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Abstract

Globalisation has become a widespread phenomenon over the past two decade in the sense that no one is surprised any more to find world brands in the most remote places of the world. The exposure from large multinational companies' product portfolios has become everyday reality for most people around the world (Hindle 2009).

Strategizing globally has for the last decades been the buzzword for multinational companies (MNC) in order to exploit synergies and arbitrage across regions and achieving global success (Ghemawat 2005, Levitt 1983). However, during the past years global strategies have been subject of extensive criticism from researchers who argue that despite the trend of globalization there are few MNCs that are in fact global, but rather seem to strategize and structure regionally. The emergence of this regional theory has in recent years gained momentum within the field of MNC research and many new findings and theoretical concepts have emerged that have challenged the establishment. This polarization of MNC theory creates a current theoretical state that is unfocused and many new concepts have emerged. (Rugman, Verbeke 2004a, Rugman, Verbeke 2008, Benito, Narula & Grogaard 2003) Thus, based as a literature review this paper identifies key dimensions of regional strategy for MNCs and offer a thematic review of this construct primarily from a contingency perspective and provide an overview of the relationship between environment, strategy and structure also revealing a lacuna in industry related research and suggest more research being focused on degree of commoditization of products and services provided by the MNC as well as a new focus of research on emerging global suppliers.

The findings of this paper suggest that harmonization in measurement is needed to elevate the research within MNCs and regional strategies as well as more industry based analysis to avoid measuring apples and pears in an important strategic field of international strategy.

Introduction

Globalisation has become a widespread phenomenon over the past two decade in the sense that no one is surprised any more to find Coca-Cola in the most remote places of the world or western management consulting firms in the middle east, or brand clothing names such as Nike in Africa. The brand exposure from large multinational companies' product portfolios has become everyday reality for most people around the world and is one effect of the increased globalization. By measuring the growth of world trade expressed as percentage of total global GDP there are signs suggesting that globalization will continue to increase in the future as well. In 1990 this ration reflected around 15% and today approximately 20% while expected to grow to around 30% by 2015 (Hindle 2009).

Although heavily discussed during the last 20 years, globalization has a longer history. By going back to at least 1944 the use of the word globalization in business context was first introduced to the masses in 1983 when Theodore Levitt (1983) published his article "The Globalization of Markets" where he foresaw:" *...the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude*" (Levitt 1983, p.92) Although, Levitt was unable to provide a definition to globalization is viewed as a force, partly driven by MNCs, that is homogenizing markets, customers and product offerings through liberalization of capital markets, acceleration of information flows, higher mobility of people and products as well as decline in transportation costs and the relative harmonization of regions through free trade agreements. (Hindle 2009, Rugman, Verbeke 2004a, Flores, Aguilera 2007)

With globalization in the back of the mind the role of the multinational company (MNC) has played a significant role in this process both from an internalization theory perspective and a contingency theory approach as the MNC as the main driver of globalization and adapting to the environment.

Given the general acceptance of globalization and its potential benefits, most research of organizational strategies and structures especially that of multinational companies, have used global strategies to explain numerous organizational strategies and structures arguably providing superior competitive advantage by offering economies of scale through standardization to utilize the benefit of a globalizing market place.

For MNCs acting in and across this international market space, the understanding of environmental elements impacting corporate strategy and structure is key to utilize firms' competitive advantage across regions. MNCs are facing a challenge balancing between standardization and customization in all activities along the value chain, in order to reach the optimal mix between global integration, providing opportunity for economy of scale, as well as local responsiveness through customization, providing opportunities for higher market shares addressing regional demands. Thus the understanding of these factors becomes important in order to release the performance potential that comes from acting on an international scene (Ghemawat 2008, Rugman, Verbeke 2008a).

The previously dominant theoretical truth of the world as an increasingly global market place has in recent years been challenged by researchers claiming to have found empirical evidence that the worlds markets are in fact internationalizing in the direct opposite direction. Theoretically referred to as regionalization, this construct suggest that MNCs are in fact regional oriented not globally oriented (Rugman, Verbeke 2004a, Rugman, Verbeke 2004a, Rugman 2005a, Rugman, Girod 2003, Burr, Fischmann 2008). Researchers, arguing for regionalization therefore address the need and importance of regional strategy as a better fit to the regional nature of the environment: *"This need for distinct regional strategies is an important observation as many well known strategy and IB scholars keep developing normative models that advocate simple globalization strategies as a set of purposive decisions and actions instrumental to a broad and deep penetration of foreign markets,…"* (Rugman 2005b, p.169;170).

In addition to the two polarized streams of the environmental internationalization trends there are researchers arguing for a third construct. Emerging as a consensus between globalization and regionalization theory, semi-globalization suggest that the world's markets are in fact regional, but unlike the stable nature of regionalization, semi-globalization is inevitably moving towards globalization. In essence this construct acknowledge a current state of regionalization and the trend towards globalization, although not as fast and aggressive which advocates for globalization theory suggest (Ghemawat 2005, Ghemawat 2003, Ghemawat 2003, Mehanna 2008).

The sometime strong and fruitful theoretical discussions regarding regional, global or semi-global constructs have during the last years, had significant influence on the MNC research as regional strategy and structure construct have gained importance and is suggested to be a successful way of performing optimally on a global level (Rugman, Verbeke 2008a). Thus finding the right strategic and structural fit with regards to environment, industry and products have become increasingly important (Ghemawat 2005, Ghemawat 2008, Ghemawat 2003, Ghemawat 2007).

MNCs becomes important subject for analysis as more than 50 000 companies have been identified on a worldwide level and the fact that a relatively small set of multinational corporations account for most of the world's trade and investment. The largest MNCs represent approximately 25% of the worlds GDP and the largest 500 MNCs account for over 90% of the world's stock of foreign direct investment thus becoming an important entity to analyse in the globalization, regionalization, strategy and structure research (Rugman, Verbeke 2004b, Rugman, Oh 2008, Rugman, Oh 2007) Given the recent emergence of regionalization and semi-globalization and their impact, in terms of regional strategy and structure, managers need to know the rationale behind the internationalization forces, the empirical evidence and conceptual rationale that have made way for regional strategy and regional structure construct. (Rugman, Verbeke 2004a, Rugman 2005b)

Hence, this paper will provide the existing research with a review based on the main streams of MNC literature with a regional focus. This will enable researchers/managers to gain an overview of an important topic that has a large impact on how managers strategize and structure MNCs across regions.

Purpose & Problem statement

Regional theory has in recent years gained momentum within the field of MNC research and many new findings and theoretical concepts have emerged that can have a profound impact on how MNC strategize and structure their organizations. While some of the new concepts and theories have been welcomed by the establishment others have been criticised by not having strong enough methodological and empirical foundation to support its own conclusion and thus being inadequate for analytical purpose. (Osegowitsch, Sammartino 2008, Dhanaraj 2007, Dunning 1992). The emergence of these new theoretical concepts and findings have polarized researches and created several environmental theoretical constructs affecting suitable strategies, and structure constellations with different methodologies showing incoherent data.

As the current state of this field of research is unfocused and many new theoretical concepts such as the trend of market internationalization taking form as globalization has been challenged and with that the optimal strategic implication and strategy set up and the rise of semi-globalization, there is a strong need to review the latest literature to shed light on the above mentioned issues by analysing new research streams and capturing the new findings. (Rugman, Verbeke 2004a, Rugman, Verbeke 2008, Benito, Narula & Grogaard 2003)

Based as a literature review this paper identifies key dimensions of regional strategy for MNCs and offer a thematic review of this construct primarily from a contingency perspective. The MNC literature with a regional focus will be analysed with all its differentiated aspects, focus and outcome. Finally key implications will be discussed as well as suggestion for future research will be provided. Furthermore, this paper also aims at contributing to the understanding of regionalization for practitioners as studies have shown that regional strategy and theory of regionalization is not a very familiar concept among practitioners (Schuh 2007).

Based on the introduction above the problem statement has been formed:

The extensive research, contradicting findings and perceptions within the field of MNC and regional strategy, calls for a literature review of the recent literature finding, structuring and critically analyzing theory and its key implications for how to efficiently strategize and organize an MNC to fully utilize the potential competitive advantage of operating across regions from a contingency theory perspective.

Methodology

Research design

- **Approach and structure**

A literature review based research paper differs from other types of research as it covers already validated sources and used methodologies. A literature review can have three primary approaches*;* (1) Chronological – meaning that material is presented in a chronological order; (2) By trend- the material found is presented in order of research trends or; (3) thematic - meaning that the review is organized around a topic or issue (Troyka 2003, Chris M. Anson, Schwegler 2000).

With reference to the focus of this thesis, a thematic approach has been chosen mainly due to the defined practical purpose and approach and the extensive all ready existing chronological research that has covered the evolution of MNC theory. Furthermore, the thematic approach enables an analysis of a specific topic or theme without considering the chronological order of which the research has been conducted. At the same time the researcher can use the material that has provided value to the research theme (Troyka 2003, Anson, Schwegler 2000).

Scope & Delimitations

Given the last years vast contribution of material within this field of research this paper, in terms of timeline, aim at reviewing the most recent research by predominantly focusing on research conducted between 2000 and 2009 as this will provide the reader with the most updated literature, concepts and managerial implications available. Although the current focus of this paper and given the long research history of MNC elderly complementary research will be presented to provide a holistic framework providing a platform for new theory to be implemented.

Given the problem formulation, the content of this paper is kept strictly to regional literature in order to provide a focused paper and outcome. As this paper will focus on regional strategy, structure and the environment from a contingency theory perspective it is delimited from other wings of regional elements such as cluster theory or location choice, which also are important topics within strategy but not suitable for the scope of this paper. Furthermore, although much of the environmental concerns that has to be considered by managers, are linked to culture, this paper will not receive much attention.

Compilation of material

As a literature review is subject to extensive amount of descriptive data collection the compilation of material has to be conducted in a structured way. The procedure in this paper has been to collect publications such as articles from recognized journals and international publishing houses through primarily secondary data retrieved from e-resources such as renowned databases EBSCOhost, Business Source Complete, Google Scholar through Copenhagen Business School. The databases are among the largest full text business databases in the world providing scholar business journals and full text retrievals from business publications. The consolidated information in the databases provides a foundation for performing descriptive analysis to detect communalities and differences in the study findings. The articles are complemented with published books from renowned publishing houses. Together with relevant working papers this broad literature base from geographical diverse areas provides the foundation for this paper. It should however be mentioned that although providing sources from most part of the world, there is a great western bias as the publications as the research is heavily dominated by the English language.

Search, Criteria and analytical procedure

Given the regional focus of this paper the following search was undertaken. The search words where used as single entities, as well as combined with the following search words with a variation between British English and American English spelling:

MNC, MNE, Regional strategy, Regional structure, Regionalization, Semi(-)globalization,

Given the extensive research on strategy of MNCs and this paper's purpose of reviewing the most current literature, the search was conducted in two steps; first, literature between the years 2005-2009 was reviewed to explore new findings within the field. Second, lowering the threshold for publication year to 2000 provided the necessary theoretical foundation to perform the descriptive literature review. After having collected and reviewed the studies carefully, the main conclusions of these papers were entered into an interactive excel data base, as this provided an overview enabling a descriptive analysis of the material.

The regional focus was enforced through the criteria that a regional aspect had to be included in either title, abstract or conclusion part unless it provided a contextual contribution to the regional material. After this initial screening process of regional relevance, the articles was compiled into an excel sheet providing a better overview and to enable the descriptive analysis. To easily gain an overview the articles abstract and conclusions were put in columns to be easily comparable with each other. This categorization of the articles provides the toolkit for the analysis as it gives an overview of the relevant material enabling to detect correlating, as well as contradicting key findings that will be presented in the paper. Only relevant information from this analytical procedure is presented in the paper.

Use of secondary data

The collection of secondary data is primarily comprised by documentary data, that is, articles from journals, working papers, conference papers and books. One of the main advantages of secondary data is the ease access through databases on internet which makes it widely available (Saunders, Lewis & Thornhill 2007).

This paper will be separated into three parts to reflect the main streams of the regional research from a contingency perspective that is Environment, Strategy and Structure. As much of these pillars are heavily interlinked, this structure does not necessarily provide a true perspective of the causal link between the three but the benefits of this structure overweight its disadvantages as it provides a logical overview for the literature review, thus chosen for this paper. More specifically the first part will address the macro environmental factors primarily covering regionalization and semi-globalization. This is important for the discussion of strategy as the founding argument for the contingency theory is that environment impinges on strategies of MNCs (Forsgren 2008). The second part will display the main streams of regional strategies in relation to the environmental perspective. The third and final part will cover the regional structural implications by presenting regional structure that can facilitate the environment and strategy and present the roles and of regional headquarters.

Figure 1: Own illustration of the structure of the paper

Part I: Environment

The Globalization vs. Regionalization debate

During recent years, there has been a hefty scholarly debate, regarding the path of internationalization and scholars such as Rugman, Verbeke, Oh have questioned the globalization theory represented by scholars such as (Govindarajan, Gupta 2001, Levitt 1983, Baden-Fuller, Stopford 1991, Friedman 2005). This stream of literature suggests an opposing theory of globalization called regionalization. Globalization and regionalization represents the two main streams when discussing environment in which MNCs are acting in. An emergent third stream, semi-globalization introduced by Ghemawat (2003, 2005) briefly mentioned in the introduction, will in the following part also be presented as this constitute a hybrid of the main two streams.

The written literature using globalization as foundation and argument for strategizing globally has during the years 2000-2004 amounted to more than five thousand published books. (Ghemawat 2007) This large number of literature, based on the acceptance of globalization as the true path of internationalization has resulted in strategies shaped to meet a global environment, where standardization serving the global market with global products has been the key message (Levitt 1983, Baden-Fuller, Stopford 1991). Historically within the MNC literature, regional strategies have been treated as a step to becoming a global player, however during the last year regional strategies have gain more and more momentum as a way of reaching higher global sales. (Rugman, Verbeke 2008a, Rugman 2005b). Adding to the momentum of regional strategies Alan M. Rugman (2001) published the article “the end of global strategy“ and as the title suggest, calling globalization a “myth” by providing empirical evidence that world trade is highly regional and so are MNC strategies (Rugman 2001, Schlie, Yip 2000, Ghemawat 2003).

If the internationalization process do not display any global characteristics the strategic implications will drastically change, as expressed by (Schlie, Yip 2000): *"...the underlying macro forces of globalization and regionalisation may affect the optimal choice of companies' strategy formulation, also depending on relevant drivers within the respective industry context"* (Schlie, Yip 2000, p. 343). This statement emphasise the importance of recognizing the environment surrounding the business in order to find the shape the right strategy and it has implications for strategies regardless of size. *"...global as well as regional companies need to think through strategy at the regional level."* (Ghemawat 2005, p.98).

Prior the recent years more extensive research and empirical findings, the argument for regionalization has often been that the emergence of regional blocks (i.e. EU, NAFTA, ASEAN) is the main reason behind a stagnating globalization as these trade blocks prohibit global free trade and the expansions of firms (Ghemawat 2005). Other researchers such as Emmerij (1992) find that governmental institutions around the world are not properly equipped to handle global trade which furthermore restrict the forces of globalization. Thus regionalization is seen a natural consequence.

