

Perspectives on the Multinational Corporation

Session 1: Introduction

26E03201 (6 ECTS)

8 January 2019

Tervetuloa! Welcome! Üdvözlünk!

- Welcome to the course!
- Course dates: 8-31 January 2019
- 8 sessions over 4 weeks, including 2 sessions dedicated to student presentations
 - **Tuesdays 1.15pm – 4pm**
 - **Thursdays 1.15pm – 4pm**
- This is a course designed to help prepare you for your dissertation
 - We will cover different perspectives on multinationals (design, network, institutional, political) from both **theoretical** and **applied** angles
 - Help you develop your skills in rigorous academic reading, understanding theories and applying them to real-life cases

About your course teacher: Dr Eva Alfoldi



- Hungarian-British dual citizen living in the USA   
- Previous work in a different "IB": investment banking (JPMorgan)
- PhD, Leeds University Business School, UK, 2008
- Lecturer in International Business, University of Manchester, UK, 2009-2015
(*inc. Visiting Lecturer at Lappeenranta University of Technology*)
- Lecturer in International Business/Strategy, University of Bradford, 2015-2017
- Moved to Philadelphia, USA in 2018 – currently holding visiting appointments at Manchester, Bradford and Aalto
- Taught courses and workshops in Finland, UAE, USA, Singapore, Hong Kong and Malaysia; *International Teachers Programme* in Shanghai/Beijing, 2015
- Hobbies: travel, reading, nature photography, running and languages
- Contact me at: eva.alfoldi@aalto.fi

Research areas and publications

- Peer-reviewed academic articles published in *Journal of Management Studies*, *Journal of International Management*, *Management International Review* and *Technovation*
- Core research interests within MNC management and international business research:
 - Strategy, structure and regional management in MNCs, in particular subsidiary mandates
 - HQ-subsidiary & inter-subsidiary relations and knowledge transfer
 - Managerial cognition, sensemaking and sensegiving
 - Applications of structuration theory in international business
 - Qualitative methods in international business
- Over 500 citations on Google Scholar (*Jan 2019*)



About your course coordinator: Hilla Polvinen



- Finnish national, grew up in the USA  
- Previous work in consulting at Capgemini and at the Finnish Business Council in Shanghai, China
- Doctoral candidate in IB at Aalto
- Research interests include issues regarding expatriates, diversity management, language and organizational behavior
- Hobbies: Powerlifting, scuba diving, and everything nature-related
- Contact me at hilla.polvinen@aalto.fi

Agenda for today

- Introductions in class
- Purpose and learning outcomes of the course
- Assessment and grading
- Introduction to the group case study the task
- What is an MNC and why is it interesting and important to study?
- Discussion of the pre-assignment
- Agenda for the next session

Introductions in class

- **Talk to the person sitting next to you for 5 minutes**
- **Find out (*feel free to take notes!*):**
 1. Their name
 2. Their nationality
 3. What they are hoping to learn or take away from this course
 4. Something that they have always wanted to do, but have not found enough time or opportunity for it!
- **Afterwards, take it in turns to introduce each other to the rest of the class**



The purpose of this research-oriented course is to...

- Address the specific challenges associated with managing large and geographically dispersed multinational corporations (MNCs) in various contexts
- Introduce you to major theoretical perspectives on MNCs
- Provide you with potentially relevant theoretical frameworks for your MSc thesis
- Prepare you for writing a high-quality academic piece of work
- Equip you with the necessary knowledge, analytical skills and critical thinking for the MSc thesis and managerial practice



Learning outcomes

Upon completion of the course, you are expected to:

- Demonstrate knowledge of the major theoretical perspectives (design, institutional, network and political) on the MNC
- Be familiar with the effects of various contexts on managing the MNC
- Be able to critically analyse readings on the MNC, uncover underlying assumptions of theoretical perspectives and apply these perspectives to real-life organisational situations



Themes of the sessions

1. Introduction to the course and assignments
2. Perspectives on the MNC, HQ and subsidiaries
3. Theoretical perspectives I: Design v network perspective on the MNC
4. Theoretical perspectives II: Institutional v political perspective on the MNC
5. Context and contextualisation in research on the MNC
6. Regional headquarters and regional management in MNCs
7. Group presentations I
8. Group presentations II, course wrap-up

Assessments and grading

- 1) Individual pre-assignment (10%)
- 2) Individual analysis of readings (20% = 5 x 2 x 2 points)
- 3) Case study in groups (50%)
- 4) Individual reflection paper (10%)
- 5) Active participation and contribution (10% = 5 x 2 points, plus 2 bonus points for completing the survey at the end of the course)

NB. Name tags should be used in every session!

