

# **Marketing Management Within the MNC: a Multi-Disciplinary Approach**

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## **ABSTRACT**

*This paper presents a multi-disciplinary framework for the study of marketing management within the multinational corporation (MNC). Research domains of MNC management, the role of knowledge within the firm and international marketing is combined. We identify overlaps between the different domains and we clarify how these intersecting areas produce synergetic effects for further investigation of marketing management within the MNC. More specifically, we see potential in the knowledge related literature for the formulation of paradigmatic assumptions that serve as a basis for research on MNC management in an international marketing context.*

## **INTRODUCTION: THE MNC IN THE COMPETITIVE ENVIRONMENT**

Multinational corporations (MNC's) play an important role in today's global economic landscape (Dunning 1985). Originating in one home country they operate in many host countries and continents, translating the particular opportunities that each of these markets offers into distinct features of their own international organization.

In the global business environment increasingly sophisticated competitive strategies emerge (Bartlett and Ghoshal 1988). MNC's, which historically flourished from the successful transfer of home based production technologies to foreign markets with low cost resources, can now be confronted with a corporate heritage that no longer provides them with adequate grounds for sustainable competitive advantage (Doz, Asakawa, Santos and Williamson 1997). Internally to the firm, the emphasis has shifted from capital and scale to knowledge and expertise as key strategic resources (Bartlett and Ghoshal 1993).

## **MANAGEMENT OF THE MULTINATIONAL**

In the first paragraph under this heading we describe the link between management and performance, which implicitly justifies the focus on management for research purposes. Subsequently, we make ample use of the work of Ghoshal and Bartlett (1999) to outline their management philosophy.

### **MANAGEMENT'S LINK WITH PERFORMANCE**

Merriam-Webster's Dictionary defines management as the act of exercising executive, administrative and supervisory direction. We can assume 'direction' implies direction towards the company goals that top management has made explicit. The degree, to which these goals are met, is one of the measures of performance (Kaplan and Norton 2001).

In organizational theory textbooks managerial functions are those that facilitate the control and coordination of activities within and among departments and affiliates (Jones 2001). More specifically, top management is considered to be responsible for formulating strategy, implementing it through the corresponding allocation of resources and establishing mechanisms to control the environment. Middle managers traditionally are held responsible for managing the allocated resources to meet the goals set by top-level management. Finally, the main role of lower level managers is to oversee and direct the activities of the workforce. Note that in doing so, front line managers limit themselves to the role of operational implementers, responding to the demands of internal processes rather than standing on the lookout for external opportunities.

### **TOWARD A MODERN MANAGEMENT PHILOSOPHY**

From the link between management and performance outlined in the former paragraph follows the assumption that another role for management is setting out the conditions that create an environment in which employees, at managerial or any other level, willingly give priority to corporate goals above personal ones in their day-to-day professional activities (Quinn 1996).

By studying a considerable amount of multinationals for over 15 years Ghoshal and Bartlett (1999) succeed in identifying crucial landmarks in the evolution of management. The strength of their research lies in the refusal to strive for an idealized model that is suited to serve as a blueprint for corporate success. Rather, they provide us with useful generalizations from a variety of observed new forms and transformational processes. Companies as diverse as ABB, Intel and Kao Corporation are studied during a wide range of activities going from acquisitions, to new product development and diversification processes. In spite of the huge diversity in organization structure and strategy three core capabilities emerge from these remarkably performing MNC's. They stand out in their ability to inspire individual creativity and initiative, they succeed in creating and leveraging knowledge and they are able to continuously renew themselves. Ghoshal and Bartlett (1999) identify three company processes that enable us to make the translation of these core capabilities to management roles at all levels of the multinational.

### **The entrepreneurial process**

The entrepreneurial process requires frontline managers to create and pursue new opportunities for the company. Middle management becomes a key resource for these initiators by coaching and supporting them. And top management is responsible for driving the entrepreneurial process by setting objectives and performance standards.

