

PART III

Location in the modern globalizing world



12. Is it all a matter of grouping? Examining the regional effect in global strategy research

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For several decades now, discussion across scientific fields about the significance of the concept of region has not yielded systematic conclusions. For example, building on the idea that regions have become specially important within the global strategy (GS) and international business (IB) fields, scholars have found evidence supporting regional effects in multinationals corporations' (MNCs) decision-making processes (Hoffman, 1987), as well as in the performance of international joint ventures (IJVs) (Delios and Beamish, 2004). Rugman and colleagues have even claimed the triumph of 'regional' over 'global' strategy (usually described as the globalization vs. regionalization debate) as the main strategic choice of most multinational corporations (Rugman and Verbeke, 2007), concluding that these choices imply the emergence of 'regional multinationals' because of their 'liability of regional foreignness' (Rugman and Verbeke, 2004).

In spite of the frequent use of the term 'region', surprisingly there is no unambiguous and agreed definition of what countries each region encompasses. For instance, the region of 'Western Europe,' commonly used in global strategy research, seems quite straightforward, particularly for the core group of countries. Yet, when it comes to defining the specific boundaries of this region, agreement and consistency are rarely achieved. In this line, Evans and Newnham (1990) question whether Iceland should be included, where the eastern fringe lies, and similarly, whether Turkey is part of the greater Europe (at least now that it has not yet joined the European Union) or instead part of some region in Asia.

Given this debate on the specific definitions of commonly discussed regions, one probably would need to reconsider the implications of the studies emphasizing the importance of regional effects on the strategic intent of MNCs and global strategies more generally. In this sense, Stevens

and Bird (2004) state that Rugman and Verbeke's (2004) argument needs to be judged carefully and might be misleading because their definition of the European region contains countries that geographically fall into Africa and the Middle East. Similarly, Rugman and Verbeke include in the Asian region countries that are geographically in the Oceania continent. Based on these discrepancies, it is fair to ask: how should a 'region' be defined? Can the same *regional* categorization be used systematically across research projects? Are different regional categorizations likely to offer different insights and conclusions?

In this chapter, we make several contributions to the internationalization literature, location choice research, and overall IB and GS research. First, we uncover the lack of a consistent definition and treatment of the term region across different disciplines, and specifically in the IB and GS realms. Second, even though we find that empirical evidence within these fields reveals regional-level effects for different global strategic behaviors, most of these studies have not systematically controlled for lower-level effects (i.e. country variables), thus casting some doubt on whether the regional effects offered are truly regional in essence or are merely reflecting some country-level effects. Lastly, we engage in the regionalism–globalization debate by empirically exploring whether US MNCs have changed (expanded or retracted) the foreign location choices of their capital investments in the last two decades.

In developing these arguments, the chapter is organized as follows. First, we review how the term region has been defined and used across four different paradigmatic perspectives: economic, socio-cultural, institutional and geographical-centered. Second, we critically assess how researchers within the IB and GS realms have used this term. Third, we evaluate, as an illustrative example, the effects of drawing on different regional definitions in determining the location choice patterns of US MNCs in the last two decades. We finish with a discussion of the implications of this chapter for future work within IB and GS.

REGIONAL SCHEMES: PARADIGMATIC CONCEPTUALIZATIONS

The term *region* is defined as a 'fairly large area of a country or of the world, usually without exact limits' (*Longman Dictionary of Contemporary English*, 1995). This definition connotes physical nearness, however different scholars have come to define and use regional schemes that do not follow this core concept. Instead, they have grouped countries based on homogeneity in a particular dimension of interest. For instance, the world can be divided into

countries that share the same religion, the same language, or a commonality on a certain socio-cultural dimension. Also, countries can be grouped by other institutional similarities, such as a common political regime or the same legal system. Regions can even be defined based on economic criteria, such as grouping countries that have signed certain trade agreements (trading blocs); or by the economic wealth level of each country (using indicators such as per capita income).

Given this myriad of potential regional groupings, we provide a comprehensive list of the different regional schemes used in different scholarly fields (see Table 12.1 for a summary). Then, we review specifically which of these regional schemes has been more commonly used within the international business and global strategy fields, and what effects those choices might have for different research projects within those fields.

