

NEO-MARSHALLIAN NODES, GLOBAL NETWORKS AND FIRM
COMPETITIVENESS: THE MEDIA CLUSTER OF CENTRAL LONDON

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Abstract

The recent emphasis by some business scholars on processes taking place within locally-embedded production systems seems to undervalue the dynamics of global competition and the role played by TNCs in mobilising tangible and intangible assets across localised clusters. Using the external linkages of firms as the theoretical framework, this paper examines the interplay between global and local influences on the competitiveness of the cluster of media firms in Central London. The main findings are that the locality indeed plays a vital role in influencing the capabilities of these firms, but it is by no means the only relevant geographic area. This localised cluster is bound tightly into world-wide webs of interdependence, with TNCs playing a major role in mediating between local and global linkages. The latter are vital for the ability of the firms studied to compete successfully in international markets.

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1. Introduction

Spatial aspects of firms' activities were traditionally delegated a secondary role, if not completely neglected, by scholars seeking to identify the factors affecting the competitiveness of firms. The focus of attention of these explanations was the individual firm and its firm specific attributes, and the way it manages the resources under its ownership (see Porter 1985 and Barney 1991 for a representative approach). Spatial considerations have also remained outside more recent conceptualisations of firms as network organisations, with fuzzy boundaries and growing dependence upon complementary capabilities controlled by other firms for their competitive position (see for example the papers in Forsgren and Johanson 1992, Colombo 1998, Nohria and Eccles 1992, and Nohria and Ghoshal 1997). While these conceptualisations assign a significant role to resources and capabilities external to firms, the latter are not spatially confined. If anything, the dominant tendency has been to see the spatial aspects of business activity as diminishing in importance, as a result of technological advances in communication and transportation which have been viewed as abolishing the value of geographic proximity (Cairncross 1997, O'Brian 1992).

Recent work in economics and business studies has however awakened widespread and new interest in the value of geographic proximity and generated a growing recognition that the processes occurring in localised clusters are often vital for the competitive advantages of the firms involved¹. The work of Porter (1990, 1994, 1998a, 1998b), Enright (1995, 1998) and Ohmae (1995) has led this discovery among management scientists, and has shown that localised dynamics influence the structure of firms and industries. Dunning (1997, 1998) has articulated its implications for the competitiveness

of TNCs and patterns of international business activity (see also Morsink 1998, Nachum 1998 and Nachum and Keeble 1999 for similar attempts). Scholars interested in explaining processes of knowledge creation and diffusion have also examined the impact of the clustering of firms in geographically constrained localities and the geographic embeddedness of tacit knowledge and interactive learning processes (see for example Malmberg 1996, Malmberg et al 1996, Solvell and Zander 1998, and Keeble and Wilkinson 1999). Notable attempts to apply similar arguments to TNCs and to show that the diffusion of knowledge within TNCs and between them and other firms is more effective when implemented in geographic clusters have been made by Cantwell and Iammarino (1998), Patel and Vega (1998), and Blanc and Sierra (1999) among others².

This work has moved the focus of analysis from the traditional emphasis on the unique and internally-generated capabilities of individual firms to the advantages which firms may develop through interaction with other locally-clustered firms, and which become embedded in this locality. The enduring competitive advantages of firms in geographic clusters are argued to arise from the concentration of highly specialised skills and knowledge, institutions, rivals, related businesses and sophisticated customers (Porter 1998a, 1998b). Such advantages develop in place bound communities in which the interaction between firms, institutions and social groups acts to generate and reinforce an industrial atmosphere which nurtures the knowledge, communication and innovation structures required for developing and retaining competitive advantage.

This emphasis on the advantages accruing to firms as members of closely tied geographical clusters raises many questions regarding the appropriate geographic area that affects the competitiveness of firms and their innovative capabilities. This is particularly true at a time when global activity has been growing rapidly. However, firms based in localised clusters often participate, in one form or another, in international competition, and the question thus arises as to the extent

to which locally-based processes can provide these firms with the necessary sources of knowledge and expertise needed to compete successfully in international markets. Furthermore, many localised clusters also house foreign TNCs as well as the headquarters of TNCs from the country concerned (Dunning 1997)³, who, by their very nature, are part of international networks and have the ability to mobilise tangible and intangible resources within their network across many countries' borders. What is the role of these TNCs in the dynamics of the localities that host them? How do they affect the patterns of interaction both within clusters and between clusters and the outside world? Moreover, a growing number of industries increasingly function on an integrated world scale, through global networks (in which TNCs often play a dominant role) rather than on a local scale (de Vet 1993, Castells 1996). How do such organisational forms influence the nature of the linkages among member firms within local clusters and how do they affect their competitive advantages?

Some scholars, notably economic geographers, have recently acknowledged the growing tension between the global and the local (Dicken 1994) in affecting the economic fortunes of firms in localised clusters. Amin and Thrift have emphasised the need to consider local clusters as the outgrowth of a world economy which is rapidly internationalising, leading to the development of 'neo-Marshallian nodes in global networks' (1992, p. 571). Local clusters are increasingly viewed as shaped and configured by the growing integration and globalisation of markets, innovation and production (Storper 1997, Scott 1998). It has been maintained that agglomeration economies can only be fully understood within the context of global networks, enabling synergies between various spatial scales (Moulaert and Djellal 1995). A number of economic advantages traditionally attached to localised business clusters are increasingly realised by these scholars as existing in interaction with broader spatial configurations, and in particular global networks.

The importance of combining global and local dimensions in understanding TNC international strategies is also increasingly acknowledged by business scholars and practitioners. Akita Norita, the Chairman of Sony, coined the expression 'glocalisation' to depict a situation in which firms work in two dimensions at once – the global and the local. While seeking to reap the benefits of cross-border integration, the glocalizing firm also takes care to acknowledge and respect differences in consumer preferences, business customs, cultural values and worker attitudes across countries (Prahalad and Doz 1987, Kogut et al 1993, Nohria and Ghoshal 1997). This suggests that there are multiple, and diverse, spatial influences on firms, and that an emphasis on localised processes is likely to yield only a partial picture of the forces that affect firm competitiveness.

While there has been theoretical debate about the impact of global forces on localised clusters, there have been few demonstrations of these processes and attempts to understand their dynamics. Notable exceptions include Amin and Thrift (1992), with reference to Santa Croce in Tuscany and the City of London, Henry and Pinch (1999), on the British motor sport industry, and Keeble et al (1998, 1999), in the context of the Cambridge high-technology cluster. Nor have there been more than a few attempts to investigate the implications of these processes for the competitiveness of firms operating in clusters. This study seeks to contribute to filling this gap by examining spatial dynamics in a set of media industries that exhibits a distinctive pattern of geographic clustering within central London. The paper attempts to paint a picture of the nature of the external linkages of firms in these industries and the dynamics of the global and the local in shaping their competitive advantages. It pays specific attention to the role of TNCs in affecting the balance between advantages developed locally and those developed globally. Building on this analysis, it is argued that in central London, linkages between locally-clustered media firms are vital for their competitiveness, but are insufficient by themselves to gain access to expertise and knowledge which are increasingly shaped on a global basis.

In developing this argument, the paper examines how the globalisation of the economy and the activities of TNCs have affected the spatial orientation of firms. It identifies specific areas in which such impact is likely to be most pronounced and presents a theoretical framework that is used in the following sections to study the activities of firms in selected media industries in central London. The insights emerging from the study of these firms are used to draw general propositions regarding the conditions under which different geographic scales are influential. The paper concludes by drawing the findings together and assessing their implications for firms and policy makers.

2. The Global and the Local in the Competitiveness of Firms: The Theoretical Point of Departure

The globalisation of competition and the geographic spread of firms' activities, which have intensified considerably in the course of recent decades, have affected the spatial orientation of firms and have changed the balance between global and local processes affecting their competitive advantages. Several closely related developments, some external and some internal to firms, have been particularly influential⁴.

First, in a growing number of industries, competition is played out in a global network of interaction, and a firm's main competitors are likely to be spread world-wide. Under such circumstances, firms must be aware of the wider range of developments taking place in the global market place, and they need to extend their territorial horizons to monitor the behaviour of their competitors world-wide. Second, technological and market knowledge is increasingly being developed on a global, rather than on a local level, and firms need to have access to such globally-developed knowledge and expertise if they are to compete effectively. Knowledge obtained locally, through interaction with local firms alone, is likely to be insufficient for this purpose.

Third, production in the dominant segments of many economic sectors is increasingly organised on an integrated world scale, through the medium of global corporate networks (Castells 1996), forming what Reich (1991) has labelled 'the global web'. A notable characteristic of this organisation structure is that it is territorially dispersed throughout the world, incorporating value-added activities implemented in many different locations by different firms, and assembled for specific purposes and specific markets. This organisation structure has inevitable consequences for localised business clusters as it draws them into global networks with their distinctive dynamics. Fourth, the growing specialisation and differentiation of firms, a response to increasing competitive pressures, rapidly changing technological standards and volatile markets, as well as to opportunities opened up by global markets, often limit the ability of local resources to meet their specific needs. Rather, firms need to search for the best resources at the lowest costs on a global level.