However, this rather simple approach based on a normative observations have been supported by more empirical focused researchers such as Rugman et al. (Rugman, Verbeke 2004a, Rugman 2003, Rugman, Verbeke 2004b) who have been able to find sales, and asset dispersion data further grounding the theory of regionalization in more empirical evidence. Other researchers such as Ghemawat (2005) provide another foundation for killing the "myth" of globalization by presenting longitudinal data showing that intra-regional trade has actually increased during the last 50 years and that trade within regions (on a global scale) rose from 47%-55% between the period of 1958 and 2000 (this measured by intra regional trade as percentage of total trade). The regionalization theory received further support, as 24 companies accounting for 90% of the world's outward foreign direct investment (FDI) have an interregional FDI accounting for 52% of total FDI. This show that the majority share of total FDI is directed intra regionally (Ghemawat 2005).

The most active supporter of the regionalization theory, Alan M Rugman argue that globalization, in the sense of increased economic interdependence among nations, is a phenomenon that is poorly understood and already in 1987, scholars such as Douglas, Wind (1987) addressed the limitation of globalization but were unable to provide enough convincing empirical data.

During the last decade Rugman and co-authors' research on sales dispersion across the main three markets, referred to as the broad triads (North America, Europe, Asia-Pacific) has given empirical outcomes suggesting that the world is in fact internationalizing through regional paths (Rugman, Verbeke 2004a) According to Rugman, researchers supporting the globalization theory have jumped to conclusions: *"Unfortunately, in the past two decades, many authors from academia and the public policy sphere have made a conceptual quantum leap, equating internationalization with globalization, i.e., the idea that the world is a fully integrated market place.* (Rugman, Verbeke 2005)

Arguing for regionalization theory Rugman and et al. (Rugman, Verbeke 2004a, Rugman, Girod 2003, Rugman 2005) investigate the geographic distribution of sales across the defined triad regions consisting of the United States, EU and Asia-Pacific. The triad regions are heavily derived from Ohmaes (Ohmae 1985), these rather strict separated regions are used mainly due to a couple of four factors; (1) high purchasing power and (2) sophisticated markets, (3) most of the innovation is conducted within these areas and (4) that these regions are the home for most of the largest MNEs in most industries.

By looking at the sales distribution data from 380 firms of the "Fortune Global 500" list from 2001 Rugman & Verbeke (2004a) classify each company into their developed sales distribution framework consisting of four distinct types of firm orientation. The four classifications consist of: *(1) Home-region oriented, (2) Bi-regional oriented, (3) Host-regional, (4) Global.* Rugman identifies a company as home- region oriented if a firm can derive at least 50% of its sales in its home region of the triad. As a result of this definition 320 firms were identified as home region oriented. A *Bi-regional* company is defined as a company deriving at least 20% of the sales in at least two legs of the triad but less that 50% of the sales in the company's home region. In this classification 25 companies were identified. For a company to be considered *Host-region oriented*, the firm must have 50% of the sales in another region outside their own home region. This resulted in only 11 firms identified. The last and perhaps the most interesting category *Global* is defined as having sales of 20% or more in each of three regions of the triad but less than 50% in any one region. The study only manages to identify 9 global firms; *IBM, Sony, Philips, Nokia, Intel, Canon, Coca Cola, Flextronic international and Moët Hennessy-Lois Vuitton.* In an updated version of this study for the year 2002 (same classification with 2002 numbers, Nokia did not managed to qualify as global, leaving only 8 firms fulfilling the criteria of being global (Rugman, Verbeke 2004a, Rugman, Girod 2003, Rugman 2005, Rugman, Verbeke 2008a, Rugman 2005, Aharoni 2006).

The other dimension of Rugman & Verbeke's (2004a) research is that the weighted average of intra-regional sales for each classification reached 80.3% in the home region, 43.0% in the bi-regional, 30.9% in the host regional and 38.3% in the global classification. These empirical findings provide the foundation for Rugman's argument that regionalization and not globalization, is the dominant environmental force in MNC literature. Thus, opposite to what is widely claimed, global strategy remains a myth and that further research and practice should focus on regional strategy (Rugman, Verbeke 2008). Rugman and Verbeke (2008) conclude their finding "*The home-region orientation of most multinational enterprises implies that the reality of globalization has been vastly exaggerated*" (Rugman, Verbeke 2008, p. 398).

Classification	Classification criteria	Identified firms	Weighted average % of intra regional average sales
Home region	>50% in home triad region Have greater than 50% of sales in the home region	320	80.3%
Bi-region	< 50% home region and >20% in two triads Have less than 50% of sales in the home region and greater than 20% in another region of the triad.	25	43.0%
Host region	>50% in a triad region other than their own Have greater than 50% of sales in a triad region other than the home region.	11	30.9%
Global	< 50% in home region and >20% in two host regions Have less than 50% of sales in the home region and greater than 20% in each of the other two triad regions	9	38.3%
Insufficient data:		15	
No data:		120	
Total:		500	

Table 1: Classification of the top 500 MNCs (Rugman, Verbeke 2004a, p.7)

The regionalization theory has been met with heavy criticism from numerous authors. (Aharoni 2006, Westney 2006, Burr, Fischmann 2008, Osegowitsch, Sammartino 2008) The criticism based on conceptual and empirical findings, raise numerous concerns regarding the methodology and assumptions of which the conclusions of regionalization is based upon (Osegowitsch, Sammartino 2008).

Some authors strongly oppose methodology used to fuel the conclusions made by Rugman and co-authors and their high level of confidence: "*What is shocking may be the tendency to offer far-reaching conclusions with less than sufficient substantiation, resulting in prescriptions for managers that are not very relevant*" (Aharoni 2006, p.443). This expressed criticism is also found in other critical reviews of Rugman's work (Burr, Fischmann 2008, Osegowitsch, Sammartino 2008, Aharoni 2006, Westney 2006). Although welcoming Rugman and co-authors contribution to the MNC research and the globalization/regionalization debate, the critical voices regret the self confidence of the recommendations and the lack of self criticism in Rugman's work (Westney

2006, Osegowitsch, Sammartino 2008, Aharoni 2006). As Aharoni concludes: “*It is regrettable that such an important study suffers from a tendency to make much too strong statements”* (Aharoni 2006, p.445). With this general introduction of the criticism let’s review these critical streams of regionalization.

Although providing evidence of a static state of regionalization (see table 2), other researchers addressed the lacuna of longitudinal research unable to display evidence of regionalization over time, as Rugman (2005) and Rugman & Verbeke (2004a) initial research only looked at one point in time, namely 2001 (Osegowitsch, Sammartino 2008, Aharoni 2006, Westney 2006). Given the longitudinal lacuna Osegowitsch and Sammartino (2008) set out to test Rugman & Verbeke (2004a) classification framework. Using the same classification scheme, Osegowitsch and Sammartino (2008) detected (contrary to Rugman & Verbeke’s conclusions) a decline in the home-regional sales share from 1991 to 2001, which is the result of a falling domestic sales share and a growing "rest of the region" share. Furthermore, Osegowitsch and Sammartino (2008) demonstrated a trend towards inter-regional expansion instead of intra-regional expansion, for the examined decade (1991-2001).

The rationale supporting regionalization is also challenged by the fact that in 2001 ROR/T (rest of region sales) amounted to only 40% of ROW/T (Rest of the world sales). For the European and North American subsample the corresponding figure was 45% of ROW/T. Thus, the authors argue that FSAs were more than twice as likely to be leveraged in foreign countries beyond the home region. Osegowitsch and Sammartino (2008) are convinced that the most MNCs are in fact home regional and not global: “*Rugman and co-authors (e.g. Rugman & Verbeke, 2004; Rugman 2005,) are correct when they state that, at present, sales of many of the world’s largest firms are concentrated in their home region”* (Osegowitsch, Sammartino 2007, p. 59).

To find out whether Rugman has found sound empirical evidence of regionalization Osegowitch and Sammartino (2007) set out to test the robustness of Rugman’s data by modifying the original classification criteria formulated by Rugman and co-authors. Their results arguably suggest that the original results are far from robust, with a significant share of firms attaining bi-regional or global status. As the authors also performed a longitudinal analysis between 1991 and 2001 to detect the claimed trend towards regionalization, the results show that firms increasingly extend their sales beyond the home region (see table 2). Hence, providing evidence of a trend towards globalization in terms of sales dispersion which is the direct opposite from Rugman's finding that do not have longitudinal evidence (Osegowitsch, Sammartino 2008).

	Year	Home-regional	Bi-regional	Host-regional	Global
Rugman's scheme (20% host-region threshold and 50% home-region threshold)	1991	185	8	3	2
		(93.4%)	(4.0%)	(1.5%)	(1.0%)
	2001	166	20	6	6
		(83.8%)	(10.1%)	(3.0%)	(3.0%)
OS scheme I (20% host-region threshold, no home-region threshold)	1991	156	40	0	1
		(78.8%)	(20.2%)	(0.0%)	(1.0%)
	2001	133	58	1	6
		(67.2%)	(29.3%)	(0.5%)	(3.0%)
OS Scheme II (15% host-region threshold, no home-region threshold)	1991	146	45	0	7
		(73.8%)	(22.7%)	(0.0%)	(3.5%)
	2001	115	68	1	13
		(58.1%)	(34.3%)	(0.5%)	(6.6%)
OS Scheme III (10% host-region threshold, no home-region threshold)	1991	135	43	0	20
		(68.2%)	(21.7%)	(0.0%)	(10.1%)
	2001	92	74	1	31
		(46.5)	(37.4%)	(0.5%)	(15.7%)
Note: Of the 198 firms sampled, 53 (26.8%) were solely domestic in 1991, only 22 firms (11.1%) were solely domestic					

Table 5: Longitudinal classification (1991 and 2001) (Osegowitsch, Sammartino 2008, p. 190)

Table 5 also display OS's stress test of Rugman's classification scheme. OS conducted 3 constellations of Rugman's (2004a) classification scheme; (1) the removal of the 50% home-region threshold, but keeping the 20% host-region threshold. (2) Lowering the host region threshold to 15% and removing the home region threshold and (3) Lowering the host region threshold even further down to 10% while removing the home region threshold. What can be analysed out of OS findings is that by removing the home regional threshold of 50% there is a small impact on the amount of global firms meaning that this 50% limit do not have a significant effect on the amount of firms classified as global. It does however significantly change the amount of home-region based firms from 185 to 156 in 1991 and 166 to 133 in 2001. This heavily influences the amount of home region oriented firms which is one of Rugman's main contributions with his research. When reducing the host regional threshold from 20% to 15%, the amount of global classified companies increased with 5 companies to a total of 5 MNCs that could be classified as global in the data from 1991 and from 6 to 13 global companies in the data from 2001, which also suggest a longitudinal trend towards globalization. Now, by reviewing these data the home regional threshold does not affect the amount of global firms, but it is the host regional threshold that constitutes the largest factor to the low level of global firms. OS also points out that Rugman (2005) is unable to argue why he has chosen these thresholds thus becoming a big question mark for his conclusions (Osegowitsch, Sammartino 2008).

"Alan Rugman and co-authors argue that globalisation, and with it global strategy, is a myth. This contention rests on taxonomy of the world's largest firms based on their sales, showing an overwhelming share of home-regional firms. We question the rationales underpinning their classification scheme. When retesting the data using different schema we find that the original results are far from robust, with a significant share of firms attaining bi-regional or global status. Further longitudinal analysis shows that large firms increasingly are extending their sales beyond the home region. Our results defy regionalisation theory in its current form, and we call for refinements through further research" (Osegowitsch, Sammartino 2008, p. 326).

Osegowitsch (2008) encountered further findings when realizing that 54 out of 320 MNCs classified as home region-oriented MNCs by Rugman (2005) where actually solely domestic, meaning only achieving sales in the home country (Osegowitsch, Sammartino 2008). This implies that 53 of these companies, although on the fortune 500 list should not be considered home-regional as they do not operate internationally (in sales) but that Rugman fails to create a fifth category for the domestic companies and by not doing so supporting his own argument. (Osegowitsch, Sammartino 2008)

When Osegowitsch and Sammartino (2008) added this category of classification in their longitudinal retesting of the methodology using Rugman and Verbeke classification between the periods 1991 to 2001, the data showed that in 1991 the total number of solely domestic firms amounted to 53 companies or 26.8%. When then looking at the same fortune 500 list in 2001, the amount of solely domestic companies only constituted 22 or 11%. This longitudinal data in the home region and the global category both show a longitudinal trend towards globalization which heavily questions Rugman and Verbeke's ability to label globalization as a myth.

Aharoni (2006) also addressed the need for longitudinal data to better determine the trend towards regionalization: *"Rugman bases all his conclusions on the basis of sales in fiscal 2001. Realizing this is a static picture, he claims to take care of changes by updating his figures on 60 firms to 2002. Since he found only small differences, he declares his data—and his findings—''robust'' (p. 236). Yet for the data to be robust one has to use a much longer time period: changes in intra-regional distribution of sales are not achieved over night"*. (Aharoni 2006, p. 444)The longitudinal data analyzed by Osegowitsch and Sammartino (2008) is therefore an important step towards filling this longitudinal gap.

Home-regional						
	Of which solely domestic	Bi-regional	Host-regional	Global	No data available	Insufficient data available
320 (87.7%)	54 (14.8%)	25 (6.8%)	11 (3.0%)	9 (2.5%)	120	15

Table 6: Osegowitsch and Sammartino's (2008) analysis of Rugman's (2005, p.4) results (using the 20% host region threshold and 50% home-region threshold) (Osegowitsch, Sammartino 2008,p. 185)

Aharoni (Aharoni 2006) extend the issue with the classification scheme by stating: *"...a US firm with the ability to acquire raw materials in one region, produce parts in other, offshore its accounting to Indonesia, its call centers to Malaysia and its R&D to Israel, Europe and Bangalore* *would be defined as domestic not having global strategy if more than 50% of its sales is in NAFTA even if sells 49% of the total in 175 other countries. Moreover, it means that many large firms based in the USA would not be considered global and firms from smaller countries would have a higher probability of being included*." (Aharoni 2006, p. 442;443). In this statement Aharoni highlights a couple of factors that questions Rugman's perception of sales as: "*the ultimate proxy for global competitive success*" (Rugman 2004, p. 2). It does not consider the off-shoring or outsourcing of upstream activities, nor the forgotten countries that is not located in the triads and the bias that firms from smaller markets (Aharoni 2006).

Furthermore criticism has been raised concerning the use of the fortune 500 list. As mentioned in the introduction more than 50 000 MNCs has been identified and there us an uncertainty whether the fortune 500 list although the biggest, are the most international one (Aharoni 2006, Osegowitsch, Sammartino 2008).

