something of a “missing middle”: 13 of the firms are small (fewer than 50 employees) while 11 have over 250, 6 of these being very large (over 1000 employees). In contrast, only 6 are positioned in the medium (50–249) employee category.

In terms of products/markets, the sectors represented in the research include Finance, Food/Drink, Biotech, Manufacturing, Aerospace, and Craft Industries.

Brandenburg Southwest

The region Brandenburg Southwest has 1,276,000 inhabitants. The main city is Potsdam (204,000 inhabitants). Looking at the region Brandenburg Southwest, or especially at the city of Potsdam and its surroundings, on which the CURE research focused, two aspects are essential for the understanding of the region: (1) Concerning the space, it must be seen that Potsdam is very close to Berlin (3,416,000 inhabitants), (2) Concerning the time, it should be mentioned that the region is part of the five new federal states which went through significant political, structural and cultural change after the fall of the Berlin Wall in 1989 and the German reunification.

The majority of companies investigated are active in knowledge-intensive industries. There are many companies in the region from the media and creative industries as well as (small and medium sized) research and development companies and consulting

agencies. Aside from these “knowledge intensive” cases, a minority of service companies have been investigated (i.e. housing companies and companies concerned with heating, gardening/landscaping or energy providing affairs) from low knowledge, but also service-oriented sectors.

The Győr region

Research on the interrelationship between corporate and regional culture in Hungary was focused on the small region of Győr (the town and its surroundings), a NUTS-4 region in north-western Hungary. Győr is the administrative seat of Győr-Moson-Sopron County, a NUTS-3 region, approximately 4025 square kilometres in size with 450,000 inhabitants. The population is slowly decreasing despite moderate inward migration to the region.

Győr-Moson-Sopron County has common borders with Austria and Slovakia and is an administrative unit; however, the county government has rather weak statutory power. The county has two large towns by Hungarian standards: Győr and Sopron with a population of 128,000 and 57,000 people, respectively. The urbanized larger towns are embedded in a rural landscape.

In terms of geographical dimension 46.6% of the companies surveyed in Győr are regional ones, 36.6% international and 16.6% national firms. According to capital structure, 63.3 % of the companies investigated are capital companies, 23.3% family businesses and 13.3% state-owned enterprises. Family businesses include not only local residents, since there are firms with foreign owners (people who left Hungary long ago or the children of Hungarian emigrants). The sample underpins that the main source of capital is outside the region.

More than half of the companies surveyed are older than 20 years and have been resident in the region for a long time. Apart from those having emerged after Hungary's transition to the market economy, the majority of firms were established in the 1980s.

The automotive and engineering industries account for one-third of the firms surveyed. These industries have traditions in the region. The rest of the sample is rather diversified.

The seven regions themselves certainly do not claim to reflect all of the cultural diversity of European regions. But, as Figure 1 shows, the CURE regions might still be seen as representative regarding the political and economic changes that have taken place within Europe in the recent past. In particular, with regard to economic transformation, these seven regions cover a variety of positions, from stable to dynamic. There is also a wide range with

regard to political shift, including four stable regions, the recently devolved (within the UK) region of Wales and two examples of post-communist transformation in the former GDR and Hungary. Conversely, there are no examples presented of regions which are economically stable, but politically changing; it is, however, hard to envisage a set of circumstances that would fulfil such a criterion, certainly in the European context. With regard to the gathering of primary data, each of the seven partners conducted interviews with a variety of regional stakeholders (government and others) in accordance with the four defined fields of investigation. These were: Innovation, Human Resources, Sustainability and Quality of life. They subsequently contacted 30 firms (i.e. a total of 210 firms across the entire project), covering a range of sectors, industries, ownership structures and so on, carrying out in-depth interviews around these same four areas of investigation (for a full description of the research methodology see www.cure-project.eu).

In this volume, Franz Tödting, Peter Prud'homme van Reine and Steffen Dörhöfer compare how “open innovation” is organized across three regions. Their chapter shows that open innovation and networking are not general phenomena; rather they depend upon certain respective company and regional characteristics. Companies are facing pressure to rationalize and standardize for various reasons: competitive rules, capital market needs, global sourcing and markets or sector regulation. Making good use of regional competencies can be considered a latent potential for the performance of many companies. There are various concepts which are based on the assumption of such regional potential, such as clusters and milieus, triple-helix, learning regions and the like. That the majority of these are focused around regional structural policy, innovation policy or industrial policy is the theoretical base for the contribution of Phil Cooke and Dieter Rehfeld. Following from this they propose a more differentiated model and thus analyse cultural frames. They show that in a given situation, very specific cultural frames have the potential to give overall orientation and guide regional action.

Nevertheless, the regional orientation of companies differs from region to region and is not by its nature a self-sustaining phenomenon. Regional orientation is thus just one development option and to choose this option requires both the commitment of companies as well as a competent and innovative regional framework for cultural exchange. This in turn implies the question discussed in Stefan Gärtner's chapter as to which regional spaces are relevant for such corporations. In order to capture the spaces for which companies are willing to take responsibility, an understanding of companies' transaction spaces and other spaces perceived as relevant is needed. Regions are thus viewed as a composition of varying and overlapping spaces.

