

Multinational Corporations and Clusters

Professor Örjan Sölvell
Dean MBA

Stockholm School of Economics
Center for Strategy and Competitiveness
www.sse.edu/csc

This presentation is intended for the private use of participants at the Vinnova conference “Challenges to National Innovation Systems in a Globalizing World”, Stockholm 19 January 2006.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means — electronic, mechanical, photocopying, recording, or otherwise — without the permission of the author.

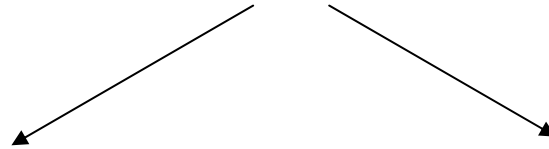
AGENDA



1. Multinational Corporations - Trends
2. Multinational Corporations and Clusters

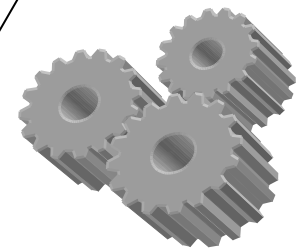
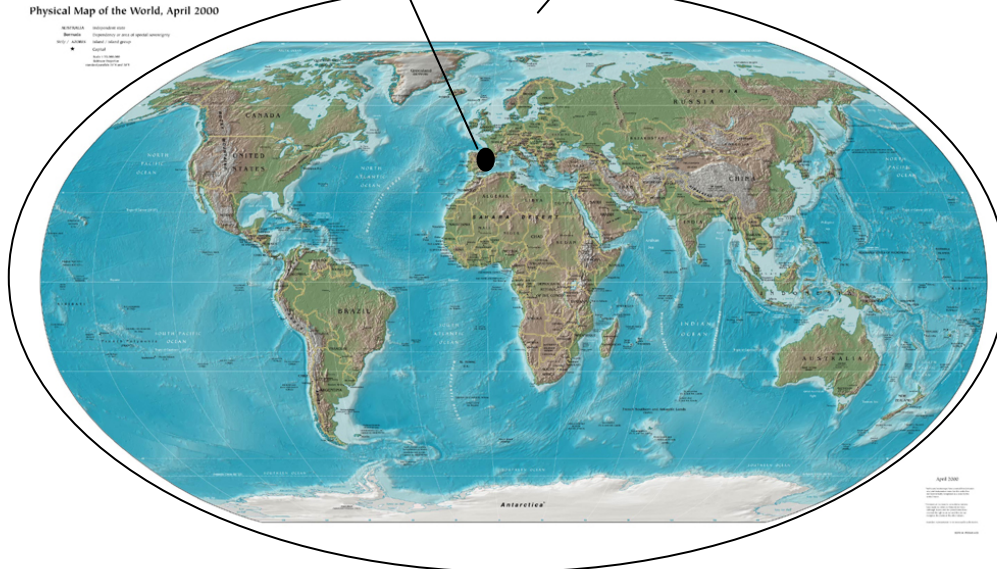
The Multinational Corporation

Two Main Issues



Localization and
Globalization

Innovativeness and
Competitiveness



The Multinational Corporation

Four Key Strategies



Innovativeness

Competitiveness

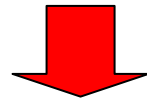
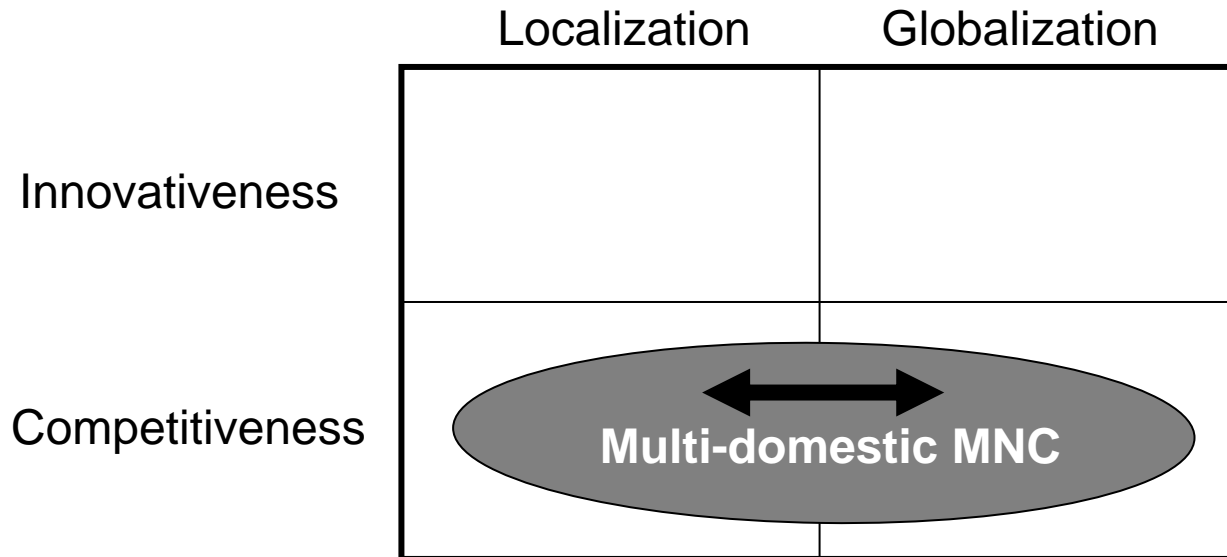
Localization

