The Co-evolution of Internationalization and Technological Knowledge

ABSTRACT

This paper develops a formal model that captures the dynamic and mutual interdependency in the technological and international expansion of multinational enterprises (MNEs), thus offering a novel evolutionary theory of the MNE. The model, which is verified empirically, suggests a positive but diminishing effect of technological knowledge on internationalization and vice versa. This relationship leads to equilibrium in the technological knowledge internationalization space that dictates the patterns of technological and international evolution of MNEs. The model offers an integrative approach for explaining different views in extant literature regarding the technological and international expansion of firms.