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**SOCIAL AND SUSTAINABILITY DIMENSIONS OF REGIONALIZATION AND
(SEMI)GLOBALIZATION**

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SOCIAL AND SUSTAINABILITY DIMENSIONS OF REGIONALIZATION AND (SEMI)GLOBALIZATION

ABSTRACT

While publications on the regional nature of multinational enterprises (MNEs) have sparked a lively debate about the nature and measurement of regionalization and (semi)globalization, and performance implications are starting to be addressed, the broader societal and sustainability dimensions have received limited attention so far. Likewise, international business research on these issues have generally not considered regionalization and its consequences. This paper extends insights from the regionalization literature, and broadens the debate by exploring aspects that arise when societal and sustainability implications are taken into account as well. It outlines several areas for further research, addressing geographic scope, organizational levels, upstream/downstream and industry peculiarities. In addition, a distinction is made between the situation in developed-country, emerging-country and least-developed countries, and how social and sustainability issues can affect MNEs' activities in these settings, as a vulnerability or as an opportunity for the development of firm-specific advantages, location-bound or non-location bound.

KEY WORDS

Regional strategy; regionalization; globalization; integration & responsiveness; sustainability; business and society; corporate social responsibility; liability of foreignness; emerging markets; stakeholders

SOCIAL AND SUSTAINABILITY DIMENSIONS OF REGIONALIZATION AND (SEMI)GLOBALIZATION

INTRODUCTION

In the past decade, a debate has started about regionalization, initially by Alan Rugman who announced the ‘end’ of global strategy, calling it a ‘myth’ as well (Rugman, 2001; Rugman & Hodgetts, 2001). Presented as a specification of the integration-responsiveness framework (Bartlett & Ghoshal, 1987), particularly to further explore the ‘high national responsiveness’ dimension (Rugman & Hodgetts, 2001), it has evolved as a firm-level manifestation of semi-globalization, which alludes to the fact that markets show neither complete fragmentation nor perfect integration (Ghemawat, 2003). The region as a relevant unit of expansion for MNEs built on the notion of Triad power and especially its ‘global impasse’ phenomenon as noted by Ohmae (1985), pointing at the inability of many firms to be present in all three legs simultaneously to the same extent.¹

The first evidence that large firms are regional, not global, has been provided most conspicuously by Rugman and Verbeke (hereafter RV), using firm-level data of the Fortune Global 500 (e.g. Rugman 2005; Rugman & Verbeke, 2004, 2005, 2008a, 2008b, 2008c). Regionalization issues have subsequently been addressed by others as well in special issues (Management International Review, 2005; European Management Journal, 2009; International Marketing Review, 2009), an edited volume (Rugman, 2007), and via other pieces, often consisting of collaborative work with Rugman on specific industries and countries (examples of the latter include Collinson & Rugman, 2008; Oh & Rugman, 2006; Rugman, Li & Oh, 2009; Rugman & Collinson, 2004; Rugman & Girod, 2003; Rugman & Li, 2007; see also Hejazi, 2007; Oh, 2009). All this has also sparked quite some debate, however, for example about the use and interpretation of data and measurement issues regarding markets and geographic scope (Aharoni, 2006; Asmussen, 2008; Dunning, Fujita & Yakova, 2007; Osegowitsch & Sammartino, 2008; Seno-Alday, 2009; Stevens & Bird, 2004; Westney, 2006).

Moreover, while this body of literature has produced interesting results and insights, for

example concerning better operationalization and measurement of regionalization/internationalization, considering market characteristics, the performance implications of different approaches and recommendations for managers, the broader societal dimensions of this new strand within IB have received only limited attention so far (exceptions include Kolk, 2005a; Kolk & Margineantu, 2009). This is in a sense remarkable in view of the origins in, and connection with the integration-responsiveness framework (Rugman & Hodgetts, 2001; Rugman & Verbeke, 2008a). Furthermore, in earlier work RV have examined environmental issues, also in the framework of NAFTA, where the role of regional policies (and regionalization) has been rather evident (Rugman, Kirton & Soloway, 1999; Rugman & Verbeke, 1998; 2001; cf. Kolk, 2005b).

In addition, and as other IB publications have shown, environmental and social issues have exposed the need for local responsiveness on the part of MNEs and for balancing a range of stakeholder concerns in both home and host countries (e.g. Jain & Vachani, 2006; Lundan, 2004; Sharfman, Shaft & Tihanyi, 2004). However, even in the studies that considered multi-domestic, global and transnational strategies in relation to labor, environmental, community and ethical issues (Buller & McEvoy, 1999; Husted & Allen, 2006; Kolk & Van Tulder, 2004), the regional dimension has not been included, leaving the intermediate level between local and global, and the implications for MNE strategy largely unexplored.