Fifth, improvements in transportation and communication technologies have, to a certain extent at least, freed firms from dependence on nearby resources. Differences between local and long-distance interaction, which were in the past substantial, have diminished due to the advent of high-speed, low cost transportation and virtually instantaneous communications. These developments increase the potential for successful long-distance collaboration and for linkages that are not spatially defined. Finally, TNCs, by their existence and global strategies, have been key accelerators of the changing balance between local and global dynamics. Many international networks are those constructed by TNCs, whether internal to them or restricted to their selected linkages (Dunning 1992, Castells 1996). In particular, TNCs themselves have become increasingly more decentralised through new forms of subcontracting and outsourcing, and other new networked forms of organisation (Dunning 1997, Nohria and Ghoshal 1997). In consequence, they

have established more external linkages, which often take place on a global, rather than on a local level, and also have implications external to them, as they draw the local clusters that host them into global networks.

These developments appear to increase the dependence of firms in localised business clusters on global networks and to limit their ability to rely only, or mainly, on local sources of knowledge and expertise for their sustained competitive advantages. They do not suggest a transition towards localised clusters as the appropriate geographic unit of industrial organisation. On the contrary, the most obvious trend appears to be the articulation of business activity across local boundaries, with the fortunes of firms in localised clusters depending increasingly on processes of globalisation. In what follows we seek to explore in greater detail how these changes affect the spatial orientation of firms in localised clusters and what are their implications for the competitiveness of these firms.

Theoretical attempts to formalise the factors that determine a firm's level of spatial orientation rely on the argument that the main mechanisms through which firms interact externally benefit from geographic proximity and are implemented less effectively at a distance (see Porter 1990, 1998a, 1998b, Scott 1998, Storper 1997, and Storper and Salais 1998). The main external linkages identified in these attempts include links with the labour market, external supply of intermediate inputs, interaction with customers, networking, collaboration and competition with firms and organisations other than customers and suppliers, and collective learning and creativity⁵. We use these linkages as the theoretical framework to examine to what extent the emphasis on local processes is justified in a world economy that is becoming increasingly more globalised and integrated, and in which global networks of TNCs play a major role. We start by examining existing theory and empirical evidence concerning the geographic extent over which such linkages take place. In the

following sections we use this framework to analyse spatial processes in the cluster of media activities in central London.

2.1. The labour market

Communities of employees within and around clusters of producers, so that a supply of agglomeration-specific skills and tacit knowledge is available to firms, have been regarded as one of the fundamental conditions necessary for the development of geographic clusters of business activity (see Scott 1998 for a recent example). Search and transaction costs in recruiting employees are likely to be lower, and a more efficient matching of jobs and people may be possible (Porter 1998a). While many factors of production have become relatively mobile in the modern world, labour has remained much more spatially constrained (though by no means perfectly immobile). Thus, a local labour force with industry-specific capabilities is a critical factor necessary for the creation of localised business clusters.

However, with the increasing globalisation of economic activity, many localised clusters are being drawn into a wider spatial division of labour, which goes beyond the boundaries of the cluster and often extends globally. TNCs with their associated cross-border networks have acted to facilitate the international division of labour of the clusters of which they are part. One major reason for the widening division of labour appears to be the search for lower labour costs. Many studies have documented such changes, in which formerly self-sufficient clusters, carrying out locally the entire production process, have moved large parts of the production outside the clusters, most often to countries with lower labour costs. Such processes have been reported, for example, for the leather tanning cluster of Santa Croce in Tuscany (Amin and Thrift 1992) and Tuscany's industrial districts generally (Dei Ottati, 1998), as well as for Silicon Valley firms who have moved low-skilled standardised production work to plants on the Mexican border and in Southeast Asia (Harrison 1994).

In some cases, however, such changes in the division of labour are driven by a search for highly specialised skills, which are not available locally. The contemporary involvement of European high-technology small and medium-sized enterprise (SME) clusters such as Cambridge in global staff recruitment networks, in a search for highly skilled researchers and managers (Keeble et al 1999), is an example here. Such trends inevitably involve some degree of internationalisation of the division of labour.

2.2. The supply of intermediate inputs

A major argument cited to explain the phenomenon of local clustering is that the combination of scale economies and transportation costs encourages the users and suppliers of intermediate inputs to cluster near each other (Krugman 1995). Such proximity generates a sufficiently large level of demand to warrant efforts to produce highly specialised inputs. It allows firms to replace internal supply by external supply, while avoiding the high transaction costs which may be incurred when such linkages are implemented at a distance (see for example Saxenian 1994 with regard to Silicon Valley, and Porter 1998a). Outsourcing to local suppliers offers particular advantages when these linkages involve the transfer of changing and un-codified information between the firm and its subcontractors.

While local networks of suppliers have often proved to be remarkably resilient, international sourcing has increased substantially over recent decades, reflecting the growing need for specialised products, and for ensuring supply by securing multiple sources. Firms may seek to gain advantages, in terms of cost, quality or both, by seeking out distant suppliers rather than being constrained to the potential suppliers available locally.

International outsourcing and purchasing of intermediate inputs were found to account for more than half the total of such transactions among a sample of high-technology firms in Silicon Valley (Florida

and Kenney 1990, Harrison 1994). They were also found to be common among the majority of firms in the high-tech cluster in Denver/Boulder (Lyons 1995), as well as in the motor vehicle production cluster of Baden-Wurttemberg (Herrigel 1993, Heidenreich and Krauss 1998). Appold (1995) found no support for the hypothesis that geographic proximity is necessary, though not sufficient, to establish successful linkages between firms and their suppliers in the US metalworking sector. Sadler (1994) has shown that even the stringent co-ordination and communication requirements of 'just-in-time' supply systems can be successfully negotiated over distance and need not imply geographic proximity. In the Southeast Brabant region of the Netherlands, half of local industrial SMEs acquire less than 10% of their supplies locally and 80% of firms acquire no more than 30% of supply locally (Boekholt and van der Weele 1998). External outsourcing, often globally, has become common even within the traditional industrial districts of Tuscany (Dei Ottati 1998), where there was a strong tradition of self-sufficiency for centuries.

Furthermore, the local purchasing of these firms is often confined to the lower end of the value added chain and to routine inputs, while more specialised inputs, those considered crucial for the formation of localised business clusters, tend to be purchased externally, mainly in the global market. Dei Ottati (1998) shows external outsourcing to be particularly common when firms are searching for raw materials and intermediaries to manufacture new products. This enables rapid and more successful adjustment to changes in demand and quick acquisition of new specialised skills that are not readily available locally. These last findings are of special importance because a major argument concerning geographic proximity between producers and suppliers is that a distinction needs to be made between various types of transactions, by the extent of proximity needed (Appold 1995). This argument would suggest that more standardised transactions would be implemented over greater distances, which is the opposite of what these studies actually show. These increasingly common

strategies have acted to reduce the localised stickiness of inter-industrial relationships and to integrate local clusters within broader global milieux.

2.3. Customers

In the traditional industrial district theorisation, firms producing intermediate goods sell them to other firms in the cluster for further processing, while firms at the final stages of the chain sell final output to external customers. Porter (1990) has strongly emphasised the role of local demand in affecting the competitive position of firms, by forcing firms to improve production and providing insights into existing and future needs that are hard to gain from a distance. The greater depth and specialisation of producers within clusters arises from the easier recognition of market opportunities and risk reduction due to the presence of multiple local customers.

Increasingly, however, this theorisation is becoming partial, as in many cases intermediate good producers find it advantageous to sell their output outside the cluster, thus reaping the benefits of economies of scale. Final producers are also increasingly engaging in other forms of external - often global - interaction, not least in order to be better able to respond to external demand. Firms often cannot afford to sell only within the cluster as they risk becoming dependent on their local clients, whose characteristics may be different from those of clients elsewhere, a dependency that would make it difficult to adjust to a larger market.

Lyons (1995) has shown that only about 20% of the output produced by the cluster of high tech firms in the Denver/Boulder area is sold locally. Local firms in Santa Croce have since the late 1980s opened overseas distribution outlets in order to serve countries experiencing growth of demand for leather goods products (Amin and Thrift 1992). In a survey of 81 technology-oriented firms in South Wales, Huggins (1997) found that 59% of the firms serve clients located outside the

region (of which 33% are in the UK, and 26% in the rest of Europe). Cooke and Morgan (1998) describe the evolution of the Emilia-Romagna district in North Italy in the 1970s and 1980s, where small firms started selling their products to larger firms outside the district, in Italy and abroad. Firms may thus expand their customer base well beyond the boundaries of their own cluster or of any other narrowly defined spatial level, to reach the widest possible markets for their products and services.

