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NETWORK INTERNATIONALISATION OF TRANSNATIONAL CORPORATIONS AND CORPORATE ENTREPRENEURSHIP

Summary: Transnational corporations, by definition, create complex organisational structures which are the basis for the creation of international networks. Different kinds of relationships created with business partners, as well as contextual ones with varying degree of formality, can be initiated either by the parent entities or by their subsidiaries, with the high impact on development trends in the world economy. Some questions arise at this point: what role in the course of the network internationalisation should be assigned to the parent entities and what to subsidiaries? What are the characteristics of network internationalisation created and controlled by TNCs?

Słowa kluczowe: TNC, network, internationalisation.

Introduction

Transnational corporations, by definition, create complex organisational structures which are the basis for the creation of international networks. Different kinds of created relationships with business partners, as well as contextual ones with varying degrees of formality can be initiated either by the parent companies or by their subsidiaries with high impact on development trends in the world economy. This is confirmed, among others, in studies by mathematicians from the University of Zurich, who with a group of 43 000 corporations included in the analysis separated 147 ones representing their core, which control 40 percent of the economic value of the whole sample. Every corporation forming part of the core has at least twenty ownership connections with other companies lo-

cated in different parts of the world [Vitali, Glattfelder, & Battiston, 2011]. On the other hand, in conditions of strong turbulence it is expected from businesses to be innovative and highly flexible. Therefore, the aim of this article is an attempt to show the relationships occurring between the specific internationalisation's nature of the transnational network corporations and their strategic entrepreneurship.

1. Dual character of TNC's network

The network approach as a concept with the emphasis on the overall business relationships with the entities of the market environment was created in the late 70's and 80's. Business network according to IMP Group (Industrial Marketing and Purchasing Group), representing the traditional trend within the network approach, is a set of the long term relationships of formal and informal type that exist between two or more entities. In addition, there also evolved a strategic trend, according to which strategic business network is deliberately created by the leader of the network, as a result of its strategy [Jarilla, 1988, pp. 31-45]. The main enterprise of the network (focal company, hub firm) specialises in the areas of the value chain, in which it has powers to obtain competitive advantage. Other resources are acquired from other members of the network on the basis of subcontracting or outsourcing, including those outside the home country. Collaborators are selected on the basis of realisation of established targets. The leader of the network imposes strategy on other entities of the network and consciously creates relationships, influences the development of these relations, coordinates the flow of goods, information and knowledge. Connections in such a network are permanent and formal and mostly take the form of strategic alliances, joint ventures and long term buying and selling relationships [Gulati, Nohria, & Zaheer, 2000, p. 203]. However, in the long term, members of the network begin to be connected by informal ties. So, one can meet strategic networks in case of TNCs, whose scope and nature of the links are initiated primarily by the parent units.

TNC is one, legal and organisational unit, which includes a number of subsidiaries. Hence, the network forms of connections of transnational corporations can also be initiated through its subsidiaries¹. The degree and scope of the latter are derived from the autonomy of branches, which increases together with the

¹ Transnational corporations' business units in the international statistics are referred to as: a) separate legal entities (incorporated) – *subsidiaries* or *associates* and as b) units, which do not have separate legal personality (unincorporated) called *branches*, which are fully owned by the parent unit or are a joint venture.

process of globalisation and the information revolution. The increase in autonomy of the branches also affects the growing role of the client in company's strategic optics. This means, in practice, the maximisation of the company's profit level from relationships with customers, which in the conditions of dynamic changes implies constant adjustment of value proposition, renewal of the process of its creation and delivery to the customer. This type of strategies is easier to implement for flexible organisations, and in the case of TNCs, for subsidiaries with greater freedom of decision-making. Thus increases the number of network connections initiated by subsidiaries of TNCs, which are often operational in nature. According to Zorska [Zorska, 2007] cooperative and non-investment connections of foreign subsidiaries with local businesses can be regarded as quasi internationalisation.

