

GLOBAL CORPORATIONS (GCS) AND THE GLOBAL COMPETITION FOR INTANGIBLE RESOURCES FROM EMERGING ECONOMY PERSPECTIVES

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The ascendance of global corporations (GCs) from developing economies has become a major topic of research in international business and economic development. As international policymakers such as the World Bank and national governments, there has been a concurrent debate about anti-globalization, economic development and the importance of nurturing and protecting knowledge as a resource. Research in development and growth which began in the 1950's have now converged on the importance of "knowledge" as the most critical resource for developing economies (World Bank, 1998). The purpose of this conceptual paper is to provide a typology of three models that can provide an integrated approach to the understanding of intangible "knowledge" as a global resource and the growing competition between developing economy GCs and developed economy GCs for knowledge resources in the 21st century.

Key Words:

Global Corporations, Competitions, Intangible Resources, Emerging Economies

1. INTRODUCTION.

Intangible resource as a resource and asset has been one of the major areas of debate throughout the last decade of social science research (Love, 1995; McFetridge, 1995; Kogut and Zander, 1995; Athanassiou, 2000; Spencer, 2000; Buckley, 2003). Although international business researchers have analysed successfully the more tangible aspects of knowledge such as technology transfer, innovation and patents, there still remains a more complex issue of how to analyse the more intangible and tacit aspects of knowledge in the 21st century. Concurrently, the emergence of GCs from developing economies has become a major topic of research in international business and global corporations. The purpose of this chapter is to focus on the potential competition for "intangible (knowledge) resources" between developing economy GCs and developed economy GCs.

In addition to international business researchers, international policymakers such as the World Bank and national governments, have been experiencing in recent years various social and international anti-globalization movements and protests especially in connection to economic development and equity (Stiglitz, 2003). Such social realities and public policy issues have also led to international business and economics researchers addressing questions of, "anti-globalization" and what is the extent and limits to the economic and business elements of globalization and the future role of GCs (Dunning, 1997; Graham, 2000; Eden and Lenway, 2001; Higgott, 1999; Prakah and Hart, 2000; Rodrik, 1997; Rugman, 2000; Vernon, 1998). The scale of these anti-globalization movements, have caused researchers to contemplate new research agendas going beyond the research areas of GCs and foreign direct investment (Buckley, 2002; Rugman, 2003; Contractor, 2003; Vernon, 2001). Researchers in economic development and growth which began in the 1950's have now converged on the importance of "knowledge" as the most critical resource for developing economies (World Bank, 1998; Romer, 1986; Krugman, 1991).

The premise of this chapter is that these growing anti-globalization movements as well as the continuing prominence of GCs will make the analysis of knowledge as a resource even more fundamental to social science research. The social community and intangible aspects of knowledge (Kogut and Zander, 1995; Spencer, 2000; Athanassiou, 2000; de la Torre, 2001) resources will also lead to more complex conflicts on the nature of property rights, collective action (Nelson, 2002; Olson, 1965; Ostrom, 1990) and international public policy towards knowledge based assets and resources and their role in economic developments (Stiglitz, 2003). We believe that the international business literature has not provided a comprehensive synthesis on models of knowledge as a resource, its connection to economic development and the potential role of the state and public policy. The purpose of this chapter is to provide a typology of three models that can provide an integrated approach to the understanding of knowledge as a global

resource and the growing global competition for knowledge based assets and resources.

The structure of this chapter is set out as follows. Firstly, we analyze the social science research on the importance of knowledge as a resource, and the role of multinational corporations in the knowledge creation and dissemination process (Kogut and Zander, 1995; Rangan, 2000; Hennart, 2003; Love, 1995). The concurrent global debate on anti-globalization, economic inequalities and economic development complement this paper's research analysis (Stiglitz, 2003; Rodrik, 1997) as well as the limits to globalization (Rugman, 2000; Oxley, 2001; Eden and Lenway, 2001; Spencer, 2000). The role of the state (Murtha and Lenway, 1994; Stopford and Strange, 1991; Kobrin, 2001) and international public policy as well as the nature of international political economy and collective action (Olson, 1965, 1982, 1992; Ostrom, 1990) become a major issue of research also of relevance to social science researchers. Thirdly, we provide a typology of three models, which we believe can integrate a deeper understanding of knowledge as a resource in international business. These three typologies are: exchange, gifts, and entitlement.

