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The Reorganization of Multinational Learning When Data Sovereignty Separates Local Knowledge Generation from Cross-Border Integration and Corporate Strategic Control

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Abstract

Multinational enterprises depend on learning processes that connect locally situated knowledge with cross-border integration and corporate strategic coordination. Data-sovereignty regimes complicate this relationship because restrictions on data movement, processing, access, or reuse can alter the organizational pathways through which locally generated knowledge becomes available for enterprise-level learning. This article develops a multilevel theoretical account of that separation. It distinguishes local knowledge generation from cross-border integrability and distinguishes formal corporate authority from the practical informational control required to exercise it. The analysis treats sovereignty as heterogeneous: regulatory restrictions can impede integration, redirect knowledge flows toward controlled architectures, or, under some conditions, induce convergence through common higher-standard practices. The central theoretical argument is that multinational learning becomes reorganized when institutional constraints operate differently across individual, subsidiary, headquarters, interorganizational, and regulatory levels. Local learning may therefore remain productive while enterprise-level synthesis weakens or changes form. The resulting configuration depends on knowledge characteristics, transfer mechanisms, organizational competition, technical architecture, and institutional context. This multilevel distinction provides the basis for explaining when data sovereignty fragments multinational learning and when multinational enterprises can preserve integration without unrestricted data centralization.

Keywords Data sovereignty, Multinational organizational learning, Cross-border knowledge integration, Multinational enterprises, Subsidiary knowledge, Strategic control

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Introduction

Multinational enterprises derive part of their distinctive advantage from an ability to generate knowledge in dispersed locations and combine it across organizational and national boundaries. Digitalization has increased both the scale of that opportunity and the dependence of multinational coordination on data-intensive infrastructures. At the same time, the international environment in which those infrastructures operate has become more institutionally and geopolitically contested. Capability-based accounts of the multinational enterprise consequently face a changing governance problem:

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organizational learning may remain distributed internationally even when the information required to connect those learning processes cannot circulate under a single enterprise-wide regime [1].

This problem is inherently multilevel. Subsidiaries are neither passive repositories of headquarters knowledge nor analytically independent firms. Their roles evolve through interactions among employees, local units, headquarters, external organizations, and institutional environments. Research on subsidiary management therefore emphasizes dynamic relationships across levels rather than explanations located exclusively at headquarters or subsidiary level [2]. Data sovereignty adds another cross-level condition because rules established at the jurisdictional level can reshape what individuals and subsidiaries may transfer, what headquarters can observe or recombine, and what the multinational enterprise can operationalize globally.

Cross-border data governance is itself heterogeneous. Comparative analysis of the European Union, United States, and China shows different patterns, policy priorities, and mechanisms governing international data transfers [3]. Consequently, “data sovereignty” cannot be treated as a single institutional switch that either permits or blocks multinational learning. Even strong sovereignty discourse need not translate uniformly into operative restrictions. European evidence shows substantial variation between sovereignty-oriented political discourse and changes across actual external-policy instruments [4]. The relevant theoretical problem is thus not the presence of sovereignty rhetoric but the organizational consequences of particular permissions, localization requirements, usage conditions, and jurisdictional differences.

Nor should institutional restriction be assumed to produce fragmentation automatically. Evidence concerning the General Data Protection Regulation demonstrates that regulation can, under identifiable conditions, foster upward convergence as firms standardize practices across markets rather than maintaining fragmented national arrangements [5]. This counter-pattern is central to the argument developed here. The theoretical task is to explain when institutional differences sever organizational connections and when multinational firms can construct functional equivalence across them.

A further distinction concerns control. Data-intensive multinational enterprises can acquire power through control over strategically important data and the dependencies surrounding those resources [6]. Yet possession of data, legal permission to transfer it, organizational authority over a subsidiary, and the practical capacity to integrate knowledge are analytically different. This article therefore examines data sovereignty as a multilevel reorganization problem: local knowledge can continue to emerge while the capacity to aggregate, validate, compare, and mobilize that knowledge at multinational level changes. The contribution lies in theorizing that separation rather than assuming that geographically dispersed learning and enterprise integration rise or fall together.

Multinational Organizational Learning

Multinational organizational learning ordinarily depends on connections that cross both geographic and organizational boundaries. Knowledge is generated through situated experience, interpreted by actors embedded in particular units, and transferred through relationships that permit other parts of the multinational enterprise to understand and use it. Research on subsidiary closure and relocation shows that cooperation between organizational actors is consequential for preserving and transferring knowledge during disruptive transitions [7]. Formal ownership of knowledge-bearing units therefore does not itself guarantee continued organizational access to what those units know.

