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The Strategic Assembly of Global Firms: A Micro-Structural Analysis of Local Learning and Global Adaptation

Mitchell P. Koza

Stephen Tallman
University of Richmond, stallman@richmond.edu

Aylin Ataay

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Mitchell P. Koza
Rutgers School of Business
227 Penn Street
Camden, New Jersey 08057
Mitchell.Koza@rutgers.edu

Stephen Tallman
University of Richmond
Robins School of Business
1 Gateway Rd
Richmond, VA 23173
804-287-6589
Stallman@richmond.edu

Aylin Ataay
Galatasaray University
Çırağan Cad. No:36 34357
Istanbul, Turkey
aylin.ataay@gmail.com

Abstract

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Strategic Assembly - the comprehensive and coordinated use of internal development, mergers, acquisitions, joint ventures, and alliances - is a novel approach to the construction and management of global firms. This paper describes the role and characteristics of strategic assembly in the construction and management of the Global Multi-Business Firm, an emerging form of global organization. We present a study of Group Renault and its relationship with two key players in the lucrative and emerging market for autos in Turkey, emphasizing the coevolutionary processes through which local players enter and dominate a local market *and* the global parent, utilizing local learning and organization, adapts to the global environment. We conclude with a call to action for research on the relationship between the strategic logic of global assemblers and the strategies of the firms at multiple levels of analysis.

INTRODUCTION

The idea of the multinational firm as a strategic entity, rather than simply a way of organizing foreign markets through direct investment, first emerged in the work of Stephen Hymer (1976). The multinational at that time was described as a hierarchy with host country subsidiaries adapting the products and capabilities of the parent firm to local markets; the parent firm largely focused on financial control of its dispersed units. By the late 1980s, this model had become outdated, and Bartlett and Ghoshal (1989) proposed the novel idea of the transnational firm – a less bureaucratic firm with a networked organization, differentiated subsidiary roles, and control based largely on organizational culture and administrative heritage. Today, the transnational model provides a less adequate approach to the evolving modern global firm. We have identified the Global Multi-Business Firm (GMBF) as a more appropriate model, one which incorporates the insights of earlier models, but recognizes that an evolving international business environment, new technologies, and more sophisticated managerial competences have fundamentally changed the strategic face of global business (Tallman and Koza, 2010). A key aspect of the GMBF is its creation and strategic organization, rooted in a process of *strategic assembly*. This paper develops a conceptual approach to strategic assembly in the GMBF and reports the results of an illustrative case study in the global automobile industry, which focuses on the micro-level processes by which a global player and two local joint ventures both serve a local market and play multiple roles in the global business firm.

Strategic assembly is the process of constructing a business firm in a calculated and forward-looking manner with the intention of gaining and maintaining competitive advantage under the dynamic environmental and competitive conditions facing that firm. It requires capabilities in designing and managing complex inter-organizational relationships, including, but not limited to, joint ventures, equity and non-equity alliances, networks, and acquisitions to capture or access external resources as well as competencies for internal development of complex dynamic capabilities to match the uncertain and ever-changing environment (Tallman and Koza, 2010). A substantial body of scholarship assesses the dyadic and multi-lateral characteristics of organizational relationships, and their role in the construction of traditional multinational firms. However, surprisingly little research has focused on the connections between these complex inter-organizational relationships and the strategic objectives and perspectives of co-evolving global firms (Koza and Lewin, 1998, 1999). Strategic assembly, in this sense, refers to the comprehensive and coordinated use of a multiplicity of inter-organizational relationships, as well as internal development, to construct and manage the GMBF.

Strategic assembly must 1) provide the GMBF with varied, flexible, and adaptable assets from many sources and the capabilities to deploy (and reconsider and redeploy) these assets effectively; 2) exploit the characteristics and differences of multiple locations, but in a world where 'the nation' is no longer adequate as a description of the essence of place; 3) provide access to and coordination of globally sourced high-value resources, but not necessarily through ownership or internal hierarchical control; and 4) reflect a global strategic perspective on markets, but also on innovation, production, and distribution, that requires strategic purpose in considering any asset, in any location, for inclusion and integration through any means of governance. The GMBF responds to *and* influences its environment both globally and in each location that it touches.

In the next section, we explore the strategic evolution of the multinational firm, emphasizing the emergence of the Global Multi-Business Firm. We then describe the role and characteristics of strategic assembly in the construction and management of the GMBF, with emphasis on the multi-level co-evolutionary processes through which such an organization is created (Lewin and Koza, 2001). Next, the paper presents a study of Group Renault and its relationship with two key players in the lucrative and emerging market for autos in Turkey. We conclude with a call to action for research on the relationship between the strategic logic of global assemblers and the strategies of the firms at multiple levels of analysis.

GLOBAL STRATEGIES FOR AN EVOLVING WORLD

We observe three stages of international firms – multinational, transnational, and global multi business. Modal firms in each stage have coevolved with the changing global business environment, corporate strategies, and certain administrative characteristics of the organization. While significant well documented variation exists within each stage of our model, the evolution of global strategy and the role of management are captured best by the between group variation and the trajectory of strategic change over time.

The focus of international strategies began as the need to adapt to differences in demand across national and cultural boundaries for firms faced with limitations in communication and information technologies, resulting in local production rather than home country exports to satisfy differentiated local demand (Buckley and Casson, 1976; Rugman, 1981). Globally homogeneous strategies were uncommon outside primary product sectors – the required similarities of demand were largely absent and the resources and capabilities required for a more sophisticated approach to global markets were available to only a few firms. Since even modified products or services tend to appeal to a relatively narrow customer base, international expansion within the home region or to carefully selected, culturally and institutionally similar, markets elsewhere in the world limited most firms to a regional strategic perspective (Rugman, 2005). The strategic demands on early multinational firms were often related to growth through diversification of markets, with central control of financial activities through capital allocation and management. For the few global firms, command and control extended to product and process input decisions, seeking economies of scale in manufacturing to gain cost advantages (Prahalad and Doz, 1987).

More recently, Bartlett and Ghoshal (1989) introduced the concept of the Transnational Firm, which shifted the focus of global strategy away from the tension between local market portfolios and scale-based economies toward satisfying both of these demands while also leveraging knowledge assets and organizational capabilities across national borders. As a result of these innovative ideas, management research shifted away from command and control toward an approach based on behavioral consistency attained through matrix management, corporate culture and coordinated, rather than independent or unified, relationships between subordinate units and with the headquarters. We recognize how far the evolution from multinational to transnational approach has taken international strategy research. However, the time now is right to consider a new approach to global strategy and organization due to continuing development of the global context, including the rise of new market economies, revolutions in communication and transportation technologies, and vastly improved managerial capabilities for managing complex organizations. These forces have produced an evolution in the management and design of global firms.

International companies of today are embedded in an environment that has become chaotic, that is to say, both the direction and pace of change is unpredictable. Local tastes and preferences are in flux, the meaning of 'global' is revised regularly, and knowledge creation, transfer, application, and leakage all occur at an increasingly rapid pace. Uncertainty and risk are pervasive (Tallman, 1992). We have argued elsewhere (Tallman and Koza, 2010) that a deeper understanding of the structure of dynamic global strategies will clarify the most recent evolution of the responsibilities of the global headquarters and of the evolution of the multinational enterprise and its strategies. While characteristics of the first two models, as summarized above, are well known, the GMBF requires elaboration (See Figure 1 for a representation of the different organizations).