Final grade will be between 1-5 (see syllabus for grading scale)

Criteria for grading the pre-assignment (10%)

Answers to the questions:

2 pts: How do the definitions compare with each other? .

2 pts: Which one do you like the most and why?

2 pts: What kind of assumptions do the authors of these definitions have about the multinational corporation?

Depth of the analysis and quality of insights

3 pts: Challenging the definitions, reflecting on them, logic and clarity of your argument

Academic writing style

1 pt: Proper referencing (e.g. indication of direct quotes), use of different sources, full sentences, not brief bullet points

Grades and feedback via MyCourses will be distributed by the end of this week

Case study: Introduction to the task

- 1) Each group must choose a multinational corporation (MNC) and develop a research question concerning an event, issue or phenomenon in this MNC
- 2) Choose **one** of the four theoretical perspectives covered in the course, and apply it to your case, to help answer your research question
- 3) Conduct a case study, working together to research your case, find and analyse relevant data and write up your report
- 4) Present your findings to the class in either Session 7 or 8 and receive feedback from your teacher and classmates
- 5) Submit a written report of your case study (max. 10 pages, plus references and appendices) via MyCourses by 23:59 on **Monday 11 Feb 2019**

Criteria for grading the case study (50 pts = 50% of the total course grade)

Written report (max. 10 pages plus references and appendices) and presentation are pre-requirements. Two group meetings with your teacher are optional but recommended.

10 pts: The big picture – what is the case about and what is your research question? (“step back”)

10 pts: Selecting and applying your chosen theoretical perspective to the practical case

5 pts: Quality and rigour of the research conducted (collecting data and evidence)

20 pts: Depth of analysis and quality of insight:

- How well do you express and present your analysis?
- How do you use the chosen theoretical perspective as a thinking tool (“lenses/glasses”)?
- What new insights does your work reveal about the case?

5 pts: Academic writing style (proper referencing, language, consistency, use of sources, explanation of data collection and analysis)

Tips for the written case report

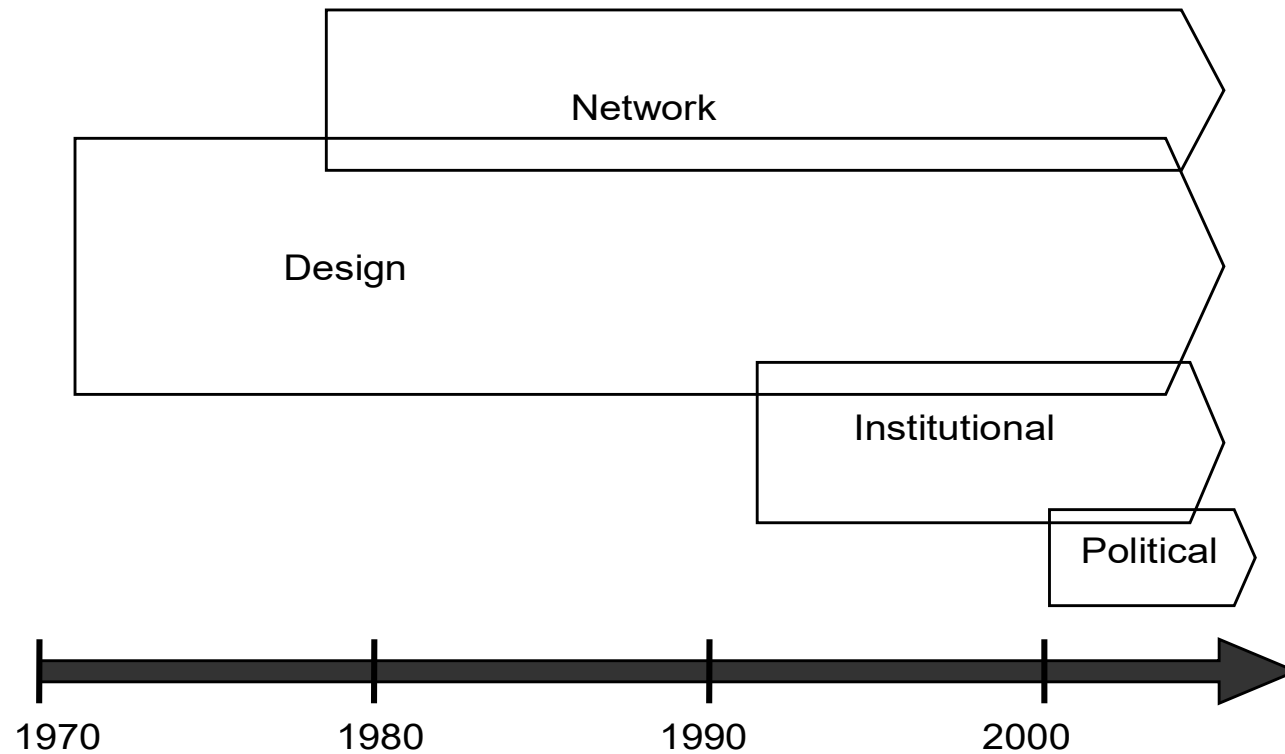
- State your research question clearly, then explain why you chose your specific theoretical perspective and how this perspective was likely to help you answer your research question
- Explain how you went about solving the puzzle (*the research process*) and what is your answer to the research question(s) (*the research outcome*)
- Provide the context of your case (national, organisational, etc...)
- Show how theoretical concepts apply to your case and what new insights are revealed
- Document what data you used and explain the findings (show the raw data and how you interpreted and analyzed them)
- Use and analyse relevant, high-quality data sources to shed light on the case – no need for the data sources to converge
- Use academic referencing and include a list of references
- Submit the written report by **11 February** at 23.59 pm via MyCourses

