

# Chapter 9

## Multinational Firms from the Perspective of Network Theory: Achieving Business Success on a Global Scale

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### **ABSTRACT**

*Multinational companies stand out with their successes on a global scale, in terms of both financial strengths and managerial capabilities. A multinational corporation is any business that operates independently and primarily has its headquarters situated in one nation, while also owning fully or partially subsidiaries registered in many jurisdictions. The literature on multinational companies, which typically emphasizes macro and microeconomic theories, also includes studies on management disciplines. Network theory stands out as a cornerstone for understanding multinational companies, due to their multi-branch structure and cross-border relationships. It holds a significant role in the literature on multinational firms, owing to its roots across social, socioeconomic, sociopsychological, institutional*

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*and organizational implications. In this context, this chapter delves into the details of multinational firms from the perspective of network theory, exploring its mathematical, social and socioeconomic foundations, and the perspectives offered by American and European schools.*

## **INTRODUCTION**

Multinational companies have a very important share in both the world economy and the business world. A multinational firm can be defined as a company that has its headquarter mostly located in one country, with wholly or partly owned subsidiaries registered in more than one country, and operating independently (Ensign, 1999). Macroeconomic theories like the location theory of international investment and the Aliber Theory, alongside microeconomic theories such as the Product Cycle and Hymer-Kindleberger Theory, are used to understand and interpret multinational companies (Kuşlivan, 1998). However, these theories predominantly adopt economic perspectives. When viewed through the lens of management and organizational studies, approaches such as resource dependency and institutional theory provide alternative insights. In this context, network theory offers a valuable perspective to analyze the interconnected and interdependent structures of multinational firms, highlighting the interdependence of various elements.

Network theory conceptualizes actors as nodes, and their relationships as ties, varying with respect to the scope and the level of the study. Three distinct models emerge for analyzing multinational firms within this framework. The first involves studying a pure intraorganizational network, considering the multinational firm's headquarter and subsidiaries as separate nodes, with the multinational firm itself as the focal point. The second model regards the multinational firm as a single node and examines its relationships with institutions, states, and other organizations in its operational countries as pure interorganizational relations. Finally, a robust hybrid model integrates both interorganizational and intraorganizational relations simultaneously. Here, the headquarters and subsidiaries are treated as independent entities, yet they coalesce into clustered nodes within the network.

These models facilitate understanding the social, relational, and structural capital of multinational firms from interorganizational, intraorganizational or hybrid perspectives. Through concepts like strong and weak ties (Barabasi, 2003; Granovetter, 1973), dualities such as trust, reciprocity and privacy versus access to new ideas and associations can be explored. Additionally, distinctions between state-based and event-based relations (Borgatti & Halgin, 2011) and classifications of bridging ties and cohesive links (Burt, 1992; Coleman, 1988; Gulati & Singh, 1998) enable in-depth analysis in terms of identifying and recognizing the actors with coordination

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