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**Regional transnationals and
and Triad strategy**
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Regional transnationals and Triad strategy

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This article addresses the geographical distribution of sales of some of the world's largest transnational corporations, with a focus on the three legs of the "Triad" (North America, European Union, Asia). A firm has achieved global corporate success only if it is able to earn a balanced regional distribution of sales. Only high sales across the globe, especially in the wealthy and technologically advanced regions, demonstrate both strong firm-level capabilities on the supply side to market products and services worldwide, and a high willingness of sophisticated consumers on the demand side, to pay for that firm's output. For the analysis of the supply side, the conceptual framework of this article distinguishes among the global, regional and national loci of decision-making and levels of product standardization. The regional dimension is important for many firms, because it is a location in which many important decisions are made. This article identifies the 20 transnational corporations with the highest foreign-to-total sales ratios from UNCTAD's list of the world's largest TNCs that are also *Fortune Global 500* firms. For these firms, the distribution of sales across Triad regions is measured. Only three of these firms actually have a substantial part of their sales across the three legs of the Triad. The others are bi-regional, host-region oriented or home-Triad region oriented. This empirical finding is further elaborated by investigating whether a regional component can be identified in the specific cases of transnational strategy, building upon the framework presented in this article.

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Key words: globalization; regionalization; Triad; transnational corporations; Triad home base; regional; global; bi-regional.

Introduction

The theme of this article is that, even today, many of the most transnationalized corporations of the world have a limited geographic scope of their sales – the ultimate proxy for global competitive success – requiring both supply-side efficiency and effective market penetration. Following the analysis of previous studies by Alan M. Rugman (2000) and Rugman and Alain Verbeke (2004), this article explores the extent to which the sales of transnational corporations (TNCs) are “home-region” based. The majority of even the most transnationalized corporations in reality have a limited geographical distribution of their sales. Of the world’s 20 largest TNCs ranked by foreign-to-total sales ratios, selected from UNCTAD’s list of the world’s top 100 TNCs (UNCTAD, 2003, pp. 187-188), only 3 could be candidates for the status of a global firm. The remainder have a more narrow scope of their sales, and are therefore uni-regional or bi-regional, when measured by the regional distribution of their sales.

A framework for Triad and regional business activity

A framework for analyzing “globalization”

A framework that distinguishes among the global, regional and national components of TNC strategy should consider the (*ex ante*) concentration or dispersion of strategic decision-making across regions or countries (the horizontal axis of figure 1), and the actual (*ex post*) characteristics of products at these three levels (the vertical axis on figure 1).

The horizontal axis is more a reflection of “stated preferences”, i.e. the extent to which TNC managers view strategic decision making as a process concentrated in one home base or dispersed across regions or countries. In contrast, the extent to which products are standardized at the global, regional

or national levels represents the “revealed preferences” of TNCs to institutionalize a particular approach on a world scale or to adapt to the requirements of national/regional markets.

Figure 1. A framework for analyzing “globalization”

		Locus of decision making power on corporate, business and functional strategy issues (<i>ex ante</i>)		
		Corporate headquarters	Regional centres	National units
World product		1 Global strategy	4	7
Actual product characteristics (<i>ex post</i>)	Region-based or -adapted product	2	5 Regional strategy	8
	Nation-based or -adapted product	3	6	9 National strategy

Source: the authors, adapted from Rugman and Verbeke, 1993.

More specifically, the horizontal axis represents the location of decision-making power (*ex ante*) for corporate, business or functional strategy issues. Here, the question to be answered is whether all of the TNC’s key strategic decisions (e.g. choice of product/market niches, choice of strategic management tools to outperform rivals, key decisions made in each functional area, including R&D, production, marketing, distribution, human resources management), are taken in a single location, or whether at least a substantial portion of these decisions is taken in several “home bases” at the national or regional levels.

This graphical presentation (figure 1) of the variety of strategic options available to TNCs helps to identify the foundations of corporate success. Few cases, if any, exist of firms solely positioned in cell 1, where all decisions are taken centrally, and products are not adapted to host countries and regions. In practice, a substantial portion of decision-making

may be concentrated in the left column of figure 1, as is the case with most key financial decisions in TNCs, which are taken by the chief executive officer and top management committee at that level. However, even if most major corporate strategy decisions are taken centrally, typically in the home country (left column of figure 1), as is the case for many companies in, e.g. the computer business (both hardware and software), cells 2 and 3 reflect the existence of substantial regional and national responsiveness regarding the product offering (including its service component) that actually is provided to the market.

