Rounds of mobile investment and ‘strategic coupling’ dynamics in the semi-periphery: investigating the experience of Northern Ireland since the mid-1990s

Work-in-progress

Rounds of mobile investment and ‘strategic coupling’ dynamics in the semi-periphery: investigating the experience of Northern Ireland since the mid-1990s

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Agenda

1. Introduction, broad idea and potential contributions

2. Conceptualisation / conceptual framework

3. Method

4. Case context: Northern Ireland, its economy and inward investment

5. Some preliminary insights on 3 (of 6) strategic (de)coupling ‘encounters’:
   - Decoupling encounter 1: the ‘messy’ demise of the textile & clothing GPN segment
   - Coupling encounter 2: ‘low road’ new path creation - the outsourced contact centre segment
   - Coupling encounter 3: ‘higher road’ new path creation – IT/software GPN segment

6. Conclusion: Six preliminary discussion points
1. Introduction, broad idea and potential contributions

- Although there is a long tradition of research on inward investment & regional development issues in peripheral/OIRs, studies were often cross-sectional or had short time horizon, and sometimes empirically-driven and under-theorised…

- **Proposal:** There is now an opportunity to shed new light on this phenomenon by applying an (enhanced) GPN-type analysis over a longer time horizon.

- Building upon recent contributions to the economic geography literatures on GPN, EEG and GPE with insights from other fields, such as International Business

- **Broad idea:** To explore the processes of ‘long-run’/’slow-burn’ industrial change and evolution in regions that have pursued an exogenous (inward investment-led) development model

- **Potential contributions?**
  - Advance theory by infusing GPN approach (and specifically the strategic coupling concept) with evolutionary and other insights?
  - Policy relevance? A new lens to inform debates about exogenous development model and associated policy dilemmas?
2. Conceptualisation: The GPN approach, ‘strategic coupling’ and strategic coupling *dynamics* … a ‘path contingent’ perspective?

- **GNP themes**: multi-scalar and relational perspective, trans-local networks, power, embeddedness, corporate & institutional actors, value creation/capture/enhancement

- **GNP & regional development**: “The **strategic coupling** of **global production networks** and **regional assets** may (or may not, depending on the context) facilitate the processes of the creation, enhancement and capture of value…” (Coe et al, 2004: 469)

- **Strategic coupling** as an ‘interfacing mechanism’ between TNCs and regional assets and a process *mediated by ‘local institutional actors’* (Coe et al, 2004; Yeung, 2009)

- Strategic coupling, de-coupling & re-coupling (Mackinnon, 2012; Horner, 2014; Yeung, 2015) => *a dynamic process* … possible insights from evolutionary perspectives?

- ‘Non-GPN’ (e.g. GPE) work on peripheral/OIR inward investment experiences and regional economic evolutions (e.g. work on NE England by likes of Pike, Dawley and Hudson)

- ‘Path contingency’ (or path dependence) from EEG and other social science literatures… infusing the GPN/strategic coupling literature with *evolutionary insights*?

- e.g. Mackinnon (2012): apply ‘layering, conversion & recombination’ to GPN studies?
2b. Conceptual framework: drivers of strategic coupling dynamics

**Macro-environmental forces** (e.g. geopolitical transformations, technological change)

'Systemic' forces (e.g. financialization; value chain fine-slicing, offshoring/outsourcing)

**Industry environmental forces** (e.g. industry structure, competitive dynamics, growth)

External & internal environments ('global' or 'macro-regional')

**Corporate** (e.g. firm strategy, organization, competences) and value chain context

**Local institutional agency** (e.g. investment promotion, factor creation, mobilization)

Regional assets (relative): market potential, labour and skills, infrastructure, 'clusters', policy

Local & national institutional context (e.g. variety of capitalism, business envt, 'culture')

Path contingency and strategic coupling dynamics

The regional path (imprint of past choices)

- Decoupling
- Sustained coupling
- Recoupling
- Renewal

Non-viable path (due to past choices)