The Economic Perspective

The most common approach for grouping countries into categories has focused on economic dimensions (Rugman and Verbeke, 2004). This view relies fundamentally on the idea that when studying the strategic actions of multinational corporations, it is important to consider how home and host countries of these organizations are economically related to one another. Several studies emphasize the need to look at the outcomes of regional economic integration (Frankel, 1997). One of the forerunners of this approach was Ohmae's (1985) work. He moved away from culturally or perception-based groupings, and proposed a more radical view of the global market by noting that a reduced set of countries had become the economic center of the world, based on their political power as well as their economical and social institutions. Ohmae grouped these countries into three regions, Japan, North America and Europe (mainly France, Germany, and the United Kingdom), and claimed that MNCs that managed to achieve a prevalent position in these three regions would improve their likelihood of survival and success in the new global economy. Building on Ohmae's arguments, Rugman and his colleagues note that the most important regional groupings are integrated by those countries participating in trading blocs such as the North American Free Trade Agreement (NAFTA), the Association of Southeast Asian Nations (ASEAN) and the European Union (EU) (Rugman, 2005; Rugman and Verbeke, 2004).

Extending the economic view beyond trade agreements, other researchers have noted that MNCs' strategic actions may be more affected by issues linked to economic development (i.e. advanced economies vs. developing countries) or differences in national income levels (Dunning, 1998). Finally, researchers have highlighted the relevance of countries' membership in key

Table 12.1 Key regional schemes by scholar field

Dimension	Year	Author /source	Number of countries included	Dimensions/methodology	Resulting regions	Detailed country list per region
Economic	1985	Ohmae	NA	Economic, technological and historical analysis of top MNCs. Assumed advantages of three regional blocs	Japan, North America and West Europe	No
	2004	Rugman & Verbeke	NA	Extend in general terms Ohmae's arguments	Asia-Pacific, EU, North America	No
	2004	World Bank	190	Income Level (GDP per capita)	High income OECD, other high income, upper-middle, lower-middle, low income	Yes
	2005	UNCTAD	40	Trading agreements/blocs	ANDEAN, ASEAN, CARICOM, EFTA, EU, MERCOSUR, NAFTA	
	1980	Hofstede	53	Questionnaire to IBM employees/hierarchical clustering of 4 cultural dimensions	12 clusters (Hofstede, 2001, p. 62)	Yes
Culture	1985	Ronen & Shenkar	45	Synthesis of previous cultural work on differences among countries	Anglo, Arab, Far Eastern, Germanic, Independent, Latin American, Latin European, Near Eastern, Nordic	Yes
	2002	Gupta et al.	61	Discriminant analysis of GLOBE data (see House et al., 2002 for details of GLOBE project)	South Asia, Anglo, Arab, Germanic Europe, Latin Europe, Eastern Europe, Confucian Asia, Latin America, Sub-Saharan Africa and Nordic Europe	Yes

Institutions	1998	LaPorta et al.	49	Comparison of legal institutions as they focus on protection of share and debt holders/grouping based on historical root of the country's legal system	Rooted in common-law; French civil law; German civil law; Scandinavian civil law	Yes
	2006	CIA-World FactBook	Not Applicable	Comparison of political systems	Communist, constitutional monarchy, democracy, parliamentary democracy, military-controlled republic, monarchy, theocratic republic	Yes
Geographic	2006	UN SD	190	UN regional division	19 regions	Yes
	2006	UN SD	190	UN continental division	America, Europe, Asia, Africa, Oceania	Yes
	2000	McNamara & Vaaler	Not applicable	Geographical regions	Western Europe–North America; Central–Eastern Europe; Africa–Middle East; Asia–Pacific; & Latin America	No

transnational organizations such as the Organisation for Economic Co-operation and Development (OECD) (Buckley and Ghauri, 2004).

One important issue to highlight about regional schemes based on the economic view is that all of them are quite fluid, since the membership of these multinational organizations or the classification of certain countries according to their income is much more likely to change over time than other categorizations based on physical location or cultural belief.

The Socio-cultural Perspective

A second approach to dividing the world into regional schemes is to group countries according to common socio-cultural dimensions, such as language and religious affiliation of the majority of a country's population. Though language and religion have not been widely used as primary criteria to designate regions, they are often included with other socio-cultural variables when distinguishing and grouping countries in multiple studies such as Chetty et al. (2006), Dow and Karunaratna (2006), and Leung et al. (2005).

