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## **Culture and competitiveness in glocal capitalism**

### Summary:

This paper argues for a stronger emphasis on spatial micro-macro relations when analysing the relations between culture and competitiveness in local production systems. The term “glocal” is applied to emphasise this micro-macro dialectics, and the paper suggests a methodology to capture such dialectics. It also discusses how untraded assets and institutionalised informal rules of conduct are maintained in economic practice despite increasing time-space compression. It further discusses how divergent development patterns in glocal capitalism milieus can be explained by analysing the cultural and spatial dynamics of the field systems of the milieus. Finally it analyses how specific spatial and cultural embeddedness of glocal capitalism can be advantageous as well as disadvantageous in an economic restructuration process, like that experienced by the fish processing industry in Norway during the 1990s.

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# Culture and competitiveness in glocal capitalism

## 1. Introduction

Increased time space compression calls for a stronger emphasis on the micro-macro dialectics when analysing competitiveness of a local production system. This paper discusses theoretical perspectives on spatial and cultural embedded capabilities as forces of competitiveness in an accelerating interdependent economic world. We criticise these perspectives for partly biasing spatial and cultural embeddedness to local levels per se. In our view, theory should acknowledge economic practice to be embedded in some kind of spatial and cultural context, but with reference to relational space. Consequently, the term "glocalisation" is applied to remind readers that economic practice takes part in spatial micro-macro dialectics.

In the following section we develop a methodology that captures such dialectics. Our main theorem is that economic actors are embedded in observable spatial and cultural systems of more or less integrated social fields. The approach points at the possibility for economic actors to take part in various fields of different spatial scale and knowledge. An important implication of our approach is that the spatial scale and knowledge of fields influencing economic practice of a given firm or industry, as well as the interrelations between fields, becomes an empirical question.

The next sections of the paper are based on intensive case studies of fish processing industry of three Norwegian fishery communities. The analysis of these cases concentrates on the relation between culture and competitiveness by focusing on untraded assets related to knowledge systems and institutionalised informal rules of conduct in different fields of practice and the interfield dynamics of these constructions.

The managers of the fish processing plants in Norway are embedded in social fields of different scales that give meaning and direction to their management strategies. They are integrated into corporation fields, community fields and other place specific fields characterised by cultural capabilities with monitoring effects upon economic practice. Thus, we argue that, despite increasing time-space compression, economic practice remains culturally and spatially embedded, but this embeddedness should not be territorialised to local levels per se; divergent development patterns in glocal capitalism milieus can best be explained by analysing the spatial dynamics of the field systems in operation. This means that place specific spatial and cultural embeddedness of glocal capitalism can be advantageous as well as disadvantageous in a restructuration process like that experienced by the fish processing industry in Norway during the 1990s.

## 2. Spatial and cultural capabilities and competitiveness

### 2.1 The spatial dimension

'Time-space compression' is a commonly used expression to describe the processes of globalisation (Harvey 1989). Globalisation then becomes rooted in technological innovations and constructions of world-wide systems of transfer where capital, symbols and social relations cross borders between firms, communities, regions and

nations in an accelerating tempo. Observers of this process have raised the theoretical question whether globalisation has a homogeneous or heterogeneous impact on economic practice (Jakobsen 1999, Fløysand and Lindkvist 2001). In this discussion, a theoretical approach which claims that stress that economic practice becomes disembedded from local contexts in this process (Julius 1990, Ohmae 1990), has been challenged by approaches which underline the importance of local embeddedness on economic practice. Among the latter are perspectives that emphasise localised capabilities and externalities as forces of competitiveness in an accelerating and more disorganised capitalism (Harvey 1989, Lash and Urry 1994, Asheim and Isaksen 1997). New concepts such as 'industrial districts' (Hirst and Zeitlin 1992), 'new industrial spaces' (Scott 1988), 'localised industrial complexes' (Amin and Thrift 1992), 'local milieu' (Crevoisier and Maillat 1991) and 'learning economies' (Lundvall and Johnson 1995), all point at institutional aspect of capitalism. We will follow this second line of thought.

The theoretical basis for these new perspectives is evolutionary theory, pioneered by Nelson and Winter. They claimed that economies are developed along pathways or trajectories: "...the condition of the industry in each time period bears the seeds of its condition in the following period" (Nelson and Winter 1982:19). In further developing this perspective, new insights from institutional theory (Powell and DiMaggio 1991) and economical sociology (Granovetter 1992, Holton 1992) have been introduced to get a grip on what can be called a contextual understanding of economic practice. These contributions have stated that economic activities are embedded in spatial and cultural systems of relations (Granovetter 1992, Lee and Wills 1997).

The spatial embeddedness of firms means that no firm or industry is independent, but part of complicated spatial systems. Evolutionary contributions in economic geography claim that proximity matter (Johnston 1991, Pred and Watts 1992, Massey 1994). It is argued that the local and regional context is important. The argument is twofold. First, interactive collaboration will be less costly the shorter the physical distance between the participants, and it is easier to share and communicate knowledge when firms meet face to face (Maskell et al. 1998). Second, economic geographers also point out that 'time-space compression' has shaken established geographical patterns of relations. A result of this empirical observation is the introduction of the term 'glocalisation' to describe the dialectics between processes of globalisation and change in local adaptations (Swyngedouw 1992, Luke 1994, Robertson 1995). The term refers to: "the contested restructuring of the institutional, regulatory level (the level of social reproduction) from the national scale both upwards to the supranational and/or global scales and downwards to the scale of the individual body, the local, the urban or the regional configurations" (Swyngedouw 1997:170). By adapting the concept of glocalisation we want to stress that economic activity is part of micro-macro dialectics and that such dialectics should be 'situated' in space, but without automatically referring to the geographical 'local'.

## **2.2 The cultural dimension**

When analysing the competitiveness of agglomerations of firms, contributions based on evolutionary and institutional theory distinguish between *traded and untraded*

*interdependencies* (Brusco 1986, Camagni, 1991, Grabher 1993, Storper 1997). *Traded interdependencies* between firms involve the relations of buying and selling of intermediate and final outputs. But relations between firms can also be *untraded*, which means focusing on the cultural embeddedness of firms. Assets related to untraded interdependencies include *systems of knowledge and institutionalised informal rules of conduct*. Together with the built environment and natural resources, systems of knowledge and institutional informal rules of conduct are part of the capabilities of a glocal milieu (Maskell et al.1998). Such capabilities can give firms in a specific area (community, region, etc.) competitive advantages in the market. It is often argued that such assets are constructed in historical processes situated in *local* socio-cultural settings (Maskell et al.1998). However, constructions of glocal spatial relations indicate that one should be careful of territorialising these assets only to the local geographical levels. Further, the marginalisation of firms, communities and regions in the globalisation process also indicates that systems of knowledge and institutional informal rules of conduct can be disadvantageous. In the following section we present a methodology that we believe ‘captures’ the spatial and cultural dynamics of economic practice without biasing the spatiality of untraded assets and its impact on the competitiveness of firms.