Deeper coupling

New path creation

Initial coupling

Opportunities for coupling
Taken or foregone

Note: a region may be simultaneously coupled with a number of different GPNs; these couplings could be at different stages; contrast the region's portfolio of coupled GPNs at $t_1$, $t_2$, $t_3$, and $t_4$

Source: own work
3. Method

• ‘Studying regions by studying firms’ (Markusen, 1994) … and GPN segments?
• A single region longitudinal case (mid-1990s to present – i.e. a longer time horizon)
• Multiple embedded UoA in 2 tiers (6 x GPN segments & multiple individual MNE subsidiaries in each segment) – nested case design, need to traverse different UoA
• ‘Follow the path’ approach (Pike et al, 2016) for subsidiaries and GPN segments

Stage 1 (in progress): Desk-based - diverse range of secondary data sources (quantitative & qualitative) – incl. official and other statistics, regional and local media coverage, policy documents, company websites and reports, etc.

Stage 2 (planned): Fieldwork - ‘expert interviews’ (e.g. policy-makers, FDI consultants) and ‘corporate’ face-to-face interviews (subsidiary managers)

• Analysis: chronologies (sequence of events; causal inference) and cross-case (Yin)
• Possible theoretical generalisability/abstraction? (i.e. beyond the case context)
The Northern Ireland Context

- **Longstanding economic problems**
  - A region of high unemployment (until quite recently) and low wages
  - Productivity gap; weak competitiveness; SME-dominated economy
  - ‘Unfavourable’ industrial structure and restructuring pressures
  - Exacerbated by ‘The Troubles’ 1968-98 (but debateable how much)
  - Poor economic governance? Lack of coherent strategy/policy innovation?

- **The role of inward investment**
  - Policy-makers in NI have always seen it as a vital ‘tool’ (since 1950s)
  - Historical emphasis on job creation; grant assistance; rent-seeking?
  - Questionable economic impact and value-for-money in C20th?
  - Rhetoric of ‘peace dividend’ and role of inward investment since 1998 GFA
  - More recent emphasis on higher value-added activities?
Inward investment in the past: 'branch plant' manufacturing

- Significant inward investment attracted from GB and outside UK (esp. USA but also Europe) in ‘branch plant’ manufacturing operations during 1950s/60s/70s
- Further manufacturing FDI attracted in late 1980s/90s (but less than comparator regions)
- Public policy regime (esp. generous grant support) combined with low(ish) labour costs and access to UK/EU markets were among the key drivers
- Lack of coherent underlying strategy? Some sector targeting but low ‘selectivity’. Enclaves?
Significant inward investment in ‘traded services’ activities since late 1990s

- A notable shift towards ‘traded services’ at attracted inward investment projects (mid-1990s+)
- Linked to value chain ‘fine-slicing’, offshoring and outsourcing; B2B & intra-firm trade in tasks
- Harder to classify… but a variety of sub-sectors and activities: call centres, IT/software, legal
Number of new jobs promoted annually in Invest NI-supported inward investment projects by broad sector

*a ‘shift to services’ beginning around 1996/97 and esp. after 1999/00*

Source: own work based on data supplied by Invest Northern Ireland
5a. Decoupling encounter 1: path dissolution / closure

the ‘messy’ demise of the textiles & clothing GPN segment

- A sector with very long roots in the region that ‘disappeared’ over the last 20 years (esp. notable collapse in late-90s/early-00s, when ~2,000 jobs per annum were lost). Less than 2,000 textiles and clothing jobs remained in the region 2013.

- Jobs lost were mainly low-paid and low quality (and gendered) but this had devastating local impacts.

- *Example:* in a single week, in early 1999, a wave of job rationalisations and plant closures impacted 6 towns across the region and attracted significant consternation.

- The ‘lost’ GPN segment comprised *mainly* branch factories of UK plc companies. These included Tier 1 garment subcontractors supplying UK retailers & branded garment manufacturers, yarn-makers, carpet-makers supplying the UK and exporting.

- Key global and regional *institutional changes* (e.g. end of MFA, EU enlargement) plus new *cost pressures* led to shift to low-cost developing/emerging countries (an industry wide trend that has been widely discussed in the academic literature).

