ENHANCING EGYPTIAN ENTREPRENEURSHIP IN THE ERA OF INTERNATIONALISATION

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Abstract - The rapid globalization of world markets has encouraged companies of all sizes and national origins to expand internationally. To benefit from their international expansion, companies need to foster entrepreneurship throughout their operations. This article identifies several challenges companies encounter as they attempt to promote entrepreneurship and discusses ways executives can creatively address them. It shows how managing these challenges can encourage organizational learning of new skills, thereby giving companies new competencies that allow them to profit from their international operations.In this article, we propose that companies can significantly increase the odds of their survival and subsequent success in foreign markets by being entrepreneurial in both domestic and international markets. Entrepreneurship, which embodies both innovation and venturing activities, is crucial to the conception, development and execution of an innovative and effective global strategy that creates value for the company and its shareholders. The next section of the article discusses the relationship between internationalization and a firm's entrepreneurship as well as the potential impact of entrepreneurship in determining a company's financial performance. The second section identifies key challenges executives frequently encounter in fostering and harvesting entrepreneurship in a globalized firm. Finally, we explore key ways that senior executives can reconcile these challenges and make effective use of entrepreneurship in enhancing the success of their company's international operations.

I. INTRODUCTION

Companies, large and small, have expanded their operations by entering foreign markets. Driven by the powerful forces of technological change, major market shifts and an increasingly global market, companies have used multiple approaches to expand their international operations (Zahra &Garvis, 2000). As internationalization continues to accelerate, companies need to invest heavily in learning and developing new core competencies in their foreign markets.

Growing investments in building international operations do not always guarantee success, whether measured by a company's survival, profitability or growth. It may take years to build strong and enduring capabilities in international markets, without guarantee of success. This encourages some companies to take a low risk approach to designing their international expansion. Some companies play it safe by exporting their successful domestic practices into their new international markets. Other companies simply revise their domestic products and operations to fit their international customers. While some imitation is useful, wholesale copying of other companies' strategies often leads to disappointing, if not tragic consequences.

In this article, we propose that companies can significantly increase the odds of their survival and subsequent success in foreign markets by being entrepreneurial in both domestic and international markets. Entrepreneurship, which embodies both innovation and venturing activities, is crucial to the conception, development and execution of an innovative and effective global strategy that creates value for the company and its shareholders. Even though a careful analysis of the competitive landscape in foreign markets is imperative, entrepreneurship enables a company to deliver greater value to its customers, shareholders and other stakeholders (Birkinshaw, 1997). Entrepreneurial behavior has complementary Kirznerian and Schumpeterian dimensions. Following Kirzner (1979), a firm should be alert to emerging opportunities in international markets. This alertness is important in recognizing, defining, and pursuing selected opportunities. Alertness also influences the types and timing of strategic moves that companies undertake. Following Schumpeter (1934), a company also has to engage in product, process and organizational innovations to capitalize on and benefit from emerging market opportunities. Successful global firms frequently play a different game from their less successful rivals: they engage in an effective process of resource recombination through innovation and venturing. This process alters the fabric and the dynamics of competition in their industries (Rumelt, 1987; Zahra, 1991).

The next section of the article discusses the relationship between internationalization and a firm's entrepreneurship as well as the potential impact of entrepreneurship in determining a company's financial performance. The second section identifies key challenges executives frequently encounter in fostering and harvesting entrepreneurship in a globalized firm. Finally, we explore key ways that senior executives can reconcile these challenges and make effective use of entrepreneurship in enhancing the success of their company's international operations.

II. INTERNATIONALIZATION, ENTREPRENEURSHIP AND COMPANY PERFORMANCE

Entrepreneurship means different things to different people. In this article, entrepreneurship refers to a company's formal and informal activities aimed at increasing innovation and venturing. Innovation has product, process and organizational components (Guth& Ginsberg, 1990). Product innovations create new goods and services, or improve existing ones. Process innovations generate new ways of doing things by developing new systems, processes and procedures. Organizational innovations develop new types of firms or new ways of structuring these firms' operations (Kanter, 1983). Individually or in combination, product, process and organizational innovations enhance a company's competitive position in international markets and improve its subsequent financial performance.

Venturing centers on the creation of new businesses or markets. International venturing takes the company into a new territory, market or even an industry. It exposes the firm to different cultures, markets and systems of innovation. It also connects the firm to different and possibly diverse, networks of suppliers, competitors, and customers (Zahra, Ireland &Hitt, 2000). This gives the firm access to different resources, especially the knowledge needed to refine and extend the company's capabilities. International venturing can revitalize the company's operations and extends its potential sources of competitive advantage.

Innovation and venturing often complement one another, especially as the firm expands internationally. Venturing defines a company's strategic territory (business scope), whereas innovation makes the pursuit of opportunities within given markets possible and profitable. Success in international markets frequently requires products that have innovative designs and manufacturing features. Creating these products requires effective organizational and process innovation. Successful international companies know how to leverage these innovations across borders. These companies work hard to adapt their products to local cultures. When it is not possible to adapt existing products, successful firms develop products that target those markets specifically.