2.4. Firms and organisations other than suppliers and clients

Networking and collaboration with other local firms and organisations in their own and in closely related industries play a major role in recent theories of local clusters (for example, Camagni 1991, Wilkinson 1998, and Porter 1998a, 1998b). These processes are usually associated with social networks and informal interaction, and they are conceptualised as key mechanisms through which local firms share ideas and information, and generate collective knowledge that is embedded in the locality (Keeble et al 1999). Localised business clusters are seen as being characterised by a delicate balance between collaboration and competition, with the line between them being blurred (You and Wilkinson 1994, Porter 1990).

However, such linkages are also becoming a global phenomenon, one that has come to coexist with networking and collaboration within particular localities (Amin and Thrift 1992, Kogut et al 1993, Huggins 1997, Castells 1996, Colombo 1998). While local networking and collaboration enable firms to tap into local expertise and knowledge, links on a world-wide basis are often critical for the ability of firms to compete successfully in global markets, as they provide them with sources of knowledge and expertise not available locally. Camagni (1991) views such links as imperative, suggesting that the 'local milieu' needs to be linked to international and global networks in order to stay innovative in the long run and avoid 'entropic death'. Huggins (1997) argues that the dynamics of local clusters provide an

entry route to global networks of information and knowledge, thus facilitating the creation of 'global regions' that are able to integrate geographically-restricted clusters into global flows of information and knowledge.

The international dimension of networks between firms and other firms and organisations has been shown to be one of the most important variables determining the success of the innovation processes and competitive position of the firms involved (Camagni 1991). In a study of biotechnology firms in the US in the early 1990s, Audretsch and Stephan (1994) have shown that while a substantial number of university-based scientists participate in local networks that are geographically bounded, more than two-thirds of the links between biotechnology firms and university-based scientists are non-local. The authors conclude that '...the proponents of the new growth economies may have over-emphasised the importance of geographic linkages in facilitating knowledge spillovers' (p. 23). Rather, they suggest that networks involve a multiplicity of dimensions and that the importance of local proximity varies considerably across these dimensions.

2.5. Collective learning and creativity

A critical competitive advantage available for firms in clusters is involvement in processes of localised 'collective learning' and new knowledge development, technologically, managerially and organisationally. This potential source of localised competitive advantage has been strongly emphasised in recent conceptualisations of clusters as 'innovative milieux' or 'learning regions' and have been viewed as crucial for continuing firm and cluster innovativeness (see for example, Porter 1998a, 1998b, Camagni 1991, Henry and Pinch 1999, Pinch and Henry 1999, Keeble 1999, Keeble and Wilkinson 1999, Asheim and Cooke 1999). The collective learning processes taking place in such localities operate through a high intensity of inter-firm informal and personal contacts and associated exchange of

tacit knowledge and embodied expertise, and are greatly enhanced by geographic proximity. The latter is important not only for indigenous SMEs seeking to take part in local learning processes, but also - and increasingly - for the innovative activities of TNCs who need to tap into local knowledge communities (see for example Cantwell and Iammarino 1998, Solvell and Zander 1998, and Longhi and Keeble 1999).

At the same time, however, there is also a growing need for firms to access sources of global information and knowledge, and innovation centres cannot survive in isolation without running the risk of their innovative capacity drying up. Information that is critical for establishing and maintaining a competitive edge is increasingly created and distributed at a global level, stimulating globalisation of the knowledge base.

Studies have shown that formal collaboration for new knowledge development can take place over considerable distances. For example, 37% of collaborative research with other firms by Cambridge high-technology SMEs are global, 48% national and only 14% local (Keeble et al 1999: see also Lincoln, Gerlach and Takahashi 1992). In Huggins (1997) survey of firms in South Wales, over 40% reported using external, mostly global, sources for the acquisition of technical information. These studies point to the possibility of collective learning taking place in communities that are not necessarily locationally bounded.

This discussion suggests that local business clusters are increasingly being drawn into the web of global corporate networks and are not restricted to local ties, with TNCs acting as an effective mechanism by which local networks are linked into global networks. International linkages of firms in such clusters seem to be essential in strengthening their competitive advantages and in enhancing their ability to compete internationally. The importance of global linkages extends well beyond access to tangible factors, of the kind that can relatively easily

be accessed from distance, using the advent of technology. They also include intangible factors, such as knowledge and learning, the factors typically considered as deriving local clustering itself. These processes suggest that local relationships on their own may be insufficient to understand the processes that shape the competitive advantages of firms. Rather, firms are subject to a combination of local and global forces and relationships, with the distinction between them becoming blurred. In what follows we examine these theoretical arguments in relation to the cluster of media activities in central London.

3. The Media Industries in Central London

Media refers to economic activities directed towards entertaining and informing, seeking to reach and influence a large audience. It involves communication between a sender and typically large numbers of receivers (audience), where the relationship between them is one-directional and impersonal (Vogel 1990). Media industries include publishing (books, newspapers, magazines), film production and distribution, broadcasting, advertising, music and recording. A fundamental and distinguishing feature of these industries is the need for constant innovation and creativity. Each output is a ‘one-off’ item, which must be experienced by consumers as different, if only minimally. The creation of media output is thus heavily dependent upon talent, typically of a single individual or small group of people - the writer in books, the actor(s) in films, the musician in music, the copywriters and designers in advertising. This creative output has to be distributed to the widest possible audience, in order to maximise the returns on the investment incurred in the course of the production, making the distribution function a critical determinant of economic success (Vogel 1990).

Media activities tend to display a strong pattern of geographic concentration, typically in small districts of large cities, reflecting the importance of specialisation and vertical disintegration, critical mass

and synergy in the creation of media output. The most well known example of such concentration is Hollywood in Los Angeles (see Scott 1996, figure 1), but a number of other major metropolitan centres (notably New York, London, Paris and Tokyo) also possess localised clusters of media industries (Llewelyn-Davies 1996). These activities favour such location patterns because their production system is characterised by many different specialised functions and dense inter-firm relationships, in which geographical proximity increases the efficiency of transactions and information exchange between producers (Scott 1996, 1997, 1998a) thus enhancing the core competences of the member firms. Localised networks of producers, many of them small and medium-sized enterprises, come to replace (or supplement) both markets and hierarchies and generate the agglomeration economies which localised networks provide. A dynamic set of processes, which revolve around learning and innovation, thus comes into play, linking producers into a collective entity, dependent on and benefiting from highly localised competitive advantages (Scott 1998a).

The media industries in the UK display a similar tendency for geographic clustering. London has been the centre of media activity within the UK for centuries. Between 70-90% of total UK employment in the different media industries is estimated to be in London. In music, London's employment accounts for 90% of the national total while even in film and TV, which is more dispersed, London accounts for 70% (Llewelyn-Davies 1996). Within London, the largest concentration by far of media activities is in the W1 postal code area (Figure 1). This pattern of geographic clustering has existed since at least the turn of the 20th century. Anecdotal evidence suggests that this area of central London has been the heart of the UK's creative and cultural life for centuries (Summers 1989, Tames 1994).

Furthermore, most activity within the W1 postal code area is clustered within a tiny district, known as Soho⁶ (see Figure 2 with reference to particular media industries). The entire chain of activities associated

with film and TV media⁷ production – film production and post production, film distribution and sales agents, design, photography, music, advertising – is available in an area of about one square mile! As expressed by *Midweek*, the weekly paper for London's office workers: 'Soho is a kingdom unto itself.... where fashion relentlessly struggles to become style and image is simply everything; the glittering heart of media land where the worlds of art, journalism, film, advertising and theatre blend into one glamorous cocktail' (December 15, 1991, p. 10). Soho, with its bars, coffee shops and restaurants providing the venue for informal gatherings of artists and writers, is not only a centre for indigenous British media firms. It is also a global media centre, hosting Hollywood film-producers, advertising TNCs, external broadcasting, and a monitoring post for world media trends.

These characteristics make the Soho cluster of media activities particularly interesting for the examination of the issues addressed here. Theory predicts that in such a geographical setting local networking and inter-firm linkages will play a strong role in influencing the competitive advantage of individual firms and their economic performance. At the same time, the Soho cluster is undoubtedly also linked into global networks, and the presence and active participation of TNCs within this locality epitomises these global links. This combination of intense localised dynamics and global interaction provides an ideal setting to examine the interplay between global and local influences on the competitiveness of media firms.

4. Methodology

The analysis which follows is based on a variety of sources, including a large number of detailed case studies of TNCs (both foreign and British-owned) and indigenous media firms based in central London. This information was supplemented by a large variety of secondary sources, including interviews with industry experts, industry

publications, company reports, industrial histories and published documents.

The qualitative, case study, method was judged to be most suitable in the context of this study as it provides rich data for theorising and conducting a detailed analysis of the dynamics of inter-firm ties and global influences on their competitiveness (even though the cases examined may have but moderate generalizability). The need for a fine-grained analysis inside the firm was judged to rule out a broader-sample study, and the lack of standardised statistical measures of the main concepts inhibits statistical analysis.

Data collection and analysis followed grounded theory building techniques (Glaser and Strauss 1967, Miles and Huberman 1984), and developed accordingly in three phases. Phase one involved open-ended, moderately directive interviews and direct field observations. It was followed by organised interpretation of the data, in which we developed a working framework and then ‘travelled’ back and forth between the data and the working framework. Phase three focused on gaining validity by conferring with a large number of industry experts as well a large number of secondary sources. These discussions were followed by several additional modifications of the framework.

