



Entrepreneurial contexts and knowledge coordination within the multinational corporation

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ABSTRACT

We present a new perspective on entrepreneurship within multinational corporations (MNCs) based on entrepreneurial contexts and knowledge coordination. First, we develop a framework of four contexts for analyzing different mechanisms by which MNCs pursue opportunities across borders. Second, we develop propositions for predicting how entrepreneurial knowledge is coordinated (transferred and internalized) between these contexts. The coordination problem lies at the heart of the phenomenon of entrepreneurship within modern MNCs although its inter-contextual nature has been neglected in the literature. In our view, MNC entrepreneurship comprises (1) a superset of entrepreneurial activity from four distinct contexts; and (2) the inter-contextual coordination of knowledge of opportunity, knowledge of solution, and learning from outcomes of initiatives. Drawing primarily on the knowledge-based view of the MNC, we argue that knowledge coordination between multiple entrepreneurial contexts constitutes a socially complex capability and potential source of competitive advantage for the MNC. This holistic view of MNC entrepreneurship raises fresh questions for researchers and strategic leaders of MNCs.

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1. Introduction

Entrepreneurship is “the process of identifying, valuing and capturing opportunity” (Low, 2001: 21). In the case of the multinational corporation (MNC), size and international presence provide a multitude of ways for identifying, valuing and capturing opportunity. First, entrepreneurship within the MNC may be driven by actors in a wide range of geographic locations (i.e., home country vs. overseas). Second, MNCs tend to have deep pockets with which to pursue various modes of entrepreneurship, such as internal and external modes at the same time (Keil, 2002; Narula, 2001).

Prior research has tended to use rather restricted research designs when investigating entrepreneurial phenomena involving MNCs. To some extent, this has resulted in a fragmentation of research focus within the field. One stream of literature investigates headquarters-driven initiative and ‘corporate’ entrepreneurship as guided by strategic leaders of the firm (e.g., Dess, Ireland, Zahra, Floyd, Janney, & Lane, 2003; Guth & Ginsberg, 1990;

Prahalad & Doz, 1981), emphasizing entrepreneurship as part of overall strategy, espoused from the corporate centre (Dess, Lumpkin, & Covin, 1997; Ireland, Hitt, & Sirmon, 2003). Others have explored ‘dispersed’ entrepreneurship, putting a spotlight on characteristics and contingencies of the overseas subsidiary engaging in venturing and renewal (e.g., Birkinshaw, 1997; Birkinshaw & Ridderstråle, 1999; Lee & Williams, 2007; Verbeke, Chrisman, & Yuan, 2007). Similarly, a stream of literature has emerged on internally-oriented venturing (e.g., Burgelman, 1983, 1984; Burgelman & Sayles, 1986; Garud & Van de Ven, 1992), while others have emphasized an external dimension to corporate venturing (e.g., Keil, 2002; Lichtenthaler & Ernst, 2007; Miles & Covin, 2002). By concentrating on either headquarters or overseas unit as the entrepreneurial driving force, and on entrepreneurial orientation as being either internal or external in nature, these contributions have been focussed and insightful. However, we believe this comes with limitations. The main limitations in taking a narrow focus when studying entrepreneurship in the MNC are (1) a lack of appreciation of the full extent of entrepreneurial capability within an organization as diverse as the modern MNC, and (2) exclusion of the complex dynamics of the ‘bigger picture’ of MNC entrepreneurship.

We address this gap by developing a framework for analyzing different contexts in which MNCs pursue opportunities across borders and then use this to understand the phenomenon of

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entrepreneurial knowledge coordination from the standpoint of the MNC. We define entrepreneurial knowledge coordination as the sharing of entrepreneurial knowledge from one context to another such that entrepreneurial activity in the receiving context becomes augmented and upgraded. Thus we explicitly recognize that entrepreneurial knowledge may arise in a given context without necessarily being accessible to individuals from other contexts. Central to our argument is that, without entrepreneurial knowledge coordination between contexts, entrepreneurial knowledge will remain constrained to the silos of distinct contexts within the MNC.

The framework brings together various research streams relating to entrepreneurship in MNCs, and comprises two dimensions: (1) the driving force for entrepreneurship being headquarters or dispersed/overseas unit, and (2) the resources used in entrepreneurial endeavour being primarily internal or external to the MNC. In most, if not all instances, MNCs pursue entrepreneurship across various contexts concurrently, and need to constantly monitor and adjust entrepreneurial resource deployments within and between those contexts. We synthesize insights from the knowledge-based view of the MNC (Gupta & Govindarajan, 2000; Kogut & Zander, 1992; Kogut, 2000) and literature on MNC entrepreneurship (Birkinshaw, 1997; Mahnke, Venzin, & Zahra, 2007; Zahra & Garvis, 2000; Zahra & George, 2002) in order to show how the actors creating and annotating knowledge underpinning the entrepreneurial process differ substantively between contexts. Finally, we draw on social network theory (Burt, 1997; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998; Wasserman & Faust, 1994) to develop new propositions relating to entrepreneurial knowledge coordination at the interfaces between entrepreneurial contexts in the MNC.

