THE RESPONSIVE GLOBAL ORGANIZATION: NEW INSIGHTS FROM GLOBAL STRATEGY AND INTERNATIONAL BUSINESS
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INTRODUCTION: ADAPTIVE CORPORATE STRATEGIES IN A TURBULENT WORLD

Torben Juul Andersen

ABSTRACT

The global business context is turbulent and becoming a dynamic complex system where small events can trigger large outcomes that are difficult to predict. This gives urgency to the search for responsive global organizations that are able to adapt the multinational corporate strategy so it provides a better fit with the changing demands of the environment. An important key to this challenge is to activate the responsive potential of the many individuals in the multinational corporation and use them to inform strategic decisions and gain updated insights from the field and instill an organizational culture with supportive structures that will release the entrepreneurial human potential throughout the global organization. The eight chapters presented in this book provide useful insights to fuel these considerations.

Keywords: Centralization—decentralization; dynamic adaptive systems; fast and slow processes; network structures; strategic adaptation

This book is inspired by a very timely search for effective ways to structure, organize, and drive adaptive responses in international companies that are likely to have operations in multiple locations around the world. The
increasingly complex business operations driven by an exponential growth in specialized knowledge and expertise intertwined with dynamic changes across the national environments where the organization operates forms a complex dynamic system where small aberrations can have substantial unpredictable effects. This is the reality of the multinational business environment today where the implied turbulence offers many opportunities that can be exploited if the organization is attuned to them, but that also will lead to periodic abrupt changes that must be handled effectively. In the past, this was expressed as a conundrum between the need to integrate corporate activities for efficiency while retaining an ability to respond to local market needs (e.g., Bartlett & Ghoshal, 1989; Doz, Bartlett, & Prahalad, 1981). However, the underlying challenges have multiplied as business units, multinational organizations, and industrial players across the globe have become more interconnected in collaborative and/or co-evolving business networks. This calls for new ways to think about corporate structures that are more adaptive and where the various business activities are responsive to ongoing and at times abrupt and unexpected changes in the surrounding environment.

The concern for organizational adaptation has been studied in the management field for as long as it has existed (Andersen, 2015) because it is an essential requirement for survival and sustainable growth. In strategic management the issues of adaptation are subsumed around more or less esoteric concepts like dynamic capabilities (Helfat et al., 2007; Teece, 2007; Teece, Pisano, & Shuen, 1997), dynamic managerial capabilities (Adner & Helfat, 2003), dynamic core competences (Lei, Hitt, & Bettis, 1996), and strategic responsiveness (Andersen, Denrell, & Bettis, 2007). A condensed version of these contributions is that adaptive processes are complex, but basically require updated sensing of environmental developments, seizing of available resources around possible responses to observed changes, and an ability to effectuate the proposed adaptive moves. However, they do not clearly explain where in the organization and which actors do what to accomplish these well-meaning and thoughtful aims. The conundrum between integration and local adaptation presented by Bartlett and Ghoshal (e.g., 1989) and others suggest that the interplay between central and decentralized strategy-making modes constitute the essential elements of adaptive performance models (e.g., Andersen, 2000, 2004; Andersen & Nielsen, 2009). These ideas are further extended by insights about the human brain, the effectiveness of which relies on interactions between fast and slow cognitive processes (Kahneman, 2011) that incidentally resemble organizational processes of central forward-looking planning and decentralized responses in local business units (Andersen & Fredens, 2013). In other words, the pairing of prior studies in strategic management and international business combined with insights from contemporary cognitive research suggests that interaction between fast decentralized and slow central processes constitute the essence of dynamic adaptive systems (Andersen & Fredens, 2013; Andersen & Hallin, 2016). The advantages of the implied adaptive responsiveness may be
particularly relevant for complex organizations with individuals engaged in operations across dynamic multinational markets (Andersen & Hallin, 2017).

What is distinct about the study of international business compared to strategic management is the contextual richness and international diversity represented by a multinational presence and/or the intricate business networks established across diverse national markets that require deeper insights about cultural aspects. This applies both to the understanding of important leadership drivers of responsive organizational cultures as well the influences imposed by diverse national cultures on individual behaviors in a multinational corporation. In the ensuing chapters we will uncover new insights around these important confounding issues soliciting input from a number of engaged scholars. With this, we humbly heed the calls in recent critiques of contemporary management scholarship and international business studies, in particular, urging new ways to understand the multinational management challenges (Delios, 2017).

This follows the underlying purpose of Center for Global Strategic Responsiveness at the Copenhagen Business School established with the aspiration to become an internationally recognized catalyst for research on strategic adaptation and responsive multinational enterprise. The Center for Global Strategic Responsiveness wants to advance research efforts that study responsive strategy making processes in multinational corporations thereby addressing contemporary managerial challenges of relevance to practicing managers, business students and scholars alike. These activities aim to uncover relevant aspects of responsive strategy-making particularly in complex multinational corporations with insights that can create value for business leaders and society at large.