2. INTANGIBLE AND SOCIAL SCIENCE RESEARCH.

The importance of knowledge in social science research has been highlighted in various works over the last decade, in works such as Kogut and Zander (1993, 1995) and Eriksson (2000) who helped show that multinational enterprises can be seen from an evolutionary rather than transaction cost perspective. All these works have helped to raise the complexity of analysing the crucial importance of knowledge in international business research. This paper believes that intangible can often be tacit (Polyani, 1957; Schelling, 1960) and uncodifiable and its value and quality difficult to ascertain even after exchange. Thus, the value of knowledge which can often be measured only over time and over repeated interactions may be more effectively exchanged in more socially embedded relationships. Social and community identity, reputation and the ability to communicate identity becomes crucial, and a firm's boundaries or even the firm's position in a network (Burt and Knez, 1996; Chen and Choi 2003; Zhang, 2002) help to confirm such identity. As more tangible resources, market exchange can be effective as distribution of gains can be made immediately. With more intangible resources such as knowledge, the distribution may occur later, requiring a longer term relationship between the transacting parties (Hennart, 2002; Child, 2001; Currall, 2002; Danis, 2002). This is why the boundaries of the firm or its network are important, because they help to "contain" the gains that eventually need to be distributed.

An organisation's ability to exchange knowledge within a network of social relationships has become crucial to success in today's global business environment. As analysed by Kogut and Zander (1996), Boisot and Child (1988), Athanassiou (2000), knowledge exists within social relations among members of a community. Most of the vast past research on knowledge transfer in social science has tended to focus on technology transfer, including areas such as patents, or the more tangible aspects of knowledge transfers. The framework of analysis has been based primarily on transaction cost analysis, and to neglect the salient features of the nature of knowledge as an intangible resource and the difficulties of assessing its value. Works that have addressed the more complex issues of non-technology transfers and the more intangible aspects of knowledge and value, include Inkpen and Beamish (1997); Spencer (2000). It is important that the intangible nature of knowledge raises the fundamental issues of social and community identity and reputation in such knowledge based transactions. Kogut and Zander have stated that "identity leads to social knowledge that supports coordination and communication" (1996, p. 502); but this assumes that the task being carried out together, or the product or services being exchanged can be valued or the content measured. Researchers such as Rangan (2000), Spencer (2000), Love (1995), have shown how although the existence of multinationals do not imply opportunism, they also do not imply an absence of market failure. In a related way, the intangibility of knowledge may create market failure, or difficulties in exchange, but this is not necessarily due to opportunism by the exchange partners.

Existing research on knowledge transfers in social science has primarily focused on conventional resources such as new technologies, risk sharing, market entry, scale economies, complementary skills as drivers for such international co-operative ventures (Hennart, 2002; Child, 2001; Yoshino and Rangan, 1995). In analysing such tangible resources, researchers have assumed little uncertainty in product and service quality, greatly simplifying the complexities of co-operative exchange. It is therefore that intangible resources (Itami and Roehl, 1987) such as knowledge raise the importance of identity and the boundaries of that identity, both within firms, and within the firm's network. Knowledge raises the difficult issue that its quality and value may be difficult to ascertain and measure. This does not diminish the crucial role played by knowledge in organisations in international business success. As noted by Rugman (2000), Spender and Grant (1996), and Ring and Van de Ven (1994), an organisation's competitive advantage may increasingly be based on variables that are least identifiable and most difficult to measure.

3. KNOWLEDGE, COMPLIANCE AND MEASUREMENT.

In industries where the value and quality are more intangible, such as in knowledge based industries, norms, values and standards of exchange and cooperation may not be fully established and may be very specific to cultures (Child, 2001; Kim, 2002; Kallunki, 2001; Thompson, 1996). Certainly, the creation of such norms and standards for an international setting are even more problematic. As noted by Spender and Grant (1996), an organisation's most crucial assets, such as knowledge, may also be the most difficult to identify or measure. In such industries, there can be tendencies to follow the behavior of other parties in one's social network. This can lead to an even further dependence on domestic, social structures and cues, which can screen and identify from a biased perspective.

