


**MNB3702 Discussion Class**  
**Theme 3: Management and implementation**

Chapter 15 /  
Lesson 5



Define tomorrow.

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**Theme 3 – Management and implementation**

- How the various types of MNEs are organised (refer back to Figure 1 in Discussion Class 1 for an overview) for knowledge and innovation.
- Managing people, including expatriates and international assignments.
- Implementing the marketing mix and structuring the supply chain in a global environment

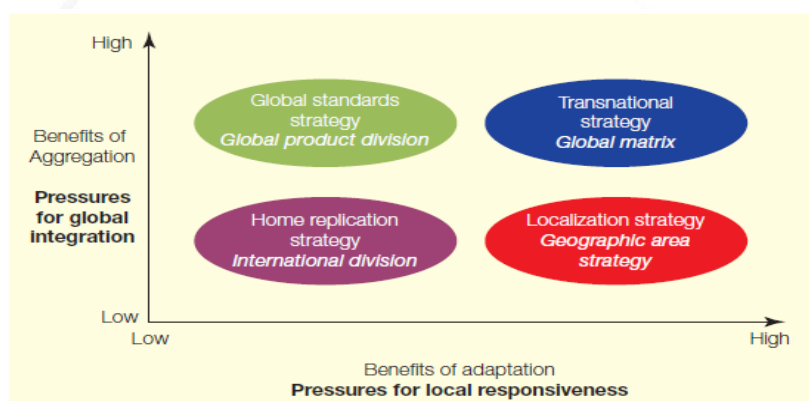
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## Lesson 5 – Organisation and innovation in international business (Chapter 15)

- International business is about firms engaging in cross-border economic activities and/or the activity of doing business through transactions that are “devised and carried out across national borders to satisfy the objectives of individuals, companies, and organisations”. (Peng & Meyer, 2019).

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## Organisational structures of the global business

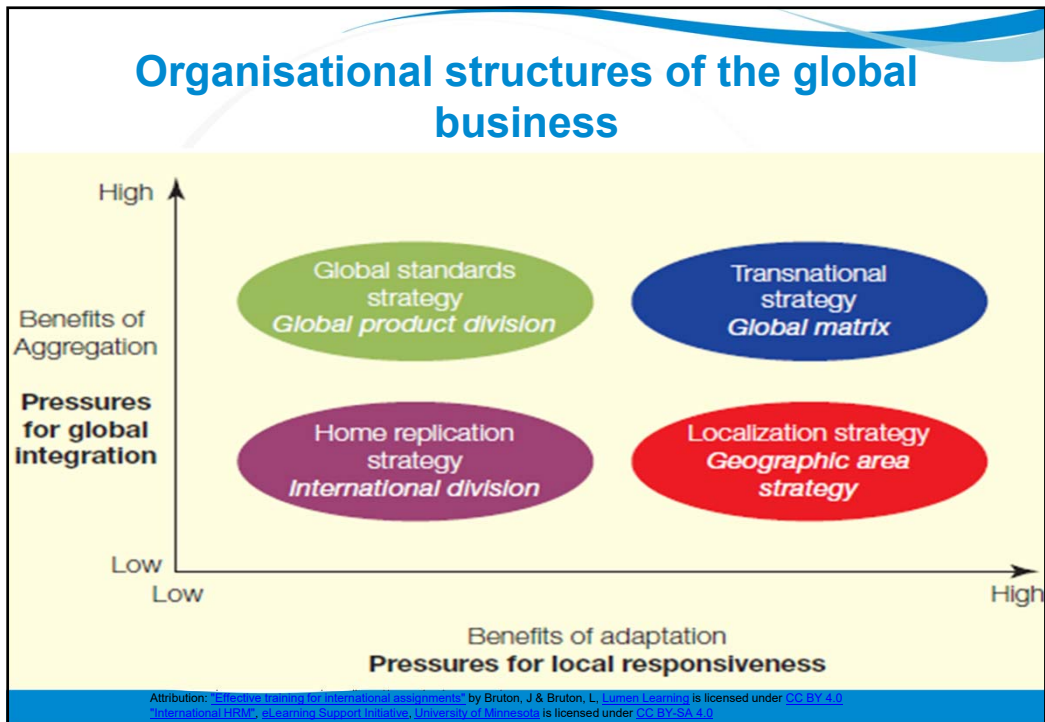


**Note:** In some other textbooks, 'home replication' may be referred to as 'international' strategy, 'localization' as 'multidomestic' strategy, and 'global standards' as 'global' strategy. Some of these labels are confusing because one can argue that all four strategies here are 'international' or 'global'. The present set of labels is more descriptive and (hopefully) less confusing.