In other words, TNCs that tailor their product offering to regional and national circumstances do not pursue a simple global strategy as suggested by cell 1. Considerable resources must be allocated to allow for the required level of sub-global responsiveness in terms of what is being delivered to the market. In addition, even if a TNC's product offerings were largely global (top row of figure 1), this does not necessarily imply that all important decisions on market penetration, distribution, advertising etc. can be taken centrally. Bounded rationality constraints are likely to force corporate management to delegate important decisions to the regional and national levels, thereby positioning the firm closer to cells 4 and 7.

This point is vitally important from a policy-perspective, as many anti-globalization critics suffer from an important misperception: they view TNCs as centrally directed, profit-maximizing entities, eager to sell standardized products around the globe. Anti-globalization critics state that TNCs are insensitive to host-country and host-region demands, especially those of host-country governments. In fact, the presence of intense transnational rivalry and the unfortunate reality that every TNC from one region does face an important liability of foreignness in the other regions of the world, forces TNCs to be particularly sensitive to the requirements of host-country governments and other salient stakeholders (Rugman and Verbeke, 1998).

This does not imply that TNCs can or should adopt an approach in cell 9, and be fully polycentric, with products

carefully tailored to each national market and most strategy decisions left to host-country affiliate managers. Much conceptual and empirical evidence suggests that a “multi-national” approach leads to overlapping efforts and duplication in innovation, inconsistent national strategies, opportunistic behaviour by managers of affiliates and, more generally, a waste of resources and lack of clear strategic direction (Bartlett and Ghoshal, 2000).

The strength of TNCs is in their capability to overcome market imperfections characterizing national markets, and to develop systemic, network-related, rather than asset-based, firm-specific advantages (Dunning and Rugman, 1985). Even for TNCs with a polycentric administrative heritage, cells 6 and 8 are likely much more relevant than cell 9.

In cell 6, attempts are made to achieve decision-making synergies across markets, e.g. by developing pan-European or pan-American strategies in particular functional areas (Rugman and Verbeke, 1992). In cell 8, economies of scale and scope are pursued by the national managers of affiliates themselves, through standardizing at the regional level their product offering across those national markets that have strong similarities in demand. In that case, the initiative of affiliates is critical (Birkinshaw, 2000; Rugman and Verbeke, 2001).

This framework is an adaptation and further development of Rugman’s and Verbeke’s (1993) analysis of “global” strategies. They argued that the truly important decisions to be taken by TNCs are related to two parameters. *First*, the number of home bases with which they function, i.e. the number of locations in which important strategic decisions are taken (equivalent to the horizontal axis of figure 1, in which the number of home bases determines strategic decision making). *Second*, the use of non-location-bound versus location-bound firm-specific advantages (equivalent to the vertical axis of figure 1, whereby the nature of a TNC’s firm-specific advantages determines its product offer).

The non-location bound firm-specific advantages allow various approaches to standardize a TNC's product offer across borders and to earn benefits of integration (related to scale, scope and benefits of exploiting national differences); this outcome is represented by the top of the vertical axis. The location-bound firm-specific advantages provide the potential to gain benefits of national responsiveness; this outcome is represented by the bottom of the vertical axis. In addition, the regional component, in the middle of the vertical axis, represents either the limited geographical deployability and exploitation potential of non-location-bound firm-specific advantages, or the fine-tuning of location bound firm-specific advantages, in order to achieve benefits of more region-based, rather than merely nation-based responsiveness.

The difference with Rugman's and Verbeke's (1993) resource-based perspective on the integration-national responsiveness model is thus that this article introduces explicitly a regional dimension into the analysis. This is now needed due to the emerging empirical work (Rugman, 2000; Rugman and Verbeke, 2004) that suggests that normative messages, advocating simple global strategies, are not appropriate for most TNCs, which actually operate on a Triad/regional basis.