A sample of firms were selected from the population of media firms based in the W1 postal code area, the majority of whom are in Soho, listed in *Yellow Pages Central London 1997/8*. The following media categories were included: advertising agencies, film producers and distributors, film and TV services (known in the industry jargon as ‘post production’), music management, promotion and recording services, advertising and graphics designers, and commercial photographers. The firms approached were selected so as to maximise the variation in terms of age, size, nationality, ownership and scope of activity in order to minimise the likelihood that the findings could be attributed to any one of these characteristics. In all, 72 firms were

successfully approached and interviewed. Some characteristics of these firms are presented in the Appendix.

In-depth semi-structured face-to-face interviews were conducted during spring and summer 1998. Each interview lasted on average two to three hours. The interviews focused on the scope and nature of the linkages of firms with their suppliers, customers and other firms and organisations in their own and closely related industries, and on their labour recruitment policies. Special emphasis was given to the geographical scope of the firms' activities and external linkages. Interviews with TNCs, both foreign and of UK origin, included a set of questions related to the organisation of the international activity and the internal linkages within the TNCs, between headquarters and affiliates and among affiliates. In most cases, one interview with each firm was conducted, most often with the chief executive or the managing director. Only in few cases (8 in total) when this interview was insufficient, in the sense that it left some unanswered questions and/or raised new questions or required further clarification, was an additional interview carried out, usually with directors of specific activities (marketing, PR, finance, production). The latter were also approached when chief executives or managing directors were unable to take part in the research. The interviews were continued until 'saturation' was achieved, that is, the main patterns became established and further interviews were felt unnecessary.

5. Local and Global Linkages of Media Firms in Central London

Figure 3 illustrates the intricate networks of functional relationships and dependencies that link Soho media firms together, with each unit of production performing a series of specialised tasks within the complex, towards the collective creation of media output.

The Soho media cluster exhibits a delicate balance between local and global linkages in implementing the functions described in Figure 3, with different spatial orientations of individual activities. In the rest of

this section we use the theoretical framework presented above, which summarises the external linkages of firms, to examine the nature of the global and local linkages vital to the successful functioning of firms in the Soho media cluster.

5.1. The labour market

Labour plays a critical role in the dynamics of media production in Soho. The exceptional pool of creative employees in the London area is one of the main forces driving the links of media activities to this locality. As the managing director of an indigenous advertising agency explained: *'London attracts the best talents. Nowhere else would it be possible to find the kind of talent we need'*. Firms repeatedly stressed that a Soho location was necessary to attract and retain the best employees *'...to signal creativity, 'being in' for the creative people.'* (the chief executive of an affiliate of a US advertising agency). Personal contacts are vital in the process of labour recruitment, and act to facilitate both the linkages of media firms to Soho and the attraction of potential employees to this area. The director of a small US film production affiliate expressed a common view among the firms interviewed: *'...People give work to those they know. There are about 100 companies producing TV commercials, and we take those we know. Why deal with strangers? Also when we need to hire people - director for a specific ad etc. - we take those we know from personal contacts. Commercial and social relations are mixed - this industry is about whom you know. You are not judged on your skills - you need personal contacts. ...A base in Soho helps hiring the 'right people'. They are all around, you get to know them, you get to know other people who know them.'*

For the most part, the pool of labour employed by the Soho media firms is local, that is, based in central or outer London. However, this pool has never been dependent only on local labour for its renewal and vitality. London's reputation as a media centre attracts people seeking to establish a career in media from all over the UK and the

world, creating a cumulative mechanism that has strengthened the local pool of labour, and has in turn increased the attraction of London as a location for media production.

The reliance upon local labour applies to foreign and indigenous firms alike. In the past, some foreign TNCs used to employ expatriates for the top managerial positions. Such recruitment procedures were common among advertising TNCs when they established themselves in London (West 1988), as well as among foreign (mainly US) film producers and distributors, as part of their centralised organisational structure (Murphy 1992). These recruitment procedures have changed in recent decades, the dominant tendency becoming one of relying on local labour for all levels of employment. Only one of the firms studied – a US advertising agency - reported movement of employees within the agency from other European countries in significant numbers, as a way of transferring knowledge within the TNC. With regard to labour recruitment, the Soho cluster has thus become more, rather than less, locally oriented, over time. It has not taken part in the internationalisation of the division of labour that has occurred during the 1980s and 1990s in many localised clusters, briefly reviewed above.

The pool of creative people was widely recognised by the Soho media firms, including foreign media firms, as a major advantage of London. It was also cited by several of the firms interviewed (notably post production firms) as a main reason for their preference to serve foreign clients from a London base rather than from a foreign operation in the country concerned. Furthermore, the costs of the London pool of labour are low by international standards (Film Policy Review Group 1998), excluding the need to hire people overseas for cost saving reasons. As the discussion in the previous sections highlights, this is often a major influence on the internationalisation of the division of labour of localised clusters. We will return to this point in the following sections.

However, when there are certain very specific needs, firms may search for specialised expertise all over the world. Thus, talent, that is key directors, actors, musicians, is often hired globally, in line with the needs of specific projects (such as the creation of film, advertisement, music). Equally, London-based directors, writers, producers and performers, who free-lance on a project basis, are increasingly involved in global networks. Global recruitment is more common in film production than in other media industries. The actual production of films, while administered from Soho, normally takes place elsewhere, and often involves recruitment in the location of shooting.

5.2. Supply of intermediate inputs

Equally vital in the competitive success and historical persistence of the Soho media cluster is the area's intense local concentration of specialised suppliers and services, characterised by high levels of specialisation and vertical disintegration. The dominant trend among the Soho firms is to purchase all external services locally, and the proximity to the cluster of suppliers was repeatedly mentioned by the firms studied as a major factor attracting them to Soho. The strategy of service purchases described by the managing director of a small, British-owned, advertising agency is typical of most Soho firms: *'We buy most skills locally. All external facilities we need are here [in Soho] – the highest concentration in London. It is convenient to have everybody within 5 minutes walk. ...we have minimum links outside Soho, let alone outside the UK. ... all that we need is within reach of our office'*. Local purchasing of services was overwhelmingly dominant in all the firms studied - large and small, British and foreign, operating in various media activities. Social and personal links form an integral part of the dynamics of client-supplier relations, and were often cited by firms as a major reason for their need to operate in Soho.

The firms interviewed seem to believe that successful implementation of the highly fragmented and specialised media production processes in which they are engaged require such local linkages and cannot be achieved from distance. The head of new business of a British film production firm illustrated this need vividly: *'...there is a great need to meet because of the nature of the production -very fragmented, requires co-operation of various different activities, and at the same time working together with all these parts. Many people are involved and they are all in Soho. ...there is an on-going dialogue in the production process between the producer and the post-production. We want to see regularly what the post-production is doing. There is an intense interaction. Proximity makes it easier.'* Firms in other media industries reported the reasons for their local links with suppliers in a similar manner.

At the same time, however, several firms reported extending the range of suppliers well beyond the boundaries of Soho, London or even the UK. When there are needs for specialised services, firms search world-wide to find the supplier that can best meet these needs. The wide range of services related to media production offered by Soho suppliers, at high quality and low prices, is, in these cases, insufficient to meet the local demand. Though purchases from remote suppliers account for only a small share of the total purchases of the firms studied, these are regarded by the firms as critical for their successful operation. UK suppliers of most services involved in media production are relatively cheap by international standards, and cost saving is thus only rarely a reason to purchase services elsewhere.

Notwithstanding a few indications that being part of an international network facilitates the global linkages of foreign affiliates, most foreign affiliates and indigenous firms organise their external purchases similarly. The marketing manager of a Dutch film production and distribution firm based in Soho explained: *'to the extent that we use overseas input, we often purchase it through our affiliates abroad, but this is quite rare. The overwhelming majority of*

our suppliers are based in London, most of them in Soho.' This finding is somewhat surprising as a-priori it could have been assumed that small, indigenous firms would exhibit greater reliance on local resources than their large, often multinational counterparts. There is also some evidence suggesting a tendency for the distance between firms and their suppliers to increase with the growing size and geographic scope of firms (Appold 1995). This finding suggests that the advantages of local purchasing outweigh the potential benefits available to TNCs from acquiring services through their global networks or externally elsewhere.

