

Innovation beyond Head Office

A new study by **Christopher Williams** shows how a political heterarchy helps subsidiaries of multinational firms get their ideas out

In the late 1970s, Dutch technology giant Philips gave its UK subsidiary a high level of autonomy to develop teletext decoder technology. The idea, to exploit unused bandwidth in television broadcasts to deliver textual information to viewers, was supported by the UK government. The UK team pushed forward and Philips ended up marketing the new technology in a wide range of countries. Without the entrepreneurial drive of its UK subsidiary, Philips might have missed a valuable opportunity.

Philips UK is a famous example of how a foreign subsidiary can be an important source of opportunity and renewal for a multinational firm. Although subsidiaries are often viewed as “low power” actors, Ivey Professor Christopher Williams has seen how they can drive change across the firm. Williams spent two decades in multinational firms working on innovation projects before pursuing an academic career in this area. “Managers employed in local subsidiaries around the world think differently and see things differently than their regional or global headquarters,” he says. “They

are in a very good position to spot opportunities, see sources of value, and drive initiative.”

In a paper to be published in *Journal of Management Studies* Williams explores how entrepreneurial initiatives move outward from a subsidiary into other parts of a multinational firm, a process known as “dispersed entrepreneurship.” Existing academic literature highlights a number of factors that lead to dispersed entrepreneurship, such as espousing entrepreneurship as part of corporate strategy, developing a culture of innovation in the local subsidiary, and encouraging proactive subsidiary managers. Williams’s study introduces a new construct to this literature: “political heterarchy.”

Heterarchy itself is not a new idea. Heterarchy views a firm as a network rather than a hierarchy, allowing for greater flexibility and autonomy at the local level. Political heterarchy adds another dimension to this notion – the seeking of power and influence within the organization’s heterarchy. “Entrepreneurial behaviour within a multinational firm requires political

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Institute Buzz

By Stewart Thornhill,
Executive Director, Pierre
L. Morrissette Institute for
Entrepreneurship

Growth is a funny thing. Don’t get me wrong, I’m pro-growth. An entrepreneurship institute would be an odd place for someone who wasn’t. But, like a growing business, we are experiencing some of the challenges that come with continuous, rapid expansion.

Each year, more and more students have been signing up for courses in Entrepreneurship and to participate in the Ivey New Venture Project (hats off to Ron Close, Tara Grzegorzczuk and our team of Virtual Entrepreneurs-in-Residence for an amazing year!). So we’ve been adding faculty and staff – Deanna Bond recently joined us as Initiatives Coordinator and Prof. Brian Anderson will be joining the faculty roster this summer. As a team, we have the opportunity to influence more and more students and to shape the tone of learning throughout Ivey. As individuals, however, we are each at risk of losing some of the direct connections – with our students and our colleagues – that are so important.

So as spring leans toward summer and a new academic cycle peeks over the horizon, we have an opportunity to reflect on what a great time it is to be part of the explosion in entrepreneurial passion that has become so central to all our programs at Ivey. Then we need to make doubly sure that we continue to execute on those programs and make them even better.

Enjoy the issue!



Pierre L. Morrissette
Institute for
Entrepreneurship

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manoeuvring in many directions,” says Williams. “Some people will be in favour of what you’re trying to do, others will be against. In political heterarchy we bring two ideas together: one has to do with seeing an organization as a network of distributed capabilities, the other is all about gaining power in order to pursue an entrepreneurial opportunity.”

In his study Williams surveyed middle-ranking managers from 135 subsidiaries in 21 countries. He found that initiatives originating in subsidiaries are more likely to be adopted in other locations of the firm when subsidiary managers actively seek influence through the firm’s heterarchy.

The data also showed that an entrepreneurial strategy at corporate level had little effect on dispersed entrepreneurship in the absence of a political heterarchy. “If you want your subsidiaries to be the spark plugs and create value for the wider firm, having elements of innovation, risk-taking and proactivity in corporate strategy is not enough,” he says. “You also need to address how managers are going to interact behaviourally, and how power will ebb and flow laterally throughout the organization.”

