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

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

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

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

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

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

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

Williams looks at entrepreneurship in a subsidiary as a three stage process: identifying, evaluating, and exploiting an opportunity. When a subsidiary is active seeking influence through the firm’s heterarchy.

Williams draws an analogy between entrepreneurially-minded subsidiary managers and individual entrepreneurs starting their own businesses. “Entrepreneurs in society do not shy away from getting out there, getting involved, getting attention and generating a certain amount of influence for themselves,” he says.

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

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

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

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**Tips for entrepreneurial managers in multinational firms**

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

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

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