### **2.3 Combining the spatial and the cultural**

The main theorem of our approach is that economic actors of *glocal capitalism* adaptations are ‘embedded’ in observable spatial and cultural systems of relations. Different concepts have been used to describe such systems. Grønhaug introduced the concept of *social field*: "a relatively bounded interconnected system of social relations stretched out in socio-space" (1978:118). DiMaggio and Powell apply the concept of *organisational fields* consisting of "those organisations that, in the aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar service or products" (1991:64). According to Scott "The notion of field connotes the existence of a community that partakes of a common meaning system and whose participants interact more frequently and faithfully with one another than with actors outside of the field" (1995:56). This means that such fields consist of ‘embedded’ relations that structure the practice in a *glocal capitalism* adaptation, and that the members of a field need to share common ideas and informal rules in order to interact. These informal rules will be related to the ‘arena’ or the ‘social field’ the actor is operating on (DiMaggio and Powell 1991). This means that the spatiality of culture (in our case untraded assets) can be directly confronted in our analysis.

An analytical perspective based on the concept of social fields can easily be linked to the concept of glocalisation. The approach implies that economic actors take part in various fields (fields of family relations, community relations, economic relations, political relations, etc.) on different scales and with different systems of knowledge and rules. The scale of a field are defined by the number of relations involved and their extension in time and space. This implies that events and processes in a given field dominated by economic activities can have consequences for other fields where the actor is involved, and vice versa. Further, it means that the competitiveness of a firm or an industry can influence and be influenced by events and processes in micro as well as macro scale fields. Finally, it implies that untraded assets related to an

economic activity do not have to be ‘local’, but will always be situated in time and space.

Another important implication of our approach is that the spatial scale of events and social processes under study becomes an empirical question. The fields and scales of an economic activity have to be identified through time consuming empirical studies. Our empirical study points at important events and processes in fields of different scales that characterise the economic activity of the fish processing industry in the cases of Ellingsøy, Båtsfjord and Nordkapp (North Cape).

### **3. The community embedded fishery system of Norway**

The production systems of these local milieus are part of a regional and national fish processing system. The Norwegian fish processing industry consists of c. 500 firms employing 12,500 persons (fisheries data from Statistics Norway). The geographical pattern of employment can be seen partly as a result of political conditions in Norway in the post-war period (1945-1980), when Keynes-inspired political regulation regimes dominated. Important goals of these politics were to create stability in the industry and to stimulate a dispersed settlement pattern along the Norwegian coastline (figure 1). The main political strategy used by the authorities in periods of market depression and resource crisis was capital transfer to fishery dependent communities in order to keep the industry going. It has been argued that this strategy conserved the settlement pattern, local knowledge and capabilities, but also cemented a rigid industrial structure and old-fashion modes of organisation (Christensen & Hallenstvedt 1990, Hallenstvedt 1982, Hernes & Trondsen 1986).

During the 1980s and 1990s the Norwegian fish processing industry faced increased international competition, as well as political liberalisation (Arbo & Hersoug 1997). The fish processing industry had been less profitable than most other industries in Norway. Legal adjustments in the political regulation system during the 1980 and 1990s were introduced in order to increase profitability (Bjørndal & Salvanes 1995, Jakobsen 1998, Fløysand and Jakobsen 2001). The long-term policy goal behind these changes has been to create a political framework stimulating more market-oriented strategies at firm level without disturbing the existing settlement pattern along the Norwegian coastline (Hersoug 1996). The adjustments include considerable deregulation of the market for raw fish as well as the market for processed fish. As a result, factor and demand conditions have been altered. There has been a tendency towards globalisation of both the market for raw fish and the market for processed fish products, resulting in increased international competition in trade of raw fish as well as processed fish products (Arbo and Hersoug 1997). This gives the Norwegian fish processing industry increased opportunities to purchase fish from foreign vessels, but also makes it easier for the Norwegian fishing fleet to sell its catches abroad (Fløysand and Jakobsen 2001).

In general terms it can be argued that these changes have given firms, communities and regions better opportunities to take advantage of specific socio-spatial conditions, but with a risk of marginalisation. Although communities are exposed to the same external processes, our analysis will *demonstrate how restructuring and developing of competitive modes of organisation are embedded in spatial and cultural systems of relations that direct development into special “trajectories”*.

As already mentioned, this will be illustrated by comparing the cases of Ellingsøy (in the county of Møre and Romsdal in south Norway), Båtsfjord and North Cape (both in the county of Finnmark in North Norway). Data for the analysis were collected through intensive case studies of these milieus in the late nineties. Key informants in all fish processing firms were interviewed. In addition, information about the production system was collected through other sources, mainly articles and historical documents about the firms and the community.