The discussion thus far suggests that, with regard to labour and suppliers, the Soho media cluster is to a great extent locally oriented. It has not taken part in the processes of externalisation, often on a global level, of the division of labour and supplier networks that have characterised many localised business clusters during the 1980s and 1990s. Two main reasons seem to explain this persisting local focus. First, the expertise available locally is of high quality and relatively low cost, diminishing the attraction of possible alternatives elsewhere. Furthermore, this expertise acts as a magnet attracting more firms and resources to Soho, thus creating a cumulative mechanism that strengthens the local cluster over time. Second, the nature of media production, overwhelmingly characterised by non-standardised and non-routine work which requires close interaction in the course of production, strongly encourages local interaction and clustering, and severely limits the potential for spreading the geographic scope of the cluster. These observations suggest the following propositions:

1. High quality low-cost local resources eliminate the need of firms in clusters to widen the division of labour and to externalise supplier networks beyond the boundaries of the cluster. They may also act as a magnet for external resources that strengthen the local cluster over time.
2. Foreign and indigenous firms alike, as well as small and large enterprises, exhibit a similar configuration of global-local dynamics with regard to labour and suppliers, suggesting that the

advantages of these localised resources outweigh the potential benefits of accessing such resources within the global network of TNCs or elsewhere.

3. Localised resources and expertise, even when of high quality and available across a wide range of skills, may nonetheless be unable to satisfy all local demand. Some highly specialised expertise is likely to be purchased externally.

5.3. Customers

While there are considerable similarities between Soho firms in different media industries in terms of the global-local configuration of their supply linkages, these firms differ considerably in relation to customers. Film producers as well as music and recording groups do not produce for local consumption, but for national and international markets, and are compelled to meet the demands of those markets. The cost structure of these activities, in which large costs are incurred in the production of the first copy and the costs of additional copies are negligible (Vogel 1990), forces film and music producers to try to reach the largest possible audience. Indeed, these media industries have been serving international markets since their origin (Nachum 1994). As the international potential for distribution has been opened up by advanced technologies that transcend national geographical territories and cultures, the distribution of music, films and TV programmes has become more fully integrated on a global basis, most often within TNC networks (Starkey and Barnatt 1997), drawing music and film producers in London into a global trading system.

In contrast, Soho advertising agencies, as well as advertising agencies elsewhere, produce overwhelmingly for the national market. While it is possible to produce an ad in one country and send it to another for distribution, in practice this is very rare, as the need for familiarity with clients and the market usually require geographic location within this market (Nachum 1999). Soho advertising agencies primarily serve clients based in the UK, many of whom are London-based, and in this

sense are strongly linked with London and the UK. The managing director of a US advertising agency explained the way most advertising TNCs operate: *'We have many international clients in the UK, and we may handle their accounts all over Europe. But in general we work only for clients based in the UK, because it is important to be close to them. If a client is based in another country – our affiliate in this country will handle its account. So with very few exceptions, all our revenues come from the UK.'* However, global campaigns, that is, identical advertising campaigns which are conducted in different countries with only language translation, have been growing (Kim 1995), thus diminishing TNC dependency on foreign affiliates for their foreign advertising. For one advertising TNC interviewed, such campaigns, and hence overseas clients, now provide 40% of its revenues.

Soho designers and photographers, virtually all of whom are small, independent enterprises (see Appendix), are typically owned and personally run by their founders on the basis of their professional expertise and local contacts. They serve almost exclusively locally based clients from Soho and central London. Neither technological advances nor TNC activities have influenced this pattern. The founder and managing director of a small design firm explained: *'I have never tried to find clients outside the UK, and hardly outside London. It is hard enough to do it in England. It is all based on personal contacts. We never make any promotions, all our work comes through recommendations. Since I don't know anybody overseas, I cannot get work there.'*

While their overwhelming 'raison d'être' is to serve locally-based British and foreign film producers, Soho post production firms have for decades also supplied foreign clients. These firms have developed an international reputation for the quality of their work and their low prices, which have attracted many foreign TNCs to carry out post-production in London. Several larger local British post-production firms have recently established foreign affiliates, mostly in

Hollywood, which are controlled by their parents in Soho, thus extending their geographic scope.

The international linkages of Soho post-production firms (along with those of firms in some other media industries) have been greatly intensifying recently with the increasing use of information technology to link parts of the same firm (parent-affiliate) as well as independent firms on a global basis. An important illustration of this is Sohonet, a digital network established in Soho in 1995, which links post-production firms clustered in Soho with film producers and advertising agencies in Soho and, increasingly, elsewhere, notably Hollywood. Sohonet provides a means of transferring very large files directly from one computer to another at high speed and across continents. A post-production firm can send moving pictures to Hollywood instantaneously, have video-conferences with clients and edit footage accordingly, in real time (Clulow, 1998). The managing director of Sohonet believes that *'it is only a matter of time before the media industry will become a global industry. Data networking is what will make this possible. [However], the reasons for the clustering of media firms lie in social factors. Data communication will not change this, but it will link media villages all over the world. The concentration in Soho is unlikely to change. ...Data links will ease foreign linkages, but they will not eliminate the need for face-to-face meetings.'*

These differences across media industries seem to be related to specific characteristics of their output. Industries, such as music and film, in which there are large economies of scale in distribution and where wide distribution is critical for survival and success, cannot rely upon the locality and have to expand their customer base globally. When output is designed to meet the specific needs of individual clients, as with design, photography and advertising, local orientation is dominant. In such situations, firms tend to have limited numbers of customers and often develop close relationships with and in-depth

knowledge of them. Such situations favour a locally focused customer base.

These observations can be summarised in the following propositions:

4. The global-local nexus varies in line with specific demand characteristics. Scale economies in distribution lead to global scope, while customised outputs and close links with customers favour local orientation.
5. In industries characterised by constantly changing transactions, that exclude standardisation of production, technological advances have limited effect on the geographic scale of firm-supplier linkages, but they may revolutionise the spatial level of linkages with customers.

5.4. Firms and organisations other than suppliers and clients

Interaction between Soho firms and other firms in their own and closely related industries is characterised by a complex mixture of co-operation and fierce competition, taking place at different geographic scales, with considerable variation across different media industries.

Film producers are typically engaged in intense collaborative activities with other film producers. There are two main reasons for this. One is financial - to spread risk and to ease the raising of funds. Film production is a highly capital intensive industry, and fund raising is critical. It becomes easier when it is spread between two or more firms, each with its own financial sources. The second reason for collaboration is to access specific skills possessed by other firms, normally through co-production. This second reason also underlies most collaboration agreements made by designers, whose partners and collaborative networks are overwhelmingly local.

While most Soho co-production links are local, there is nonetheless a growing tendency for firms to establish international links, to widen sources of finance and to gain access to local knowledge needed for shooting films in other countries. There are often joint production

agreements with foreign firms for the production of a single film in another country. The footloose nature of film production, in which the actual shooting takes place in different locations, in line with the needs of specific films, does not justify establishing a fully owned subsidiary or purchasing one in foreign countries.

In other sectors of the Soho media cluster, however, small and large firms alike tend to shun collaborative opportunities and regard other firms in their own sector as competitors rather than potential partners. This is the common situation among advertising agencies, film distributors, music groups and post-production firms. The public relations director of a large well established British-owned post-production firm expressed the typical situation within these media industries: *'...collaboration with other post-production firms is irrelevant! They are competitors! Sometimes if we face lack of capacity, we may pass work on to competitors but we never work in collaboration, we compete.'* Thus, firms in these industries have limited linkages with firms other than customers and suppliers, and those they have are not regarded as a source of learning or as a way to acquire resources not available internally, which is the case with film producers and to a certain extent designers.

To the extent that these firms have linkages of various kinds with other firms in their own and in closely related industries, these tend to be global rather than local, and in the case of TNCs, typically internal to the TNC concerned. Most London film distributors are part of very large TNCs, and rely on their parents for their financial and organisational strength. They tend to have strong links with their parents. Several advertising affiliates based in London reported maintaining strong linkages with their parents and collaborating with them when producing multinational advertisements for global campaigns. In addition, advertising agencies, particularly the larger ones, who handle advertising for large multinational clients, sometimes have to collaborate with other agencies in response to their client's demands. Examples of such collaboration include split

geographical campaigns, which usually require co-ordination with other agencies in other countries, linking the agency involved globally.

This variation is related to specific industrial characteristics that affect the propensity of firms to collaborate and interact with other firms in their own and closely related industries, regardless of the geographic scope of such collaboration. A discussion of these industrial differences is beyond the scope of this paper. It is worth noting, however, that in the case of the Soho cluster, it seems to the range of skills required in production and the need for risk sharing (notably in the case of film production). In relation to the linkages of foreign affiliates, this variation is also related to the nature of the investment and the internal organisation of international activity. When the affiliates provide specific value added activity for the benefit of the TNC as a whole (horizontal investment), they tend to have strong linkages with the TNC's global network and weaker linkages within the local cluster (Nachum and Keeble 1999). This is the case with film distribution affiliates as well as with some advertising affiliates. When the affiliates implement the complete value added chain they typically enjoy a greater amount of autonomy, and tend to have stronger ties external to the TNC of which they are part, some of which are local. This corresponds to the situation in film production. This discussion suggests the following proposition:

6. The global-local nexus of foreign affiliates based in localised business clusters varies in line with the type of the investment. In horizontal investment, the affiliates tend to maintain close links with the global network of the TNCs, and their local links are weaker. In vertical investment, the affiliates enjoy a greater amount of autonomy and often have stronger local links.