It is true that, by definition, the parent unit cannot provide branch with a complete freedom of making decisions, since most appropriate measures from the perspective of a single branch do not always turn out to be the best from the point of view of the entire corporation [Nohria & Ghoshal, 1994, pp. 491-502]. However, an increase of autonomy of subsidiaries also entails a number of benefits in the context of the efficiency of the entire corporation. It is worth highlighting those that preferably affect the size and scope of different types of contracts concluded by subsidiaries, i.e.:

- increased initiative of branch managers, which gives a positive impulse for innovation [Birkinshaw, 1998, pp. 355-364.],
- greater entrepreneurship of branches [Zahra & George, 2002, p. 261],
- more favourable conditions for the development of knowledge in the branch [Foss & Pedersen, 2002, pp. 6-19],
- better access to local networks of informal resources [Maskell & et al., 1998].

The autonomy of individual branches within a single corporation, also in the context of network connections shaped by it, varies and depends on: the specifics of subsidiaries (size, type of economic activity, resources, etc.), strategy of headquarters and factors within their environment [Birkinsha & Pedersen, 2009]. Along with the economic crisis and the intensification of institutionalism which is largely its consequence, an important role is attributed to the institutional determinants. They are reflected in, among others, types of agreements concluded by subsidiaries of TNCs, their duration, selection of partners and scope of the agreements.

Above factors cause that networks initiated by the TNCs' branches (links with customers and suppliers, the media, local authorities and other partners) are extremely varied, and within one corporation, each branch has a different nature

and scope of networking. Operators often participate in them passively and unintentionally become the elements of global networks, unlike the strategic network created by the parent unit, in which participants are aware of the relationships and the ensuing consequences.

2. Features of network internationalisation with a leading role of TNC

Network internationalisation with the leading role of TNC has its own specifics, which in a reference to the internationalisation of the network indicated by Blankenburg [Blankenburg, 1995, pp. 376-380] is characterised by:

1. Focus on process approach, in which the process is determined by the behaviour of internal actors (parent unit and its subsidiaries), in which the leading role must be attributed to the parent unit.

In the strategic networks shaped by the TNCs, connections between the parent unit and its subsidiaries are the starting point. These are primarily legal ties that put affiliates in the network structure in a privileged position in relation to, e.g. the important business partners of individual business units. The process of such a perceived internationalisation is always to some extent unpredictable. It increases with: a) increasing autonomy of a branch, b) increase of the informal relationships resulting from institutional environment.

2. Multilateral interactions between participants of the network, forming strategic networks, as well as participating in them in a passive way. Actions taken by the corporation (by the parent unit and its subsidiaries) are determined by the behaviour of other participants of the business network. Greater autonomy in this area is associated with a high status in the network, which has large transnational corporations due to its potential and experience.

More or less dependent on the parent unit, business units that are strongly influenced by the contexts of their own business networks, whose impact is dependent on a place in the network assigned to them. Hence, network connections may differ in force of existing links between partners and the degree of diversity. One can distinguish in this area [Hutt, Stafford, Walker, & Reingen, 2000, pp. 51-62]:

- entrepreneurial networks – diverse in structure and character of the relationships of high strength links between partners,
- opportunistic networks – with a high diversity but weak links,
- traditional networks – a low diversity of forms of cooperation, strong links,
- open networks – a low diversity and weak links.

Interdependencies that occur between partners in the network can be formal or informal. According to De Soto [De Soto, 1989] in the face of the existence of cumbersome formal rules of the game, companies have resorted to informal methods of doing business, because when the government imposes such regulations, engaging in economic activities becomes costly for the company, so there is a little incentive for companies to comply with these regulations [Kobonbaev, 2004, p. 80]. Therefore, depending on the institutional determinants of the host country TNCs in varying degree and scope are willing to enter into informal network connections.

3. Another use of the resources in the international expansion. In classical terms, the resources owned by the company are under its exclusive control, entering a foreign market is related to their physical allocation. The network internationalisation allows corporations to gain access to resources without a physical allocation, which is determined by established relationships, both with the market and contextual subjects.