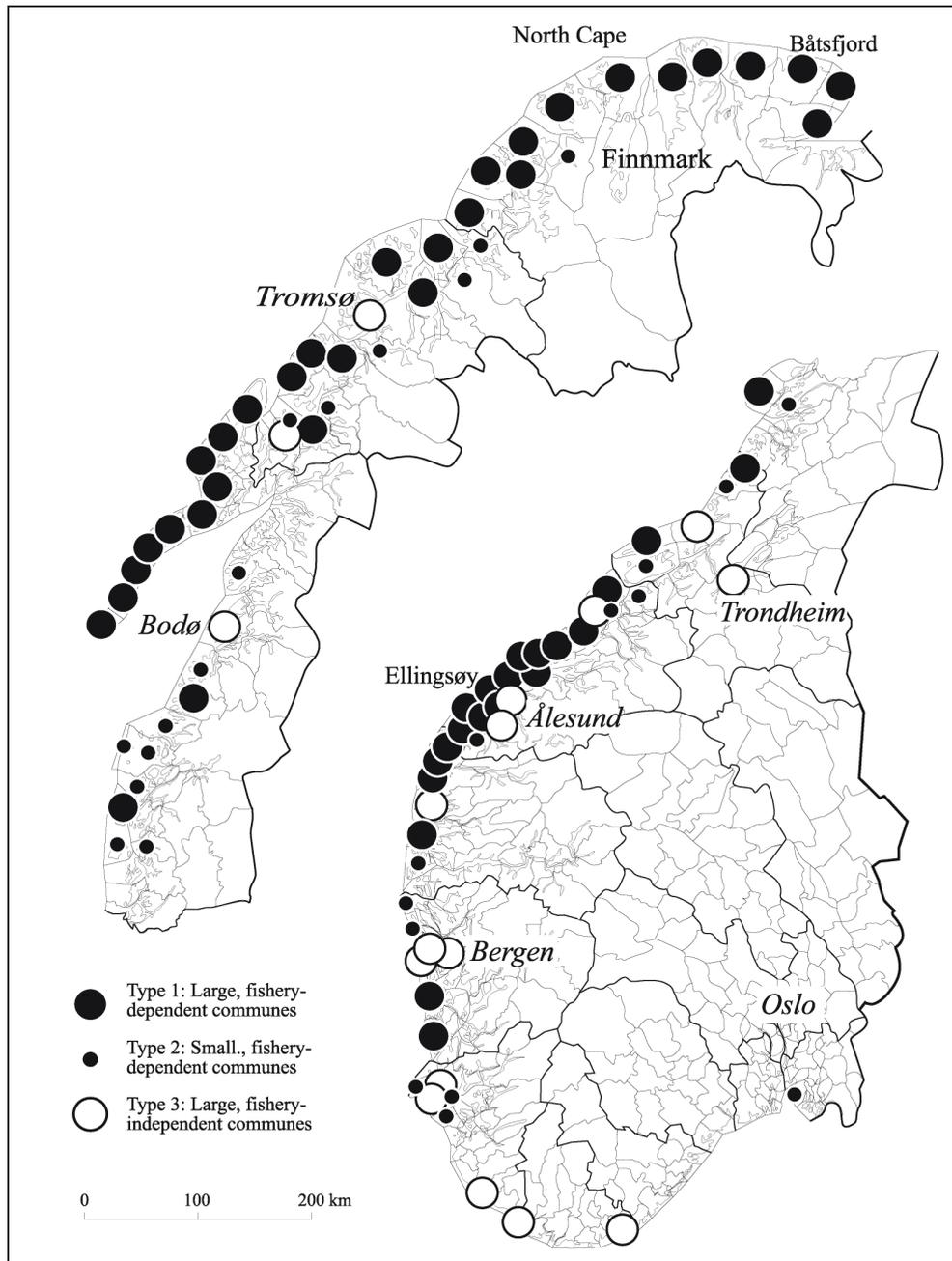


Figure 1: The distribution of fishery municipalities in Norway, and the location of the case studies

Source: Lindkvist 1996

## **4. The case of Ellingsøy**

### **4.1. Restructuring and new modes of organisation**

The island of Ellingsøy is part of Ålesund, the regional centre of the county of Møre and Romsdal. Møre and Romsdal is among the most important fish processing regions in Norway. During the 1990s the region strengthened its position in the Norwegian fish processing industry. Profits were positive in this period. The structural situation of the industry is characterised by a very large conventional sector, and the region serves as the centre of dried salted fish production in Norway. There is also a large fresh fish sector processing farmed fish, and a freezing sector based on processing of herring and mackerel. Locally controlled independent capitalistic firms with a long history have dominated the industry in this region.

The fish processing industry of the island of Ellingsøy to a large extent reflects the regional production system of Møre and Romsdal. 1700 people live on Ellingsøy, and within 12 kilometres, there are twelve fish processing firms which employ the equivalent of 300 man-years. Eight of the firms have less than twenty man-years, while the rest have between twenty and seventy. The total turnover of these firms was approximately 160 million Euro in 1997. The firms are highly specialised. The main product of the firms is dried salted fish ('bacalao'). About 90% of the internationally traded dried salted fish is exported from Norway, while Brazil and Portugal are the main markets with approximately 80% of the total consumption. The firms of Ellingsøy have long historical traditions. All but one firm were established before 1970. They are all locally controlled family businesses.

The firms are highly competitive in the international business of fish trading. Despite increased competition both in trade of raw fish and of dried salted fish during the 1990s, the production of the Ellingsøy industry tripled in this period. Traditionally the producers combined production of dried salted fish with production of salted fish, but in recent years producers have become more specialised and concentrated their efforts on developing the dried salted fish production. They have invested heavily in new equipment in order to make the production process more efficient, and they also altered their input- and output-relations. The firms have increased their access to new markets for raw fish in order to secure their input-relations. Traditionally fish was bought from Norwegian vessels fishing in Norwegian waters. During the 1990s the firms increased their import of Alaska Pollock from the United States, which is especially suitable for production of dried salted fish. Norwegian emigrants based in Seattle own many of the Pollock fishing vessels. This makes the dealing easier for the firms from Ellingsøy. When it comes to organising the output-relations, the majority of the firms at Ellingsøy have got their own export licences. Eight firms are registered as exporters; the rest are trading their output through other Norwegian exporters.

In short, the restructuring story of the industry of Ellingsøy during the 1990s can be termed a winner case. The question is why? Traditionally, competitiveness of geographical agglomeration of firms has been explained by the existence of positive externalities, for instance specialised input and services and the constitution of a pool of workers with specialised skills. These externalities are generated by scale effects, which means lower factor price when demand increases (Krugman 1991, Venables 1996). Local linkages in agglomerations of firms can also reduce transaction costs, by lowering the cost of finding potential sellers or buyers, and stimulate horizontal co-operation between firms which in turn can generate external scale effects (Williamson

1985, Appold 1995). In our cases such externalities can not fully explain degree of success of the industry in the 1990s. Local interorganizational relations and co-operation between the firms do hardly exist, especially in Ellingsøy, which is the most successful case. Thus, an alternative explanation may be linked to assets of untraded interdependencies in social fields of different scales.

Our study of Ellingsøy identifies the existence of three such fields, the *bacalao*, *community* and *family-firm* field, where the dynamics of untraded interdependencies have considerable impact on the competitiveness of the industry. The following sections describe the untraded interdependencies and assets of these fields and discuss the dynamics within and between the fields.

#### **4.2. Untraded assets in the Bacalao field**

In Ellingsøy untraded assets are found in the international *bacalao field*. The key actors of this field are the bacalao producers in Norway and the middlemen or agents in the markets of bacalao, especially Brazil. Its history goes back several years in time and a certain type of knowledge and cultural capital is needed to become a member of this field. Through an historical process and a deepening specialisation the actors of the fish processing industry of Ellingsøy have developed comprehensive informal competence and experience about the production of dried salted fish. The production process can be divided into three phases; salting, drying and classification. The first phase, the production of salted fish, is conventional with standardised technologies and practices. The drying phase is more complicated. It is based on local codified capabilities shared by the members of the bacalao field:

It is almost an "art" to get the perfect result when you are drying. It is hard to know precisely how long to dry the fish. It varies a lot with the shape and the weight of the fish. You almost have to "live with it" before you can say that you master it (local manager)

If the fish is dried incorrectly, the quality becomes poor and its market falls. If the fish is dried too long, the volume as well as the income are reduced. There are instruments that measure the humidity of the fish, but it is also controlled manually, by squeezing the fish. In this process the 'inspectors' are using their capabilities to decide when the fish is 'perfect'. Key members of the firms, such as the owner, the manager or the leader of the production perform the role of inspectors. They have been socialised into the Bacalao field and obtained the untraded capabilities that exist within the field.

In the third phase, the salted dried fish is classified according to size, humidity and quality. This is done manually by members of the staff with specific qualifications to take care of this operation. Producers have to follow a set of formal rules. If the customers in the Bacalao field, for instance in Brazil, receive a product that is not produced according to these rules, they will complain. Actors unfamiliar with the capabilities of the Bacalao field will easily fail in the classification procedure. If such errors are repeated, the producer will lose trust and position in the market.