- But also some *local issues*? ....
5a. Decoupling encounter 1: path dissolution / closure
the ‘messy’ demise of the textiles & clothing GPN segment

- **Local policy responses** to, and management of, this ‘rupture’ are interesting; e.g. continued financial support for a failing sector (pouring good money after bad) – could be seen as a form of **lock-in** due to inertia and/or local political pressures and/or engrained ‘norms’ (grant dependency).

- As late as early 1990s, this sector was still being **attracted/targeted by the inward investment agency** – e.g. Fruit of the Loom (US) expanding spinning/sewing projects and introducing knitting operations; Controversial and ill-fated attempt to attract the Hualon textile company (Taiwan) in the mid-90s.

- Even by 1996-97, a significant number of incumbent textiles and clothing firms were still being **financially supported to promote and ‘safeguard’ jobs** - despite this sector not being among the listed target sectors … Selective Financial Assistance was not that selective in practice.

- Also, the **truncated, branch-factory** nature of this segment meant a lack of local design, innovation or marketing **capabilities** required to ‘reposition’ the firms and move the local segment ‘up the value chain’
5b. Coupling encounter 2: ‘low road’ new path creation
the outsourced contact centre GPN segment

- Path mapping: Timelines for 6 leading investors (1995-2013)

- ‘Layering’ by attracting new rounds of inward investment

- Third party BPO vendors, which are mainly involved in delivering various (multi-channel) customer contact and relationship management activities, on behalf of their corporate clients, to private consumers within the UK & Irish markets, and occasionally across Europe (i.e. contact centres)

- Employment: Mainly semi-skilled, non-graduate jobs with less emphasis on formal qualifications; mainly low paid jobs (with some pressure on terms and conditions); significant volatility in some companies and churn in the wider sector; some whole or partial closures; spread between Belfast and smaller cities/large towns (but not widely dispersed compared to old manufacturing plants)
5c. Coupling encounter 3: ‘higher road’ new path creation the IT/software GPN segment

- Path mapping: Timelines for 4 leading investors (1995-2013)

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- ‘Layering’ by attracting new rounds of inward investment
- Allstate and Liberty initially established in the late-90s; according to news media coverage from the time, the primary driver was the need to source appropriately skilled IT workers at competitive wage rates during a time of labour scarcity and rising costs in USA
- the range of IT-related services undertaken by these subsidiaries has broadened, with some evolution into more sophisticated IT tasks, and some diversification into BPO & KPO
- Employment: Mainly managerial and skilled roles mainly but not exclusively graduate-level and above; mainly well paid jobs in the regional context; generally high stability and steady expansion; apparently high durability to date; spatial concentration in Belfast (regional capital)
6. Some preliminary discussion points arising

a. **Insights on the decoupling process**
   - Path dependency and lock-ins hinder/delay decoupling. Some possible causes identified.
   - The problem of knowing when (and how) to ‘let go’. Trying to re-invent/re-invigorate a failing segment vs. managing decline vs. abandonment … futile resistance / swimming against the tide?

b. **Creating (and sustaining) new paths through ‘factor formation’**
   - Yeung (2015) highlights the important role of regional institutions in ‘transforming regional assets’ to meet the (changing) requirements of TNCs, within the context of strategic coupling
   - In both the contact centre and IT/software GPN segments, local institutional agency played a key role in facilitating the initial coupling, subsequent re-investments and subsidiary renewal/evolution
   - Regional assets or factor conditions were, in some cases, created ‘from scratch’ (telecommunication infrastructure, Grade A office developments, university education and other skills training programmes)
   - Contrast of NI case with ‘adaptation’ or ‘conversion’ of legacy regional assets noted elsewhere?

c. **Medium-term evolution, selection/branching and emergence of regional capabilities?**

d. **Issues relating to smallness, semi-peripherality and the local institutional context**

e. **Bargaining power, institution-bending and institutional capture**

f. **Balancing trade-offs:**
   - Project quality vs. quantity; overall growth goals vs. social/sub-regional equity; jobs vs. competitiveness; exogenous vs. indigenous development.