### **The integration process**

Additional to a commitment to developing people's initiative and expertise, there is a need for linking these dispersed initiatives and the distributed expertise. The rapid pace of change in the business environment urges the firm to constantly experiment with appropriate responses. A strong integration process is required to diffuse the information and knowledge gained so it can be leveraged into capabilities that lead to the long-term creation of distinctive advantages. Again, complementary contributions at all levels of the organization are a premise upon the successful integration of knowledge and skills. In this process top management is devoted to the creation of a shared organizational identity that values collaboration. Top-level management recognizes and rewards effective team players and managers that are able to attract and develop talented people. Middle managers are best

placed to encourage horizontal linkages in the personal networks that originate at frontline level. These horizontal linkages allow for the leverage of distributed competencies.

### **The renewal process**

The need for constant questioning of company strategies is embodied in the renewal process. Here top managers have the role of creating a corporate purpose and ambition and, at the same time, leaving room for a critical and creative attitude towards the underlying assumptions. Frontline managers experience the gap between current state and aspiration level while middle management has the crucial role of creating a decision-making context that is both participative and transparent enough to negotiate differences in an open and legitimate way.

## **THE ROLE OF KNOWLEDGE WITHIN THE FIRM**

As stated in our introduction knowledge is increasingly acknowledged as being of capital importance in the competitive environment. We do not have the arrogance of claiming to possess the key to a sound definition of knowledge. As Grant (1996) so eloquently posits: “Since this question has intrigued some of the world’s greatest thinkers from Plato to Popper without the emergence of a clear consensus, this is not an arena in which I choose to compete” (p 110).

Nevertheless, we outline the characteristics of knowledge that contribute to our line of reasoning.

### **KNOWLEDGE AND THE INDIVIDUAL**

Ghoshal and Bartlett (1999) describe people as being “innately curious and, as social animals, ... naturally motivated to interact and learn from one another” (p 69). This statement not only provides the foundations for their assumption of the power of the individual but it also brings synthesizing and sharing knowledge to the forefront as a central social phenomenon. When studying the Japanese society Nonaka and Takeuchi (1995) also observe that new knowledge always starts at the individual level.

### **TYPES OF KNOWLEDGE**

From the extent literature, we discuss two possible typologies of knowledge. Their relevance for our purpose is clarified under the next headings.

#### **Explicit and tacit knowledge**

The main characteristic of explicit knowledge is its nature of being fully revealed and expressed. It is Polanyi (1967) who points out the fact that “we can know more than we can tell” (p 4). With this expression he identifies the elusive aspect of tacit knowledge, which is almost tacit itself, by letting us feel what is meant by it.

#### **Objective and experiential knowledge**

Penrose (1966) separates two types of knowledge on the basis of the way knowledge comes to people. Objective knowledge “can be formally taught, can be learned from other people or from the written word, and can, if necessary, be formally expressed and transmitted to others” (p 53). We interpret the commonality with explicit knowledge, as a signal that typologies of knowledge tend to overlap which makes the unambiguous synthesis of them all to one comprehensive typology an almost impossible task. Therefore we do not engage here in presenting an overview of the available taxonomies such as the one identified by Winter (1987), nor do we add a taxonomy of our own as we could do, for example based on the different fashions of organizational learning described by Huber (1991).

Experiential knowledge is also the result of learning, but learning in the form of personal experience. “Experience produces increased knowledge about things and contributes to objective knowledge in so far as its results can be transmitted to others. But experience itself can never be transmitted; it produces a change in individuals and cannot be separated from them” (p 53). Especially the latter aspect renders the transfer of experiential knowledge a cumbersome process.

## **KNOWLEDGE AND THE MNC**

Gupta and Govindarajan (2000) confirm that MNC's exist primarily due to their superior ability to engage in internal knowledge transfers across international markets. Nevertheless, they also add that this does not in any way imply that such knowledge transfers take place effectively and efficiently on a regular basis. In the next paragraph we discuss a view on the encountered difficulties related to the creation of organizational knowledge.