The most common regional criteria used by scholars grouping countries according to some socio-cultural dimension are the values and beliefs (culture) held by a given country's inhabitants (see Earley, 2006; Hofstede, 2006; Javidan et al., 2006; Smith, 2006 for current debate over culture in international business). These studies draw on a statistical technique (i.e. hierarchical clustering) for grouping similar responses to a set of belief-centered questions from individuals representing a particular set of countries. The most common cultural construct is the one developed by Geert Hofstede (2001 [1980]). He surveyed IBM employees to derive cultural dimensions in 53 countries. Hofstede's regions based on cultural traits have received empirical support in a myriad of studies and have been used in explaining outcomes at the individual, group/firm and country level of analysis (see Kirkman et al., 2006 for a review of Hofstede's framework). Using hierarchical clustering in four cultural dimensions (power distance, uncertainty avoidance, masculinity/femininity and individualism/collectivism) Hofstede found evidence of the existence of a 12-group regional structure (Hofstede, 2001 [1980], p. 62). Building on the work of Hofstede and other studies focused on cultural dimensions across countries, Ronen and Shenkar (1985) also offered their own grouping of 45 countries in nine clusters. A similar, but much more focused analysis centered on work ethic, achievement motivation and competitiveness among young individuals in 41 countries came up with five world regional groups (Furnham et al., 1994).

More recently, a large-scale project on cultural values, the World Values Survey (Abramson and Inglehart, 1995), has gained legitimacy and is starting

to being used in GS and IB research. This survey has been administered in multiple iterations since the early 1980s to individuals from 43 nations (Inglehart, 1997; Inglehart et al., 2004). Several investigators have already used these rich datasets sometimes as a substitute for Hofstede's instrument. For instance, Wan and Hoskisson (2003) show that national trust levels, one key cultural dimension extracted from the World Values Survey, capture the degree to which MNC managers can rely on the business practices of local individuals. In the same line, Knack and Keefer (1997) show that countries' general level of trust facilitates the operation of firms because societies with a high level of trust enhance impersonal business transactions.

A third body of research providing country level cultural data is the so-called GLOBE project (House et al., 2002). The data coming from this project are not without criticism,¹ but it is certainly relevant because of its potential usefulness in creating country groupings sharing common cultural characteristics. Indeed, Gupta et al. (2002) used data from the GLOBE project and through discriminant analysis found a seven-region grouping of the 61 countries involved in the GLOBE project. More restrictive analysis of Europe (Brodbeck et al., 2000) and Latin America (Lenartowicz and Johnson, 2003) has also offered regional schemes based on the GLOBE project to study different global strategic outcomes.

The Institutional Perspective

Another way of grouping countries around the globe is to rely on the commonalities of their institutional environments such as the legal or the labor market systems (Aguilera and Jackson, 2003; La Porta et al., 1999). For instance, La Porta et al. (1998) examine the specific way legal institutions protect share and debt holders in 49 countries contingent on their civil or common law legal traditions. Their analysis ends with a four-region clustering that traced back the original root of the legal system of each country (i.e. English, French, German, or Scandinavian legal system). This partitioning of the world according to the legal institutions prevalent in each country has been used by numerous researchers. For instance, Aguilera and Cuervo-Cazurra (2004) find evidence that countries with legal systems that strongly protect shareholder rights are likely to develop codes of good corporate governance. Still other scholars have grouped countries based on the different types of capitalism in which they are embedded, such as liberal market economies versus coordinated market economies, and infer distinct firm behavior contingent on the system (Hall and Soskice, 2001). It is important to emphasize that when drawing on institutional and socio-cultural regional schemes, it should not be presumed that they are necessarily fixed over time, as values and beliefs, institutional systems, and

social structures might change and evolve, particularly when examining long periods of time.

The Geographic Perspective

Conceptualizing regions exclusively in terms of physical contiguity is the most straightforward use of regional grouping. In this view, the grouping of countries is made under the presumption that physical immediacy is a precondition for a sense of unity or shared properties. Dividing the world into the five continents (i.e. Europe, Asia, America, Africa and Oceania) is a common geographic regional grouping used in GS and IB research. For instance, Kwok and Tadesse (2006) use a continental division of the world when exploring the antecedents of the degree of market orientation of the financial systems of 41 countries. Similarly, Katrishen and Scordis (1998) find that multinational insurers have different likelihoods of achieving economies of scale according to their continent of origin. Geringer et al. (1989) also control by continent of origin when assessing the influence of diversification strategy and internationalization extent on the performance of 200 MNCs.