Four theoretical perspectives on the MNC and headquarters

- 1) Design perspective
- 2) Institutional perspective
- 3) Political perspective
- 4) Network perspective

In many business schools, the design and the institutional perspective dominate. The political and the network perspectives get far less attention in business education.

Interrelations and emergence of key perspectives



Source: Barner-Rasmussen et al. (2010: p. 86)

Break


How to define the multinational corporation (MNC)?

Pre-assignment

Please discuss in pairs or small groups in class:

- What kind of definitions did you choose for the MNC?
- Why did you choose these particular definitions?
- How would you challenge these definitions?
- What is ***not*** an MNC?

Themes from your pre-assignments

- **What makes a company an MNC?**
 - Employees/assets/revenues abroad? How many countries? No general consensus
- **What motivates MNCs to operate abroad?**
 - Exploit competitive advantages, access cheap labour, raw materials, new markets/consumers, knowledge/expertise or financing opportunities, reduce tax liabilities, "agent of change" etc.
- **Is foreign production necessary for a company to be an MNC? What other value-adding activities can be done abroad?**
 - Marketing, sales, R&D, service provision, coordination with external suppliers etc.
- **What connects the units of an MNC?**
 - Ownership, control, financing, global strategy, structure, purpose, corporate culture etc.
- **What separates the units of an MNC?**
 - Language, goals, external networks, operational issues, local strategy etc.
- **Does a firm need to be successful at home before it can evolve into an MNC?**
 - Increasingly, this is not always the case – see "Born globals" such as 

The first use of the term 'multinational corporation'

MNCs are...

"...corporations which have their home in one country but which operate and live under the laws and customs of other countries as well" (*Lilienthal, 1960, p. 199*).

More recent definitions

1. "Its fundamental feature as an organization is that it maintains multiple units operating in multiple environments, although even within the IB field there is no consistency on the number of countries in which a company must operate to qualify as a multinational. It is this multi-country organizational presence that defines the MNE" (*Westney and Zaheer, 2001: 349*).

2. "One of the most influential modern organizational forms - the multinational corporation (MNC) - must simultaneously adapt to and operate within multiple societies and, hence multiple environments... Their central management is confronted with the challenge of designing systems that retain sufficient unity and coherence to operate as a common enterprise and, at the same time, to allow sufficient latitude and flexibility to adapt greatly varying circumstances" (*Scott, 1992: 138*).

More recent definitions (cont'd)

3. “A multinational corporation consists of a group of geographically dispersed and goal-disparate organizations that include its headquarters and the different national subsidiaries. Such an entity can be conceptualized as an inter-organizational network that is embedded in an external network consisting of all other organizations such as customers, suppliers, regulators, and so on, with which the different units of the multinational must interact” (*Ghoshal and Bartlett, 1990: 603*).