OS (2008) also raise questions regarding the distribution of sales as an indicator of level of globalization as the markets, even between the regions are do heterogenic in terms of demand, purchasing power, consumer preferences. Some demand of certain commodities is highly skewed across the Triad. Osegowitsch & Sammartino (2008) use the diary giant Danone as an example expressing the skewness between regions, arguing that the demand for dairy products are higher in the European markets compared to the US and especially Asian markets (Osegowitsch, Sammartino 2008). Another factor that questions the balanced sales distribution is that of market size. The authors refer to the total size of the pharmaceutical market across the triad in 2001 where sales estimated to US$172 billion for North America, US$ 125 for Europe and US$ 93 billion for Asia Pacific (Osegowitsch, Sammartino 2008). Thus, the unbalanced dispersion of sales might have other natural cases than that the company is unable to utilize their FSAs abroad. Osegowitsch & Sammartino (2008) continues: "*...while other industries show a more balanced distribution of* *demand across the triad, the above indicates that at least in some industries we should not expect a balanced sales distribution...”* (Osegowitsch, Sammartino 2008, p 187).

Adding to the quest to reaching balanced sales Delios & Beamish (2005) argue that the size of the home market from which the MNC originate have an effect on the reluctance of increasing foreign sales as it might be more profitable to focus on the home region. Delios and Beamish (2005) argue that since the U.S. Produce 29% of world GDP it naturally increase the degree of home regional orientation for U.S. based MNC as opposed to MNCs based in smaller countries with a smaller home market that would earlier seek to enter new markets in other regions as the home-market cannot support the firms development. (Delios and Beamish 2005) This means that in some instances the regional demand is lower than 20% of total world demand. If one region does not constitute 20% of world demand then reaching sales of 20% within that region does not necessarily something to strive for. Thus Osegowitsch and Sammartino (2008) argue that the imposed minimum of 20% host-region threshold suggested by Rugman (2004a), is useless to draw conclusions of (Osegowitsch, Sammartino 2008) (see fig. 1).

Furthermore Osegowitsch and Sammartino (2008) argue that: *“In light of these concerns raised above, we argue that alternative classification regimes should be considered to determine the status of firms. Most importantly, the over determination of the current classification scheme must be remedied.”* (Osegowitsch, Sammartino 2008, p.188).

The main stream of criticism against Rugman and co-author’s geographical definition of regions is represented by Osegowitsch (Osegowitsch, Sammartino 2008). They criticising Rugman (Rugman, Verbeke 2004a, Rugman 2005, Collinson, Rugman 2008) for the loose tie to Ohmaes (1985), where he defined the triads. Rugman suggest a strong connection with his and Ohmae’s definition although altering the triad regions heavily to fit his own data (Osegowitsch, Sammartino 2008). The difference between Rugman and Verbeke and Ohmae (1985) is that Rugman & Verbeke (2004a) use a broader triad of North America Europe and Asia-Pacific to classify and analyse data, compared to Ohmae's definition of the triads it was defined as US, Europe and Japan. (Osegowitsch, Sammartino 2008).

Osegowitsch Sammartino (2008) argue that the purpose of which Ohmae (1984) created the Triads served another purpose and that using it for Rugman's and co-authors work is not suitable as it was: *"...founded in the need to recover the costs of innovation. As such, it was primarily an economies of scale and scope argument, although he also articulated the need for a global presence to avoid competitive blind spots."*(Osegowitsch & Sammartino 2008, p.185).

Furthermore Aharoni (2006) points out that the narrow view of the triads as the "global" market affects companies that have a broader global sales presence i.e. Nestle having 33.7% of its sales from non-triad regions in Latin America, Africa and the Middle East while sales in Asia were 12.3% of world total and not the required 20% in each region as Rugman suggest (Aharoni 2006, p. 443).

Other authors have extended the Triad, Delios and Beamish (2005) suggest a broader geographic perspective than Rugman consisting of a seven region construct of Asia, Africa, Europe, the Middle East, North America, Oceania and South America, as it provides a more complete picture of the world markets. Furthermore to better suit the new region Delios and Beamish (2005) separate the classification of global firms into (1) tri-regional and (2) quad-regional reflecting the wider definitions of regions.

Rugman & Verbeke, recognize OS criticism in terms of the removal of the 50% home-region sales threshold but keeping the 20-20% in host region. Rugman & Verbeke furthermore stress that the important part of their classification is the fact that there are few global firm. This is also identified by Osegowitsch, Sammartino (2008) and Rugman, Verbeke (2008b).

Rugman & Verbeke (2008b) argues using lower thresholds than 20% for host-regional sales activities are disregarded by Rugman as the argumentation for the 10% simulation, meaning 10% of overall sales could represent a strong position in a host region because this would represent US$ 1 billion (as 10% of the smallest company of the Fortune 500 has a US$ 10 billion in total sales), is a weak argument according to Rugman since it is irrelevant to strategic decision making in the world's largest firms. Rugman goes on stating that: *"...it is certainly not the reflection of a strong position in a host region."*(Rugman, Verbeke 2008b, p. 327*).*

Furthermore Rugman & Verbeke argue that the Osegowitsch & Sammartino (2008) data actually do not change the main take-aways from Rugman & Verbeke's work, namely that there are relative few global firms and many home-regional companies (Rugman Verbeke 2008).

Rugman claim that according to Osegowitsch and Sammartinos' (2008) a firm having 80% sales in a home region, 10% each in a host-region, would constitute a global firm. Rugman's comment to the previously mentioned Nokia case is that it should be taken light upon a company that looses 4% of total sales or US$ 1 billion in the USA or US$ 0.6 billion in Asia from one year to another.

Rugman does not neither deny Osegowitsch and Sammartinos' (2008) suggestion that sales dispersion is industry specific and that future studies should incorporate regional vs. global at the level of specific industry. *"some industries are not very internationalized, and their size may vary significantly across regions, but it is precisely the world's largest MNEs that have conventionally been assumed to be capable of compensating for the weakness of particular sectors in other regions of the world"* (Rugman, Verbeke 2008a, p.327).

OS argument that sales are distributed differently across regions within different industries are irrelevant according to Rugman as MNEs are supposed to be able to bridge regional markets and to develop these further. (Rugman Verbeke 2008a)

	Intra-Regional Sales and Assets of the 500 Firms		
	Intra-regional Sales (%)		
Year	All Industries	Manufacturing	Services
2000	76.24	66.93	84.62
2001	75.57	65.96	83.19
2002	75.12	64.99	83.15
2003	75.29	64.77	83.63
2004	75.25	64.29	83.94
2005	74.95	63.96	83.67
2006	74.63	63.34	83.59
Weighted average	75.29	64.83	83.56
Number of firms	389	172	217
	Intra-regional Assets (%)		
Year	All industries	Manufacturing	Services
2000	77.64	70.76	83.78
2001	77.10	70.35	83.10
2002	76.82	69.23	83.57
2003	77.25	69.18	84.44
2004	77.54	69.08	85.07
2005	77.21	68.79	84.70
2006	77.03	68.07	85.08
Weighted average	77.23	69.35	84.25
Number of firms	310	146	164

Table 3: Intra-Regional Sales and Assets of the 500 firms (Rugman, Oh 2008, p.12)

An interesting follow up of Rugman's sales data and asset data is undertaken in 2008. (Rugman, Oh 2008) In his attempt to show Follies (2003) that the there is no trend of globalization across longitudinal data between the period of 2001 to 2006. Rugman provide the data that there is a small, (although maybe not significant) trend towards globalization, as both intra regional sales and assets declined from 2000 to 2006 (see table 3). Yet on black and white Rugman and Oh (2008, p.13) fail to mention this in their conclusions as they argue that: *"there is no evidence to support a trend towards globalization..."* although arguing that: *"Instead, we have a system of semi-globalization, in which firms and initiatives are strongly localized. This implies that analysis of global strategy has been too simplistic, if not indeed based on inaccurate interpretation of the data"* (Rugman, Collinson 2006, p.167;168). Hence accepting the theory of semi-globalization. One of the strong arguments for semi-globalization is the methodology behind the findings that are empirical compared to the advocates of globalization that are of a normative nature (Mehanna 2008, Levitt 1983, Govindarajan, Gupta 2001).

Rugman and Oh (2008) provide longitudinal data of both sales and assets was provided in order to demonstrate that the regional effect is applicable over time. According to the two authors these data: *"...indicate that there is a longitudinal argument that regionalization is now a stable phenomenon"* (Rugman, Oh 2007, p.35). However, reviewing the findings (see table 2) it becomes questionable whether Rugman is right as the foreign- to total sales ratio (F/TS) is increasing slowly over time and the fact that also Foreign-to total assets ratio (F/TA) increases. It thus becomes clear that Rugman's own data is supporting the semi-globalization theory.

In addition, other researchers that have investigated some of the causes and effects from the macro perspective revealing findings suggesting that, in terms of economic impact regionalization prevail over globalization.(Mehanna 2008) Furthermore, Mehanna (2008) argue to have found support for semi-globalization: *"The findings of this study tend also to support the "semi-globalization" hypothesis of Ghemawat (2003)"* (Mehanna 2008, p.287)

	Sales		Assets	
Year	Foreign- / Total Sales	Regional -/ Total Sales	Foreign-/ Total Assets	Regional- / Total Assets
2001	33.6	75.6	31.2	77.2
2002	34.9	75.8	32.1	76.9
2003	35.9	75.8	32.7	76.4
2004	35.8	75.2	33.2	76.4
2005	36.4	75.2	33.1	76.5
Average	35.2	75.7	32.5	76.7

Table 4: Foreign- and intra regional sales and assets of large firms (Rugman, Oh 2007, p.35)

Given that much of the most recent research within the field of MNC and regional strategy suggest the semi-globalization as the dominating internationalization trend, this paper can show that the main streams of recent research on MNC and environment is supporting the semi-globalization theory as there is a lacuna of empirical evidence of globalization.

Rugman, the strongest supporter of the regionalization theory, suggest the same: "*We live in a world of semi-globalization, where IB research needs to fundamentally rethink the substance of aggregation and arbitrage opportunities...*" (Rugman 2005b).

As a result of the acknowledgment of semi-globalization researchers have further emphasized the need for regional strategies to accompany the environmental trends and reach global sales. (Ghemawat 2005, Ghemawat 2003, Rugman, Verbeke 2008a, Rugman, Verbeke 2004b, Rugman 2005, Mehanna 2008)

Derived from the unequal global sales distribution discussed above Rugman (2005b) draw five general conclusions. First, no global products exist as; "*This relative sales dominance in a specific regional market, rather than a very wide and evenly distributed spread of sales, reflects five underlying issues critical to the MNE's functioning. First, it demonstrates the fallacy of the so-called 'global' products.*" (Rugman 2005b, p.168).

Second, companies are struggling with transferring their non-location bound FSAs across regions and hence reaching a better distribution of sales; "*Firms may have sophisticated and proprietary technological knowledge, brand names, etc., but this knowledge there appear to be severe limits to the joint international transferability of this knowledge…*"(Rugman 2005b, p.169).

As a third point Rugman (2005b) points out that the sales data also suggest that MNCs have issues with deploying the location bound FSA, which according to Rugman would increase the regional and national responsiveness (Rugman 2005b).

The fourth point that the sales figures also point at different market positions in the three triads. Rugman (2005b) Therefore Rugman suggest that different strategies has to be deployed as; "*a leadership role in one market requires very different patterns of decisions and actions then the role of (perhaps ambitious) junior player in the other market*."(Rugman 2005b, p.169)

This ambidextrous strategy approach is according to Rugman reflected in the deployment of non-location bound and location bound FSAs in each region. This according to the rhetoric of "think global act local" however little evidence has proven that this has been more successful (Rugman 2005b).

The last implication is important for the governance of the MNE and thus its structure. Rugman do not want to draw the conclusion that the unsuccessful sales distribution is due to inefficient structure as there are many factors able to influence the unequal sales distribution, such as powerful foreign rivals in other triad regions; government shelter of domestic industries; buyer preferences for local products; cultural and administrative differences as compared to the home region, etc... However Rugman suggest that; *"…the need for regional strategies does suggest the parallel introduction of a regional component to structure to deal appropriately with the distinctive characteristics of each legs of the triad,…"* (Rugman 2005b, p.169)

Based on home regional sales distribution, regionalization of world trade, and the evidence of regional assets the regionalization theory has evolved globalization theory to the semi-globalized construct implying that international markets are characterized; "…*neither by extreme geographical distribution of sales, nor complete integration*" (Rugman 2005b, p.170) These argument suggest that regionalization should be viewed as an expression of semi-globalization which both suggest a regional construct of strategy and structure to reach global sales (Ghemawat 2005).

Reflections on part 1

As we have seen in part 1 of this paper that many researchers suggest that there are few global firms as opposed to the previously dominant theory of globalization that suggested that global strategy was needed and that markets and industries were rapidly globalizing. The internationalization trend measured in sales and asset appears to have a small trend towards globalization at the same time displaying an unequally balances sales dispersion, providing us with the information that most of the MNCs are actually regionally oriented. The main take away is that although many industries are global, meaning that many product categories are sold across the three triads, few companies can sell everywhere. But does a company necessarily need to sell everywhere in order to be successful? In much of the literature provided by Rugman, success equals balanced sales distribution around the globe. As he totally disregards the purchasing power, size of markets some companies may have found the accordingly right balance of sales as most of the products are sold where the most margins are made and that the increased level of internationalization of the firm, that is better distribution of sales, is mainly due to uncontrollable external forces i.e. increased purchasing power in emerging markets that slowly will balance the sales figures.

By looking at a balanced distribution of assets it becomes even more challenging to say whether a balanced distribution equals success, sure in some instances it is needed that i.e. production facilities are located in the three mentioned triads in order to have access to the market, but for some instances a MNC might be better off having an unequally balanced distribution of assets as this might generate more profit as the company might already be using the arbitrage possibilities in the upstream activities achieving monetary results that would not be possible if having an equal distribution of assets.

Interestingly, what has been displayed in this part is the drastic change from globalization to semi-globalization and the evolution of the acceptance of this construct. The theoretical discussion has been strong but a consensus of the internationalization trend seems to have been reached. To put it in perspective the confidence in the semi-globalization construct, the research conducted on the environmental level has disregarded industry context by focusing on a wast amount of different industries represented by the fortune 500 list. Thus, in order to contribute to the practitioners, researchers are recommended by this paper to investigate the degree of globalization or regionalization in a specific industry context. This might shed light on, and help managers to find the most suitable strategy formulation for each industry context as the global orientation of firms are heavily industry-specific.

Given the geographic regions of which the environmental research has been conducted, that is the triad regions. There are plenty of issues by this simplification of reality, but might provide a good start for future research. As the Triads constitute different countries with different prerequisites such as: intercultural differences, language, purchasing power, population, wage levels, legal and geographical. They are difficult to compare. The attractiveness of these triads in an industry context is also different (as argued earlier by Osegowitsch and Sammartino (2008) and the pharmaceutical industry) is something that has been neglected in the research as they are assumed to be as attractive to all companies.