Globalization

	Localization	Globalization
Innovativeness	Home base Cluster insider	Transnational/ global innovation
Competitiveness	Protected market Local adaptation	Global sourcing Global scale Export platform

The Multinational Corporation

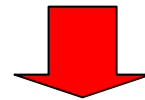
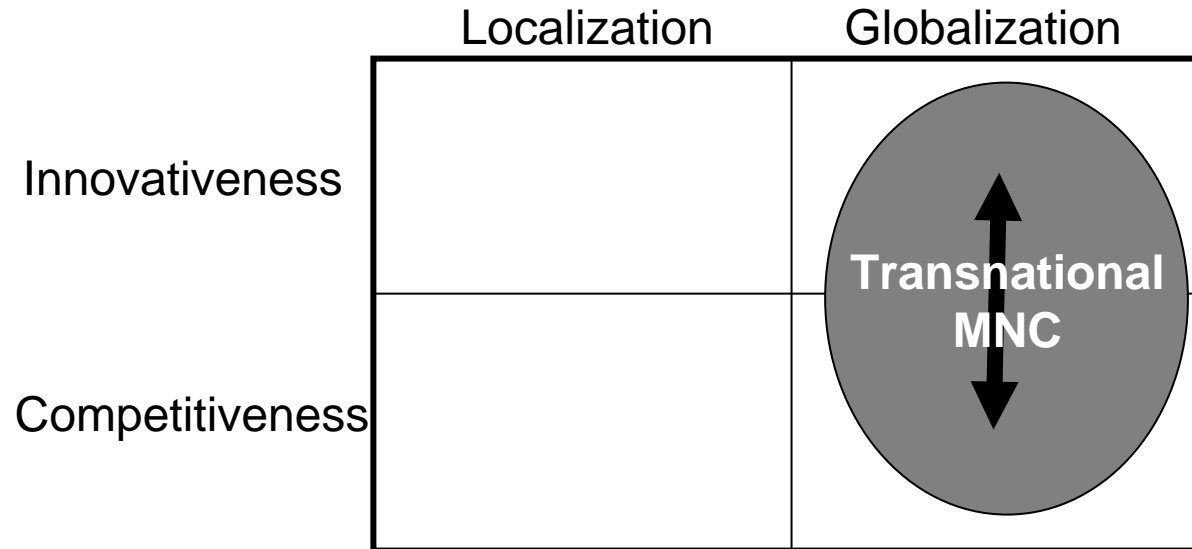
Multidomestic



Combine global scale with efficient local adaptation

The Multinational Corporation

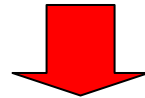
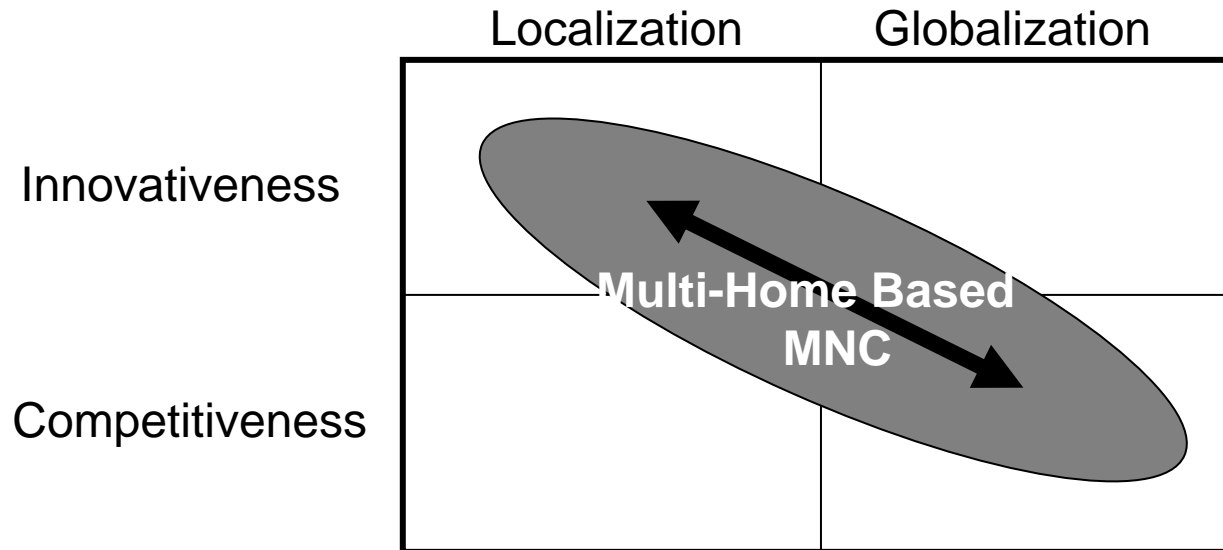
Transnational