Insert Figure 1. Globalization Stages and Organizing Structures

The GMBF construct proposes that, in a rapidly changing international business environment, managers of contemporary firms pursuing global strategies follow a twofold approach to strategy by first ***assembling*** the global company, the focus of the present paper, and second ***animating*** the total enterprise's capacity for self-renewal (Tallman and Koza, 2010). Managing the resulting organization likewise requires a two-part approach. First, managers must understand that emergent processes both for exploiting existing resources and capabilities and for exploring for new or evolving assets are essential to establish competitive advantage (March, 1991; Koza and Lewin 1998, 1999). Second, they must recognize that the critical control mechanisms to support that task involve establishing, maintaining, and enabling communication and information networks throughout the worldwide firm's network. The senior management task is no longer the control of worldwide operations in detail, nor is it expected that the firm will become one giant integrated operation with a single culture. Indeed, these modes of operation often are seen to be disadvantages. Rather, the "internalized market" for knowledge and other resources (Buckley and Casson, 1976) has become more prevalent, with the visible and strong hand of the central headquarters replaced by a form of direction in which selection of the relevant components and provision of the appropriate inspiration, motivation, and empowerment is decentralized, providing the many parts of the organization with economic and social incentives, rather than hierarchical demands, to work with a unified purpose.

An important aspect of the GMBF construct is the specific definition of "business" that we apply in this model. We find that the casual concept of a firm with an internal value-adding process chain to deliver a product to an industry sector as constituting a business is obsolescent in many ways. This is notable from a variety of perspectives, but is perhaps most apparent in international strategy. The growing use of offshore production, not just of inexpensive hard goods, but of high-end services, product development, research, and so forth, and the concomitant growth in the use of outsourced suppliers for economic activities that until recently were considered as the essence of the firm have forced recognition that value-adding chains can be dispersed geographically and governed efficiently through non-hierarchical means. We shall see that the essence of strategic assembly is the choice of which value-adding stages should be internal, which sourced through alliances, and which left to the market, with the global firm focused on integrating the value-adding processes rather than controlling their sources. In this new world, each value-adding activity is potentially a profitable business for an outsourcer, and truly understanding the process of integrating the chain of activities must recognize this. Therefore, we believe that any firm that incorporates multiple separable value-adding activities (to include the linking actions that integrate the chain) should be seen as a multi business. This concept goes beyond treating internal divisions as profit centers, with an artificial recognition of costs, revenues, and margins. It also goes far beyond Chandler's (1962) M-Form or multi-divisional firm. In our model, each traditional product division would be a multi business firm itself. The global firm as an "internal market" (Buckley and Casson, 1976) becomes much more real when we contemplate each of its essential activities as a separable, if not separate, business that could well be out-sourced under only slightly changed circumstances – and then brought back into the firm as a dynamic environment changes again. This model also points up the essential quality of strategic animation as opposed to command and control – multiple businesses that happen to be under the same ownership roof cannot be managed as a bureaucratic hierarchy.

Rather than the bureaucratic mandates of a hierarchy, the parts of the GMBF achieve integration through what we would call "incentivized voluntarism". That is, when the managers of the assembled subsidiary and affiliated businesses see that their own best interests are served through the GMBF, they will work in concert. This is, of course, an age-old challenge in management: how to design structures and processes that align individuals' contributions with the strategy of the firm without stifling initiative. However, solutions to this ancient challenge require new managerial skills in the GMBF. Harnessing "self organization" - the natural tendency for humans to spontaneously organize in order to pursue individual goals through collective activities and aims - for the good of the firm, is necessary, as is providing a moral center embodying key values, norms, and traditions of the organization (Shils, 1975; Koza and Thoenig, 2003). Managers must provide incentives, resources, and empowerment in such a way that individuals and subordinate organizations motivate themselves to provide superior performance.

The GMBF does not render obsolete either the multinational or the transnational, but incorporates and transforms each into a newly sophisticated structure. The individual units remain somewhat independent, with loose administrative and close financial oversight. They are drawn through formal and informal ties into relatively dense interconnected networks of interacting elements with global headquarters providing communication and coordination as well as trans-border goals and purpose. However, these networks are assembled with an eye more toward flexibility and restructuring than toward static efficiency. Finally, many of these individual business networks are pulled together by the corporate center and provided with the incentives to pursue their own objectives in the pursuit of the overall GMBF's goals. At this level of organization, we see loose administrative controls (operational management devolving to the business level) with tight financial controls (both in assembly and animation of the portfolio of divisions and businesses).

Thus, the GMBF may be summarized as a corporation with a collection of divisions in which each division is organized into multiple business units. Within-division integration is achieved through organizational characteristics similar to the transnational (common organizational capabilities, matrix management, organizational culture, administrative heritage, and the like), but with an increased emphasis on location of individual activity/businesses and on network forms of organization. At the same time, diversification of both markets and processes provides many of the risk-stabilization characteristics of the multinational form. The GMBF is an emergent form of organization, which derives from the collective characteristics attributable to *both* the multinational and transnational form, with additional emphasis on leadership through animation, enabling emergent process, communication control, and strategic assembly (Tallman and Koza, 2010). This approach provides 1) the potential, but often illusive, benefits of the transnational *and* the multinational, while limiting the challenges of either and 2) an adaptive approach uniquely suited to chaotic environments.

STRATEGIC ASSEMBLY IN THE GLOBAL MULTI-BUSINESS FIRM: THE FIRST IMPERATIVE

The first stage in building and managing a global multi-business firm is the strategic assembly of the organization. The challenge derives from the necessity to access simultaneously geographic and product markets or market segments, managerial competencies and skills, and technologies and brands. Location must be exploited to arbitrage differences and find commonalities, requiring a newly sophisticated definition of location-tied advantage and sensitivity to the importance of maintaining local character while offering opportunities for combining assets at a global level. It involves the traditional vehicles of internal development and acquisition, as well as the full range of strategic alliances, partnerships, networks, and inter-company relationships necessary for success in the global marketplace (c.f. Chakrabarti, Vidal and Mitchell, this issue). It also requires variably close coordination among the various constituent subunits of the organization, but in a flexible and responsive manner, not a set hierarchy with standardized roles. Global strategy is the happy middle that brings together the supply *and* demand side, recognizing both firm and location demands on both sides.[2]

Thus, strategic assembly in the GMBF is an aspect of a *style* of management rather than a specific location or category of governance (see, for example, Yip, 1992). European, Anglophone or Francophone, Commonwealth membership, regional free-trade ties, etc. are all unique geographic combinations that may be managed as a GMBF, each producing specific assembly benefits and challenges. Companies as diverse as The Tata group, L-3 Communications, General Electric (Govindarajan and Rmamurti, this issue), AREVA, Aviva, and Nestle are converging on the GMBF form, evidencing both the diversification and financial controls of the Multinational and the integration, organizational learning, and coaching of the Transnational, with the centrality of strategic assembly as a common denominator.

What Assets? Assembly for Competitive Advantage

[2] We are not aware of an existing data set that would allow a tallying the census of companies utilizing a GMBF format. However, discussions with managers from companies in multiple industries and regions suggest that the diffusion of this approach is accelerating. Managers claim these firms are the most advanced; whether the full range of firms adopting this approach are truly leading edge is an empirical question.