Person-mediated transfer illustrates the same distinction. Repatriates embedded simultaneously in headquarters and host-unit relationships can support knowledge transfer, with communication connecting embeddedness to transfer outcomes [8]. This means that multinational learning depends partly on relational positions that bridge otherwise separated organizational contexts. Such bridging can be cumulative. Successive inpatriation may contribute to subsidiary capability development by allowing knowledge creation to unfold across repeated interactions between local units and headquarters rather than through a single transmission event [9].

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Transfer also differs according to what is being transferred and through which organizational arrangement. International assignments vary in their capacity to move knowledge between headquarters and subsidiaries, and different forms of knowledge follow different transfer patterns [10]. This heterogeneity becomes theoretically important under data sovereignty because a regulatory restriction affecting machine-readable customer information, for example, need not constrain experiential or interpretive knowledge in the same way. A multinational enterprise therefore possesses multiple learning channels, but those channels are neither interchangeable nor equally scalable.

The process is more complex than moving an informational object from one organizational location to another. Research on multinational knowledge transfer identifies connected subprocesses involving local acquisition, interpretation, boundary spanning, transmission, and headquarters-side absorption [11]. Knowledge-management theory similarly emphasizes sensemaking and sensegiving between senders and recipients, indicating that what travels across organizational boundaries must still become meaningful to receiving actors [12]. Cross-border integration consequently requires more than access. Information must remain interpretable in relation to the organizational problem for which it is being used.

Headquarters can influence these processes without directly producing the underlying local knowledge. Evidence from multinational talent management shows how headquarters attention, socialization, and global talent mechanisms can bridge macro-organizational involvement and lateral knowledge transfer among subsidiaries [13]. Conversely, organizational proximity does not guarantee willingness to share. Where organizational units compete over important resources, competitive domains can suppress knowledge-sharing behavior [14]. Sovereignty constraints therefore enter a learning system already shaped by incentives, rivalry, attention, and social relationships.

Formalization adds another layer. Structured global work practices can support coordination across dispersed teams, yet their effects depend on how formalization is experienced and managed rather than on the mere presence of rules [15]. For multinational learning, this implies a distinction between standardized organizational procedures and substantive integration. Rules may create common interfaces, reporting responsibilities, or documentation requirements while leaving unresolved whether headquarters can access the underlying data or whether locally generated knowledge can be recombined across jurisdictions.

Multinational organizational learning should therefore be treated as a cross-level accomplishment. Individuals produce and interpret situated knowledge; subsidiaries accumulate and reorganize it; headquarters attempts to connect geographically dispersed knowledge to corporate purposes; and organizational structures influence what is shared, withheld, translated, or absorbed. Data sovereignty becomes theoretically consequential when it selectively intervenes in those connections rather than simply reducing “knowledge transfer” as a single undifferentiated outcome.

Data Sovereignty and Localization

Digital sovereignty is a contested institutional construct. Analysis of the European Gaia-X initiative identifies distinct security, economic, and rights-oriented conceptions within sovereignty discourse [16]. For the present article, data sovereignty is therefore defined operationally as the institutional and organizational capacity to determine where data may be stored, processed, accessed, transferred, reused, and governed, including the enforceable rules that distribute those permissions. This definition separates sovereignty from general protectionism and from the broader political rhetoric surrounding technological autonomy.

Importantly, sovereignty can also become an organizational competence rather than only an external restriction. Research on data-driven open value creation shows that firms can develop practices for retaining meaningful control over data while participating in collaborative value creation [17]. This possibility shifts the analytical question from whether data is centralized to whether useful exchange can occur under explicitly governed conditions. Interorganizational information-systems research reinforces that distinction by demonstrating how data-sovereignty requirements can be translated into architectural requirements and design principles for controlled information exchange [18]. Usage-control research likewise

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identifies alternative architectural arrangements through which data providers can retain constraints over subsequent use [19].

The presence of regulation consequently does not determine a single organizational outcome. International evidence on privacy regulation points to strategic trade-offs whose implications vary across firms and market conditions [20]. A related but distinct mechanism appears in platform-mediated internationalization: digital-platform risk can constrain international new ventures, while organizational characteristics can alter the extent of that exposure [21]. Platform dependence should not be conflated with state-imposed data sovereignty, but the comparison demonstrates a broader principle relevant to multilevel theory: a higher-level constraint affects organizations through the specific resource dependencies and capabilities through which they encounter it.

State intervention can also alter capability development over much longer horizons. Historical evidence from the pharmaceutical industry shows how techno-nationalist restrictions on technology flows shaped multinational capability-development conditions [22]. Contemporary geopolitical evidence further cautions against assuming one direction of response. Multinational supply-base reactions to geopolitical risk can reverse depending on political affinity, producing expansion in some aligned environments and contraction in others [23]. Institutional fragmentation is therefore conditional, relational, and configuration-dependent.