When looking across the various management fields including, e.g., organization, international business, and strategic management studies, the challenge of creating a responsive global organization unanimously points to the importance of engaging dispersed individuals that have autonomy to act in the face of changing conditions. The following tries to provide a general overview of some of these and related considerations with a special emphasis on the multinational corporate context.

**MULTINATIONAL CORPORATE STRATEGY**

Contemporary firms conduct business in multiple international markets and offer several products and services in overseas locations. The vast majority of firms operates in several product markets in several countries at the same time, which means they can be referred to as multinational corporations (Ghemawat, 2002). Considerations about optimal business portfolios are often referred to as corporate strategy in contrast to multinational strategy, which is concerned with
the choice of geographical market presence. The underlying reasoning with pros and cons to determine the level of business and geographical diversification shares comparable economic trade-offs. An extended corporate business portfolio can provide bargaining power that enhances business negotiations and makes it possible to apply administrative functions across a broader set of activities to save cost. Corporate resources can be pooled to accomplish more ends thereby increasing economic efficiencies as well as increased business volume provides a basis for scale and scope economies sharing processes across businesses. All the while diversity of business practices may enhance innovation to develop new valuable products and services. The aggregate impact on performance may display diminishing returns, or even negative effects, as the need for coordination imposes increasing costs as well as essential resources may be overstretched when applied across too many activities. The diminishing returns from positive effects and increasing costs suggest an inverse U-shaped relationship between business diversification and performance, which is quite consistent with the empirical evidence (e.g., Palich, Cardinal, & Miller, 2000).

Similar rationales can be applied to consider the geographical diversification of business activities where an extended reach can gain multinational advantages including the potential for economic efficiencies and new business opportunities from access to diverse resources and capabilities. The arguments for potential scale and scope economies can also derive from geographical expansion across more markets as a basis for more cost-efficient standards pursued at central locations and shared across many markets (e.g., Buckley & Casson, 1976; Kobrin, 1991). Access to diverse business contexts may inspire business development and innovation for new products and services (Bartlett & Ghoshal, 1999; Govindarajan & Gupta, 2001). A multinational structure of business activities may also create flexibilities where production can be switched between foreign entities to take advantage of changing economic conditions (Kogut, 1985; Kogut & Kulatilaka, 1994). We can also account for negative effects related to higher coordination costs when the geographic presence is extended and it might even show an exponential increase (Roth & O’Donnell, 1996). Operations in distant locations may lead to very significant increases in communication, travel, and legal expenses while requiring extensive management attention. The distinctiveness of the national market contexts can impose additional managerial requirements often referred to as liabilities of foreignness (Zaheer & Musakowski, 1997; Zaheer, 1996). The eventual performance effect is highly dependent on the industry context (Andersen, 2012; Andersen & Joshi, 2008) where the positive effects of responsive flexibility across a diverse geographic locations are particularly pronounced in information-driven knowledge-intensive industries. This is because knowledge to a large extent can be stored as electronic bits in computers or in human memory, which makes it rather easy to move between geographical locations either by exchanging information electronically or by moving people. These features make it easier and less costly to recombine knowledge and innovative insights to generate new
responsive cross-border opportunities. This particular context, therefore, allows for more nimble maneuvering as business activities are relatively easy to modify and adapt to the changing requirements of current market developments.

This conceptualization of the MNC can be interpreted as amalgams of *inter-* and *intra-organizational business networks* (e.g., Ghoshal & Bartlett, 2005; Hedlund, 1986) with contacts between individuals in overseas business units and their local market counterparts. This effectively constitutes a portfolio of multinational reservoirs with unique local insights about changing conditions and emerging business opportunities. The established network contacts make it possible to exchange relevant insights and knowledge needed to engage in new opportunistic efforts and responsive initiatives (Figure 1). This kind of thinking inspired a particular research stream analyzing the strategic effects of autonomous entrepreneurial activities carried out in foreign subsidiaries (Birkinshaw & Ridderstråle, 1999). These studies have uncovered how subsidiaries can develop important capabilities for the MNC by drawing on their external network contacts (Andersson, Björkman, & Forsgren, 2005; Andersson, Forsgren, & Holm, 2002, 2007; Andersson, Forsgren, & Pedersen, 2001; Bouquet & Birkinshaw, 2008) thereby influencing the strategy of the MNC through local initiatives (Ambos, Anderson, & Birkinshaw, 2010).

These findings imply that decision power is delegated to the local business units granting them some degree of autonomy, so the overseas subsidiaries can influence their own successful initiatives, which in turn may change the official roles initially ascribed to them (e.g., Dörrenbacher & Gammelgaard, 2006, 2010; Gammelgaard, 2009). Hence, the overseas business units can take initiatives that respond to changes in the local market conditions, which may lead to

*Figure 1.* A multinational network structure with dispersed communication.
solutions that can be applied in other subsidiaries thereby influencing and adapting the corporate strategy development.

