

Multinational Enterprises in the New Europe: Are They Really Global?

ALAN M. RUGMAN

SIMON COLLINSON

INTRODUCTION

Recent empirical research has demonstrated that the vast majority of the world's 500 largest firms have most of their sales in their home region of the triad. By triad is meant the European Union (EU), the North American Free Trade (NAFTA) region, and Asia Pacific. Of the 380 firms reporting regional sales data, the 118 from Europe average 62.8% of their sales in their home regions, the 185 from North America average 77.2%, and the 75 from Asia average 74.3% at home. The data are shown in Fig. 1. While each region has three truly global firms, Europe has 86 home-region-oriented firms, North America has 167, and Asia has 66. These data indicate a lack of globalization in the sense of a commonality of interests and the homogenization of markets as envisaged by many observers. The limited global expansion of most large firms also suggests that competitive advantages are more difficult to leverage in foreign markets than most observers assume. There is a system of regional business activity or semi-globalization in which firms and initiatives are strongly localized. This implies that analysis of global strategy has been too simplistic, and reflects an inaccurate interpretation of the data. For example, Wal-Mart Stores is often considered to be a global business, yet the company has 94% of its sales in North America, and therefore its business is better explained

by regional issues, such as NAFTA, than global issues.

EUROPEAN BUSINESS IS REGIONAL, NOT GLOBAL

Of the 118 European firms in the world's top 500, for which regional sales are available, most are German (29), British (27), or French (26) (see Table 1). The 118 European firms average 62.8% of their sales in the European region. Of these firms only LVMH, Philips, and Nokia are global, when using our definition based on corporate sales, and the great majority, 86, are home-region based. There are 16 bi-regionals and eight host-region-oriented firms. We provide examples of these classifications and also present detailed case studies of European firms in each category. The definitions are: home region (>50% of sales in the home region); bi-regional (<50% of sales in the home region but >20% in another region); host region (>50% of sales in another region of the triad); and global (<50% of sales in the home region and >20% in each region of the triad).

Examples of European-based bi-regional firms include GlaxoSmithKline (GSK) and Bayer in pharmaceuticals. GSK has almost half its sales in North America, almost double its European sales, while Bayer is more evenly split between these two regions. Diageo is another bi-regional firm that sells more in North America than in Europe. Unilever

FIGURE 1 HOME-REGION SALES OF THE TOP 500 MNEs

Regions and Countries	No. of Firms	% Home-region Sales
Europe	118	62.8
Germany	29	68.1
Britain	27	64.5
France	26	64.8
Switzerland	8	49.6
Sweden	5	54.3
Italy	5	83.4
Netherlands	5	39.1
Other	13	---
North America	185	77.2
Canada	16	74.1
USA	169	77.3
Asia Pacific	75	74.3
Japan	66	74.7
Australia	5	71.4
S. Korea	2	71.2
Taiwan	1	100
Singapore	1	22.4
Note: Home-region sales are reported as a percentage of total sales.		

Data are for 2001

PLC also relies on the North American market, but sells almost 40% of its products in Europe. With over half of its global sales in North America, AstraZeneca is classified as host-region oriented, as are Royal Ahold, ING, Santander and Delhaize Group. Indeed Europe, with eight, has more host-region firms than Asia, with two, and North America, with one. However, none of these firms has the required 20% of sales in Asia to be defined as global.

We take a closer look at a subset of these firms below, in each of the four categories: home-region, global, bi-regional, and host-region. For each we discuss the factors that have influenced the development of their current strategies and structures.

CASE STUDIES

The following nine case studies will be developed as examples of each classification. Home-region-oriented firms are illustrated by Carrefour, TotalFinaElf, and Deutsche Bank; Nokia and Philips are examples of global firms; bi-regional firms include GlaxoSmithKline and L'Oréal Paris; and host-region firms are represented by Diageo and AstraZeneca.

It should be noted that there is a bias in this article, as only 3 of the 86 home-region firms are discussed, in contrast to 2 of the 3 global, and 4 of the 24 bi-regionals and host-region-oriented firms that are discussed. This sampling is partially explained by the bias in

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