This paper aims to help fill this gap by extending insights from the current regionalization literature, and broadening the debate by exploring issues that arise when the social and sustainability implications dimensions of international business are taken into account as well. First, issues related to the regionalization literature, particularly as relevant for the subject of this paper, will be examined. The subsequent section focuses on the social and sustainability dimensions, explaining the issues at hand and linking them to regionalization and (semi)globalization. Implications for research and practice will be explored as well.

REGIONALIZATION

The emergence of regionalization can be placed in the context of earlier attention to local-global distinctions, which pointed at the need for MNEs to combine local responsiveness and global

integration (Bartlett & Ghoshal, 1989, Prahalad & Doz, 1987), as well as the more recent evidence on the existence of incomplete cross-border integration, labeled as semi-globalization, thus requiring regional strategies (Ghemawat, 2003, 2005). As RV (Rugman and Verbeke, 2007) have phrased it, liability of foreignness is smaller in the home region than outside it, which means that adaptation costs of intra-regional internationalization (regionalization) are lower than those to be borne in case of inter-regional expansion. Within the home region, location-specific (linking) investments that are needed to exploit and develop non-location-bound firm-specific advantages (FSAs) will be less substantial and/or can be deployed more efficiently than outside this region (Rugman & Verbeke, 2004, 2005, 2008c); a phenomenon that can be reinforced by policies that further coherence at the regional level (such as some taken in the EU or NAFTA). This, RV argue, is the rationale behind the phenomenon, as they have demonstrated in several publications, that firms are not global, i.e. that there are only a few MNEs amongst the Fortune Global 500 that have a substantial presence in all three regions of the Triad. Instead, if firms internationalize, they do this most often within their home region.

It is less the phenomenon itself and the argumentation that has been contested and discussed, but rather the underlying evidence, especially the conceptualization, measurement and the conclusions drawn from that. This has included limitations of the sample (since the Fortune Global 500 is not equivalent to the largest 500 MNEs, as it was presented initially); the arbitrary nature of the cut-off points between (bi-)regional and global; the coherence of particularly Asia-Pacific as a region; insufficient attention for the size of the (home) market; and the fact that the regionalization ‘evidence’ may in fact stem from a home-country effect (i.e. that it is the predominance of the domestic market rather than the other countries in the home region) (Aharoni, 2006; Dunning et al., 2007; Osegowitsch & Sammartino, 2008; Stevens & Bird, 2004; Westney, 2006). Subsequent studies have addressed such issues further (e.g. Asmussen, 2008; Banalieva & Santoro, 2009; Hejazi, 2007; Oh, 2009; Seno-Alday, 2009), and some main findings will be indicated next – not with the objective to be comprehensive and ‘settle’ the debate, but instead to assess implications that are relevant for the subject of this paper.

The importance of the home country has received considerable attention, and has also come to

the fore in responses by RV (Rugman & Verbeke, 2007, 2008c) to two commentaries on their work (Dunning et al., 2007; Osegowitsch & Sammartino, 2008). Interestingly, the data they provide (of sales of UK firms in the Global 500, and sales and assets of the top 500 in the 2001-2005 period) in both articles show that domestic sales (and assets) predominate, although this is not explicitly noted. In the Global 500 panel, percentages for sales/assets in rest of the world (ROW) are a little less than 25%, and those in rest of the region (ROR) around 10% (Rugman & Verbeke, 2008c), which means that the home country accounted for approximately 65% over the years. The largest European MNEs (in the 2000-2006 period) turn out to have close to half of their sales and assets in their home countries (Oh, 2009). The home market is on average even more important for Japanese MNEs (Collinson & Rugman, 2008). So regionalization for these sets of firms means, on average, also a strong domestic presence. For assessing the more exact ROR/ROW, however, at least size of home/host countries need to be considered as well, as a number of recent studies have done.