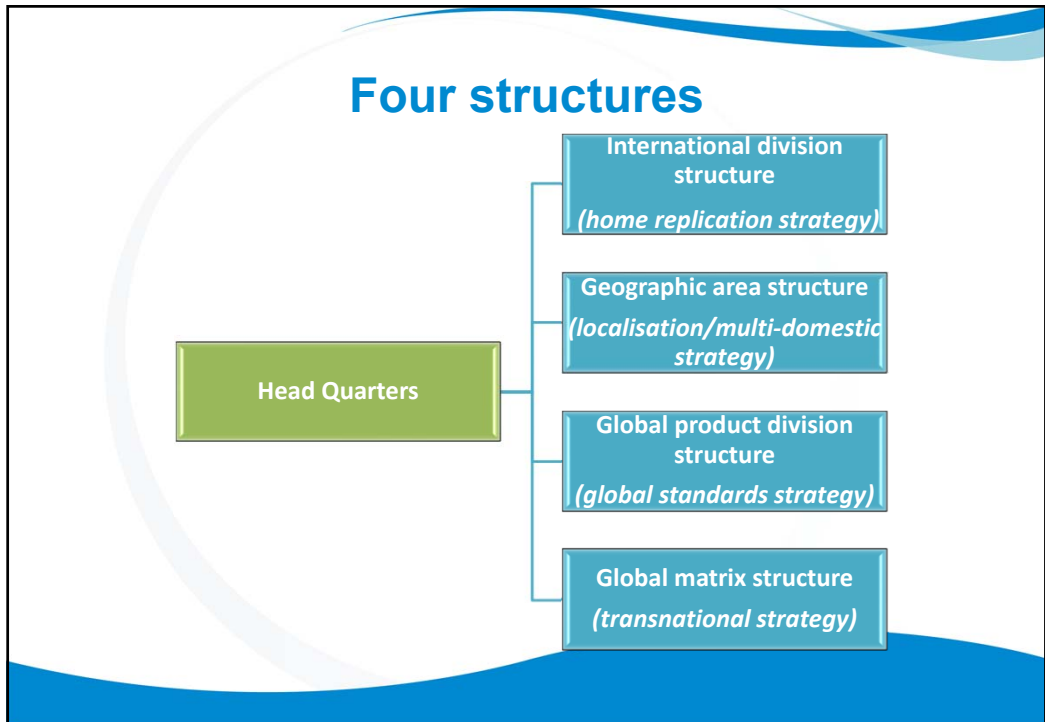
**Figure 15.1**

Multinational strategies and structures:  
the integration-responsiveness framework on page 418

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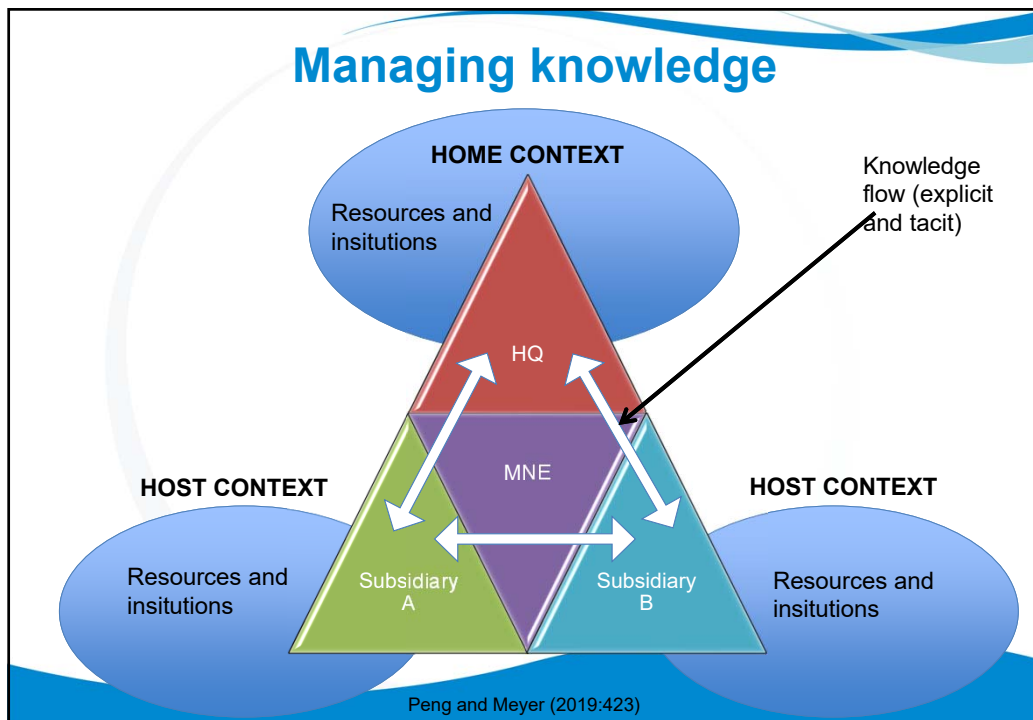
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## Managing knowledge

