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What is the future of regional multinational enterprises?

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ABSTRACT

This Perspective examines current research on regional multinational enterprises (RMNEs) and proposes directions for future studies. We briefly report on the results of the cluster analysis and identify five main themes of RMNE research within international business scholarship. We then propose an ambitious agenda for new RMNE studies. These studies should prioritize four critical, grand challenges facing all large MNEs today, namely digital transformation, geopolitical instability, climate change impact mitigation and sustainability, and the broader need for resilience to large-scale disruptions. We formulate twelve research questions related to these four areas. We argue that adopting a regional perspective in the realm of MNE strategy, structure, and organizational practices to address the four challenges above is critical to the effective functioning of large, internationally operating companies and warrants continued, dedicated research within the field of international business strategy.

1. Introduction and situational context

Two decades ago, Rugman and Verbeke (2004) investigated whether the world's largest firms (i.e., the Fortune Global 500 companies) had been able to emulate their home region success abroad. They defined 'global' firms as having less than 50 % of total sales in their home region, for example, Europe, and at least 20 % in the two other 'triad regions,' in this instance, Asia and North America. The rationale for focusing on these three regions was inspired by the consultant Ohmae's (1985) perspective on 'triad power'. He considered it essential that firms would embed themselves in each of these three regions of the world (though he focused on Japan rather than the entirety of Asia) because these locations were the source of most technological innovations across industries and were at the forefront of the demand for the most sophisticated products. In many industries, the Fortune Global 500 also included rival companies from each of these three regions. The 'less than 50 %' home region sales and the 'minimum 20 %' of sales in each of the two host regions were not thresholds selected solely for their simplicity. The main reason for the first threshold was the assumption that top management teams and Boards would systematically prioritize the region

representing more than half of worldwide sales in their strategic decision-making. The rationale for the second threshold was that achieving 20 % of sales in a host region represents significant competitive success, especially when facing host-region incumbents as rivals. Perhaps unexpectedly, only nine firms qualified as global, meaning that almost no firms could emulate their home-region success elsewhere in the world. The set of global firms included IBM, Sony, Nokia, Royal Philips Electronics, Intel, Coca-Cola, Canon, LVMH and Toyota.

Rugman and Verbeke's (2004) empirical observations were puzzling to the many academics and public policy makers who believed that globalization was an economic reality and would only increase further. The massive, macro-level expansion of cross-border trade and investment was supposed to be accompanied by ever increasing numbers of internationally operating firms with a global reach of their sales and production activities. Especially during the period between 1989 and the early 2000s, the notions of globalization and global firms as an inescapable reality reached their zenith, leading some observers to note erroneously that the world had become flat (cf. Rugman & Oh, 2008). In fairness, this was a period of macro-level institutional walls breaking down and multilateral institutions seemingly being in charge of an

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increasingly prosperous and freer world (Fukuyama, 1989). The Fall of the Berlin Wall in 1989 signaled the end of the Cold War. China's accession to the World Trade Organization (WTO) in 2001 supposedly meant that this country would abide by global rules governing international trade and investment. At the same time, digital technologies became prevalent in communication, coordination and automation, and much liberalization occurred in the world's financial markets.

Market liberalization and technological advances did greatly facilitate the rise and functioning of the 'global factory.' This last concept refers to internationally-fragmented value chains with lead-multinational enterprises (MNEs) having ownership, control, or other decision rights over a network of activities. Past decisions on locating these activities (including offshoring and reshoring) and on the governance thereof (ranging from full ownership to short-term market contracts) are revisited regularly in a fine-sliced fashion (Buckley & Strange, 2015; Rugman, Verbeke & Nguyen, 2011; Rugman, Verbeke, Yuan, 2011). Because of global factory thinking, the supply chain at the input side became globalized for many large MNEs. However, the rise of the global factory had two limitations. First, the global factory focuses primarily on the dispersion and governance of activities on the input side of the value chain and less on the delivery of value to final customers. If an MNE operates as a global factory, this does not mean that it can replicate its home region success on the output side in other parts of the world (Rugman & Verbeke, 2005). Second, offshoring and outsourcing represent important dimensions of global factory functioning and serve micro-level efficiency. However, prior studies have pointed to the importance of compounded distance, covering especially the geographic and institutional distance components, which have remained important especially between regions despite the above drivers of globalization at the macro-level, thereby creating incentives for MNEs to work with regional structures and practices (Rugman, Verbeke & Nguyen, 2011; Rugman, Verbeke, Yuan, 2011).