The United Nation's Statistics Division offers a more fine-grained partition of this geographically centered scheme, breaking up the world into 19 regions (i.e. Australia and New Zealand, Caribbean, Central America, Eastern Africa, Eastern Asia, Eastern Europe, Melanesia, Middle Africa, Northern Africa, Northern America, Northern Europe, South America, South-Central Asia, South-Eastern Asia, Southern Africa, Southern Europe, Western Africa, Western Asia, Western Europe). This regional scheme has not been widely used, although Flores and Aguilera (2006) have shown that it might bring new insights to the analysis of the foreign location choices of US MNCs in the last two decades. The geographical view of regional grouping is invariant over time, which may provide an advantage over the other regional categories.

REGIONAL EFFECTS: EMPIRICAL EVIDENCE FROM GLOBAL STRATEGY AND INTERNATIONAL BUSINESS RESEARCH

Our review of the empirical literature related to regional effects within IB and GS reveals a clear differentiation between studies where regional effects are designed as complementary to the main focus of a given study versus other research streams where regional effects are at the core of

the study. Within the former research stream, studies uncover empirical evidence showing that key issues on the research agenda of IB and GS may be influenced by effects at the region level of analysis (see Table 12.2 for a summary). For example, 20 ago Hoffman (1987) demonstrated that regional clusters had important effects on MNCs' actions. Specifically, he found that the relationship between power bases and strategic decisions within MNCs is moderated by the regional location of the MNCs' units. More recently, Delios and Beamish (2004) found that joint ventures of Japanese multinationals outperform their counterparts when operating in the Asian region. Another example of significant regional effect is displayed by the findings of Kolk (2005) when studying environmental reporting practices of 203 firms working in Europe, North America and Asia. Kolk demonstrates that these practices have substantial differences among these three different regions. Similarly, Vaaler and McNamara (2004) find evidence of significant regional effects on the way rating agencies evaluate sovereign credit rates. They illustrate that the regional specialization or regional focus of the rating agencies influences their sovereign risk ratings, even during a national crisis period. Zaheer and Zaheer (2001) offer another example of regional effects on MNCs' actions by finding evidence that the microstructure of the inter-bank business-to-business currency market responds to a clustering scheme for countries of the world that divides the globe into three regions. Unfortunately, a common component across all these studies is that they do not directly discuss the logical reasons behind their respective choices of the specific country grouping used. The immediate result of this lack of detail raises questions about whether that particular region or any another grouping would generate the same results. Also, one wonders whether these regional effects represent a meaningful outcome beyond the country level, or whether they are merely a reflection of other country-level variables not considered.

A second set of studies specifically target their research towards examining whether certain regions have become more or less important for the activities of MNCs around the world in the last few decades. There are two clearly defined sets of works within the so-called regionalists versus globalists debate. In this debate, one side presents an argument claiming that multinationals have become completely regionally focused (Rugman, 2005; Rugman and Verbeke, 2004, 2007). The contrasting position portrays MNCs as globally involved organizations (Bird and Stevens, 2003; Clark and Knowles, 2003; Stevens and Bird, 2004). The regionalist arguments are mostly based on empirical evidence of foreign sales from the top 500 Global Fortune firms (Rugman and Verbeke, 2004). Delios and Beamish (2005) tested this idea for a large sample of Japanese MNCs, finding support for the regionalist arguments. Empirical research by Grosse (2005), which

Table 12.2 IB and GS studies uncovering regional effects in MNCs actions

Year	Authors	Journal	Countries included	Regions	Detailed country list per region	Regional type	Firms analyzed	Regional effect
1987	Hoffman	JIBS	87	Anglo, Germanic; Nordic; Latin European; & Latin American	No	Clusters (Ronen & Shenkar, 1985)	Managers in 8 countries	Regional clusters moderate the relationship between power bases and influence strategic decisions
2000	McNamara & Vaaler	JIBS	52	Western Europe; North America; Central-Eastern Europe; Africa-Middle East; Asia-Pacific; & Latin America	No	Geographic & economic development	Nationally recognized statistical rating organization	Regional specialization affects sovereign risk-ratings done by NRSROs
2001	Zaheer & Zaheer	SMJ	Not available	Asian, European & American (time zone)	No	Geographic	100 Most active Banks	Banks from same cluster compete for the same customers
2004	Vaaler & McNamara	OS	53	North American; Caribbean; Latin American, Western Europe, Central-Eastern Europe; Africa-Middle East; & Asia	No	Geographic	5 agencies (Moody's, S&P, DCR, Thomson & IBCA)	Regional focus accentuates downward pressure on ratings, resulting in more negative ratings for more regionally focused agencies in crisis period