The first concern in strategic assembly is identifying resources and understanding how they combine to generate competitive advantage[3]. The usual resource story in strategic management focuses on accumulating strategic, or rent-yielding, assets and capabilities within the firm (Amit and Schoemaker, 1993) where ownership rights to these resources provide quasi-rents to the firm (Peteraf, 1993). Complementary resources, sometimes belonging to partners, are recognized as beneficial, even essential at times, to the ability of the firm to fully exploit its own rent-yielding resources (Teece, 1986). However, the focus has been on strategic control through ownership, and in the case of the multinational firm, ownership by the parent firm and typically in the home country (Dunning, 1993). Higher level organizational capabilities for organizing (Penrose, 1959), recombining (Kogut and Zander, 1992), and providing dynamic capacity for re-assembling (Teece, Pisano & Shuen, 1997) these rent-generating resources are seen as the core of corporate strategic advantage and define the strategic posture of the firm (Tallman and Fladmoe-Lindquist, 2002).

Strategic assembly calls for a more nuanced perspective on the resources that are to be assembled into the firm because classic distinctions among strategic, complementary, co-specialized, and other types of resources can become misleading. If a firm has a defensible patent on a unique product technology, but is unable to embody that technology in a unique product to be offered at a fair price to potential consumers, is this a strategic resource? Or is this technology actually a complementary resource for a global multi-business firm that has capabilities to manage production, marketing, and world-wide distribution businesses that offer distinctive value, needing only some content to be set in action? Consider the case of Li & Fung, the Hong Kong-based trading company with an asset base consisting largely of a massive contact list and well-honed capabilities for assembling virtual value-adding chains on short notice; Li & Fung does not make anything, or even in some sense DO anything internally, yet it is becoming a model for the highly profitable modern global firm. In global business services, too, superior performance is less a matter of a single unique and defensible

[3] Although the terms assets, resources, and capabilities are widely used, and often with different definitions, we will use the following approach: Resources are any component parts of the firm, whether tangible or intangible; assets are tangible resources or codified knowledge resources; capabilities are complex intangible resources related to the activities or governance of the business or firm and its assets.

knowledge asset, and more a matter of rapidly assembling appropriate resources at a reasonable cost in response to a specific customer demand. Process management through dynamic managerial capabilities is key to competitive advantage in chaotic or even rapidly evolving markets – the skills to be in the right place at the right time at the right price are supplanting the ability to have the perfect product with the latest technology.

If simple technological assets are losing their luster as sources of competitive advantage to complex capabilities for dynamic and flexible organization, then ownership of resource property rights is not necessarily important to competitive advantage. Rather, access to the outputs of unique assets and capabilities is.[4] Indeed, ownership of assets and operational capabilities, particularly in an evolving or chaotic environment, is likely to be a limiting factor on the ability of the firm to respond to emergent challenges, as sunk costs, deeply embedded processes, organizational identities, and other such drivers of organizational inertia make rapid adaptation problematic. Owning asset stocks may have advantages, but only to the degree that they reduce the risk of unresponsive asset flows (Dierickx and Cool, 1989). The environment of the GMBF is the epitome of such a challenging context. Therefore, the first issue of resource identification for strategic assembly is not ownership of, but access to, resources. What we can do with our resource base, our assets and capabilities, is important; whether we 'own' these assets is less so. A combination of identity, reputation, organizational skills, dynamic flexibility, and global access lies at the core of competitive advantage for the GMBF, and strategic assembly must pull together assets and capabilities that maintain competencies in combination and recombination, in rapid adaptation and change of direction, to sustain competitive advantage.

Where to Find Assets: A Note on Location

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[4] For example, oil is necessary if you are in the refinery business, but oil wells may not be if you trust that intermediate product markets must eventually clear. In the case of Apple, the 'twin touch' screen that makes the iPhone unique in feel and operation is produced by a supplier, and the technology is contracted to, but not controlled by, Apple. However, the full value of this unique technology was realized only in the complex system of purchased parts and technologies that was the iPhone – and Apple profited far more than the technology holder.

Strategic assembly in the global context requires a nuanced assessment of the meaning of location in accessing the resources and capabilities to be assembled into the GMBF. A key aspect of all international strategy is the use of location-tied comparative advantage to improve firm-level competitive advantage in the global marketplace. Traditionally, comparative advantage has been tied to the nation-state, but a unique distinction of the national context is no longer adequate to capture significant distinctions within multinational strategy, whether market seeking or asset seeking strategy. Some authors have shifted to considering "the nation" as a part of the environment, much like a regional trade agreement, rather than the essential element of location; a useful perspective as we move from the multi-national firm to the global firm (Tallman and Jenkins, 2007). Regional trade agreements matter, national laws and regulations and language and religious affinities matter, but so do resource conditions and learning opportunities at much smaller scale. In Scott's concept of global city-regions (Scott et al., 2002), country matters as part of the political-economic setting, but the location of economic comparative advantage is at the city-region level. The rising interest in industrial districts or clusters (Porter, 1998; Tallman et al., 2004) suggests that both scholars and practitioners have come to see that location is essential to global strategy, but country is not the key unit of analysis.

Rugman's (2005) insights on regional sales and marketing strategies suggest that the relevant markets for GMBFs may function at the continental level, particularly when an international trade agreement links geographically close countries. On the other hand, for those looking at sourcing strategies city-level regional strategies or countries aligned by other affinities (for example, Benelux, NAFTA, or industry specific multilateral national or local coalitions) might be more relevant. (Tallman et al. 2004; Tallman and Fladmoe-Lindquist, 2002). A global strategic perspective encompasses any of these <u>and</u> the national level, with an essential challenge being to identify the appropriate geographic construct to apply to various decisions. Sales are useful metrics - the numbers suggest that international firms tend to find markets in their home region primarily and secondarily tend to sell into one alternative continental market (Rugman, 2005). However, if the goods and services being sold are made on another continent, or even multiple continents (and financed in Dubai, with logistics managed through Hong Kong and engineering design in Mumbai), a key question is why the nation or region in which sales or direct production of final goods takes place is considered to be the uniformly correct measure of international diversity. Trade economists may find this comforting, but global strategy should not accept any specific geographical unit as the unique metric for all activities.

The relevant unit in a geographic search for assets depends greatly on the degree of specificity of the resources being assembled. It has become a commonplace that any international firm benefits from dispersing its value-adding activities to locations where they are most productive – labor-intensive manufacturing to China, IT support to India, and so forth. Strategic assembly of a global multi-business firm certainly requires recognition of such basic applications of comparative advantage, but must go much further – just any manufacturer in China or a random selection of IT provider from Mumbai may source an activity, but hardly in a strategic manner. Rather, GMBFs must understand their own resources and organizations in detail in order to identify the most suitable locations in which to complement their own strengths. Such an ever-refined search process may scatter activities across a broad geography, or it may produce a much more concentrated focus (Porter, 1986), with an outcome that may not seem to be global at all. However, if a global perspective on the best sources of complementary resources results in choosing a supplier from across the street, this hardly makes the GMBF less global in its assembly strategy.

Governing Assembly: Access, Capture, or Control of Assets

Early models of the multinational firm focused on the choice between using market means or internal hierarchical controls to transmit intermediate assets among international activities (Buckley and Casson, 1976). The definition of the multinational firm was tied closely to wholly owned and hierarchically controlled subsidiary/division operations in multiple countries, intended primarily to apply centrally developed knowledge assets in diversified markets while limiting the threat from opportunistic partners. In a previous section, we proposed that ownership of resources is no longer the key to strategic advantage, or to strategic assembly. In this section, we develop the idea that hierarchical governance, typically through ownership and tight central control of subsidiary organizations, of geographically dispersed operations that apply and exploit these assets is likewise of fading importance.