When the assumption is that the content or value of the product or service is tangible, there are no measurement costs (North, 1990; Hirsch and Lounsbury, 1996; Williamson, 1985; Nelson, 2002) or uncertainty in such a transfer or flow to take place among GCs. Under such assumptions, there is very little need for the two parties such as GCs to have shared experiences (Teigland, 2000; Ruigrok, 2003; Kogut and Zander, 1993) or shared identities because the value and tangible quality of the product or service being exchanged will determine the nature of the relationship. Once the value and content can be measured, the coordination and communication costs discussed by Kogut and Zander (1996) are much lower. Because the resource being exchanged is tangible, and explicit, there is less need for a long term social relationship or trust between parties.

However, as analysed by North (1990), Hirsch and Lounsbury (1996), measurement costs are one of the fundamental problems of any type of transfer, flow or exchange. As noted by Hirsch and Lounsbury (1996), one of the key differences in the analysis of North (1990) and Williamson (1985) is that although both start from Coase's (1937) seminal contributions, North believes that measurement costs are endogenous and crucial to analysis of institutions and markets. Such measurement costs are especially high for knowledge based industries, where there is high intangibility of value and content. Thus, the identity of the actors in any type of transaction, including transfers or flows becomes relatively more important as the value of what is being exchanged becomes more uncertain. The exchange and co-operative relationship is now driven more by the identities of actors A and B, the value of the product or service, such as a knowledge may eventually become known, but until that time, there is a need for trust and a more social relationship between the actors, because of the tacit aspect of knowledge. In the extreme case, the product or service can actually become identified with the social and community reputation of the GCS. Figure 1 below contrasts the traditional, anonymous market definition of knowledge transfer between two anonymous actors transferring knowledge, versus the more intangible and identity driven governance of knowledge transfer.

The research on the institutional and cultural aspects of economic relationships such as Hennart (2002), Child, (2001), Parkhe (1993) and Madhok (1995), have shown that the uncertainty of whether the other party will fulfil obligations and expectations is a major issue in global environments. In today's global, diverse and cross cultural setting, the difficulty is in identifying the other party, rather than the content or value of the product or service being exchanged; the intangibility nature of knowledge in terms of value and measurement would magnify such complexities. Thus, the value of a knowledge transfer or flow between GCs has not only to be ascertained by both sides, but the problem is one of cross cultural interpretations, informational constraints, communication distortions (Rangan, 2000; Currall, 2002; Zhang, 2002; Thompson, 1996). The crucial issue then becomes one of compliance, obligations and enforcement of agreements.

4. GCS AND INTANGIBLE AS A PUBLIC GOOD.

The concept of ownership and property has traditionally been analyzed in two extreme frameworks. The more liberal paradigm traced back to Adam Smith, and neoclassical economics and to seventeenth century thinkers such as Locke and Hobbes, who showed the superiority of private property rights, competitive markets, individual actor decision making. This paradigm has also emphasised the tangible nature of value in resources; thus analysis of knowledge has tended to focus on the linkages to more tangible resources such as technology. In contrast, the more collective, social and institutional framework can be traced to Marx and other social thinkers, and more recently by institutional economists such as North (1990). Although the liberal competitive market based paradigm has gained popularity among international business and social science researchers, one clear weakness of this paradigm has been shown in the area of environment and other natural resources (Rugman, 2000). We believe that "knowledge" assets, and especially knowledge based strategic alliances and networks raise similar collective action (Olson, 1965, 1982, 1992) issues as the more widely researched public policy issues towards the environment. The earlier works on knowledge transfer in social sciences and GCs, such as Buckley and Casson (1976), Hennart (1982) broadly touched

upon knowledge as being a public good; the public good nature of knowledge, however has not been analysed further in more recent works on knowledge transfer and GCs by researchers. If knowledge is a public good, it may be underprovided. This is because the non-excludability, difficulty of appropriation aspects of public goods (Love, 1995) leads to the fundamental problems of free riders and collective action (Olson, 1965; Hardin, 1982) where actors would prefer the benefits of the resource such as knowledge, but not the costs of creating the resource leading to an inefficient allocation of resources. Knowledge and gravity are often used as examples of global, public goods (Ostrom, 1990; Nelson, 2002).

