#### The Regional Multinationals MNEs and "Global" Strategic Management

Although many firms label themselves "global," very few can back this up with truly global sales and operations. In *The Regional Multinationals* Alan Rugman examines first-hand data from multinationals and finds that most multinationals are strongly regional, with international operations in their home regions of North America, or Asia. Only a tiny proportion of the world's top 500 companies actually sell the same product and deliver the same services around the world. Rugman exposes the facts behind the popular myths of doing business globally, explores a variety of regional models, and offers an authoritative agenda for future business strategy. *The Regional Multinationals* is the essential resource for all academics and students in International Business, Organization, and Strategic Management, as well as those with an interest in finding out how multinationals really work in practice and how future strategy must respond.

Alan M. Rugman is L. Leslie Waters Chair of International Business at the Kelley School of Business, Indiana University, where he is also Professor of International Business and Professor of Business Economics and Public Policy. His numerous publications include International Business (2000, 2003), The End of Globalization (2000), and The Oxford Handbook of International Business (2001).

# The Regional Multinationals MNEs and "Global" Strategic Management

Alan M. Rugman Indiana University



PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE The Pitt Building, Trumpington Street, Cambridge, United Kingdom CAMBRIDGE UNIVERSITY PRESS The Edinburgh Building, Cambridge, CB2 2RU, UK 40 West 20th Street, New York, NY 10011-4211, USA 477 Williamstown Road, Port Melbourne, VIC 3207, Australia Ruiz de Alarcón 13, 28014 Madrid, Spain Dock House, The Waterfront, Cape Town 8001, South Africa http://www.cambridge.org © Alan M. Rugman, 2005 This book is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press. First published 2005 Printed in the United Kingdom at the University Press, Cambridge Typefaces Swift 9.5/12.5 pt. and Formata System LATEX 2E [LB] A catalogue record for this book is available from the British Library Library of Congress cataloguing in publication data Rugman, Alan M. The regional multinationals / Alan M. Rugman. p. cm. Includes bibliographical references and index. ISBN 0 521 84265 4 (hardback) - ISBN 0 521 60361 7 (paperback) 1. International business enterprises. I. Title. HD2755.5.R83567 2004 338.8'8 - dc22 2004052681 ISBN 0 521 84265 4 hardback ISBN 0 521 60361 7 paperback

The publisher has used its best endeavours to ensure that the URLs for external websites referred to in this book are correct and active at the time of going to press. However, the publisher has no responsibility for the websites and can make no guarantee that a site will remain live or that the content is or will remain appropriate.

Contents

List of figures viii List of tables ix Acknowledgments xi

Chapter 1 Introduction 1 Key themes of this book 1 The empirical contribution of the book 3 The regional sales data in the book 4 The regional and global case studies in the book 5 Summary of this book 6

Chapter 2 Regional multinationals: the data 9 Methodology 9 The intra-regional nature of the world's largest firms 11 Intra-regional sales by industry categorization 20 Intra-regional sales by region 26 Updated data 31

- Chapter 3 Two regional strategy frameworks 33 Basic analysis of regionalization 34 The CSA/FSA matrix 35 The regional matrix 37 Matrix strategies of large MNEs 41 The integration/responsiveness matrix 46 The regional strategy matrix 48 Examples of the regional strategy matrix 53 Appendix to chapter 3 55
- Chapter 4 Regional and global strategies of multinational enterprises 58 The triad power concept 59 Empirical analysis of triad power 61

vi	Contents	
		The meaning of regional strategies 62 Implications for new analysis 65 Conclusions 76
	Chapter 5	<b>Retail multinationals and globalization</b> 79 Theory 81 Empirical evidence 83 The home-triad base of MNE retail activity 84 Conclusion 93
	Chapter 6	<ul> <li>Banking multinationals 96</li> <li>Barriers to global expansion in the banking industry 100</li> <li>Size and international scope 105</li> <li>Cases 105</li> </ul>
	Chapter 7	<ul> <li>Pharmaceutical and chemical multinationals 114</li> <li>Barriers to global strategy in the pharmaceutical industry 118</li> <li>Case studies 121</li> <li>Conclusion 136</li> </ul>
	Chapter 8	<ul> <li>Automotive multinationals 137</li> <li>Barriers to global expansion in the automotive industry 140</li> <li>Cases 141</li> <li>Conclusions 149</li> </ul>
	Chapter 9	Profiles of leading multinational enterprises 150 Home-region cases 151 Bi-regional cases 164 Global cases 172 Host-region cases 177 "Near miss" global cases 179 Conclusions 182
	Chapter 10	Analysis of the regional and global strategies of large firms 183 The regional matrix and the large firms 185 A model of multi-regional strategy and structure 194 Regional organizations: strategy and structure 196 A regional, not a transnational solution 201 Revisiting the transnational solution cases 207 Conclusions 212