This paper contributes to the understanding of MNC entrepreneurship in two significant ways. First, we provide a new conceptual framework mapping out the *multiple* contexts of MNC entrepreneurship, and the mechanisms for knowledge coordination between these contexts. This approach puts a strong emphasis on the inter-contextuality of MNC entrepreneurship and extends research on entrepreneurial contexts and boundary-setting by entrepreneurs (e.g., Hsieh, Nickerson, & Zenger, 2007; Jacobides & Winter, 2007) to the specific case of the MNC. Second, we highlight the existence of entrepreneurial knowledge coordination, a construct that has received little attention in the prior literature. Entrepreneurial knowledge coordination is a socially-complex phenomenon that may traverse formal organizational boundaries and roles. MNCs continuously manipulate boundary porosity in facilitating entrepreneurial knowledge transfer between contexts in order to allow initiatives to progress. In our view, the progress of entrepreneurial initiatives within the MNC is largely dependent on efficient knowledge coordination between contexts. Thus, the capability to coordinate entrepreneurial knowledge is likely to be beneficial for the competitive advantage of the MNC.

2. Entrepreneurial knowledge in the MNC

The knowledge-based view treats the firm as a social community in which knowledge is stored and transferred more efficiently on an internal basis than through the external market (Kogut, 2000; Kogut & Zander, 1992, 1993). The stock of knowledge developed by a firm may act as its principal source of competitive advantage and the efficiency by which firm knowledge is created and transferred internally can determine the success of the firm vis-à-vis competitors (Gupta & Govindarajan, 1991, 2000; Kogut, 2000; Kogut & Zander, 1992; Kostova, 1999). For the MNC, knowledge is distributed internationally amongst a network of geographically dispersed units. A body of literature has emerged examining the antecedents and consequences of knowledge

creation and transfer within international networks (e.g., Jensen & Szulanski, 2004; Minbaeva, Pedersen, Björkman, Fey, & Park, 2003; Persson, 2006). These studies emphasize knowledge transfer as more than the sending of knowledge from a source to a recipient unit, but also its integration, understanding and application (Cohen & Levinthal, 1990; Hansen, 1999; Szulanski, 1996).

We start by looking at three fundamental components of entrepreneurial knowledge that may be created and transferred within the MNC. First, as entrepreneurship is a process in which opportunities are identified, valued and evaluated, and selected for resource allocation (Low, 2001; Oviatt & McDougall, 2005; Shane & Venkataraman, 2000), *knowledge of opportunity* has to be created and shared amongst employees of the MNC contributing to the process. Scholars have recently highlighted the need for entrepreneurial theory to consider characteristics of opportunities in addition to actions of agents; it is the nexus of entrepreneur and opportunity that creates the basis for new goods, services, methods of production etc. (Eckhardt & Shane, 2003; Venkataraman, 1997). In the MNC, an opportunity with the potential to become a viable commercial project may exist only as an idea in the mind of an alert individual located in an overseas subsidiary unit, or equally, in the mind of a CEO based at headquarters. Various actors become involved in influencing the shared awareness and understanding of what the opportunity actually is (Burgelman, 1983; Burgelman & Sayles, 1986; Kanter, 1983) and social networks become important mechanisms by which knowledge of opportunities is shared and appraised (Ardichvili, Cardozo, & Ray, 2003; Lee & Williams, 2007). Second, *knowledge of solution* is needed. This relates to how the allocation of resources for exploiting a specific opportunity can be achieved, whether sourced solely from the focal MNC (internal resources) or between partnering firms (external resources). Scholars have described the activity of finding solutions to problems as a central aspect of entrepreneurship within the established firm (Ahuja & Lampert, 2001; Hsieh et al., 2007). Schumpeter (1934) referred to the 'new combination' in this respect. Knowledge of the solution must be created and shared within the firm in order to establish feasibility and viability. For large scale opportunities within the MNC, this often involves knowledge transfer transcending international borders and organizational levels. Third, *learning from outcomes* is a component of entrepreneurial knowledge within the MNC. This relates to organizational recognition and shared experience of the effect of applying a certain solution to a certain entrepreneurial opportunity. In other words: what worked well within the process of pursuing an entrepreneurial opportunity, and conversely, what worked less well? The objective sharing of this experience is important for a number of reasons: (1) it allows the MNC to be responsive to new opportunities in the future (Corbett, 2007); (2) it helps the established firm overcome future 'learning traps' (Ahuja & Lampert, 2001); (3) it prevents psychological feelings of 'grief' interfering with individual entrepreneurs' learning from failure (Shepherd, 2003); (4) it helps guide the organization in future uncertain situations (Minniti & Bygrave, 2001). Organizational learning is especially important within knowledge-intensive industries (e.g., management consulting, high-technology equipment, pharmaceuticals), where the rate of change and new product introduction is high, and where knowledge is used as a basis of competition (Brown & Eisenhardt, 1997; D'Aveni, 1994; Kogut, 2000).

3. Multiple contexts for entrepreneurial knowledge in the MNC

Central to our model is the idea that the components of entrepreneurial knowledge described previously develop in various distinct contexts. They are not confined to one particular manifestation of entrepreneurship, such as subsidiary initiative.

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