

Exploiting Cross Border Knowledge Management

Part 4

Worldwide Innovation: The New Competitive Battleground

- Competitors achieving parity in scale and responsiveness
- Competitive battles shifting to innovation area
- Three key capabilities:
 - Sensing
 - Responding
 - Implementing

Worldwide Innovative Capability: MNC's Competitive Advantage



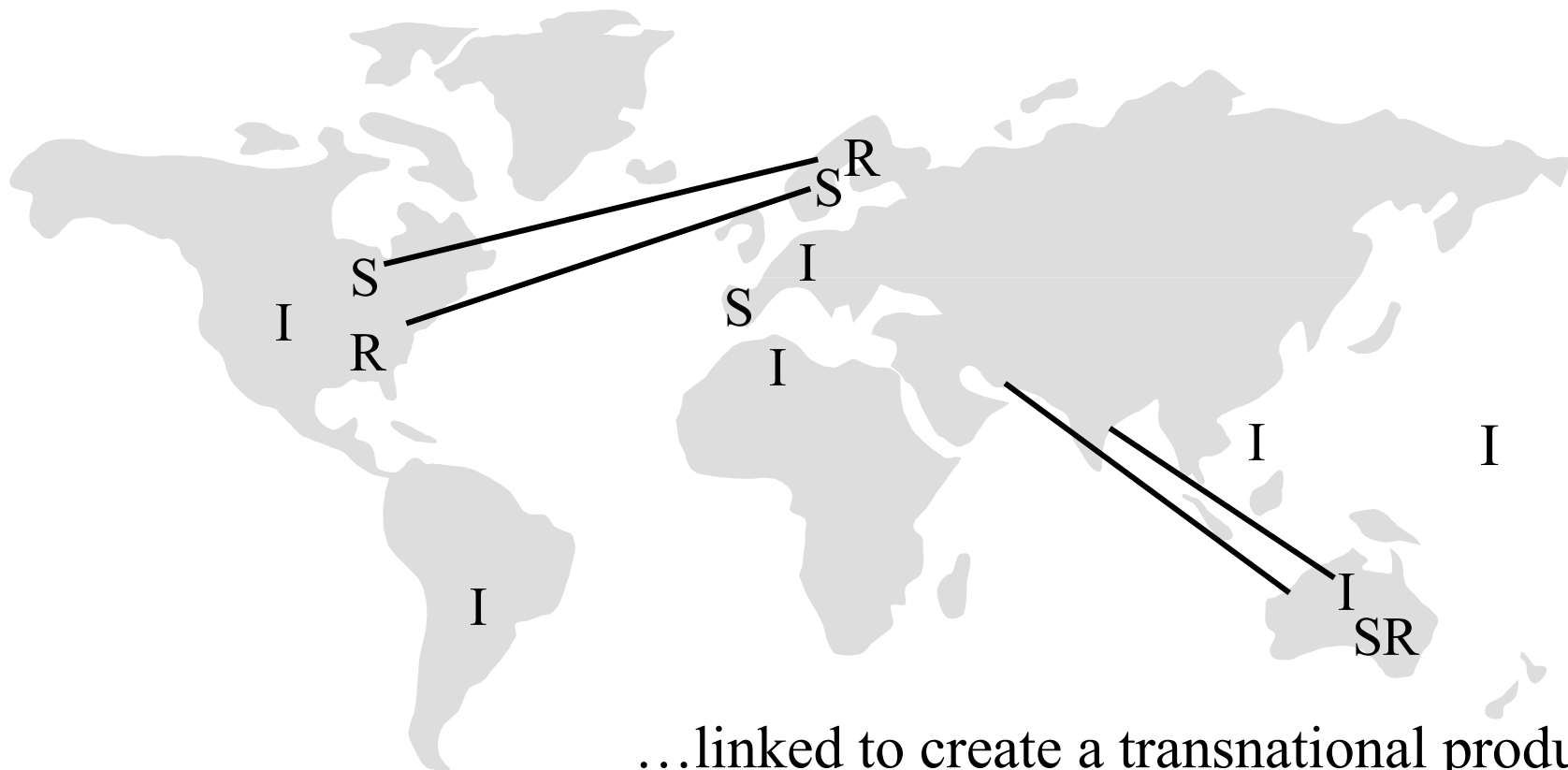
S Sensing Capability

R Response Capability

I Implementation Capability

Example: Ericsson's AXE Switch

Diverse market stimuli.....



