

The research question: Multinational Companies between global competition and regionally embedded innovation processes

The crucial actors of a global economy are multinational companies (MNC) which are on no account „footloose companies“. To a considerable extent they are dependent on an efficient institutional environment, since their competitive advantage in a world-wide competition depends also on the cross-border utilization of regional and national capabilities. Therefore, MNCs can be analyzed as international networks for the inner-organizational transfer of technological competences. Complementary to these transnational networks, the innovativeness of the economy is also based on regional innovation systems. Similar to MNCs, these innovation systems are also based on the existence of knowledge-based, learning networks. Multinational networks as well as regional networks can facilitate the emergence and utilization of innovations: The internationalization of companies facilitates cross-border processes of learning while the regional embeddedness of companies supports the emergence of close, trust-based relationships between different companies and between scientific, political and economic institutions.

In the project presented here, the relationship between organizational, multinational and regional arenas of knowledge production and knowledge transfer will be examined taking the example of selected innovation projects in four French and four German subsidiaries of multinational enterprises. In order to analyze the interaction between organizational and regional arenas of knowledge creation, we will examine the regional economic and governance structures and regional cluster and network policies pursued in the home regions of these eight subsidiaries. In this way, the international and interdisciplinary project team will be able to analyze firstly the strategic utilization of regional institutions and networks by multinational companies, secondly the integration of multinational companies into regional networks and thirdly the effectiveness of political attempts to regionally embedding multinational companies. Complementary to these eight innovation, organizational, and regional case studies, fourthly the quantitative distribution of regional and organizational capabilities in Europe will be examined. Through the evaluation of selected records (REGIO, ISI-production-innovation enquiry, CIS3) the eight case studies are to be put into a broader context.

Hypotheses of the project:

- 1. Regional bases of organizational capabilities (H1):** An important foundation for the innovative capability of multinational companies is the ability to exploit the specific advantages of regionally concentrated suppliers, customers, competitors and institutions and the proximity to strategic markets. These regional advantages can play an essential role in the company-wide negotiation and exchange relationships of MNCs.
- 2. Organizational bases of regional capabilities (H2):** At the same time multinational enterprises can considerably enhance the knowledge base of regional innovation systems. Regional institutions and companies can profit from the efforts of multinational enterprises and their local subsidiaries in recruiting, procurement, research, development, and education.
- 3. Political initiatives to facilitate regional learning processes (H3):** The reciprocal learning processes of regional companies, regional institutions and multinational enterprises can be supported to a certain extent by cluster policies, i.e. through the systematic development of regional networks. In this way, multinational enterprises can be integrated in regional institutions and networks.
- 4. Concentration of regional and organizational capabilities in Europe (H4):** scientific, technological, organizational and regional capabilities in Europe are spatially concentrated to a considerable extent in the classical European core region, the city belt from Southern England, Belgium, the Netherlands, Ile-de-France and Western Germany to Switzerland, Austria and Northern Italy.

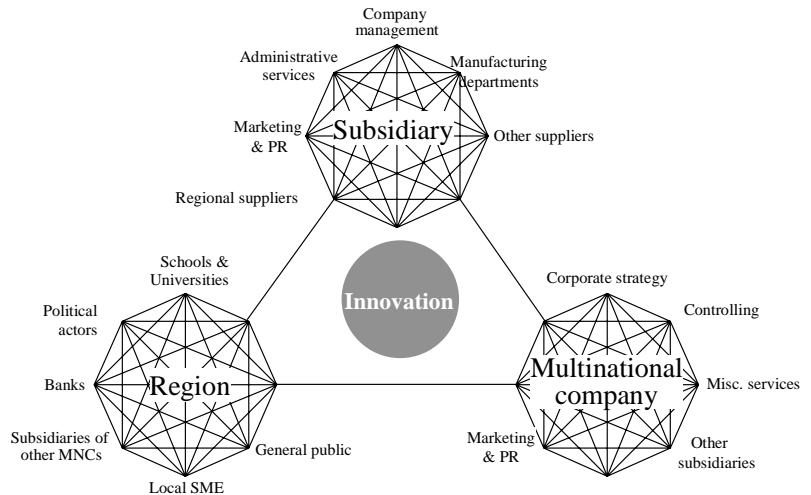
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The social embeddedness of innovations: Between organizational, multinational and regional networks



An example for a global, regionally embedded research network: Research locations of SAP



„SAP Corporate Research: Applied research team that examines new technologies and how they could be used at SAP for innovative software solutions or new business models. To this end, the team works closely with external researchers and internal business units.

SAP Labs: With eight SAP Labs teams distributed across the world, SAP is able to use local IT know-how to develop and extend SAP solutions. SAP Labs are located in high-tech centers and include employees that speak the local language.“ Source: SAP Innovation Report 2003. Copyright: SAP.

Start of the project:

2006-2009

Publications of the team members on regional and organizational capabilities:

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- Barmeyer, Christoph I/Bolten, Jürgen (Hg.), 1998: Interkulturelle Personalorganisation. Sternenfels/Berlin, Wissenschaft & Praxis.
- Cooke, Philip; Heidenreich, Martin; Braczyk, Hans-Joachim (eds.) (2004): Regional Innovations Systems. London, New York. Routledge.
- Heidenreich, Martin, 2005: The Renewal of Regional Capabilities. Experimental Regionalism in Germany. *Research Policy* 34 (5): 739–757.
- Koschatzky, Knut (2005): The Regionalization of Innovation Policy: New Options for Regional Change? In: Fuchs, Gerhard; Shapira, Philip (Eds.): Rethinking Regional Innovation and Change. New York: Springer, 291-312.
- Koschatzky, Knut (2004): The role of R&D services in managing regional knowledge generation – a regional differentiation. In: Karlsson, Charlie; Flensburg, Per; Hörte, Sven-Åke (Eds.): Knowledge Spillovers and Knowledge Management. Cheltenham: Edward Elgar, 237-267.