



## Toward cooptation within a multinational enterprise: a perspective from foreign subsidiaries

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### Abstract

This article presents a conceptual and typological framework that delineates cooptation within a globally coordinated multinational enterprise—simultaneous cooperation and competition between geographically dispersed subunits. With heightened interdependence in resource or knowledge sharing, value-chain rationalization, and common function integration, foreign subsidiaries increasingly cooperate between themselves, bilaterally or multilaterally, in pursuit of synergistically collective gains while synchronically competing for parent resources, corporate support, system position, and market expansion. This article explains why cooptation occurs and in what areas they cooperate and compete, augments a typology that classifies subunits along the various levels of simultaneous cooperation and competition (aggressive demander, silent implementer, ardent contributor, and network captain), discusses respective determinants of cooperation and competition, and explicates the internal infrastructure needed to help maximize consolidated returns from cooptation.

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Global operations and strategic activities of multinational enterprises (MNEs) have become increasingly dependent on their geographically dispersed yet internally differentiated foreign subunits, whether they may be joint ventures, cooperative alliances, wholly-owned subsidiaries, branch offices, or other forms, for global expansion (Bartlett & Ghoshal, 1993; Birkinshaw, Hood, & Jonsson, 1998; Govindarajan & Gupta, 2001; Kostova & Roth, 2003). A transnational solution that combines both global integration and national responsiveness is essential to maximizing consolidated economic returns con-

tributed by globally scattered subunits (Bartlett & Ghoshal, 1989; Doz & Prahalad, 1984; Prahalad & Doz, 1987). To fulfill this end, strategic links, i.e., flows of production inputs and value-creation activities between parent and subunits and between peer subunits, are of paramount importance since they affect efficiency of global integration and effectiveness of local responsiveness (Gupta & Govindarajan, 1991; Roth & Morrison, 1992).

The first set of strategic links—those between parent/headquarters and foreign subunits—has already been examined (e.g., Baliga & Jaeger, 1984; Bartlett & Ghoshal, 1989; Birkinshaw & Morrison, 1995; Gates & Egelhoff, 1986; Gupta, 1987; Kobrin, 1991; Martinez & Jarillo, 1989; Roth,

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Schweiger, & Morrison, 1991). A second set of strategic links—those between peer subunits—has not yet been adequately addressed. Recent research on knowledge sharing between subunits has indeed offered useful insights into such links. Knowledge sharing has been studied from the viewpoints of global value-chain (Hedlund, 1994; Hitt, Hoskisson, & Ireland, 1994), resource exploitation and exploration (Kogut & Zander, 1992; Zander & Kogut, 1995), and global integration (Ghoshal & Bartlett, 1988; Gupta & Govindarajan, 1991). Several other studies have addressed how knowledge sharing is shaped by external environment conditions, such as institutional deterrence, regulatory hindrance, environmental hostility, liability of foreignness, consumption behavior, and intellectual property rights protection (Eisenhardt & Behnam, 1995; Granstrand, Hakanson, & Sjolander, 1993; Roth & Morrison, 1992; Ruggles, 1998). Knowledge sharing, however, captures only a part of cooperation-side strategic links and does not address competition-side relations nor other elements of cooperation.

Ghoshal and Bartlett (1990) suggest that an MNE is a differentiated yet coordinated network of units that both compete and cooperate. More recently, several studies (e.g., Nohria & Ghoshal, 1997; Tsai, 2001, 2002; Tsai & Ghoshal, 1998) further articulate that inter-unit links consist of both collaborative and competitive ties that function simultaneously. Subunits themselves are either enforced or enticed to simultaneously compete and cooperate with one another. At GE, for instance, its four R&D labs are rewarded to learn from each other in order to gain benefits from new knowledge developed by other units. At the same time, they have to compete with each other for internal critical resources. This duality, sometimes even tensional, has become a major challenge for MNEs that seek to manage their intraorganizational knowledge flows, internalize globally coordinated operations, and differentiate various subunits with different strategic identities and roles (Govindarajan & Gupta, 2001; Kogut & Zander, 1996; Tsai, 2002). This article suggests that this duality is even more salient under transnational strategy than under global or multidomestic strategies.

While studies have already addressed the concept and rationality of cooperation within an MNE, our understanding of the content, process, and infrastruc-

ture of this cooperation remains limited. The literature has not clearly unveiled a list of areas in which foreign subunits cooperate and compete between themselves and a list of factors that determine cooperation or competition. Variations in the levels of cooperation and competition for different subunits and common requirements for developing an organizational infrastructure that supports value-creation from cooperation are also understudied. To fill some part of this void, this article seeks to provide a framework for understanding cooperation within an MNE by explaining cooperation's content, typology, determinants, and infrastructure. Cooperation here is analyzed between a focal subunit and peer subunits as a whole. The individual level analysis (i.e., senior managers in subunits) is not included but merits future research (e.g., how country managers' vision and merits may influence inter-unit cooperation and competition). This paper first explains in what areas subunits compete and in what other areas they cooperate. This is followed by a discussion of the respective determinants of cooperation and competition. The next section provides a typology that identifies individual subunits involving varying levels of cooperation and competition with peer members. The final section discusses how corporate executives of MNEs establish organizational infrastructure to nurture and govern inter-unit cooperation so that such cooperation may generate maximum aggregate returns for the entire network. Fig. 1 graphically summarizes these sections.

## 1. Defining cooperation within an MNE

Cooperation is a mindset, process, or phenomenon of combining cooperation and competition. It means cooperating to create a bigger business pie, while competing to divide it up (Brandenburger & Nalebuff, 1996). Cooperation enlightens a fundamental duality: whereas creating value is an inherently cooperative process, capturing value is inherently competitive. To create value, parties or units cannot act in isolation. They have to recognize their interdependence (Lado, Boyd, & Hanlon, 1997). Within a multinational enterprise, inter-unit cooperation is concerned with cooperation and competition that simultaneously occur between two or more geographically dispersed

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