...linked to create a transnational product

Central, Local & Transnational Innovation

- Two classic processes
 - Center-for-global: new opportunity sensed in home country, centralized resources brought to bear, implemented globally
 - Local-for-local: subsidiary-based knowledge development, used primarily in local market

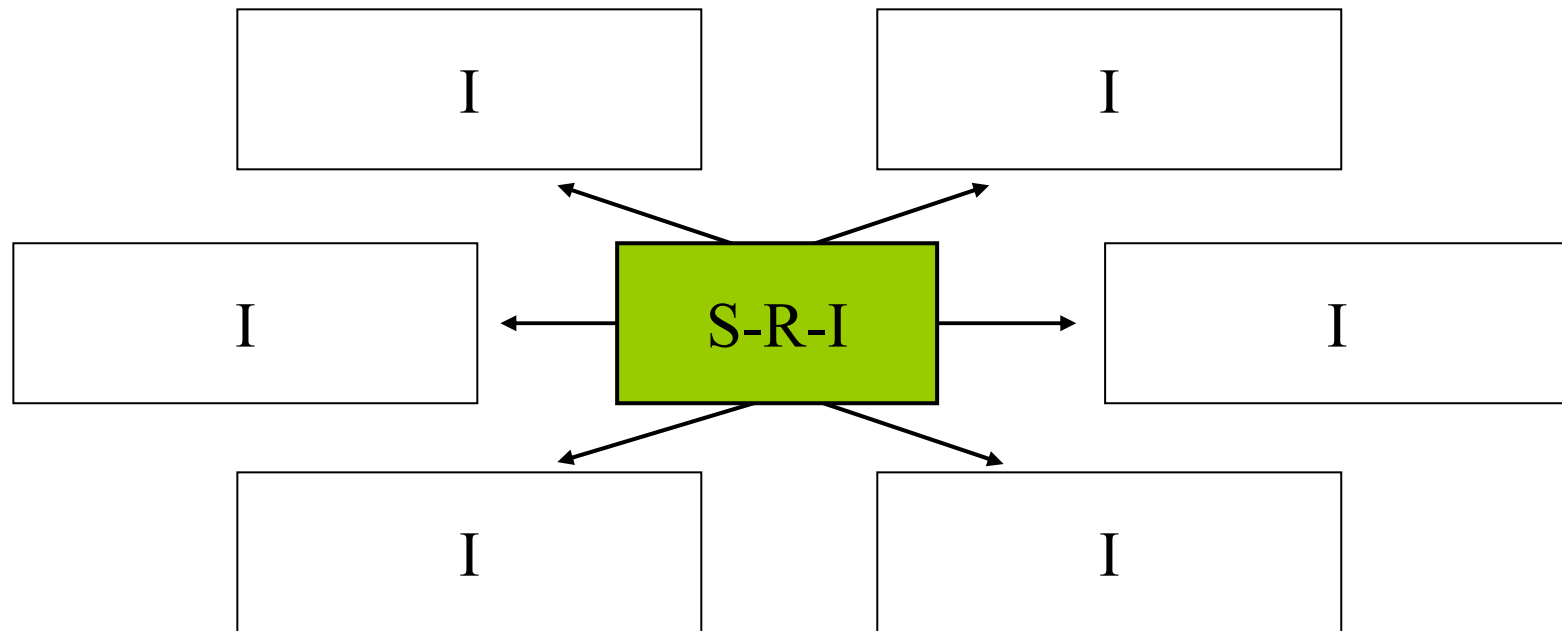
Central, Local & Transnational Innovation

- Two emerging processes
 - Locally leveraged: Local opportunity sensed by subsidiary then leveraged on a worldwide basis
 - Sara Lee: Sanex and Ambi-Pur came from Spain
 - Globally linked: Resources and capabilities of many operations pooled to jointly create and manage new activity
 - Volkswagen's New Beetle involved US, Germany and Mexico operations

Problems Associated with Each Model

- Center-for-global innovation
 - Risk of market insensitivity, imperialism
- Local-for-local innovation
 - Risk of duplication, reinventing wheel
- Locally leveraged innovation
 - Threatened by not-invented-here
- Globally linked innovation
 - High coordination costs

