

The exogenous/endogenous nexus of place: Early impacts of foreign corporations' Brexit mediation strategies on place

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Good morning... or not!



There's always hope....!



INTRODUCTION

- Considerations of place are often implicit within GPN
- Yet, understanding that heterogeneous socio-spatial relations characterise economic life (Jones and Jessop, 2011)
- Suggests a view of place taking account of such disparate spatial relations
- Corporate actions as informed by various spatial relations....
- Generating 'relational' place tendencies constituted by disparate spatial relations





- Examine **responses** by foreign owned subsidiaries in the period up to Brexit..... early **impacts!**
- Leverhulme funded research
- Manufacture of general purpose machinery (SIC 28.1) & other general-purpose machinery (SIC 28.2)
- West Midlands of England
- Includes c.33 interviews with subsidiary senior managers

LEVERHULME
TRUST

‘Bundling’ of place



- Networks embedded within overlapping and multi-spatial places
- Massey (2004) – embedding takes place through actors ‘bundling’ of space-time trajectories
 - (re)configuring the many places they participate within
- Space-time trajectories – e.g. objects, actors, practices, discourses
- ‘Temporary constellations’ – places configured by actor selection,
 - giving meaning and purpose
- Relationships beyond still influence this bundling (e.g. external events)

THE CORPORATION AS A DELIBERATIVE SITE

- The corporation as a federation of constant (spatial) negotiations
- Subsidiaries have (differential) scope in which to act
- Corporations are imbricated with their environment through various spatial relations (Welker, 2014)
- If they subsidiaries can act, then they are producing spatial relations, and that of a 'relational place'
- 'Temporary constellations' – configurations of purpose (Massey, 2005)
- Actors collect objects etc. (timespace trajectories) into 'bundles'





- Dynamic Capabilities - ‘the capacity of an organization to purposefully create, extend, or modify its resource base’ (Helfat et al., 2007: 12)
- ‘Dynamic managerial capabilities’ – the ‘why’ of actor actions
- ‘Human capital’ - knowledge and skills of actors
- ‘Managerial social capital’ – formal/informal networks and relations
- ‘Managerial cognition’ - ‘mental maps’/‘knowledge structures’ in which to make sense of the world
- These influence actors, and thus constitute spatial relations of action

West Midlands



- 5.861m population (2017)
- GVA) per head £22,713 (UK = £27k) (2017)
- Manufacturing % of total jobs 11.1% (323,000) (UK = 7.7%) (2017)
- Accounted for 10.9% of all UK manufactured exports (2016)
- EU receives 46.9% of the region's exports, below the UK average



Subsidiary responses to Brexit

- Mitigate uncertainties and “second guess” what is going to happen
- Overwhelming focus on ‘no deal’ scenarios – *bundling* of worst case scenario perceptions, data estimates etc.
 - Use of consultancy/trade association projections
- Bundling of a future subsidiary market/GPN position – creating ‘place’
- **Stockpiling** parts from the EU –
 - future objects brought to the present
 - Intensification of existing supplier relations – e.g. ask for RM
 - Suppliers bundled within a present and future Brexit
 - Constructing relations within place with new warehousing (time ltd)
 - No substantial economic impact in the ‘place’ of the subsidiary





- **New plants/joint ventures** in particular markets (e.g. Ireland)
 - Control through UK subsidiary, not HQs
 - New spatial relations, but which work through UK subsidiary
- Establishment of **legal entities** in European countries where links are already strong (e.g. sister subsidiary exists)
 - Legal trading outpost
- **Direct supplier relations** to UK plant, where previously via Europe
 - Links UK with Asian/USA subsidiaries and suppliers – now in place
 - Increases costs of UK subsidiary
 - Viewed a long term measures, but future efficiency savings required
 - Consideration of future efficiency measures – i.e. savings



- **Efficiency savings**
 - Reduction in temporary ‘agency’ staff
 - Retreat of the subsidiary – return to an earlier employment level
- **Reduction/delaying investment – substantial future impact**
 - Investment not approved by HQs or sought by subsidiaries
 - Being redirected to Brexit planning
 - Investment has to ‘fit’ legal outcome, but unknown so substantial amounts spent on worst case scenario
 - Subsidiary falling behind in terms of future capabilities (e.g. skills)
 - Represents an inversion of investment inwards to possibilities

The 'why' of subsidiary responses

'Human capital' –

- Knowledge vacuum on responding to major institutional change
- Resort to worst case scenario ('no deal')
- Driven by subsidiary-led responsibility for Brexit planning
- Knowledge and skills have been critical, no use of consultants except for tax issues
- Action is based on past actions -
 - Areas where they have skills (e.g. redirecting supplier routes)
 - Efficiency savings – intensification of past actions (e.g. reduction in temps)
- *Introverted 'bundling' – subsidiary mgt. led*



‘Managerial social capital’

- Action has been critical within existing corporate networks –
 - convincing HQs of subsidiary capabilities
- Has meant bundling the HQ into the Brexit process -
 - I.E. making it a geopolitical priority
 - Subsidiary place as co-constituted with the HQ
- Deliberations with major suppliers who are in and beyond mainland Europe
 - Developing new links with non-EU supplier firms - offering long term contracts
 - EU suppliers – brought close to subsidiaries in the present/future



‘Managerial cognition’

- Action has been within existing ‘mental maps’ - past experience and existing practices
- *Efficiency savings* as a mode of competitiveness in recessions
 - Present and future conceptions of the place of the subsidiary
 - One of survival today, downsized in the future within a recession
- Rather than solely adjusting existing supplier relations, move to cheaper options
 - New spatial relations beyond EU
- Innovations – still framed in terms of being ‘recession proof’

Conclusion – productivity vs inclusive growth

- **Subsidiary responses** – bundling time-space trajectories of actors etc.
- **Impacts** – maintaining productivity
 - Rather, recession-proofing ‘no-deal’ planning
- Future investment in capabilities – not taking place
- Potentially falling behind competitors....
- Extent of this, dependent on the nature of trade relations
- Competitiveness need – potential negative impact on inclusive growth