The members of the Bacalao field have also developed specific capabilities for 'operating' in the market of bacalao. During the post-war period, most of the firms at Ellingsøy obtained their own export licences. This enabled them to avoid Norwegian exporters as middlemen in overseas trade relations. Another effect of export licences

was closer contact with the art of trade/marketing. As mentioned, Brazil has been the most important market for dried salted fish from Norway. The export to Brazil is organised through middlemen or agents in the Brazilian market. These actors also belong to the Bacalao field. The agents receive a provision of their sales, and are performing all the practical procedures related to the export. Most of the agents are either Brazilian or European emigrants living in Brazil. Over time, the producers at Ellingsøy have established close relations with Brazilian agents:

We started to use an Italian emigrant just after the Second World War. When he died a couple of years ago, his son, who is now our official agent, took over. He has been involved in the firm "since the day he could walk" and knows all about fish trading. They always keep their word and we know we can trust them. Since we have worked with them for such a long time, we also believe that we have helped them in developing their agency (local manager)

The close ties within the international bacalao field imply that transactions in most cases are practised without contracts. Thus, the transaction arrangements are based on trust. Through close interorganizational relations the producers in Ellingsøy get important information about the market. By participating in interactive learning processes the producers have developed a product close to what the market demands. It should, however, not be forgotten that these close relationships also have their disadvantages. When a firm has established a relationship with an agent based on trust, it is difficult to end the relationship in situations where the business is declining, even if the agreement is informal. The producer can be trapped in a 'locked-in-situation' with network structures that weaken their market position (Grabher 1993). This 'locked-in-situation' is also characteristic of some of the events and processes in the family-firm fields of Ellingsøy (see section 4.4). Before we go into that discussion, we will present the dynamics of the *community field* of Ellingsøy.

### 4.3 Untraded assets in the community field

Another field with untraded interdependencies of importance for the competitiveness of the industry of Ellingsøy is the *community field*. It includes all fish processing firms at Ellingsøy and other important actors in the local production system (producers of inputs, agents, importers, retail dealers) as well as in the local community in general (local political authorities, neighbours and kind). Not surprisingly, informal rules, norms and role expectations regulating the interaction between the members of the community field have been developed. However, the dynamics of the field is of special interest for this study because it seems to have a positive influence on the information flow between firms and the work ethic within firms.

The economic activity in the fish processing industry of Ellingsøy is characterised by strong competition between the producers. This competition is governed by local informal rules of conduct, institutionalised over time. In general, it is important for a producer to collect information about other firms in order to confirm and, if necessary, amend his own methods and strategies. However, informal rules governing the competition between the fish processing firms of Ellingsøy prevent actors from collecting information through visits or other types of direct contact:

It is just not suitable for me to visit my neighbour and study what he is up to, how clever he is and what he is doing wrong in our opinion. Of course, if there were an invitation I would have paid him a visit, but not otherwise (local manager)

Instead, the producers collect information through a form of ‘monitoring’ by participating in the community field:

There is a kind of “hidden monitoring” taking place. You talk to suppliers and other people in the area (community) and you get a grip on what is going on. Everybody is doing this, so it’s not hidden literally speaking (local manager)

There are also institutionalised role expectations in the community field affecting work ethics on management level. A strong commitment and a specific work ethic are expected, which is a common feature of industrial districts dominated by small or medium sized firms with a limited internal division of labour (Piore and Sabel 1984, Putnam 1993). The manager/owner often takes part in the production process:

I spend an awful lot of time down at the factory. I almost never have time off. That is only when I get away from Ellingsøy. Otherwise, I have to be available at almost every hour. I have to check the drying process in the evening, and take care of boats bringing raw fish or picking up dried salted fish for export (local manager)

Some of our local respondents point to this commitment and to frugality, which is generated by a strong local competition, as an important explanation for the success of Ellingsøy in business:

When I saw that the manager and the staff of the firm next to us were working late, I always felt that we also had to put in extra hours. And when I registered that they had expanded and invested in new equipment, I felt that we had to do the same. We did not want to be left behind (local manager)

If the managers and the firms stick to these rules for ‘fair’ local competition and work ethics, they accumulate what Bourdieu (1977:41) defines as symbolic capital or ‘...collectively recognised credit’. This is credit or prestige in a wider sense. The accumulation of symbolic capital also depends on a firm’s business success and ability to demonstrate skills when producing and selling dried salted fish. This symbolic capital can be converted into economic capital. Firms with high local prestige meet few problems in recruiting workers. Such firms also achieve trust in the Bacalao field, since it is rumoured which firms are operating in a ‘fair’ way, and which firms are not.

#### **4.4 Untraded assets in the family-firm field**

Other untraded interdependencies affecting the competitiveness of the firms at Ellingsøy is found in what may be termed *the family-firm field*. As already pointed out, the Ellingsøy fish processing firms are family firms. Neubauer and Lank define a family firm as: "...a proprietorship, partnership, corporation or any form of business association where the voting control is in the hands of a given family" (1998:8). At Ellingsøy family members are controlling the majority of the shares and hold most of the key positions in the enterprises. All the managers are for instance members of the family controlling the firm. With only one exception at least two generations of the

family are involved in these firms. Thus, the milieu at Ellingsøy represents a strong form of 'family business' where economic practice of the firms are influenced by informal rules, norms and role expectations governing the conduct within family-firm fields.

In general, the family institution plays an important role in socialising new members into society, but when a firm is a part of the family's 'project', such socialising will also include accumulation of knowledge about the family firm:

I have been walking around the factory with my father and my uncles since I was a little kid. When I grew up I spent all my holidays at the factory helping out with different things and learning about the production. You can say that I have always "worked" down at the plant. When my father wanted to step down, it was only natural that I succeeded him (local manager)

This kind of education, where local codified knowledge is communicated from one generation to another, gives the firms competitive advantages, especially when new leaders combine informal with formal education. In addition to the transmission of practical knowledge, the socialising process also gives the members of the new generation self-confidence, which is important when you are in business. Marceau (1989:153) states the following about persons 'born' to be a business manager: "(This) period of their lives also allows them to develop a strong sense of their own worth and a considerable faith in their own abilities (...) They are constantly bathed in informal advice about the behaviours and reactions which are desirable in business".

Another institutionalised rule among enterprises at Ellingsøy is that members of the family must be loyal to the family and the firm. It is taken for given that the next generation is willing to take over as leaders and make the necessary sacrifices:

I went to the capital (Oslo) to study law. It was important for me to get an education. But I could not fulfil my ambition, because my father died. I had to go home to my family and sort things out. I was the one who had to succeed my father as manager. I wanted to practise as a lawyer but it did not turn out that way (local manager)

Loyalty in the family is also used to establish an efficient network towards important actors in the environment:

My eldest son has a leading position in a bank. He helps us with the accounts and other financial things. If it is something special I talk to him. If we need capital we don't have to join the queue. Things are always working out fine when I contact my son (local manager)

Traditionally it has also been expected that family members, not only sons and daughter, but also relatives such as cousins and nephews are willing to put in long hours for low wages in the high season. This input has been crucial to the survival of many of the firms, especially in their vulnerable youth (Piore and Sabel 1984). This loyalty also affects the owners' expectations of profits on their investments: "The relatives involved feel obliged to hold the company stock for more than purely financial reasons, especially when losses are involved" (Neubauer and Lank 1998:6). These attitudes strengthen the family firms' abilities to survive in periods of low income.