A fundamental area where such analysis of market exchange is the weakest, is that of public resources or goods, which depend on collective and interdependent actions and decision making (Olson, 1965, 1982, 1992; Hardin, 1982; Ostrom, 1990); increasingly the technology of the internet is seen to be creating such as public type of society. Public resources and the closely related area of common pool resources (CPR) require the analysis of such joint or nonexclusive ownership of resources (Barzel, 1997). This in turn influences the creation and appropriation of such resources. We believe that intangible resources have fundamental characteristics of such public goods and common pool resources (CPR), and thus require analysis that takes into account such issues of collective action (Hardin, 1982) and interdependence among the actors. Common pool resources the use or appropriation of the resource occurs within a restricted facility, such as a fishing ground (Ostrom, 1990), even if the assets such as fish could be exchanged and have a value in the market. Common pool resources, which have certain characteristics that overlap with public goods, face the problem of, overuse and over exploitation. This problem has become known as the, "tragedy of the commons" (Hardin, 1982) and has developed a wide literature in environmental and natural resource disciplines. If knowledge is a common pool resource, then it will be overused, since as a resource it has market value and value outside the restricted grounds or commons.

The creation and transfer of an intangible resource such as knowledge requires continuous exchange and trust among actors (Child, 2001; Hennart, 2002; Burt and Knez, 1996). For such continuous exchange to occur there is a need for the actors to understand each others' property rights. In the social science literature, there are two major definitions of property. A traditional more legal definition of property rights, which is closely concerned with the rights given by the state, and the more recent economic definition of property rights (Bernstein, 1992) which is linked to the economic value of assets or resources. Based on Barzel (1997), we come up with the following definitions of property rights:

Economic property rights are the end, what actors ultimately seek, whereas legal property rights are the means to achieve the end...

In this paper we are concerned with economic property rights, or the rights over economic assets and resources. Property rights require recognition as well as enforcement of the rights (Barzel, 1997) and economic property rights become more important as the value of particular assets of resources increases. However, this again assumes that some type of transparent, singular, market valuation. Knowledge based resources and assets, in order to be properly developed and used, require mechanisms for co-ordination and exchange of assets, that take into account the transfer, capture and protection of property rights of the assets (Barzel, 1997; Bernstein, 1992). These distinctions are shown in the figure 1 below.

Figure 1:

Knowledge resource: private; public; common pool resource; club

Knowledge as a resource	CHARACTERISTICS
PRIVATE RESOURCE	Rivalrous and excludable. One actor's use value can preclude another actor's use of the resource. For example, the use of a personal computer.
PUBLIC RESOURCE	Nonrivalrous and nonexcludable. No actors can be excluded, and one actor's use does not preclude another actor's use. For example, street lights.
COMMON POOL RESOURCE	Rivalrous and nonexcludable. No actors can be excluded, but an actor's use affects another actor's potential use. For example, overfishing a lake.
CLUB RESOURCE	Nonrivalrous and excludable. Actors can be excluded through a membership system from using the resource. For example, membership in a private club.

North (1990) has indicated that, “how agreements are enforced is the single most important determinant of economic performance...”. The theoretical frameworks in this paper also believe that the enforcement of agreements concerning property is crucial for the continued success of collective action towards public goods and common pool resources such as knowledge. The intangibility of knowledge as an asset (Rangan, 2000; Grant and Spender, 1996; Inkpen and Beamish, 1997) makes the definition of property rights and the transfer, exchange and protection of such rights especially problematic. Kogut and Zander (1996) have emphasised the similarities between GCs and social communities, especially in the transfer of knowledge. For GCs, as a social community to be successful in the transfer of knowledge, the community will require mechanisms to, “exclude” outside non-members from the benefits and knowledge within the social community. This is similar to the concept of, club goods in law and economics, whereby members of a community pay a type of club fee for membership, and share collective the benefits, but at the same time exclude non-members from free riding (Ostrom, 1990) on the resources and assets of the social community. Kogut and Zander see GCs as a social community (1993, p.627). This however is a very broad definition, since this does not address the issue of membership or exclusion mechanisms. Given that a GCS serves as social community for creating and transforming a valuable resource, knowledge, there is need to mention some type of entry or exclusion mechanisms. Some social communities such as clubs can have very difficult entry requirements; other communities such as those attending an open lecture in a park have very little exclusion mechanisms (Ostrom, 1990). If the GCS is a social community (Kogut and Zander, 1993), is it one with easy or difficulty entry requirements, and are there informal or formal exclusion mechanisms? Such issues, although not often addressed in the research on knowledge in social sciences (Athanassiou, 2000; Murtha and Lenway, 1994; Kogut and Zander, 1993) have been crucial research topics in various social sciences studying the nature of collective action, public goods, common pool resources (Ostrom, 1990; Stiglitz, 2003). Joint venture, strategic alliances and other collaborative inter-organizational relationships in knowledge assets, have the potential to overcome some of these collective action issues although such relationships tend to be between relatively small numbers of actors.