This yields four analytically distinct sovereignty conditions for multinational learning. Restrictions may directly limit cross-border movement or processing; they may require organizationally controlled exchange; they may motivate common higher-standard practices across markets; or they may interact with geopolitical alignment to redirect where cross-border connections are maintained. In none of these conditions does the existence of a local subsidiary imply that its locally generated knowledge disappears. The immediate object of institutional constraint is more often a permission, transfer channel, processing location, usage right, or governance arrangement. Whether local learning becomes enterprise learning depends on what happens after that intervention.

The resulting distinction is summarized in **Table 1**. Its purpose is to separate the institutional location of a sovereignty condition from the organizational operation through which multinational learning is affected.

Table 1. Sovereignty conditions that separate local knowledge availability from enterprise-wide integrability

Sovereignty condition	Immediate institutional object	What can remain locally available	Cross-border integration consequence	Corporate-control implication	Condition preventing automatic fragmentation
Transfer restriction	Movement of specified data across jurisdictional boundaries	Locally held observations, records, analyses, and situated expertise	Enterprise aggregation may become incomplete or delayed	Headquarters visibility can fall without a formal change in authority	Permitted abstraction, anonymization, or alternative lawful transfer route
Localization requirement	Storage or processing location	Local processing capacity and subsidiary-level analytic output	Integration shifts from raw-data centralization toward locally executed analysis	Central control depends more heavily on interfaces, standards, and reporting rights	Comparable local analytical capability and interoperable outputs

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Controlled-use sovereignty	Conditions governing access, reuse, onward transfer, or purpose	Data retained under local or provider control	Integration remains possible through bounded technical and contractual arrangements	Control becomes distributed across data holder, user, infrastructure, and corporate authority	Enforceable usage controls and sufficiently aligned organizational incentives
Upward regulatory convergence	Common high-standard organizational practice adopted across jurisdictions	Local data and market-specific knowledge	Cross-border coordination may become easier despite stricter rules	Headquarters may gain standardization without unrestricted data possession	Ability to standardize practices and low dependence on prohibited data uses
Geopolitically differentiated restriction	Access or exchange conditioned by political alignment and state priorities	Knowledge within politically viable locations and networks	Learning connections may be redirected rather than uniformly reduced	Strategic control becomes dependent on jurisdictional portfolios and outside options	Alternative aligned locations, networks, or organizational configurations

Sovereign restrictions therefore operate above the organization while their consequences emerge through lower-level learning processes. A multinational enterprise may retain local expertise, formal ownership, and hierarchical decision rights while losing the ability to combine particular categories of underlying information. Conversely, a regulated architecture may permit useful cross-border coordination without unrestricted movement of raw data. **Figure 1** represents this multilevel separation as an architecture of institutional constraint, organizational translation, and local knowledge production.