### **Transferability, capacity for aggregation and appropriability**

Grant (1996) discerns three characteristics of knowledge that define its potential to create value within the firm. First, he states that the critical distinction between tacit and explicit knowledge lies in their transferability and in the mechanisms necessary for transfer across individuals, across space, and across time. Second, Grant claims the efficiency with which knowledge can be transferred depends, in part, upon knowledge's potential for aggregation. And finally, appropriability of knowledge refers to the extent to which the owner of that knowledge is able to receive a return equal to the value created by that knowledge. We are aware of the fact that quite a large number of factors together account for the extent to which these characteristics apply to a certain type of knowledge within a certain context. For the purpose of this paper though, it is not appropriate to strive for such a high level of detail. We merely intend to address the fact that the concept of knowledge at firm level encompasses many complex facets which merit further investigation.

### **The role of common knowledge**

A constant tension in the firm originates from the need for a wealth of different relevant individual knowledge stocks and the necessity of sharing specific bundles of knowledge to achieve successful application of the expertise in certain areas. The success of knowledge integration depends on the presence of common knowledge (Grant 1996). Language and other forms of communication form only one aspect of common knowledge. The individuals involved in a process of knowledge integration should, to a certain extent, share specialized knowledge and, at the same time, recognize the individual knowledge domains for a process resembling mutual adjustment to be able to take place. The conversion



of tacit knowledge into a more explicit form also requires the presence of shared meaning which is the final aspect Grant (1996) attributes to common knowledge.

Zander and Kogut (1995) also state that the ability to transform tacit knowledge into a comprehensive code, understood by a large number of people, is derived from their collective experiences. The latter being a concept closely related to that of common knowledge.

## **TACIT KNOWLEDGE WITHIN THE MNC**

Tacit knowledge does not only constitute the major part of knowledge within firms (Grant 1996), it is also one of the important factors that shape a firm's specific uniqueness. Its low observability to external parties provides it with grounds for the creation of competitive advantage. Zander and Kogut (1995), from a different angle and more implicitly, recognize the power of complex tacit knowledge. They stress that knowledge and capabilities that can be easily communicated, and thus made explicit, within the firm are also more likely to be easily imitated by competitors. This implies that tacit knowledge when made explicit loses its solid basis for sustainable competitive advantage (Porter 1985).

### **Tacit knowledge and competitive advantage**

The simple presence of relevant, scarce tacit knowledge in the firm does not necessarily imply outstanding corporate performance. It is only upon its combination with other resources, being knowledge and the more tangible resources, that this precious tacit knowledge can begin to capitalize. This line of reasoning is built on Birkinshaw's (2000) view of the MNC, where he states that each building block, being a subsidiary, a resource or a capability, has a value in itself, but it is the ability to put those building blocks together in a unique, non-imitable way that is the source of competitive advantage, not the individual value of the various blocks. Following a comparable logic Nonaka and Takeuchi (1995) state that "if the knowledge can not be shared with others or is not amplified at the group or divisional level, then knowledge does not spiral itself organizationally" (p 225). The latter not only being a prerequisite for knowledge creation but, as a consequence, also for firm performance.

### **Management of tacit knowledge**

Both the significant share of tacit knowledge in corporate activity and its potential of playing a crucial part in the creation of sustainable competitive advantage, as stated in the former paragraphs, constitutes an excellent premier justification for the further study of its role within the MNC. Nevertheless, we add the unresolved specific difficulties encountered in the management of tacit knowledge as a second reason why it merits attention.

In the field of data mining considerable progress has been made in the management of explicit knowledge. In their overview article Decker and Focardi (1995) draw attention to the application of data mining techniques in various areas. They elaborate on information management in the chemical and pharmaceutical sectors which are confronted with a staggering amount of explicit information both in the form of company-proprietary information as in the form of internationally published results.

