SHORT ARTICLE

Inter-organizational power and work relations in a regional ICT cluster

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ABSTRACT
The cluster concept has attracted numerous criticisms over the years. Yet, it arguably retains significant value as a lens for studying organizations, work and employment in particular places. Conceptualizing regions, for example, as inter-organizational ‘sites’ allows for the experience of working life to be analyzed more fully in relation to labour’s position within contextually based employment relationships. This article applies such a notion to evaluate the link between inter-organizational arrangements of power, local labour market dynamics, and work and employment relations in the Thames Valley (UK) information and communication technologies (ICT) cluster; on which basis it is concluded that the cluster facilitates a ‘strategically rational’ form of domination over workers.

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INTRODUCTION

The point of departure for this article is Martin and Sunley’s (2003) criticism of the cluster concept, which they dismiss as an intellectual ‘brand’ rather than a concept proper. While, on the one hand, I am receptive to their criticisms, I fully recognize the generality of the notion, in addition to its implication as a managerial/policy-making ‘fashion’ (Abrahamson, 1996). I am unsympathetic, on the other, because their criticisms have somewhat overshadowed its value for studying organizations, work and employment in particular places.

Clusters (just like traditional industrial districts) are economic and geographical ‘sites’ where the co-location of interconnected work organizations conditions ‘the nature and basic structure’ of work and employment opportunities, interactions and relations (Schatzki, 2005, p. 265). Furthermore - because the experience of working life is (at least) partly shaped by ‘the context in which it transpires’ (Schatzki, 2005, p. 267) - the actions of organizations and individuals in clusters are inseparable responses to it as an ongoing state of affairs, it is argued (Schatzki, 1991).

A key methodological application of clusters, then, is that they allow researchers to address what is perhaps an essential question to do with the regional scale, namely: how is work experienced differently in various economic/industrial agglomerations? However, this has partly been addressed...
through research on culture and workplace norms in Silicon Valley, for example (e.g. English-Lueck, 2000). Accounts of this kind fail to identify which specific socio-economic configurations within a particular context ‘mould’ chains of action and bring ‘about states of affairs and events’ that are redolent of the shared experience of work overall (Schatzki, 1991). The cluster arguably provides an inroad in this regard by conceptualizing regions as inter-organizational structures or systems that in turn facilitate deeper understandings of the experience of work in relation to the structural position of labour.

Such an approach is adopted in this article to evaluate the linkages between inter-organizational arrangements of power, local labour market dynamics, and work and employment relations in the Thames Valley information and communication technologies (ICT) cluster. Inter-organizational power relations are first discussed in order to establish the ongoing rationale for co-location in the region. To which end it is argued that the presence of a local labour market has restricted the outward mobility of labour from the cluster, in addition to inspiring a subjective attachment to work and employment in the region, which are is outlined using Markusen’s (1996) ‘stickiness’ metaphor. Accordingly, the cluster is then discussed as a system that weakens the collective bargaining position of labour relative to co-located organizations. On this basis, it is concluded that labour ‘stickiness’ pervades as part of a system that actively undermines the interests of workers by drawing parallels with Burawoy and Wright’s (1991) theory of worker consent in contested exchange.

**THE CASE STUDY**

Located in South East England, the Thames Valley ICT cluster is home to a number of wholly/part-owned foreign subsidiaries and regional branch offices of large and mid-sized technology companies1 in addition to a number of hardware/software ‘resellers’. Typically specializing in hardware and software development, a significant proportion of the transnational corporations (TNCs) located there, such as Microsoft and Oracle, for example, are headquartered in the United States, with towns such as Reading and Bracknell, for example, serving as a base for their UK or ‘EMEA’ (Europe Middle East and Africa) sales operations.

Employees working for organizations that fitted this description were initially approached through a gatekeeper, before a snowball sampling strategy was adopted after a preliminary round of semi-structured ‘theory-driven’ interviews had been carried out (Pawson, 1996). In total, 46 participants from 10 different organizations were interviewed using this method, and of this number 44 were at the time of interview working full time for a medium or large-sized high-tech

Figure 1. Approximate locations of organizations in the cluster (not to scale).
company in the cluster, with the remaining two having worked there within the last five years. A mix of entry-level employees (n = 10), middle managers without direct reports (n = 20), middle managers with direct reports (n = 13) and senior managers (directors/head of departments) (n = 3) took part in the study. Furthermore, the sample was compiled in order to reflect the business-to-business (B2B) and sales-driven nature of TNCs in the cluster. Most of the employees interviewed therefore worked in sales, marketing or human resource functions (n = 44), while the remaining two sat in the finance and legal departments respectively. The sample was split equally between male and female participants.

