INTERNATIONAL CORPORATE ENTREPRENEURSHIP AND INNOVATION: TRADE-OFFS BETWEEN INTERNAL AND EXTERNAL KNOWLEDGE FLOWS IN FOREIGN R&D SUBSIDIARIES (SUMMARY)

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International corporate entrepreneurship (ICE) can be looked upon from the subsidiary initiative as well as MNC headquarters’ innovation, proactiveness and risk taking perspectives. We take the latter view and investigate the entrepreneurial action of MNCs setting up subsidiaries as an act of ICE. Such ventures are often formed in regional contexts, hence clustered in geographical space due to localized social networks, support institutions like universities, VC firms, advice networks, human capital, and the mobility thereof. A prominent factor is the role of knowledge flows and spillovers which is seen as one of the most intangible and tacit ones and has inspired streams of research in knowledge- and technology-intensive sectors. We build on this understanding through an explorative study of knowledge types and flows in the role of subsidiary entrepreneurship in the Indian software sector. We draw from entrepreneurship and international business literatures to determine the impact on different types of knowledge flows – internal and external. We aim to address the research questions 1) how knowledge flows impact R&D subsidiaries and 2) if and how this is evolving over time.

Method

Through a qualitative study, we analyze the tradeoffs in knowledge flows faced by MNC subsidiaries that initiated corporate entrepreneurship of MNCs setting up R&D subsidiaries in India. To examine these two questions, we use qualitative data from 99 interviews (conducted in an Indian software cluster over 5 years), archival data and literature. In order to delineate knowledge flows, we build two categories, knowledge type and direction of knowledge flows: internal vs. external knowledge flows; and flows from headquarters to subsidiary and vice versa.

Results and Implications

Our findings indicate a slow, yet steady, increase in the inflow of external knowledge through the subsidiary. However, there is an initially decreasing and later increasing internal knowledge flow between headquarters and subsidiary. A framework of knowledge flow points at tradeoffs between the different types. The study contributes to different literatures by strengthening the linkages between the two expanding streams of IB and CE literature, from a knowledge flow perspective. It also has implications for effective management of subsidiaries, in particular those aimed at innovation oriented activities. Our study contributes to entrepreneurship literature by providing a fine-grained picture of how knowledge flows contribute to corporate entrepreneurship initiatives.

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