

Table of Contents

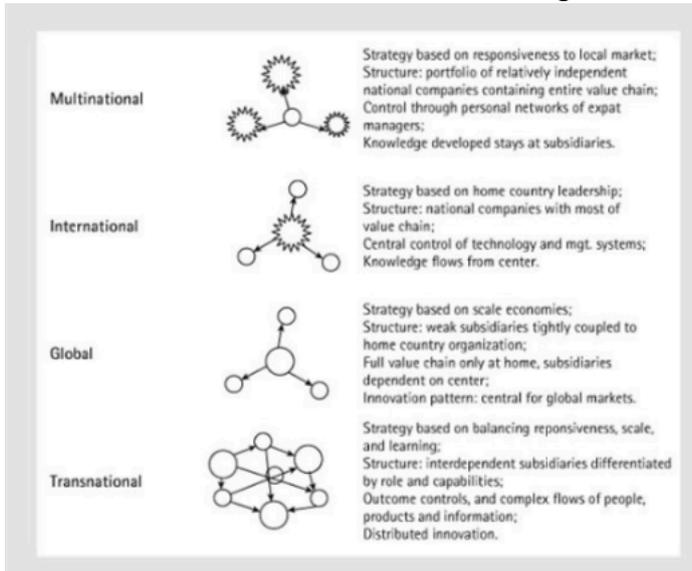
Theoretical overview of OMMC perspectives	5
Dominating	5
Coordinating.....	5
Knowing.....	5
Designing	5
Networking	5
Politicizing	5
L1: Introduction	6
(Forsgren 2017) Book – CH 1: The multinational firm: a beauty or a beast?.....	6
Bright Side.....	6
Dark side.....	6
Different perspectives of MNC.....	6
Empirical phenomenon.....	6
Beauty or beast?.....	7
L2: Theoretical perspectives on the MNC: An overview	8
(Forsgren 2017) Book – CH 2: The dominating multinational: A tale of market power	8
Adequate Portfolio theory to explain multination firm and FDI.....	8
Hymers theory	8
The negative impact of market imperfection/ market power.....	8
Hymers Perception of multinational firms	8
The multinational enterprise as an organization (Westney et al. 2009).....	9
Abstract	9
Basic assumption	9
Internal selection mechanism – 3 approaches.....	9
Environmental pressures for global integration and local responsiveness	9
Challenges for the future	10
Key take away – conclusion – FOCUS HAS CHANGED.....	10
L3: The coordinating multinational.....	11
(Forsgren 2017) Book – CH 3: The coordinating multinational; a tale of cost efficiency	11
Internalization theory	11
Transaction cost economics – TCE.....	11
How to minimize transaction costs	11
The issue of control in internalization theory – Monitoring is keyword	11
Global factory and internalization theory.....	12
International integration and coordination in the global factory (Buckley 2011).....	13
Global factory	13
Global factory objectives:.....	13
Vertical integration – key explanations.....	14
Horizontal integration – coordination	14
Conclusion.....	14
L6: The Knowing multinational.....	15
(Forsgren 2017) Book – CH 4: The Knowing multinational; a tale of value creation	15
The organizational capability (OC) perspective	15
OC perspective on FDI.....	15
Knowledge transfer issues by 3 theories – entry mode choice	15
The societal role of OC perspective	16

Theoretical overview of OMMC perspectives

	Dominating	Coordinating	Knowing	Designing	Networking	Politicizing
Source of theory	Industrial organization	Transaction cost	Organizational capability	Contingency	Business network	Institutionalization
Core ability as a MNC	To exploit a monopolistic advantage in foreign markets	To internalize markets across country borders	To create, transfer combine and use unique capabilities in foreign countries	To adapt the org to the complexity and change of foreign markets	To use subs business network in different countries as strategic resources	To get support from and to influence the international, institutional environment
Organizational view	Hierarchy	Hierarchy	A less hierarchical view implying both vertical and lateral exchange of info	A formal org supported by shared values	A federation with dispersed power	A complex whole and value-laden institution
Critical role of HQ	To divide and rule	To apply appropriate behavioral constraints to subunits	Mixed: some advocates emphasize the critical role of parenting advantage of HQ	To read the environment and decide on appropriate org	One player among others in the fight for control over strategic investments	To handle politics and conflicts due to different institutional settings
Main characteristics of environment	Local and global competitors	An anonymous market of independent business actors	An anonymous market of independent business actors	Defined as degree of complexity, dynamism and competitiveness	Several environments in terms of the subs business network	The national + international institutions in a broad sense to which the MNC is related
Welfare implications	Limited competition and market power can lead to severe welfare losses in the societies in which the MNC are active	Efficient instruments for society to coordinate economic activities across borders	Superior ability to create + transfer new knowledge to foreign countries which is beneficial for society as whole – beware of the constraints	Superior ability to identify and implement the most efficient org, which is also beneficial for society as whole	Can mobilize large resources and influence markets in line with their own interests: but the control of resources is incomplete	Can influence policy and institutions in line with their own interests rather than in accordance with the interest of society as a whole