The separation of ownership from control and overall operational control from control of specific resources has been established in alliance situations for some time (Mjoen and Tallman, 1997), but applies equally to strategic assembly at the corporate level of analysis. Strategic assembly in the GMBF is a question of insightful organization of businesses, knowledge of process, identification of asset availability, and speed and accuracy in assembly – and disassembly once the opportunity has passed in order to make way for the next round of assembly. The need to restructure an assembly of businesses in the face of an evolving – or erupting – external situation argues that ownership is not only unnecessary in many cases, but is actually to be avoided. Possessions only slow down strategic response to change, and when co-evolution under chaotic conditions is the essence of competitive advantage, responsiveness is everything. Dynamic capabilities that encourage organizational learning must be complemented by flexible governance, capable of rapid reorganization and with a light touch to retain the value of resources that are pulled together for specific purposes, special opportunities, or unique conditions of demand or supply. Tight hierarchical oversight is not the optimum approach to governing for such conditions.

Rather, strategic assembly in the GMBF concept fits very much with the concept of the multinational firm as network organization (Bartlett & Ghoshal, 1989), but one that makes no clear distinction between the ‘internal network’ of wholly or majority-owned subsidiaries and the ‘external network’ of joint ventures and contractual alliances with affiliated firms. The rise of offshore outsourcing both for value-adding operations and for support services or ‘business processes’ is an indication that firms are becoming more comfortable not only with performing vital activities in locations that offer the greatest productivity, but with contracting for the services of local outsourcing specialists. A popular example is Apple’s production of its popular iPods and iPhones. Apple itself does the design and marketing for its products, but contracts with suppliers around the world to make the components and perform assembly on these popular items. Twenty years ago, sourcing critical components, even designing in critical technologies that belong to other firms, for products that were essential to the success of the company would have been seen as taking an extreme risk. Today, this approach to strategic assembly seems quite normal. Apple has had great success using this system, but through its unique capabilities for design and consumer connection, not because it is alone in using a network of specialist suppliers.

Strategic assembly in which the focal firm tightly controls few hard assets and even relatively few knowledge resources, but bases its success on capabilities for identifying the sources and locations of superior competencies and integrating these multiple independent businesses into single value chain for the period of time needed to service a customer's needs, and to then to move on, reflects changes in both context and firm. The modern international business environment offers much more intensive communication and information analysis due to technological advances. Transferring information, supervising its application, and monitoring for violations of contractual arrangements are much more efficient and timely activities that in even the recent past. In the modern global context, openness in the name of cutting edge discovery is more important to sustained competitive advantage than is careful protection of rapidly obsolescing stocks of established knowledge (Tallman and Fladmoe-Lindquist 2002). Indeed, the 'mutual hostage' aspect of equity joint ventures, critical from a static internalization perspective (Hennart 1988), seems almost quaint in technology intensive industries, where redistributing existing information may be of greater importance (Balakrishnan and Koza, 1993; Reuer and Koza, 2000A, 2000B). Equity ties may be more anchors than safeguards when finding the newest ideas from the most unexpected (distant) source is key to dealing with the insatiable appetite for novelty and innovation that characterizes the technology sector.

The need for defensive internalization, internal control to protect against opportunism in transaction partners, has been alleviated to a growing extent by monitoring and immediate reputational effects. Opportunistic strategies don't pay when the misappropriated assets quickly lose their value and communication technology means that the MNE partner (and everyone else in the relevant field) quickly knows of any malfeasance. Reputation suffers rapidly, but few benefits accrue to the untrustworthy. As information technology, modern travel, and familiarity with business and technical concepts have become widespread across much of the world, the past benefits of internal communication and relationships in comparison to arms' length market relationships have been greatly reduced. The GMBF will not eliminate the wholly-owned subsidiary, the country manager, or the equity joint venture, but is likely to shift 1) their strategic importance, and 2) the preponderance of governance more toward contracts and alliances. Whole ownership will remain appropriate for key 'strategic leader' subsidiaries (Bartlett and Ghoshal, 1989), but subsidiaries performing definable activities, whether offshore suppliers or sales and marketing operations, will not need the protection – but at the expense of flexibility and management time – of equity investment.

The Strategic Purpose of Assets

The final key to strategic assembly, and the one that determines the value of the other three, is the strategy behind the assembly, the intended strategic purpose of the assets and businesses under consideration for the GMBF. The value and importance of any specific resources and capabilities, the relevant characteristics of a particular location, and the need for more or less intense governance of the businesses that pull these assets together should all be dictated by the strategic objectives driving this particular assembly. The launch of a new global product line or a unique customer solution entails pulling together an entire value-added chain of businesses. This will likely mean a combination of internal capabilities and resources into internal businesses; possibly adding new businesses through acquisitions of other resources such as technologies, or of firms that hold such resources; contracting with external businesses for yet other intermediate products or service provision; and re-evaluations of existing arrangements to improve efficiency, take advantage of previous relationships, and consolidate similar business activities. Locations around the globe will need to be given consideration both as suppliers and as markets. Further, the issue of where to access different resources with different economic drivers (cheap labor, technological sophistication, capital access, etc.) will mean finer division of the upstream and downstream into multiple steps and links in the value-adding process. Finally, a variety of transactional governance mechanisms are likely to be needed, from market purchases to contractual alliances, to internalization of the means of coordinating the system.

The global strategic intent of the GMBF and of its constituent businesses must inform these selections of resources, locations, and governance. Market-seeking strategies may focus on capabilities for organizing efficient supply chains, with the value-added links located for the greatest productivity, and with flexible governance that can adapt to regional or national demand characteristics. Offshore production strategies are likely to focus on clusters of excellence, where cost-effective skills or assets can be accessed, whether through contracts and partnerships (cheap and flexible) or through direct investment (more expensive, but providing long-term potential), in places where they are most productive. Access to knowledge asset development and innovation requires dynamic capabilities for building, rather than exploiting, technical competencies, in conjunction with local innovators, possibly through shared-equity ventures, in locations offering unique assets that can be combined with global firm-specific assets to generate sustainable competitive advantage.

In other cases, though, even global firms must make entry into individual markets and/ or asset sites with a variety of constraints. Geographical, cultural, institutional, and economic distances can work against the ability to market goods produced in one location in another place – the potential consumers may resistant, costs may be too high, or product characteristics just wrong. Getting these parts of the global strategy paradigm right means assembling the right combinations of resources and capabilities for any specific situation, and doing this assembly in the optimal locations for the product and market. Regional or even local value provision may be more important than global cost minimization, shipping costs may be more than just freight charges, or the skills of technicians may be significantly greater when embedded in one location than in another.

The top managers of the GMBF must have a sense of strategic purpose or purposes before they begin the process of strategic assembly. Without this integration of strategic vision and purpose with the practical considerations of what, where, and how the firm as a bundle of resources and capabilities is to be assembled, we fall back into tactical considerations or even inertia – repeating previous patterns without purpose. We may have assembly of a firm, but it is hardly strategic.

STRATEGIC ASSEMBLY: A CO-EVOLUTIONARY PERSPECTIVE

The strategic assembly of the GMBF is an outcome of the co-evolution of a local business organization, including, but not limited to, its assets, capabilities, markets, and strategy with the strategy and relevant organizational attributes of the parent. This multi level and iterative process produces adaptation for the local player but, also, global market adaptation for the parent in which the local player is embedded (c.f. Koza and Lewin, 1998, 1999 and Lewin and Koza, 2001). Included in this process is the founding, growth and evolution of local subsidiary operations as well as repatriation and absorption of knowledge - organizational learning - to the parent, supporting organizational renewal and corporate transformation necessary for global adaptation. This argument builds on March (1991), Levinthal and March (1993), Koza and Lewin (1998, 1999), and Lewin and Volberda, (1999), and others who have called attention to the complex interdependencies in organizational fields necessary for adaptation to environmental discontinuities.