Central Innovation in Centralized Hub

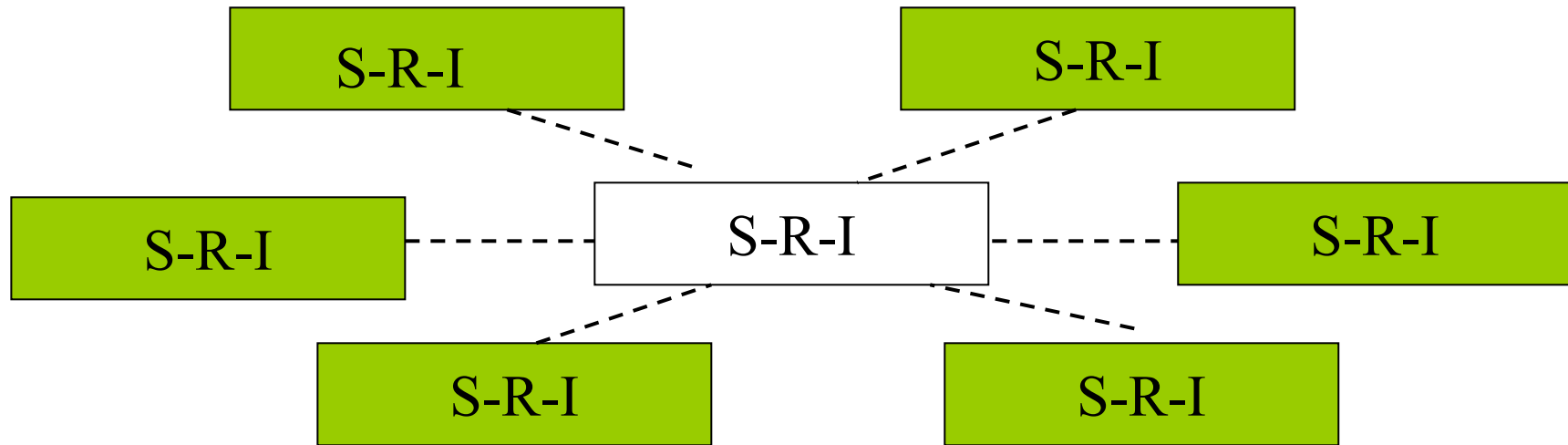


- Headquarters senses world-wide opportunities
- Centralized assets and resources favor unitary global responses
- Implementing strategy decided centrally and executed locally

Making Central Innovations Effective: Lessons from Matsushita

- Gain subsidiary input
 - Through multiple personal linkages
- Respond to different national needs
 - Give subsidiary units resources to influence how central R&D money is spent
- Manage responsibility transfer
(from research to manufacturing to marketing)
 - Move people with specific projects

Local Innovation in Decentralized Federation



- National units sense local needs
- Distributed assets and resources allow local response
- Local-for-local implementation

Making Local Innovations Efficient

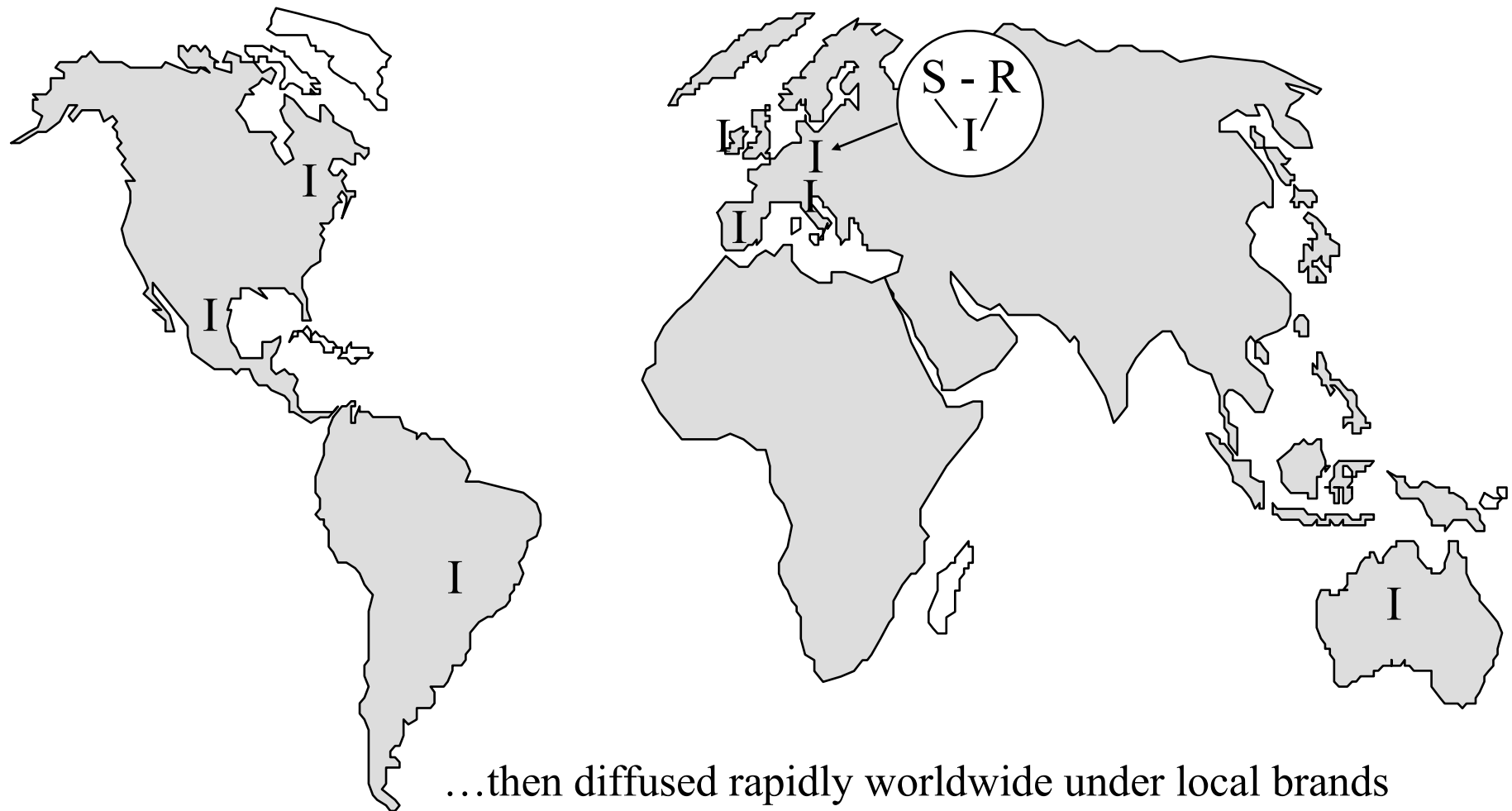
- Empower local management
- Link local managers to corporate decision-making processes
- Integrate subsidiary functions