5. GCS, INTANGIBLE AND ECONOMIC DEVELOPMENT.

Researchers in economic development and growth which began in the 1950's have now converged on the importance of, knowledge as the most critical resource for developing economies (World Bank, 1998). The role of global institutions such as the World Bank, IMF and their impact on economic development and growth has led to various anti-globalization movements throughout the world. Academic researchers as well as international public policy makers such as Stiglitz (2003), Rodrik (1997) have criticized the costs of globalizations to the more developing economies of the world.

The debate about the role of the state lies at the heart of development economics. Much of this debate has been and continues to be dominated by the idea of “market failure”. The early development theorists (Rosenstein-Rodan, 1943; Hirschman, 1970) pointed to market failure as a reason for comprehensive planning. The actual experiences of the developing countries, in the context of problems associated with government intervention, and theoretical arguments against the role of the state, led to the recognition of government failure as an impediment to development (von Hayek, 1967; Bauer, 1984; Little et al., 1970). More recently, de Soto (2000) has made the argument that the lack of property rights is the fundamental reason for developing economies being unable to develop successful business and economics models. But a related implication would be that given the intangibility of knowledge, and the difficulties of property rights towards knowledge, that knowledge resources would be a fundamental issue for economic development, a point also mentioned by the World Bank (1998) and in the context of Eastern Europe's transition economies by Rubin (1997). This debate about the role of markets and governments was challenged from a different direction by the phenomenal growth in the East and South East Asian markets. For example South Korea, whose economy had an outward orientation but with substantial government intervention in the investment process and import substitution, had registered phenomenal economic growth and went on to become a member of the OECD in quarter of a century (Wade, 1990; Stopford and Strange, 1992). Over the last two decades, China has shown rapid growth through a number of different planning regimes, with no claims to being a free trading country with minimalist government.

Until very recently, straddling the development debate has been the World Bank, arguably one of the most powerful producers of international development knowledge. In the beginning, the main focus was on alleviation of poverty to stem the tide of communism with a firm belief in emulating the approach to economic modernization believed to have been adopted by North America and Western Europe; the state was to play a significant role in poverty alleviation. In the early eighties, the emergence of neo-liberal governments in a number of Western industrialised

countries and changes in the overall context of the international political economy, led to neo-liberalism emerging as the dominant narrative on development. It led to poverty alleviation being demoted as a priority for the Bank, with structural adjustment policies taking its place. The Bank's prescriptions for development called for a greatly reduced role for the state in the economy and with much greater reliance on the market as a means of accelerating economic activity (World Bank, 1998).

The fall of state socialism by the end of the 1980s, had in the opinion of the Bank, led to a new international consensus on development thinking which has replaced the ideological conflict - a consensus based on a balance between the private sector and government. But the Bank still had a problem in coming to terms with what was increasingly being viewed as the miraculous industrialisation of East Asia. The Bank had tried to depict the East Asian experience as essentially a normal part of capitalist development in accordance with neo-classical economics. It was only in 1993, in a Japanese government funded study, that for the first time in a major Bank publication, it conceded that government intervention had played some role in the economic development of most of East Asia (World Bank, 1998; Wade, 1990). But even in this reports the role of the state or government institutions was seen as being relevant to particular times, and not to the overall understanding of successful capitalist development.