Asmussen (2008), who analyzed the Fortune Global 500 2001 sales data using an objectively scaled index while taking size of markets (GDP) into account, confirmed the large home-country effect. He also concluded, though, that if firms internationalized, which only occurred to a limited extent, that the home region prevailed. Hejazi (2007), who focused on US MNEs over five-year intervals in 1985-2000 (sales, assets, employees, net income), found a strong home bias as well, and furthermore a spread of activity over ROR and ROW consistent with the gravity model. Another recent study, with a somewhat different sample (largest MNEs in the Global 500 that were also on the largest TNC list) and using 2006 sales, considered not only home market size (GDP PPP) but also home market concentration (with Europe classified as the only region with a low market concentration) (Seno-Alday, 2009). A strong home-country effect was noted here as well (on average 54% for all 33 firms). Moreover, MNEs based in large home markets in regions with high market concentration (i.e. US and Japan) turned out to internationalize to ROW rather than ROR, suggesting that the home region, in these situations, may not be the most attractive option. For other hypotheses concerning firms from large home-country markets in dispersed markets (such as Germany, UK and France) and those from small home-country markets in both high and less concentration conditions, for which Seno-Alday (2009) postulated they would all focus more on ROR, no strong statistical

support could be found.

Research on emerging-market (EM) MNEs has confirmed the home-country dominance there as well. An analysis of sales data of 701 EM MNEs over the 2000-2006 period showed that 64% had a local orientation, 23% a regional and 13% a global one (Banalieva & Santoro, 2009). It should be noted that Asia predominated in the sample (accounting for 89%) due to much better availability of consistent regional sales data. Despite these limitations, there were interesting differences related to region of origin, as European EM MNEs were relatively speaking most regionally oriented. Moreover, the tendency to be global, while limited overall, seemed higher on the part of smaller (African and Asian) EM MNEs, suggesting that size may play a role as well. In terms of performance, those that stayed at home performed best. Furthermore, EM MNEs that ‘leapfrogged’ to a global orientation, while maintaining their local presence, had a higher ROA than those firms that combined globalization and regionalization. Regionalization furthered relative performance only if EM MNEs’ global orientation was low. Another study focused on BRIC MNEs (Brazil, Russia, India, China), using FDI data from these countries, supplemented (given the limitations of FDI data from developing countries) by data on merger & acquisitions in the period 2000-2007 (Sethi, 2009). It found regional and bi-regional patterns, except for Indian firms, which turned out to be less home-region oriented (Sethi, 2009). There were also considerable differences between sectors, with oil & gas having the lowest propensity for regionalization and agriculture/food products the highest, and others in between.

Implications

While data problems, particularly availability of firm-level regional data, seem to hinder broader, more encompassing studies, some implications can be drawn. We will both use insights from the studies mentioned above and point at additional aspects brought to the fore by RV and others.

First, at least for analytical purposes, a further distinction of the ‘regional’ dimension appears necessary to separate that category from those firms that are predominantly local with their international presence furthermore mostly either ROR or ROW. This also means that domestic institutions matter as much, and in some cases more, than regional ones, depending on the type of MNE we talk about. To be fair, the original intention of RV (Rugman & Verbeke, 2004) was to

emphasize the locus of destination, while not denying the importance of the locus of origin. However, since the data show that regionalization in quite some cases also implies a strong presence in the home country, a more explicit consideration of the different patterns of regional involvement seems an appropriate addition to allow for a more specific analysis and an improved understanding of the phenomenon, and its implications for MNE strategy.

Second, and somewhat related, is the need to differentiate firms with large home countries from those with small home countries as the liability of particularly intra-regional foreignness and the additional benefits from regionalization may well be different. A proximate market in the same region appears more interesting for firms if it is much larger than the home market – if firms regionalize from a large domestic base to a relatively small market (or several smaller markets), then costs may be higher than the benefits, particularly when compared to expansion to one large country outside the home region (Seno-Alday, 2009). Country size matters from a policy perspective as well, as pointed out by RV in their earlier environmental work, in reaction to the ‘Porter thesis’ that regulation drives innovation, and double diamond issues (Rugman & Verbeke 1998, 2001; Verbeke, 2009).

In addition, emerging markets require specific consideration given that domestic institutions, also in terms of government policy and stakeholder pressure, and the cost of doing business there, are likely to be rather different compared to more mature markets. Asia Pacific stands out in this respect, not only because of the relative lack of coherent policies at the regional level, but also in view of the fact that it has multiple large emerging markets, with divergent characteristics. While Indian (outward) FDI is more geographically dispersed than other BRIC economies, China is much more home-region (or even home-country) oriented (Sethi, 2009; cf. Yin & Choi, 2005; Rugman & Li, 2007). This regionalization in the case of China has also been found for inward FDI, with Asian Pacific MNEs investing more in China than could be expected on the basis of gravity, even if accounting for round tripping via offshore companies (Hejazi, 2009).

