



The ‘global city’ misconceived: the myth of ‘global management’ in transnational service firms

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Abstract

The ‘global city hypothesis’ proposed by Saskia Sassen – and subsequently developed by Manuel Castells and others in the theory of a globalized urban network – has in recent years formed the basis for the argument that power and control in transnational firms (TNCs) is primarily situated in global head-offices. Such offices are located in key urban centres such as London, New York or Tokyo where global managerial power is ultimately wielded and where senior managers make strategic decisions about transnational business activity. This paper takes issue with this theoretical legacy, arguing that the idea of strong centralised managerial power and control in contemporary TNCs is far more complex than this literature suggests. It explores how managerial control in some of the supposedly most globalized of business service industries – investment banking and management consultancy – cannot be understood as being centralised in global headquarter offices, and nor does it purely reside with a few senior managers at the top of the transnational organisation. Rather, it argues that managerial control in TNCs is *diffused* throughout a transnational network of management-level employees, and that strategic power in transnational firms resides with a larger and more dispersed group of actors than has been previously suggested. These arguments are developed through analysis of qualitative research into the managerial strategies and practices of senior business practitioners in the transnational investment banking and management consultancy industries. In presenting qualitative data from interviews with senior management in transnational corporate head offices, the paper thus examines the decision-making process of global management practice and unpacks the complex context in which transnational corporate strategy develops in such firms. © 2002 Elsevier Science Ltd. All rights reserved.

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1. Introduction

The combination of spatial dispersal and global integration has created a new strategic role for major cities. Beyond their long history as centres for international trade and banking, these cities now function... as highly concentrated command points in the organisation of the world economy... (Sassen, 2001, p. 3)

Every year, a budget is put together, which is reviewed by the management committee... But at a strategic level – and although that management committee will talk about various decisions – in the business management perspective, the reality is that it is decentralised down to front-line product managers and the heads of geographies. (Managing

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A decade ago, Saskia Sassen argued in her influential book *The Global City* (1991) that three cities resided at the top of the global urban hierarchy in the 1990s: London, New York and Tokyo. For Sassen, these were the ‘global cities’ that performed distinctive and, at the time of writing, novel functions in the contemporary world economy. She argued they corresponded to ‘concentrated command points in the world economy’ which were ‘the key locations for financial and specialised service firms’ (ibid.: 3). As the extract quoted above highlights, the ‘global city’ in Sassen’s original conception was becoming an increasingly concentrated locus of power and control in an increasingly globalized world economy, measured by the growing concentration of transnational corporate head office in these cities. Thus, the global city was the new urban phenomena of the later 1980s and 1990s where the processes of globalization

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were coming to generate a new kind of urban built environment (King, 1990; Fainstein et al., 1992; Clark, 1996; Crahan and Vourvoulias-Bush, 1997), new kinds of advanced service sector industries and new roles for urban centres in the world (Budd and Whimster, 1992; Smith and Timberlake, 1995).

Ten years later, of course, the terms ‘global city’ and ‘global cities’ are now widely accepted and widely cited, having become a ubiquitous feature of academic writing on globalization (e.g. Castells, 1996; Short and Kim, 1999), urban studies (Hill and Feagin, 1987; Feagin, 1988; Phillips, 1996; Murray and Perrera, 1996) and the global economy (e.g. Ward, 1994; Knox and Taylor, 1995; Dicken, 1998). Furthermore, the idea of the global city is now firmly embedded in policy discourses concerned with urban planning, regional and national economies and even social inequality (Fisher and Kling, 1993; Eade, 1997; Isin, 2000). The ‘global city thesis’ has become a central tenet of contemporary urban studies and is perceived by many to be a fundamental theoretical building block in theorising and understanding globalization as a phenomena more generally (Holton, 1998; Beck, 1999; Lechner and Boli, 2000; Beynon and Dunkerley, 2000). Recently, Sassen herself has published a second edition of *The Global City* (2001), extending and developing her original arguments and building a more encompassing theoretical argument about the nature of cities in the contemporary world.

Yet the proposition of this paper is that there has been little critical engagement in the literature with the epistemological foundations of the ‘global city’ as a concept. Since the publication of *The Global City*, the vast literature which has grown up in an attempt to theorise global cities has been remarkably unquestioning of the foundations of Sassen’s thesis. Few contributors, perhaps save in part for Sassen herself (cf. Sassen, 1997, 2000), have engaged with the epistemological issues surrounding the global city concept, choosing rather to seek to develop more sophisticated theoretical understandings of global cities (e.g. Castells, 1996; Lo and Yeung, 1998; Short and Kim, 1999). Rather, the critical debate surrounding the ‘global city thesis’ has largely focused on the how global cities might be better defined and which cities might be included in this categorisation (Abu-Leghod, 1999; Taylor and Walker, 2001). Elsewhere in the literature, the ‘debate’ around the ‘global city thesis’ has taken the form of argument as to whether the global city concept is applicable to more than the few key centres than Sassen first suggested. More recent work has in this light argued that the global city might be better conceived as a network of globalized urban centres (Smith and Timberlake, 1995; Savitch, 1996) rather than being restricted to London, New York or Tokyo. Such arguments have been reflected in Sassen own refinement and development of her earlier arguments in the latest edition of *The Global City*.

My contention is that the nature of the critical response to theories of the global city or cities has been too narrow in epistemological scope. In this paper, I want to make a different kind of contribution to the global city debate, and one that is far more questioning of the underlying tenets and assumptions encapsulated in Sassen’s and others’ arguments. Crucially, the central argument is that there has been too little critical thought given to the limitations of the ‘global city thesis’ as a whole. Urban theorists, geographers and other social scientists have largely accepted the thesis in so far as the literature implicitly accepts the cornerstones of Sassen’s definition of the global city: that global cities are key command and control points in the global economy, that they are the key location for transnational corporate head-offices, the location of specialised producer services and also the primary markets for these specialised services and financial products (see Sassen, 2001, pp. 3–11). It is these key definitional elements that are the focus of the critical engagement here.

There are three interrelated critical prongs to this critique. In combination, all three call into question the utility of the ‘global city thesis’ as a framework for understanding and theorising economic activity in the contemporary global economy. This is not to argue that Sassen’s thesis is somehow ‘wrong’, nor that it is not a helpful and insightful theoretical perspective to make use of in certain debates. From an urban studies perspective, for example, there can be little doubt of the importance and utility of Sassen’s arguments to policy makers tackling questions of social restructuring and transformation in large cities. Rather, my suggestion is that the ‘global city thesis’ is misleading and limiting when it is used – as it has – to construct theories of the contemporary world economy in general, and the nature of transnational business activity more specifically. In that sense, although relevant to some debates within urban studies, a global city approach is not the most useful framework for those who wish to better theorise the global economy.

The first prong to my critique rests with the contention is that the ‘global city thesis’ is founded in a restrictive spatial epistemology of place. The concept of the global city imbues places and spaces with indirect agency in a way that obfuscates where, in particular, corporate power and control are *located* in the global economy. Indeed, the issue of *location* is a central epistemological problem. In constructing the global city network as the controlling ‘mesh’ of urban centres, power in the global economy is often measured and implicitly assumed to be *contained* in corporate head or key branch offices. This is a problematic approach to theorising power and control in the global economy since the physical spaces of head office, whilst (in part) the spatial setting for the operationalisation of corporate power, do not contain corporate power. Head of-

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