6. INTANGIBLE RESOURCES IN ECONOMIC DEVELOPMENT.

The area of economics literature which does have relevance for international business has only occurred in the mid-1990's, with the increased interest in economic development, partly driven by the issues economies in transition in Central and Eastern Europe. The study of emerging economies in Eastern Europe, along with the numerous earlier studies of Asia (Amsden, 1989; Wade, 1990) helped to raise the following types of issues that have special relevance to future international business research. Firstly, that knowledge as a resource has to be analysed from the traditional economic growth theorists that have included it as part of human capital and seen education policy as the answer to its development (Romer, 1986). Secondly, fundamental questions of markets, institutions and organisations have to be adjusted in the context of emerging economy environments. Thirdly, knowledge about generic technology, which tends to be standardised need to be separated from knowledge about the quality or attributes of goods and services. All these factors have fundamentally raised knowledge in a different context in economics research in the late 1990's, combining the analysis of not only development economics, economic growth with the earlier literature on economics of information. Past economics researches on intangible resources have been in the context of the new economic growth theory (Romer, 1986; Krugman, 1991). In this strand of literature, knowledge has been treated as an addition to the traditional economic resources of capital, land and labour; knowledge has tended to be seen in the context of human capital, and education policies (Romer, 1986). Thus, this past economics literature based firmly in traditional neo-classical frameworks and assumptions did not fully address the nature of knowledge and its implicit and intangible nature and again used the effectiveness of market mechanisms for the creation, development of such human capital as a resource.

There are two major issues concerning knowledge in the context of the economic success and crisis in emerging markets. First, although there is a general interest in knowledge as a resource, there is a substantial gap in definitions between social science research and related areas of economics research. One area that especially warrants attention is the more recent research in economic development, which differentiates between knowledge about technology versus knowledge about quality and attributes of goods and services, which face more general problems of imperfect information (Bowles and Gintis, 1996; World Bank, 1998). The majority of business environments however are in a developing or emerging economy context, with imperfect information, institutions in transition and lack of intellectual property rights. The value of knowledge in such an emerging economy context may be very different for multinational enterprises as well as for the overall economy and society. For example, the value of knowledge may be contained in the context of technology licensing, or in the development of certification agencies standardising quality and attributes of goods and services (Amsden, 1989). In the following sections, we provide frameworks for analysing two key issues facing knowledge as a resource in developing countries; knowledge exchange and property rights.

7. TYPOLOGY OF INTANGIBLE KNOWLEDGE EXCHANGE MODELS.

Hayek (1945) pointed out the intangible and randomness aspects of knowledge, which make it such a difficult and complex resource to analyse:

"...the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory

knowledge...a problem of the utilisation of knowledge not given to anyone in its totality” (p. 520)

In order for such dispersed knowledge to be combined and to be valuable, the actors must “exchange” the various parts of knowledge in their possession into a viable, useable whole. Thus, various institutions throughout history have been developed to enhance the possibilities of exchange (North, 1990; Kogut and Zander, 1992). The past literature although emphasising the importance of exchange, generally refer to exchange through efficient markets. However the past literature does not sufficiently analyse the various types, or spheres of exchange that exist for organisations, institutions, markets and society. We believe that the intangible aspects of knowledge (Polanyi, 1957) and its dispersed nature in society (Hayek, 1945) required an in depth analysis of the spheres of exchange. Polanyi (1957), who is universally quoted in terms of the distinctions of implicit knowledge versus explicit information and other social scientists have suggested the importance of reciprocity, defined as, “the giving and receiving according to need” (Polanyi, pg. 210). These earlier works by Polanyi (1957), Kolm (1984), however do not provide a sketch of the institutions that could potentially work in such reciprocity based system. The ideas and frameworks provided by this earlier research also do not distinguish between the nature of production, distribution and exchange in tangible assets such as manufactured products, and intangible assets, such as knowledge.

In this paper, we sketch out a preliminary framework for understanding such reciprocity based systems, since they are traditionally seen as part of primate, or pre-modern societies (Mauss, 1955; Bourdieu, 1977). However, one characteristic of pre-modern societies was that exchange was based on, informal, social exchange, overlapping with concepts of embeddedness (Granovetter, 1985) of the social structure. These systems of exchange combined various elements of markets, reciprocity, redistribution in exchange, are still readily used in developing countries, such as the low income countries designed by the World Bank as developing. We believe this can provide a framework for understanding knowledge based exchange in developed economies and at a more general level of analysis. In terms of trust based exchange, these pre-modern societies as well as many developing economies today are based on informality, and have institutions for undertaking trust based exchange in, “inalienable” or intangible assets. The literature agrees that intangibility is a key component of knowledge as an asset (Kogut and Zander, 1992). Thus, the nature of exchange of knowledge assets can learn from the nature of exchange in these pre-modern societies on inalienable assets (Mauss, 1955; Bourdieu, 1977).