In sum, this institutionalised rule of loyalty gives the family firm what Bourdieu (1990:35) defines as social capital: "...effective possession of a network of kinship (or other) relations capable of being mobilised or at least manifested." As shown above, social capital can be generated into competitive advantages when converted to economic practice.

The family institution also expects responsibility from the 'father', or the mentor, towards the rest of the family. This responsibility is part of what Habermas (1984) defines as communicative rationality of the so-called 'lifeworld', in opposition to the instrumental rationality of the 'system'. Traditionally, this responsibility and caring have been important governance structures for social life, but in the case of family enterprises it is also important in economic practice. Prokesch (1991) claims that managers in family firms to a greater degree than managers in ordinary firms feel responsible towards their staff. Especially in small firms, the staff can be 'part of the family':

In our company we have close relations with the staff. I work together with them when it's necessary. I think this is motivating them. They know that I am willing to participate and sweat with them. I also think this makes them work more efficiently (local manager)

The manager of a family firm is also expected to show responsibility towards other family members. This is illustrated during changes in the leadership. The managers of the family business have to 'take care of their children', by giving them the possibility to achieve business success (Neubauer and Lank 1998). Thus, it is common that members of the next generation get key positions in the firm when the leader or the leader team wants to step down. But in cases where the new manager does not have the right qualifications, this informal rule can weaken the firm's competitiveness. There have also been a few cases where the next generation does not want to carry on the business. In 1995 for instance, one firm at Ellingsøy closed down because the descendants did not wish to take over.

#### **4.5. Inter fields dynamics**

In our methodological discussion it was stressed that the field analytical perspective matched the concept of glocalisation. Our point was that the actors of a local milieu of capitalism take part in various fields of different scale and as such can be influenced by events and processes in micro as well as macro scale fields. The discussion has demonstrated that the milieu at Ellingsøy accumulates knowledge and develops localised capabilities in different fields of different scale. The milieu is part of and plays an important role in an *international* Bacalao field characterised by special codified knowledge and rules of conduct governing the production and trade of dried salted fish. Second, events and processes in a *local* community field regulate the information flow between the firms and the work ethics that characterise the milieu. Third, untraded interdependencies affecting the competitiveness of the industry are found in family-firm fields.

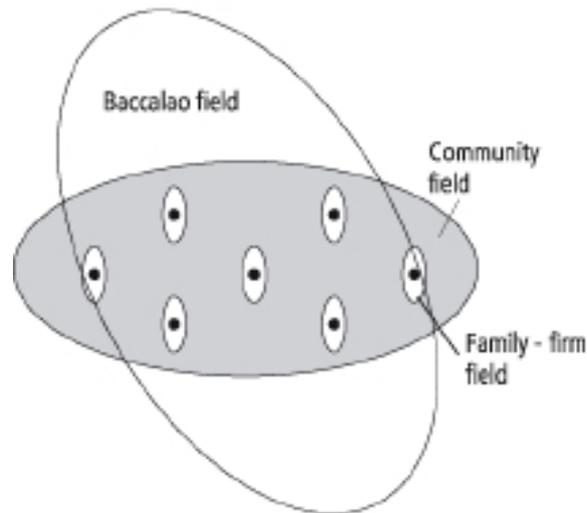


Figure 2: The field dynamics of the fish processing industry of Ellingsøy

A closer look at the inter-field dynamics of the milieu indicates that the community field is the glue and the dominant field of the system (see figure 2). Despite lack of direct contact and co-operation among the firms, there is an ongoing diffusion of knowledge among the firms involved in the community field. It takes place through informal or social relations between key persons in different firms, through communication between workers in different firms, through sellers of input factors who have several of the local producers as customers, when people employed in one firm move to another firm and simply by the fact that key persons in different firms participate in the social life of the community. There is a reciprocal interdependency between local firms, and the maintenance of this balance is critical for the efficiency of learning processes. Formal institutions of knowledge, such as research or educational institutions have been of little or no importance in these learning processes.

*Thus, we will argue that the main competitive advantages of the glocal milieu at Ellingsøy are related to dynamics of the community field. By connecting events and processes of the bacalao field and the family-firm fields, the community field has generated strong rivalry between the firms. In turn this has triggered off a construction of deep informal knowledge, loyalty between individuals within the firms, leaders with self-confidence and efficient internal 'education' of key members in the firms.*

## 5. The case of Båtsfjord

### 5.1. Restructuring and new modes of organisation

Our second case, Båtsfjord, is localised in the county of Finnmark. The dominant sector in this important fishery region has been freezing. This sector faced increased market competition for its main product (frozen blocks of cod fillets) during the 1980s and 1990s. The resulting activity decline were also related to a serious depletion of the stocks of capelin and cod in the Barents Sea in the second half of the 1980s. Even with increasing Russian cod landing, the decline in employment in the fish processing industry in the county of Finnmark between 1980 and 1999 was close to 60%.

The crisis of the freezing industry sector, together with a gradual liberalisation of the fisheries policy, set in motion a radical restructuring of the industry in the late 1980s and the first part of the 1990s. A majority of the long established firms, including state controlled firms, vanished and were replaced by newcomers. The newcomers were both local and external entrepreneurs, many of them innovative, introducing new production processes and products to the region. The result has been a more differentiated industry structure. The processing of frozen fish is still important, but much less dominant than in the 1970s and 1980s. At present, fresh, frozen and salted process products have a balanced share of the total production in the region of Finnmark.

In Båtsfjord the changes during the last decades were less radical than in other localities in the region. The labour intensive cod based fillet production was maintained, and the employment in the fish processing industry increased by 8 % from 1980 to 1999. In Båtsfjord local firms have come to dominate the industry. Four of the five existing production units are locally owned firms that survived the regional crisis during the late 1980s. These firms have upheld and developed their competence in fillet production and supported local interests and opinions.

In short, the restructuring story of the industry of Båtsfjord during the 1990s can be termed "conservative". At present the industry are facing problems caused by increased competition on the international market for fillet products. As the volume of fish offal is considerable (the fillet represents about 50 per cent of the weight of the raw fish), it has traditionally been profitable to process the fish close to the fishing ground. Time space compression and political deregulation are changing this situation. Development of new technology has made it possible for a trawler to process the fish in open sea, on its way to the market, made world-wide diffusion of the fillet-industry possible and brought forward substitutes far below the Båtsfjord prices of cod-based products. Political liberalisation has reduced the national Governments will to interrupt processes that threatens local adaptations in times of decreasing markets. In sum these processes have put Båtsfjord in a vulnerable position, but still the development of the industry seems to follow a traditional path. The question is why?