Companies, especially global players are often discussed as footloose. This is true when we are looking at models of neoclassical economics and the rhetoric of capital markets and global companies, as well as the driving forces of global investment and relocation in certain sectors. Most companies however instead of being “footloose” in a globalized economy, are often firmly embedded in their regional context. Companies' regional workforces, customers and networks are important “channels” in which corporate and regional cultures interact

continuously and on a daily basis. But embeddedness is also shaped through various forms of collaboration with local or regional governments, intermediate organizations and knowledge institutes, as well as through regional competition. This local/regional engagement shows the image of “homeless capitalism” as wrong or at least too simplistic. That certain companies become anchored in the region over the course of time is shown in the chapter written by Steffen Dörhöfer, Christoph Minnig, Ulrich Pekruhl and Peter Prud’homme van Rheine. There are good reasons to assume that in today’s global world, the home base of a company is actually more important in terms of quality of life for highly skilled labour as well as for suppliers and customers. Employing concepts from industrial sociology such as social capital, organizational fields and embeddedness, this work suggests different ways in which companies shape regional cultures and vice versa. Extending this idea into the marketplace itself, Nick Clifton’s contribution shows how in the modern consumer economy, the intangible qualities of products play a decisive role in their success. Moreover, this applies to places, regions and nations as well as to physical products. The paper thus explores the role of symbolic value and how this idea feeds into both the concept of regional branding and the branding of regional products. This in turn means that public policy aimed at influencing the perception of the region—regional branding initiatives—can also influence the symbolic qualities of physical products that arise from that region.

In synthesis, the empirical results from the seven regional studies indicate that, under certain conditions, the interaction between company (or corporate) cultures and regional cultures becomes a “virtuous circle”, in which corporate and regional performances reinforce each other. The chapter of Peter Prud’homme van Reine and Ben Dankbaar focuses on this issue: The ongoing interaction between different cultural settings, the “right” balance and combination of strategic corporate decisions, the socio-cultural base of networking activities and the regional engagement of a variety of stakeholders are some of the key factors in explaining the ability of particular regions to generate such a “virtuous circle”: a circle whereby regional distinctiveness, but also regional continuity and identity are achieved through permanent renewal and change. This chapter studies cultural exchange through the way in which actors handle dilemmas, and thus shows how this interaction works as a virtuous circle. Conflicts between regional and firm culture have a fruitful impact in this exchange because they enforce learning processes. This difference becomes visible when Miklós Losoncz compares the role of culture in the change process in two regions where strong political and economic shifts went hand in hand. Both regions suffered from the loss and respective fragmentation of cultural settings, and in Brandenburg this is an on-going situation whereas in Győr traditional cultural aspects survived the change of economic system and are beginning in turn to influence economic behaviour.

Finally Nick Clifton, Alexandra David, Stefan Gärtner, and Dieter Rehfeld provide an epilogue which seeks to reflect upon the findings of the research presented in this book on the interaction between regional culture and company culture, with particular reference to the

context provided by the ongoing economic and financial Crisis, and the challenges emerging thereof. Of specific interest here is the apparently heightened role played by civic society - sometimes paradoxically - both in challenging traditional forms of regional governance while also substituting for it. Similarly, the tensions arising from a growing intra-European mobility between regions is focused upon. This final chapter also attempts to (re)connect the research findings from the CURE project with the wider debate on the role played by culture in uneven development and prosperity that has begun to emerge over the recent decade or so. In doing so it concludes by putting forward an agenda for further research in the area. Central themes here are the inclusion of outcomes around well-being in future studies, the potential role communities of practice might play in mitigating the tensions between embeddedness and external engagement, how a better understanding of the micro- level processes that underpin cultural interaction might contribute to the debate, and lastly the placement of future research on culture within the wider context of what we might term 'co-evolutionary' approaches.

In summary, with regard to the central CURE research question of how both corporate and regional actors and cultures interact, three key aspects of policy concern can be identified: (1) the need for a regulative and reliable frame in strategy and implementation (governance structure) that allows space for distinctive forms of regional development based on regional cultures; (2) the communication of a regional culture's key aspects by using pictures, icons, stories, people, etc.; and (3) the strengthening of forms of regional interaction in such a way that these are not merely the aggregation of individual strategies, but the result of conventions and rules, and therefore may become independent of these individual strategies.

References

- Baecker, D. (2003) *Wozu Kultur?* (Berlin: Kulturverlag Kadmos).
- Bhabha, H. K. (2000) *Die Verortung der Kultur* (Tübingen: Stauffenburg Verlag).
- Burke, P. (2005) *Was ist Kulturgeschichte?* (Frankfurt am Main: Suhrkamp).
- Camagni, R. (1991) Introduction: From the local 'milieu' to innovation through cooperation networks, in: R. Camagni (Ed.) *Innovation Networks*, pp. 1–9 (London: Belhaven Press).
- Di Maggio, P. (1994) Culture and economy, in: N. Smelser & R. Swedberg (Eds) *The Handbook of Economic Sociology*, pp. 27–58 (New York: Princeton University Press).
- Hall, S. (2002) Die Zentralität von Kultur, in: A. Hepp & M. Löffelholz (Eds) *Grundlagen der transkulturellen Kommunikation*, pp. S95–S117 (Konstanz: UVK-Verlag-Ges).
- Harrison, L. E. & Huntington, S. P. (2000) *Culture Matters* (New York: Basic Books).
- Hatch, M. J. & Schultz, M. (2004) *Organizational Identity* (Oxford: Oxford University Press).

- Keeble, D. & Wilkinson, F. (Eds) (2000) *High-Technology Clusters, Networking and Collective Learning in Europe* (Aldershot: Ashgate).
- Maillat, D., Léchet, G., Lecoq, B. & Pfister, M. (1996) *Comparative Analysis of the Structural Development of Milieux: The Example of the Watch Industry in the Swizz and French Jura Arc*. Working Paper 96-07, Institut de recherches économiques et régionales, Université de Neuchatel, Neuchatel.
- Saxenian, A. (1994) *Regional advantage: Cultural competition in Silicon Valley and Route 128*: Harvard (Cambridge, MA: Cambridge University Press).