Figure 1 presents a model of the relationship between the internationalization of a company's operations, entrepreneurship and performance. The model indicates that internationalization can give the firm several sources of competitive advantage such as reduced costs and economies of scope. Economies of scale and scope significantly reduce the firm's costs of operations, while improving its ability to compete and improve its performance. These effects are shown by the direct arrow from internationalization to company performance (arrow 1, Figure 1). This direct relationship has been supported previously in some empirical studies, especially those relating to international diversification (Hitt, Hoskisson& Ireland, 1994; Hitt, Hoskisson& Kim, 1997; Zahra &Garvis, 2000).

International Expansion, Entrepreneurship and Company Performance

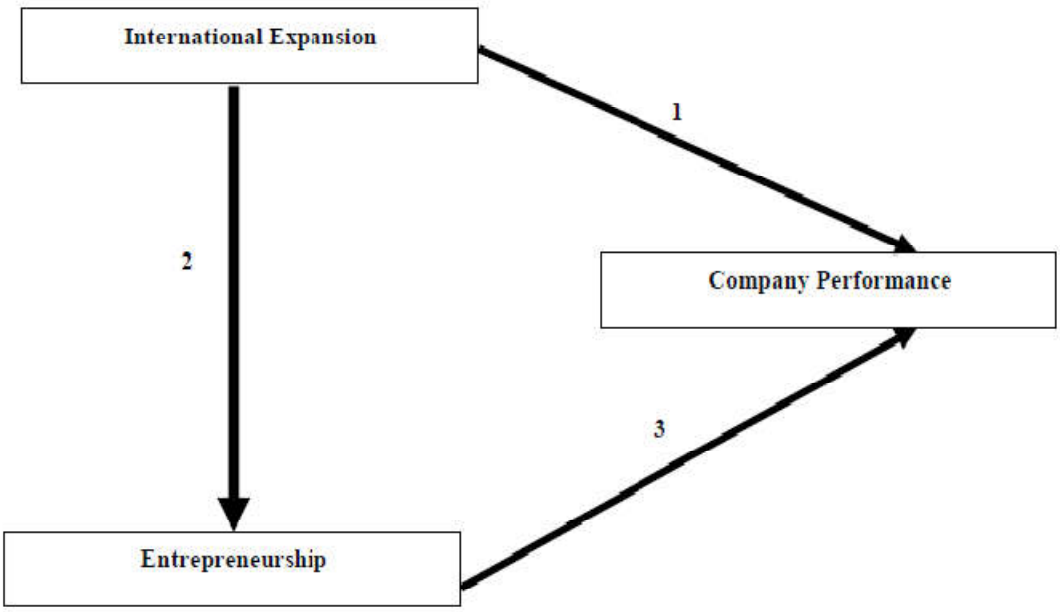

Figure 1

International Expansion, Entrepreneurship and Company Performance

The lower portion of Figure 1 suggests another important path. Internationalization can induce and promote entrepreneurship (arrow 2) which, in turn, can improve the company's overall performance (arrow 3). Arrow 2 raises a question: Why should one expect internationalization to increase entrepreneurship? We believe that the answer lies in the possibility that internationalization exposes the firm to new business environments where it can learn different things from different local or foreign companies (Zahra et al., 2000). Exposure to different national markets, with different structures and market demands, may encourage the firm to innovate. As international expansion continues, the firm can learn different skills that allow it to build those capabilities needed to acquire and maintain a strong competitive position and improve its financial performance in these markets. Learning means the acquisition of new skills (technological, competitive, administrative, marketing, or social) that can augment and expand the firm's current capabilities.

Internationalization connects the firm to different suppliers, buyers and other networks. Contacts (or interactions) with such networks enable the firm to gain new knowledge, a factor that can spur innovation (Dyer & Singh, 1999; Zahra, George &Garvis, 1999). Networks are a vital source of information about new market trends. Information gathered from networks also offers a basis for examining a firm's product portfolio, manufacturing processes, and other processes (McEvily&Zaheer, 1999). Information gained from new networks enable the company to locate new market niches or identify weaknesses in its international operations. Either way, this process can fuel and intensify the firm's entrepreneurship (Morris, 1998). Constant surveying of the environment can also keep the firm alert to, and aware of, emerging opportunities in existing or new markets. Alertness is an integral part of the entrepreneurial process (Kirzner, 1979).

Internationalization exposes the firm to different national systems of innovations (Nelson, 1993). Countries vary significantly in their organization of industries and the systems that they use to promote entrepreneurship. These differences reflect historical investment patterns (Porter, 1999), cultural differences (Shane, 1994a) and geography (Krugman, 1998). Exposure to these different systems can promote learning (Huber, 1991), where the firm learns from the actions and strategies of its competitors. Over time, imitation becomes a foundation for radical innovation as has happened in Korean (Kim, 1997) and Japanese (Kodama, 1992) multinationals.