More specifically, on the horizontal axis, this regional dimension implies that a number of strategic decisions are left to region-based headquarters, rather than nation-based ones (Enright, 2004a, b). The vertical axis implies the development of firm-specific advantages useful at the level of the set of nations that form a region. These are region-bound company strengths: they can contribute to survival, profitability and growth beyond the geographic scope of a single nation, but such strengths are still location bound, in the sense that they cannot be deployed globally (Morrison, Ricks and Roth, 1991; Morrison and Roth, 1992; Delios and Beamish, 2004; Grosse, 2004; Li, 2004; Yin and Choi, 2004).

In this context, George Yip's view that a global company "has the capability to go anywhere, deploy any assets, and access

any resources, and it maximizes profits on a global basis” (Yip, 2003, p. 7) may be an appealing normative message, but one that applies to very few, if any, TNCs in practice. Indeed, most TNCs rely largely on sets of location-bound (in the sense of nation-bound) and region-bound firm-specific advantages as the basis for their competitiveness.

The strategy and international management literature has done a good job of distinguishing between cells 1 and 9, but it has usually not addressed explicitly most of the other cells. For example, the stylized matrix of integration (cell 1) and national responsiveness (cell 9) popularized by Christopher Bartlett and Sumantra Ghoshal (1989), distinguished between a pure global cell 1 strategy and the “act local” national responsiveness strategy of cell 9. In addition, the key contribution of their “transnational solution” framework was the prescription that TNCs should usefully combine strategies in cells 1 and 9. They should attempt to develop appropriate strategies for each separate business, for each function within that business, and for each task within that function, the capability to implement either a national or a global approach.

The framework of Bartlett and Ghoshal (1989) thus can usefully explain cell 3 (centralized, global strategic decision making combined with local product offering), i.e. the think global, act local approach. It also allows the analysis of less common cases in cell 7, whereby rather powerful local affiliates are responsible for delivering global products, but choose themselves which products have the most potential in their national markets and largely take responsibility for the delivery, an approach found in many global professional services companies. Yet, their framework cannot handle cell 5, Triad-based strategies very well, or the intermediate cases of cells 2, 4, 6, and 8, i.e. all cases for which the regional level is important.

Regional business strategy

The present article reports data suggesting that an increasing number of TNCs operate largely at the regional level.

Therefore regional elements are becoming increasingly important in many TNCs, either in terms of strategic decision-making, or actual product offering. If, as the empirical evidence provided in the next sections suggests, many TNCs are at least partially operating in cell 5 on a Triad basis, then any strategy-related analysis of the TNCs' functioning first needs to take into account the requirement to decompose its strategic decision-making processes and product offering along global, regional and national lines, building upon a more complex analytical tool than a conventional integration-national responsiveness matrix. Only then can a correct analysis be performed of the actual extent of Triad-based decision-making power and the rationale for region-based and/or adapted products and services from these TNCs be properly investigated. If the theoretical construct of a "regional solution" (cell 5 in figure 1) is neglected, little can be expected from empirical research on strategy and structure in TNCs to portray accurately the present importance and future potential of the regional approach.

In the literature, such a regional approach has sometimes been described as the mere outcome of a global strategy. Yip articulates this perspective the following way: "Before deciding whether and how to do business in a region of the world, a company needs to have a clear global strategy [which includes] the core business strategy, the competitive objectives for the business, and the extent to which the business will be operated as one integrated business or a looser collection of geographically independent units. Next, a company needs to decide on the overall role of the region within the global strategy" (Yip, 2003, p. 222). This view assumes a particular sequence and hierarchy in TNC strategic decision making. In practice, however, the global-regional sequence is unlikely to occur.

The regional solution of cell 5 should be viewed as an efficient corporate response to several factors:

- Internal information processing requirements are critical. If the "rules of engagement" are different in each region (different

industry structure, different regulatory system, different competitive position of the firm, different optimal expansion pattern, different product scope, different strategy tools required to outperform rivals etc.), intra-regional information processing must be sufficiently dense so as to permit affiliates to cope optimally with shared external circumstances and to develop regionally consistent strategies.

- Customer requirements may vastly differ across regions depending upon the level of economic development, culturally determined preferences, etc.
- Region-based cluster requirements may impose specific types of behaviour on firms in order for these firms to be perceived as legitimate within the context of regional clusters, especially suppliers, related and supporting industries, and the non-business infrastructure. Here, region-based isomorphic flexibility may be critical for firms to function effectively as true insiders in the region.
- Political and related institutional requirements at the regional level are increasingly important. Regional cooperation agreements such as the North American Free Trade Agreement (NAFTA) and the European Union (EU) single market mainly represent the elimination of trade and investment barriers, and therefore allow reduced attention devoted by TNCs to government policy; in fact, regional agreements usually imply not merely the elimination of national regulation, but a shift of regulatory authority to the regional level, and thereby the need to allocate firm resources to monitor and manage relationships at that level.