Furthermore standardizing the world into only three main blocks without considering large markets i.e. South America and Russia especially as these regions are strong emerging markets and will become increasingly important for MNC in the future. On the basis of building solid future research, these areas should be incorporated into future research on sales dispersion. However, as Rugman (2008) also address in his response to Osegowitsch and Sammartino (2008), it is a true challenge to classify the world into the “right” regions.

As Osegowitsch and Sammartino (2008) showed the interpretation of the data could be turned upside its head and show obvious signs of a globalizing world instead of a regionalizing. (See table 4 in the criticism of the classification scheme)

For instance, Osegowitsch and Sammartino (2008) address Rugman and Verbeke (2004) lack of a truly domestic classification in their “Home regional” classification. By adding this category researchers including Rugman and Verbeke would be able to see the trend towards either regionalization or globalization. When adding such a category, an increased number of solely domestic companies (sales) would provide researchers the data needed to support the regionalization theory. However, if the longitudinal data would show a diminishing number of solely domestic companies, researchers would have support for the theory of globalization.

Before moving on to the second pillar of this paper, strategy, it is important to mention that some authors argue that the Rugman and Verbeke's classification of firms according to sales represent the strategy of the firm (Delios, Beamish 2005). In their (2005) paper they use the home regional-, bi regional-, host regional- and global oriented classification as an active strategic decision. This paper cannot see the point of considering these classifications as strategies as this classification based on sales numbers only are indicators of end effect of a strategy and does not say anything about the intended strategy but rather the outcome of a certain strategy, therefore not the same as a strategy itself.

It should be mentioned at this point that no matter if the MNCs is acting in an increasing global or regional environment they all have the same overall target- that is increasing performance through reaching global presence. However, strategizing to accomplish this target is fundamentally different between a global and regional approach. However before moving into the strategy part it is important to remember that MNCs under both global/regional approaches, management aims at realizing economies of scale and scope through integration and coordination of activities across country operations (Schuh 2007). With this said, reviewing regional strategies becomes of interest

Part II: Regional Strategy

Strategy

As the paper has shown so far, the empirical data show that most MNCs have a regional orientation in terms of sales and assets and that the majority of FDI is directed intra-regionally and not inter-regionally. The disagreement between globalization and regionalization came together saying that most of the empirical data suggest that firms act in a regionalized environment but that the longitudinal empirical evidence point at an inevitable trend towards globalization, thus providing strong evidence for semi-globalization.

This part of the literature review will outline the main strategies with a regional dimension that can be adapted according to the prerequisites of regionalization and semi-globalization theory, the need to adjust from global strategies to regional strategies to achieve the same objectives of global sales is emphasised by authors such as Schlie and Yip (2000): *“The “globalisation” phenomenon of steadily increasing flows of good, capital, labour and information across the world’s shrinking borders has equally been accompanied by the rise of new sub-global “regional systems”. Such regional clusters draw homogeneous groups of individual countries closer together...the underlying macro forces of globalisation and regionalisation may affect the optimal choice of companies’ strategy formulation, also depending on relevant drivers within the respective industry context.”* (Schlie, Yip 2000, p. 242)

As Schlie and Yip (2000) points out adapting to the environmental changes of regionalization and semi-globalization is important to strategize optimally and to identify the drivers within each industry context. As will be shown in this part there are numerous dimensions often expressed in models identified by researchers that has to be considered in a regional strategy.

The dimensions of regional strategies

Integration vs. Responsiveness

"A major trend that has affected the thinking of corporate MNE strategist over the last 20 years is that of balancing a concern for economic integration with national responsiveness." (Rugman 2005b, p.181). As implied by Rugman's statement the role of the integration – responsiveness framework (I-R) cannot be undermined. The dimension of global integration and local responsiveness has according to many proved to be a robust framework both for describing and analysing the strategies at both corporate and subsidiary levels (Taggart 1997). Developed by Prahalad and Doz (1987), the model has become one of the most dominant strategy models in international business and it is based on the visualisation of global integration and local responsiveness displayed in fig. 2.

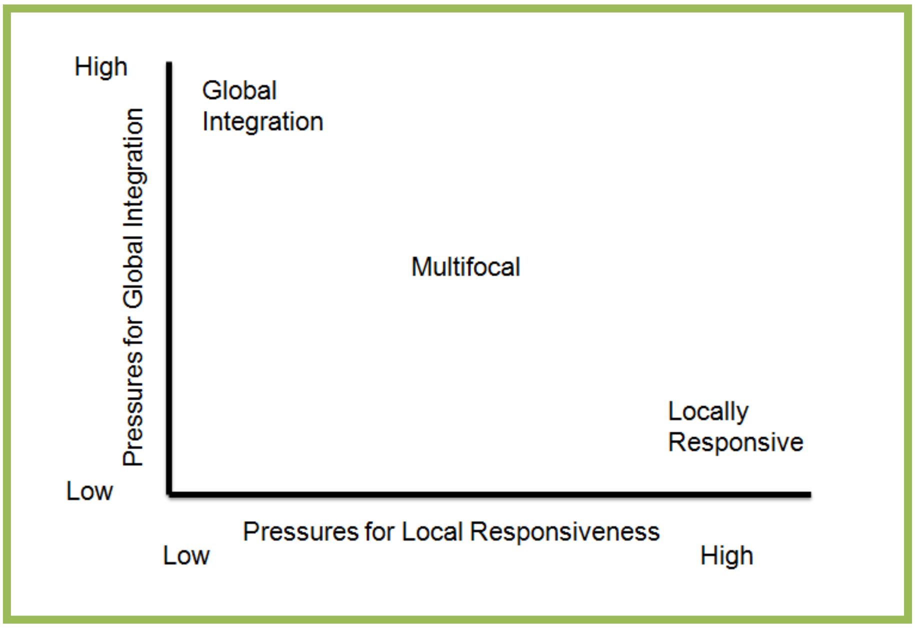

Figure 2: The Integration – Responsiveness Framework Prahalad & Doz (1987)

Prahalad and Doz (1987) argue that firms competing in the global marketplace face two types of pressures which imply different demand on the resource management of the firm. The need for global integration is driven by the pressure of reducing overall cost and to maximize return from different sources such as changes in environment or technology through exploiting market imperfections through increased standardization across regions (Prahalad, Doz 1987). This would drive the company towards a strategy based on economy of scale and product standardization as well as low cost locations. While increasing the level of global integration and standardization, local market responsiveness or customization is being traded off resulting in a loss of local responsiveness. Given the trade off nature of this model achieving both global integration and local adaptation resulted in a multifocal strategy, which implied that firms needed to compromise in order to find the right fit between global integration and local responsiveness (Prahalad, Doz 1987).

Bartlett & Goshal (1989) took the I-R framework a step further arguing that it doesn't necessarily need to be a trade off. Arguably by transferring knowledge internationally, building presence by responding to national differences and cutting costs by centralizing global scale operations, firms could transcend the trade off of the I-R framework to become *transnationals*, (Bartlett, Ghoshal 1989) This type of strategy attempts to coordinate operations in all countries where they are present, in order to utilize all opportunities of economy of scale and scope coming from the global integration, while remaining the important trait of being locally responsive. (Bartlett, Ghoshal 1989). They furthermore argue that this would be the preferred strategy and structure in a competitive environment where both responsiveness and operational efficiency is needed to succeed. (Barlett, Ghospal 1986). The emergence of the transnational strategy is an important part of reviewing regional strategy as it is the first strategically aspect combining global and regional aspects of strategy without the heavy trade off suggested by Prahlahad and Doz (1987).

Ghemawat (2008) elaborates on Prahalad and Doz (1987) and Bartlett and Goshals (1989) contributions and argue that the trade off function of Prahalad and Doz's (1987) early model has a disadvantage with regards to its managerial implication, as managers have to choose between global integration or local responsiveness and by doing so ending up with a multifocal organization as a compromise, meaning a sub-optimal solution. It also implies that global integration and local responsiveness is impossible to achieve at the same time, much as Porter's logic behind his generic forces (cost/differentiation) where he argues that it is impossible to achieve cost leadership and a differentiation strategy at the same time (Ghemawat 2008).

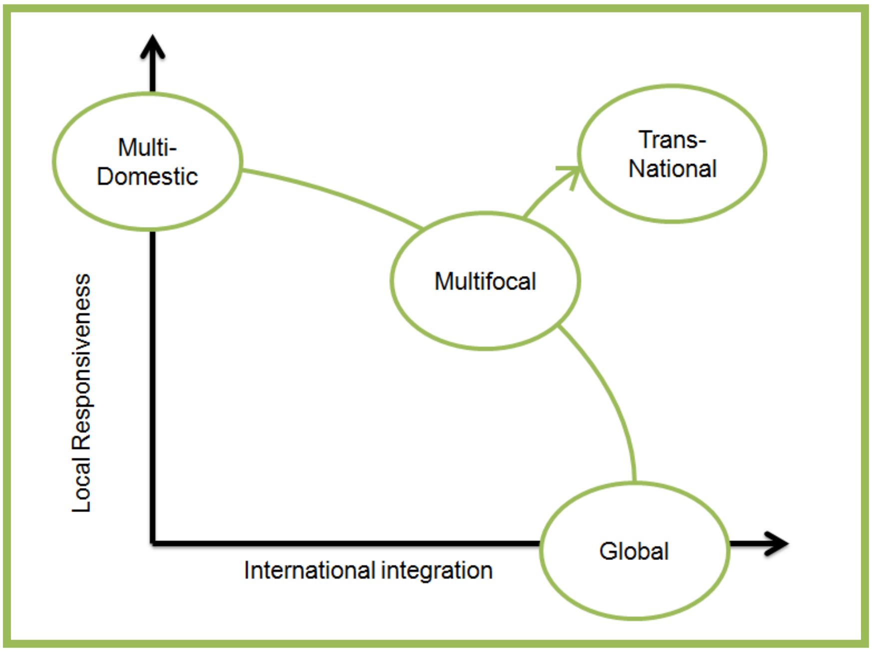

Figure 3: The Integration – Responsiveness Trade Off

(Ghemawat 2008)(derived from Bartlett & Goshal (1989))

According to Ghemawat (2008), the remarkable about the development of the transnational strategy is that you can achieve both. Looking at the multifocal and transnational organization, Ghemawat (2008) address structural limitations with the transnational organization compared to the multifocal: "*while Prahalad and Doz (1987) were able to recommend matrix structures for multifocal businesses, nothing as clear-cut could be specified for the transnational.*" (Ghemawat 2008, p.197).

However, bridging the trade off in Prahalad and Doz's (1987) framework the emergence of the transnational solution has a major drawback according to Ghemawat as the lack of mutual exclusivity only can provide managers with the conclusion that "both are important". (Ghemawat 2008) Given the lack of meaningful strategic choice the impact of the transnational strategy is limited.

Another critical voice to the I-R framework is expressed by Rugman (2008) who point out that the transnational strategy has a limitation in the sense that it oversimplifies geographic space in only two components, national and global. This compared to Rugman's (2008) four geographical scope, 1 country, 1 region, 2 regions and all regions. Rugman (2008) further argue that managers do not only adopt a global or merely national focus, but rather a regional.

Lehrer and Asakawa (1999) extended the I-R framework when introducing a regional level. Taking a contingency perspective, Lehrer and Asakawa (1999) argue that environmental pressures influence the need for a regional approach. These environmental factors pressures firms to standardize while simultaneously be locally responsive. The implications of this framework compared to Prahalad and Doz (1987) is that firms can achieve both integration and responsiveness as the pressures are divided into two different parts of the organization (see fig.3) By introducing these two dimensional environmental forces on organizational structure, Lehrer and Asakawa visualize the need for standardization between the world HQ and regional HQ while the pressure for regional responsiveness is between Regional Headquarter (RHQ) and their subsidiaries. In comparison to the failure of identifying a structure to the transnational strategy, Asakawa and Lehrer suggest a regional structure with a Regional headquarter (RHQ) (See fig. 4) (Lehrer, Asakawa 1999)

The extension of the I-R framework that Lehrer and Asakawa (1999) suggest is a separation between the pressure for global integration and regional responsiveness and the pressure for regional integration and regional responsiveness. (See fig 5).

The modifications presented in the Regional integration/ Local responsiveness grid map Subsidiaries earlier displayed in fig.1. In this extended I-R framework two additional types of MNCs emerge; the "*Multiregional*" and the "*Regional*". The latter of most important to this paper having the traits of achieving a high regional integration but at the same time lower level of local responsiveness (Lehrer, Asakawa 1999).

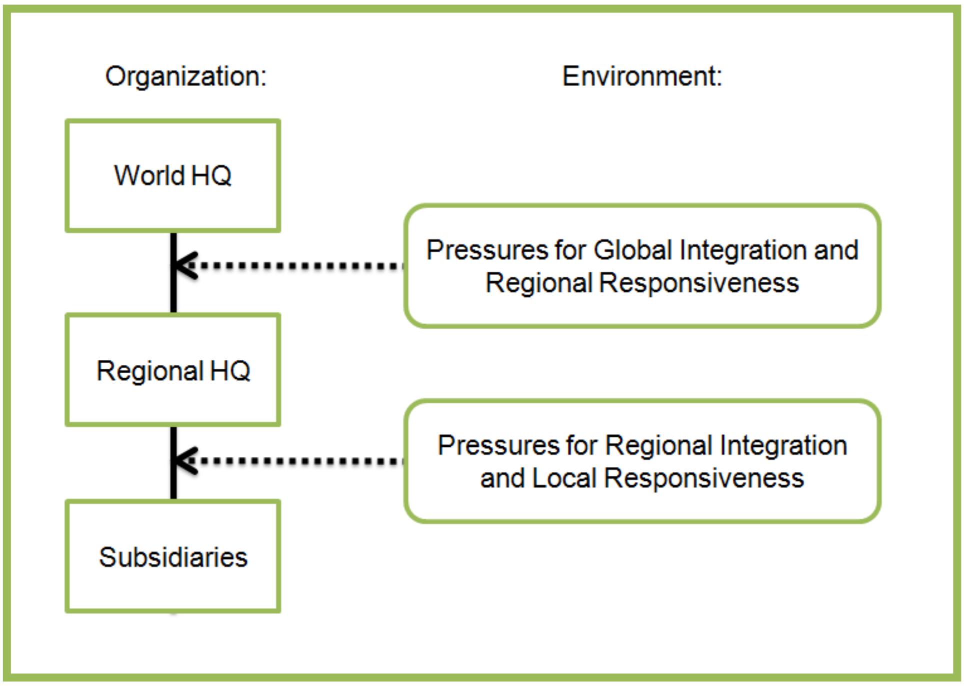

Figure 4: Relations of MNC organization-environment fit (Lehrer, Asakawa 1999, p.273)

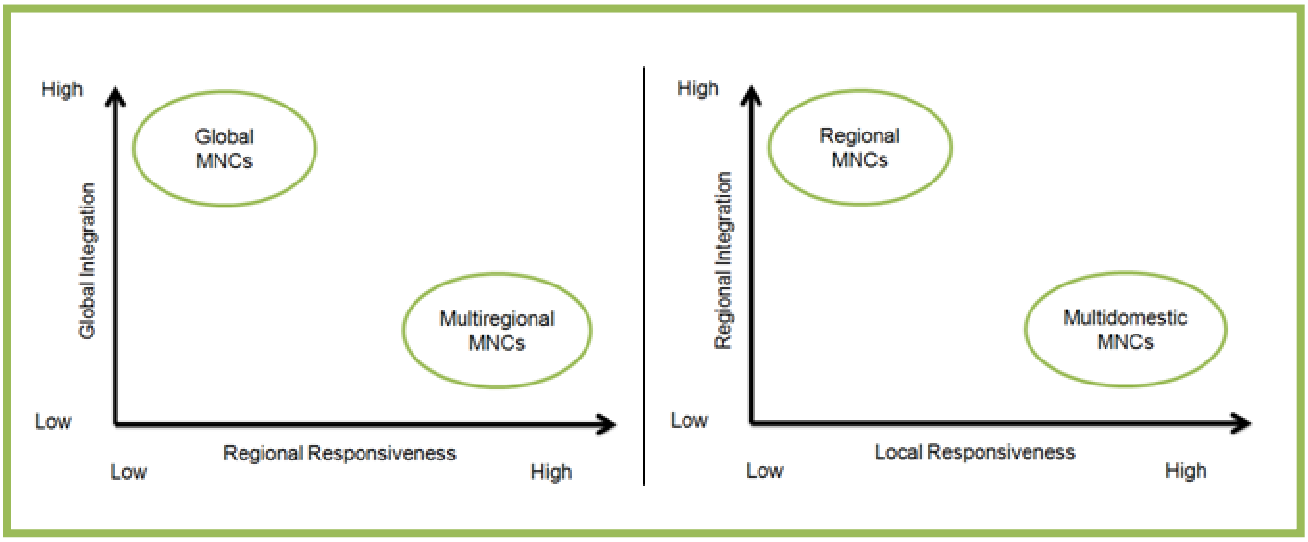

Figure 5: The modified I-R Framework (Lehrer, Asakawa 1999)

As a final on the relevance of Asakawa and Lehrer is that they provide a more gradient version of the otherwise two-toned I-R framework which better reflect complex reality of MNC.