Transnational Innovation Processes: Two Examples

- Locally leveraged innovations
 - Unilever fabric softener
- Globally linked innovations
 - P&G liquid laundry detergent

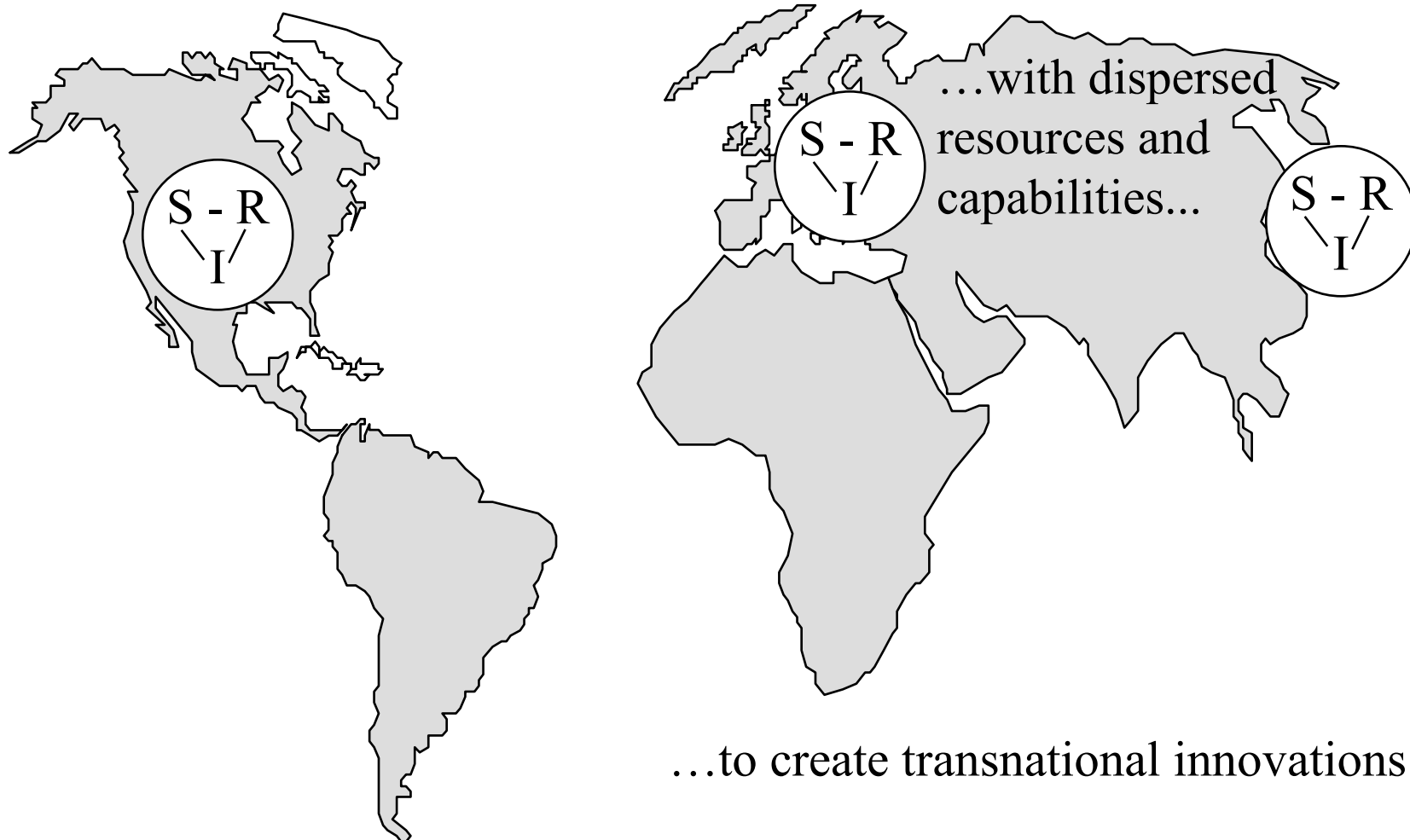
Locally Leveraged Innovation: Unilever's Fabric Softener