**INTER-ORGANIZATIONAL RELATIONS AND POWER**

According to Markusen’s (1996, p. 304) typology of industrial districts, relationships between firms in the Thames Valley cluster conform to what she describes as a ‘satellite industrial platform’. This is because strategic decision-making power within firms is limited as a result of centralized parental governance structures that place overall control in their respective home countries (Hymer, 1976). In consequence, business interactions between TNCs in the cluster are seldom, and as regional actors there is little in the way of direct, formal influence over each other’s day-to-day business activities.

The picture is somewhat different, however, when considering business interactions between TNCs and resellers in the cluster. Resellers are businesses that sell hardware and software technology products to end-customers on behalf of TNCs whether or not they are located in the cluster. Be that as it may, TNCs typically enforce sanctions and incentive schemes designed to persuade resale partners to prioritize sales of their products and services over those of rivals (Hardy, Phillips, & Lawrence, 1998). Nonetheless, it is rare for resellers to assume positions over power over TNCs because competition is fierce. This is partly because there are very few barriers to market entry but also because global distribution channels mean that resellers often have to compete with a variety national and international rivals for trade. Again, indicative of the upper hand that TNCs have over resellers, this is as a result of the internal distinction that TNCs strike between horizontal and vertical revenue streams, and how these are typically favoured over territorial organizations of sales and distribution.

All things considered, then, there is no obvious mandatory operational requirement for resellers to be located in proximity to TNCs, though it somewhat obvious why many choose to do so. Their business model is, of course, highly contingent upon maintaining channel relationships with multiple vendors located in this region, and London and South East England are two of the largest B2B technology products and services markets within the UK.

Despite this, however, a strategic rationale for the co-location of TNCs in the cluster is less obvious, given that technology sales is a largely field-based activity and because product distribution is either handled digitally these days or administered offshore. A lack of interactions with other TNCs in the cluster and the position of power that many have over resellers elsewhere in the EMEA region suggest that capturing and influencing regional actors cannot be the main reason for maintaining operations in the Thames Valley.

While historically there may have been certain competitive advantages associated with operating in the cluster, such as relatively cheaper overhead costs and proximity to London, today, said advantages are relatively limited in comparison with the Dublin ICT cluster, for example, which has many similar benefits in addition to a more favourable corporate tax regime (Barry, 2006). Furthermore, it is argued that any other institutional factors, such as the need for localized sales networks, for example, have been all but eroded by digital communication technologies.

Hence, in the absence of any conclusive evidence to the contrary, it is argued that the Thames Valley cluster is in fact a type of ‘spatial fix’ (Herod, 1997). The term ‘spatial fix’ describes the
geographical emergence of time-ordered industrial and organizational complexes within the context of historical development of global capitalism (Harvey, 1981). Although explanations of individual spatial fixes are inherently multicausal, it is argued that the cluster was initially ‘fixed’ as a result of the competitive advantages that the region offered business corporations. However, as these advantages have slowly faded away, various costly institutional legacies remain, such as staffing and pension burdens, for example.

Hence, the state of the ‘fix’ today is one whereby TNCs are trying to generate fresh competitive advantages while slowly managing the clusters’ overall decline. The way in which this occurs primarily, it is argued, is through coordinated (but informal) market-based attempts (Ouchi, 1980) to remove the ‘double indeterminacy of labour’ (Smith, 2006). That is to say, while TNCs can do little to rekindle erstwhile advantages associated with locating in the region, they can still have a degree of control over labour. However, the actual nature of this form of market–based coordination is not based on contractual inter-organizational agreements and such like that stabilize labour supply, cost, demand etc. It is through inter-organizational coordination of the local labour market that labour supply is (1) expanded by placing restrictions on outward mobility, which (2) lowers relative labour costs and (3) has gradually changed the attitudes of workers apropos of expected organizational work effort.

THE LOCAL LABOUR MARKET AND LABOUR STICKINESS

Put simply, local labour markets are geographically located sites for buying and selling labour. However, to liken them to markets for fruit and vegetables, for example, would be a misrepresentation because buyers (TNCs) and sellers (workers) are not restricted to exchange within a particular milieu. What a local labour market more accurately describes is a strong orientation toward selecting and recruiting workers and providing a primary workplace in a particular location, in addition to labour’s preference for seeking out these opportunities (Fleetwood, 2006).