Upstream and Downstream activities

In order to enable such a complex construct being both globally integrated while able to respond locally, it is important to look at what level of the firm than can/should globally integrate and regionally adapted activities are conducted. As Asakawa and Lehrer (1999) expressed the need for global and regional pressure takes place from a structural angle (see fig 4) Rugman (2005b) stress the importance of looking at the activities along the value chain instead of looking at the company. (Rugman 2005b)

The upstream and downstream activities are an important aspect of the environmental perspective as most of the data used to conclude that most companies are regional are primarily measured in the downstream end with little regards to the degree of global upstream activities. (Osegowitsch, Sammartino 2008, Aharoni 2006). Even Rugman (2005) comments on the unbalance between degrees of global integration along the value chain: *"it is possible that the "back-end" production of the value chain is more globalized than the "front end" of sales*" (Rugman 2005, p.7). Furthermore commenting on this: *"To put it simply, managers need to recognize that parts of the firm (especially in the downstream end) may function regionally, whereas other parts (at the upstream end) may function globally."* (Rugman 2005b, p.3).

Given the upstream and downstream funnel derived from Ohmae (1985) where upstream is activities are; R&D, Product design, Manufacturing and downstream activities are; Marketing, Distribution, Sales. By separating the activities into upstream and downstream activities enables numerous strategy constellations that can be formed from these activities. What is important to recognize is that many of these activities can have different levels of global integration and local responsiveness. (Rugman, Verbeke 2008a).

Liability of Foreignness

The importance of overcoming these regional LOFs when entering a new market is crucial for successful market penetration and global sales success. Rugman also point out that MNCs can encounter LOF in different parts of the value chain, hence the unbalanced creates a need for unbalanced learning: "*If MNEs face a higher liability of foreignness in downstream activities as compared to upstream activities, this has significant managerial implications from a dynamic perspective. Learning (in the sense of lowering the liability of foreignness) occurs at a different pace in different activities of the value chain. Foreign market penetration success ultimately is constrained by the activity area with the lowest rate of learning*" (Rugman 2005b, p.198)

The theory behind LOF suggest that imperfect markets creates uncertainties when entering the host market such as lack of regional knowledge and thus difficulties to compete in other companies home region. In order for a company to be able to bridge the lacuna information asymmetry and knowledge distribution and to become competitive in a host region, Hymer (1976) argue that companies must have a "special advantage" can be successfully transferred to another region. This special advantage has later been developed into Firm Specific Advantages (Forsgren 2008).

From an industrial organization theory perspective, Hymer argues that these FSAs are constituted by the end product and thus easy to transfer to new markets. This simplistic approach is not shared with Forsgren (2008) who argue that replicating or transferring FSAs is sometimes really difficult as some companies have their FSAs in the processes and not products where the end effect is that transferability becomes difficult as the context of which these FSAs has been developed is difficult to move to a new region. This as: "Sometimes there are insurmountable difficulties in moving and replicating a highly embedded capability (FSA) without moving critical parts of the context in which the capability has been developed. " (Forsgren 2008, p.58).

However, in order to be competitive by overcoming the LOF Dunning (1988) suggest that there cannot be only FSA advantages but also location specific advantages (LSA). Which both are to be used in order to be successful in a new market (Dunning 1988). Presented as the eclectic framework, the FSAs derived from the internalization process and its advantages creates FSA that in combination with LSAs can provide an MNC with a possibility to overcome the LOF that are linked to entering a new market.

In later research Rugman together with Verbeke extend the concept of overcoming LOF from a contingency theory perspective and suggest that MNCs can use different combinations of non-location bound FSAs and location bound FSAs to achieve an efficient inter-regional utilization of resources (Rugman, Verbeke 2008a, Rugman, Verbeke 1992, Rugman, Verbeke 2001, Rugman, Verbeke 2003). Thus firm specific advantages (FSAs) play a key role in facilitating the dimension of global integration and local responsiveness as FSAs lead to economy of scale, scope and benefits of exploiting national differences (Rugman, Verbeke 2008a).

Rugman and Verbeke (2008) argue that transferrable, that is, non-location bound FSAs lead to opportunities to scale economies, scope economies and benefits of exploiting national differences. Location bound FSAs on the other hand have limited exploitation potential across geographic space and thus only able to generate benefits of national responsiveness. (Rugman, Verbeke 2008a) Different configuration of these two types of FSAs can be used in strategies to achieve optimal resource deployment. Rugman (2008a) argue that the *multinational or multifocal* firms derive their strengths mainly from their subsidiaries as these posses embedded location bound FSAs. As a result these firms are *"…very nationally responsive in the various countries where they operate."* (Rugman, Verbeke 2008a, p.306).The *International* firm gains competitive advantage through knowledge transfer across borders which according to Rugman & Verbeke (2008) suggest that they utilize their non-location bound FSAs. As to the *Global* firm Rugman and Verbeke carefully argue that: *"…the so-called global companies engage in the worldwide export of their good, and are* *supported by downstream oriented subsidiaries abroad. Their non-location bound FSAs are mainly embodied in the final products themselves. Those products are typically produced in home country and then sold across borders."* (Rugman, Verbeke 2008a, p.306). In relation to the I-R framework previously discussed the connection between I-R according is in essence:

- Global integration = utilization of non-location bound FSA
- Local responsiveness = utilization of location bound FSA

The inability of transferring FSAs have been one of the key argument for the overwhelming representation of home-region oriented firms and the lack of FSA deployment beyond the home region is explained by the imposed additional costs that comes from doing business abroad. As they are often much higher when venturing into other regions than expanding intra regionally. This is referred to as the concept of (home)-regional boundedness of FSA. (Rugman, Verbeke 2007)

Osegowitsch and Sammartino address some concerns regarding using the transferability of FSAs as an explanation to the overwhelming amount of home regional oriented MNCs as these barriers are clustered together unrespectable of the surrounding context of FSAs i.e. embodied in export, transferred to licenses or transferred to subsidiaries. (Osegowitsch, Sammartino 2008)

A strong limitation to the transferability of FSAs is the so called *regional effect* which means that geographical, cultural, economic, and administrative differences among regions may limit the transferability of non-location bound FSAs (Ghemawat 2003, Ghemawat 2001, Verbeke, Yuan 2008). From a case study of two large energy companies, one U.S., and one European company , entering the Canadian market for opportunities in the oil sand business, Verbeke and Yuan (2008) were able to empirically test whether inter-regional companies experience a larger regional effect than intra-regional MNEs. It became apparent that the *outsider* MNC (in this case not a member of NAFTA) encountered stronger regional effect than its *insider* rival (in this case U.S. a member of NAFTAbut that the European firms was able to bridge these regional effects and the disadvantage of being an outsider decreases over time through a learning effect in their capability development (Verbeke, Yuan 2008).

Regional strategies

Taking a more practical orientation than other researchers within regional studies, Ghemawat (Ghemawat 2005) provide five different tangible types of regional strategies that incorporate and balance both global integration and local responsiveness as well upstream and downstream activities, thus facilitating the dimensions that were identified in the previous section. Expanding the strategic importance of regional strategies as a way of bridging global integration and local responsiveness and bridging the previously discussed limitations of the I-R framework Ghemawat (2005) argue that: *"...regionally focused strategies are not just a halfway house between local (country-focused) and global strategies but a discrete family of strategies that, used in conjunction with local and global initiatives, can significantly boost a company's performance."* (Ghemawat 2005, p.100) The strategies identified by Ghemawat are (1) home base strategy (2) The portfolio strategy (3) The hub strategy (4) Mandate strategy (5) The platform strategy.

The home base strategy

The strategy of the home base strategy resembles very much a normal export strategy and it is difficult to tell the difference as the main point of Ghemawat (2005) is that the company develop and produce in their home country and export it to suitable markets. Companies usually start by serving the home-, and near markets from their home base, naturally locating their R&D and manufacturing in the country of origin (Ghemawat 2005). As we have seen earlier in the paper most of Rugman's finding suggest that most of the fortune global 500 still have a focus on the home region (Rugman, Verbeke 2004a) According, to Ghemawat this would explain Toyotas initial international strategy of deriving most of their international sales from direct exports. Toyotas spend decades using this strategy which exemplifies the long term reliance on the home base strategy. Some companies even return to a home-base strategy (GE, Bayer) as it can reduce, time-to market for products, reduce costs associated to transportation, to create a nimble organization.

Ghemawat (2005) illustrates the advantages with case of Zara locating their manufacturing and development in Spain, bridging the cost disadvantages with their ability to quickly respond to environmental changes). Now as Zara mostly operates in Europe, thus derive most of it sales from this region, according to Rugman's framework this would classify Zara as home regional oriented firm. Ghemawat further argues that, serving a global market this strategy could also function in industries where products have a high value relative to transport costs (value/size ratio to put it simply) i.e. the memory chip business, where Samsung has one of the most balanced world-wide sales distribution although most of its upstream activities such as R&D, product design and manufacturing in their home region. This constitute a good example of that if there is not necessary to spread upstream activities on a global scale and that a balanced distributed sales only can occur if the company locates both upstream and downstream activities across the globe. Ghemawat further argues that Samsung is actually considered to have a competitive advantage in the centralized R&D and production sites in South Korea, which provides fast interactions between R&D and production. Thus the need to transfer their FSA in development and manufacturing is not necessary, one of which Rugman (2005b) argues is necessary to become a global oriented firm. One of the key take always here is that a company hypothetically can use a home region based strategy but become global According to Ghemawat (2005) cases as Samsung are rare, typical draw backs of a home based strategy is the geographical limitation to the local region. Hence there is a big risk of running out of room to grow. Currency fluctuations are also threatening the home base strategy as the company becomes dependent on only one currency (Ghemawat 2005).

The portfolio strategy

By acquiring or setting up organisations outside the home region that reports directly to the home base companies engage in the portfolio strategy. This is usually the first type of strategy that is used by companies that seek to establish a market outside their home base. Ghemawat illustrates a successful portfolio strategy with Toyota's manufacturing set-up in the US. Arguably this investment in manufacturing overseas was successful due to the Toyota's production system (TPS) that was their main competitive advantage. If implemented properly the portfolio strategy has the potential of providing the companies with faster growth in non-home regions, home positions that generate large amount of cash and an opportunity to average out economic shocks and cycles across region (Ghemawat 2005).

The Hub Strategy

A hub strategy builds regional bases or hubs, which provide a variety of shared resources and services to local operations. By adopting this strategy companies seek to add value at the regional level. Setting up such centres on a country basis is normally not justified having such a hub for cross country operations to utilize economy of scale may make them practical. The indirect goal of this strategy is to make the hub a standalone unit. Ghemawat (2005) illustrates once again through the example of Toyota and their U.S investment, where they started by producing in the states and transformed the global models into locally exclusive models. As Ghemawat (2005) explain: "*These plants thus started to serve as regionally distinct hubs, each with its own platform, whose products were designed for sale within the region.*" (Ghemawat 2005, p.103). Thus multiple hubs can therefore be very independent.

Acting almost like a multiregional version of a home base strategy, as Ghemawat explains: *"If Zara were to add a second hub in, say, Asia by establishing an operation in China to serve the entire Asian market, it would shift from being home based to being a multiregional hubber."* (Ghemawat 2005, p.103). The hub strategy therefore share some of the same conditions that act in favour for home region strategies work in favour of the hub strategy as well. The hubs are also characterized by high level of autonomy (Ghemawat 2005). Furthermore according to Ghemawat (2005) a regional headquarter (RHQ) can be seen as a minimalist version of a hub strategy, GE for instance established a regional HQ structure in Europe with a CEO especially for Europe after their failed merger with Honeywell (blocked by the European Commission) for political reasons as well as to attract, develop and retain the best European employees. By doing this Ghemawat (2005) argue that GE switched from a portfolio strategy to a hub strategy. Continuing their plan GE established a parallel organization in Asia by 2003.

Ghemawat (2005) argue that the impact of a typical regional headquarter is limited due to: *"its focus on support functions and its weak links to operating activities"* (Ghemawat 2005,p. 104). Ghemawat then concludes: *"that a regional HQ is seldom a sufficient basis for a regional strategy, even though it may be a necessary part of one"* (Ghemawat 2005, p.104).

Identified as the main challenge for the hub strategy, is to find the right mix and balance between customization and as standardization. This argument is explained by costs arising for companies that are to responsive to interregional variation or sacrificing too many opportunities to share costs across region and therefore becoming vulnerable of competitors entering the market with more standardized approaches. Standardizing across hubs face some vulnerability overestimating the region commonalities may result in competition from local players. Hence, Ghemawat (2005) address the important balance.