It has long been recognised by researchers in a number of disciplines that different systems for exchange exist internationally. In studies of international trade scholars have early on recognised that the market is only one form of trade structuring, (Polanyi, 1957). Even simple transactions such as the export of a GCS’s goods may involve multiple smaller exchanges of money, information and goods and numerous social actors such as distributors, freight companies, government regulators, local communities. Given the multiple exchanges and parties involved some conflict is inevitable for GCs and their collaborative partners. For example, in many parts of East Asia such as China and Japan, an informal system of personal network ties and private norms of exchange operates in parallel with the formal market system. Economists typically consider exchange in the context of calculativeness (Williamson, 1985) or the transfer of money for a product or service in the market place; psychologists and sociologists consider exchange in the context of the relationship between two actors in the social structure (Burt and Knez, 1996). In terms of knowledge transfer and the transfer of intangible assets, we believe that anthropologists and social anthropologists have analysed frameworks and governance structures that are applicable to knowledge transfer in GCs in the global business environment (Simmel, 1978; Sahlins, 1972; Bourdieu, 1977; Mauss, 1955; Durkheim, 1974).

In line with Durkheim (1974) and also with more recent research by social anthropologists, we begin by distinguishing two different concepts of value – economic value in which social interaction is negligible and ideal value, which is created by strong social interaction. The former applies most strongly in the trade of commodities. Under market exchange of commodities, assets being exchanged are focalised, quantified, and valued at a particular price (Bourdieu, 1977). This price determined in the market serves as an universal, transparent mechanism to facilitate the exchange of such physical assets. In contrast, tacit, informal assets such as knowledge are difficult to determine a valuation for, and thus, the value can be context or situation specific, or specific to particular organisations or actors (Athanasios, 2000; Grant and Spender, 1996).

This requires a consideration of the “ideal value”. This has a number of implications for the types of exchanges that can occur with knowledge assets. One of the implications is in the area of, “entitlement” and fairness of distribution, given the intangible and difficult to measure issues of knowledge and knowledge based assets. In terms of international business research, the research on procedural justice (Greenberg, 1987; Kim and Mauborgne, 1991) has shown the

importance of equity, fairness, and the process by which such equitable outcomes are reached during interactions in the international business environment.

The tangible products and services of GCs can be transferred to other GCs or purchased through the market place, independent of the originator of the product or service, in the extreme, a commodity; however, other types of intangible products and services, that have a high knowledge component are difficult to disentangle from the source, or the GCs that created the knowledge resource. For example, the implications of an industrial innovation may be difficult to understand without some knowledge of the innovating GCs, its social reputation, its past and present global strategies. Primitive, premodern, social systems (Chen and Choi 2003; Casson, 1996). studied in depth the difference between exchange of commodities, versus exchange of “inalienable” assets (Bourdieu, 1977). Alienability refers to tangible assets, products and is fundamental to market based exchange, such commodities can be easily valued to have certain monetary prices, and their values can be quantified.

In contrast, inalienability refers to assets whose value may be more difficult to measure without reference to the owner, giver or seller. For example, in the case of gifts, the identity of the actor giving the gift, can determine its value (Bourdieu, 1977). Exchanges based on gifts are seen to create status, for the exchange partners (Mauss, 1955; Sahlins, 1972; Simmel, 1978). The value of such gifts are thus more difficult to measure in terms of market prices, and may be more dependent on quality, the identity of the two actors involved in the transfer, rather than price and quantity measures (Polyani, 1957; Sahlins, 1972; Simmel, 1978).