What has also come to the fore in the regionalization debate is the importance of industry-specificity, considering broader categories such as manufacturing versus services, but also more specific, detailed (sub)sectors (e.g. automotive, retail, cosmetics, accounting, financial services), see also the study on BRICs mentioned above (Sethi, 2009). That distance plays out differently for

specific sectors in the process of geographic expansion has been emphasized more generally by for example Ghemawat (2001). Asmussen (2008) noted that in order to be able to take size of markets into account, firms' sales distribution should be benchmarked against what is normal for the industry in question (not so much GDP overall), although these are aspects difficult to operationalize (and if firms are diversified and many sectors are covered, then GDP may offer a reasonable approximation). Li and Li (2007) showed that patterns of globalization/regionalization differ depending on whether an industry is more globally integrated or rather multi-domestic.

Their research also pointed at the fact that firms' sales are less internationalized than operations (Li & Li, 2007). This is in line with other studies and with RV's earlier ideas regarding downstream versus upstream FSAs. RV state that production and sourcing involve two-sided commitments (also by other corporate partners in the value chain such as suppliers and logistics providers), which does not apply to sales, where there are no guarantees from the side of the customers (see e.g. Rugman & Verbeke, 2008c). In that sense, risk are higher in the case of downstream activities in view of the one-sided commitments. If upstream partners are located in the host region, then this helps to reduce the liability of inter-regional foreignness. It should be noted that such regionalization issues may not only be relevant at the corporate level, but also for strategic business units, with the possibility of distinct roles in terms of FSA types and also geographic scope, even within one and the same MNE (Rugman & Verbeke, 2008a).

These firm-, country- and industry-specific aspects will be explored a little further below as they are also relevant when social and sustainability dimensions are linked to regionalization and globalization. Before doing that, however, the concepts used will be briefly explained.

SOCIAL AND SUSTAINABILITY ISSUES

Attention to social and environmental issues in relation to IB has increased in recent years, although different terms have been used, including sustainability and corporate (social) responsibility (CSR or CR). The C(S)R concept will not be used here as the discussion as to what is the responsibility of business (and thus also what is within or beyond the law, and where the boundaries are) (e.g. Carroll, 1999; Devinney, 2009; Reinhardt, Stavins & Victor, 2008) is not the focus of this

paper. Instead, we examine issues, whether regulated or not, and pressures, from whatever origin, that MNEs are confronted with, as long as they do not directly stem from the more traditional drive for profit and financial performance covered in the IB literature predominantly. By using ‘social and sustainability dimensions’, this paper intends to cover green issues such as climate change, pollution and resource depletion, the potential impact on people (inside and outside the MNE, mostly communities and workers) and societal repercussions – those aspects that may lead to responses on the part of regulators and other stakeholders, and that MNEs face in their activities across borders in particular. We are aware that sustainability is sometimes, especially in the European context, seen as the triple bottom line of people, planet, profit, but it is used here to refer to the planet, the green dimensions, with the social dimensions being covered as well. ‘Environment’ as a term is not used to avoid confusion with the ‘business/institutional environment’ meaning.

The preceding section paid attention to main implications related to the regionalization literature, looking particularly at firm-specific, country-specific and, to some extent, industry-specific factors. These are summarized in the first three rows of Table 1. Below we will focus initially on issue-specific factors, elaborate on industry aspects and link them to firm- and country-specific factors. Overall these represent different lenses on aspects to be taken into account, and contain components for a research agenda that also bears relevance for the strategy and management of MNEs in the current epoch. This paper adds issue-specificity to firm, country and industry factors, extending RV’s work on CSA-FSA configurations and Peng et al.’s tripod (Peng, Sun, Pinkham & Chen, 2009; Peng, Wang & Jiang, 2008), although obviously with regionalization and globalization as central foci here. It should be noted that several of these components can be placed against one another, and this has already been done to some extent, for example, geographic scope versus upstream/downstream or MNE structure (Rugman and Verbeke, 2008a). Table 1 aims to list some relevant aspects and to extend them to social and sustainability issues. This might be seen as exemplary of the non-ergodic uncertainties that require experimentation and thus can help shed light on how MNEs may need to deal with variety, interconnectedness and complexity, as recently outlined by Cantwell, Dunning and Lundan (2009).