A collaborative innovation network, defined as self-organizing groups of individuals working together to achieve common goals sharing ideas and beliefs (Gloor, 2006), represents a particular global dispersed IT-enhanced structure comprised of virtual teams of self-motivated individuals. The network members collaborate and share information directly without any directives or interventions from a central organized hierarchy (Figure 2). These networks have open learning and innovation characteristics engaging independent like-minded individuals that subscribe to the same ethical principles aspiring toward a higher common good imposed by influential network members. The network structure relies on mutual trust among the members where knowledge is accessible to all and is openly shared with full transparency. This type of network is particularly conducive to advance creative ideas and innovative entrepreneurial initiatives based on collaborative learning sharing insights and knowledge.

The location of business activities in multiple markets with different product adaptations, technologies, value-chains, institutional practices, etc., gives broader access to unique local resources and experiential insights that can be recombined in new innovative business development. These corporate initiatives at different locations can be facilitated by modern communication and information technologies that make it easy to exchange information and transfer insights and knowledge between involved individuals. Hence, a

Figure 2. A distributed network for collaborative innovation.
multinational structure can use differences in economic conditions between regions to run arbitrage and switch sourcing and distribution channels between geographical locations to take advantage of and cope with exogenous environmental changes (e.g., Kogut & Chang, 1996; Miller, 1998).

A multinational structure can provide a unique platform for new business opportunities that will extend the range of strategic options available to enhance maneuverability when the competitive environment is changing (McGrath, Ferrier, & Mendelow, 2004; Tong & Reuer, 2007). A portfolio of multinational strategic options will increase the number of alternatives available to deal with future contingencies thereby improving the ability to respond to changes in the global markets. The performance should reflect realization of upside potential and avoidance of negative risk outcomes. It is apparent that positive outcomes from a multinational structure must derive from enhanced innovation, since a multinational structure fails to significantly diversify risk beyond common effects of size and reserves (Andersen, 2011). There is also no indication that multinational presence is particularly risky.

In conclusion, different parts of the management field emphasize the role of individuals in the organizations linked together in internal and external networks that can exchange information and insights to mutually coordinate ongoing responsive initiatives as well as generate ideas for new business development. It appears that this insight can help explain how the engagement of individuals is instrumental to an organization’s ability to respond to immediate challenges of change as well as the collaborative efforts of individuals can drive an entrepreneurial potential to exploit emerging opportunities. In either case, individuals scattered throughout many different functions, business units, and geographical locations seem essential to create an effective global responsive organization. This obviously raises many new and relevant issues for consideration like the following:

- How do we delegate autonomy to overseas business units?
- How do we integrate and coordinate activities across dispersed subsidiaries?
- What is the effect of formal investment in innovation?
- How can we exploit individual insights scattered throughout the MNC?
- How do corporate values induced by leadership affect individual behavior?
- How do we ensure that individuals can deal with corporate values and national cultures?
- How do we manage abrupt unexpected events that may lead to crisis?
- What are the effects of international terrorism in a globalized context?

These are some of the relevant issues to consider where the interplay between central direction and decentralized responses, delegation of autonomy, imposition of corporate values, structures and management systems will influence how individuals act to enhance the responsiveness of the MNC. The
ensuing eight chapters provide different insights to the consideration of these and other relevant concerns related to the responsive global organization.

**THE ENSUING CHAPTERS**

The **first** chapter, written by Torben Juul Andersen and Ulf Andersson, identifies essential commonalities in the academic fields of strategy and international business that can be synthesized. They draw on both literatures to develop a generic multinational strategy-making model that considers strategic direction and coordination from headquarters and autonomous actions from decentralized decisions in overseas subsidiaries. They use this to argue that the effectiveness of the MNC thrives both on a formal mandate from headquarters and local autonomous initiatives in the subsidiaries enabled by an informal information exchange between individuals located across different hierarchical levels, functional specializations, business activities and geographies.

The **second** chapter, written by Victor Meins Pedersen and Sebastian Spon Kofod-Jensen, presents a study of select MNCs investigating the effects of international standardization and local responses enabled by the delegation of decision-making autonomy. They find that subsidiaries operating in complex technology markets, in particular, need broad autonomy to exploit local knowledge although too much autonomy can misalign activities across subsidiaries, which calls for ongoing dialog between headquarters and subsidiaries. They find a positive relationship between autonomy and subsidiary performance when it is combined with strong internal networks where connectivity is enhanced by strong collaborative intra-organizational network relationships between the subsidiaries.