8. GOVERNANCE: EXCHANGE, ENTITLEMENT, GIFT.

For example, despite the importance of learning and knowledge transfer in GCs, it is only recently that a handful of studies have shown the importance of the dynamic and multi-faceted nature of knowledge transfer. Recent literature such as, reverse knowledge technology transfer, or the fact that knowledge can transferred from foreign units back to the parent organization (Nohria/Ghoshal 1997, Hakanson/Nobel 2000, 2001, Yamin 1997) has begun to show the importance of the socially complex nature of knowledge in GCs. This important new literature on reverse knowledge technology (Yamin 1997, Hakanson/Nobel 2000, 2001) proves that the tacit knowledge (Polyani 1957) transfer is socially complex and a two-way process. Such a socially complex and intangible resource such as knowledge requires equally complex governance structure and exchange mechanisms.

This type of typology of knowledge governance structures presented in this paper has an analogy to the concept of multipurpose monies in the anthropology and sociology research literatures. Works such as Simmel (1978), Zelizer (1994) and Lave (1988) have shown the importance of a typology of frameworks for understanding the nature of monetary exchange. This research emphasises the importance of viewing monetary exchange as having tangible as well as intangible aspects of value. Knowledge transfer, can also be seen in this way, showing the tangible as well as intangible nature of knowledge as an asset and especially when knowledge is being transferred by GCs in an international business environment. This is shown in table 1 below.

Table 1: Governance Structures for Global Intangible Resources -Exchange, Entitlement, Gift

<i>Types of Governance Structures</i>	<i>Major Characteristics</i>
<i>Exchange</i>	Under the well known market <i>exchange</i> , governance structure, knowledge is transferred or exchanged through the interaction of supply and demand at a market price. This type of knowledge transfer mechanism for GCs is most appropriate for the more tangible aspects of knowledge such as technology, patents, where measurement and valuations are relatively transparent.
<i>Entitlement</i>	Under the framework of <i>entitlement</i> governance, knowledge whether it is owned by GCs or a social community, involves an actor having the right to a particular aspect of the knowledge asset. The legitimization of the knowledge ownership and especially the process of exchange is important in this type of governance structure.
<i>Gift</i>	Under <i>gift</i> governance, the identity of the actors involved in the knowledge transfer or exchange are crucial. These identities which can be social and reputation, can contribute to the value of the knowledge that is being transferred through factors such as status and association with the actors, which can be national governments, GCs or social communities. This type of governance also requires a certain level of goodwill and trust between the actors involved in the knowledge exchange.

Knowledge, especially the tacit nature of knowledge (Polyani 1957) is socially complex (Hakanson/Nobel 2001, Hakanson 2001, Winter 1987, Kogut/Zander 1993). We believe that even within a single GCS, there can be multiple transfer mechanisms for knowledge assets and resources. Thus, we tried to provide a conceptual typology of the three major types of such knowledge transfer mechanisms.

9. CONCLUSIONS

The ascendance of GCs from developing economies means a potential global competition with GCs from developed economies for the world's most valuable resources; we believe that knowledge is that resource. The contributions of this theoretical paper were to analyse the role of different governance structures on knowledge transfers and flows and the importance of knowledge in economic development. It is therefore intangible can often be tacit (Polyani 1957, Schelling 1960, Winter 1987, Kogut/Zander 1993, Hakanson/Nobel 2001, Hakanson 2001) and uncodifiable and its value and quality difficult to ascertain even after exchange. For more tangible resources, market exchange can be effective, as distribution of gains can be made immediately. With more intangible resources such as knowledge, the distribution may occur later, requiring a longer term relationship between the transacting parties. This is why the boundaries of the firm or its network are important, because they help to contain the gains that eventually need to be distributed.

Intangibility increases the importance of ownership and legal and economic property rights. This conceptual paper tries to address and contribute to the existing research on knowledge transfers in GCs in international business research in the following two ways. Firstly, we provide a typology of governance structures that influence knowledge transfers and flows. The difference between market exchange and more tacit or implicit transfers have been widely researched in the international business literature. We introduce a three way typology and framework: exchange, entitlement and gift, to analyse the nature of knowledge transfer in international business. Secondly, we emphasize the point that the scale and scope of today's GCs is such that these different frameworks or a hybrid combination based on these three frameworks can be used within the same TNC or within a country. Thus, a TNC or country needs to accept such multiple-channel and multiple governance structure for successful knowledge transfers in the 21st century's global environment.

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