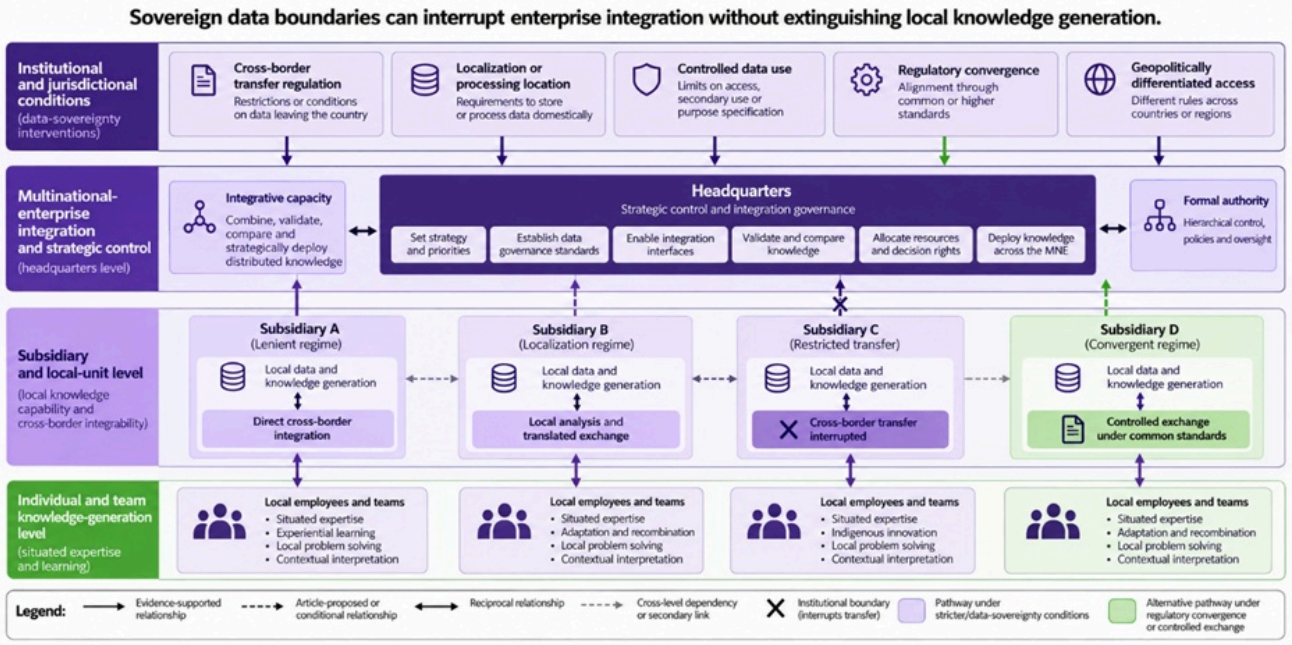

Figure 1. Sovereign data boundaries can interrupt enterprise integration without extinguishing local knowledge generation

Local Knowledge Generation

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A sovereignty constraint on cross-border exchange does not imply that subsidiaries cease generating useful knowledge. Multinational subsidiaries can develop competence that contributes to the wider enterprise rather than simply exploiting knowledge received from headquarters. Historical work on competence-creating subsidiaries demonstrates that such roles emerge through context-dependent processes of local capability accumulation [24]. Local knowledge generation must therefore be treated as an organizational outcome with its own antecedents, not as a residual of headquarters knowledge transfer.

The distinction becomes clearer when the knowledge being circulated is interpretive rather than merely informational. Evidence concerning the translation of equality, diversity, and inclusion ideas in a foreign subsidiary shows that local actors do not simply receive headquarters concepts intact; they reinterpret and reconstruct them through local organizational and institutional understandings [25]. The same general implication applies to multinational learning: local organizational environments can alter what a centrally originated concept means, while local experience can generate new interpretations that did not previously exist at corporate level.

Boundary-spanning actors connect these domains, but their effects are not uniformly beneficial. Expatriate boundary spanning can simultaneously create organizational benefits and impose costs, demonstrating that greater cross-boundary activity should not automatically be interpreted as more effective integration [26]. Under sovereignty constraints, this becomes especially important because person-mediated knowledge movement may complement restricted data flows without constituting a frictionless substitute for them. Employees can communicate interpretations, expertise, and locally derived judgments, but those interactions may be unable to reproduce the informational granularity, scalability, or verifiability of underlying restricted datasets.

Digitally mediated global work further complicates the relationship. Research on global virtual work identifies interactions among individual, team, technological, and organizational conditions rather than a simple disappearance of geographic boundaries [27]. Digital connectivity therefore changes the means through which local knowledge can be generated and shared while preserving differences among the levels at which work, information, and governance are organized.

The theoretical consequence is a separation between generative capacity and integrative reach. A subsidiary may possess employees capable of learning from customers, suppliers, operations, regulation, or technological experimentation; it may analyze locally available data and develop new practices; and it may translate enterprise knowledge into locally workable forms. None of those conditions establishes that the resulting knowledge can be transmitted to headquarters in equivalent form or incorporated into cross-national decisions. Data sovereignty can therefore reorganize multinational learning even where local learning remains vigorous. The relevant loss, where one occurs, may arise not at the point of knowledge creation but during the subsequent movement from local interpretation to enterprise-wide comparison and strategic deployment.

Constraints on Cross-Border Knowledge Integration

Cross-border integration begins where local knowledge generation ends. The central issue is whether knowledge produced in one part of the multinational enterprise can become usable elsewhere without losing the contextual information, legal permissions, organizational interpretation, or technical compatibility on which its meaning depends. Matrix organizations demonstrate why this cannot be reduced to a geographic headquarters–subsidiary distinction. Managers can occupy simultaneous local, corporate, and global positions, creating liminal organizational identities that span several centers of responsibility [28]. Such arrangements may facilitate integration, but they also expose ambiguities about whose interpretation, priorities, and information should govern a cross-border decision.

Digitalization changes the governance problem further. Internalization theory adapted to the digital economy shows that digital technologies alter the costs and organizational logic surrounding firm boundaries and multinational governance [29]. Lower technical transmission costs therefore do not imply unrestricted organizational integration. A digitally connected enterprise can face legal constraints on data transfer, contractual constraints on reuse, or institutional

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constraints on the location in which processing may occur. The cost of transmitting information and the permission to transmit it are conceptually distinct.

