

Ties that Bind: The Role of Ethnic Inventors in Multinational Enterprises' Knowledge Creation

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Alba Marino, Ram Mudambi, Alessandra Perri and Vittoria Giada Scalera

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Abstract

Multinational enterprises (MNEs) geographically distribute their research and development (R&D) activities to source foreign knowledge that is critical to feed the innovation process with valuable inputs developed in different locations, as well as to adapt their technology to new markets. However, literature suggests that, in spite of the establishment of foreign R&D subsidiaries in selected host-countries, MNEs face serious challenges in accomplishing these tasks. Building on international business and migration studies, we argue that ethnic inventors play a role in alleviating these challenges, by acting as a bridge between their countries of origin (CoO) and the MNE headquarters. Using USPTO data on global collaborative patents assigned to US-based MNEs operating in knowledge-intensive industries over the period 1975-2009, our empirical analysis shows that ethnic inventors from a given CoO foster the integration of knowledge emanating from that CoO in the intra-corporate innovation process. Further analyses demonstrate that this effect is bounded to knowledge developed within the MNE, confirming the superior role of firms compared to external market mechanisms in the transfer of knowledge across borders. Finally, contrary to our theoretical predictions suggesting that ethnic inventors also play a role in facilitating the adaptation and exploitation of MNE's technology in their CoO market, we find no significant evidence of such an effect.