The Platform Strategy

As the Hub strategy is looking for economies of scales across countries the Platform strategy is looking for economies of scale across regions in its effort to spread fixed costs this strategy tend to be especially important for upstream activities that can deliver economies of scale and scope. The platform strategy refers to the attempt by companies to share platforms that provide the companies a way of launching products in a wide variety more cost effectively - this by sharing components, enabling reduced cost in sourcing, administration, and operations. Ideally platform strategies are almost invisible to a company's customers, if not as the platform strategy runs into difficulties when managers take standardization too far. Ghemawat gives the example of a failed platform strategy by Ford with the result of: *"Ford 2000 (program name) sought to combine Ford's regional operations-principally North America and Europe-into one global operation. This attempt to reduce duplication across the two regions sparked enormous internal turmoil and largely destroyed Ford's European organization. Regional product development capabilities were sacrificed, and unappealingly compromised products were pushed into an unreceptive marketplace. The result; nearly $3 billion in losses in Europe through 2000 and a fall in regional market share from 12% to 9%."* (Ghemawat 2005, p.104).

- **The mandate strategy**

The mandate strategy can be seen as an extension of the platform strategy. Constituting the last strategy introduced by Ghemawat it focuses on economies of specialization as well as scale. The main trait of this strategy is that companies adopting this strategy: *"...award certain regions broad mandates to supply particular products or perform particular roles for the whole organization."* (Ghemawat 2005, p.106) this means that the mandate strategy assign mandates for competencies serving the entire organization. The mandate strategy can also be set up interregional giving ground for so called centres of excellence to emerge, where specific knowledge is tied either to a single person, small group or to a specific region. Ghemawat (2005) also argue that the scope of mandates increases with the degree of product standardization around the world as with the platform strategy, even though the mandate strategy involves focused resource deployment at the regional and local level. Threat lies in local, national or regional interests to interfere with overall company strategies. At times mandates cannot handle the necessary variations (Ghemawat 2005).

Reflections on part 2

In this part a review of important dimensions of regional strategies has been presented along with considerations of which the strategies have to deal with. The development of the I-R framework to be matched in order to meet the need of adapting to both global integration and local adaptation has been bridged by the introduction of upstream and downstream activities, enabling clear and straightforward strategy formulation of regional strategies, able to facilitate the mentioned dimensions. The strategies present a new way of addressing the new era of semi-globalization through clearly formulating regional strategies filling the gap from other strategies with a regional dimension such as the: *transnational, multifocal, local, multi-domestic*. The ability to combine the global integration and local integration are the key features which separates the regional from the multinational strategies.

As we have seen much of the literature with a regional aspect in this part has been presented from the perspective of contingency theory. One of the main traits of the contingency theory is that that there are no best ways of organizing the firm as it is heavily dependent on the environment and context of the MNC (Forsgren 2008). Due to the theoretical nature of the contingency theory, it becomes impossible to conclude that one strategy is better suited than another, as the environment and context heavily fluctuates from industry to industry. With this in mind future researchers must try not to seek generalizable solutions across industries but focus on making industry specific research that has a better chance of generalization.

Part III: Regional Structure

Regional Structure

To reap the multiple benefits of a broader international scope through regional strategies the companies must be able to deploy their competitive advantages across regions. Achieving higher growth rates outside the home region demands a structure that can facilitate a regional strategy and deploy the company's FSAs in a new region (Rugman, Verbeke 2008a). However, as strategies have become more complex, finding the matching structure has arguably been increasingly difficult:*"As the international strategies of firms evolve, and become more complex, it is increasingly difficult to know which types of organizational structure facilitate implementing them"* (Egelhoff 1988, p. 1)

Structure that is closely linked to regional strategies can be analysed primarily at three levels, *corporate level, regional level, local level*. The first covering the structural set up of the entire corporation, while the second, the regional level analyze Regional Headquarters (RHQ) their level of autonomy, their role and responsibilities of these units. The *local* level covers the national subsidiaries and their roles and responsibility. This part of the paper will cover regional structure on the corporate level as well as looking at unit level in terms of RHQ. Regional levels of the local level will also be included as recent findings display the increasing importance of regional research on subsidiaries.

Area division structure

As multinationals have become increasingly dependent on foreign operations and the involvement between the international units of the firm have increased Stopford and Well's (1972) recognized that firms original structure could not meet the changing requirements of the firms. The research from Stopford and Wells (1972) and Egelhoff (1988) on *area division structure* is an interesting structure to examine as it is defined as; "*An area structure divides the world into geographic areas, each with its own HQ. Each HQ is responsible for all the company's products and business within its geographic area. Consequently, this structure tends to coordinate around, and optimize, performance within a geographical area*" (Egelhoff 1988, p.3) Thus, area division structure provide clear traits of regional structure as it displays a regional responsibility in within a geographic area, and a high level of autonomy, which is why this section will consider them as equal. This regional component of area division structure makes it an important structure to review

To understand the regional component of area division structure it is crucial to go deeper into the research of Stopford and Wells (1972) as their research provide a link between strategy (through the strategic dimensions product diversity and percentage of foreign sales) and structure with a linkage to regional strategies. (see fig. 6) The strategic dimension of percentage of foreign sales link Stopford and Wells (1972) to the research of Rugman as most of his research measure percentage of foreign sales (see part 1).

Studies suggested that area division structure is best used when companies pursued a strategy that needs to combine an increase of foreign sales while keeping product diversity low (Stopford, Wells 1972). Egelhoff (1982) refers to the area structure as a geographical structure and find that:

(1) Area division structures are most suitable when operations within a region are relatively large, complex and sufficiently different from other regions, meaning that inter-regional differences are higher than intra-regional.

(2) When opportunities for specialization and economies of scale are greater within a region than along worldwide product lines

(3) When there is a need for more product modification at foreign subsidiaries

(4) When levels of foreign manufacturing are higher than MNCs with other structures

(5) When the amount of foreign subsidiaries surpassed that of other structures in order to justify structure establishment

Later referring his geographical structure to area structure, Egelhoff (1988) finds that area structure is best used when similarities *within* a region are greater than *between/among* regions, meaning intra-regional similarities are greater than inter-regional resemblance, hence more suitable for regional strategies with a high level of regional autonomy (Egelhoff 1988).

From an I-R perspective Egelhoff (1988) find that area structures are more responsive than international divisions and less responsive than world-wide product structures and his findings suggest that area structures are best suitable when:

(1) Strategies pursue high foreign sales (same results as in Stopford and wells 1972)

(2) When product diversity is low (Same results as in Stopford and wells 1972)

(3) When the right responsiveness mix is to fit between international divisions and world-wide product structures

(4) When performance needs to optimized within a geographic region

(5) When coordination is necessary within a region

These arguments are interesting when discussing the regional aspects of area division structure as it provides a link to both the I-R framework in terms of global integration and local responsiveness (see fig.2) and a linkage to increased foreign sales. Thus the area division structure is able to support both the standardization of products (as product diversity is low) hence global integration while the regional strategy, (suggested in part 1), would lead to an increase of percentage of foreign sales.

Furthermore according to Egelhoff (1988) the profiles of the firm that can profit from an area structure are (especially) manufacturing companies with a complex organization and a large number of foreign subsidiaries. Egelhoff (1988) provide a revised model of the Stopford and wells (1972) model suggesting a growing interdependence between the subsidiaries as foreign sales increase and foreign manufacturing begins. Given these increases in interdependencies there is a rising need for coordination within the region or as Egelhoff (1988) explains: *"The revised model shows that area division structures provide the type of coordination and information processing needed to handle the interdependency associated with this strategy. Such strategies and structures are not global but regional, and therefore more responsive to regional and national interests than global product strategies and structures."* (Egelhoff 1988, p.12) In figure 6, the revised model is presented and it provides management with the information that strategies leading to higher foreign sales calls for structures that facilitate and support high level of coordination between subsidiaries as well as a

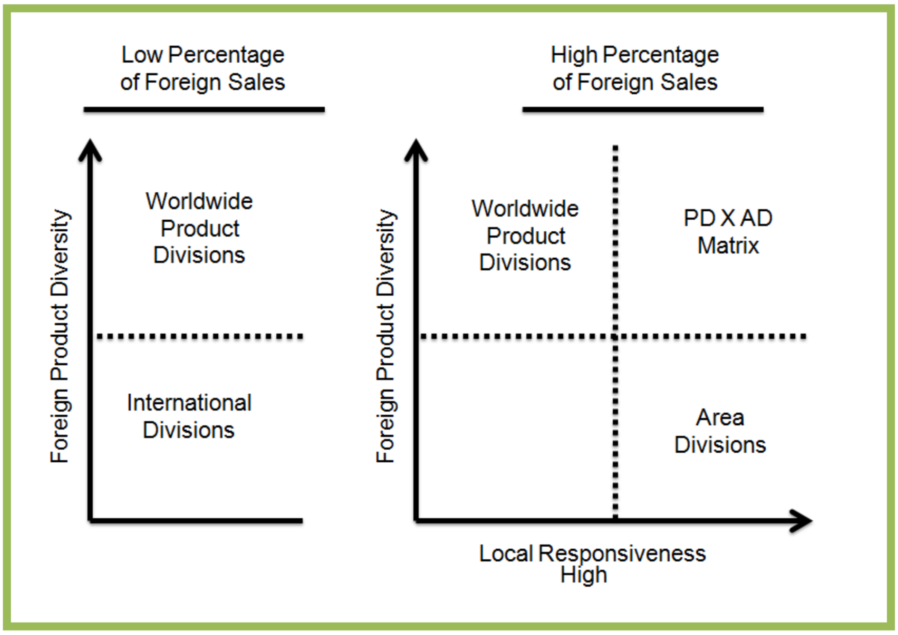

Figure 6: Revised Stopford and Wells 1972 model showing the relationship between strategy and structure in multinational corporations (Egelhoff 1988, p 12)

high level of information processing across other sectors of the firm, which implies global and regional level (Egelhoff 1988).

The expressed need for coordination is extended by Egelhoff (1991) findings suggest that non-formalized ways of communication as well as non-hierarchical communication are suggested to enhance these inter-regional communications and that RHQs and foreign subsidiaries share responsibility for these information flows for tactical company and country matters and tactical and strategic product matters (Egelhoff 1991). Wolf & Egelhoff (2001) further extend this information process approach by continuing the characterization of regional structure suggesting that top management should only be involved in information processing unless it refers to strategic decisions, meaning a high level of autonomy. They also suggest that regional structures have a good capacity to process information that is environmental related information as RHQs is located close to the host environment and the regional differences. These are some of the positive aspects of regional structure according to Wolf & Egelhoff (2001) but they also identify negative aspects from an information process perspective as regional structures display characteristics of being less capable of achieving environment-synergistic information due to difficulties in inter-regional information flow. The other negative aspect according to the authors is the inability to process product related information as the regional managers are more environmental experts instead of product experts. Furthermore Wolf & Egelhoff's (2001) research showed that regional structure has a medium capability to process firm-related information as RHQs support standardization of information systems within the region. They also concluded that firms with regional structure have relatively large size, relatively high product diversity and pursuing a differentiation strategy (Wolf, Egelhoff 2001). When reviewing the findings of firms with regional structure have relatively *high* product diversity, it becomes clear that this is a direct contradiction to previous research which suggest that area structure suits a firms that has low product diversity (Egelhoff 1988, Stopford, Wells 1972).

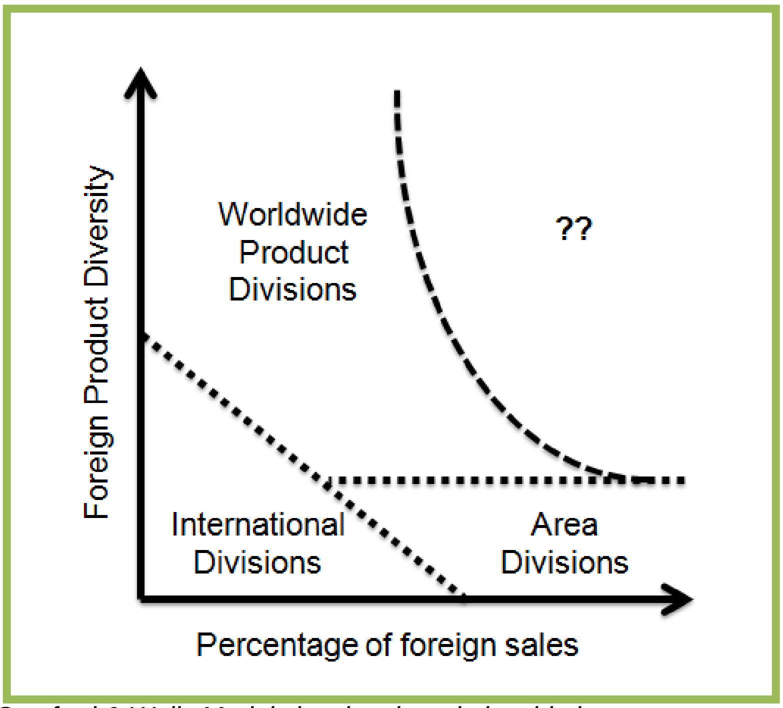

Table 7: The Stopford & Wells Model showing the relationship between strategy and structure in multinational corporations (Egelhoff 1988, p.2)

However they receive some early support by Daniels, Pitts & Tretter (1984) who argue that area structures are chosen by firms with high foreign sales and low to medium product diversity (Daniels, Pitts & Tretter 1984).

This research stream of information processing show that area structure has a high capability of handling different types of information flows. What is apparent of later research of area structure is the recognition of RHQ and they have received more attention in more recent research of regional structure.

Regional Headquarters (RHQ)

During the last two decades much research has been made on the unit level of regional strategies and scholars have identified several types of regional management centres, much of which have focused on regional headquarters (Rebecca, Phillip C & Pervez Ghauri 2008).

The relationship between regional strategy and regional structure seem to be a bit fuzzy as the existence of a regional management center do not necessarily mean that there is a regional strategy

(Ghemawat 2005, Schuh 2007, Schutte 1997). However, there are also other authors suggesting an inverse relationship meaning that regional strategy needs a regional headquarter or regional management center for successful implementation of the strategy (Schuh 2007). As this relationship with regional strategy and regional structure have generated contradicting findings further research within this topic is needed as this could shed light on the interaction between strategy and structure. Given the reasoning that regional management centers are needed for successful strategy implementation the role of regional management centers or RHQ becomes an important entity to analyze in the context of regional structure.

Typologies and role of RHQ

In early internationalization research MNCs used a Multidomestic structure in which RHQs were redundant as they did not have any strategic influence but were subject of tight following of strategies set up by HQ (Yeung, Poon & Perry 2001). However, according to Yeung Poon Perry (2001) today’s market complexity calls for the strategic option of RHQs to control and coordinate certain parts of the value chain activities. In their framework they argue that RHQ is an intermediary to implement strategy on a regional level. The intermediary role of the RHQ enables the company to be a gatekeeper of local information between HQ and subsidiaries which the authors refer to as “Strategic Window” as the RHQ gain understanding of local host regions. Further key finding suggest that RHQs are part of a wider regionalization strategy and that structure follows strategy (Yeung, Poon & Perry 2001).

Given the increased importance of RHQs in regional structure and the vast amount of research covered in the MNC literature it is surprising to find that there are numerous definitions and described roles of RHQs. In order to gain an overview of the different types of definitions Ivanova (2008) research resulted in the following analysis overviewed displayed in table 6.