Internationalization spurs entrepreneurship by lowering executives' perceptions of risks. Entrepreneurship centers on taking calculated risks (Stevenson &Gumpert, 1991). Investments made in radical innovations or new market entry are usually high, without significant guarantees of success. As the firm expands internationally, investments made in entrepreneurial activities are spread over many markets. This can reduce senior managers' perceptions of their respective levels of risk and significantly influence their decisions. Specifically, when executives do not feel that reputations, positions, or rewards are at significant risk, they are likely to support entrepreneurship (Zahra, 1991

Consistent with arrow 3 (Figure 1), research indicates that entrepreneurship is associated with superior company performance. For example, a study of 119 Fortune 500 companies found such a positive relationship (Zahra, 1991). Another study of 102 companies in mature industries reached a similar conclusion (Zahra, 1993). A study of 239 medium-sized manufacturing firms also found a positive relationship between entrepreneurship and a company's subsequent financial performance (Zahra, Neubaum&Huse, 2000). This latter study also found that international venturing is positively associated with future financial performance. Likewise, a study of 437 Swedish firms found that entrepreneurship is positively associated with performance (Wiklund, 1999). Other studies, however, concluded that the relationship between entrepreneurship and a company's performance is contingent upon the external environment (Covin&Slevin, 1989; Zahra, 1993; Zahra &Covin, 1995). Finally, a study found that entrepreneurship in the international operations of 167 companies was related to company performance but this link was contingent upon a firm's external environment (Zahra &Garvis, 2000).

To date, the internationalization, entrepreneurship and performance linkages have received limited attention in past research. Morck and Yeung (1991) found that entrepreneurship significantly moderates the effect of multinationality on a company's financial performance. Multinationality, defined as the number of countries in which the firm competes, has a higher positive effect on performance when the firm is entrepreneurial. This finding reiterates the value of being entrepreneurial as the company proceeds to internationalize its operations. Zahra and Garvis (2000) reach a similar conclusion, while suggesting this relationship is context-specific.Therefore, the payoff from entrepreneurship depends on the firm's business environment. It depends also on the firm's structure and how it manages its international operations. Figure 2 presents three different scenarios depicting the potential relationships between a firm's

entrepreneurship, arising from internationalization and profits.

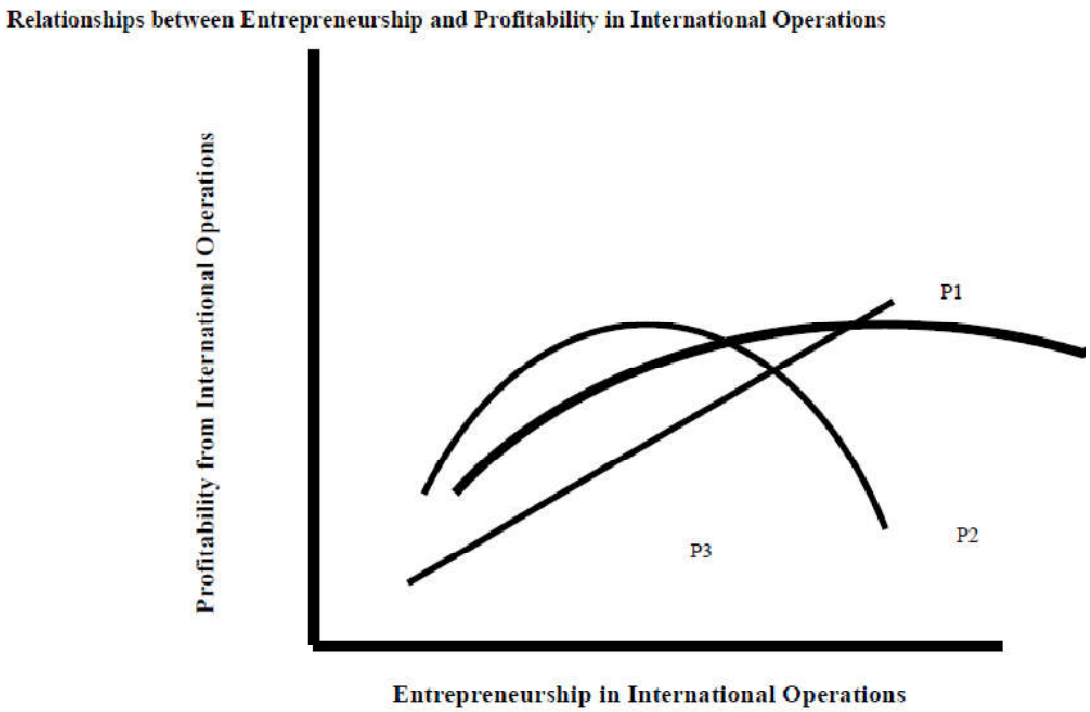

Figure 2

Relationships between Entrepreneurship and Profitability in International Operations

P1 (Figure 2) depicts the situation where greater internationalization is accompanied by more and more entrepreneurship. Under this scenario, profitability also continues to increase because the firm targets different customer groups who need different goods and services. Here, internationalization fuels future innovation and venturing. The firm may adapt its existing products to foreign markets or develop new ways to serve new customers. Early in this process, increased internationalization spurs and intensifies entrepreneurship but the firm may experience some losses as it pursues multiple opportunities. However, as the firm continues its internationalization and gains experience in cultivating entrepreneurship net profits increase.

One limitation of this scenario (P1) is the assumption of linearity between entrepreneurship and profitability. Therefore, in P2 and P3 (Figure 2), we recast these relationships in a non-linear fashion. In P2, entrepreneurship continues to rise as internationalization increases. This rise continues to a point where entrepreneurship begins to decline. This inflection point occurs because companies that engage in international expansion might become preoccupied with managing the complex web of the relationships that they develop. Strategic coherence (Teece, Rumelt, Dosi& Winter, 1994) is lost and the new knowledge that potentially can fuel future innovation is overlooked. When this occurs, profits from entrepreneurship might erode over time (represented by P2 in Figure 2) or sharply in the short term (as in P3 in Figure 2). The different between P2 and P3 lies in managerial efficiency in identifying entrepreneurial opportunities to pursue and creating structures needed to harvest entrepreneurship.