Combine global scale with "global innovation"
Tap into all resources worldwide and combine

The Multinational Corporation

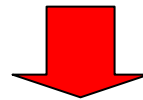
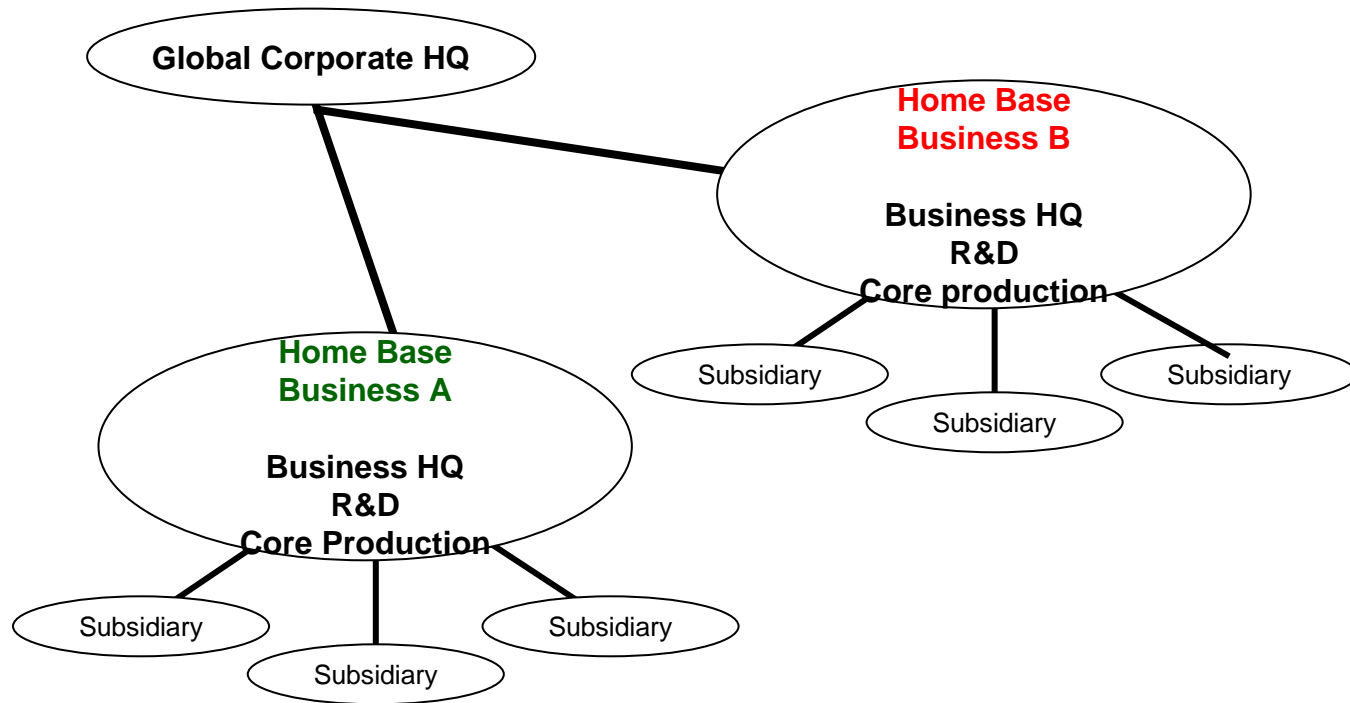
Multi-Home Based



Home bases in leading clusters
Utilize global markets

The Multinational Corporation

Multi-Home Based Organization



Simple organization with clear responsibilities
Limited knowledge transfers
Centers of Excellence