5.5. Collective learning and creativity

The Soho media community has norms of thinking and ways of doing which transcend individual firms and industry boundaries but

characterise the cluster as a whole. The cluster constitutes a knowledge pool whose internal configuration is continually changing, but a pool that is on a constant learning trajectory. For most Soho firms, accessing and learning from this pool of knowledge requires a local presence, as the managing director of a British-owned film production firm put it: *'...Soho is a happening place. Opportunities can arise when you go out to buy a sandwich. ...sometimes you can get an idea which you 'throw up' by having just a few words with someone – and it has to be someone from the industry, so we speak the same language'*. This judgement does however need to be qualified in respect of at least one segment of the Soho media cluster. Advertising agencies do not regard other local firms as a direct source of learning and innovative ideas. The managing director of British advertising agency expressed a common view among firms in this industry: *'There is no business value in proximity to other agencies - it is nice, we all go to the same pubs and restaurants, and we speak about things related to work when we meet, but it is in no way important for my business. ... you don't need to meet people from other agencies to learn about their business – we can learn this from their ads.'*

There are two main mechanisms through which new ideas diffuse and local learning takes place. One is the movement of employees from firm to firm, which is very common in most of Soho's media industries⁸, taking with them 'embodied expertise' and extensive tacit knowledge of how things are done in rival firms. The second is through informal meetings and social interaction in Soho's numerous meeting places. Soho's coffee bars, restaurants and pubs have been instrumental in creating a sense of community, in fostering the mechanisms that turn this collection of firms into a single whole, and generating positive externalities for the benefit of the firms involved. Through both mechanisms, local media firms engage in collective learning and benefit from access to other creative firms and individuals, in a cumulative virtuous circle of locally embedded knowledge accumulation.

At the same time, however, some Soho firms greatly value learning opportunities that extend well beyond the area's boundaries, and regard them as critical for their ability to compete successfully in the global market. The managing director of a large post production firm which has been operating in Soho for several decades expressed a common view among many Soho firms, notably the larger ones: *'It is very important for us to learn about what is happening outside Soho, particularly in Hollywood. Many of our clients are Hollywood film producers coming to London for the post-production. We have to know what is happening there [in Hollywood]. Otherwise, we may get behind and lose work. ...There is much to learn here [in Soho], but it is not enough. Things happen also outside Soho'*. While small and large firms seem to share some similarities with respect to their local-global linkages (discussed above), when it comes to learning and creativity, there seem to be substantial differences between them. Smaller firms in all the media industries in Soho are more locally oriented, while their larger counterparts are more likely to value global learning and knowledge acquisition.

Likewise, in this respect there are also considerable differences between indigenous and foreign firms. In particular, links with and within TNCs are regarded as sources of accumulation of global knowledge and represent a type of learning process which differs from that which the Soho cluster provides. The visual effects director of a British post production TNC explained the learning benefits from links with their affiliate in Hollywood: *'...the affiliate is completely independent, and works mostly for the USA market. Yet we keep very close links, particularly to share knowledge, mainly technical, but also other. We learn much from the knowledge they gain in Hollywood.'* It appears that the wider geographic scope of TNCs' activities cause them to value more learning opportunities external to the local cluster.

This discussion suggests that global linkages are very important when it comes to intangible factors, such as access to knowledge, learning, specialised skills and expertise. It is in respect to these resources, arguably the most vital determinants of competitiveness, that firms, and particularly those competing globally, cannot afford to rely only, or mainly, on localised processes. Access to such resources requires the creation of linkages that go well beyond the firm's locality. It has been widely recognised that changes in technology and competition have diminished the role of proximity with regard to tangible factors, such as capital and other inputs that can be efficiently sourced in global markets. However, the Soho case studies suggest that the significance of wider global processes is not limited to accessing such resources, but applies also to resources usually regarded as most locally embedded. Hence we offer the following propositions:

7. The importance of widening the geographic scope of firms in localised clusters goes beyond the reach of tangible factors, of the kind that technological advances have made partly mobile and easily accessible from distance. Global links are also important for accessing intangible factors such as knowledge and learning, which are increasingly developing in a global, and not just local, context.
8. Large firms with wide geographic scope tend to exhibit a greater need for learning and interaction on a global level compared with their smaller, indigenous counterparts. The global scope of their activities seems to require interactions at wider spatial levels.

Figure 4 presents in somewhat more systematic manner our findings on spatial variations in the external linkages of the media firms in Soho, and distinguishes between the local level – central London, the national level – the UK, and the global level, that is, the rest of the world. This diagram, along with the insights gained in the discussion above, suggests several additional propositions regarding the nature of the global-local nexus of the Soho media cluster.

First, the geographic level of orientation varies considerably across the different external linkages of Soho firms, with the heaviest

reliance on local resources for the supply of services and labour. In these cases, external linkages are limited and confined to specialised skills and expertise. Soho's strength in providing a wide range of high-quality expertise limits the need for external search for such skills. The most intense external linkages are with customers. This indicates that the mechanisms driving the clustering of media firms in Soho are focused on supply rather than demand forces. Hence we suggest:

9. In industries in which production is characterised by a high level of vertical disintegration and specialisation, and constantly changing content which prevents standardisation, the clustering of firms is supply- rather than demand-driven.

Second, the main external linkages of most Soho firms are on the local-global nexus, with the national level playing a far less important part. The concentration of these firms in a small district within London can largely be attributed to certain characteristics of London rather than of the UK as a whole (Nachum and Keeble 1999), and the orientation of this localised cluster is towards the global economy. As Drennan has put it: '...the economic fortunes of Birmingham and Manchester... may be less important for London's economy than the economic fortunes of New York and Tokyo' (Drennan 1997, p. 364). The Soho cluster thus becomes somewhat dissociated from the national system in which it is based: 'London may be located geographically in the United Kingdom, but economically it may just as well be in international waters or in orbit' (Vogel 1993, p. 53). These observations suggest yet another proposition:

10. The global-local nexus diminishes the significance of interaction on the national level. Industries operating on this nexus (which is most common among some service industries) tend to be less affected by national conditions.

6. Concluding Remarks

The insights emerging from the case studies of media firms clustered in the Soho area of central London suggest that the conceptualisation of localised dynamics, confined to limited geographic area, as the dominant influence on the competitiveness of firms underestimates processes taking place at wider geographic scales. The case studies reveal an interdependence between local and global developments in creating competitive advantages which are not confined to the locality in which firms operate, but neither can be understood only at the level of a global industry. Rather, they combine a delicate balance between the two. There is no simple dichotomy between the global and the local. Rather, there is complex interplay among processes operating at different, but related, geographic scales, with increasingly direct and immediate relations between global and local fields of influence and action (Amin and Thrift 1992, 1997, Amin and Robin 1991, Kogut et al 1993). The local cluster thus becomes a node within a global economic framework, and may have no existence outside this framework. Soho is an example of what Amin and Thrift (1992) have called 'neo-Marshallian nodes in global networks', with the latter being vital for the competitiveness of the member firms of the local cluster. TNCs play a vital role in linking the Soho cluster into global networks, in strengthening knowledge flows and linkages between various clusters, and in turning it from a locally confined cluster into a 'global locality'.

This interdependency between processes occurring at different, but related, geographic scales, requires the acknowledgement of global and local processes simultaneously as the external forces that affect the competitiveness of firms. Resources and processes important for the operation of firms in clusters may be available at geographic levels beyond the locality, and the strategic interdependence of firms on other firms may well extend beyond the boundaries of local clusters into more distant localities. In examining the optimal scope of firms in clusters and sources of advantage external to them (Enright

1998, Porter 1998a, 1998b) reference ought to be made to forces which lie beyond the local cluster.

However, the study has also revealed considerable variation in spatial levels of orientation across different media industries, specific external linkages and the characteristics of firms. This variation is related to specific industrial characteristics that affect the external linkages of firms and their spatial orientation. In the case of TNCs, they are also related to the type of investment undertaken and the internal organisation of TNCs.

The conceptualisation of competitive advantage as an outcome of intertwining processes taking place at various geographic levels has implications for firms and policy makers. A key question for firms based in local clusters becomes how best to combine global and local potentialities, and how to incorporate collective knowledge developed locally with external sources of knowledge which lie far beyond their boundaries. The competitive success of firms thus comes to depend not only upon their ability to tap into local sources of externalities and creativity, but also on their ability to access sources of learning and creativity in international markets, to monitor competitors' action on a global level, to learn about demand characteristics in markets elsewhere.

The conceptualisation of the competitive advantage of firms as an interplay between the global and the local signifies also a departure from traditional approaches towards policy formulation, as it suggests that local clusters are far from being self-contained and isolated units. Rather, and to an increasing degree, the entire world should be seen as their sphere of market operations (Scott 1996). The policy focus should thus move away from an exclusive attention to the links between indigenous firms within a given locality and towards a concern with links between local firms and international centres of activity within a given industry. Policy should be extended beyond promoting local networking of small independent firms and enhancing the availability

of territorially embedded resources, towards a wider agenda that seeks to promote links with firms and markets outside the cluster. The latter are vital for sustainable and cumulative advantage of firms in geographic clusters.