Clearly, lack of strategic coherence is only one of the possible sources of the potential decline in entrepreneurship and profits as a firm's internationalization escalates (Figure 2). The company may become unable to harvest its entrepreneurial discoveries. It may introduce new systems intended to spur entrepreneurship. As these systems multiply, inter-unit communications become difficult, slowing down the process of exploiting (i.e., harvesting) the firm's discoveries.

As the above discussion illustrates, internationalization has the potential to spur entrepreneurship in some companies. Gains from entrepreneurship depend on, among other things, the firm’s ability to harvest its discoveries. This process is complicated by the fact that firms have to address multiple challenges associated with managing entrepreneurship. These challenges, which can constrain the firm’s actions and reduce its ability to profit from its entrepreneurship, are discussed next.

III. MANAGING THE INTERNATIONALIZATION - ENTREPRENEURSHIP LINK: CHALLENGES AND OPPORTUNITIES

Companies seeking to promote entrepreneurship as they expand internationally must address four key challenges: managing the duality of entrepreneurial activities while learning; recognizing the importance of adapting the firm's organizational culture while maintaining organizational identity; balancing the need for local responsiveness and organizational integration while avoiding complexity; and determining the appropriate locus of entrepreneurship. This section discusses each of these issues in turn.

IV. MANAGING THE DUALITY OF ENTREPRENEURSHIP AND LEARNING.

Entrepreneurial activities can be formal or informal (Burgelman, 1983). Formal entrepreneurial activities are usually sanctioned and supported by the firm's management. Informal entrepreneurial initiatives often occur in international operations because of individual or group initiatives; they unfold autonomously outside the firm's existing strategy or structure (Burgelman& Sayles, 1986). Informal entrepreneurial initiatives complement formal entrepreneurial programs introduced by management and are important for firm performance. Both formal and informal entrepreneurial activities occur in the firm's current international operations as well as in frontier markets outside of current operations, as shown in Figure 3.

	Current	Frontiers
Informal Entrpreneurship	3	4
Formal Entrepreneurship	1	2

Figure 3
Entrepreneurship in Current and Frontier International Markets

Formal entrepreneurial activities that occur in current operations (Cell 1, Figure 3) focus on exploiting current or new skills in existing markets. They leverage those capabilities that firms already possess. When they occur on the frontiers (Cell 2), formal entrepreneurial initiatives stretch a firm's skills by deploying them differently. These "stretching" efforts allow the firm to capitalize on emerging opportunities in new markets. Informal entrepreneurial activities might also focus on existing markets (Cell 3), with the aim of complementing and augmenting ongoing formal efforts, supplementing existing skills, or finding new uses for existing competencies. Informal activities in "frontier" international operations (Cell 4) generate important information about potential opportunities beyond the firm's existing domain. These activities represent experiments aimed at identifying and defining new opportunities and new markets.

Managing the firm's various entrepreneurial activities (Figure 3) requires different management styles, structures, and systems. Balancing these diverse systems can also absorb managers' attention, diluting the value that these different entrepreneurial activities add to the firm.

Companies often do not do a good job in taking stock of the learning that results from their different entrepreneurial activities (Figure 3). Executives focus their attention on exploiting opportunities arising from internationalization while ignoring knowledge integration. March (1991), however, suggests that companies must balance the need to exploit existing knowledge with the need to explore (gain) new knowledge. Exploitative learning is the process by which firms acquire new knowledge from using what they already know. Exploratory learning is the process by which firms seek radically new knowledge that lies outside their traditional skill base. This knowledge can redefine a firm's mindset concerning how and where it competes. The process of redefinition is an integral component of a company's strategic renewal and therefore constitutes an

important aspect of entrepreneurship (Guth& Ginsberg, 1990). Exploratory learning is important to sustaining entrepreneurship.

Learning arising from internationalization is crucial for building new skills. Companies build new skills by taking stock of their new knowledge, relating it to their existing knowledge base, and deploying it in pursuit of strategic goals. This integration of knowledge is critical for the development of new skills. These skills are then combined to build new competencies that spur new cycles of entrepreneurship through innovation and venturing, as well as further international expansion. This process is presented in Figure 4, which shows an ongoing cycle of creative destruction that is similar to the one Schumpeter (1934) has envisioned. This cycle can not be sustained, however, without a keen awareness of and significant commitment to defining new opportunities (Kirzner, 1979). The unfolding and persistence of this cycle, in turn, depends on a firm's ability to recognize and utilize the insights it has learned from its international expansion. The firm should also develop systems that probe and capture any new marketing, technological and social knowledge gained from internationalization. The various entrepreneurial activities represented previously in Figure 3 are likely to yield different types of knowledge and the company has to devote the resources and time needed to understand and utilize this knowledge.
[Insert figure 4 about here]