Internal organizational networks can partly compensate for adverse institutional conditions. Longitudinal evidence from foreign subsidiaries shows that internal-network relationships can help protect intellectual property where external institutional protection is weaker [30]. Although intellectual-property protection is not equivalent to data sovereignty, the finding establishes an important multilevel mechanism: internal organizational architecture can mediate the effect of an external institutional environment. The implication for sovereign data conditions is more limited but theoretically useful. Firms may redesign internal relationships, interfaces, validation responsibilities, and access arrangements without assuming that institutional constraints disappear.

Digital transformation also changes how value creation and value capture are distributed between headquarters and subsidiaries. Evidence concerning Industry 4.0 and multinational global value chains indicates that digitalization can reshape relationships between global value-chain organization and the roles through which headquarters and foreign subsidiaries create or capture value [31]. Knowledge integration should therefore not be conceived exclusively as the upward transfer of local data into a headquarters repository. Multinational coordination can also depend on standardized interfaces, locally executed analytics, distributed processing, reciprocal learning, and the controlled circulation of outputs whose underlying data remain locally governed.

These mechanisms define enterprise integrability as the multinational enterprise's capacity to convert locally generated knowledge into usable cross-border organizational knowledge through lawful access, interpretation, validation, comparison, recombination, and deployment. Integrability is narrower than general knowledge transfer and broader than data mobility. Raw data may cross a border without becoming organizationally meaningful, while locally processed knowledge may become globally useful without the underlying raw data ever leaving its jurisdiction.

This distinction also clarifies the control problem. Headquarters can retain formal decision authority while losing direct informational visibility into part of the multinational system. Conversely, an enterprise can preserve substantial strategic coordination without physically centralizing every data resource. The relevant question is which organizational connections must remain intact for local knowledge to influence enterprise-level decisions and which can be replaced by controlled interfaces, common standards, distributed validation, or alternative organizational channels.

Several integration bottlenecks follow from this separation. They are not interchangeable: some arise from law or technical architecture, others from interpretation, organizational incentives, or the distribution of knowledge across actors. **Table 2** distinguishes these mechanisms so that later analysis of corporate strategic control does not attribute every integration failure to sovereignty.

Table 2. Cross-border integration bottlenecks separating locally generated knowledge from corporate strategic use

Integration bottleneck	Point at which integration weakens	What the local unit may still possess	What headquarters cannot assume	Organizational connection required for recovery	Distinguishing rival explanation
Transfer-permission constraint	Before underlying data or specified informational objects cross jurisdictional boundaries	Raw data, local observations, analytic capability, situated expertise	Direct enterprise-wide access to the underlying information	Lawful transfer mechanism, permitted representation, or locally executed analysis	Internal unwillingness to share despite legal permission

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Processing-location constraint	When enterprise analysis requires computation outside an authorized location	Local data and local processing resources	That centralized analytics remain legally or operationally available	Interoperable distributed processing and validation responsibilities	Insufficient local analytical capability
Translation loss	Between local interpretation and enterprise comprehension	Rich locally meaningful knowledge	That transmitted information preserves its original organizational meaning	Boundary-spanning actors, interpretive context, reciprocal communication	Weak absorptive capacity or poor communication
Organizational withholding	Before knowledge enters a lateral or headquarters-directed transfer relationship	Knowledge known to employees or units	That common corporate membership guarantees disclosure	Incentive alignment, trust, cooperation, and appropriate governance	Unit competition or political behavior rather than sovereignty
Architectural incompatibility	During exchange between separately governed data or information environments	Valid local outputs in incompatible forms	That technically accessible information is comparable or reusable	Common interfaces, standards, metadata, validation, and controlled-use rules	Legacy-system fragmentation unrelated to regulation
Central absorptive limitation	After knowledge reaches headquarters or another receiving unit	Transferable and potentially useful knowledge	That receipt automatically produces organizational learning	Recipient expertise, attention, interpretation, and integration capacity	Headquarters capability deficit
Context-dependent value reallocation	When digital coordination changes which level creates or captures value	Subsidiary capability and market-specific knowledge	That more central access necessarily strengthens enterprise outcomes	Deliberate allocation of analytical roles, decision rights, and value-capture responsibilities	Strategic redesign driven by digitalization rather than sovereign restriction

Note: These bottlenecks are analytically separated because identical symptoms—reduced cross-border use of local knowledge—can arise from different mechanisms. The table does not assign frequencies, causal magnitudes, or superiority rankings.