2004	Rugman & Verbeke	JIBS	Not available	North-America; Asia-Pacific; Europe	No	Ohmae (1985) & firms' definition	Top 500 MNCs	Most top MNCs pursue home TRIAD region oriented strategies. MNCs are regional not global
2004	Delios & Beamish	MIR	135	Asia; North America-Europe	No	Geographic institutional JV	Japanese's JV subsidiaries	JV in Asia had a moderately better performance than elsewhere
2005	Delios & Beamish	MIR	Not available	Asia, Africa; Europe, Middle East; North America; Oceania; South America	No	Geographic	1229 Japanese MNCs	50%+ of the firms pursue home oriented international strategy. Yet the largest firms with bi-regional or global strategies outperform others
2005	Grosse	MIR	Not Available	USA; Europe; Japan; other Asia; elsewhere	No	Geographic	10 financial institutions	None of these institutions is truly global, but rather bi-regional
2005	Kolk	MIR	Not Available	USA; Japan; Europe	No	Ohmae (1985)	203 firms from TRIAD	Environmental reporting varies substantially according to regions
2007	Dunning et al.	JIBS	25	Americas; Europe, Yes Asia; & other/ Anglo; Latin European; Nordic and Germanic; Latin American; Far Eastern; other	Yes	Geographic/ Mod. Ronen & Shenkar clusters	Not applicable	Increased geographical dispersion of (foreign-based) MNE activities as well as increasing importance of 'intra-region' effect

Note: JIBS: *Journal of International Business Studies*; OS: *Organization Science*; MIR: *Management International Review*.

focuses on the top ten world financial institutions, also seems to support the regionalist argument. Thus a first overarching conclusion of our review of the regional effects within IB and GS is that the commonly used regional classifications seem to be linked to quite specific perceptions, attitudes, behaviors or institutional characteristics of the countries included in each region. Even using the broader culturally based clusters such as those derived from Hofstede (2001 [1980]) and Ronen and Shenkar (1985) as theoretically driven groupings is questionable. Perhaps more importantly, the studies reviewed here have not consistently controlled regional groupings with country-level variables, thus casting some doubts on the accuracy of their respective interpretations of the regional effects.

A second issue arising from our review is the lack of common ground between the different country groupings. In fact, this overcrowding of potential clusters might bring about the opposite effect for research examining regional effects, since there seems to be no clear criterion for deciding which scheme is the most relevant for a particular research project. Even within the globalization/regionalization debate, a pivotal point of contention is the lack of a rigorous definition of those regional groupings where arguably MNCs have intensified their activities (Dunning et al., 2007, Stevens and Bird, 2004). Indeed, Stevens and Bird (2004) note that Rugman and Verbeke's (2004) regional definition might be misleading because the European region includes some African and Middle Eastern countries, and the Asian region includes countries from Oceania.

In view of these criticisms, we ask how we can determine whether MNCs have become more or less globalized if a clear regional definition is lacking. In the next section we provide an illustration of how different definitions of 'region' can lead to different outcomes by looking at the foreign location choice of US MNCs over a 20-year period (Flores and Aguilera, 2006).

An illustration of the Effects of Differential Regional Definitions: FDI Location Choices

As an illustration of the potential effects that different regional definitions might have in a particular research project, we examine whether there has been a change in the location choices of the largest US MNCs between 1980 and 2000 and use different regional categorizations to answer this research question. Determining whether these choices have become more geographically widespread or regionally concentrated is the key point of dispute between the regionalists and the globalists (Rugman and Verbeke, 2004, 2007; Stevens and Bird, 2004). The largest American MNCs seem to be a particularly relevant set of organizations to study in order to strengthen our understanding of this issue, as these firms engage in the highest percentage

of foreign direct investment (FDI) around the world (Ghemawat and Ghadar, 2006) and they commonly have a corporate governance system that facilitates full-fledged global strategies (Aguilera and Yip, 2004). Also, US firms such as Coca-Cola, or Exxon-Mobil are usually seen as ‘the Janus Face’ of the globalization process (Eden and Lenway, 2001).