V. CULTURAL ADAPTATION AND ORGANIZATIONAL IDENTITY

A firm's entrepreneurial activities are closely connected to its organizational culture (Kanter, 1983). Organizational culture can induce (or inhibit) the firm's willingness to assume risks, innovate or exhibit proactiveness (Morris, 1998). As the firm seeks further internationalization of its operations, its ability to maintain the organizational culture that has spurred entrepreneurship is tested. Firms must often adapt to local market conditions as well as to the local national culture. Though essential for market success, this process of adaptation can dilute the full benefit of organizational cultures. On the other hand, if a firm persists in attempting to export its values and norms, it might encounter greater difficulties in dealing with its employees, local agencies, or regulatory bodies. These challenges distract managers from fostering innovation and venturing activities. If firms exhibit a willingness to adapt, there is no guarantee that the resultant hybrid culture can effectively substitute the firm's original culture. Excessive adaptation can lead to a series of compromises that do not establish a clear focus, provide a sense of mission, or ensure strategic coherence. Such compromises can dilute the firm's identity, the wellspring of its values and norms that guide employee behaviors.

Conversely, if the firm exhibits a willingness to adapt, the resulting cultural polarity may induce diversity and stimulate creativity. Competing values in an organization may encourage employees and executives to explore innovative ideas. One company that has successfully managed this conflict between maintaining its core values and adaptation to individual local markets is Irisbus. Irisbus, the third largest bus manufacturer in the world, headquartered in Barcelona, Spain was recently formed by a joint venture between French automaker Renault and the Italian Fiat Group. Concerned with maintaining a diverse culture, Irisbus insists on not imposing a single language on employees and executives. The company, whose production operations span several eastern and western European countries, utilizes local languages in most instances. Executives believe this flexibility is necessary to allow its sub-units to maintain their specific national identity and that this sense of culture can enhance entrepreneurship. Senior executives believe that the French will be more entrepreneurial if they are allowed to maintain and enjoy their own cultural identity. Dictating a Spanish culture or language may harm this entrepreneurship. However, top management understands well the cost implications of fostering diversity and as well as the need to form an integrated and efficient company. To this end, senior executives have turned their attention towards standardizing physical inputs across local markets as a way of streamlining production, reducing the number of models and reducing costs.

Pursuing multiple formal and informal activities (Figure 3) in multiple national markets can change the firm's business definition and its competitive approach. Over time, these changes can alter the company's self-identity, its unique core value system. The pressure to re-examine the company's identity increases as the firm builds increasingly complex international structures.

VI. ATTAINING INTEGRATION WHILE AVOIDING ORGANIZATIONAL COMPLEXITY

Internationalization takes the firm closer to new competitors, suppliers, customers and other related institutions. These groups are major sources of new knowledge that are critical to developing new skills (Zander &Solvell, 2000). Technological specialization within foreign markets (Pavitt, 1988) also provides a basis for organizational learning as well as acquiring new skills, which can stimulate entrepreneurship.

Companies that expand internationally face the major challenge of integrating diverse types of knowledge

so that the organization as a whole can benefit (Zahra et al., 2000). The dispersion of a company's foreign operations makes the transfer of knowledge difficult (Clark, 1971; Zander &Solvell, 2000), even in the presence of increasingly sophisticated information technology (Nohria&Eccles, 1992). Compounding this issue is the fact that knowledge derived from the firm's international markets is often fragmented and complex, making it difficult for managers to integrate it into a meaningful whole. To capitalize on this knowledge, some international firms have moved from a fully centralized to a fully connected, decentralized organizational structure (Bartlett &Ghoshal, 1998). Companies can use two structures to coordinate and integrate their international subsidiaries. These structures are "integrated players" and "global innovators".

Knowledge that is important to sustaining and promoting entrepreneurship includes both expertise and market-based knowledge (Gupta &Govidarajan, 1991). Expertise includes local knowledge about acquiring resources, designing products or processes, marketing and distribution. A firm seeking to promote entrepreneurship as it expands internationally has to maximize the integration of knowledge acquired by international subsidiaries.

In the "integrated player" structure, there are high levels of inflows and outflows of knowledge between the subsidiary and the rest of the firm. This structure is also sometimes referred to as "a duplication configuration" (Zander &Solvell 2000), because foreign subsidiaries duplicate their headquarters' (HQ) systems with respect to particular product lines. Duplicate systems enhance flexibility, improve innovation, and eliminate the "not-invented-here" syndrome encountered sometimes in the introduction and commercialization of new technology. These systems also enable the firm to focus particular activities in those locations that are most productive or competitively most advantageous around the globe. Quality is also improved by the frequent exchange of knowledge about a given product (technology) among subsidiaries, and between subsidiaries and their HQ.

Gupta and Govindarajan (1991) label subsidiaries as "global innovators" when there are high levels of knowledge outflow and low levels of knowledge inflow. These subsidiaries serve as the "fountainhead of knowledge" for the rest of the firm. Zander and Solvell (2000) describe this type of configuration as one of diversification, where international firms develop unique centers of specialized knowledge in each foreign country. This configuration increases the firm's access to country-specific knowledge, resources and capabilities that would not be available to the firm if it locates its technology (product) development activities centrally. It also promotes the sharing of locally acquired knowledge and thus promotes the rapid international diffusion of new technology.

