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Regional Transnationals and Triad Strategy

by

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ABSTRACT

In this paper, we address the geographic distribution of sales of some of the world's largest multinational enterprises (MNEs), with a focus on the share of each leg of the 'Triad' (the North-American Free Trade Agreement or NAFTA-zone, the European Union - E.U., and Asia) in these firms' overall sales. Our view is that a firm has achieved global corporate success only if it is able to earn a balanced regional distribution of sales. Only high actual sales across the globe, especially in the wealthy and technologically advanced triad regions, demonstrate both strong firm-level capabilities at the supply side to market products and services worldwide, and a high willingness of sophisticated consumers at the demand side, to pay for the firm's output. With respect to the supply side, we develop a new conceptual framework, which distinguishes among the global, regional and national loci of MNE decision-making, as well as the global, regional and national levels of product standardization. Our main point is that the regional dimension is important for many firms, because it is a geographic level where many important decisions are made, and where product standardization may be appropriate. We then identify the twenty MNEs with the highest foreign-to-total (F/T) sales ratios in the UNCTAD list of most internationalized companies in terms of foreign asset base that are also Fortune 500 firms. For this set of large, highly internationalized companies, we measure the distribution of their sales across triad regions. We find that only three of these firms actually have a substantial portion of their sales across all three legs of the triad. The other MNEs are either bi-regional, host-region oriented or home-triad region oriented. In other words, the empirical evidence reveals that even these highly internationalized MNEs do not have a balanced global distribution of sales. We further elaborate on this empirical finding by investigating whether a regional component can be identified in twelve specific cases of MNE strategy, building upon our new framework.

Keywords: globalization; regionalization; triad; transnational enterprises; triad home-base; regional; global; bi-regional; Wal-Mart.

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Introduction

The theme of this paper is that, even today, many of the most internationalized MNEs have a limited geographic scope of their sales. The new thinking explored in this paper is the extent to which these MNEs are 'home-region' based, in terms of sales, in the spirit of Rugman (2000) and Rugman and Verbeke (2004)**.** Examples will be examined of large, highly internationalized MNEs, from several industries. The paper provides empirical evidence that the majority of even the most internationalized MNEs in reality have a limited geographic distribution of their sales. Of the world's 20 MNEs with the highest asset-based internationalization of their activities, only three can be considered candidates for the status of global firm; the remainder have a more narrow scope of their sales, and are therefore uni-regional or bi-regional, when measured on the sales distribution criterion, which we consider the ultimate proxy for global competitive success, as this requires both supply side efficiency and effective market penetration.

A Framework of Triad/Regional Business Activity

Figure 1 presents a framework that distinguishes among global, regional and national strategy components for MNEs with highly internationalized sales, assets and/or employees (as measured by the relative size of each foreign component vis-à-vis the sum of domestic and foreign components). The vertical axis represents the actual product characteristics (ex post) of an MNE at these three levels: world (or 'global') product, regional (or triad) product; and nation-based product.

The extent to which products are standardized at the global, regional or national level represents the ‘revealed preferences’ of MNEs to institutionalize a particular approach at the world scale or to adapt to the requirements of national/regional markets. In contrast, the horizontal axis is more a reflection of ‘stated preferences’, i.e., the extent to which MNE managers view strategic decision making as a process concentrated in one home base or dispersed across regions or countries.

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 MNE’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.

Figure 1 is an adaptation of Rugman and Verbeke’s (1993) framework on ‘global’ strategies. They argued that the truly important decisions to be taken by MNEs are related to two parameters. First, the number of home bases with which they function, i.e., the number of locations where important strategic decisions are taken (equivalent to the horizontal axis of Figure 1, where the number of home bases determines strategic decision making). Second, the use of non-location bound versus location bound firm specific advantages (FSAs), (equivalent to the vertical axis of Figure 1, whereby the nature of the MNE’s FSAs determines its product offering). The non-location bound FSAs allow various approaches to standardize the MNE’s product offering 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 FSAs 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 geographic deployability and exploitation potential of non-location-bound FSAs, or the fine-tuning of location bound FSAs, in order to achieve benefits of more region-based, rather than merely nation-based responsiveness.