### CAMBRIDGE

Cambridge University Press	
0521842654 - The Regional Multinationals: MNEs and "Global"	' Strategic Management
Alan M. Rugman	
Frontmatter	
Moreinformation	

		Contents	vii
Chapter 11	Regional multinationals and government policy 213 Regional, not global, business and trade agreements 214 Regional economic determinism in the triad 216 Security and regional US energy supply 219 Implications of regionalization for business–government relations 220 Conclusions 222		
Chapter 12	Regional multinationals: the new research agenda 224 Regionalization and new theory 225 Regional or global theory 226 Implications for MNE theory 228 Implications of regionalization for business strategy 231 Implications of regionalization for society 234 The regional data are robust 236 Conclusions 240		
	Appendix: The 500 companies with triad percent sales, alphabetical, 2001 242Company notes255Case references257Academic references264Author index270		

## Figures

2.1	Regional multinationals, by degree of intra-regional	
	sales	page 12
3.1	The CSA/FSA matrix	35
3.2	The regional and global dimensions of FSAs	37
3.3	Firms in the regional and global matrix	41
3.4	The integration and national responsiveness	
	matrix	47
3.5	The regional strategy matrix	49
4.1a	A resource-based re-interpretation of the	
	integration-responsiveness framework	68
4.1b	A conceptual extension of the resource-based	
	integration-responsiveness framework: the home-region	
	case	68
4.1c	A conceptual extension of the resource-based	
	integration-responsiveness framework: the host-region	
	case	69
4.2	Old and new perspectives on the largest	
	500 companies	71
6.1	Size and international scope in the	
	banking industry	100
6.2	Size and international scope in other	
	financial services	103
7.1	Size and international scope in the chemical and	
	pharmaceutical industry	120
8.1	Size and international scope in the motor vehicle	
	industry	140
	The positioning of firms in the regional matrix	186
10.2	Generic roles of strategic business units	
	(SBUs) in MNEs	198
10.3	Geographic components of MNE market strategy and	
	structure	203
11.1	Intra-regional trade in the triad, 1980–2000	216

## Tables

1.1	The world's largest 500 multinational	
	enterprises	page 3
1.2	Classification of the world's largest 500 firms	4
2.1	Classification of the top 500 firms	12
2.2	Global firms	14
2.3	Bi-regional firms	15
2.4	Host-region based MNEs	16
2.5	The top 25 home-region based companies	17
2.6	The "Near Miss" global companies	18
2.7	The regional nature of global MNEs, by industry	
	and type	20
2.8	Average sales in the service and	
	manufacturing sectors	21
2.9	Average sales by triad region	27
2.10	The regional MNEs, classified by triad	27
2.11	The intra-regional sales of 60 firms in 2002	30
5.1	The largest US retailers, number of stores, 2001	83
5.2	Wal-Mart's "globalization" is really	
	regionalization	83
5.3	Kingfisher's international operations	84
5.4	Carrefour's international locations	85
5.5	The world's largest retail companies by sales	86
5.6	The world's largest retail companies by nature of	
	international operations	90
6.1	The top 500 MNEs, by industry	97
6.2	The regional nature of the banking industry	98
6.3	The regional nature of other financial services	
	industries	101
6.4	International operations of Citigroup: consumer banking	
	division (% of total)	106
6.5	Selected indicators of Citigroup's international	
	scope	107
7.1	The regional nature of the chemical and pharmaceutical	
	MNEs	115