Promoting the exchange of knowledge throughout the organization is important for stimulating entrepreneurship in the firm's international operations. According to Gupta and Govindarajan (1991), higher levels of knowledge flows have serious implications for a company's control systems. Integrated players need more lateral integration than global innovators. Integrated players also make greater use of formal integration structures, formal communications systems, and top management teams that are more globally oriented. In contrast, global innovators require lower levels of knowledge diffusion because they do not have such high levels of knowledge inflows, but they still require greater levels of knowledge integration necessary to stimulate entrepreneurship.

Greater knowledge integration demands complex lateral integration mechanisms such as the use of cross-unit committees, formal integrator roles, and matrix structures. Lateral integration mechanisms connect the firms' diverse subsidiaries and link their operations, making it possible to exchange information, share resources and collaborate across units. Frequent knowledge flows, in turn, demand intensive and effective communication. Corporate and cultural differences as well as the not-invented-here syndrome (Gassman& Von Zedwitz, 1999) frequently impact the successful use of integrating mechanisms spanning national borders.

Shane's (1994a,b) research on innovation champions identifies some important cultural differences that can influence the effectiveness of integration mechanisms used in the firm's international operations. Champions play a major role in identifying, refining and supporting innovations introduced by individuals, groups and units within an organization. Shane (1994b) reports that in Germany and India, anyone who is working on an innovation should be brought into the decision making process, while in Japan, only high status individuals should be included. In Japan and Chile it is not appropriate to allow innovators to make decisions based upon their intuition, while the opposite is true in France. These cultural differences regarding acceptable decision making styles influence entrepreneurial activities.

Shane's research has significant implications for the composition of cross-unit committees dedicated to the sharing of knowledge and to appropriate decision making styles in cross-cultural entrepreneurial teams. The design and staffing of these teams influences perceptions of procedural justice which, in turn, determines commitment, trust, social harmony, and outcome satisfaction among subsidiaries' top management (Kim &Mauborgne, 1991; 1993). Procedural justice exists when members of an

organization (or unit) believe that decisions (e.g., resource allocations) are made in a way that ensures fairness. The existence of mechanisms by which individuals or groups might appeal to higher managers' decisions without fear of retaliation can promote a sense of fairness, which stimulates entrepreneurship.

The orientation of international subsidiaries' top management team (TMT) can also affect the firm's success in integrating different groups in ways that spur entrepreneurship. A global orientation can increase awareness of HQ's goals, products, and systems, which promote mutual understanding between subsidiaries and the parent organization. This can expedite the effective transfer of knowledge between organizational units and their respective members (e.g., Nonaka, 1994). To develop a global orientation, international subsidiaries' TMT need to have a higher ratio of home country nationals (expatriates) capable of comprehending local markets and cultures.

Successful subsidiary executives should also exhibit higher levels of tolerance for ambiguity (Gupta &Govindarajan, 1991). Entrepreneurial activities demand an ability to deal with uncertainty, an appreciation of the ambiguity of the tasks involved, and a long-term outlook in evaluating these initiatives. These qualities are becoming especially important for those companies that move towards greater decentralization of their international operations. The careful selection and development of executives with the requisite skills to make decisions quickly, serve as champions, and promote a desire to take risks throughout their subsidiaries should support this decentralized structure. Executives have to develop and maintain strong links to other subsidiaries within their parent company.

As the above discussion shows, firms seeking to maintain entrepreneurship as they expand their international operations must attend to the need to maximize knowledge outflows from and between their subsidiaries. This is achieved through the use of integration mechanisms increased responsibility assigned the subsidiary, and increased autonomy given to subsidiary managers. These forces challenge corporate and subsidiary managers to develop appropriate structures that simultaneously formalize organizational systems and priorities while promoting informal communication, frequent interactions, and taking initiatives that might lie outside the company's formal strategy and structure (Figure 4). The risks of fragmentation of knowledge increase as these formal processes persist, but without them entrepreneurship are likely to decline. Subsidiary managers must manage these conflicting demands. However, these challenges are difficult to resolve, which has led companies to search for solutions that allow them to capitalize on local knowledge in developing overall global initiatives and directions.

VII. CENTRALIZED VS. DIFFUSED ENTREPRENEURSHIP

One of the key dilemmas facing globalized companies is determining the locus of their entrepreneurial activities. Organizations can choose to introduce formal entrepreneurial activities on an international scale by producing products designed to span multiple markets, innovate on a local scale, or choose a mixed strategy.

Centralized entrepreneurship allows firms to develop processes quickly through improved communication (Prahalad&Doz, 1987). These formal entrepreneurial efforts usually target internationally viable products, which may or may not be appropriate for specific local markets. Conversely, companies using localized R&D processes can achieve greater responsiveness to local market needs. Yet, because the resulting products have to be tailored to particular local marketsthey may lack international appeal. Unilever's experience offers an interesting illustration of this dilemma.

As one of the world's largest food manufacturers, Unilever offers a wide variety of branded products in nearly every country around the world (Christensen, 1998). A decade or so ago, the company consisted of literally hundreds of organizationally distinct operating companies, where most of these units had been acquired at various points in time. Whereas these business units historically had pursued product development and branding strategies independently, Unilever was anxious to move to a more centralized management model, aiming to leverage its fixed investments in brands, new product development and manufacturing capability across multiple—even global – markets, without sacrificing local responsiveness.