The exchange within the network allows the company to acquire knowledge about resources, needs, skills, strategy and other relationships of its partners. In the process of internationalisation it is extremely important to develop knowledge about new markets and learn from other companies [Gorynia & Jankowska, 2007, p. 36]. This knowledge makes the company to see market opportunities faster, whose existence has an impact on decisions concerning the selection of target markets and form of internationalisation [Coviello & Munro, 1995, pp. 49-61]. Information obtained within the network can also apply to current and future levels of demand among the company's customers, marketing strategies effective on a given market, the level of technology used in the country, plans of competition, changes in the environment, as well as the various risks and hazards [He & Wei, 2013, p. 561].

4. Power and control in the network are assigned to individuals who have a well-established, but time-varying network knowledge. Higher risk arising from the TNC's network internationalisation stems from poorly formed social bonds.

In the case of transnational corporation control over other players in the network is an important issue. In respect of its subsidiaries, TNCs exercise formal control over them. It is the one-way impact based on legal grounds. However, the impact of network knowledge is reciprocal and based on access to resources embedded in business networks. Therefore, the parent unit must also compete for influence, because it might happen that the network power outweighs the formal authority [Forsgren, Holm & Johanson, 2005]. In addition, as

emphasised by Donaldson and Toole [Donaldson & O'Toole, 2000] market contracts – and such predominate within the networks created and controlled by TNCs, are the weakest type of company's relationship with entities in the environment, since economic ties dominate there, but there is no social bonds.

3. Strategic corporate entrepreneurship in the network – examples

The ambiguity of the entrepreneurship notion [Wach, 2015, pp. 25-33] translates into a number of concepts and strategic entrepreneurship's measurement methods [Bratnicka & Dyduch, 2014], and which can be realised in various projects and forms. Entrepreneurship can manifest itself in various projects and forms, e.g. in taking new initiatives, development of innovation, growth of development dynamics and horizon of actions. Most generally speaking strategic entrepreneurship is the specific tool allowing the enterprise to operate in a new, constantly changing, competitive environment [Brock & Evans, 1989, pp. 2-20], [Hitt, 2000, pp. 23-48] through:

- creating value by identifying and using the opportunities, i.e. through the development of new products or finding new markets, or both [Shane & Venkataraman, 2000, pp. 217-226], [McCline & Baj, 2000, pp. 81-94],
- orientation on innovativeness by identifying market opportunities, not so far discovered by competitors, as well as the use and creation of a unique set of resources – tools necessary for their use [Davidsson, Delmar & Wiklund, 2002, pp. 328-340],
- use of uncertainty as a key source of entrepreneurial activities and valuable, rare, irreplaceable resources and favourable market positioning as major sources of sustainable competitive advantages [Wernerfelt, 1984, pp. 171-180] [Kraus, Kauranen & Reschke, 2011, p. 60]. In light of the above considerations, corporate entrepreneurship, albeit defined in different ways, boils down to the use of opportunities in the process of internationalisation and the ability to flexibly adapt to changing conditions, and which allows them to operate in an extensive network of relationships of various nature. It is a part of the concept of international entrepreneurship, understood as “the process of creative discovery and exploitation of the opportunities outside the home market of the enterprise in search for competitive advantage” [Zahra & George, 2002]. It's also, according to Oviatt and McDougall “discovering, playing, evaluation, and seizing of the opportunities – across national borders – in order to shape the future of goods and services” [Oviatt & McDougall, 2005, p. 7].

The idea of using the occasion in the development due to its practical usefulness, is sometimes criticised [Obłój, 2003, p. 73]. However, in the XXI century companies must learn to operate in the chaos, respond quickly to changes, acquire the ability to search as well as use weak signals and not just clear and long-term trends.

The occasions, depending on where they occur, can be associated with different potential ways of discounting them [Krupski, Niemczyk & Staczyk-Hugiet, 2009]. The occasions are most commonly searched for in:

- a. the further business environment – greater range, longer period of occurrence, generally they do not generate competitive situations (e.g. tax changes),
- b. the competitive environment – less range, appear suddenly, they last short, competitive nature (e.g. the tender).