The difference with Rugman and Verbeke's (1993) resource-based perspective on the integration-national responsiveness model is thus that Figure 1 explicitly introduces a regional dimension to the analysis. This is now needed due to the emerging empirical work, Rugman (2000) and Rugman and Verbeke (2004), which suggests that normative messages, advocating simple global strategies are not appropriate for most MNEs, 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) and (2004b). The vertical axis implies the development of FSAs useful at the level of the set of nations that form the region. These are region-bound company strengths: they can contribute to survival, profitability and growth beyond the geographic scope of a single nation, but these such strengths are still location bound, in the sense that they cannot be deployed globally, see Morrison, Ricks and Roth (1991), Morrison and Roth (1992), Delios and Beamish (2004), Grosse (2004), Li (2004), Yin and Choi (2004) for related analyses. In this context, Yip's (2003, p. 7) 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" may be an appealing normative message, but one that applies to very few, if any, MNEs in practice. Indeed, most MNEs rely largely on sets of location-bound (in the sense of nation-bound) and region-bound FSAs as the basis for their competitiveness.

Figure 1 here

Figure 1 helps identify the variety of strategic options available to highly internationalized MNEs, as a foundation of global corporate success, in the sense of a balanced distribution of sales across the triad. 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 MNEs, which are taken by the CEO 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 respectively substantial regional and national responsiveness regarding the product offering (including its service component) that actually is provided to the market.

In other words, MNEs 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 the MNE’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 MNEs as centrally directed, profit maximizing entities, eager to sell standardized products around the globe. Anti-globalization critics state that MNEs are insensitive to host-country and host-region demands, especially those of host-country governments. In fact, the presence of intense international rivalry and the unfortunate reality that every MNE from one region does face an important liability of foreignness in the other regions of the world, forces MNEs to be particularly sensitive to the requirements of host-country governments and other salient stakeholders, Rugman and Verbeke (1998).

Of course, this does not imply that MNEs 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 subsidiary managers. Much conceptual and empirical evidence suggests that a ‘multi-national’ approach leads to overlapping efforts and duplication in innovation, inconsistent national strategies, opportunistic behavior by subsidiary managers, and more generally, a waste of resources and lack of clear strategic direction, Bartlett and Ghoshal (2000). The great strength of an MNE is to overcome market imperfections characterizing national markets and to develop systemic, network-related rather than asset based FSAs, see Dunning and Rugman (1985). Even for MNEs 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 subsidiary managers themselves, through standardizing at the regional level their product offering across those national markets that have strong similarities in demand. In that case, subsidiary initiative is critical, Birkinshaw (2000), Rugman and Verbeke (2001).

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 Bartlett and 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 MNEs 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 Bartlett and Ghoshal (1989) framework thus can usefully explain cell 3 (centralized, global strategic decision making combined with local product offering), i.e., the global think-local act approach. It also allows the analysis of less common cases in cell 7, whereby rather powerful national subsidiaries 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, nor the intermediate cases of cells 2, 4, 6, and 8, i.e., all cases whereby the regional level is important.

The present paper reports data suggesting that an increasing number of MNEs operates largely at the regional level. Therefore regional elements are becoming increasingly important in many MNEs, either in terms of strategic decision making, or actual product offering. If, as the empirical evidence provided in the next sections suggests, many MNEs are at least partially operating in cell 5 on a triad basis, then any strategy-related analysis of the MNE's 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 can the rationale for region-based and/or adapted products and services from these MNEs be properly investigated. If the theoretical construct itself of a ‘regional solution’ (cell 5 in Figure 1) is neglected, little can be expected from empirical research on strategy and structure in MNEs to portray accurately the present importance and future potential of the regional approach.

Here, it is important to observe that the regional approach has sometimes been described as the mere outcome of a global strategy. The best known articulation of this perspective can be found in Yip (2003), who argues: “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.” (p. 222). Yip’s (2003) view assumes a particular sequence and hierarchy in MNE 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. First, 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. Second, customer requirements may vastly differ across regions depending upon the level of economic development, culturally determined preferences, etc. Third, region-based cluster requirements may impose specific types of behavior on firms in order for these firms to be perceived as legitimate within the context of regional clusters, especially suppliers, related and supporting industries, the non-business infrastructure etc. Here, region-based isomorphic flexibility may be critical for firms to function effectively as true insiders in the region. Finally, political and related institutional requirements at the regional level are increasingly important. It could be argued that regional cooperation agreements such as the North American Free Trade Agreement (NAFTA) and the European Union (EU) single market measures mainly represent the elimination of trade and investment barriers, and therefore allow a reduced attention devoted by MNEs 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 has been explored in Rugman (2000). It is reinforced by the new trade regime of the World Trade Organization (WTO), 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 (FTAA) and several countries are in negotiations to be added to the EU. These political developments reinforce the triad and the need for regional government policies and triad-based firm strategies.