Tallman and Koza (2010) advanced a complimentary view of the GMBF in which strategic assembly is a core responsibility of senior management, necessary for adaptation to the global environment. Strategic assembly, in this view, elevates the historic challenge of managing mergers, acquisitions, alliances, joint ventures, internal development, and the like, to the center of strategic activity of corporate leadership. However, while the view of the GMBF advanced in that study suggests the importance, form and process of strategic assembly and its centrality to the adaptive capability of the GMBF, additional work understanding the concrete co-evolutionary processes through which these actions occur is necessary for further theory development. The following study of Group Renault and the Turkish auto sector begins to fill this void, exploring the co-evolutionary micro level processes of strategic assembly in one emerging market context.

The Case of Group Renault and the Turkish Auto Sector

Case studies have achieved a growing acceptance as a means for deriving grounded theory, drawing inferences on causal relations, and isolating holistic regularities of organizational phenomenon. Simon (1947) identifies the intellectual value of case studies in organizational research. He argues that case studies could provide useful descriptions of the great variations in organizational structure and process. More recently, several scholars have argued that case studies can have a useful and important function as opportunities for reflection and for deriving new insights (Glasser and Strauss, 1967; Leonard-Barton, 1990; Yin, 1989). Others argue that case studies, in addition to providing useful description can be utilized to understand the *verstehen* or subjective experience of actors (Koza and Lewin, 1999). Following Weber (1968), we view longitudinal case studies as both unique opportunities for empirical and theoretical interpretation, and a means of developing a co-evolutionary understanding of parent/ local subsidiary relationships.

In this paper, we use the case study of Group Renault and its activities and organizations in the Turkish marketplace for the purpose of elaborating a set of ideas and concepts necessary for understanding strategic assembly. The unit of analysis will be the multiple decision events associated with the relationship, including founding, learning, reconfiguration, repatriation of technology, and global adaptation and diffusion. Thus, the object of the case analysis is to elaborate and interpret the co-evolution of the Renault/Renault-Turkey relationship with the objective of exploring the dynamics of the relationship as it reflects the strategic assembly concept over time.

The case was chosen for four primary reasons. First, Group Renault meets the definition of a Global Multi-Business Firm, operating on a world-wide basis in multiple businesses organized into relatively autonomous divisions. Second, Group Renault has conducted business over a long period of time, encompassing activity throughout the "multi-national era", providing a unique research site to examine issues of strategic assembly and the GMBF. Third, the case is longitudinal and ongoing, with Group Renault currently engaged in programs to reevaluate its adaptation to the global auto environment. Finally, Group Renault comes closest to typifying the GMBF, based on the authors' research with multiple companies on a world-wide basis. These characteristics are central to the idea of strategic assembly, making this case a useful opportunity to explore the power of the concept.

A snowball sampling approach (c.f. Laumann and Pappi, 1976) was used to enumerate the census of actors involved in the Renault/Turkey relationship. An initial group of three managers were selected, based on their position, and asked to nominate additional relevant individuals. These individuals were interviewed and asked to nominate additional informants. When an informant was nominated at least twice she/he was included in the sample. In sum we had 23 nominations who met criteria for inclusion, of which we were able to interview 21 (the remaining two had retired and were not available for interview). Table I lists the individuals by position interviewed.

Insert Table I:

Semi-structured interviews were conducted with each respondent to identify key elements in the formation, evolution and management practices of the relationship. The interviews were designed to produce a narrative of Renault's entry and expansion into the Turkish marketplace, while also exploring the potential benefits to Renault of this initiative. Archive and documentary material relating to each of the entities were explored to corroborate the interview responses and provide additional detail. The team was fortunate in being allowed to consult internal strategic assessments of the relationship. Two of the authors independently developed a case interpretation based on the interviews and documentary evidence, which were reconciled, where necessary, through discussion. Following Kimberly (1987), results of our analysis were shared with senior managers of Group Renault to corroborate our findings and interpretations. We begin our analysis by presenting background on the Turkish automobile sector, and the key players. We then proceed to address three sets of related questions.

1) Does the case illustrate the elements of strategic assembly described above: asset identification and location-based advantage, transactional structure, and strategic purpose?
2) How has Renault, through its local relationships, survived and adapted successfully in the Turkish emerging market? What challenges did it face? How did Group Renault influence local practice?
3) In what ways have the local joint ventures provided technology, capability, product, skills, and the like back to the parent facilitating global learning and competitive advantage? What are the specific mechanisms of and obstacles to transfer? Has transfer benefitted Renault in additional markets?

The Turkish Automobile Sector and Group Renault

The Turkish Auto Sector Turkey has a dynamic automotive sector, with more than 15 vehicle manufacturers (including Renault, Toyota, Honda and Fiat Tofas), almost 1,000 parts suppliers, and an annual output of more than one million vehicles. At present, more than three-quarters of output is exported, although the automotive industry increasingly focuses more closely on its domestic market as demand is expected to surge. Turkey is experiencing strong growth (5% in 2007) and household ownership for cars is relatively low at just 214 vehicles per 1,000 people. Prospects for growth, according to industry analysts, are strong.

Group Renault, one of the world's pioneering automakers, is also one of Europe's largest full service auto firms. Renault's annual revenue of more than $55 billion, along with its payroll of more than 130,000 employees in 2004, also makes it one of France's flagship corporations. Renault manufactures automobiles independently and in partnership with, amongst others, Renault-Nissan Motor in Japan, Dacia in Romania, Renault-Samsung Motors in Korea, and Dong Feng Motors in China. In addition to the company's automobile division, Renault's finance division is one of Europe’s largest credit providers, principally underwriting the purchase of the company's automobiles.

Group Renault is a key player with historic presence in the Turkish automotive sector. The Group, which will celebrate 40 years in Turkey in 2009 through its subsidiary Oyak-Renault, is the leader in the national car market. Its models such as the

Symbol and the Mégane sedan, are particularly popular with Turkish customers. Moreover, for Renault, Turkey not only is a key local market but also a base for exports of finished and intermediate products, skills, and capabilities to the Mediterranean, Eastern Europe, Russia and North Africa

Renault Turkey: OYAK-Renault is co-owned by OYAK (Turkish Armed Forces Pension Fund) and Renault. OYAK owns 49% and Renault owns 51% of the company. OYAK-Renault originally manufactured the Renault 12 family of passenger cars; while later production included the Renault 9, Renault 19, Renault 21, Renault Megane Sedan, Renault Clio, Renault Fluence, and other passenger car models, as well as commercial vehicles and power train components (engines, gearboxes, front and rear axles). With an annual production capacity of 360,000 vehicles, it is the largest Renault factory outside of Western Europe, and, as noted above, has significant trade throughout Renault subsidiaries and partnerships. Oyak Renault is the largest French investor and employer in Turkey.

Renault Turkey: Mais International is focused on distribution, marketing and after sale services of Renault and Dacia cars in Turkey. It was established in Turkey in 1967 as a wholly owned subsidiary of Oyak Group. Mais is the leading car distributer (with 26% local market share in 2009) and it has the Turkey's largest automobile sales and after-sales service network. Today, Mais is structured as a joint venture between Renault France and Oyak Group, and is widely recognized as a key member of Group Renault's international subsidiaries.