Authors	Name of regional organization/ organizational unit	Definition
Schuette, 1996, 1998	RHQ	RHQs are organizational units concerned with and involved in the integration and co-ordination of activities of the MNC with a given geographic region, and are the link between the region and the HQs
Enright, 2005	RHQ and Regional office	RHQs are offices that have control over the operation of one or more other offices and subsidiaries in other countries in the region in which do not need to make frequent referrals to the parent company. Regional offices are basically the same but have to make frequent referrals to the parent company – they hence have less autonomy
Yeung et al., 2001	RHQ	Business establishment that has control and management responsibilities for the operation of one or more other subsidiaries or affiliated companies located in the same host region
Aoki & Tachiki, 1992	RHQs	RHQ responsible for the co-ordination of the regional strategy with a) the parent, b) the subsidiaries and c) local external context.
Ho, 1998	RHQ	RHQ is responsible for building relationships and successful cooperation by permanent local representation. RHQs carry out the scouting function. Act as data hubs to cut costs and raise effectiveness. The location of RHQ has an effect on the local economies.
Ferencikova & Schuh, 2003	Regional management center	Attractive organizational device to transform a global strategy to regional characteristics. Allows for poling of resources (e.g. production, logistics and delivery systems), better exploitation of market similarities, support and expertise to local offices
Morrison, Ricks & Roth, 1991	RHQs	Offices with regional responsibilities which represent a solution to staffing, communication and motivation problems in large companies
Daniels, 1986, 1987	RHQ, Regional offices	RHQs: facilitate pooling of resources (staff, activities), production rationalization (to enhance also compliance with regional objectives), product, functional, and geographic responsibilities; Regional offices: established when country operations are either too big or too small, for day-to-day control by using local staff or transferred corporate HQ staff permanently; management development in both staff rotation or higher level with higher payment to lure qualified managers, unification of external relations.
Piekkari & Ghauri, 2005	RHQs, Regional subsidiaries	RHQs: link between HQ and foreign subsidiaries to facilitate control and fill the gap resulting from growing subsidiary dominance, embededness, experience and independence; Regional subsidiaries: structurally below RHQs, unit which acts as a coordinator for more than one local unit and has responsibilities beyond its local market. It controls resources on which other units depend for their operations. Implemented as formal, structural mechanisms to regain control.
Paik & Sohn, 2004	RHQs	Organizational form intended to overcome the potential tension between HQ's pull for global efficiency and local operating units' push for national effectiveness (adopted from Daniels, 1987 and Sullivan, 1992). RHQ as a clearing nexus through which inconsistencies can be filtered. Transformed RHQ: Has the authority to develop long-term strategy for operations in the region, control and coordinate local operating units within the region, and evaluate the operational and managerial performances of the local operational units (applied by Matsushita)
Mori, 2002	RHQs	Carry out three functions: HQ-like function, coordinating function and knowledge transfer function from local operations and markets to HQ and other subsidiaries in the MNC. Expected to make decisions, coordinate and develop new businesses.

Lasserre, 1996	RHQs	Organizational units expected to carry out the following roles: Scouting, strategic stimulation, signaling commitment, coordination and pooling resources for the region.
Forsgren, Holm & Johanson,	(European-based) centers	A foreign subsidiary are called center if it controls resources which on one hand make it relatively independent of the parent firm but on the other give it a strategic position vis a vis other units of the group.

Table 6: Definition and roles of Regional Management centers (Maria Ivanova, 2008)

When analyzing the table above some commonalities can be identified and generalize at a high level of autonomy. RHQs should have the role of a coordinator, which has a double nature according to Mori (2002): *first* is the coordination of business units within the region (Aoki, Tachiki 1992, Piekkari, Pervez 2005), and the *second* is coordination between global integration and local responsiveness (E.g. Lehrer and Asakawa 1999). Lehrer and Asakawa (1999) mention that where there are strong pressure for both regional responsiveness and global integration, RHQs are expected to exercise administrative headquarter-like function and is therefore expected to be the coordinator between global integration and local responsiveness (Lehrer, Asakawa 1999).

From an information processing perspective and given the responsibility in co-ordination, Lehrer and Asakawa (2003) find patterns of RHQs acting as “knowledge brokers” in the so called identify-extract-diffuse process of innovation and thus filling in the structural knowledge gaps between HQ and local units or subsidiaries. This role of the RHQ becomes important for MNCs as local autonomy alone among subsidiaries is not sufficient for the effective mobilization of dispersed knowledge, thus the RHQ as an “innovation relay” is of increasing importance for innovation (Asakawa, Lehrer 2003).

Asakawa (2006) further argues that subsidiaries are hindered by their close proximity to market as they have limited scope of the MNCs broad picture. The same is true from the global HQ perspective as they lack the market proximity and thus becomes unable to control the subsidiaries operations. Thus Asakawa argues that regional entities (RHQs) should not just be limited to coordination functions as implied by many of the researchers in table 5 and that the responsibility should be used for what they really can be, namely knowledge mobilizers (Asakawa 2006). Kidd and Teramoto (1995) argue along the same lines that RHQs can facilitate knowledge transfer to achieve double loop learning that can create a more holistic company (Kidd, Teramoto 1995).

After the contribution of Asakawa and Lehrer one can draw the parallel of the importance of the RHQ as an knowledge facilitator, call it innovation relay or knowledge broker the message is clear that RHQs responsibilities are much more than just a coordinating effort and in extend they play an important role in transferring the non-location bound FSAs both inra-, and inter regionally, which is an important factor of reaching global sales. (Rugman, Verbeke 2004a, Rugman, Verbeke 2008a, Rugman, Verbeke 2005, Rugman 2005) This is also supported by Siddiqui (2000) who argue that in todays competitive landscape the transfer of core competencies is critical for success.

The importance of knowledge transfer is further supported by Mori (2002) as the lack of knowledge transfer can be a disabler of regional strategies as synergies becomes unexploited between local level staff to other subsidiaries, RHQ or even to HQ (Mori 2002).

Paik and Sohn (2004) mention five possible benefits from an RHQ structure: (1) economies of scale in regional strategic planning, (2) effective development and utilization of globally trained human resources, (3) efficient exchange of information, (4) management of interdependence between and among home headquarters and local units, and (5) improved control and coordination of business activities. Paik and Sohn further argue that *"Capitalizing on these advantages, RHQs may serve as a critical balance between headquarters at home and local operating units and thereby help an MNE to attain the ultimate transnational goal of concurrent globalization and localization"* (Paik, Sohn 2004, p.353) However, according to their case of Toshiba, the company was unable to utilize all the benefits as it required substantial amount both human and physical capital, to supervise and coordinate operations among a number of subsidiaries (Paik, Sohn 2004).

Although providing the literature with practical factors to consider when implementing RHQ in organizational structure and highlighting the delicate matter of assigning roles and responsibilities to the RHQ the main proposition that Paik & Sohn (2004) advance is that the RHQ structure is a way for MNCs to balance the needs of global integration and local responsiveness where assigned roles and responsibilities have to be well in balance to facilitate both dimensions.

Autonomy and decision making power

An important part of the structural part of this thesis is to determine whether the structure of MNCs follows the trend of internationalization and strategy. An important indication of this would be if the RHQ or subsidiaries over time have received more autonomy or decision making power. Some researchers have been able to detect that European RHQs have gained considerable power in decision-making between 1973 and 1993 (Picard, Boddenwyn 1998). Picard et.al (1998) also identify that RHQ hold strong positions in product, advertising and pricing matters but less autonomy and decision power in terms of distribution decisions. These findings are validated for consumer durables and non-durables as well as for industrial goods (Picard, Boddenwyn 1998). Furthermore by looking at the regional – local relationship, that is the RHQ – subsidiary relationship, RHQs have decision making power over the subsidiary especially in personnel and corporate planning (Mori 2002). Another controversial finding is that coordination between global integration and local responsiveness takes place in the HQs. Edwards, Ahmad and Moss (2002) found in their research that autonomy was influenced by the subsidiary’s integration level into the MNC; meaning that the more integrated the subsidiary is in the MNCs operations the less autonomy did the subsidiary have. They also found that what influence the level of autonomy in the subsidiary is they hold the appropriate information, meaning the more specialized they are the more autonomy can be enjoyed (Edwards, Ahmad & Moss 2002).

Control and coordination

This RHQ structure forms an effective organizational design in managing many of the previously mentioned trade-offs between environmental pressures for integration and differentiation. In a structure using RHQ as a coordination mechanism where the interdependence of local units can be managed the RHQ receives a clear role in the regional strategy. In a region with increased or heavy competition there is a pressure of exploiting synergies on a local level and therefore a need for the local units to work closer, i.e. manufacturing with sales units. By not setting up a RHQ the home headquarter would to take the coordination responsibility of various local units which would lead to an ineffective government and to more of a global strategy instead of a regional strategy (Paik, Sohn 2004). Paik & Sohn 2004 illustrate with a simple example of the ineffectiveness in a set up without a RHQ that can be linked to the important role of RHQ as a information processing: "*For example, the R&D unit in electronics firms would need to work closely with the manufacturing and sales units. Without an RHQ, the various product divisions at home headquarters would have to control various local units, according to their respective strategies. The VCR division at home would control a VCR plant in France whereas the consumer electronics research facility in the Netherlands would be under the director of research and development (R&D). Under this situation, in order for the VCR sales unit in Europe to develop a product which would appeal to the local consumers, it would need to contact the product division at home, which would, in turn, need to convince the R&D unit at home. The local R&D unit could initiate the research project only after getting approval from both divisions at the home headquarters. RHQs may effectively overcome such an inefficient process"* (Paik, Sohn 2004, p.352*)*

By being located in the region, have a better opportunity to develop close informal networks of communications and in addition the close geographical proximity enables RHQ managers to make build a solid relationship by easier visiting the local units or create interaction and knowledge sharing through regular regional meetings etc. (Paik, Sohn 2004) Although this might sound as a simple solution to a complex problem Paik & Sohn (2004) suggest that this interaction would improve the RHQ's understating of the activities of the units which would increase their ability to control and coordinate, which is one of its key role (Paik, Sohn 2004).

Subsidiaries

As one of the most important question in MNC research is how an MNC organize and manages its operations and given the increased trends in globalization and regionalization the role of subsidiaries a have gone from independent stand-alone units to become more integrated (Enright, Subramanian 2007). Many types of subsidiary typologies have been developed to distinguish subsidiaries from each other. (Barlett, Ghospal 1986, White, Poynter 1984, Gupta, Govindarajan 1991, Surlemont 1998). Distinctively different from the clear regional role of RHQs the research on subsidiaries, although a part of regional strategies, has a more local than regional focus. (Enright, Subramanian 2007) However there is recent research on subsidiaries classifying existing subsidiary typologies to detect new regional aspects of regional subsidiaries.

One of the most comprehensive subsidiary frameworks in recent years has been Enright and Subramian's (2007) typology which has been developed as: *"Existing multinational subsidiary typologies tend to be derived from strategy types, rather than from examining the subsidiaries themselves. However, there seems to be limited convergence of results"* (Enright, Subramanian 2007, p.895). Given the limited convergence Enright and Subramanian (2007) propose a new four dimensional subsidiary typologies able to facilitate much of the previous identified typologies that has been over-simplistic as they have not been able to cover more dimensions than two i.e. White and Poynter's (1984) product and geographic scope; Bartlett and Goshal's (1986) capabilities and strategic importance of the national environment; Michael E.Porter's (1986) configuration and coordination; Jarillo and Martinez (1990) integration - responsiveness (Porter 1986, Enright, Subramanian 2007). This extended typology framework is based around subsidiaries abilities to create and to utilize capabilities within the firm and it is constructed around primarily, four dimensions, (1) *capability creation, (2) capability utilization*, (3) *geographic scope* (4) *product scope*. These dimensions are grounded in the basic strategic choices any firm faces – those about markets and capabilities (Enright, Subramanian 2007). Furthermore, the authors argue that the goal of the typology is: *"In particular, we attempt to distinguish subsidiaries based on the geographic scope and product scope over which the subsidiary has influence as well as the subsidiary's capabilities in terms of its ability to develop capabilities in its local environment versus its ability to exploit the parent's and the MNC's overall capabilities."* (Enright, Subramanian 2007).

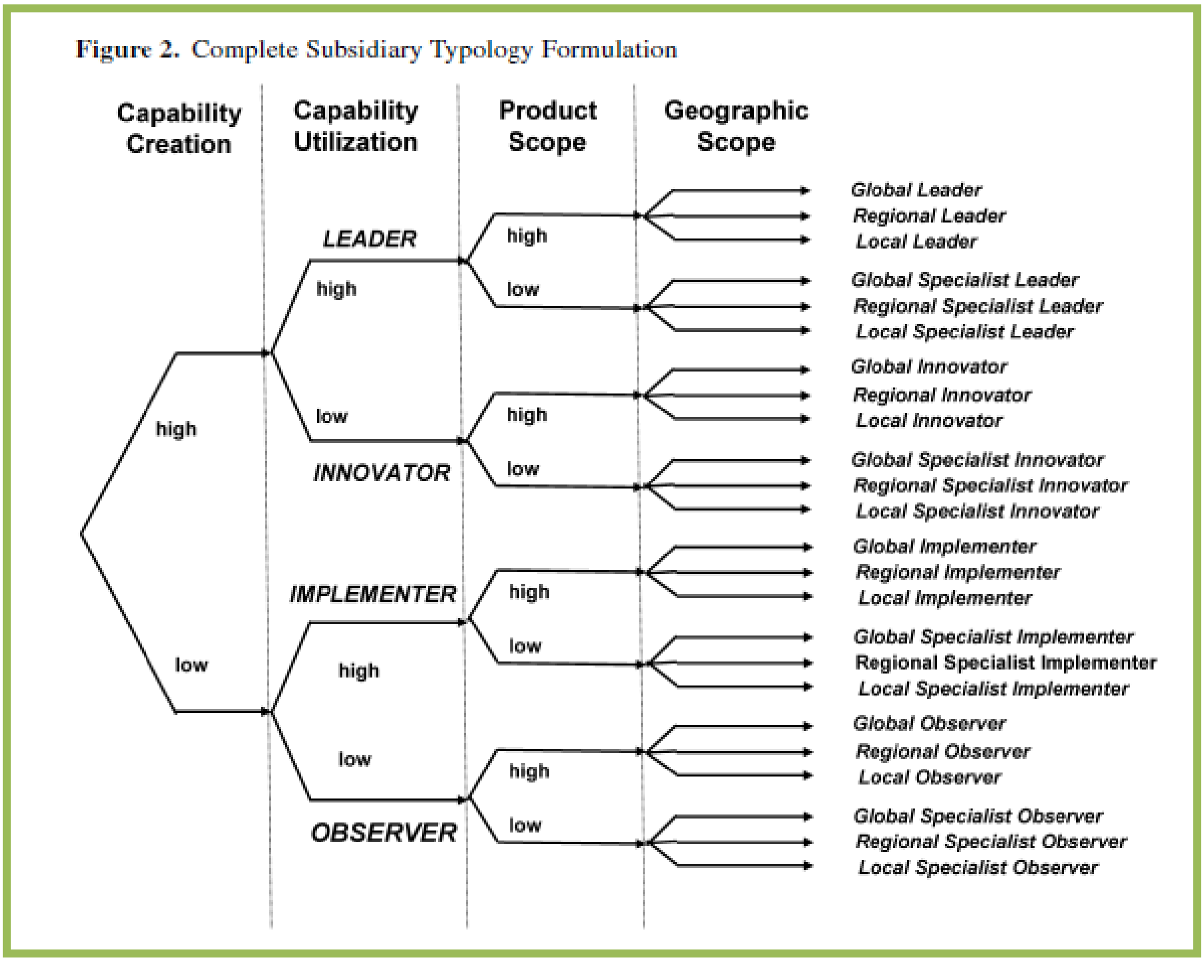

Figure 8: Complete Subsidiary Typology Formulation (Enright, Subramanian 2007, p.912)

The typology is built up in stages. In the first stage, Enright and Subramanian (2008) use the subsidiary's internal focus – of creating and utilizing capabilities. The outcomes along the capability creation and capability utilization dimensions are used to separate firms into leaders, innovators, implementers and observers. *Leaders* are subsidiaries that create substantive capabilities through their research and development and managerial activities and are important users of capabilities in production, marketing and sales, and similar activities. *Innovators* are firms that generate capabilities, but have low levels of capability utilization such as engaging in the production or marketing or related activities that directly leverage capabilities into the local economy.