4. “The modern multinational has shifted from operating vertically to a network approach. Strategy is based on two decisions of determining where each activity is best located and what is the best means of control or organization of each activity. Activities along the value chain are being fine-sliced, meaning that multiple locations are used as well as outsourcing and offshoring contracts” (*Buckley, 2014*).

More recent definitions (cont'd)

5. “The multinational corporation (MNC) is probably the most complex form of organization in widespread existence today. Operating across products and markets, nations and cultures, it faces problems and situations far more diverse than even the largest domestic firms...Thus, the MNC is an important entity for scholarly study both because its influence is growing and it presents organizational problems that lie at the forefront of organization theory and challenge the capacities of existing organization theory (*Egelhoff, 1991: 341*)”.

6. “The MNC is a multilingual community because it contains a group of subunits that are dispersed across a variety of national locales, each with a workforce having its own native language, form of discourse and cultural environment” (*Luo and Shenkar, 2006: 326*).

7. The modern multinational follows multiple strategic objectives simultaneously. It aims at realizing efficiency and economies of scale through global integration, responsiveness to national differences through local differentiation, and high level of innovation through extensive learning and transfer of knowledge (*Bartlett and Ghoshal, 1987; 1989*).

Evolution of the term the 'MNC'

- No term for the phenomenon prior to 1960 except FDI: Hymer used “international operations”
- David Lilienthal coined term “multinational corporation” in 1960 – picked up by the business press
- Charlie Kindleberger used “international companies”
- Ray Vernon used “multinational enterprise”
- UN used “transnational corporation”
- IB field settled on “MNC” in late 1970s (observable in JIBS), moving to “MNE” in the late 1990s (growing range of ownership, sectors)

A modern MNC: Alibaba



Basic Information

Founded: April 1999

Headquarters: Hangzhou, Zhejiang, China

Founder: Jack Ma

Industry: Internet commerce

Products: E-commerce, Online auction hosting, Online money transfers, Mobile commerce, Information management

Services: Online Shopping

Employees: 66,421 (2018)

Total assets: US\$114.33 billion (2018)

Market cap: US\$367.70 billion (7/1/2019)

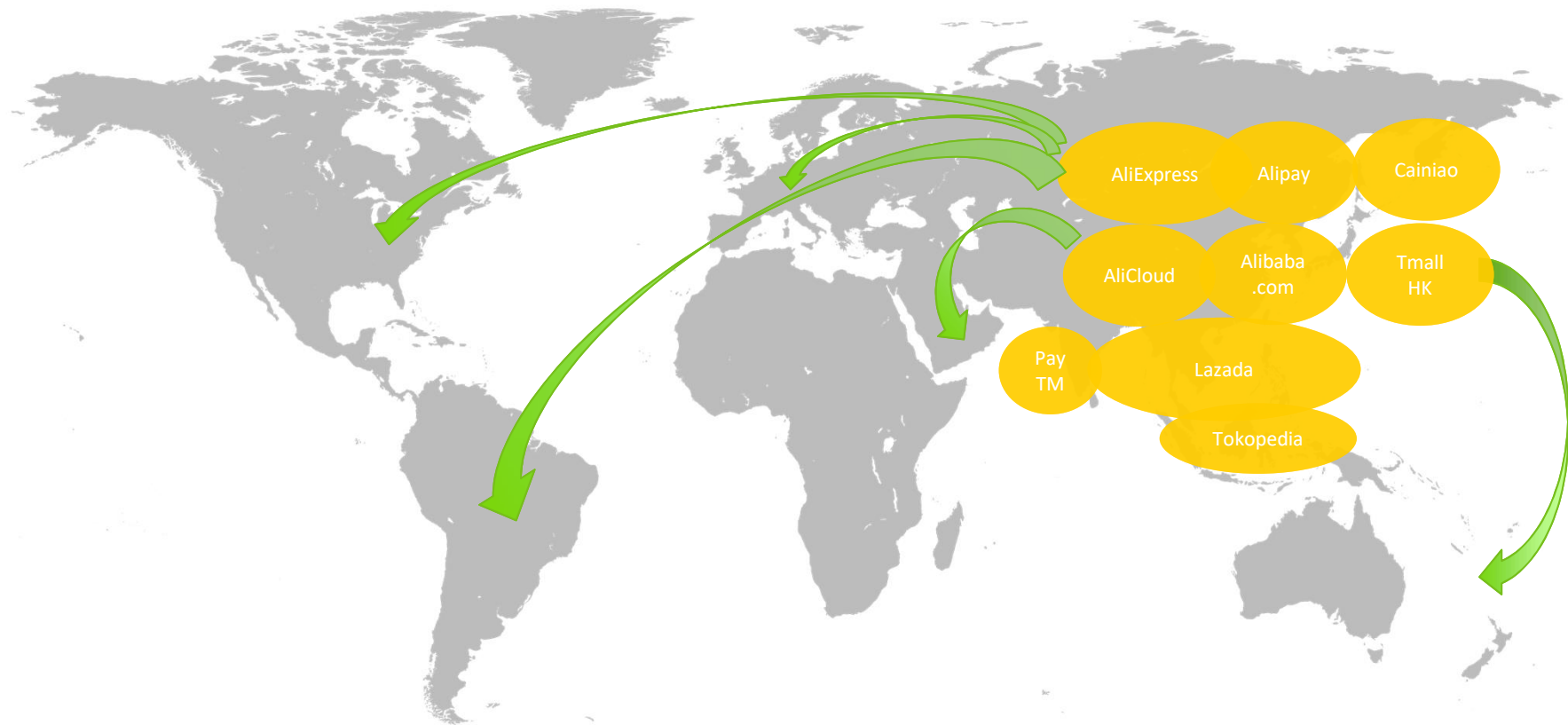
Stated mission: To make it easy to do business anywhere