ANALYSIS AND INTERPRETATION

Renault in Turkey

For Renault, the decision to build and extend a position in the Turkish market for automobiles was based on several related factors. Attractive and competitive labor costs compared to Western Europe and favorable tax treatment for inward foreign investment as early as 1951 offered significant economic inducements. While cost incentives have moderated in recent years; as recently as 2004, Renault estimated a

1000 Euro cost advantage on a 10,000 Euro car, when compared to its average unit cost for Western European production. Moreover, Turkey boasts a relatively low motorization rate (60 vehicles for 1000 persons in the 1960s to 214 vehicles in 2007) compared to European countries (500 vehicles per 1000 persons), offering significant historic and potential future growth in this market.

Turkey sits on the border between Europe and Asia, with a significant cultural affinity for France, potentially facilitating entry and expansion into Asian markets and familiarity with Renault's heritage management culture. Relatively free trade with the European Union (and hoped for inclusion in the European Community political structures) and the OECD promised lower threats of tariffs and other potential financial penalties. A large Francophone community and an educational infrastructure closely related to the French educational system, including several French (and English) language universities and institutions of higher education facilitate an educated and culturally complimentary work force. A quickly developing industrial sector, a young population (average age is 28), and an emerging middle class provide a loyal and educated work force. Finally, a history of stable democratic public institutions, close political links to the Elysee Palace, and a favorable approach to foreign ownership (a 1954 law, for example, eliminated most taxation on profit transfers out of Turkey) linked to an industrial policy targeting regional dominance was a unique fit with Renault's global ambitions.

These features evolved over a period beginning for Renault in the early 1960s (the time period during which, we were informed, Renault management began internal discussions about Turkey), demonstrating a capacity of Renault managers to both establish a strategic ambition for the Turkish organization and to adapting it over a period of time as tactical opportunities present themselves. Although it is particularly challenging to reconstruct decision processes initiated in the early to mid 1960s, our informants, responding independently, unanimously emphasized the importance of Turkey in Renault's internationalization strategy. They cited the importance both of the long-term strategic ambition of local entry and regional (and later worldwide) dominance, and of the flexibility to take advantage of tactical opportunities in support of this ambition.

Thus, *asset Identification* (please see Table II for a summary of elements of strategic assembly) emphasized the cost based and political considerations of the traditional foreign investment decision, illustrating both the co-specialization and synergy of Group Renault and of its Turkish assets. However, the assessment of *location-based advantages* went far beyond these important immediate concerns and emphasized the potential fit between the evolution of Renault in Turkey and the strategy of Renault on a worldwide basis. It is interesting to note that this international expansion partially overlapped the period when Renault was abandoning its position in the US, emphasizing a world-wide position *sans* America, an approach more common in Asia-based multinationals but less so in Western Europe.

Please Insert Table II

The *transactional structure* of Renault's activities in France relies heavily on equity based joint ventures (Oyak Renault and Mais International) and relationships with multiple suppliers. According to our most recent data, the Bursa plant, for example, manages relationships with at least 118 suppliers. Renault has held between 44 (at founding) and 51% (today) of the equity in Oyak-Renault. Mais International is a wholly owned and operated subsidiary of Oyak-Renault. (Mais is also an equity joint venture of Oyak and Group Renault. Oyak owns 51% and Group Renault owns 49%).

The joint venture structure offers several advantages over internalization. The local equity partner in Oyak Renault is the Armed Forces Pension Fund, which provides preferential access to talent, patient capital, and deeply embedded cultural institutions. Moreover, the joint venture allows for direct management control without significant capital investment. However, the use of partial equity in Turkey was an exception to Renault's traditional foreign investment approach which emphasized full internalization and a subsidiary organization structure, although the model has since been adopted and diffused to Renault's international organization in South America and elsewhere.

Jointly and separately these elements supported Renault's involvement from inception and showed a significant and balanced *strategic purpose* first to dominate the Turkish automobile market, and then, as time went on, to fulfill significant ambitions for the region and for emerging markets on a worldwide basis. Using an international joint venture as a strategic leader in key sectors is unlikely in traditional models, but should be expected in a GMBF. The potential for such roles is apparent in the discussion of a fourth perspective on IJVs by Reuer et al. in this issue (Reuer et al., 2011).

Entry, Growth and Domination of the Turkish Market: Emerging Cooperation

Renault Turkey was the first and the oldest transplantation of Renault outside of Europe; Oyak Renault is also Renault's first partnership experience. Historically, vehicle design was engineered at TechnoCentre France with production executed in the Turkish plants. The Bursa plant (which started in 1971 as a simple single assembly line) over the last 40 years has achieved the distinction of being the biggest production plant of the International Operations Division of Renault and one of its first commercial hubs. Production runs have grown from approximately 20,000 per year in the early 1980s to over 160,000 vehicles by the end of the 1990 and over 360,000 today (when combined with complimentary Turkish plant production). The plant was selected as regional platform for production and export of the Mégane series of autos.

Renault Turkey's reputation in Renault has blossomed over the last several decades. This is because of its leading market share in the Turkish marketplace, successful track record, and the unique capability to produce 5 models in the same assembly line. Quality levels, initially challenging, have grown to the second highest for Renault outside of France. Production costs (labor cost and spare parts) are low; the organization is viewed as agile and well organized. The plant is a model for integrated assembly and motor plant manufacturing at the same site; the two elements coordinate activities easily and are proud of their ability to fix problems in real time because people/managers working in the assembly process are in immediate proximity. The Human Resources Director, echoing a message heard across the company, indicated that teamwork spirit, trust, commitment and cohesiveness of the teams is a key feature of the culture. He was proud to report:

> …if a manager calls an employee- manager or worker- to a duty or to fix an urgent problem late at night or when they are on leave, employees typically respond immediately and come to the plant without questioning and complaining…when they are called by a manager, they understand immediately that it is important.

Supporting a positive interpretation of this behavior, employee turnover is low. Additionally, this positive work environment helps local knowledge accumulation and know-how in people; little time is lost integrating new-comers. Engineers are well educated and experienced. It is not uncommon to find individuals who have worked for Renault for over 30 years. Turkish production workers routinely to visit their colleagues in France to co-practice, facilitating the transfer of tacit management and technical skills (for example, value engineering) to Turkey.

Before 1993, local R&D was limited to a small number of products necessary to adapt traditional Renault models to local requirements and demands. A series of process and product improvements on the R12 and R9 were particularly successful. After 1993, in order to prepare for prospective custom union agreement between Turkey and EU, Renault France modified direction to focus on local and international activity in Turkey. Instead of producing older models for the Turkish market exclusively, it was decided to synchronize local production on new models for local *and* international markets. Due to the success of this transition, Renault has established an R&D center in Turkey in 2009, working on system and processes development projects. They proudly boast of having already applied for 48 patents.

Sales and marketing at Mais International followed a pattern similar to that of research, development, and production. Initially, skills and capabilities were transferred to Turkey from Renault primarily through expatriation of workers and managers from France (in 1990 there were 18 French managers present; 4 were in residence in 2010). Early international expansion was limited to exports. Export decision, arrangements and agreements were typically made by Renault France, with Renault Turkey delivering products, including finished autos and components like drive shafts and transmissions. They are now exporting 89% of their productions with healthy contribution margins.

Renault Turkey is also “exporting” managers and knowhow. Some examples may be found in Table 3:

Please Insert Table III:

Renault Turkey is not only transferring managers to France but also to other international investments of Group Renault. Experiences in Iran and Morocco are especially important because these managers from Turkey have taken important roles in the early stages of these new implants under similar conditions.