The rigidity of the Triad (Rugman, 2000) is further confirmed by the new trade regime of the World Trade Organization, which has to devote enormous managerial resources to arbitrate Triad-based trade disputes and trade-remedy law type protectionism (as in the bananas, beef hormones, export subsidies and steel cases). The new protectionism of health, safety and environmental regulations is preventing an open world market and reinforcing Triad markets. The NAFTA is being expanded into the Free Trade Agreement of the Americas and the EU has been enlarged by

ten new members. These political developments reinforce the Triad and the need for regional government policies and Triad-based firm strategies.

Empirical evidence on Triad activity

Transnationalization of sales

As a test of the limits to globalization, this article considers the most likely instance in which a globally balanced distribution of sales, as a proxy for global corporate success, can be expected. One could classify as “global” all TNCs with a foreign-to-total sales ratio above, say, 50% and/or with some significant activity in each part of the Triad. In an earlier study, one such test, building upon data from the *Fortune Global 500* companies, i.e. the largest corporations of the world in terms of market size, was already performed (Rugman and Verbeke, 2004). In that article, it was found that 320 of the 380 firms for which data were available were home-region oriented, with over 50% of their sales in their home region. Twenty-five firms were found to be bi-regional, with less than 50% of sales intra-regionally and over 20% of sales in two regions, including their own home regions. Another 11 firms were uni-regional in a host region, deriving over 50% of their sales in foreign regions. Only 9 firms in the set were global, with less than 50% of sales in their home region and over 20% of sales in each region of the Triad. There was insufficient information to classify 15 firms.

In this article, a different, but perhaps even more relevant data set is used. The annual *World Investment Reports* of UNCTAD report the foreign-to-total ratios for assets, sales and employment for the world’s largest 100 TNCs, ranked by foreign assets. In other words, these are the firms that are the most transnationalized, in terms of foreign activities, and they are also the ones most likely, from a supply-side perspective, to have the necessary knowledge base and managerial capabilities to penetrate successfully foreign markets. In this article, the foreign-to-total sales ratios are calculated for those top 100 firms reported in the *World Investment Report 2003* (UNCTAD, 2003,

pp. 187-188) that are also included in the *Fortune Global 500*. This procedure has excluded from the further analysis those corporations whose total sales remain under \$10 billion. Foreign sales, as calculated by UNCTAD, include both sales by affiliates and exports by the parent TNC.

The 20 most transnationalized corporations, ranked by foreign-to-total sales, are mostly from small, open economies such as Canada, Australia and Switzerland, or are members of the EU such as Finland, France, the United Kingdom, Germany and Sweden (table 1). There are no United States TNCs in this set of firms. This is not all that surprising given the huge size of the United States home market.

Yet, a list of the most transnationalized corporations, ranked by foreign-to-total sales, may disguise a very important point. While these TNCs (table 1) have the majority of their sales outside of their home country, many are very regional. Most of their foreign sales are still in their home-Triad regional market. If the same TNCs are ranked according to the share of intra-regional sales (table 2), a different picture emerges. By intra-regional is meant sales within Europe (and usually within the 15 “old” EU members) for European TNCs, and within NAFTA for Canadian and United States TNCs. In the case of Asian-Pacific TNCs, intra-regional refers to Asia and the Pacific including Australia.

Nine of the world’s 20 most “global” TNCs are, in fact, operating mainly in their home-Triad region market (table 2). For example the EU-based TNCs, such as Suez (74% intra-regional sales); Vodafone (93.1%); and Stora Enso (69.2%) are clearly “European” TNCs in their sales, as over two thirds of their business is within their own continent. The same is true for several other TNCs that are allegedly global; in fact these TNCs are operating in their home-base Triad region for the majority of their sales: ABB (53.9%); Nortel Networks (54.4%); Volvo (51.6%); BHP Billiton (66.1%); TotalFinaElf (74.0%) and Danone Groupe (60.3%). This leaves only 11 of the top 20 as TNCs that might achieve global competitive success.