In a further enterprise's environment, corporate entrepreneurship may manifest itself in cooperation with contextual partners in order to create institutional environment favourable for their development. Relationships in so perceived strategic networks may be formal (as happens in countries with a high institutional transparency) and informal. From the first point of view, the most common is lobbying, which can happen in two ways:

- a. direct, i.e. an interest group / association → policy makers,
- b. indirect, i.e. an association → public opinion → policy makers. In this case, increasingly often lobbying is carried out by various kinds of councils intentionally appointed by corporations, or foundations aimed at supporting the entire industries. These types of organisations employ their own scientists, have their own research centres, conduct public debates, publish articles, etc. Sources of financing the activities of such organisations and their experts are not known to a wide public opinion [Buxton, 2014]. Thus there are being formed difficult to grasp and define network structures of connections controlled by corporations.

Corporate Entrepreneurship is also manifested, as mentioned earlier, in the “capturing” and discounting the occasions from the competitive environment, which is fostered by network connections.

In this case, the ability to recognise (awareness of) opportunity by the company appears to be a derivative of the competences of the company and its resources, especially knowledge and it determines the so-called flexibility of the company. The components of these resources relate to the technological flexibility (material technological infrastructure), social (human resources), entrepreneurship (knowledge and enterprise's key competences which are their expression) and financial. It is worth noting that in the case of a company operating in

the network, it is not so much about own resources, but about the access to the resources in the network. The higher the position of the company is in the network, the higher the access to resources is.

Opportunities are closely linked with the time (period of occurrence) and place. Hence, in economic discounting of opportunities great importance is attached to the flexibility of the strategy, and which is more easily achieved with less centralised organisational structure. This in turn gives more freedom to subsidiaries in regard to the relationships (scope and form) with business partners. In other words, own operational networks of TNCs' subsidiaries favour the capturing and use of the occasions. Thanks to them, they can:

- monitor, filter and identify occasions,
- use the opportunity by acquiring and organising resources, using their powers,
- manage the lifecycle of the occasions (e.g. to implement in other host countries or in other industries),
- oversee the life cycle of occasions from the perspective of global corporate efficiency.

Opportunities observed in this way affect decisions about target markets and forms of internationalisation [Coviello & Munro, 1995], thus making the grass-roots network connections to impinge on the shape of strategic business networks of transnational corporations.

Conclusions

The complex international organisational structure of TNC makes the network internationalisation process of TNCs have a dual character. The first relates to the development of strategic networks and is initiated by the parent units, and the second is the network connections of an operational nature between subsidiaries and their stakeholders. Both network structures are interdependent, promote greater flexibility of measures aimed at increasing customer expectations and allow under conditions of strong turbulences of the environment to “use” occasions, that are often only briefly revealed.

Regularities occurring in this regard require, however, further in-depth studies. The increasing complexity of networking allows TNCs in an active way to change the conditions of further environment and competitive environment according to their needs which is a part of the determinants of corporate entrepreneurship. Unfortunately, despite the methodological foundations created by the New Institutional Economics, TNCs' informal network connections are still relatively poorly recognized due to pragmatic reasons, and it applies not only in the relation to the strategic entrepreneurship.

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**INTERNACJONALIZACJA SIECIOWA KORPORACJI
TRANSNARODOWYCH A KORPORACYJNA PRZEDSIĘBIORCZOŚĆ**

Streszczenie: Złożona międzynarodowa struktura organizacyjna KTN sprawia, że sieciowy proces internacjonalizacji KTN ma dwoisty charakter. Pierwszy inicjowany przez jednostki macierzyste, odnosi się do kształtowania sieci strategicznych, a drugi to powiązania sieciowe o charakterze operacyjnym pomiędzy filiami i ich interesariuszami. Obie struktury sieciowe są względem siebie współzależne, sprzyjają większej elastyczności działań ukierunkowanych na rosnące oczekiwania klienta oraz pozwalają w warunkach silnej turbulencji otoczenia wykorzystać często tylko na chwilę ujawniające się okazje, co wpisuje się w wyznaczniki korporacyjnej przedsiębiorczości.

Słowa kluczowe: KTN, sieci, internacjonalizacja.