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In the past decades, some of the literature has proceeded towards an analysis of so-called ‘issue arenas’, ‘issue networks’ or ‘organizational fields’ (Hoffman, 1999, Levy & Kolk, 2002) as an overall assessment of the impact of social and sustainability dimensions on firm strategy has proven to be difficult. Such an approach helps to differentiate between topics that become important to firms or not (e.g. Wartick & Mahon, 1994), and account can also be taken of the lifecycle of issues (Mahon & Waddock, 1992), and the different implications that novelty or maturity of an issue may have (for an examination of the climate change issue in relation to MNE strategy over time, see Levy & Kolk, 2002). In addition, a specification also enables a more detailed analysis of the FSAs that firms (may) develop as a result of a particular issue. This is likely to differ considerably across issues, with some having a negligible or no effect, and others a (potentially) more substantial one.

The issue of climate change is a case in point of the latter situation. Societal and regulatory attention to climate change has led to a variety of responses, particularly by MNEs, both market and non-market (political) in nature. The consequent market strategies that have emerged hint at the development of FSAs, at least for some firms in some sectors: those that are most confronted with climate change due to a heavy reliance on fossil fuels or that can specialize in goods or services instrumental to addressing it; others rely more on outsourcing via external markets (Kolk & Pinkse, 2008; Verbeke, 2009). As Kolk and Pinkse (2008) indicate, this can have implications for MNEs, upstream and/or downstream, with the possibility of (climate-induced) FSA development that can be location-bound or not, and at different levels of the organization (corporate headquarters, regional centers, national subsidiaries). A more detailed empirical analysis seems necessary to shed more light on these aspects. This also applies to social issues, where some MNEs, for example in the garment industry, have developed FSAs with high complexity and much tacit knowledge about how to deal with complex intangible issues in a large supply and production network, following e.g. child labor campaigns against them (Van Tulder & Kolk, 2001). It seems that particularly those that faced much complexity and societal (customer) pressure have been able to increase coordination and control

worldwide, and have learned how to address the internal and external implications.

It should be noted that issues can be local, regional and/or global, and this also applies to the policy responses (which can take place at one or more levels). There are clearly global issues such as climate change, but even in such a case some parts of the world are more directly harmed than others, and in policy terms it is subject to local and regional solutions in view of very divergent regulatory, societal, economic and natural circumstances. Other issues are more regional or (sub)national in nature or occur in specific parts of populations across countries. Examples with varying characteristics include (cross-boundary) water and air pollution, soil degradation, biodiversity loss, child labor, poverty, human rights. What matters in particular of course is the extent to which MNEs perceive an issue to be global, regional or local, and thus whether they judge that it should be handled at the level of corporate headquarters, regional centers or local subsidiaries. The highest potential impact can be expected for global issues, the ones that are relevant at many different (or even all) locations where MNEs have production and/or sales activities.

Regardless of the specific type, it is the case that particularly multinationals have been confronted with social and sustainability issues in view of their visibility and operations in multiple countries, and stakeholders have asked them to take steps and be transparent about corporate impacts and responses. When operating abroad, MNEs are supposed to be locally responsive, and often asked to do more than local firms, and they face a liability of foreignness. While peculiarities and impacts are issue-specific, as is the salience of a particular issue at a specific point in time, the focus of this paper is not to delineate these, but instead to explore what the broader dimensions may mean in relation to different patterns and degrees of regionalization/globalization. The next, final section will outline some of the possible areas for further research from such a perspective.

LINKING REGIONALIZATION AND SOCIAL/ SUSTAINABILITY ISSUES

The different types of MNE scope distinguished in Table 1 are important because we know that institutional environments matter, also for social and sustainability aspects (e.g. Kolk, 2005a; Levy & Kolk, 2002; Lundan, 2004; Maignan & Ralston, 2002; Matten & Moon, 2008). While home-country constituents always play a clear role in putting pressure on firms and shaping their responses,

this is all the more the case if MNEs are predominantly local. In such a setting, MNEs are likely to have larger bargaining power, and thus political influence, as well. Given increasing regional integration, especially in North America and Europe, ROR offers less vulnerability than ROW – a similar reasoning applies for regional firms compared to global ones. Incidents are less likely to happen in the home region, also because control over production and sourcing is higher there, and regulations and societal expectations converge more towards those in the home country than is the case when comparing host regions to the domestic situation. A distinction should be made here, however, between developed, emerging and least-developed economies, as these three types of settings differ and so do risks and the possibilities for FSA development (Verbeke, 2009). However, even within the developed-country, lower-distance context, there are considerable differences, e.g. between the US, Europe and Japan (Kolk, 2005a).