Bartlett and Ghoshal's models of MNE organization

- Transnational is what we are dealing with in this course



Challenges for the future

Firms from the same home country and industry might well follow very different sequences in going abroad, and one would expect to find as a result that they exhibit systematic differences in such factors as how or even whether they transfer knowledge and capabilities and how they staff key positions in subsidiaries.

Another challenge is that much of the research on the organization and management of cross-border alliances and external networks has been conducted largely independently of the research on internal MNE networks.

Finally, the evolutionary bias of the field in the 1970s and the 1980s rested on certain unspoken assumptions that implied a limited set of evolutionary paths ending in convergence and a certain inevitability in movement along that path.

Key take away – conclusion – FOCUS HAS CHANGED

As the primary interest of the IB field shifted from the **internationalizing firm** to the **international firm**, the focus changes from the *advantage that enabled a firm to internationalize*, to the strategic competitive advantages that a firm derived from being international”.

This means, that once you are a MNC, you are located in different environment and you need to understand how to coordinate – this is why we have different perspectives as the following:

- Coordinating MNC = cost efficiency
- Knowing MNC = value creation
- Designing MNC = strategic fit
- Networking MNC = business relationship
- Politicizing MNC = legitimacy and power

L7: Knowledge sharing in MNC – Knowledge perspective

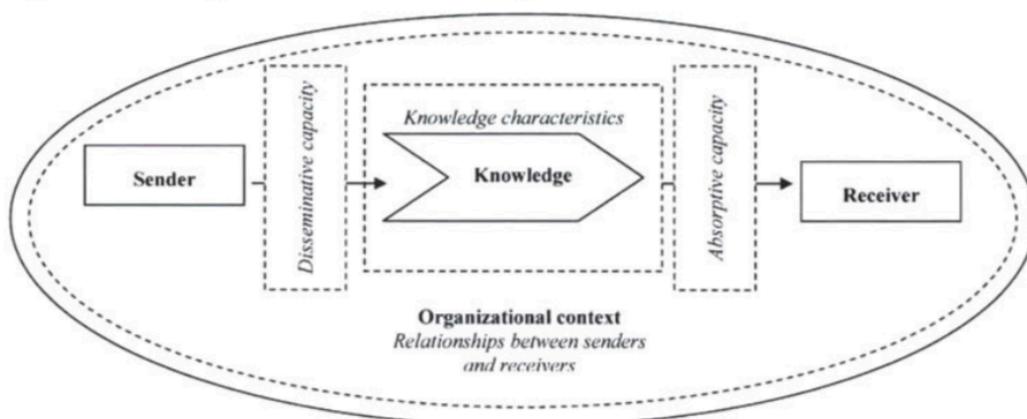
(Minbaeva & Michailova 2004) – Knowledge transfer in MNC

- a model is tested to see effect of 4 determinants of knowledge transfer
 - o characteristics of knowledge
 - o characteristics of knowledge senders
 - o characteristics of knowledge receivers
 - o relationship between senders and receivers
 - the degree of knowledge transfer from HQ and subsidiaries
 - o only 3 are supported (**H2-4**)
- To fully understand the process of knowledge transfer
 - o include characteristics of individuals
 - o characteristics of context in which knowledge transfer takes place