Understanding the dynamics of the cluster of media industries in central London provides one example of how both global and local processes affect the competitiveness of firms in local clusters. However, much more research is needed to establish the validity of this example in relation to other industries. It may be that this cluster is to some extent specific to the media industries, originating from their unique attributes. Of special importance in this context is the highly disintegrated production system involved, with transactional networks characterised by many small transactions which are constantly changing in terms of their content and destinations, and which also require labour-intensive techniques of linkages (Scott 1998a). Such an industrial setting gives rise to considerable external economies of scale and scope and is likely to develop a specific balance between the global and the local, which may not be valid to other industries. Depending on the production processes in an industry and the nature of the organisation of economic activity a diversity of local-global links is likely to emerge, with each offering different combinations between local embeddedness and global mobility.

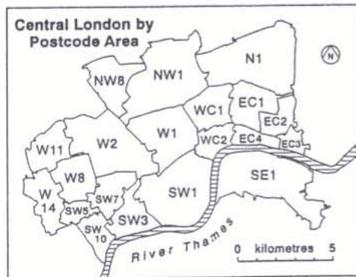
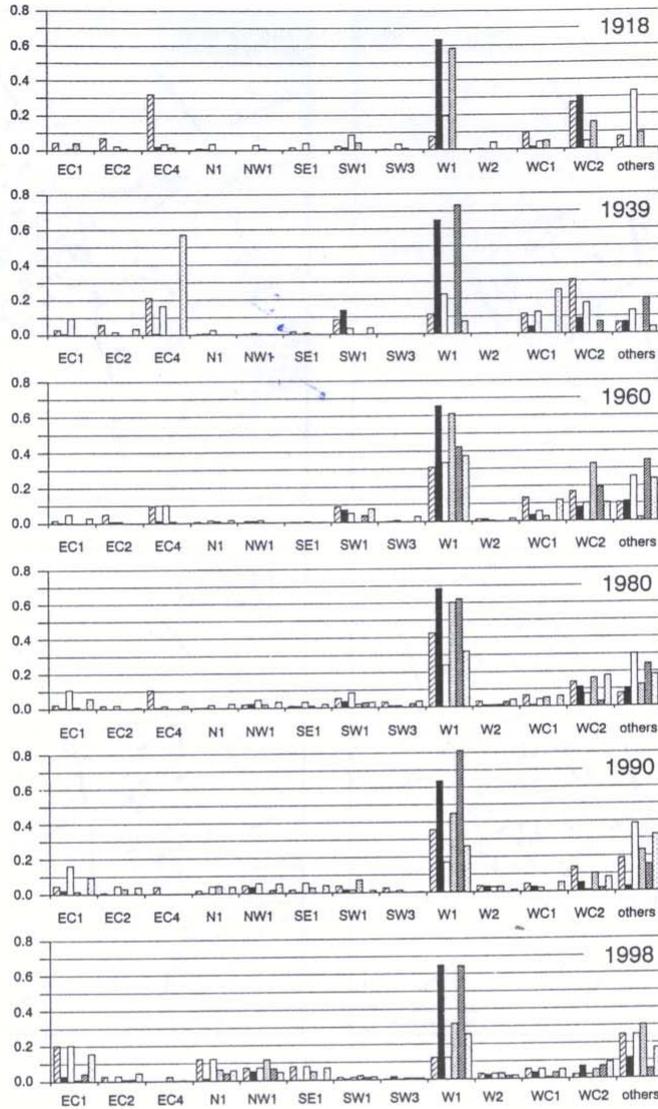
Notes

1. Many economic geographers and regional economists would claim that they have been arguing this for many years, as noted by Martin (1998) and exemplified by the work of Scott (1988), Aydalot and Keeble (1988), Camagni (1991), Storper (1997) and Ratti et al (1997). The benefits to firms from geographical clustering were recognised in the 19th century, when Marshall (1890, 1920, p. 271) stressed how “...great are the advantages which people following the same skilled trade get from near neighbouring to one another”, a concentration which Marshall described as an ‘industrial district’. Marshall’s recognition of the collective advantages accruing to firms because of spatial proximity has stimulated considerable subsequent research by scholars from various disciplines: see Baptista (1998) for a survey.
2. Economists have also recently developed a similar interest in this topic, and have searched for an explanation for the concentration of certain industries in particular geographic areas. The work of Krugman (1995, 1998) and Arthur (1989, 1994) are the outstanding examples of this development. Krugman attributes this phenomenon to increasing returns and stresses transaction costs as a general explanation for geographic clustering. Arthur’s work focuses on the process by which agglomeration externalities lead to geographic concentration of industries.
3. Examples of TNC intra-country location patterns, on their own and compared with indigenous firms, are given in Nachum (1998) with reference to financial and professional services in the US, and in Nachum and Keeble (1999) for film production and distribution in central London.

4. These developments can be only briefly summarised here as a full discussion exceeds the scope of this paper. Elaborated accounts are to be found in Dunning (1997), Castells (1996), Harrison (1994), and Amin and Thrift (1992) among others.
5. Three of these linkages were those identified by Marshall (1920), namely pooled labour, specialised intermediate goods and industries, and the economies arising from information flows. The other linkages are emphasised in more recent conceptualisations. These external linkages combine both market and networking relations, with the balance between the two varying between different linkages. Linkages with firms other than suppliers and customers tend to be implemented through networking arrangements and various forms of collaboration, and may also involve competitive relations. On the other hand, labour relations and linkages with suppliers often combine both market and networking mechanisms.
6. The area loosely referred to as Soho is defined by the following boundaries: Oxford Street to the north, Regent Street to the west, and Charing Cross Road to the east. Soho's southern boundary has been taken to embrace the south side of Leicester Square and the streets immediately adjacent to it (Tames 1994).
7. Other media activities, such as publishing and broadcasting, are located elsewhere in Greater London.
8. This is nowhere more evident than in film production. The mobility of employees is intrinsic to the nature of this industry, in the fact that each film has different labour needs and that particular employees are needed for specific jobs and are redundant once these jobs have been completed. Hence teams are gathered together for a specific production, and specialise in the kind of production they do, and split up when production is completed to take part in yet another film. This explains the

large numbers of free-lance employees in the film industry. According to estimates by Skillset, the UK training organisation for broadcasting, film, video and multimedia, free-lance employees in the film industry in 1996 accounted for about 60% of all broadcasting, film and video employees in the UK. This far exceeds the proportion in the economy as a whole (Skillset 1997

Figure 1: Location of Firms in Selected Media Industries, Central London, 1918-1998



- ▨ Advertising
- Film/television production
- Photography
- ▤ Music
- ▥ Post production
- ▧ Design

Sources : 1918-1990 : various issues of Kelly's Post Office Directories ;
1998 : Yellow Pages, Central London, 1997/8

Notes to figure 1: Location of Firms in Selected Media Industries, Central London, 1918-1998

1. Two methodological reservations must be born in mind when interpreting the graphs in Figure 1. First, during the period analysed, the classifications of the various industries have changed, sometimes considerably so, and may disturb meaningful comparisons over time. Second, the analysis draws on various sources, which introduces further difficulties of comparison. Kelly's Post Directories, the main source, ceased to appear in 1991. Therefore the most recent graph is based on Yellow Pages, which often uses slightly different classifications of industries.
2. The presentation in Figure 1 starts in 1918, the year when the numbers of the postal code areas were given for the first time.
3. The term 'advertising agencies' is used for the first time in 1960. Prior to this year this category refers to 'advertisements agents and contractors' and 'advertising artists'.
4. Until 1960, the category 'film and television production' refers only to film production.
5. In 1918 no distinction was made between general and commercial photographers, and the analysis is based on all types of photographers.
6. Post-production services appear as an independent category for the first time in 1939. In 1918 it is included in the category of 'film producers'.
7. The category 'graphic designers' has only existed since 1980. For 1960 and 1939 we have used 'industrial designers'. In 1918 there was no classification of designers of any kind. The clustering of these firms in the EC4 area in the early decades of the 20th century was due to their links with newspapers and publishers that were clustered in this area (notably in Fleet Street and the small streets around it). This concentration of newspapers and publishing activities lasted until the 1980s, when as part of comprehensive restructuring and ownership change, most newspapers left the Fleet Street area and relocated in the London Docklands. However, designers had left the area before the 1980s, at a time when they were extending their customer base beyond publishing activities.
8. The music category includes music publishers and music agencies in 1918-1990 and music management and promotion and music arrangers and composers in 1998.