A local labour market has persisted in the Thames Valley cluster for two or more decades because it is relatively unique on a national basis. In the UK there are precious few areas outside London that offer similar corporate job opportunities on this scale. This factor is significant because of the workers interviewed all were overwhelmingly attracted to the prestige of well-known corporate brands and working with large corporate clients over and above any technical expertise or personal interest in high–technology. These are in many respects universal factors that govern the meanings and values that we invest in particular occupations today (Brannan, Parsons, & Priola, 2011). The local labour market has remained buoyant because it has concentrated opportunities for producing these sorts of meanings in a relatively confined geographical space.

Ergo, when interviewees were asked about their career histories and plans for the future, most identified how an opportunity vacuum of sorts has restricted their outward labour mobility in geographical terms. Indeed, all the interviewees, regardless of age or career stage, had spent the majority of their working lives at high-tech corporations located in the cluster. Whereas workers at one end of a continuum said that they had taken multiple jobs in the cluster without explicitly planning to do so and described their various career moves as a matter of ‘luck rather than judgment’, at the other end, a smaller group of workers said that they expressly concentrate job searches within perceived geographical boundaries of the cluster.

This, however, only explains so much in terms of why the cluster context remains attractive to labour, particularly when one considers the cluster’s proximity to London and the potential job opportunities it has to offer. To elucidate upon this link, a metaphor of ‘stickiness’ is adopted to describe the shared subject position that has enmeshed labour exchange within the cluster context (Markusen, 1996).

The stickiness metaphor is important because it describes how, in spite of the spatial disunity between labour demand and supply in terms of where workers choose to live and work, a strong
sense of attachment to a cluster endures because it appears relatively safe with respect to new job creation (Herod, 1997). However, a paradox is present because firms were also said to be embarking on downsizing and redundancy programmes with increasing regularity, and as a result workers acknowledged that they face a significant trade-off. That stickiness should pervade under these circumstances, however, is not fully explained by individual acceptance of risk; all workers were intensely fearful of layoffs. The acceptability of this trade-off in actuality is a result of how the local labour market forms an apparatus for the ‘social regulation’ of worker and employment actions and outcomes (Peck, 1996).

**THE SOCIAL REGULATION OF LOCAL LABOUR MARKET ACTIONS AND OUTCOMES**

At one level this describes how organizations, in responding strategically to the broader economic and social structures, engage in local labour market actions that regulate supply and demand. As a result, chains of inter-organizational recruitment action are set in motion because large-scale redundancies at one organization, for example, means that co-located organizations can then reemploy their former workers.

Such a scenario also preconditions particular labour market outcomes for workers. Firstly, the potential cost of labour is lessened through increased labour market supply, which works in practice because firms use local labour market survey data to calculate worker salaries. Secondly, redundancy changes the attitudes and expectations of incumbent workers and those in-between jobs (Hudson, 2002), whereas the job expectations of the former group can be lowered, particularly if former colleagues have also struggled to find work, for example. The latter group became fearful over job security due to an employer’s market cross-comparisons, the creation of new positions and ultimately increased internal competition.

The broader implication of is that the recursive nature of said inter-organizational labour market actions gradually weakened the relative position of labour in both objective and subjective senses. Workers said they felt increasingly acquiescent to the regularity of organizational restructuring and redundancy programmes and complained of the ever-decreasing quality of working life in the cluster. Hence, local labour market patterns of action arguably act as a proxy to gaining control over the employment relationship in toto (Fleetwood, 2006).

**DISCUSSION AND CONCLUSIONS**

The way that stickiness is maintained in spite of this is due to a ‘strategic rationality’ at play among workers (Burawoy & Wright, 1990, p. 252). That is, that the logical appeal of compliance, or in other words the motivation for repeatedly exchanging one’s labour in the cluster (despite the drawbacks), is based on an ongoing assessment of the perceived security of employment there. However, because patterns of local labour market action normalize feelings of uncertainty, the extent to which ‘rationality’ can operate is bounded by labour’s growing tolerance for its own subject position.

Even so, said rationality is not entirely separate from broader employability discourses. Employees today have far fewer expectations of their employers than used to be the case and are more likely to accept uncertain and increasingly demanding career paths (Chertkovskaya, Watt, Tramer, & Spoelstra, 2013). Because of this, the Thames Valley cluster can, in some respects, be said merely to shore up a more pervasive, discursive form of domination that exists in wider society through a series of inter-organizational practices occurring within a particular context (Virilio, 2012).
NOTE

1. Mid-sized transnational corporations (TNCs) are defined as having between 500 and 9999 employees; large TNCs are defined as having 10,000 or more employees globally.

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