**Table 1. The world's most transnationalized corporations,
ranked by foreign-to-total sales, 2001**
(Percentage)

Rank	Corporation	Home country	Foreign-to-total sales
1	Nokia	Finland	98.5
2	Roche	Switzerland	98.2
3	ABB	Switzerland	97.4
4	Philips Electronics	The Netherlands	95.2
5	Nortel Networks	Canada	94.6
6	Stora Enso	Finland	94.3
7	AstraZeneca	United Kingdom	94.1
8	Volvo	Sweden	92.8
9	GlaxoSmithKline	United Kingdom	92.0
10	News Corp.	Australia	92.0
11	Diageo	United Kingdom	85.8
12	Lafarge	France	85.8
13	BHP Billiton	Australia	83.4
14	LVMH	France	81.2
15	BP	United Kingdom	80.5
16	TotalFinaElf	France	79.1
17	Suez	France	78.8
18	Ericsson	Sweden	77.8
19	Danone Groupe	France	76.7
20	Vodafone	United Kingdom	75.1

Source: Authors' calculations based on UNCTAD, 2003, pp. 187-188.

Note: This table is constructed from the list of the world's largest 100 TNCs, ranked by foreign assets in 2001. The foreign and total sales of these 100 TNCs are also reported in that list. The top 20 TNCs ranked by foreign-to-total sales are the ones that are also listed as a top 500 firm by Fortune, the *Fortune Global 500* (2002 edition). Five firms with high foreign-to-total sales ratios on the UNCTAD list were not sufficiently large in terms of revenues to be included in the *Fortune Global 500*: NTL Inc., Thomson, WPP Group (whose revenues were confirmed to be below 10 billion in its *Annual Report*).

Table 2. Regional distribution of the sales of the world's most transnationalized corporations, 2001
(Percentage)

<i>Fortune 500</i>		Home	Intra-	North		Asia-	Concen-	
Rank	rank	Corporation	country	regional	America	Europe	Pacific	tration
				sales				
1	147	Nokia	Finland	49.0	25.0 ^c	49.0	26.0	G
2	288	Roche	Switzerland	36.8	38.6	36.8	11.7	B
3	194	ABB	Switzerland	53.9	25.1	53.9	11.3	D
4	143	Philips	The					
		Electronics	Netherlands	43.0	28.7 ^a	43.0	21.5	G
5	263	Nortel						
		Networks	Canada	54.4	54.4 ^a	D
6	423	Stora Enso	Finland	69.2	19.5	69.2	7.1	D
7	301	AstraZeneca	United Kingdom	32.0	52.8 ^b	32.0	5.2 ^f	S
8	267	Volvo	Sweden	51.6	30.2	51.6	6.0	D
9	140	GlaxoSmith						
		Kline	United Kingdom	28.6	49.2 ^b	28.6	...	B
10	364	News Corp.	Australia	9.0	75.0 ^b	16.0 ^d	9.0	S
11	262	Diageo	United Kingdom	31.8	49.9	31.8	7.7	B
12	416	Lafarge	France	40.0	32.0	40.0	8.0	B
13	281	BHP Billiton	Australia	66.1	12.6	13.0	66.1	D
14	459	LVMH	France	36.0	26.0 ^b	36.0	32.0	G
15	4	BP	United Kingdom	36.3	48.1	36.3	...	B
16	15	TotalFinaElf	France	55.6	8.4	55.6	...	D
17	99	Suez	France	74.0	11.0	74.0	5.0	D
18	210	Ericsson	Sweden	46.0	13.2	46.0 ^e	25.9	B
19	394	Danone Groupe	France	60.3	...	60.3	...	D
20	123	Vodafone	United Kingdom	93.1	0.1 ^b	93.1	4.8	D

Source: Authors' calculations, based on firm annual reports.

G: Global.

B: Bi-regional.

D: Home-region oriented.

S: Host-region oriented.

^a Canada and the United States.

^b United States only

^c The Americas

^d United Kingdom only.

^e Europe, the Middle East and Africa

^f Japan.

Of these, two are highly focused in one part of the Triad, but not their home Triad region. These include non-United States TNCs with high sales in the United States, such as:

-
- News corp (9% sales in Australasia, 75.0% in the United States and 16.0% in the United Kingdom); and
 - AstraZeneca (32% in Europe; 52.8% in the United States and 5.2% in Japan and 10% in the rest of the world).