Still, human rights violations, divergent perceptions of child labor, product safety issues, and environmental spills and pollution causing widespread societal concerns occur more often in high-distance host regions than in home regions, with concomitant reputational risks and other costs as a result of a greater need for linking investments. Dangerous products manufactured in China, human rights violations in Burma, child labor in cocoa production in Ivory Coast, oil spills and indigenous conflicts in Nigeria, blood diamonds in Sierra Leone, rainforest destruction in Brazil or Indonesia are just examples of host-region vulnerabilities faced by North American and European MNEs in particular. Thus societal and sustainability considerations may for them offer (additional) reasons for preferring intra-regional instead of inter-regional internationalization. And while mutual home-region (i.e. bilateral) activities seem possible without much extra investment given that requirements are mandated by common standards and stakeholder expectations (Verbeke, 2009), the tendency to develop clear regional social and environmental policies in both EU and NAFTA does not provide a strong incentive for this, and traditions and perceptions also differ between the Triad regions (Kolk, 2005a; Matten & Moon, 2008). For Japanese MNEs, where convergence in terms of e.g. environmental reporting and environmental management systems has taken place, particularly vis-à-vis Europe (Kolk, 2005a), and where regional policy-making is less prevalent, a different pattern may be expected. Here, inter-regional expansion towards the other legs of the Triad does not appear to lead

to extra vulnerability as far as the social and sustainability dimensions are concerned.

When moving from vulnerability to opportunity, developed-country firms can develop internationally transferable FSAs by building on such stakeholder-mandated capabilities (Verbeke, 2009). Interestingly, ROW, especially emerging economies, seems to offer particular opportunities in this respect given the existence of institutional voids (which are idiosyncratic) as well as lucrative markets (cf. Khanna, Palupa & Sinha, 2005; Ramamurti & Singh, 2009). Greater risks resulting from (especially upstream) incidents, which can spread to developed-country markets and affect downstream results, are thus accompanied by potentially large strategic benefits, both upstream and downstream, particularly in emerging markets. In a sense, social and sustainability issues might help to counterbalance other ‘mainstream’ liabilities that MNEs face in such settings, which could even extend to (and have a positive effect on) home countries. While this definitely needs further study, the example of Walmart in China may serve to briefly illustrate some of the possible mechanisms here.

Walmart suffered from a bad reputation domestically, particularly in the social realm, but remarkably the opposite was the case in China (where it ranked amongst the most popular MNEs and awarded best employer in the country in respectively 2006 and 2005) (Kolk, Hong & Van Dolen, 2008). This appears to be an interesting case of ‘being good while being bad’, although in a different way than assumed by Strike, Gao and Bansal (2006), as they focused on the possibility of US MNEs operating ‘good’ at home and ‘bad’ abroad, in lower-standard countries. It may be an exception but this deserves more research on a broader scale; it could be suggested that it is not so much diversification as such that counts (which is what Strike et al. focused on), but rather the type of host country (within or outside the home region, developed, emerging or least-developed, for example, cf. other aspects included in Table 1).

With regard to sustainability, Walmart’s recent pro-active corporate policies have been extended to international sourcing, with extensive requirements being imposed on e.g. the large number of suppliers in China. Experiences in this country, also with regard to recombination and complementary resources of external partners, might turn into FSAs for Walmart. Hence, transferability, learning and partnering seem to be at play. It should be noted that this is not necessarily industry-wide (even not on the part of developed-country retailers) as Carrefour’s

reputation and activities in China are completely different than Walmart's (Kolk et al., 2008). Thus, while at the corporate level industry convergence has been found for sustainability (Kolk, 2009; Levy & Kolk, 2002), this may well be different at lower levels in host countries.

However, there can also be learning over time and across issues and locations within an MNE. An example is Nestlé, whose initial response to the global coffee crisis (overproduction, low prices and poverty for farmers and their families) was more elaborate, explicit and forward-looking than other large MNEs in the same sector, and with a greater reliance on international norms. Its large experience with NGO campaigns in a much earlier stage in relation to the marketing and sales of breast-milk substitutes, one of its other products (and business units), played a role in this regard, as has the structure of its supply and production network (Kolk, 2005b). In situations where organizations enable such international 'learning', diversified MNEs may be seen as better equipped to address global problems than other firms.

