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Regional transnationals and Triad strategy

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

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

Introduction

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

A framework for Triad and regional business activity

A framework for analyzing "globalization"

A framework that distinguishes among the global, regional and national components of TNC strategy should consider the (*ex ante*) concentration or dispersion of strategic