To balance its local strength with its global operations, Unilever introduced several processes and procedures hoping to focus its innovations on developing international brands, rather than locally-oriented products. For example, the company formed different groups that were responsible for particular innovations. These groups spanned geographic boundaries with contributors from multiple countries. The first effort made under the new structure was the development of Krona. Krona was intended to be a global substitute for butter and margarine, which at the time had a serious image problem in some countries because of health reasons. To develop Krona into an international brand, Unilever used Germany as its primary test market and employed the feedback it received from that market to improve the physical product, packaging, and marketing activities. While test markets in Germany were successful,

Krona was not as successful in other national markets, probably because of differences in local tastes. Upon reviewing the results of the Krona introduction, Unilever's centralized innovation processes may not have considered or comprehend these differences.

As the Unilever example makes clear, centralizing innovation at the firm's HQ can have important advantages and shortcomings. Companies seeking to foster entrepreneurship need to create a system of communication that allows them to learn from their existing local markets and guide the decision making process. This ongoing informal dialog between HQ and individual subsidiaries can also help managers decide where it is best to locate and support different entrepreneurial initiates. HQ can harmonize and integrate these initiatives and link them to the firm's strategy. An organization that has learned this lesson well is Glen Raven Mills Inc. of North Carolina.

With textile operations dating back to the Civil War, Glen Raven is considered by many to be the most "innovative and forward thinking" firm in the textile industry (McCurry et al, 2000). Though textiles have not historically been viewed as an innovative industry, growing international competition has forced some companies to vigorously pursue innovation. In recent years, like many other companies, Glen Raven has seen its operations affected by NAFTA and rising international competition. In response, Glen Raven has increased its international operations, while it has worked hard to strengthen its domestic market. Glen Raven has transformed itself from a run-of-the-mill textile company into a global marketer, wholesaler, and transportation company that can efficiently move means-of-production around the globe. The company saw entrepreneurial activities as the major source of its product and process innovations. These innovations have also served as the cornerstone of international expansion. Currently, Glen Raven operates 30 offshore marketing, sales, manufacturing and customer service facilities, including offices in China, Australia, South Africa, Mexico and Central and South America. To further encourageentrepreneurship throughout its international operations, the company holds each operating unit responsible for incubating ideas and products. These units have benefited from both formal and informal entrepreneurial activities in creating new products or developing new business ideas. Glen Raven has also reinforced these entrepreneurial efforts with strong capital investments to improve its technology as a way of leveraging its competitive advantages.

SUMMARY AND CONCLUSION

As we have stated in the beginning of this article, companies of all sizes are in the process of internationalizing their operations in pursuit of profitability and growth. Internationalization creates opportunities for companies to renew themselves by acquiring new skills that improve existing competencies while developing new ones. Renewal requires entrepreneurial risk-taking that enables companies to venture into new arenas, explore new processes, develop new systems, or introduce new products. Companies aiming to pursue opportunities opened by internationalization need to learn to promote and harvest entrepreneurship throughout their operations. These entrepreneurial activities have the potential to improve the firm's performance.

Promoting then harvesting entrepreneurship through the internationalization process raises several challenges for companies. This article discusses four such challenges. First, executives manage the knowledge created by their firm's formal and informal entrepreneurship, especially within international operations. This task involves determining the appropriate level of new knowledge and developing efficient systems to integrate newly attained knowledge. Second, executives need to recognize and acknowledge the inherent differences among their companies' foreign subsidiaries and attempt to maintain an organizational identity without destroying subsidiaries' local identities that are critical to entrepreneurship. Third, executives should to develop and implement lateral knowledge integration systems capable of efficiently transmitting the knowledge gained from entrepreneurship. Finally, given that entrepreneurship is necessary for the successful internationalization of the firm's operations, executives need to determine the appropriate locus of entrepreneurial activities. In making these decisions, executives need to balance the competing demands of local responsiveness and integration stemming from the growing diversity of the firm's international markets.

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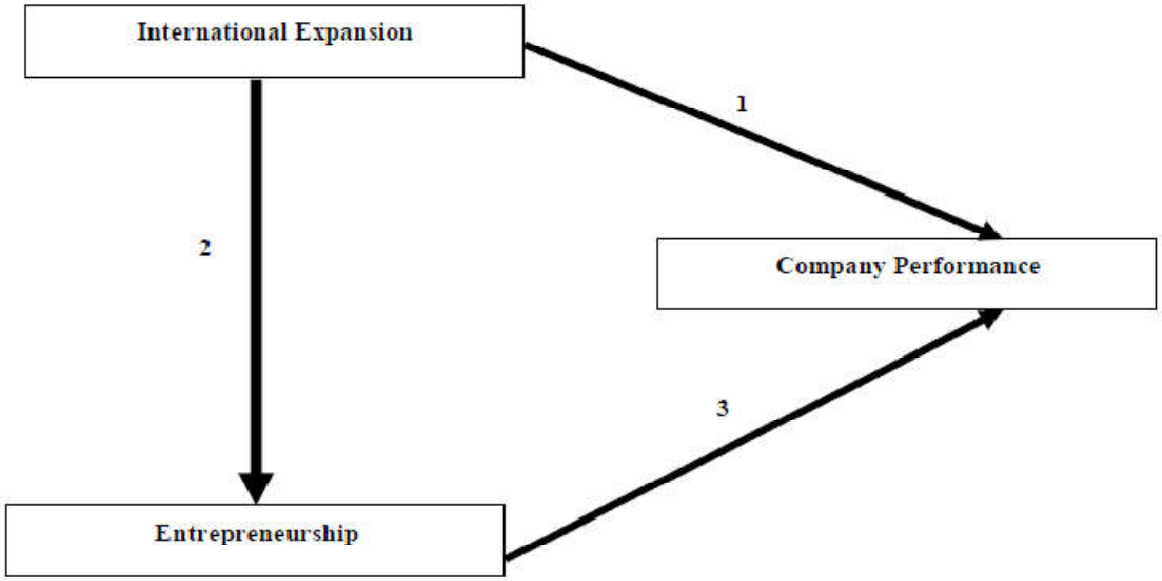