We use archive data on the foreign location choices of the largest 100 US MNCs ranked by revenues (Fortune 500) in 1980 and 2000 (Flores and Aguilera, 2006). The firms in this sample represented 3.1 trillion US dollars in combined assets and employed more than six million individuals in 2000. They encompass 27 different two-digit SIC industry codes from oil and gas exploration to pharmaceuticals manufacturers.

The dependent variable, *foreign location choice*, is a dichotomous variable that captures whether a US-based MNE has substantial direct capital investment in a given country as reported by the *Directory of American Firms Operating in Foreign Countries* (Angel, 2001, p. i). Our operationalization of US foreign location choice addresses, at least partially, some of the criticisms of drawing on sales as an overarching measure to capture MNC activities overseas (Dunning et al., 2007).

US firms in this sample had on average substantial direct capital investment in 22.9 countries in 1980 and 28.9 countries in 2001. The total number of substantial foreign capital investments for the 100 MNCs was 2288 and 2891 in 1980 and 2000, respectively, showing an increase of 26 percent. Within this sample of MNCs, IBM had the highest number of foreign wholly or partially owned subsidiaries, affiliates or branches in 1980 (80 countries), and Xerox had the highest (108 countries) in 2000. The total number of countries receiving significant capital investments from one or more of the largest US MNCs in either 1980 or 2000 is 147. Australia, Canada and the United Kingdom were the three countries with the largest amount of direct capital investment from the 100 largest US MNCs in 1980 (with an average presence of 81 companies), and Canada, the United Kingdom and Japan were the respective countries in 2000 (with an average presence of 84 companies).

To explore whether different regional schemes might change the conclusion regarding the changes in the location choices of this set of US MNCs, we analyze several groupings from each of the economic, socio-cultural, institutional and geographic views presented above. We start by reviewing the economically based regionalist arguments. We find that the number of capital investment units by US MNCs abroad increased 26 percent from 1980 to 2000. More importantly, we show that the percentage change in US foreign investments over time is the greatest for countries outside the TRIAD (Europe, the USA and Japan). We find similar results when using Rugman and Verbeke’s (2004) regional definition; that is, an

increase of foreign subsidiaries in this 20-year period, as well as a significant percentage of US MNC investments going outside their core regions (EU, North America and Asia-Pacific), with an increase in the presence of US MNCs in the Asia-Pacific region (52 percent increase from 1980 to 2000). Our results also illustrate that US foreign capital investment has changed between 1980 and 2000 when viewing it through the scheme of regional grouping based on the income level of countries around the globe. Lastly, if we group the countries into the main trading blocs in 2000, we find that countries within the ASEAN and EU blocs have received more capital investments in 2000 compared to that received in 1980 from the largest US firms. However the largest expansion in percentage and in absolute value has been in those countries that are not members of the active trading blocs analyzed here. An interesting feature of grouping countries by their membership of certain trading blocs is that it brings new insights into the expansion of US foreign investments. Like no other economically based regional grouping, the trading bloc partition illustrates that the expansion of US companies might have been in fact not a complete and pure enlargement of their international presence. Instead, some redeployment of resources may have occurred, as shown by the decrease in their capital investments in at least one of these regional trade blocs (CARICOM).

Examining the foreign location choices of the largest US firms according to a socio-cultural view of the world leads to different insights and conclusions. For instance, when we draw on culturally based regional clusters, the expansion of these firms' activities can be described as irregular or widespread rather than concentrated within a particular cluster. Unfortunately, if one evaluates the location choices of the firms in our sample of the largest US MNCs, using Ronen and Shenkar's (1985) and Hofstede's (2001 [1980]) regional schemes, in both cases a significant portion of the investments of US firms overseas, regardless of the year, is found outside the countries included in these clusters. This trend seems to strengthen over time. Despite these drawbacks, these two regional schemes depict again a widespread expansion and some redeployment of resources in the period under analysis. Similar conclusions could be extracted if we design regions according to the religion embraced by most inhabitants of the respective countries. Even when the investments of these firms have been historically concentrated in Christian countries, in 2000 countries with a majority of Buddhist and Muslim individuals have gained foreign investments from firms in this sample.