Subsidiary type	Literature Analog	Source
Leaders		
Global Leader	Strategic Leader	Bartlett/Ghoshal 1986
	Active Subsidiary	Jarillo/Martinez 1990
	Active Subsidiary	Taggart 1998
	Integrated Player	Gupta/Govinderan 1991
	Resource Networker	Randoy/Li 1998
Regional Leader		
Local Leader	Miniature Replica (innovator)	White/Poynter 1984
	Strategic Independent	White/Poynter 1984
	Autonomous	Jarillo/Martinez 1990
	Autonomous Subsidiary	Taggart 1998
	Resource Independent	Randoy/Li 1998
Global Specialist Leader	World Mandate	Birkinshaw/Morrison 1995
	Product Specialist	White/Poynter 1984
Regional Specialist Leader		
Local Specialist Leader	Domestic Product Specialist	Roth/Morrisson 1992
Innovators		
Global Innovator	Global Innovator	Gupta/Govinderan 1991
	Resource Provider	Randoy/Li 1998
Regional Innovator		
Local Innovator	Local Innovator	Gupta/Govinderan 1991
Global Specialist Innovator		
Regional Specialist Innovator		
Local Specialist Innovator		
Implementers		
Global Implementer	Contributor	Bartlett/Ghoshal 1986
	Implementer	Gupta/Govinderan 1991
	Resource User	Randoy/Li 1998
Regional Implementer	Rationalized Manufacturer	White/Poynter 1984
Regional Specialist Implementer		
Local Specialist Implementer		
Observers		
Global Observer		
Regional Observer		

Local Observer	Black Hole	Bartlett/Ghoshal 1986
	Quiescent Subsidiary	Taggart 1998
	Local Innovator	Gupta/Govinderan 1991
Global Specialist Observer		
Regional Specialist Observer		
Local Specialist Observer		

Table 6: Links between the Present Framework and Earlier Subsidiary Typologies (Enright, Subramanian 2007, p.914)

Enright and Subramanian (2007) draw a couple of conclusions, some of which have great implications for regional structure. Previous subsidiary research show limited applicability to the new framework as they do not facilitate the different dimensions in the new framework. I.e. subsidiaries classified by White and Poynter (1984) only falls into only a few categories which according to Enright and Subramanian might be due to the narrow sample size, country and timeframe. White and Poynter, 1984 conducted their research in Canada in the 1970s and 1980s). With reference to the lack of subsidiary typologies that correspond to the regional entries Enright and Subramanian (2007) argue that: *"...a fact that shows that existing subsidiary literature tends to ignore regional strategies and organizations"* (Enright, Subramanian 2007, p. 915). While the other gaps in the typology might point towards low validity of this research Enright (2007) argue: *"Several firms, including Microsoft, Intel and others, have set up global listening posts that are designed to scan the world for new technological or business developments that might affect the firm as a whole. Such operations correspond to the 'global observer' cell in the table. Many companies have set up representative offices in important economies, such as China, Japan and India, in anticipation of future investments. These subsidiaries correspond to 'local observers*" (Enright, Subramanian 2007, p. 916). Enright and Subramanian (2007) argue that the empty cells in the table point at shortcomings in previous research as they have not been able to capture relevant subsidiary types and together with the real life example of Microsoft and Intel the authors argue that there are plenty more research to conduct with regards to the regionality of subsidiaries and their role both structure wise and strategic. Another argument raised from by Enright is that studies using terms such ‘global’ and ‘local’ typologies, often do not explicitly include a geographic scope dimension (Gupta, Govindarajan 1991). Thus cluster the different dimensions together which leads to discrepancies in their analysis and therefore unable to capture the regional role of subsidiaries.

Benito (2003) investigate the environmental effects on subsidiary development. By using data on subsidiaries in the Nordic countries they test the environmental effects on both scope and competence level of subsidiaries. Bedside the scope and competence level, other measurements were EU membership, if it operates in a resource based industry or not, if it has a Nordic parent or not, if mode of entry was by acquisition, size measured by amount employees, and export ration of the unit level. The results shows that subsidiaries located within the EU (Denmark and Finland) are more likely to perform a wider range of value added activities and are more likely to develop higher levels of competence than subsidiaries outside the EU (Norway) (Benito, Narula & Grogaard 2003). The increased responsibility of performing more value added activities is also supported by Schuh (2007) who argue that it is no longer sacrilege anymore to assign subsidiaries and local management more decision making power as long as managerial competence and it is economically viable to move value added activities “down” in the structure (Schuh 2007)

Concluding discussion/ Remarks

In this part we have seen the relationship between strategy and structure and the structural set up for achieving a regional strategy leading to higher out of regional sales. Furthermore the roles and functions of two important entities of a regional strategy have been provided, RHQ and subsidiaries, where research discrepancies have been presented.

It becomes clear that area structure is a suitable strategy aiming at facilitating a regional strategy and the dimensions of integration-responsiveness which has been presented in part two. Furthermore, the increased importance of researching the roles of RHQ and their role in regional strategy has been elaborated and the often neglected regional element of subsidiaries has been highlighted as important new area that needs further investigation.

Although one of the basic foundation of contingency theory suggest that one "fit all" solution do not exist, this paper has pointed at environmental trends to consider, possible strategies fitting a regional approach providing a foundation for .

A main question from a managerial perspective has yet been unanswered and that is if regional strategy constellation is linked to better overall performance of the MNC? Research in presented in part 1 argued that most companies do not manage to reach global sales and naturally reaching global share through regional strategies would instinctively increase the MNC overall performance. However, this relationship is often neglected in regional MNC theory but is highly relevant for put it in perspective this paper of regional strategy by looking at existing research of the performance relationship. Thus the following section will present research directly linked to the performance of regional strategies.

Performance of regional strategies

Linking performance to research in part 1, Delios and Beamish (2005) findings suggest that despite the heavy intra-regional activities conducted by MNCs, the home-region oriented MNCs seem to have the lowest performance, suggesting that the other firm classifications provide a better foundation for performance (Delios, Beamish 2005). This supports the debate by with Rugman and Verbeke (2008) argument that in order to become successful in the global market through effectively transfer the FSA in combination with utilizing country specific advantages to perform optimally (Rugman, Oh 2008, Collinson, Rugman 2007, Rugman, Brugman 2005). "*...theory suggests that multinational enterprises (MNEs) succeed when they develop knowledge based capabilities, often called firm-specific advantages (FSAs)*" (Rugman, Li 2007, p.333). At the same time, it also puts an end to the question marks regarding the performance of regional strategies (Osegowitsch, Sammartino 2008, Aharoni 2006).

Delios and Beamish (2005) further find that with regards to product diversity the home-oriented and host-oriented firms had the highest level of product diversity among firms (Delios and Beamish 2005). Linking high product diversity to low performance among home- and host- oriented firms is interesting as high product diversity is unsuitable for a company adopting an area structure thus a regional structure (see part 2). If the aim of a firm's strategy is to increase percentage of foreign sales and hence increasing global presence, there are strong indications that regional strategies are the way to go and which has also been adressed in part 1 of this paper.

Putting it all together the environmental trend of regionalization, the regional strategies and the elements of regional structure of MNC and the empirical evidence of low performing home region oriented firms there are strong indications that regional strategies can achieve both higher percentage of foreign sales, while performing better (Delios, Beamish 2005). Thus Rugman's call for regional strategies is supported by much of the literature within MNC and regional strategies.

Lei Li's (2005) findings within the U.S service industry find that firms in industries with high level of R&D and low capital expenditure intensity benefits performance wise from a home triad-based regional strategy and thus support Rugmans triad based regional perspective discussed in part 1 of this paper (Lei, Li 2007, Lei 2005).

There are numerous studies, within the field of MNCs that empirically tries to find out how companies run their regional business models when internationalizing. Questions arising are then is it profitable for MNC to adopt a regional strategy?

As Rugman (2007) also points out it seems like regional oriented firms have a higher level of performance than global oriented one. Thus using semi-globalization as the platform of which to strategize would consequently be the safest strategy, keeping in mind that the strategy and structure of the MNC must change in order to facilitate the changing environment.

Rugman (2008) also suggest that the MNCs need a regional strategy because most of their asset and sales in their home region and hence need a regional strategy and structure. Now however true that might be it does not make any sense. Finding new business opportunities is one of the main challenges for future growth and what Rugman implicitly is suggesting is that MNCs that currently have the most sales and asset in their home region should adopt a regional strategy. Bartlett and Goshal (1989) suggest a transnational strategy that arguably would suit finding new opportunities. Hence Rugman suggest an exploitative strategy while Bartlett and Goshal (1989) suggest a strategy that takes a more exploratory approach and both are right, but the transnational strategy is closer linked to serving both exploratory and exploitative. Now this would need a mixture between global integration and local responsiveness which Ghemawat imply is the same thing as saying that porter is wrong between the trade off from his generic strategies since arguably there is the same type of trade of with global integration and local responsiveness.

Asmussen are unable to find evidence that global strategies are rare as suggested by Rugman and Verbeke (2004). Asmussen is also unable to support the claim that global strategies are underperforming compared to regional strategies suggested by Rugman and Brain (2003) Instead Asmussen's findings suggest that performance seem to depend on the FSAs of the firm and on its international experience.

Our results strongly support the semi-globalization perspective in that the regional-level effects are significant and different from the country-level effects for all foreign subsidiaries, for wholly owned subsidiaries and for jointly owned subsidiaries. Japanese MNEs adopt a regional perspective that complements their decisions at the country and firm levels. They seek regional agglomeration benefits and make arbitrage decisions between countries in the same region.

Final remarks & future research

In general there is a need for more dimensions in the MNC and regional strategy theory. Here are a couple of suggestions derived from this paper.

Much of the research conducted in this field of research is across completely different industries. Thus discrepancies of industry maturity, degree of commoditization of product service, knowledge intensity, labour intensity, product lifecycle, government regulations, trade blocks and other compliances that differs from industry to industry. The differences of these factors between industries make it impossible to generalize. Many of these studies benchmark and compare firms as they had an equal starting point. Thus this paper suggests researchers to focus on certain industries to see if the regional aspects of environment, strategy and structure apply to a particular industry. This would further strengthen the managerial implications and reduce practitioner confusion as the research becomes more specific and hence more usable. Another factor relating to industry base analysis is that of industry consolidation. As industries consolidate through mergers and acquisitions, fewer firms with a potential of increased global reach emerge. Some of these “new” MNCs can hypothetically adopt strategies of regional or global strategies in different degrees. And linking this degree to overall performance can provide a new dimension in the discussion regarding performance of global vs. Regional strategies as sales as suggested by primarily Rugman and co-authors might not be the optimal solution.

Building on the need of more industry related research. There is definitely a need to examine the linkage between the characteristics of industries and the effectiveness of the different types of regional strategies to see whether regional strategy is always preferred before global strategy.

An issue with MNC research and the examples used is that companies are compared as companies and not to what type of product/service they produce. Therefore I suggest that creating a framework for measuring the level of commoditization is needed in order to better be able to adjust for difference between companies enabling another dimension of discussion.

In addition to commoditization and industry based analysis, most researchers also investigate OEMs and not suppliers. It would be interesting to see what lies below the surface of OEMs, it might be that suppliers in close contact with OEMs have a higher degrees of either global or regional strategies. Moving away from research made on the fortune 500 list is recommended from this paper as this might provide a more holistic understanding of smaller companies that might have a high degree of internationalization.

The methodology supporting Rugmans theory of regionalization and thus a need for regional strategy is not in any study related to the degree of commoditization of an industry. This in combination with the fact that the fortune 500 are normally original equipment manufacturers (OEM) or other types of actors in the higher value added end of the value chain, can create suppliers that are global in terms of sales because the supplier have a dominant position in a highly commoditized business (i.e. semi-conductor suppliers, hard drives suppliers etc.) delivering components to and industry with MNCs geographically located around the world (Dell, HP, Lenovo, Acer, Sony) that uses more or less the same components in their computers and laptops.

The separation of this thesis into the environment-strategy-structure construct is a rather difficult task as they are easily interlinked. Take Rugman's classification of Home-regional bi, host and global classification scheme as an example. These orientations are sometimes seen as stand-alone strategies, arguably that MNCs take an active stand towards being one of the four classifications. If it is interpreted in this way one should have in mind that there is a difference between intended strategy and realized strategies. According to my interpretation of Rugman and co-authors primarily measure realized effects of a certain strategy does necessarily make the strategy of the firm regionally oriented just because they did not achieve sales according to Rugman's classification scheme but rather a result of a particular strategy.

Studying the subject of MNCs it becomes clear that global strategy does not equal success of an international company and that strategist should consider a more regional strategy before going global. As previously mentioned this is highly industry dependent due to i.e product characteristics, regional demand and preferences and in some industries even legal and regulatory restrictions. What is clear is that a regional strategy provides more regional flexibility to cope with these factors making it more adaptable for future changes by providing more autonomy to RHQs.

As a final comment, going through the literature I am of the impression that by measuring across industries and vastly different type of companies contribute to many inconclusive results which creating discrepancies within the research of regional strategies. This as measuring for instance LMVH and Nokia with the same measuring system is not a logic approach to conduct research in regional strategies. Companies must me measured in degree of regionalisation to their direct competition. This as a regional strategy might be the optimal solution in one industry but not in the other due to several factors that has been mentioned in this paper. Therefore I would propose that an agreement has to be reached of how to measure regional strategy, both performance wise, strategy wise and structure wise providing a standard measuring system that can be used for building a better foundation for future research.

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