Again, the explanation is linked to spatial and cultural situated relations in social fields of different scale. In Båtsfjord, we have identified the existence of three such fields; *Barents region field*, *corporation field* and *community field*. We will argue that the dynamics of untraded interdependencies in this field system have a more negative than positive impact on the competitiveness of the industry. The next sections describe the untraded interdependencies of these fields and discuss the dynamics within and between the fields.

## **5.2. Untraded assets in the Barents region field**

The locally owned firms in Båtsfjord have established strong links with the fishermen in the region. They know how to interact in a *Barents region field* coloured by coastal cultures, and are using this knowledge and relation system to secure input of raw fish. First, the local coastal fleet, to a certain extent remains loyal to its port of origin, but the managers need local knowledge to obtain confidence among the fishermen:

It is important that he (the manager) speaks their (the fishermen's) language. It soon becomes frustrating if a manager arrives who immediately makes it clear that he is the boss, that he is the buyer of the fish and pays whatever he wants to pay, and that he keeps the factory open for landing when he finds it convenient (...) then we will soon have trouble (Chairman of Finnmark Fishermen's Union)

Second, local plant managers have revitalised and expanded the social networks of the Barents region field by accumulating important knowledge about the Russian supply for raw fish. Absent before 1989, Russian trawlers have increased their landings in Finnmark inclusive Båtsfjord:

In 1989, the 18th April, when announced over radio that the cod quotas were cut, life was quite dark here in Båtsfjord. But we acted quite quickly and started to buy fish from Russian trawlers. We started in August 1989. It is not an exaggeration to claim that without it, throughout the first part of the 90s, given the horrible low quotas existing in Norway during this period, a single firm would not have survived without access to Russian fish...(local manager)

During the 1990s import of cod from Russia became more and more vital for the industry. At present Russian trawlers are responsible for almost 50 per cent of the total landings in Båtsfjord. In this process the local plant managers have achieved valuable information about the industry structure, relations between firms, and about the political situation in Russia. Local managers have been able to make formal and informal contacts with Russian trawler companies. Their ability to communicate with Russian partners on this international and unpredictable market has strengthened the position of the industry on the international raw fish market. Their familiarity with knowledge in these networks has a directly positive effect on the Båtsfjord companies. Hence untraded assets found within the Barents region field seems to increase the competitiveness of the fillet industry in Båtsfjord.

### **5.3. Untraded assets in the corporation and community fields**

In a field analytical perspective it can be claimed that the production units in Båtsfjord are integrated in a *corporation field* consisting of systems of formal and informal relations between the five local firms. A *community field* can also be identified. In addition to the fish processing firms it includes other important actors in the community, for instance producers of input, exporters and local political authorities. A substantial number of formal and informal relations exists between the firms in Båtsfjord and other actors in the local community. The system of relations is based upon inter-personal relations at the local level, but with links to regional and even national levels.

The ties between firms and between firms and the rest of the community are close. The association of local fish managers dates back to 1946. In 1978 a partnership between the industry (49% share) and the municipality (51% share) was formed to set up a storehouse for raw fish and processed products. At present all firms are members of this association and they meet frequently (2-3 times a month). This association of the fish processing companies increased its activities during the 1990s. A joint venture, Båtsfjord Industrier A/S, was established in 1995. With equal shares, three local firms acquired local control over the joint venture, which is engaged in fishing (66.6% share in a trawler), fish processing industry (100% share in the fourth locally

controlled production unit processing salt fish), a service centre for fishermen (49%), and a housing co-operative (50%). Among the inter-firm relations is also a joint training centre for new industrial workers. The association also mediates problems related to landings of raw fish:

If we lack raw fish for the production of the day, we can contact one of the others. Can you lend us 10 tons until tomorrow, then we receive a trawler? Then they send us 10 tons of fish, and like this the year passes. And we all save very much from this system (local manager)

Thus, the managers of the firms and the local politicians are part of a *community field* governed by local codified knowledge and rules of conduct. The rules include loyalty to the community, but also a pattern of behaviour that stimulates collective entrepreneurship:

It is a very open society, you might say that they (the managers) get excited together. You are open to the possibilities. One company triggers the other off, then you stimulate development continuously (local manager)

Expectations toward the manager's role in the community field have encouraged the firms to learn the art of networking or the operation of inter-organisational relations in the corporation field. Through collaboration and strategic talks the environment has been able to set up a trawler company, to introduce "flow lines" in the factories, to establish input relations to Russian trawler companies, etc. There are examples of incremental innovations in the production milieu as well. A local IT firm has developed production software for the industry by collaborating with one of the fillet production factories. The new computer system individualises the orders of raw fish at the flow line. The system has been a success and has been exported.

#### **5.4. Inter-field dynamics**

In spite of these positive externalities, local linkages of firms and positive effects from untraded assets in the Barents region field, corporation field and community field of Båtsfjord, the industry struggle to survive. In our theoretical discussion we argued that marginalisation of firms in the globalisation process indicated that systems of knowledge and rules of conducts also can be disadvantageous. This seems to be the case in Båtsfjord. The observed pattern of modes of organisation in Båtsfjord can be explained by a specific field dynamics driven by historical "trajectories". The restructuring processes have strengthened a small-scale community field dominated by actors of local origin that favour fillet production. In the community field of Båtsfjord a manager's success is measured by the number of people he is given work, and to a lesser extent by the profitability of his firm. This attitude dates back to the post-war period (1945-1980), when Keynes-inspired political regimes dominated in Norway at all governmental levels. In this period the main strategy towards resource and markets fluctuations came in form of capital flows that kept the communities/business going in periods of resource crisis and market depressions. In the present situation of increased competition on the market of fillet products, the community members of Båtsfjord focus on support from the national Government, and tend to neglect the introduction of more efficient modes of organisation.

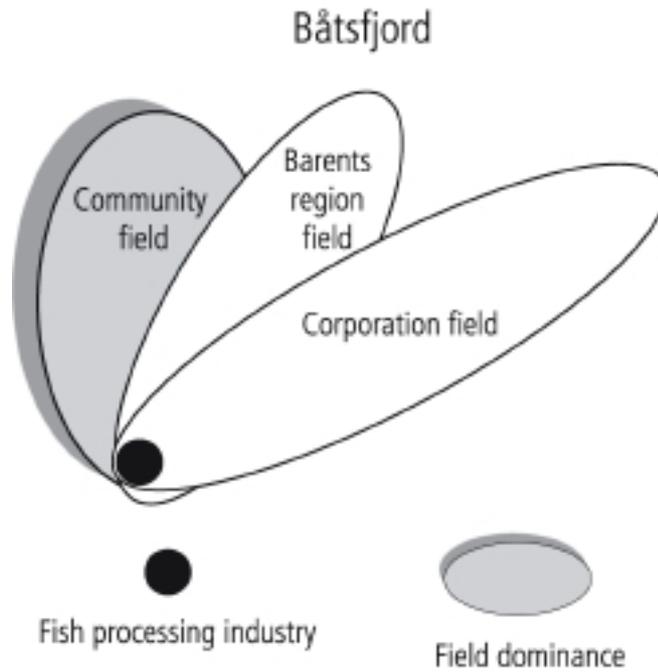


Figure 3: The field dynamics of the fish processing industry of Båtsfjord

A regional discourse linked to the so-called “resource tax” illustrates the strength of the culture of the community field in Båtsfjord and its strong influence on the strategies of the local fish industry managers. During the 2000 winter season the Provincial Commissioner of Finnmark suggested that unprocessed fish should be taxed when exported out of Finnmark. In his as well as in the municipal councils view, the effect of such a tax would be that the fish would be processed in Finnmark, thus stimulating local employment (fillet production) and related economic activities in the region. Not surprisingly, the managers of the firms in Båtsfjord supported the suggestion:

