As pointed out recently by Kogut (forthcoming), the late 1980s have witnessed a significant evolution of academic interest in the MNC. An important element of this shift has been a change in the focus of research away from the dyadic headquarters–subsidiary relationship in MNCs, or the specific decision of a company to invest in a foreign location, to the coordination tasks of managing a network of established foreign subsidiaries and analysis of the competitive advantages that arise from the potential scope economies of such a network.

This new research focus demands new theoretical, conceptual and methodological anchors. Analysis of international competition, for example, has already embraced a range of new theories such as those of multiplant production, multipoint competition and valuation of options to explore the costs and benefits of the MNC’s geographic scope of activities (e.g., Teece 1980; Kogut 1983; Ghemawat and Spence 1986). This chapter advocates a similar adoption of interorganizational theory for future MNC-related research, albeit with some modifications to reflect the ownership-based intra-organizational ties that exist between the MNC headquarters and its different foreign subsidiaries. We believe that interorganizational theory, properly adapted, can provide new insights into a complex and geographically dispersed organizational system like the MNC, and our main objective here is to propose an initial formulation on how the concepts and tools of interorganizational analysis can be applied to fit this slightly different but analogous case.

To frame the context of our discussions, it may be useful to begin with an illustration. Figure 4.1 shows the simplest possible representation of N.V. Philips, a multinational company headquartered in the Netherlands. The company has its own operating units in 60 countries as diverse as the USA, France, Japan, South Korea, Nigeria, Uruguay and Bangladesh. Some of these units are large, fully-integrated companies.
Figure 4.1 Organizational units and some of the interlinkages within N.V. Philips