On the other hand, in an attempt to capture professional experience in a system that facilitates reuse of the acquired knowledge, Neto, Seaman, Basili and Kim (2001) indicate that one of the systems limitations relates to the fact that it “supports very little knowledge externalization, i.e., transforming tacit knowledge into explicit knowledge” (p 2).

This demonstrates that a radically different approach is needed to the management of tacit knowledge, since it is obvious that in this case data mining techniques simply does not suffice.

## **THE MARKETING PERSPECTIVE**

There are several reasons for studying the role of tacit and experiential knowledge in the management of the multinational corporation from the perspective of marketing. In the following paragraphs we elaborate on three of them.

First, Johanson and Vahlne (1977) describe how managers in domestic operations can to a large extent rely on lifelong basic experiences. However, they also add that in foreign operations top management initially lacks this kind of basic experiential knowledge. It must be gained during the operations in that country. They also believe that the less structured and well defined the activities and the required knowledge are, the more important is experiential, and thus tacit, knowledge. They state that this kind of knowledge is particularly important in

marketing activities and in managerial actions since human relations are a crucial aspect of both of them.

Secondly, Huber (1991) points out the information environment as a concept on which additional conceptual work might be useful. Nevertheless, he describes the concept sufficiently clear for us to suspect its links to both tacit knowledge and international marketing. He explains the concept of the information environment as being “the set of symbols, data and other indicators of the environment that is subject to being sensed by the organization and that stands conceptually between the actual environment and the perceived environment” (p 99). From this statement we can suspect that a considerable amount of these symbols and data is tacit, since this would certainly provide insight in the origins of a possible discrepancy between actual and perceived environment. Especially in its international marketing activities a MNC is confronted with foreign markets where failure to fully and correctly grasp the information environment can have far-reaching implications.

Finally, we find similarities to both the integration process and the renewal process of Ghoshal and Bartlett (1999) in the management process of knowledge creation described by Nonaka and Takeuchi (1995). The latter authors attribute to marketing researchers at middle management level the important responsibility of knowledge engineering. “They serve as a bridge between the visionary ideals of top management and the often chaotic market reality of the managers on the front line of business. By creating mid-level business and product concepts, they mediate between “what is” and “what should be” ”(Nonaka and Takeuchi 1995, p 154).

### **MARKETING MANAGEMENT WITHIN THE MNC: A MULTI-DISCIPLINARY APPROACH**

Teece (1998) points out that within the domain of knowledge management there is a need of building upon the extent literatures in other areas to prevent the creation of “unnecessary intellectual clutter and confusion” (p 289). In this paper we plead indeed for such integration but we look at this process from a different angle. We believe the possibility of building on the dispersed literature on tacit knowledge combined with that of knowledge management to make progress in the domain of MNC management, merits careful consideration.

In the preceding paragraphs we reveal the logic behind the links that bring together the different research areas outlined. In what follows we clarify how we intend to combine these domains into a multi-disciplinary conceptual framework. Consequently, we suggest recommendations for further research that has the potential of creating an impetus for research on marketing management within the multinational at the forefront of this specific framework.

**A MULTI-DISCIPLINARY FRAMEWORK**

Figure 1 graphically shows the manner in which we combine three research areas for the purpose of creating a platform for a rich conceptual frame: knowledge related literature, research on international marketing and the domain of MNC management. Considering the enormous wealth of information in each of the mentioned areas, in the previous sections of this paper we briefly indicated where possibly useful focuses within each of the domains.