Williams looks at entrepreneurship in a subsidiary as a three stage process: identifying, evaluating, and exploiting an opportunity. When a subsidiary is active in a political heterarchy it is much better positioned to be successful at each stage. “In a political heterarchy, subsidiary managers are able to reconcile the needs of other subsidiaries with the kind of thinking going on at headquarters,” he says. “To get entrepreneurial initiatives adopted elsewhere, the subsidiary needs

about the author



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to be plugged into the wider enterprise and able to both learn from it and exert a certain amount of power over it.”

Managers might roll their eyes at the idea of political gamesmanship, but Williams believes that subsidiary power-seeking within the firm’s heterarchy can be a good thing. “Political game-playing in multinational firms comes with the turf,” says Williams. “As long as you deal with any protracted arguments or detrimental effects, entrepreneurs will be stimulated.”

Williams draws an analogy between entrepreneurially-minded subsidiary managers and individual entrepreneurs starting their own businesses.

“Entrepreneurs in society do not shy away from getting out there, getting involved, getting attention and generating a certain amount of influence for themselves,” he says.

Williams’s research has implications for headquarters and subsidiary managers in multinational firms (see sidebar). Headquarters managers should encourage a heterarchical environment if they’re looking for subsidiaries to spread new ideas around the firm. Once such an environment is established they need to keep tabs on how the heterarchical arrangements are actually working. That requires monitoring and listening to their subsidiaries, and ultimately relinquishing some power.

Managers of subsidiaries need to play a politically active role within the firm’s heterarchical structure, if they wish to drive initiatives into other units. “If you are a manager who is likely to form alliances with other subsidiaries, you have more power when you negotiate with headquarters,” says Williams. “If you are in a subsidiary that is trying to develop itself as a centre of excellence, you have more power.”

Williams advises his students that they can work in a large multinational firm and still be entrepreneurs. “If you have a calling to be involved in entrepreneurial phenomena, you can do it alone or you can join a firm with a hundred thousand people,” he says. “Entrepreneurship in this context can be a dynamic and rewarding way of life.”

Tips

for entrepreneurial managers in multinational firms

When a multinational firm activates its political heterarchy, subsidiaries can drive entrepreneurial activity outward through the organization (see *article*). Here are some tips from Ivey Professor Christopher Williams on how managers can make it happen:

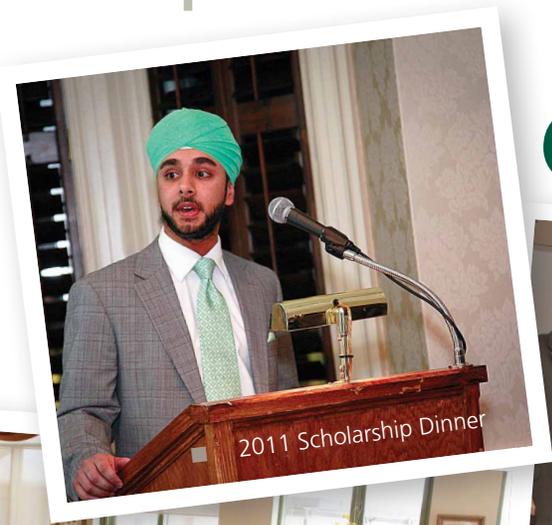
Headquarters managers should:

- Encourage subsidiary managers to work in multi-disciplinary teams
- Support subsidiaries to develop as centres of excellence where appropriate
- Engage subsidiary managers with peers and headquarters managers in budgeting
- Allow coalitions and alliances to form
- Encourage some political game-playing, without allowing it to become protracted or harmful

Subsidiary managers should:

- Be willing to work in multi-disciplinary teams
- Think about and plan for ways to become a centre of excellence
- Use technical experts during negotiations with others outside of the subsidiary
- Build alliances and coalitions with others within the wider organization
- Sponsor corporate initiatives to build relational capital with headquarters managers
- Recruit and develop managers with proactive personalities
- Allow employees within the subsidiary the time to develop their own new ideas

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