Emerging-market MNEs face a different situation as a considerable part of their internationalization/regionalization (the latter particularly in the case of e.g. European and Mexican firms concerning respectively Europe and NAFTA, or Chinese firms in Japan) occurs in developed countries where stakeholder-mandated social/sustainability requirements are often stricter than in their home countries. This is not always straightforward though, as in some countries standards can be reasonably high (e.g. emission limits for cars in China that are higher than those in the US), or comparable to those in developed countries but with lagging implementation and/or monitoring, or a convergence may already have taken place via trade-related pressures and management awareness (Muller & Kolk, 2010). However, domestic societal pressure in EMs will usually be considerably different from those in developed countries which means that activities in higher-distance settings calls for adaptation with EM MNEs' experience being relatively limited in such a context.

For social issues, where different cultural traditions and divergent levels of economic development play a larger role, this may be more difficult than for sustainability, as technological gaps are easier to bridge, often via a combination of entrepreneurship and an enabling environment (such as government incentives). In this respect, it is noteworthy that three out of the top ten clean tech employers are Chinese firms and that centers of expertise in solar are located in China and

Singapore, and those for wind turbines in China and India (Pernick, Wilder, Gauntlett & Winnie, 2009). Economic recovery plans in China and Korea, which contain large green investments (including in renewable and low-emission technologies, and energy efficiency improvements), are likely to provide further support, and institutional voids in this area may be (come) less obvious as a result. A competitive advantage, with the potential for developing non-location-bound FSAs in ROW in particular, seems possible as well.

Liability of foreignness applies to both developed-country and EM MNEs in their activities in least-developed countries. This involves especially upstream investments as natural resource seeking is most peculiar here, also in terms of social and sustainability implications. In the past decade, particularly developed-country MNEs have been confronted with host-country social, ethnic, religious, community and/or sustainability conflicts, often bundled in some way in protests against foreign investors, with MNEs' home-country constituents exerting pressure to accommodate these concerns properly and adhere to similar standards abroad. In these situations as well, and as indicated above already, upstream developments may have an impact on downstream results, which appears to somewhat differ from the more general debate about globalization/regionalization, where the two have been treated as distinct for measurement and analytical purposes.

For EM MNEs, even though their home-country context is highly idiosyncratic (Khanna et al., 2005; Ramamurti & Singh, 2009), this has been different. They have not been forced in a similar way as home-country societal pressure has been absent (e.g. in Russia) or if present, focused more on the domestic setting and its problems (e.g. in Brazil, China, India, South Africa), so reputational effects that might harm sales (or downstream activities more generally) have been limited. EM MNEs thus have had more flexibility in their foreign upstream activities in that respect, although their national governments have often played a considerable role in shaping the direction and size of their activities abroad. It is also via that route that social and sustainability issues may start to become noticeable, as, for example, Chinese investments in Ethiopia and Sudan have been criticized, in the US and Europe linked to the 2008 Olympics, but also in the African countries themselves.

To what extent EM MNEs might be able to leverage their own experiences with domestic (or home region) pressures, given that some may bear more resemblance to least-developed country

settings, is an open question. An example that comes to mind is Tata's difficulty of locating a factory for the production of its Nano car in India. Issues related to compensation for farm land in relation to conflicts about lease rights led to violent protests in West Bengal, which eventually led the company to move the plant to another state, Gujarat (which cost substantial amounts as the Singur plant was almost ready and caused a long delay in production and delivery of the car); a land dispute emerged there initially as well though. This is the type of problem so far mainly associated with US or European MNEs operating in India; for example accusations concerning scarce water depletion and toxic sludge as raised in community protests against Coca-Cola.

More generally, the case of EM MNEs, also in terms of intra-regional versus inter-regional liability of foreignness and FSA development, needs further investigation. A distinction between up-market and down-market FDI, as applied above in indicating the different situation, and internationalization patterns of EM MNEs, may be helpful in this respect (Ramamurti & Singh, 2009). To what extent regions play a role, as they do in the case of quite some developed-country MNEs, and where semi-globalization seems to be rule rather than the exception, may also depend on how regions are composed, beyond the Triad used so far. Given the substantial size of some emerging markets, such as Brazil, India and China, subnational differences may be relevant as well, as also emphasized by Ghemawat (2005). The UN classification used by Arregle, Beamish and Hébert (2009), which adds South America, as well as distinguishes Eastern, Southern and South Eastern Asia, seems interesting, also as a specification of the Asian region. This offers the possibility to assess regionalization, also in relation to social and sustainability issues, in a more detailed manner, taking the suggestions included above into account.