- **Knowledge management:** the structures, processes and systems that actively develop, leverage and transfer knowledge. It is a broad concept that includes not only factual information but the know-how and know-why held by individuals and by the firm.
- **Explicit knowledge** is codifiable (that is, can be written down and transferred with little loss of its richness). Virtually all the knowledge captured, stored and transmitted by IT is explicit.
- **Tacit knowledge** is non-codifiable and its acquisition and transfer require hands-on practice. This knowledge is more important and harder to transfer and learn; it can only be acquired through learning by doing.

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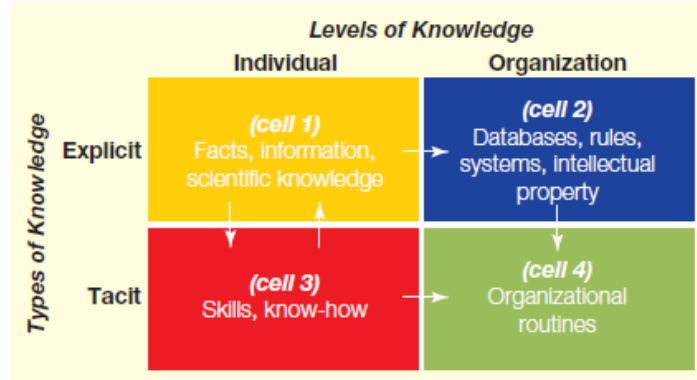
## Managing knowledge



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# Knowledge conversion

Figure 15.7 Knowledge conversion



Source: I. Nonaka, 1994, A dynamic theory of organizational knowledge creation, *OSc* 5: 14–37.

Source: Peng and Meyer (2019: 424)

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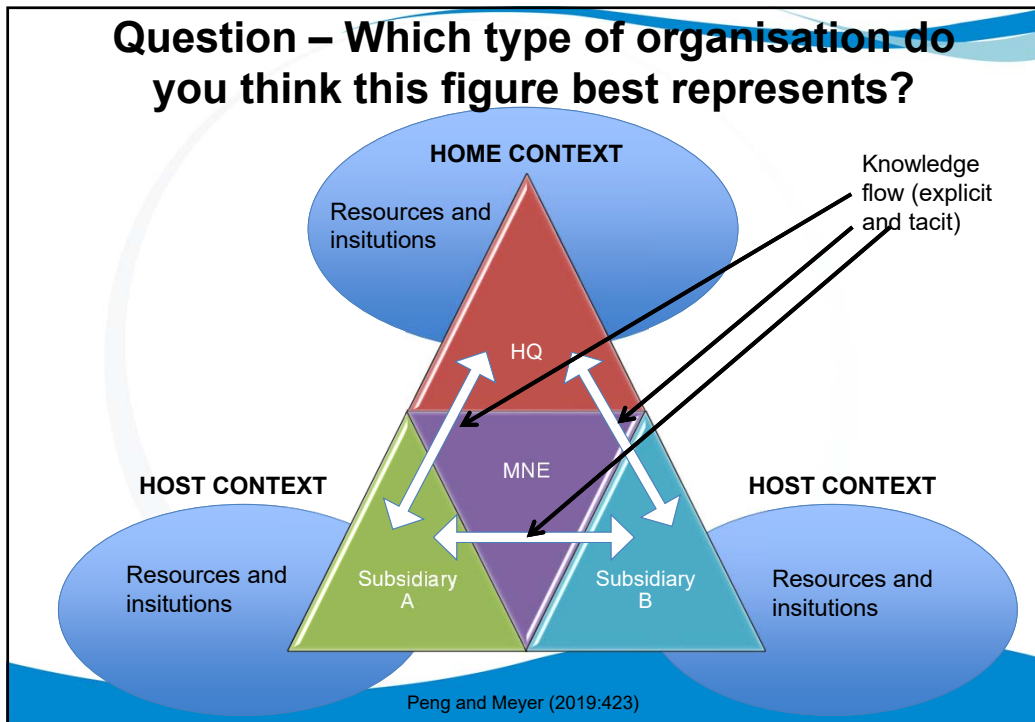
# Knowledge management and the MNE structure/strategy