Figure 1
International Expansion, Entrepreneurship and Company Performance

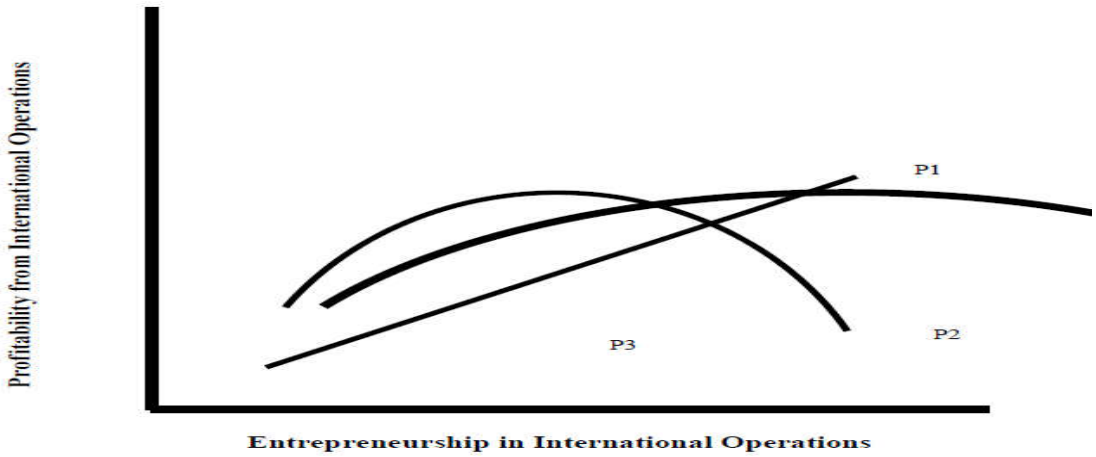

Figure 2
Relationships between Entrepreneurship and Profitability in International Operations

	Current	Frontiers
Informal Entrpreneurship	3	4
Formal Entrepreneurship	1	2

Figure 3

Entrepreneurship in Current and Frontier International Markets
International Markets

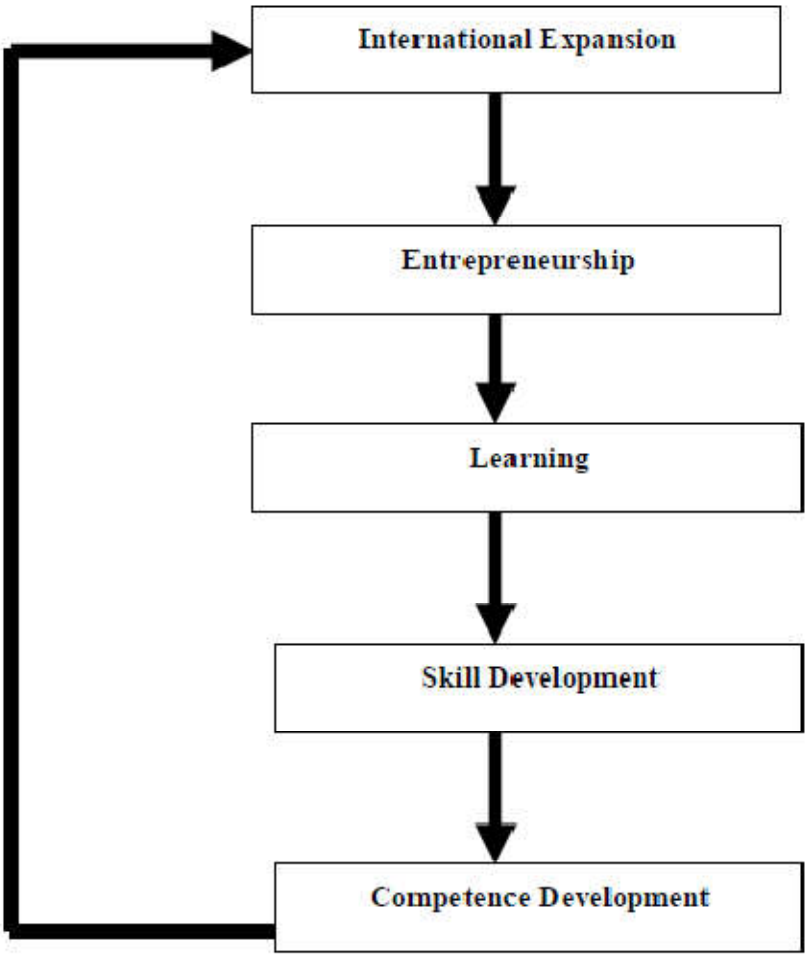

Figure 4
International Expansion, Entrepreneurship and Learning