Determinants of knowledge transfer – literature review – conceptual model

- knowledge transfer → process of communication
- transfer in terms of cost and benefit
 - o the higher the cost → slower the transfer
- Previous literature is non-directional and limited in 5 dimensions
 1. Focus on selected functional expertise rather than general org. knowledge
 2. Explored how knowledge transfer within org depends on various determinants – only 2 studies
 3. Reliability issues
 4. Not clearly fixing level of knowledge – can be studied on 3 levels
 - a. Nodal – focus on behavior of individual units
 - b. Dyadic – focus on joint behavior of unit pairs
 - c. Systemic – focus on behavior of entire network
 5. Controversial – lack of consistency

Figure 1. Knowledge Transfer: A Schematic Diagram



- **in bold** → elements of knowledge transfer
- *in italics* → barriers/determinants associated with 4 elements of knowledge transfer (bold)

Nature of knowledge – literature review

- tacitness have negative impact on knowledge transfer
- complexity/simplicity → amount of info required to characterize item of knowledge in question
 - o the more complex → negative effect on knowledge transfer

- Internal knowledge flows
- High degree of calculative control over subs + affiliates

Cellular MNC

- Internally networked MNC
- Actively involved in development and production
- Open structures maximizing entrepreneurial energy and flexibility of responses
- Differentiated and fluid networks
- Multiple strategic initiatives
- Flexible org task + significant lateral knowledge flows

Instant Global network MNC

- High degrees of internal openness + extensive use of external resource leverage
- Operate from day one in global markets → born global
- High reliance on external partners for access to critical resources, skills, knowledge + market channels

3 general points concerning the emergence of hypermodern MNC

1. MNC do not enter global economy in uniform way – different circumstances, different strategies
2. MNC tend to operate on the basis of resources and activities residing in external networks
3. No end state of hypermodern MNC – just shifting structures and org solutions as they reflect prevailing opportunities and constraints in the global economy

Propositions

P1: MNC are subject to processes of coevolution, continuously adapting to and influencing interrelated changes in the IB environment, the competitive dynamics among firms, and the evolution of technology

P2: The hypermodern MNC is represented by 4 subtypes, distinguished by their degree of openness of internal org design + degree of ownership of resources and activities

P3: 4 subtypes have consistency and coherence that argues for their continued co-existence in future. There is no pressure for MNC to converge into one all-encompassing or ultimate org form

Conclusion

- Roles of HQ and foreign units will differ substantially across individual MNC and these roles may change over time

- Firm is pressured to do what romans do in Rome by conforming to laws, rules, values, norms etc. even if this happens to violate its economic efficiency in a narrower sense
- For multinational firms, the situation is much more complex
 - Reason: firm is comprised of different subs. Operating in diff. institute. Contexts

Summary:

- Firm needs to adapt to institutional environment to gain legitimacy
- Firm can through its political actions influence its environment

Political perspective is different in 5 ways– how the MNC looks in perspective

1. Most sociological and organic view of firm

- Firms are value-laden institutions, rational, means-oriented, efficiency-guided org

2. Most open view of the firm

- Theory encompasses the whole environment
- Points out the larger set of factors in environment that will influence the behavior of firm

3. Org is loosely coupled

- Emphasis on importance of the institutional environment
- Theory predicts that a common way to handle the different isomorphic pulls
 - Let various subunits deal with issue rather than applying a common corporate wide solution

4. Characteristic feature of theory → recognizes conflict at subs level between 2 environments

- a. Local institutions in host country vs
- b. Institutions within the rest of the multinational firm
- Conflict is manifested in the negotiation process:
 - Implementation of corporate rules etc. in subs without violating the subs's position/legitimacy in local environment

5. Subs. Have first-hand knowledge & experience of local institutions → power in negotiation with HQ

- No one controls the multinational firm entirely

The political role

- Institutionalization theory opens up the political box
- Look at the impact that laws, norms, values have on firm's behavior → which it can also affect
- MNC is proactive
 - Liability of foreignness is an advantage, as the MNC will get a favorable treatment in host country compared to domestic firms (Edman 2009)

Proactive behavior forms – how to influence environment

- Present a positive picture of the firms social responsibility in the media
- Use persuasion through lobbying or threatening by stating that they will move their operations out of the country if tax isn't in their favor e.g.
- The bargaining position of firm is quite strong due to its flexibility of relocating operations to other countries

Societal role

- Not clear whether positive or negative however;
- Powerful MNC can shape the environment in their own favor to maximize short-term profits instead of being long-term beneficial for society
- The outcome hinges on power balance