Business ecosystem of Alibaba

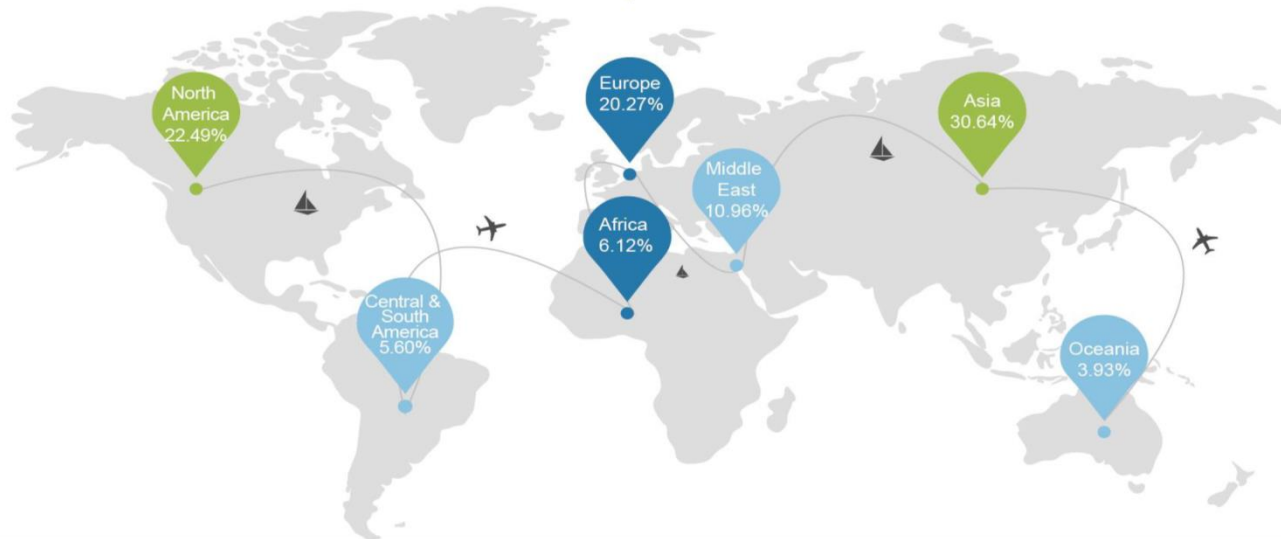


International reach of Alibaba



Platform with
100,000+
suppliers and
manufacturers from
around the world

More than
\$1 Billion
of sourcing
demand per day



Over 40 million buyers from over 200 countries and regions.

Many labels: same or different meanings?