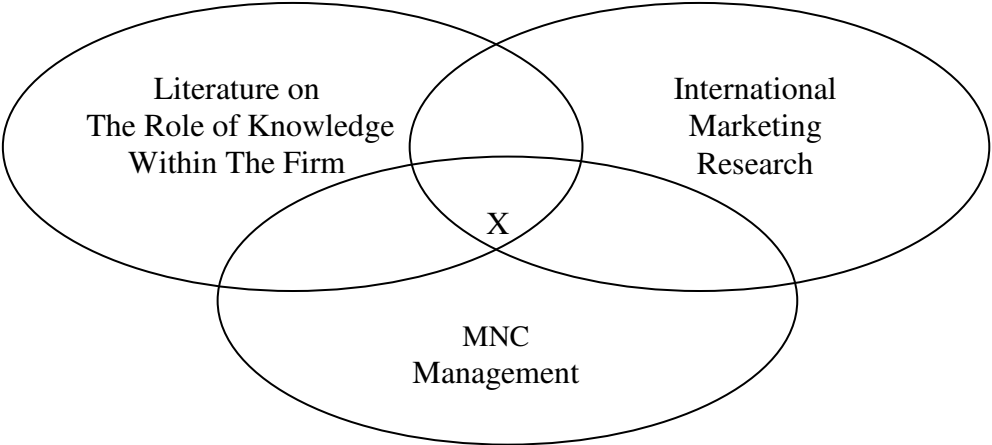


Figure 1: A multi-disciplinary framework

A discussion of the intersecting areas of the research domains, as depicted in Figure 1, provides us with a better understanding of the synergetic potential of their combination.

## **Knowledge Within The Firm and MNC Management**

The knowledge related literature serves as a valuable source on which paradigmatic assumptions can be based concerning knowledge within the multinational corporation. As motivated earlier we specifically believe attention to the role of tacit and experiential knowledge in the firm can contribute to a progress in research on MNC management.

## **Knowledge Within The Firm and International Marketing**

In international marketing activities managers are confronted with foreign markets. Familiarization with the specificities of every aspect of a new market implies the acquisition of a range of different types of knowledge. The key towards developing sustainable competitive advantage in foreign markets seems to lie within the full comprehension of the tacit components of the new context.

## **MNC Management and International Marketing**

Within the multinational corporation marketing is one of the areas where cross-country advantages are pursued (Dunning 1993). This goal puts high demands on managers within the MNC.

## **Focus on the intersection of the three research areas**

The central intersection of the three domains illustrated is our area of interest. From the literature on the role of knowledge within the firm the paradigmatic assumptions are distilled for the study of MNC management in the context of international marketing.

Furthermore we believe it is worth striving for findings in terms of MNC management, as is indicated in Figure 1 by the mark. Since this facilitates the consecutive translation of research results to practice.

## **RECOMMENDATIONS FOR FURTHER RESEARCH**

For the purpose of this paper a preliminary though critical assessment of but a fraction of the literature on management, knowledge and marketing, leads us to the formulation of the following remarks.

We experience a need for conceptualization in the area of knowledge management. The interchangeable use of terms as knowledge creation, transfer, flow, combination, integration, and application to designate knowledge related processes, indicates the need for a clear and unambiguous conceptualization. This conceptualization will enable the relative situation of previous research on knowledge related processes and subprocesses. Moreover it will provide us with a mean for the unambiguous interpretation of the different future streams of knowledge related research.

Nevertheless, we believe this need for conceptualization does not impede the use of knowledge related literature in research on marketing management within the MNC. It does however urge the researcher to make coherent choices when referring to knowledge related processes and to provide a robust motivation for these choices.

We suggest to build on literature of MNC management to identify the specific goals managers should pursue in the management of tacit knowledge and to study the role of managers at all levels in improving the likelihood of the attainment of these goals. Though we are convinced of the potential value of this line of research, we are also aware of its complexity. Research into the management of tacit knowledge probably requires establishing the link with anthropology for a deeper understanding of human nature.

Research on marketing management within the MNC can benefit from attention for the individual as a starting point for the identification of the appropriate organizational context and for the identification of the resulting roles for managers at different levels of the organization. The work of Ghoshal and Bartlett (1999) serves as an outstanding example of the described management research. We believe the study of marketing management in the conceptual structure provided by the multi-disciplinary conceptual framework as presented in the former paragraph will provide us with highly relevant findings.

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