The coastal communities would be depopulated if the fillet production industry continued to lose importance as an employer in the regional fish industry (local manager)

The main point in this setting is not to engage in this discussion, but to demonstrate that the glocal construction of capitalism of Båtsfjord seems to be in trouble because of the specific dynamics of its spatial and cultural field system. Untraded assets in the international Barents region field under reconstruction have undoubtedly strengthened the competitiveness of the firms on the raw fish market. As in the case of Ellingsøy, the community field also seems to be of special importance. Events and processes in this field have encouraged internal collaboration among the firms. The development of externalities is certainly larger in Båtsfjord than in Ellingsøy. However, the potential pitfall for these kinds of local production system is that “ties that bind turn into ties that blind and generate locked-in-situations” (Grabher 1993:24). This seems to be the case in Båtsfjord.

*Thus, it can be argued that important competitive disadvantages of the glocal milieu at Båtsfjord are related to dynamics of the community field. The strength of this field has influenced firm managers to defend labour intensive production strategies, and in*

general it has been a barrier to the introduction of new modes of production. The result is a corporation field characterised by strong local, but, compared to Ellingsøy, poorly developed external ties, and a production culture based on the ideas of the past. The challenge in such locked-in-situations is to supply local ties with new external ties and knowledge. The next case will demonstrate the importance of external links.

## **6. The case of North Cape**

### **6.1. Restructuring and new modes of organisation**

The municipality of North Cape is also located in Finnmark. Hence, the regional conditions of the industry remain unchanged from Båtsfjord. Despite this, the restructuring process in North Cape has been much more comprehensive than in Båtsfjord. Although the landings of cod more than doubled from 1980 to 1999, thanks to import from Russia, the employment in the fish processing industry has been reduced from 400 persons to less than 150. At present the industry consists of five firms. External companies control four of these firms, while one is a co-ownership of local and external actors.

During the 1990s the companies closed down the labour-intensive fillet-production industry and introduced a modern resource-intensive and labour-extensive salt fish industry. Consequently the landings of cod per man-year were trebled during the 1990s. Compared with Båtsfjord this means that the production of fillet has vanished and been replaced by production of salt and fresh fish in North Cape.

The question is why? The collective opinion in North Cape, as in Båtsfjord, still favours fillet production. An informant reflecting on the restructuration process in North Cape illustrates this:

It was fillet that qualified the refinance of the enterprise, they even projected the new factory for production of fillet. They got it financed and reconstructed it as a fillet unit, they had access to the technology, but without using it (..) There have been complaints since the restart, from the politicians among others, they wanted the fillet production factory to be rebuilt (...) Many feel it this way, but at present the enterprise is run very well as a conventional firm producing salt and fresh fish.

The last sentence in the quotation indicates that the dynamics of capitalism in the North Cape fishing industry is more rational adapted to globalisation than in the case of Båtsfjord. We will try to explain this dynamics by referring to the glocal system of social fields operating in North Cape. The field pattern in North Cape consists of the same fields as in Båtsfjord, but the dynamics is very different.

### **6.2. Untraded assets in the Barents region field**

The dominance of external firms in North Cape has reduced the number of economic functions performed in the local plants, but this seem to have had limited effect upon the input relations of the firms. The main objective of the local plant is to purchase catches from the local coastal fleet and from trawlers, and process these.

As already discussed in the Båtsfjord case, a successful manager of Finnmark factories must know how to involve himself in a *Barents region field* coloured by

coastal cultures, and characterised by actors that have been socialised into capitalism adaptations dependent on fisheries and a specific pattern of behaviour. Such capabilities are also found among the managers in North Cape. As in the case of Båtsfjord, the managers are of local origin and the majority has obtained embedded knowledge through professional experience as fishermen, workers in the fishing industry, etc. This also accounts for the relations with the Russians. Among the managers in North Cape you find people with strong links to Russian networks, well informed about business culture in Northern Russia. In the case of the external firms in North Cape, this untraded asset in the Barents region field seems to be traded. The demand for raw fish of the externally owned firms creates a situation where local managers situated in the Barents region field convert their cultural and social capital to economic capital. By locating their plants in peripheral ports in North Cape and by engaging managers with a Barents region field background, the external firms obtain access to this field and its untraded assets. Besides, they get access to important Russian networks. Hence, at present, Russian trawlers are responsible for almost 50% of the total landings in North Cape.

### **6.3. Untraded assets in the corporation and community fields**

One important reason for the divergence of restructuration processes in North Cape and Båtsfjord is that the external owners have been able to break with the fillet culture. The external firms took over bankrupt factories. These external companies did not belong to the local fillet culture in Finnmark. Traditionally they have concentrated their efforts on salted fish. Consequently, the present production structure of the North Cape industry to a large extent reflects path dependency of the external firms, but with the introduction of fresh fish export as an exception.

The owner structure also affects the output and inter-firm relations of the production units in North Cape. The externally controlled branch plants reduce their output relations and inter-firm relations at community level to a minimum. Investment decisions and changes in production strategy are also externally controlled. The mother companies and their export departments deal with marketing relations. Only the partly locally owned plant in North Cape has set up its own export department. It also co-ordinates export of fresh fish from two of the other production plants. This allows these plants to exclusively concentrate on the processing on salted fish. Consequently a spatial division of production has been established. In other aspects output and inter-firm relations in North Cape are poorly developed. The external dominance of the industry keeps output relations and R&D activities outside the community, but within the corporate field.

In a field analytic perspective it can be argued that the external controlled production units in North Cape are integrated in *corporation fields* consisting of relations between divisions within a single company. In these fields the local managers of the externally controlled plants are introduced to rules of conduct that sustain paternalistic ties between the mother company and its sub-divisions, and loyalty to the internal division of labour and the specific lines of production carried out in the different divisions. Hence, business relations to a large extent consist of intra-firm relations between the different divisions in a single corporation. Together with events and processes related to the history of the mother companies, this is an obstacle for development of strategic alliances between producers at community level. As a

consequence, the association of local fish managers in North Cape is paralysed. A local manager characterises the present situation of the association:

There are two members left, and we have meetings every third year (local manager)

Thus, the case of North Cape seems to support the conclusion of Glasmeyer (1988) that branch plants have a tendency to impair local linkages and spin-offs. Other view large firms as complex knowledge environments, and not simply as a processor of contract based transactions (Amin and Coherendt, 1999). In these approaches different spin-offs effects of external investments are analysed in relation to the investment motives of the firms. However, when the main motive is to get access to natural resources it often implies modes of organisation associated with Fordism, as for the fishery industry in North Cape. Before entering this discussion we have to take a closer look at the inter-field dynamics in this area.