x	List of tables	
	7.2 Research and development in the chemical and	
	pharmaceutical industries	116
	7.3 The chemical and pharmaceutical industries, a	
	comparison	118
	7.4 Chemical multinationals' distribution of R&D facilities	
	across the triad	119
	8.1 The regional nature of the motor vehicles and parts	
	industries	138
	8.2 General Motors, by region, 2002	141
	8.3 Volkswagen, 2002	143
	8.4 Toyota's regional breakdown in 2002	144
	8.5 Toyota vehicle sales, 1993–2002	145
	8.6 DaimlerChrysler, 2002	147
	8.7 DaimlerChrysler revenues, 2000–2002	147
	8.8 Honda, 2002	148
	9.1 The distribution of Starbucks' stores, 2002	157
	9.2 Starbucks' net revenues by region, 2002	157
	9.3 World's largest computer, office and electronics	
	industries	160
	9.4 McDonald's revenues	166
	9.5 McDonald's locations	167
	9.6 World production capacity of the largest five cement	
	producers, 2001	170
	10.1 Classification of leading multinational firms	184
	10.2 Geographic distribution of sales in SBUs	
	of Nestlé	200
	10.3 Geographic distribution of plants in Nestlé SBUs	200
	11.1 US consumption of petroleum, by country of	
	origin, 2001	219
	11.2 US petroleum imports	220
	12.1 Geographic revenue for the world's 32 largest home-region	
	oriented MNEs, 2001	237
	12.2 Geographic revenue for the world's 32 largest home-region	
	oriented MNEs, 2002	238
	12.3 Intra-regional revenues for the world's 32 largest	
	home-region oriented MNEs, 2001–2002	239

### Acknowledgments

In preparing this book, four people in particular have provided tremendous help. First, Cecilia Brain of Toronto has been an excellent research assistant, working with me to prepare the data on the 500 firms from annual reports and websites. She has also helped in preparation of material for the fifty cases discussed in the book. Second, Professor Alain Verbeke has helped me develop new analytical insights into the regional and global theories of multinationals, as can be seen in this important co-authored work in chapters 3, 4, 10, and 12. Third, Mildred Harris has worked very diligently in preparing the drafts of chapters, tables, and all of the final manuscript for publication. Fourth, in the preparation of the manuscript for the book and in previous drafts of the chapters, excellent proof-reading was undertaken by Helen Rugman.

I am pleased to acknowledge help and support from the Kelley School of Business, Indiana University, Bloomington, Indiana, and its Center for International Business Education and Research. In particular, they supported the research assistance of Ms Cecilia Brain in 2003/04. I also received support and an encouraging research environment at Templeton College, University of Oxford, for parts of summers 2002 and 2003 when I was working on research for this book. I have received helpful comments from colleagues and doctoral students at these institutions and at various conferences and seminars where previous versions of this work have been presented over the 2001-04 period. In particular, helpful comments on various chapters have been provided by Karl Moore, Steven Kobrin, Rob Grosse, Peter Buckley, Arie Lewin, Don Lessard, Jing Li, Nessara Sukpanich, Stéphane Girod, Saliya Jayaratne, and several anonymous reviewers of the book proposal. In addition, Peter Snow provided editorial advice on the book proposal. I am appreciative of their help and insight and I alone am responsible for any errors in this book.

Finally, thanks to Katy Plowright, Alice Ra, Chris Harrison, and others at Cambridge University Press for their enthusiasm for this book.

I am also pleased to acknowledge several journals who have published previous versions of some of these chapters:

Chapter 4, a revised and shorter version, was co-authored with Professor Alain Verbeke and was published in *Journal of International* 

xii

Acknowledgments

Business Studies 35(1): 3–18 in January 2004. An earlier version of chapter 4 was presented at the Duke University JIBS and CIBER Conference on "Emerging frontiers in international business research", 6–9 March 2003. We are pleased to acknowledge the help of Arie Lewin in stimulating this article. Helpful comments on earlier drafts have been provided by Vern Bachor, Paul Beamish, Peter Buckley, Yves Doz, John Dunning, Michael Enright, Stéphane Girod, Robert Grosse, Mike Kotabe, Mitchell Koza, Klaus Meyer, John Mezias, Karl Moore, Mona Sellers, and Lorn Sheehan. We also acknowledge the excellent research assistance of Cecilia Brain.

A previous version of chapter 5, co-authored with Stéphane Girod, appeared in *European Management Journal* (February 2003). Thanks to Cecilia Brain for comments and assistance with the data.

An edited version of the appendix to chapter 3 appeared as a book review in the Academy of Management *Executive* 16:3 (August 2002): 157–59.

An abbreviated version of chapter 7, co-authored with Cecilia Brain, appeared in *Management International Review*, vol. 44 (2004), as did part of the second half of chapter 12, co-authored with Alain Verbeke.