Developed in response to a locally sensed opportunity ...



Globally Linked Innovation: P&G's World Liquid Detergent

Linking diverse stimuli...



Make Transnational Processes Feasible

- Three simplifying assumptions have blocked progress with transnational processes:
 - Assumption that subsidiaries are symmetrical ("the United Nations syndrome")
 - Assumption that HQ-subsidiary relationship is based on pattern of dependence / independence
 - Assumption that corporate management exercises control uniformly

Beyond the Simplifying Assumptions

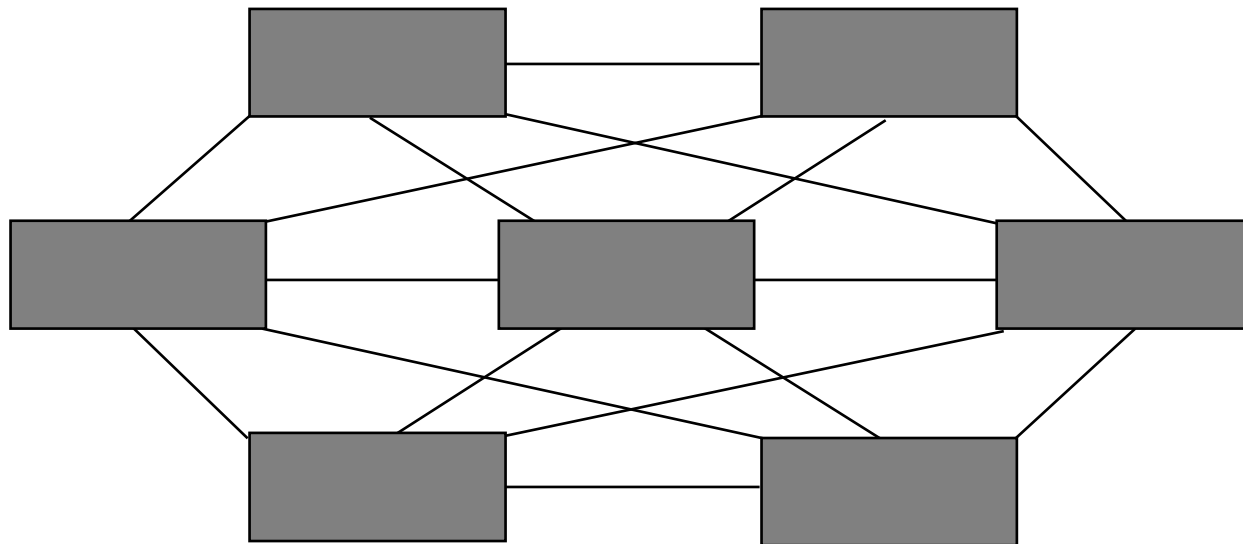
- From Symmetry to Differentiation
 - Each unit has own distinct role
- From Dependence or Independence to Interdependence
 - Through inter-unit integration mechanisms
- From Uni-dimensional Control to Differentiated Control
 - Make better use of social control mechanism

Organizational Capability for Worldwide Innovation

- Making transnational innovations possible: lessons from Ericsson
 - Interdependence of resources and responsibilities: Maintaining balance through constant adjustment
 - Inter-unit integrating devices: Operating systems, people-linking processes, joint decision forums
 - National competence, worldwide perspective: Managers who can think globally and act

New Cross-Unit Interdependencies: New Coordinative Mechanisms

Multiple cross-unit flows...



...Need multiple coordinative mechanisms

Linking & Leveraging Resources