Thus, the early period of Renault’s entry into the Turkish market could serve as a model for traditional notions of the foreign investment decision. Renault emphasized technology transfer from Paris and other European sites to the Turkish organizations. Partial equity stakes in local partners provided Renault with access to local market knowledge and relationships with key Turkish players, including governments, unions, suppliers, and the like. Soon, however, local skills and capabilities developed and were recognized as offering significant advantages for Renault more broadly.

Corporate Renewal and Global Positioning

Contributions from Turkey to Renault began with simple exports of intermediate and finished products, finished autos, spare parts, and components. These products and components produced significant benefit to Renault as it began a decade’s long initiative to control costs and quality.

Over time, several important knowledge and information sharing mechanisms emerged in Turkey, helping to strengthen the position of Renault as a full line global automaker. A training center in Turkey was initially established to train Turkish workers for the Turkish plants. Over the last several years, the center has expanded its mission to training international workers alongside their Turkish colleagues. A well established program of apprenticeships and *stages* is offered to other Renault production teams, from around the group, by Renault Turkey for special projects and for skills based training. Every Renault plant regularly shares their best practices with others in annual meetings. Several “*Clubs des Métier*” for various professional and functional areas composed of people coming from different Renault plants have been established, with several team members and global team leaders originating from and/or based in Turkey. For example, the global leader for the paint team is a Turkish manager, widely recognized for leading the excellent paint practice at Bursa.

Experience in Turkey has also become important for the careers of French managers. After a posting to Turkey, virtually every French expatriate manager received a promotion and assigned to a position of significant responsibility. One ex-GM who was assigned as Director of MERCOSUR; an ex- Director of Spare Parts was appointed Marketing Director in France and then Director of EUROMED Region.

Teams from different countries regularly visit the Bursa plant to share information, to learn a new process/system or to get help from the Turkish team, facilitating direct relationships within and between regions without the control of Group Renault in headquarters. Turkish engineers audit other plants and assist them with appropriate improvements. Suggestion systems and international performance objectives on quality cost and time have become routine. Through the Renault International Logistics Network they export parts, components (for new model and old models) as well as skills in value engineering and systems integration to multiple Renault plants in, amongst other countries and regions, Columbia, Mexico, Brasilia, and Iran. A joint project with Renault France is currently underway to design and produce an electrical version of Renault Fluence in Turkey for world-wide markets starting in 2011.

For managers in Turkey, however, penetrating the management culture in Paris was, at times, challenging. Group Renault was well known for its command and control heritage and historically complex, or “not invented here”, view of subsidiary initiated actions and programs. While the long evolution of boundary permeability between Group Renault and Renault Turkey described above played a key role in producing cooperation, the value of champions in this process should not be discounted. One Board member offered the following observation to a member of the research team:

> I and several of my colleagues were convinced that we needed to value input and innovation from our overseas, especially emerging market, operations. Our traditional insularity was becoming an obstacle to our plans and ambitions. I am

> proud to have contributed to managing this in a constructive way with our colleagues in Turkey and elsewhere. Renault is a better company because of it.

DISCUSSION: STRATEGIC ASSEMBLY AND GROUP RENAULT

Analysis of strategic assembly in Group Renault and Renault Turkey illustrates the co-evolving nature of the relationship and the dynamic character of global assembly. At the founding and in early stages, a largely asymmetric relationship between Group Renault and Renault Turkey predominated, with the flow of influence, technology, decision making, and the like originating outside of Turkey. Oyak-Renault and Mais International were directed to implement, with limited accommodations, Renault's headquarters defined ambitions and targets in the local market. This coincided with and supported Renault's heritage as a *multinational organization*, built on a traditional platform of country subsidiaries and/or divisions, with a strong command and control management heritage. Over time, a symmetrical relationship between the two subunits developed, with bilateral benefits flowing reciprocally. Today these symmetric, if not entirely balanced, relationships are functioning well and are contributing to the relevant parties, consistent with Renault's adoption of *transnational organization* structure and processes, initiated in the early to mid 1990s. Most recently, direct relationships, unmediated by headquarters, among the worldwide elements of the Renault community is increasingly common on both a bilateral and multilateral basis, with the Turkish organization credited for its pioneering role.

Thus, Renault Turkey has emerged as a full member of the Renault community responsible for its local market and for critical capabilities that it is charged with leveraging throughout the organization, and is developing as a leader in the emerging market strategy for Group Renault. At the same time, Renault is renewing its organizational structure in line with the *global multi-business organization* model described above. One so far unanswered question in this transformation is why Renault Turkey is relatively absent in formal direct Group level strategy processes. From the GMBF perspective, though, this apparent oversight is consistent with decentralization of responsibilities for specific activities and informal networking among subsidiaries and affiliates concerned with similar problems and with the concept that the central HQ plays a coordinating, not a controlling, role.

The findings of this data analysis are consistent with and extend current approaches to organizational co-evolution, and illustrate the critical role strategic assembly plays in the creation and management of the GMBF. The relationship between Renault Turkey and Group Renault follows the classic co-evolutionary bi-variate pattern predicted in the literature and found in other studies (see, for example, Koza and Lewin, 1999, and Flier, et al., 2003), and illustrates multi-level dynamic interdependencies between the parties (Lewin and Koza, 2001). As Group Renault has evolved from a multi-national firm to a transnational firm and ultimately into a global multi business firm, the role, structure and processes of Renault Turkey derived from but also supported these changes. The evolving and emerging strategy over time of Group Renault may be identified as a primary motive force in this process, but so too does the maturing of the organizational capability of Renault Turkey to play its own reciprocal, if embedded, causal role as a strategic leader (Birkinshaw, 1996). This is a joint process of realizing synergy, but also of identifying opportunities for value creation and the strategies and organizations that can deliver them. The strategy and structure of Renault Turkey is directly dependent on, but also contributes to, the strategic positioning of the parent corporation. Provocatively, our findings suggest that the strategic assembly of Group Renault derives from a set of intended strategic changes, as well as unintended, but fortuitous, emerging processes that together played a critical role in providing adaptive responses to uncertainty, and raise questions about the roles of management in the long term adaptability of firms.

The case analysis also provides an unexpected, but serendipitous, finding related to strategic assembly. Typically, literature on the evolution of multinational corporations has emphasized a largely deterministic view of corporate transformation. For example, the transformation from a multinational to a transnational organizational form (c.f. Bartlett and Goshal, 1989) is viewed as a unidirectional process involving the whole firm (albeit at different paces within the firm). Limitations on the transformational process are attributed to structural inertia, for example misalignment of reward, measurement, incentives systems and/or administrative heritage. Our findings suggest, however, that prior organizational forms persist and may become foundational elements in new organization forms. Renault continues to exhibit characteristics of the multinational firm and the transnational firm even as it presents an emerging image of the GMBF. Rather than obliterating prior forms, strategic assembly at Renault includes not only accessing resources through acquisition, alliance, et al., but also includes building on the successful elements of prior forms. It is not necessary to dig very far down into Renault to find structures, process or constituencies related to the multidivisional or transnational forms. Indeed they seem to happily cohabit in one organization, provocatively suggesting an important role of firm history in strategic assembly. Bartlett and Ghoshal's (1989) concept of administrative heritage is borne out even as the form of the global organization evolves beyond their specific construct.