CONCLUSIONS

While publications on the regional nature of the MNE have sparked a lively debate about the nature and measurement of regionalization and (semi)globalization, and performance implications have started to be addressed, the broader societal and sustainability dimensions have received limited attention so far. This is in a sense remarkable in view of the fact that regionalization arose as specification of the integration-responsiveness framework. IB studies on social and sustainability

issues have likewise generally not considered regionalization and its consequences for MNE strategy. This paper extended insights from the regionalization literature, and broadened the debate by exploring issues that arise when societal and sustainability implications are taken into account as well. It added issue-specific factors to the firm, country and industry factors that have come to the fore in the regionalization debate, in this way extending earlier work on CSA-FSA configurations and the importance of institutions in IB. This can be seen as an illustration of the non-ergodic uncertainty and complexity faced by MNEs in the current epoch, and which is said to require experimentation and a forward-looking approach that may not be a prediction based on previous patterns (Cantwell et al., 2009).

While making a clear case for reckoning with issue-specificity, the paper suggested several areas for further research, building on insights from recent regionalization studies. Social and sustainability issues are likely to differ in salience per industry, and they can be global, regional and local, but what matters in particular is how MNEs perceive the predominant level, and thus decide to handle it at respectively corporate headquarters, regional centers or local subsidiaries. A distinction was made between the situation in developed-country, emerging-country and least-developed countries, and how social and sustainability issues can affect MNEs' activities in these settings, as a vulnerability or as an opportunity for FSA development.

It is noteworthy that upstream and downstream, though often seen as separate and subject to different dynamics in the general literature, may be more directly related here, as incidents upstream can have negative implications downstream. This is particularly relevant for US and European MNEs as their home-country constituents are exerting most pressure, even if their ROW activities are very small; in that sense, thresholds do not matter that much. While this presents a liability that makes a pure regional strategy more attractive, developed-country MNEs may also develop internationally transferable FSAs by building on the stakeholder-mandated standards they have learned to adopt. Especially in emerging countries, characterized by institutional voids as well as lucrative markets, there may be strategic benefits, also by recombination and accessing complementary resources of external partners.

For emerging-market MNEs internationalizing to developed countries, outside the region in

particular, adapting to stakeholder-mandated requirements may not be easy. It seems to be most complex for social issues involving different cultural traditions and divergent levels of economic development. In the area of sustainability, where technological gaps, for example related to clean technology, are being bridged already, also as part of economic stimulus plans, there seems to be more potential for (non-location-bound) FSA development. EM MNEs also seem to have more room for maneuver, given the absence of home-country constituents that worry about their international social/sustainability behavior, compared to developed-country MNEs which have faced such domestic pressures to adhere to similar standards abroad as at home. This is most notable in activities in least-developed countries.

Obviously, empirical research is needed to shed more light on the conceptual notions and linkages explored here, considering the information included in Table 1 as different lenses on aspects to be taken into account. While lack of firm-level regional data has hindered broader, more encompassing studies on regionalization, this problem applies even more to social and sustainability issues. Existing databases mostly focus on specific aspects, usually covering the US setting, and otherwise frequently stated preferences rather than actual behavior, with most notably an absence of cross-level (intra- and inter-regional) data which could shed light on MNE activities across the whole range: headquarters, regional centers and subsidiaries; various business units; upstream and downstream. While not excluding standard empirical approaches, provided the underlying data capture the features listed, much is to be expected from extensive field work or archival and historical analysis, as difficult as this may be. However, it appears to be crucial to obtain more in-depth insight into emergent issues for MNEs in this semi-globalized world.

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TABLES

Table 1. Factors/lenses to study regionalization/globalization & social/sustainability dimensions	
<i>Factors</i>	<i>Components</i>
1) Firm-specific factors	<ul style="list-style-type: none"> • Geographic scope <ul style="list-style-type: none"> ○ Predominantly local, remainder mostly ROR ○ Predominantly local, remainder mostly ROW ○ Regional ○ Global • Upstream / Downstream • Corporate / Subsidiaries / Business Units
2) Country-specific factors	<ul style="list-style-type: none"> • Home / Host • Large / Small • Developed / Emerging / Least-developed
3) Industry-specific factors	<ul style="list-style-type: none"> • Manufacturing / Services; More detailed subsectors • Globally integrated / Multi-domestic • Degree of salience of an issue for an industry
4) Issue-specific factors	<ul style="list-style-type: none"> • Impact on specific countries / sectors • Local / Regional / Global • Vulnerability (Liability) / Strategic Opportunities (FSA development)

NOTES

¹ It should be noted that Ohmae (1985) referred to the US, Japan, and the EU at the time, but this was broadened to NAFTA, Asia and the expanded EU by Rugman and Verbeke (2004).