Empirical Evidence on Triad Activity

As a test of the limits to globalization, let us consider the most likely instance where a globally balanced distribution of sales, as a proxy for global corporate success, can be expected. Here, we could classify as ‘global’ all MNEs with a foreign-to-total sales (F/T) ratio above, say, 50% and/or with some significant activity in each part of the triad. In an earlier publication, we already performed one such test, building upon data from the Fortune Global 500 companies, i.e., the largest companies in the world, according to market size, see Rugman and Verbeke (2004). In that paper, we 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 paper, we use a different, but perhaps even more relevant data set. The UNCTAD *World Investment Report* for 2001 reports the (F/T) ratios for sales, assets and employees on an annual basis for the world's largest 100 MNEs, ranked by foreign assets. In other words, these are the firms that are the most internationalized, 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. For these 100 MNEs, we then calculate the (F/T) sales ratios for firms that are also included in the Fortune Global 500 to omit firms with less than $ 10 billion in sales. Foreign sales, as calculated by UNCTAD, include both sales by subsidiaries and exports by the parent MNE. The top 20 MNEs ranked by foreign-to-total sales ratio are reported in Table 1, as (F/T) sales.

Table 1 here

The 20 MNEs are mostly from small, open economies such as Canada, Australia and Switzerland, or are members of the E.U. such as Finland, France, the U.K., Germany and Sweden.

There are no U.S. MNEs in this set of the most internationalized firms—which is not all that surprising given the huge size of the U.S. home market.

Yet, Table 1 disguises a very important point. While these 20 MNEs have the majority of their sales outside of the home country, many are still very regional. Most of their foreign sales are still mainly in their home-triad regional market. This point is demonstrated in Table 2, where MNEs are ranked according to their intra-regional sales percentages. By intra-regional is meant sales within Europe (and usually within the 15 member states of the E.U.) for MNEs from those countries and within NAFTA (for Canadian and U.S.) MNEs. In the case of Asian-Pacific MNEs, intra-regional refers to Asia and the Pacific including Australia. The result of this home-triad region ranking is shown in Table 2.

Table 2 here

The data in Table 2 reveal that nine of the 20 of the world's allegedly most global MNEs are, in fact, operating mainly in their home-triad region market. For example the European MNEs, Suez (74% intra-regional sales); Vodafone (93.1%); and Stora Enso (69.2%) are clearly 'European' MNEs in their sales, as over two thirds of their business is within Europe. The same is true for several other MNEs that are allegedly global; in fact these MNEs 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 MNEs that might achieve global competitive success.

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

- Newscorp (9% sales in Australasia, 75.0% in the United States and 16.0% in the United Kingdom)

- 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 MNEs 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)
- 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 three (out of 20) MNEs 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 U.S. and Canada, 43% in Europe, 21.5% in Asia-Pacific and 6.8% in the rest of the world)

- 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 cell 1 companies in Figure 1, as they exhibit some regional features in corporate strategy and structure. The other companies in the top-20 are either strongly home-triad 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 MNEs are even less global and are either domestic or home-region based MNEs.

One possible modification to this message on the limits to globalization is that, for some MNEs, the strategy may need to be adjusted by Strategic Business Unit (SBU). Unfortunately, it is difficult to find data on SBU sales, by triad region, for the UNCTAD 100 largest TNCs.

The large retail organizations are even more home-region based than the manufacturing MNEs. The large U.S. 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 international large-scale retailer from the United States. In 2001, foreign sales as a percentage of total sales were 16.26% ($35.4 billion of a total of $217.7 billion). But 94% of its sales are 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.

Turning to financial services, the world's largest financial MNE, Citigroup is also very regional. Citigroup's consumer banking group has 72.7% of total revenues in North America, Accounts are 77.1% and only Deposits are more diversified, at 45.5%. 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% U.S. 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 MNE positioning in the Regional Matrix

In this section, we position 12 high profile MNEs often described as global firms by the media, in Figure 1, on the basis of the prime locus of decision-making power and the main geographic adaptation level of products. More specifically, we discuss sequentially six sets of two firms, with their main business in one particular industry (pharmaceuticals, branded packaged goods, cosmetics, cigarettes, cars, retail). This positioning, which is performed for illustrative purposes only, to describe the heterogeneity in so-called global MNE strategies results from surveying publicly available information, as well as ongoing research on these companies by the authors. The positioning of complex institutions such as these highly internationalized MNEs 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.

AstraZeneca can be placed in cell 5, as it has mainly regional corporate governance and distribution systems (the U.S. 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 U.S. 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.

Nestlé manufactures food 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-CEOs.