CONCLUSION: OWNERSHIP AND ASSEMBLY IN A CO-EVOLVING WORLD

Our model of strategic assembly offers new concepts at various levels of analysis. First, it provides specific guidance for the pragmatic assembly of GMBFs in today's information-intensive, rapidly evolving business environment. Second, it offers an internally consistent, theoretically and practically grounded model of an emerging type of multinational firm that has been hinted at since Gunnar Hedlund (1986) described his 'heterarchy' as an emergent form of decentralized and geographically dispersed organization. Third, its logic suggests that certain core concepts in strategic management and organizational economics should be rethought.

The resource-based and capability-based models of the firm focus on the idea that competitive advantage accrues to the firm that owns or controls internally the most valuable, rare, inimitable and non-substitutable – and therefore rent-yielding – assets (Barney, 1991). Firms may use external markets to access generic assets, and may use alliances or equity participations to access complementary assets, but must own and control their strategic resources and capabilities for protection and for control of exploitative processes. The model recognizes the risk of 'capability traps' (Leonard-Barton, 1992), but tends to view these as long term or end game conditions where large, successful firms eventually become incapable of responding to changed conditions with new capabilities and resources. Our approach to strategic assembly in the GMBF suggests that this is actually a common and critical issue, and one that goes beyond the idea of 'dynamic capabilities' for learning, or even iterative lifecycles for core capabilities (Helfat and Peteraf, 2003), to propose reconstructing the majority of the multi business network in the face of profound, but inevitably to be supplanted, changes in the global environment.

Under rapidly changing or chaotic external conditions, firms that commit to specific resource stocks must expect to find mismatches of assets and market demand coming quickly and repeatedly. Co-evolutionary precepts suggest that the pace of change of a firm must match or exceed the pace of change in the environment; otherwise, it is likely to be selected against and disappear in short order. This is, in fact, what we observe with the great majority of organizations. If they have the asset base to survive the selection pressures of start-up, they discover a need for new, different, evolved set of assets to face the pressures of an equally evolving environment – and frequently cannot meet this requirement and succumb.

Thus, co-evolution in rapidly changing environments suggests that, ceteris paribus, firms should minimize their ownership of resources. Hard assets require large investments and make nimble response difficult. Turning an oil tanker, stopping a freight train, and the other metaphors for organizational inertia in large firms see mass as an unfortunate but unavoidable condition. But why must this be so? If strategic advantage is created by assembling the optimum set of assets for a particular condition, and lost when the conditions change and the assets cannot be reassembled, why not focus on speed and accuracy of assembly, on skills in bundling resources and capabilities, as the source of competitive advantage? Rents to any specific bundle may be temporary, but if the bundle can be disassembled and replaced by a "new and improved" GMBF with speed and accuracy of response, is this actually a problem? While some have viewed this phenomenon as "a falling apart of collective strategy" (Burgelman and Grove, 2007), we note that disassembly holds the potential, at least, of a partially adaptive form of strategic management.

Our discussion suggests that a co-evolutionary perspective is essential to understanding strategic management in the modern global context. We also believe that a real options approach to multinational strategy (Kogut and Kulatilaka, 1994) shows increasing value, in that it generally encourages minimizing commitment to any one investment in order to retain flexibility in the face of environmental change. However, real options models support using a broad, diversified, range of investments in both place and type, with strategy reflected in decisions to exercise, continue, or allow to expire various options as the environmental uncertainty is resolved over time. We suggest instead a limited set of strategically directed decisions aimed at gaining short to medium term competitive advantage with the expectation that changes in the environment will not clarify existing conditions as much as they impose new, equally demanding and uncertain new conditions for competition. In a constantly and permanently chaotic environment, seeking success by optimizing for an immediately uncertain, but stable and emerging, context seems likely to be permanently frustrated. Using a modified version of resource- and capabilities-based theories, we suggest optimizing for today, but without unnecessarily binding ties, and relying on competencies at recognition of and fast response to environmental changes to provide sustained advantage.

As a normative model for managers, we propose that preparation, flexibility, innovation, tolerance for uncertainty, and a global perspective will be the key capabilities for successful GMBFs in today's global marketplace. For scholars, we suggest that new combinations and interpretations of traditional and emerging theories of global strategic management are needed to understand how the complex, even chaotic, modern global market is placing new demands on global firms. Regular patterns of change, cycles in strategic relevance, and emerging equilibrium conditions – even in the distant future – all seem as quaint now as earlier models of home nation-driven stability did a decade ago. Managing for, even preparing for, a future equilibrium seems to be as outdated as optimizing for the immediate conditions. Firms need to be prepared for sudden fundamental system-wide changes in the global competitive environment, and the application of strategic assembly principles as proposed here offers a vision of how firms can face such change successfully.

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Table I: Interview Subjects by Position*

Oyak Renault

Director of Industrial and Social Relations Department
Director of Individual Management
Director of Employee Health and Job Security
HR Department Specialist I
HR Department Specialist II
Finance Department Specialist
Head of Human Resources and External Relations
Director of External Relations Department

Renault Mais

Head of Department of Finance
Manager After Sales Department
6 Staff Engineers (various departments)
Director of Human Resources

Group Renault

Director, Emerging Markets
Director, Worldwide Manufacturing
Director Technology Transfer
Director, Management Board France

* Some job titles changed to protect the identity of informants.

Table II: Key Elements of Strategy Assembly: Group Renault and Renault-Turkey

Asset Identification	Co-specialization and synergy of Group Renault and Renault-Turkey (Oyak-Renault and Mais International) ; Turkish Armed Forces Pension Fund could provide access to patient capital, and political and infrastructure relationships; francophone cultural and educational heritage; ambition of Turkish government to enter Europe and westernize; growth and trajectory of Turkish market for automobiles.
Location Based Advantage	*Early stage*: social, political, and cost-base benefits of Turkey as a key emerging market in Europe-Asia region; francophone and anglophone educational infrastructure; strategic location (and identity) of Turkey as bridge between Europe and Asia. *Later stage*: fit between Renault Turkey and strategy of Group Renault on a world-wide basis; flexible relationships with local and regional suppliers; transportation and labor costs; accumulated knowledge and capability in emerging markets.
Transactional Structure	Equity joint ventures with prima partner/subsidiaries: Oyak-Renault (44-51% held by Group Renault, and 56-49% by Oyak) and Mais International (Oyak holds 51% of equity, 49% held by Group Renault); Mais International is fully managed and operated by Oyak-Renault.
Strategic Purpose	Entry and domination of the Turkish marketplace utilizing product platforms and capabilities accessed from Renault; development of capabilities in emerging markets as well as manufacturing scale; expansion into the regional and global emerging markets, utilizing management capabilities (and scale); achieve a position as a full line global player in the automobile industry.

Table III: Expatriation of Managers

	Destination of the transfer of the Turkish Manager	After the expatriation
1996	Megane SW Project director, Renault France	Engineering Department Director, Turkey
1998	Purchasing Director, Renault France	Purchasing Director, Russia
1999	Intenational Operations Division, Director of Industrial İnvestments, Renault France	Still in France
2001	Purchasing Manager, Renault France	Purchasing Director, Turkey
2004	Project Manager, Marketing department Renault France	Network Director, Turkey
2005	Spare Parts Depart. Director, Dacia	Still there
2005	Project Director, Renault France	Still France
2004	Industrial Director, Renault Iran	General Manager, Oyak Renault
2005	Purchasing Director Renault Nissan	Renault France
2008	Department Manager, Technocentre France	Still in France
2008	Quality Manager, India	Department Manager in Quality Directorate of Renault France
2010	Engineering Department Manager, Russia	Still in Russia
2010	Plant Manager, Morocco	Still in Morroco