The distinction between these bottlenecks establishes the transition to corporate strategic control. If integration is limited by a transfer prohibition, headquarters faces a different governance problem from one caused by internal competition or poor absorptive capacity. If the underlying data must remain local but validated analytic outputs can circulate, direct possession becomes less important than the rules governing analytical equivalence and decision rights. The next stage of the argument therefore examines how corporate strategic control changes when informational integration becomes partial, distributed, or institutionally differentiated.

Corporate Strategic Control under Fragmentation

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When cross-border integration becomes partial, corporate strategic control cannot be inferred from formal hierarchy alone. Headquarters may retain legal authority over subsidiaries while losing direct access to some of the information needed to compare alternatives, validate local interpretations, or monitor implementation. Under these conditions, the design problem shifts toward preserving strategic optionality. Real-options reasoning in the digital multinational enterprise suggests that portfolios of international involvement can retain flexibility when uncertainty makes irreversible organizational commitments costly [32]. Applied to sovereignty-conditioned learning, this logic implies that headquarters may benefit from maintaining several lawful integration pathways rather than relying exclusively on unrestricted centralization.

Fragmentation also intensifies tensions already present in headquarters–subsidiary relationships. Research on multinational hybrid organizations shows that multiple tensions can interact simultaneously rather than appearing as isolated control problems [33]. Central standardization may improve comparability while weakening local responsiveness; local discretion may preserve contextual learning while making enterprise synthesis more difficult. The relevant configuration is therefore not simply centralized versus decentralized control.

Evidence from international digital commerce reinforces that caution. In one platform setting, a higher-control selling mode was associated with poorer sales performance, while host-market experience and country-of-origin advantages altered the relationship [34]. This does not establish that lower control is generally superior. It demonstrates instead that formal control intensity and organizational effectiveness can diverge.

External political conditions further delimit corporate authority. Geopolitical alignment and outside options affect the strategic environments in which multinational investment decisions are made [35]. Large-scale international evidence likewise indicates that liability associated with foreignness varies with political ideology and globalization rather than remaining institutionally constant [36]. Corporate strategic control is consequently nested within permissions and constraints that the firm does not itself determine.

For sovereignty-conditioned learning, practical control can therefore be defined as the capacity to obtain sufficiently reliable knowledge from distributed operations and translate that knowledge into coordinated decisions. This capacity can remain substantial without complete data possession, but only if the enterprise preserves credible interfaces among local analysis, cross-border validation, organizational standards, and decision rights.

Sovereignty-Conditioned Learning Architecture

The preceding analysis supports a multilevel architecture in which four functions remain analytically separate: knowledge generation, transfer permission, enterprise integration, and strategic control. Their separation is essential because different organizational actors and institutions govern each function.

Knowledge generation is primarily situated. Individuals, teams, and subsidiaries learn through local operations, customers, suppliers, technologies, regulations, and organizational experience. Transfer permission is partly institutional: law, contractual obligations, usage restrictions, and technical controls determine whether particular information can leave one environment or be reused in another. Enterprise integration is organizational and relational. It requires compatible representations, interpretive capability, validation procedures, absorptive capacity, and mechanisms through which dispersed knowledge becomes comparable. Strategic control concerns the authority and practical informational capability to act on the resulting knowledge.

The architecture therefore does not presume that multinational learning requires a single global repository. Where lawful data movement remains possible, conventional transfer can continue. Where underlying data must remain local, headquarters may instead coordinate through common analytical protocols, interoperable representations, distributed validation, controlled-use infrastructures, or locally executed analyses whose permissible outputs cross borders. These arrangements preserve different degrees of integrability without claiming equivalence to unrestricted access.

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The architecture also separates formal authority from informational control. Headquarters may possess the right to decide while depending on local units to observe, interpret, or validate the conditions relevant to the decision. Conversely, a subsidiary may control an important informational resource while remaining subject to enterprise standards governing how analyses are performed and how resulting decisions are escalated. Strategic control is therefore distributed across complementary rights rather than located solely where data physically resides.

A final feature is reversibility. Because regulatory equivalence, geopolitical alignment, technical interoperability, and organizational capabilities can change, a sovereignty-conditioned architecture should not convert temporary institutional conditions into unnecessary irreversible organizational fragmentation. Interfaces that preserve local autonomy while maintaining enterprise comparability create a different strategic option from permanent duplication or complete recentralization.

