

The Priority Programme 1233

Informal Dynamics of Agile Firm Organisation (PRD 6) is one of nine projects funded by the German Research Foundation (DFG) under the roof of the Priority Programme (SPP) *Megacities – Megachallenge: Informal Dynamics of Global Change*. The SPP conducts research in the two megarurban areas of Greater Pearl River Delta (GPRD), China and Dhaka, Bangladesh. It aims at a systematic investigation of forms and functions of informality and informal modes of interaction against the background of Global Change.



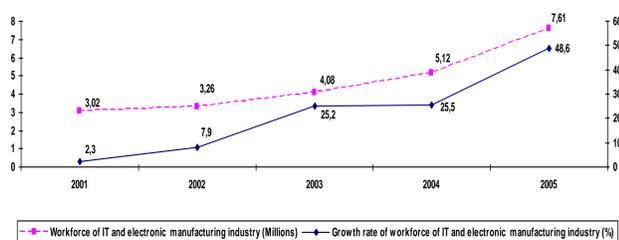
Map 1: Guangdong Province and Greater Pearl River Delta Economic Zone, China
Draft and Copyright: F. Kraas
Cartography: R. Spohner

Project Topics & Region

The GPRD is one of China's most dynamic regions since the late 1970s. The project focuses on the electronic industry due to its strong prevalence in the GPRD. The project has two major research topics. One is informal dynamics of agile firm organisation with respect to sustaining and improving firm competitiveness. The other one is targeted at the explanation of the social dynamics of agile firm organisation.

Graph 1: Workforce of IT and electronic manufacturing industry in China and its growth from 2001 to 2005.

Source: Industrial Economy Study Centre of China's Social Science Institute. (2006). *China's industrial development report 2006*, Beijing.



Agility = Informality + Flexibility

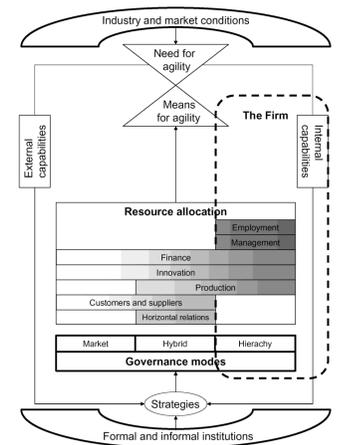
- A strategy to perform successfully in a highly competitive environment
- Informality increases companies' flexibility
- Informality and formality in business activities where
 - Informality refers to social ties and
 - Formality is characterised by devised rules (North 1990, Li 2007)
- Flexibility is defined as qualitative flexibility (more options) and quantitative flexibility (quick response)

Informal-formal dimensions are

- oral vs. written arrangements
- open-ended vs. precise agreements
- loose vs. tight enforcement of contracts
- social vs. legal power and
- personal vs. impersonal processes



Photos 1 + 2: Companies' headquarters in Hong Kong and Shenzhen
Source: Sabine Beißwenger, Pamela Kilian



Graph 2: Agility Framework
Source: Draft: Daniel Schiller and Susanne Meyer

Agility-Effects on Employees

Social dynamics of agile firm organisation raise the question of which role informality plays in job search and consumption strategies of the electronic industry employees and which influence agility exerts on them. Manufacturing workers in the GPRD electronics industry are for the most part migrants from other cities or provinces. Their stay might be temporary and the change of workplace and income frequent. Hypothesis: Agile firm organisation is mirrored at the individual and household level in strategies of self-organisation. These strategies exist to balance or smoothen the effects of highly flexible working environments and income levels.

Core Objectives

Development of an analytical framework for agile firm organisation

- To introduce an institutional economic perspective on the informal dynamics of firm organisation.
- To extend traditional approaches to firm strategies for competitiveness by the agility concept as an organisational innovation of both low-cost and high-tech companies.

Analysis of agility patterns in relationships with suppliers and customers

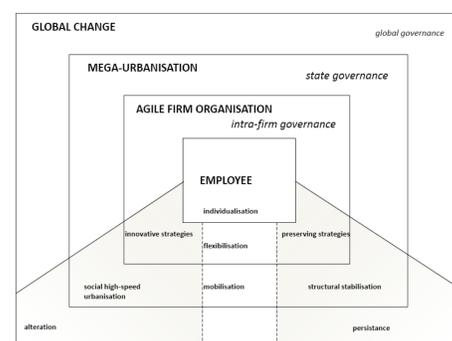
- To explain how formal and informal modes applied in supplier and customer relations contribute to firm's agility.
- To investigate how firms in GPRD are integrated in the global economy and how the regional division of economic activities and the governance structure between the Hong Kong and the mainland municipalities is organised.

Clarification of how agility is integrated within business strategies: Cost reduction vs. innovation strategies

- To explore whether companies consider informal factors while deciding on locations for innovation and cooperation partners for both strategies.
- To investigate how agility is reflected in different innovation activities, e.g. technology transfer.

Explanation of the social dynamics of agile firm organisation

- To explain how job search and recruitment strategies of blue collar workers are influenced by agility.
- To model the flows of information about employment opportunities and job profiles facilitated by social networks.
- To clarify how flexible and informal firm behaviour influences the consumption and life styles of employees.



Graph 3: Employment Focus
Source: Draft: Sabine Beißwenger and Pamela Kilian



Photos 3 + 4: Manufacturing plant and dormitory in Dongguan
Source: Sabine Beißwenger, Pamela Kilian

Methodology and Status Quo of Research

Company- & employee-related interviews in HK and PRD



Graph 4: Progress of Research
Source: Draft: Sabine Beißwenger and Pamela Kilian

The research is designed as a sequence of three successive steps.

Starting from a survey of electronics companies in Hong Kong the research proceeds to electronics companies in the GPRD which hold links to Hong Kong. Finally a survey of employees in the GPRD electronics companies is carried out. All steps are accompanied by in-depth interviews with stakeholders and experts.