Strategy	Home replication	Localization	Global standards	Transnational
Interdependence	Moderate	Low	Moderate	High
Role of foreign subsidiaries	Adapting and leveraging parent company competencies	Sensing and exploiting local opportunities	Implementing parent company initiatives	Differentiated contributions by subsidiaries to integrated worldwide operations
Development and diffusion of knowledge	Knowledge developed at the centre and transferred to subsidiaries	Knowledge developed and retained within each subsidiary	Knowledge mostly developed and retained at the centre and key locations	Knowledge developed jointly and shared worldwide
Flow of knowledge	Extensive flow of knowledge and people from headquarters to subsidiaries	Limited flow of knowledge and people to and from the centre	Extensive bilateral flow of knowledge and people between the centre and subsidiaries	Extensive flow of knowledge and people in multiple directions, also across subsidiaries

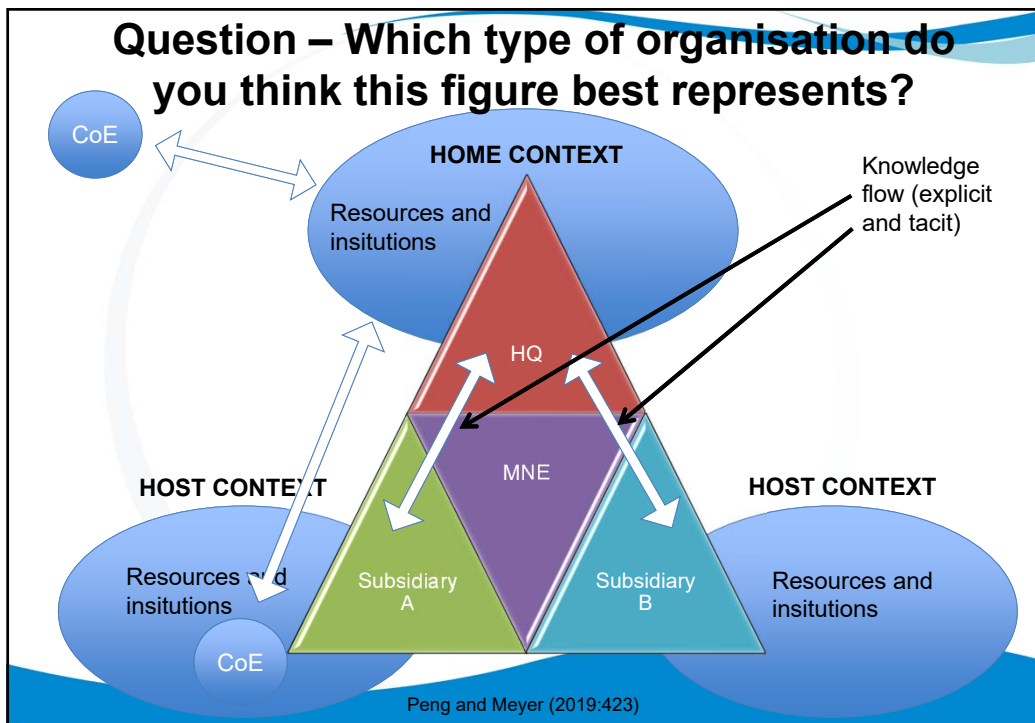
Sources: (1) C. Bartlett & S. Ghoshal, 1989, *Managing across Borders: The Transnational Solution* (p. 65), Boston: Harvard Business School Press; (2) T. Kostova & K. Roth, 2003, Social capital in multinational corporations and a micro-macro model of its formation (p. 299), *Academy of Management Review*, 28 (2): 297–317.