These distinctions generate the architecture summarized in **Table 3.**

Table 3. Allocation of multinational-learning functions in a sovereignty-conditioned organizational architecture

Learning function	Primary organizational locus	What must remain locally credible	What must remain cross-border compatible	Strategic-control right involved	Failure state produced by misalignment
Situated knowledge generation	Individuals, teams, subsidiaries	Observation, interpretation, analytic competence, contextual expertise	A communicable representation of relevant learning	Right to investigate and interpret local conditions	Locally weak learning
Sovereign data stewardship	Subsidiary, data holder, approved infrastructure, jurisdictional interface	Compliance, access control, permitted-use enforcement	Transparent rules describing what can be transferred or reused	Right to authorize access, processing, and reuse	Legally unusable or untraceable knowledge
Knowledge translation	Boundary-spanning actors and organizational interfaces	Context necessary to preserve meaning	Shared concepts, metadata, analytical standards, or translation procedures	Right to explain and qualify locally generated outputs	Semantic loss
Distributed validation	Local and enterprise-level experts	Ability to verify evidence unavailable centrally	Comparable validation criteria and auditable outputs	Right to challenge, verify, and correct	Apparent integration without evidential equivalence
Enterprise integration	Headquarters and cross-unit coordination mechanisms	Continued access to local expertise when needed	Interoperable representations permitting comparison and recombination	Right to aggregate and coordinate organizational knowledge	Fragmented organizational learning

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Strategic deployment	Headquarters with relevant subsidiary participation	Local feasibility and institutional compatibility	Decision-relevant knowledge sufficient for cross-unit coordination	Right to allocate resources, set standards, and authorize action	Formal authority detached from practical informational control

Propositions

The multilevel account implies that sovereignty affects multinational learning most strongly when a regulated informational resource is important for enterprise integration but cannot be replaced adequately by another transfer channel. This distinction yields the first proposition.

Proposition 1. Greater restriction on cross-border access or use will reduce enterprise-level integration of locally generated knowledge more strongly when the relevant learning process depends on granular, jurisdiction-bound data than when equivalent knowledge can be transmitted through lawful representations or alternative channels.

This relationship does not require local learning itself to deteriorate. Local units can continue accumulating expertise and may acquire greater responsibility for interpretation when central processing becomes less feasible.

Proposition 2. When data sovereignty restricts central access while local analytical capability remains strong, the separation between subsidiary-level knowledge generation and headquarters-level informational visibility will increase.

The consequence is not necessarily organizational fragmentation. Controlled architectures can reconnect levels by changing what crosses the boundary.

Proposition 3. Interoperable local analysis, controlled-use arrangements, and shared validation standards will weaken the negative relationship between cross-border data restrictions and enterprise knowledge integration when regulation permits transfer of derived or governed outputs.

This proposition has a clear boundary. Where regulation prohibits the relevant use rather than merely the movement or location of data, architectural redesign cannot create permission that does not legally exist.

The regulatory-convergence evidence also requires a competing pathway.

Proposition 4. Data regulation will be more likely to generate cross-border organizational convergence than fragmentation when multinational firms can apply a common higher-standard practice across jurisdictions and the focal activity is not strongly dependent on prohibited local data uses.

A further implication concerns control. Formal decision rights can remain centralized after informational processes become distributed.

Proposition 5. As sovereign restrictions increase dependence on locally executed analysis, the correspondence between headquarters' formal decision authority and its direct informational control will decline unless validation, challenge, and reporting rights are explicitly redistributed across organizational levels.

Finally, sovereignty interacts with political relations rather than operating independently of them.

Proposition 6. Similar data-governance restrictions will generate different multinational-learning configurations when geopolitical alignment, institutional discrimination, or credible location alternatives differ across jurisdictions.

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These propositions discriminate the theory from a simple localization account. Fragmentation should not be observed merely because regulation is strict; it should occur when institutional restriction intersects with high cross-border informational dependence and insufficient organizational substitutes. Conversely, continued local learning should not be mistaken for continued multinational learning when enterprise integration and validation have become disconnected from the knowledge-generating unit.

These conditions produce several distinct trajectories rather than a single fragmentation outcome, as represented in **Figure 2.**