Location of firms in selected media industries in Central London

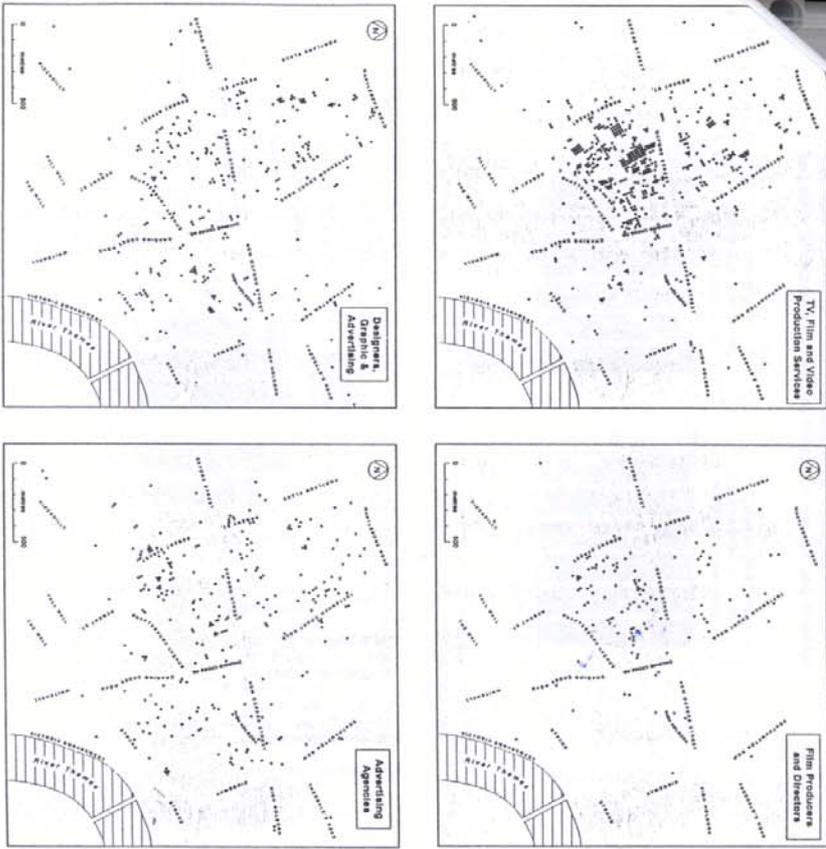


Figure 3. Linkages among Firms in Selected Media Activities in Central London

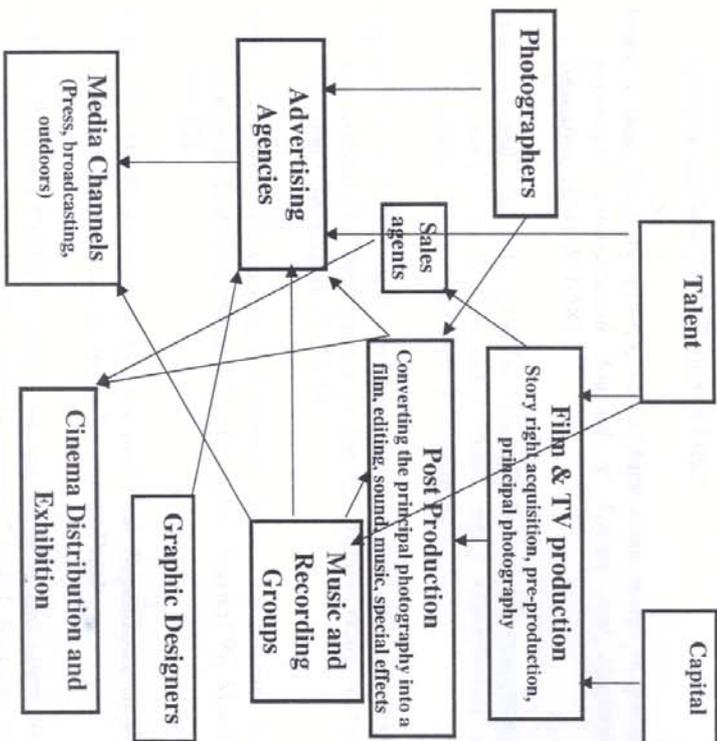
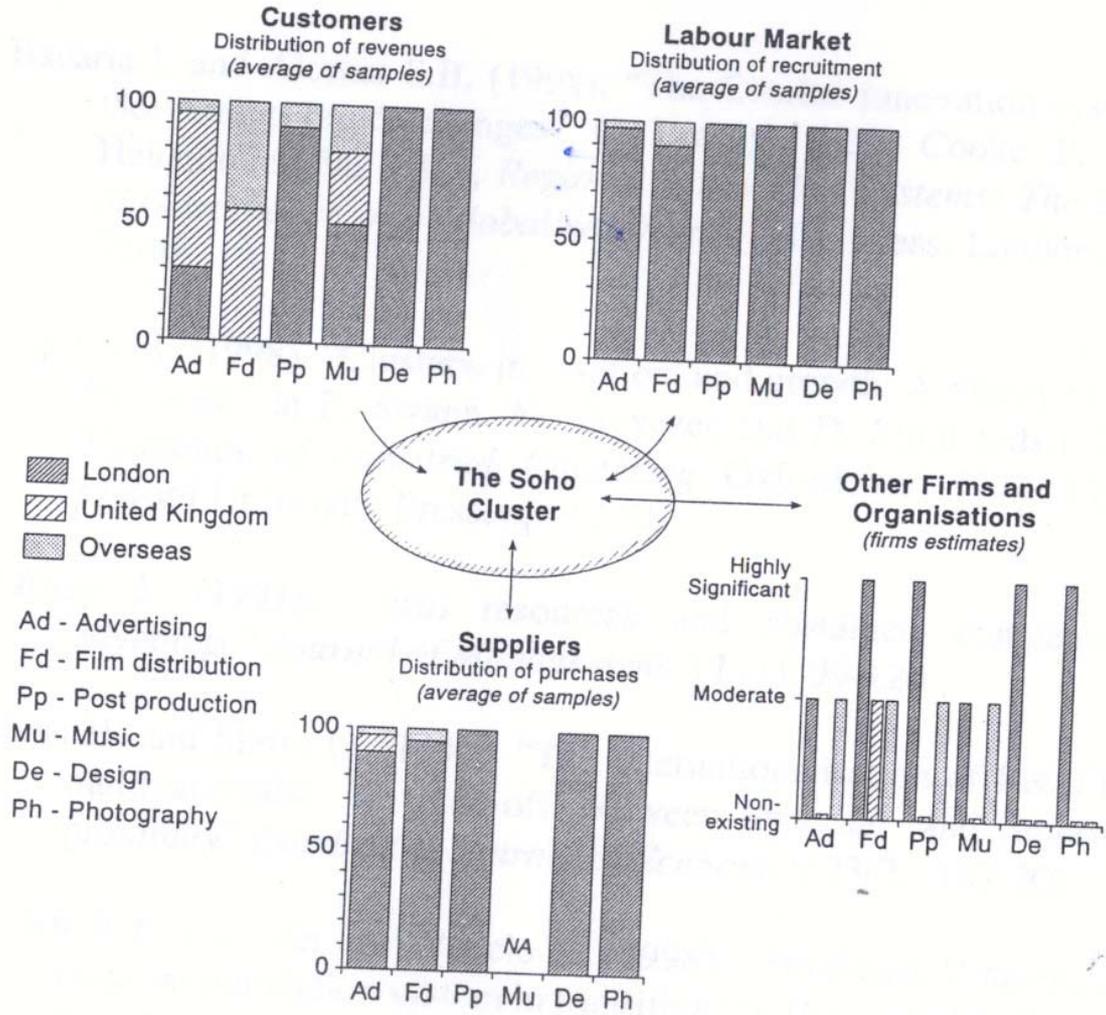


Figure 4 : The Spatial Orientation of The Soho Media Cluster

Linkages of Soho firms with customers, suppliers, labour markets and other firms and organisations in London, the UK and overseas



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APPENDIX

Appendix. Some characteristics of the firms studied for this research

Averages (standard deviation) [median]

Industry	N	Size /a	Age /b	Ownership and scope
Advertising	17	69.76 (90.12) [25.01]	17.43 (15.19) [11.57]	6 British indigenous 4 British TNCs 7 Foreign TNCs
Film production and distribution	21	39.16 (72.11) [16.55]	16.83 (18.34) [12.50]	10 British indigenous 2 British TNCs 9 Foreign TNCs
Post production	16	69.40 (81.61) [45.55]	12.07 (9.41) [8.57]	9 British indigenous 7 British TNCs
Designers	8	6.89 (2.75) [4.00]	10.70 (7.12) [7.00]	8 British indigenous
Photographers	5	3.75 (3.67) [3.23]	9.11 (6.70) [7.05]	5 British indigenous
Music and recording groups	5	9.20 (2.59) [9.00]	12.80 (7.26) [10.00]	4 British indigenous 1 Foreign TNC
All	72	48.78 (76.26) [14.10]	15.46 (14.90) [11.57]	42 British indigenous 13 British TNCs 17 Foreign TNCs

^a Measured by number of contracted employees. In film production this number, however, underestimates the magnitude of activity, as there is a tendency to employ large numbers of free-lance employees, and their number varies, in line with the requirements of specific films (see footnote 8).

^b Measured by number of years since establishment. For affiliates of foreign TNCs, number of years since the establishment of the London affiliate.