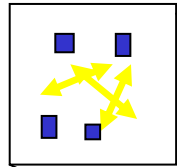
AGENDA

1. Multinational Corporations - Trends

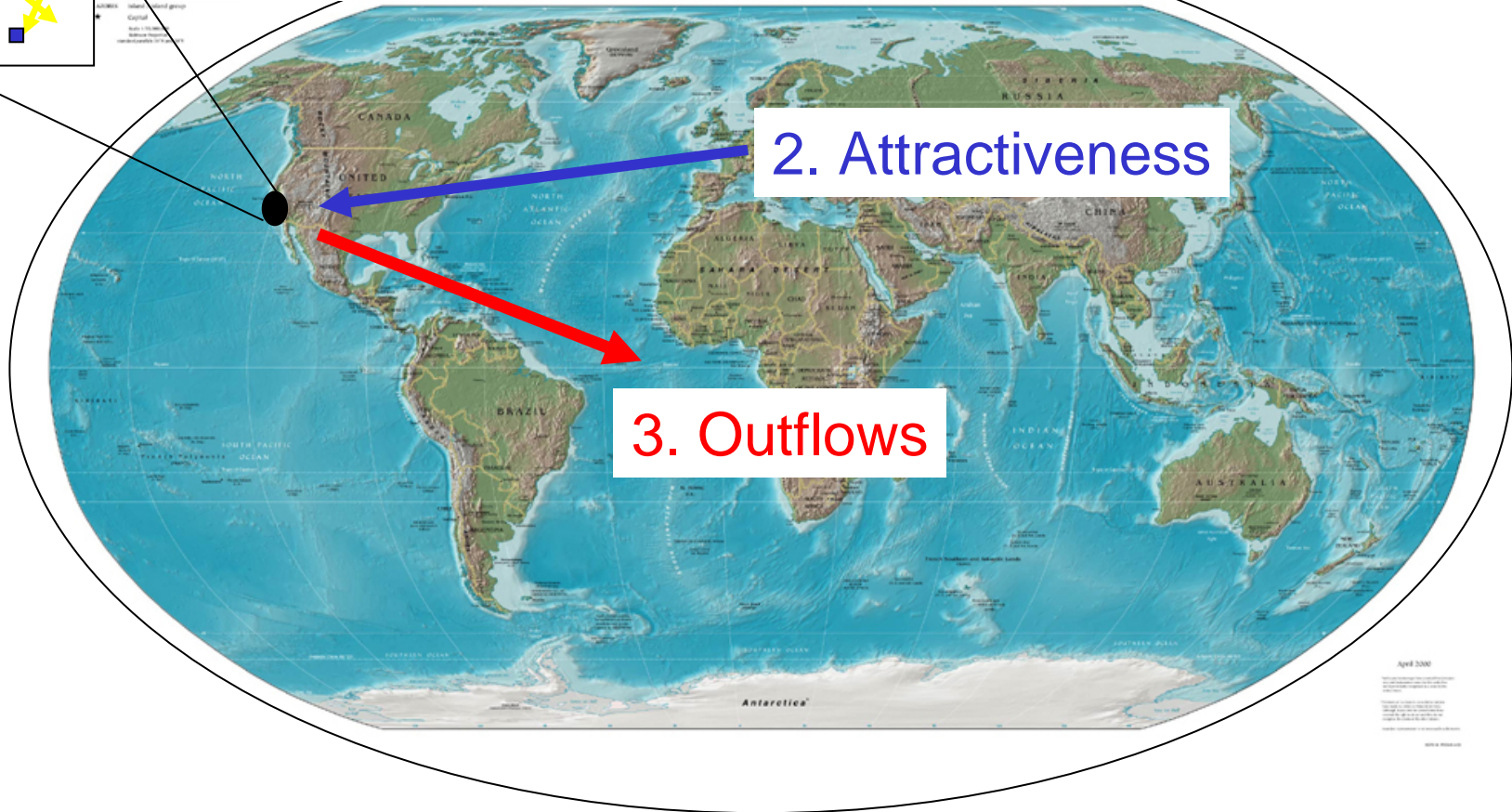


2. Multinational Corporations and
Clusters

Clusters are Linked to Global Markets



Map of **1. Local dynamism**



2. Attractiveness

3. Outflows

Multinational Corporations and Clusters

MNCs improve attractive clusters through home base investments

Subsidiary roles: centers of excellence

Attractive clusters attract inward FDI

Subsidiary roles: imports, expatriates

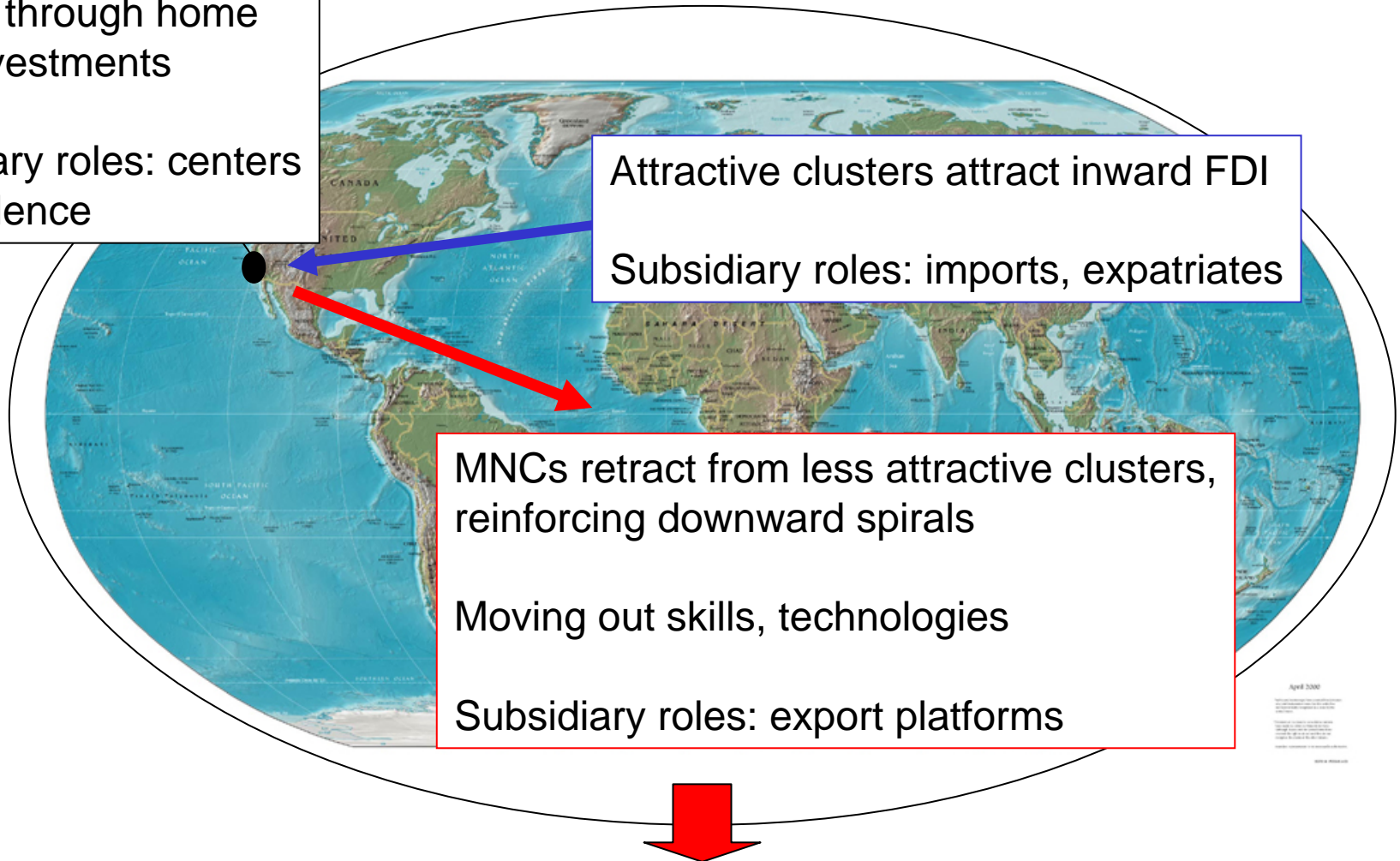
MNCs retract from less attractive clusters, reinforcing downward spirals

Moving out skills, technologies

Subsidiary roles: export platforms

MNCs increase competition in global markets
and increase competition across clusters

BUT Home bases are sticky!



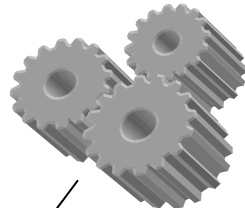
Summary

Local processes/clusters:

MNC can move physical and to some extent human capital, but not social capital, networks, industry tradition etc....

Tapping of tacit knowledge is limited

Competitive advantage is based on unique skills and technology



Global processes/global markets:

MNC can easily utilize basic factor markets around the world, integrate global production and information systems, outsource etc...

Tapping of explicit knowledge (patents, blueprints, licenses) is easy