The New Old Economy: Networks, Institutions, and the Organizational Transformation of American Manufacturing

By Josh Whitford

Reviewer: Nina Bandelj, University of California, Irvine

The object of analysis in Josh Whitford’s excellent book is the restructuring of American manufacturing, which has experienced a devastating crisis in the late 20th century. Whitford provides a nuanced account of the complexities and contingencies of the organizational transformation of the quintessential old economy industry, metal manufacturing, in the quintessential old economy region, the American upper Midwest.
How do deindustrialization, globalization and outsourcing influence organizational practices of an old economy? Whitford offers an answer based on the evidence gathered from interviews with more than 100 people at more than 50 metal manufacturing firms (including Original Equipment Manufacturers and their suppliers) from Illinois and Wisconsin, conducted from 2000 through 2002. He shows that the efforts of firms to follow the new production paradigm (i.e., flexible production model premised on cooperative relationships between and within firms that are expected to yield superior performance) are partial at best. While firms put in good faith efforts to collaborate, these efforts are full of systematic contradiction and hedging behavior. Moreover, Whitford argues that even in the American Liberal Market Economy, institutions can be designed to foster the normatively desirable collaborative production practices.

Whitford takes off from three different theoretical explanations: the social embeddedness/ networks approach, the Varieties of Capitalism perspective, and the neopragmatist Learning by Monitoring. According to Whitford, none of these theories capture the complexity of the practices that we are witnessing in the restructuring manufacturing sector because, ultimately, they assume that relationships between firms will “fall into stable and dichotomous equilibrium configurations, with a world of hostile arm’s length contracting on one side and the collaborative sharing of information between weakly bounded firms on the other.” (156) In contrast, Whitford finds that OEM-supplier relationships are systematically and stably “intermediate between the arm’s length and collaborative poles,” (31) and result in what he terms “contradictory collaboration.” This is because restructuring brings with it several sources of fundamental uncertainties, including those driven by market and technological changes, uneven supplier competencies, staff turnover, information-transfer difficulties and intrafirm factions.

Whitford should be commended for the realistic portrayal of the complexity of collaborative practices, and I suspect that other researchers will readily add the notion of “contradictory collaboration” to their toolkit of concepts useful for understanding practical experiences of firms. But this is also because the book’s key finding, that actual practices of firms are neither only collaborative nor simply arm’s length, is not very surprising. In fact, the reader may expect a more systematic assessment of which firms are more or less “intermediary” and the identification of conditions that enable firms to “waltz” (76) through collaborative relationships better than others.

Moreover, economic sociologists might question the assumption that producer-supplier collaboration always enhances firm performance. Researchers have documented the downsides of embeddedness and argued that a right combination of embedded and arm’s length ties will be optimal for performance (e.g., Uzzi 1997). With the data available, Whitford cannot address directly how collaboration (or lack thereof, or
different types of it) influences organizational performance of transforming manufacturing firms, but this is surely a worthwhile effort that should receive more attention in network studies more generally.

The book’s title derives from the claim that “what we have is very much a new old economy, in the sense that the new organizational forms in manufacturing are being built with the pieces, practices and in the institutional context of the organizations that came before, not on them.” (111, emphases in original) There is room for Whitford to better theorize this recombination of the old and new practices, as such insights would certainly be applicable to a very broad literature on institutional change.

Finally, one of the bold moves on Whitford’s part is to tackle issues of economic policy, which makes this book valuable not only for academics but also for practitioners and policy makers. Whitford forcefully argues for the importance of policies and institutions that support the high-collaboration decentralized manufacturing model. His key illustration is the Wisconsin Manufacturers’ Development Consortium, a regional association of seven large OEMs and dozens of component suppliers that receives state and private funds to facilitate supplier training and underwrite the credible commitment to collaboration. A neoinstitutionalist analyst would probably see in this illustration more than support for collaborative practices but efforts on behalf of professional associations and state actors to drive the adoption of a particular kind of legitimate organizational model and thereby structure the organizational field. This may also help answer the question as to why we even see substantial collaborative efforts in the American liberal market economy thought to be ill-suited for such organizational models, which is the one that Whitford side steps.

These kinds of questions show how stimulating a book *The Old New Economy* is. Not only economic and organizational sociologists but also political economists, economic geographers, business scholars, policy makers and practitioners will find that it significantly advances our understanding of some of the key issues confronted by the contemporary American economy.

References