Six firms are bi-regional TNCs with a significant portion (more than 20%) of their sales in two parts of the Triad, but less than 50% in any one region. These are:

- Roche (38.6% in North America; 36.8% in Europe, only 11.7% in Asia Pacific and 12.9% in other regions);
- GlaxoSmithKline (49.2% in the United States; 28.6% in Europe and 22.2% in the rest of the world);
- Diageo (31.8% in Europe; 49.9% in North America, only 7.7% in Asia-Pacific and 11.6% in the rest of the world);
- Lafarge (40% in Europe; 32% in North America, only 8% in Asia-Pacific and the remaining 20% in other parts of the world);
- British Petroleum (BP) (48.1% in North America; 36.3% in Europe and 15.6% in the rest of the world); and
- L.M. Ericsson (46.0% in Europe, the Middle East and Africa; 25.9% in Asia Pacific, only 13.2% in North America and 15.9% in the rest of the world).

There are only 3 (out of 20) TNCs with a truly balanced distribution of sales, i.e. across all three regions of the Triad (or even wider):

- Nokia (25.0% in the Americas, 49.0% in Europe, 26.0% in Asia-Pacific);
- Philips Electronics (28.7% in the United States and Canada, 43% in Europe, 21.5% in Asia-Pacific and 6.8% in the rest of the world); and
- LVMH (26% in the United States, 36% in Europe, 32% in Asia-Pacific and 6% in the rest of the world).

Yet, in spite of having achieved some demonstrated level of global corporate success, it should be recognized that these three companies are not in cell 1 of figure 1, as they exhibit some regional features in corporate strategy and structure. The

other companies in the top 20 are either strongly home region based or are from small countries peripheral to the Triad and focused on one of the other Triad markets. Most of the other 80 of the top 100 TNCs of the *World Investment Report 2003* (UNCTAD, 2003, pp. 187-188) are even less global and are either domestic or home-region based TNCs.

The message of these findings on the limits to globalization is that, for most TNCs, the strategy may need to be adjusted by strategic business units. Unfortunately, it is difficult to find data on strategic-business-unit sales by Triad region for the world's 100 largest TNCs presented in the *World Investment Reports*.

Services are regional

Large retail corporations tend to be even more home-region based than the manufacturing TNCs. The large United States retailers like Wal-Mart, Sears and K-Mart are all North American based. The latter two have no stores outside the United States, and Wal-Mart only has 10% of its stores and 6% of its revenues outside of the NAFTA region. Wal-Mart has 4,414 stores of which 3,244 are in the United States, 196 are in Canada and 551 are in Mexico. Only 423 are in international markets, i.e. 9.6% of the total stores. Nonetheless, Wal-Mart is the most transnational large-scale retailer from the United States. In 2001, foreign sales as a percentage of total sales were 16.3% (\$35 billion of a total of \$218 billion). However, 94% of its 2001 sales were in NAFTA.

Carrefour of France has about 9,200 stores in 30 countries. Yet, only 19% of Carrefour's revenues originate from outside of Europe. Clearly Carrefour needs to be analyzed on a European, regional level; it is not an organization that has achieved global corporate success.

In financial services, the world's largest TNC, Citigroup is also very regional. Citigroup's consumer banking group has 72.7% of total revenues in North America. Accounts are 77.1%

in North America where credit cards are part of the Accounts in Citigroup's consumer banking group and over 76% of accounts in the United States are credit card accounts. While over 70% of Citigroup's revenue and accounts are in the United States, only 45% of average consumer deposits are there. This regionalization is common across all the major business groups of Citigroup, except in commercial loans, which is only 27% United States based. While Citigroup has large commercial loans to foreign companies it is not as active in foreign consumer loans, as 65.6% of consumer loans are in the United States. Overall, these data reveal a strongly home-based, North American business. Indeed, Citibank became less global after the merger with Travellers in 1999, as the latter's insurance business was very localized, and this offset much of Citibank's banking diversification in South America and Asia.