MULTIDOMESTIC COMPANY

International organization

Multinational Enterprise (MNE)

Multilingual MNC

Born global

International firm

multinational corporation (MNC)

Transnational corporation

Global factory

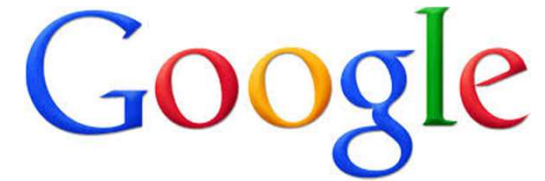
Global corporation

Underlying assumptions of definitions

- A large and complex organization with a long history
- Importance of foreign direct investment as a mode of operation
- A business organisation that operates for profit
- Physical presence in overseas markets
- Tight relationship between headquarters and the home country
- Dominance of manufacturing rather than services



Traditional large MNCs



... but it is not just about large MNCs!



Other types of organisations

In a globalised world, also

- Small and medium enterprises (SMEs)
 - Non-profit organisations (NPOs)
 - Non-governmental organisations (NGOs)
 - Public (e.g. hospitals), not only private organisations
 - Informal organizations (teams, groups, networks)
- ... are increasingly multinational

Why are MNCs interesting and important to study?

- Very large global firms are increasingly dominant in the world economy today (Apple, Amazon, Google, Facebook...)
- Firms with more than \$1 billion in annual revenue account for nearly 60% of total global revenues of public companies and 65% of market capitalization
- These corporate giants increasingly expand their global reach through acquisitions
- They also construct “eco-systems” of alliances and supply chain networks rather than through greenfield operations

Source: Adrian Wooldridge, 'The rise of the superstars' in *The Economist* Sept. 17, 2016. Available: <http://www.economist.com/news/special-report/21707048-small-group-giant-companiessome-old-some-neware-once-again-dominating-global>



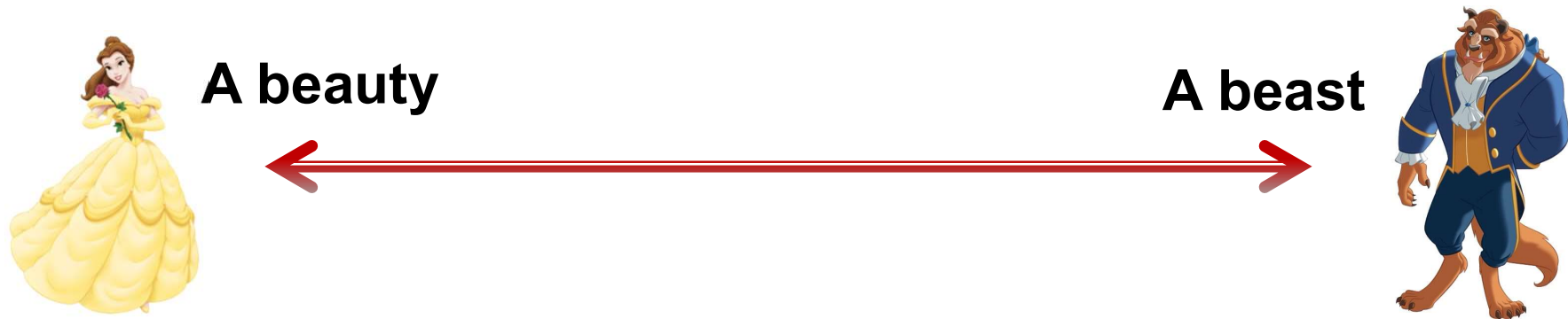
Economist Jan 2017



Economist Jan. 2018

Class exercise

The MNC: A beauty or a beast?



**Where would you position the MNC on the continuum? What is your view?
Please discuss in pairs or small groups and be prepared to share your
views in class.**

Final question for reflection

- After the class, has your initial view of the MNC changed?

Agenda for the next session

- Case study group allocations
- Tips and processes for effective group work
- General theoretical perspectives on headquarters (HQ) and subsidiaries in MNCs
- Discuss the two readings for Session 2 (*NB. Summary to be submitted by 13:00 on Thursday 10 Jan to get your 2 x 2 points*)
 1. Barner-Rasmussen, W., Piekkari, R., Scott-Kennel, J. and Welch, C. (2010) Commander-in-Chief or Absentee Landlord? Key Perspectives on Headquarters in Multinational Corporations. In U. Anderson and U. Holm (Eds.), *Managing the Contemporary Multinational: The Role of Headquarters*, Cheltenham, UK and Northampton, MA: Edward Elgar, 85-105. [Available on MyCourses](#).
 2. Goold, M., Campbell, A. and M. Alexander (1998) *Corporate strategy and parenting theory*. *Long Range Planning*, 31(2), 308-14. [Find online/via Library](#).