#### **6.4. Inter-field dynamics**

The discussion so far has demonstrated that the restructuring process has integrated the industry of North Cape into a large-scale corporation field dominated by external actors. This seems to have made the firms more market oriented.

The already mentioned discourse linked to the so-called “resource tax” illustrates the new values and rules of conduct for the fish processing industry in North Cape. The managers of the firms in North Cape reacted against the suggestion that fish should be taxed when exported unprocessed out of Finnmark. They feared that this might have negative effects on the product mix in North Cape, that of salted and unprocessed fish. In the local press discussion the managers pointed to positive effects of liberalisation of the fishing industry, such free access to Russian fish, abolition of the export monopolies and a safer access to the markets through the agreement with the EU. One manager argued that these global processes had increased the possibilities of firms to:

...concentrate upon the combination of salt fish production and the sales of fresh fish on the export markets. For this reason we have the necessary flexibility both to take care of other species than cod, and to use the landing capacity of our production plant in a more efficient way (local manager)

In an open letter to the Norwegian Ministry of Fisheries in the local press the manager argued that the firms must be permitted to focus on the products that are profitable on the markets. Only that could secure the firms and employment in the (rural) areas. Compared to Båtsfjord, the attitudes of the managers in North Cape seem more in line with the dynamics of global capitalism.

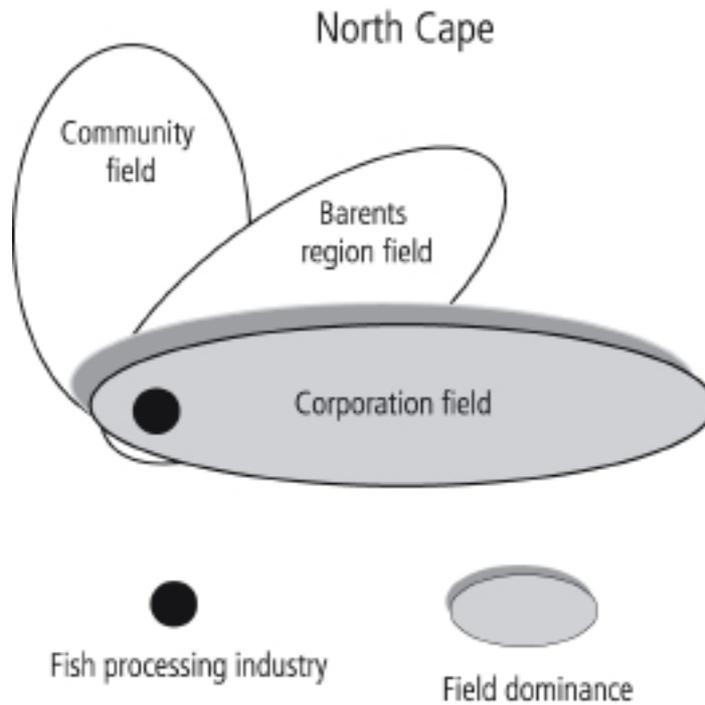


Figure 4: The field dynamics of the fish processing industry of North Cape

*Thus, we will argue that the main competitive advantages of the glocal milieu at North Cape are related to dynamics of the corporation field.* The external newcomers and their systems of knowledge and rules of conduct have been mixed with existing untraded assets in the Barents region field. The introduction of large external firms seems to have introduced professionalism and a modern way of management contrasting with the informal modes of organisation that still dominate the business in the region (such as the Båtsfjord case). However, the absence of inter-firm relations and co-operation projects reduces the local spin-offs, and limits the diffusion of technology, competence and business philosophy from the externally owned firms to other actors in North Cape.

## 7. Conclusions

This paper has analysed relations between communities and competitiveness in glocal capitalism by focusing on **institutional aspects of capitalism**. It has presented a theoretical approach that **acknowledges economic practice to be embedded in some kind of cultural context**, but without biasing **the spatiality of culture and its impact on the competitiveness of firms**. Thus, the spatial scale of untraded assets and its impact on competitiveness has been explored through three intensive empirical studies of fish dependent communities **exposed to similar external processes**.

If we return to our theoretical discussion the case studies inform this in mainly four directions. First, the discussion has supported the argument that, despite increasing time-space compression, economic practice remains culturally embedded. In Ellingsøy untraded assets govern the production and trade of dried salted fish, the information flow between the firms and the work ethics. In Båtsfjord and North Cape

untraded assets linked to the Russian raw fish market are of special importance. The industry in Båtsfjord also follows strategies reflecting that the firms are part of a fillet production culture, whereas this path dependency is broken by the introduction of external firms in North Cape.

Second, the discussion demonstrates that the spatiality of firm`s cultural embeddedness should not be territorialised to local levels only. In Ellingsøy, untraded assets of importance to the competitiveness of the industry are also linked to an international\_baccalao field. In North cape external inputs are related to an international Barents Region field and a national corporation field and, while the production system of Båtsfjord is part of the international Barents region field.

Third, the observed divergences between development patterns in glocal capitalism milieus can partly be explained by divergent spatial dynamics of the field systems in operation. In all the three cases the cultural and spatial embeddedness of economic practice means that the restructuring and developing of competitive modes of organisation follows specific trajectories. In Ellingsøy, the community field is of special importance. It secures diffusion of knowledge between the non-cooperating firms, and by doing so it partly replaces the role of formal institutions of knowledge. In Båtsfjord, the community field also plays a significant role. Events and processes in this field have encouraged internal collaboration among the firms. For this reason the development of externalities is high in Båtsfjord. Further, path dependency at industry level and the strength of a community field influence firm managers to defend labour intensive production strategies, seen by locals as a sustainable development for their community. The field dynamics of North Cape demonstrates a very different reality. Here, a corporation field controlled by external capital dominates the field situation. The observed development is linked to external firms, and the community field seems to be marginalised. This reduces the amount of co-operation in local industrial networks.

Fourth, the discussion supports the view that spatial and cultural embeddedness of capitalism adaptations can be advantageous as well as disadvantageous for glocal milieus in a restructuring process triggered off by globalisation and political deregulation. In Ellingsøy, the outcome is a very competitive milieu. The milieu stands out as winner case in the restructuring process of the Norwegian fish processing industry during the 1990s. In Båtsfjord, the embeddedness is expressed in conservatism. The outcome is a locked-in situation that in the long run undermines the competitiveness of the milieu. Finally, the industry of North Cape seems to have been able to adapt to a new regulation regime and increased competition on the markets for raw fish and processed fish products. The glocal mixture of cultural embeddedness of this milieu has resulted in a break with the fillet culture in the community. It has created a situation where local managers convert cultural and social capital or untraded assets in the Barents region field to economic capital or traded assets in the externally controlled corporation field. The outcome has been the development of an industry characterised by efficient and profitable modes of production following global market logic.

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