Examples of TNC positioning in the regional matrix

In this section, high-profile TNCs often described as global firms by the media are positioned into the matrix of figure 1, on the basis of the prime locus of decision-making power and the main geographic adaptation level of products. More specifically, six sets of two firms are discussed sequentially, with their main business in one particular industry (pharmaceuticals, food, cosmetics, cigarettes, cars, retail). This positioning, which is performed for illustrative purposes to describe the heterogeneity in so-called global TNC strategies, is based on surveying publicly available information, as well as ongoing research on these companies by the authors of this article. The positioning of complex institutions such as these highly transnationalized corporations in a single cell of a 3X3 matrix obviously constitutes a dramatic simplification of economic reality, but it does reflect "at the margin" the differences among the firms discussed, and thereby the variety in so-called global strategies.

In pharmaceuticals, AstraZeneca can be placed in cell 5, as it has mainly regional corporate governance and distribution systems (the United States market is so important that it is now

run separately from Europe). On the other hand, Merck is in cell 2 with strong corporate headquarters despite needing to operate regionally in Europe as well as in the United States home market as far as strategy implementation is concerned. Merck is experiencing some tension in this structure and does not perform as well in Europe as AstraZeneca does in the United States.

In the food industry, Nestlé manufactures products that are nationally regulated and supervised by country health and safety codes. Thus, it needs to be aligned to local markets. Nestlé's decision-making is largely in the hands of national units (cell 9), whereas Kraft functions mainly through regional centres (cell 6). Kraft's product delivery and marketing are operated locally but "back office" functions such as human resources management, accounting, auditing, legal and treasury services are performed in a more centralized and co-coordinated fashion. Some production is also co-coordinated globally. Kraft has key decision making concentrated at regional centres in North America and International (largely Europe) through co-chief executive officers.

In the cosmetics industry, L'Oréal is in cell 5, as its United States operations are administered by a regional office, to match its home European one. It has adapted its product lines for North America, e.g. Maybelline, which is controlled from New York, and is more mass marketing oriented than a number of its high-end French based cosmetics. L'Oréal's products can be assessed as culturally diverse, regional brands. Estée Lauder is more centralized, and positioned in cell 1, with both dominant corporate headquarters, and global products, which are not adapted to local preferences.

In the cigarettes industry, Philip Morris is also positioned in cell 1, with strong corporate headquarters, and building upon global brands, Marlboro in particular, which are not adapted locally. It does not need to be particularly concerned with regulations in other countries as its main problem is class action litigation in its United States home market. United Kingdom-

owned BAT can be positioned in cell 5, as it runs its United States operations with a large degree of autonomy through B&W, as a regional centre. It also has regional brands rather than the global ones of Philip Morris.

In the automobile industry, Toyota has a strongly centralized, hierarchical organizational structure. This is based on Kiichiro Toyoda's "the Toyota way" of consensus decision-making and discipline. Yet Toyota's product characteristics are much more region based, especially with adaptation in the vital United States host market, thereby positioning the firm largely in cell 2. In contrast, Hyundai, which has equally centralized decision-making, does not to the same extent adapt products to regional markets, i.e. it is closer to cell 1.

Finally, in the retail industry, Wal-Mart and Carrefour can both be positioned in cell 3 of figure 1. Both have centralized decision-making, and both sell mainly in their home markets. Carrefour may be moving toward cell 2, but there is, as yet, little evidence to support such regional adaptation of its production and services.

The examples above are consistent with similar analyses performed for many of the *Fortune Global 500* companies (Rugman, forthcoming). Of the 380 firms with data on geographic sales, as many as 320 have an average of 80% of their sales in their home region of the Triad. Here, the regional level, as introduced by figure 1, both on the horizontal axis and the vertical axis, appears important to many of them. The figure can also be used to position the handful of truly "global" TNCs and the "bi-regional" TNCs. The 12 examples discussed above illustrate the alignment of the new analytical framework with the basic data on regionalization of TNC activities.

Conclusions

There is abundant empirical support for the proposition that many large, and highly transnationalized corporations have regional components in their strategy formation, both as regards

the locus of decision-making, and the geographic adaptation level of their products. The world's largest 100 TNCs are mainly Triad-based regional players, not global ones. They operate on a strongly segmented Triad/regional basis, and a relevant framework to analyze TNC strategy needs to recognize this. In short, management strategy as taught in business schools today should focus increasingly on the empirical reality that many firms lack a balanced distribution of sales around the globe, but are often focused on their home region. In addition, even firms with widely dispersed sales often have regional components in their strategy. Public policy towards TNCs also needs to reflect the reality of the Triad, rather than the myth of globalization.■

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