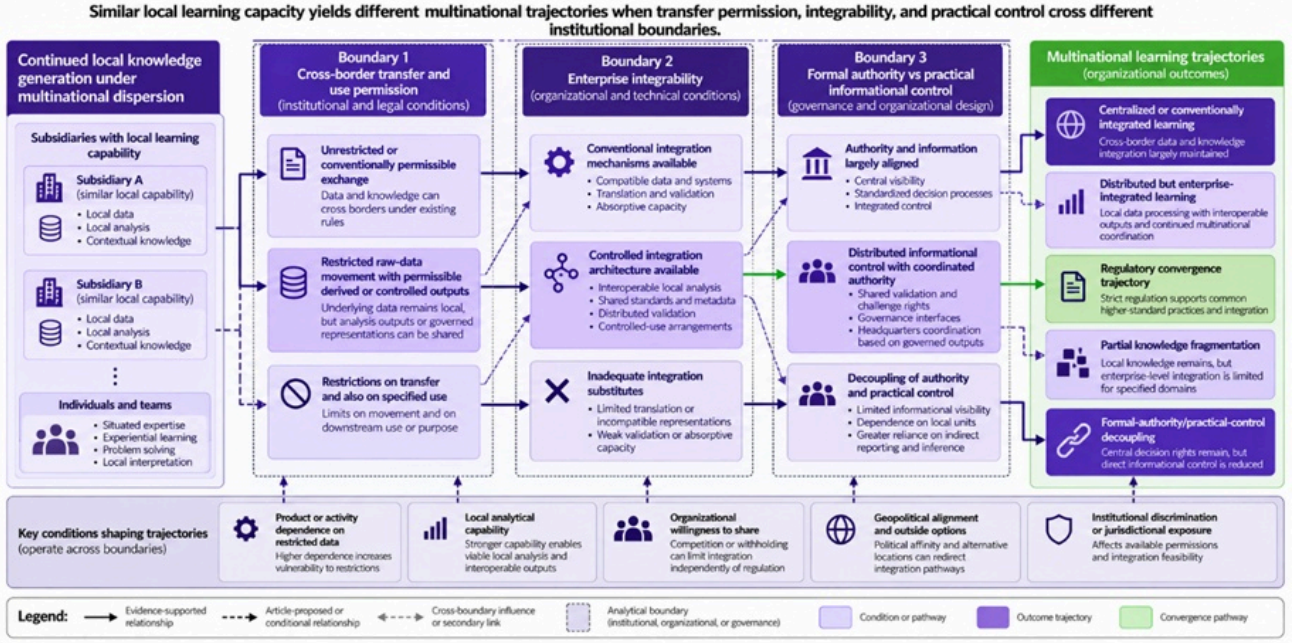

Figure 2. Similar local learning capacity yields different multinational trajectories when transfer permission, integrability, and practical control cross different institutional boundaries

International Management Implications

The framework changes the managerial diagnosis of cross-border learning problems. A decline in headquarters access should not immediately be classified as a failure of local knowledge creation. Managers first need to distinguish among at least five possible constraints: insufficient local generation, restricted transfer permission, weak translation, incompatible analytical or technical representations, and inadequate recipient absorption. Similar symptoms can originate at different organizational levels and therefore require different responses.

A second implication concerns architectural choice. Where unrestricted centralization is unavailable, preserving multinational learning requires deliberate allocation of analytical and governance functions. Local units may retain data and execute analysis; enterprise standards may define comparable methods; validation rights may be divided between local and central experts; and headquarters may coordinate decisions through governed outputs rather than possession of every underlying record. Such arrangements preserve strategic control only when headquarters can understand the provenance and limitations of what it receives and local units retain sufficient authority to challenge interpretations that are invalid in their context.

Third, international managers should treat regulatory and geopolitical conditions as configuration variables rather than fixed directional penalties. Privacy regulation can sometimes facilitate common organizational standards, while geopolitical risk can generate different responses according to political affinity and outside options. Organizational

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designs should therefore preserve reversibility where feasible. A multinational enterprise that permanently duplicates capabilities in response to a temporary restriction may create unnecessary fragmentation, whereas an enterprise that assumes institutional convergence may create dependencies that later become unusable.

The managerial objective is consequently not maximum centralization or maximum localization. It is maintaining sufficient cross-level connectivity for evidence generated in one part of the multinational enterprise to influence decisions elsewhere under the legal, technical, and political conditions that actually apply.

Conclusion

Data sovereignty reorganizes multinational learning when it separates the location at which useful knowledge is generated from the locations at which that knowledge can be accessed, integrated, validated, and converted into coordinated strategic action. The resulting multinational enterprise can therefore remain locally knowledgeable while becoming unevenly integrated at corporate level.

The analysis shows that this separation is conditional rather than inevitable. Sovereign restrictions can fragment learning when they intersect with high cross-border informational dependence and weak substitutes for direct transfer. They can also redirect learning into controlled, distributed architectures or, in some settings, encourage convergence around common standards. Formal corporate authority may survive each of these configurations, but practical strategic control depends on whether decision makers retain credible informational connections to locally generated knowledge.

The theoretical implication is that multinational learning should be analyzed as a multilevel configuration of generation, permission, integration, and control. Treating those functions as distinct explains why apparently similar subsidiaries and regulations can produce different organizational trajectories and identifies where future empirical research can discriminate among them.

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