L’Oréal is in cell 5, as its U.S. 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 says that its products are “culturally diverse global cosmetics 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.

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 U.S. home market. British owned BAT can be positioned in cell 5, as it runs its U.S. 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.

Toyota has a strongly centralized, hierarchical organizational structure. This is based on Kiichriro 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 U.S. 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, 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, see Rugman (2005). 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' MNEs and the 'bi-regional' MNEs. The twelve examples discussed above illustrate the alignment of the new analytical framework with the basic data on regionalization of MNE activities.

Conclusions

There is abundant empirical support for the proposition that many large, and highly internationalized MNEs 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 100 most international MNEs are mainly triad-based regional players, not global ones. They operate on a strongly segmented triad/regional basis, and a relevant framework to analyze MNE 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 MNEs also needs to reflect the reality of the triad, rather than the myth of globalization.

Figure 1
A Framework for Analysing “Globalisation”

Locus of decision making power on
corporate, business, functional strategy issues(ex ante)

Actual product Characteristics (ex post)

	Corporate headquarters	Regional centres	National units
World product	1 Global Strategy	4	7
Region-based or adapted product	2	5 Regional Strategy	8
Nation-based or adapted product	3	6	9 National Strategy

Table 1: The World's Most International MNEs

	Corporation	Home Country	F/T 2001
1	Nokia	Finland	98.5
2	Roche	Switzerland	98.2
3	ABB	Switzerland	97.4
4	Philips Electronics	Netherlands	95.2
5	Nortel Networks	Canada	94.6
6	Stora Enso	Finland	94.3
7	AstraZeneca	UK	94.1
8	Volvo	Sweden	92.8
9	GlaxoSmithKline	UK	92.0
10	News Corp.	Australia	92.0
11	Diageo	UK	85.8
12	Lafarge	France	85.8
13	BHP Billiton	Australia	83.4
14	LVMH	France	81.2
15	BP	UK	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	UK	75.1

Note: This table is constructed from the UNCTAD (2001) source which lists the world's largest 100 MNEs by foreign asset size. The foreign and total sales of these 100 MNEs are also reported so (F/T) sales ratios can be calculated. Then the top 20 MNEs on (F/T) sales that are also listed as a top 500 firm by Fortune, The *Fortune* Global 500, 2002, are included in this table. Five firms in the top 20 UNCTAD list, were not sufficiently large in terms of revenues to be included in The *Fortune* Global 500 list. These firms are: NTL Inc., Thomson, WPP Group (whose revenues were confirmed to be below 10 million in the *Annual Report)*, Holcim and Pearson.

Table 2: Home Region distribution of sales of the world's TNC index, 2001

	500 Rank	Corporation	Home Country	intra-regional 2001*	NA (%)	EUR (%)	AP (%)	C
1	147	Nokia	Finland	49.0	25.0 [l]	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 Electronics	Netherlands	43.0	28.7 [a]	43.0	21.5	G
5	263	Nortel Networks	Canada	54.4	54.4 [a]	na	na	D
6	423	Stora Enso	Finland	69.2	19.5	69.2	7.1	D
7	301	AstraZeneca	UK	32.0	52.8 [z]	32.0	5.2 [j]	S
8	267	Volvo	Sweden	51.6	30.2	51.6	6.0	D
9	140	GlaxoSmithKline	UK	28.6	49.2 [z]	28.6	na	B
10	364	News Corp.	Australia	9.0	75.0 [z]	16.0 [u]	9.0	S
11	262	Diageo	UK	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 [z]	36.0	32.0	G
15	4	BP	UK	36.3	48.1	36.3	na	B
16	15	TotalFinaElf	France	55.6	8.4	55.6	na	D
17	99	Suez	France	74.0	11.0	74.0	5.0	D
18	210	Ericsson	Sweden	46.0	13.2	46.0 [m]	25.9	B
19	394	Danone Groupe	France	60.3	na	60.3	na	D
20	123	Vodafone	UK	93.1	0.1 [z]	93.1	4.8	D

Sources: Individual Annual Reports.
Note: This table is constructed from the UNCTAD (2001) source which lists the world's largest 100 MNEs by foreign asset size. The foreign and total sales of these 100 MNEs are also reported so (F/T) sales ratios can be calculated. Then the top 20 MNEs on (F/T) sales that are also listed as a top 500 firm by Fortune, The Fortune Global 500, 2002, are included in this table. a. Canada and the U.S.; z. U.S. only; l. Americas; u. UK only; m. Europe, the Middle East and Africa; j. Japan. G. Global; B. Biregional; D. Home-region oriented; S. Host-region oriented.

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