The **third** chapter, written by Torben Juul Andersen and Carina Antonia Hallin, looks into new ways to democratize the MNC using updated information from frontline employees to inform strategic decisions in an attempt to combine slow analytical reasoning with the fast insights gained from frontline employees located in overseas subsidiaries. New environmental developments are observed first in the periphery of the MNC where current experiences create updated insights that can be used to inform senior management at headquarters. This introduces the notion of democratizing strategic decision-making by considering the updated insights and current knowledge of employees at all levels and locations of the MNC as a new leadership paradigm.

The **fourth** chapter, written by Solveig Kirstine Bennike Bennedsen and Lærke Lissau Lund–Sørensen, investigates the internationalization effects in the knowledge-based global pharmaceutical industry. They find that innovation is positively associated with the number of foreign subsidiaries whereas formal investment in R&D fails to show any direct effect on innovation. Hence, these MNCs benefit from local overseas subsidiaries as a driver of new innovative
products. The number of foreign subsidiaries is found to have a U-shaped relationship to patent productivity, which may suggest that cost-intensive activities with advantage can be placed in low-cost countries whereas critical tasks should be placed in advanced markets. Performance is found to have a U-shaped relationship to overseas sales and is further enhanced by R&D investment suggesting that overseas sales create scale economies whereas R&D seems to improve product quality and thereby boosts performance.

The fifth chapter, written by Michael Jakobsen, Verner Worm, and Xin Li, considers the implications of potentially conflicting organizational and national cultures as they may play out in a major MNC. To this end, they introduce an emic, or a contextualized methodology, as the underpinning for empirical field observations where the interviewees themselves provide the bulk of the data about how they are positioned in a multi-cultural organization. The chapter discusses how employees develop personal strategies to navigate the multi-cultural complexity and it is explained how a theoretical model for emic studies proceeds toward a new methodology that gathers data from both etic and emic approaches. As a very first model dealing with context, it is tested empirically in interviews conducted at the headquarters of Maersk Line in Copenhagen and the local offices in Tokyo, Kuala Lumpur, and Penang.

The sixth chapter, written by Xinbo Sun, Yi Cao, Suxiu Li, and Xin Li, adopts a genuine and deep understanding of classical Chinese philosophy to show how the beliefs and values of Zhang Ruimin were foundational as he built the Hair Group into a global responsive organization. The chapter outlines the philosophic underpinnings from true experts to explain in detail the values that drove the self-management paradigm of the Haier Group and transformed a small resource-poor firm into a dominant global giant. The management paradigm displays the humbleness of Zhang Ruimin, which is rooted in the Chinese philosophy of I-Ching and Daoism. This glimpse into the rich Chinese philosophical tradition that fostered Zhang Ruimin, provides outsiders with a sense of how important leadership values are and how some basic philosophies can guide leaders.

The seventh chapter, written by Carolina Acedo Darbonnens and Małgorzata Zurawska, introduces findings from a vast literature on crisis management and uncover an often underutilized need for autonomy and delegation of authority to deal effectively with crisis situations. The fact is that the overarching rationale in the leading literature is geared toward centralized approaches where prevention and crisis responses mainly lie with the leader of the organization makes it apparent that there is generally too much weight given to develop contingency plans and formal centrally coordinated response teams. Whereas the conventional perspective is valuable, it is insufficient to deal with the uncertainty of global crisis situations where firms must be prepared to deal with the unexpected. Partially inspired by insights from high-reliability organizations they develop a combined approach of central control and decentralized execution in crises situations. This model is supported by two
case analyses and empirical field studies among different high-reliability rescue workers.

The eighth chapter, written by Jakob Lyngsø and Christoffer Breum, presents a first analysis of its kind to test the market effects across international stock exchanges from major global terrorist events over the past 15 years. They adopt an event study methodology to analyze the impact of terrorist events in OECD countries since 1990 on stock market indices in the US, UK, Spain, and Denmark. Unfortunately terrorist events are prevalent and convey information that affects the prices of economic and financial assets. The terrorist events are distinguished by market location, industry context, threat characteristics, event size, time span, and geographical distance. It is found that terrorist events posing as international threats have larger adverse effects on stock markets beyond the country of the event and the size of the event amplify the impact. The impact on stock markets is immediate but dissipates within five trading days.

Together, these chapters provide new interesting and relevant insights on different aspects of the contemporary turbulent global business environment and managerial dimensions that influence how individuals can enhance the effectiveness of a responsive global organization. While these readings do not convey the final answer to a highly complex solution, we believe and hope they provide valuable ‘food for thought’ that inspire further thinking about how to make global organizations more responsive to the relentless and unforgiving requirements imposed by the constantly changing business environment.

NOTE

1. Lewin, Välikangas, and Chen (2017: 15) refer to this as a totemic leadership style as “it offers grand frames for transformative action but leaves their interpretation and implementation for each employee to make sense of”.

REFERENCES

Introduction