If we take a regional definition based on countries with common legal and political systems, we find that these regional schemes expose a high concentration of US investments in countries with a civil legal system and/or embracing democracy as their political system. We also see a growing

presence of US firms in countries with a communist legal system or communist political system, probably as a consequence of the institutional/policy changes in those countries (e.g. China and Vietnam).

Finally, there are different ways to group countries into geographically centered regions, from the crude five continent criteria to the more fine-grained regional division used by the UN's Statistical Division. The key insights from analyzing the location changes by using geographic regional groupings is that we can uncover different patterns contingent on the category used. Thus, when taking a coarse continental partition, one can see a clear redeployment of resources, with African countries receiving fewer investments from the firms in this sample. In contrast, Asian countries are much more likely to be chosen as locations for those capital investments. A more detailed examination of these changes shows that the movement away from African countries is not equally spread across that continent. Indeed, we find that the southern part of the continent (Southern Africa region) is receiving a higher level of investments in 2000. A similar situation could be singled out for Europe where even when the Western European region shows no significant increases in the investments received, the Eastern, Northern and Southern European regions are chosen more often as recipients of capital investments. In addition, we uncover that Eastern Europe, Eastern, South-Eastern and Western Asia have become important host countries, while Africa, Central America and the Caribbean have turned out to be less desirable for US MNCs' investments.

CONCLUSION, DISCUSSION, AND IMPLICATIONS FOR FUTURE RESEARCH

This chapter examined the different categories of regions used in GS and IB research to show that there is a need for a more systematic use of regions in our research designs. We described how 'regions' are defined to answer whether the same regional definitions could be used for completely different research projects, and to explore whether using different regional definitions might lead to different insights.

We undertook this endeavor by examining one specifically relevant research problem within the IB and SG realms: the changes in the foreign location choices of US MNCs. Our findings are consistent with recent reports by UNCTAD (2005) regarding the growing importance of some Asian and European locations for FDI coming from the USA. These results show that different regional categories have important implications for understanding certain phenomena within the global strategy and international business research agenda.

Our findings have significant implications for the regionalist–globalist debate since they seem to depict a growing presence of substantial US capital investments beyond the TRIAD or ‘New TRIAD’ (Rugman and Verbeke, 2004) regions. They also indicate that the extent of global expansion of FDI coming from the USA is much less widespread than it is generally assumed by globalist arguments. For instance, countries within the Caribbean or Middle Africa are the recipients of fewer substantial capital investments by US firms in the year 2000.

Another implication of our study is the need in future research to clearly tease out regional-level from country-level effects. Most studies we reviewed here have reported and discussed regional effects even when those effects were not controlled for by country-level variables. It seems necessary when going forward in the research agenda of GS and IB to make sure that researchers avoid confounding regional effects with effects related to other levels of analysis, such as differences in cultural values, the political system or language.

More generally, the different implications one might draw from using various regional definitions emphasize the need for further work defining which regional grouping may provide researchers with the most effective division of the globe. In this sense, we conclude by sharing the overall judgment offered by Allen et al. (1998, p. 2) when noting that ‘There is no complete portrayal of a region. They only exist in relation to a particular criteria [...] they are our constructions.’ Future research thus would be well-advised to work toward finding regional schemes that are effective groupings for the problem at hand, instead of continuing to use previously defined regional schemes close to one’s preferred paradigmatic view. One possible way of adopting this new philosophy of ‘looking for’ the ‘best’ regional scheme for each research project would be to find some kind of computational procedure that minimizes the overall unexplained variance in the statistical models used (Vaaler et al., forthcoming).

In the end, no matter which methodology a particular research team decides to use for a particular project, the findings presented here show evidence of how pivotal the regional definition could be. Thus we hope that this work has at least raised awareness of the potential confounding effects that using only one regional definition may have in the conclusions one might derive from any particular research project analyzing regional effects.

NOTE

1. The GLOBE project has been contested by Hofstede recently. He argues that this survey is a better reflection of researchers’ minds than of the respondents’, and consequently his

original cultural model emerges strengthened by the data collected in this project (Hofstede, 2006). Leaders of the GLOBE project have quickly answered Hofstede's concerns (Javidan et al., 2006), but as noted by other scholars, this discussion seems to be far from finished (Earley, 2006; Smith, 2006).

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