Source: Peng & Meyer (2019: 426)

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## Communities of practice (CoP)

- Groups of people doing similar or related tasks
- Tacit knowledge is shared within the group and the group can be tapped into when and as needed.
- International CoPs are difficult to organise – different cultures, different countries, different languages, different time zones etc
- Rise of the virtual CoP

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## Knowledge governance

**Table 15.3** Selected challenges in knowledge governance

Elements of knowledge governance	Challenges	Common obstacles
Knowledge retention	Can the firm keep the knowledge it has accumulated?	Employee turnover and knowledge leakage
Knowledge sharing	Are people willing to share knowledge with others inside the firm?	'How does it help me?' syndrome and 'knowledge is power' mentality
Knowledge transmission	Is knowledge communicated effectively between people and business units?	Inappropriate channels, language barriers
Knowledge utilization	Do potential recipients appreciate and utilize knowledge available elsewhere in the organization?	'Not invented here' syndrome, lack of absorptive capacity

Source: A. Gupta & V. Govindarajan, 2004, *Global Strategy and Organization* (p. 109), New York: Wiley.

Source: Peng & Meyer (2019: 429)

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## Subsidiary strategies

- Increasing importance of a global MNE network means that subsidiaries have more decision influences.

### Worldwide (or global) mandate

- The charter to be responsible for one MNE function throughout the world – created as *centres of excellence*.

### Subsidiary initiative

- The proactive and deliberate pursuit of new opportunities by a subsidiary to expand its scope of responsibility.

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## Institutions affecting organisational structure

### Home country

- MNEs comply with the institutional frameworks in their home countries, and each country has a “tradition” of favouring certain strategies and structures – US = home replication strategy/international division, but Japan = product division/global standards

### Host country

- Governments often attract or encourage MNEs into undertaking activities e.g. investment in advanced manufacturing, R&D etc.

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## Resource-based considerations

- Organisational structures and knowledge management practices support value creation and exploitation
- VALUE: Does the structure and the innovations arising from knowledge management add value? Does the structure help or work against valuable innovations?
- RARITY: Structure is not rare, but the coordination of the global network of the structure can be.
- IMITABILITY: Structure is imitable, but the intangible knowledge (remember Cell 4?) is not!
- ORGANISATION: Resources and capabilities to take advantage of the innovations

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## Debates and extensions

### **MNEs have three choices when appointing head of subsidiary:**

- A parent country national as the head of subsidiary (such as a French person for a subsidiary of a French MNE in India).
- A host country national (such as an Indian for the same subsidiary).
- A third country national (such as a Briton for the same subsidiary).

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## Debates and extensions

- Some MNEs aggregate operations by locating business unit headquarters (HQ) away from home, while some are even moving their corporate HQ away from their country of origin.
- 'Centre of gravity' around business activities may pull its HQ towards a host country e.g. IBM moved its global procurement office to Shenzhen, China in 2005.
- HQ are a clear signal to various stakeholders that a firm is global.
- Facilitates access to capital markets e.g. New York or London.
- Indicates commitment to that country's market.
- Some firms can reduce their tax burdens by moving their HQ.

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## Summary Lesson 5

- MNEs are big, complex and geographically spread businesses
- Structure calls for MNEs to have a thorough understanding of the rules of the game, both locally and abroad
- Need to understand external and internal rules governing managerial action, along with the need to develop capabilities to manage innovation while 'thinking global, acting local'

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## Test yourself

GO READ THE SHORT CASE ON MYUNISA AND ANSWER THE FOLLOWING QUESTION:

MNEs need to make decisions on how to organise their people and subunits in distinct local contexts. Which organisational strategy and structure has Standard Bank adopted? **Motivate** your answer with evidence from the case study and outline the impact their choice will have on knowledge flow.

BREAK DOWN YOUR ANSWER AS FOLLOWS:

- Identify Standard Bank's strategy and structure according to the integration-responsiveness framework **(2 marks)**
- Motivate your choice using evidence from the case study **(2 marks)**
- Analyse the impact of their structure on knowledge flow **(4 marks)**

POST YOUR ANSWER ON THE DISCUSSION FORUM

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# Thank you

Define tomorrow.

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