So, even with the rise of the global factory, Rugman and Verbeke (2004, 2005) provided both empirical evidence of – and a theoretical rationale for – many large MNEs favoring regional strategies and structuring their operations accordingly. Since then, international business scholars have explored the regional strategies, structures, and organizational practices of MNEs (Demirbag et al., 2020; Li & Oh, 2015; Rosa et al., 2020). Regions have been defined in various ways, for instance, by viewing each geographic continent of the world as a region or by distinguishing between 'low' and 'high' distance clusters of countries, depending upon the industry context and the specific research question addressed. For instance, if one wants to assess the impact of a particular regional integration arrangement, one must obviously start with the countries that partake in this initiative. Numerous regional liberalization agreements covering the flows of goods, services, people, capital and knowledge have been signed during the past few decades. According to the WTO, there were 373 regional trade agreements in 2024, covering goods and services and largely (but not exclusively) involving partners within the triad regions. While the WTO itself remains the leading body for reducing trade and investment barriers and enforcing global trade rules, it faces strong opposition from autocratic and populist governments. These governments argue that multilateralism and globalization harm domestic interests, thereby noting 'costs' such as job losses from offshoring, limited access to advanced technologies developed abroad and national security threats (e.g., Hartwell et al., 2024).

Whether MNEs command a low or high market share in host region environments, populism and the new techno-nationalism make it critical for those firms operating across the world to develop organizational structures and practices that will remove the barriers facing 'outsiders' and permit them to operate as 'insiders'. As argued elsewhere, MNEs, as governance tools in their own right will continue to function as efficiency-driven vehicles to overcome market imperfections (Verbeke & Kenworthy, 2008). In this instance, MNEs' internal network organization and broader value chains will adapt to compensate for the decay

and possible implosion of multilateral institutions associated with the post-World War II international liberal order, similar to the observed responses to the COVID-19 crisis (Verbeke, 2020). The post-World War II multilateral institutions were created to achieve non-discrimination, reciprocity and a peaceful macro-level environment within which private ordering –including international transactions– could unfold. In international business scholarly terms, a more hospitable global environment improves the capacity of MNEs to deploy their supposedly non-location bound firm-specific advantages (FSAs), and it reduces the level and scope of efforts needed to create new location-bound FSAs in foreign environments and to recombine these new FSAs with the extant resource reservoir.

Resource recombination efforts often take on a regional dimension. The magnitude and strategic importance of the 'regional spike' in compounded distance vary from industry to industry, and in some instances the impact of nation-to-nation distance outweighs the impact of the regional dimension. Ghemawat (2001) put forward the notion of CAGE-distance, i.e., the aggregate impact of cultural, administrative, geographic and economic distance between countries that would strongly affect the capacity of outsider firms to capitalize on the market potential of a given host nation. This 'semi-globalization' hypothesis, which focuses heavily on the national (and sub-national) location-specificity of production inputs and outputs hindering full globalization, always needs to be considered as competing with the 'regional-distance-spike' hypothesis, but directionally and in aggregate, the outcome is similar: compounded distance, whether between nations or regions, impedes the ability of MNEs to be as successful in the rest of the world as in their home country's or home region's output markets (Ghemawat, 2003).

Some of the most salient region-based challenges for MNEs in recent years have included the following. First, the macro-level decoupling or derisking from China by several highly developed countries has led many MNEs to restructure their value chains in Asia (Petricevic et al., 2024). Second, the 2022 Inflation Reduction Act, a US federal law, has pushed suppliers in the automotive industry to consider more foreign direct investment (FDI) in the United States-Mexico-Canada Agreement (USMCA) countries (e.g., Khan & Brown, 2024). In addition, the generalized import-tariff-orientation of the second Trump Administration as of 2025 will lead to the intra-regional repositioning of MNE activities, with large-scale manufacturing moving at the margin more inside the United States, and smaller-scale production primarily meant to serve Canada and Mexico shifting at the margin to these countries. Third, the European Digital Markets Act and the European Digital Services Act (voted in 2022; fully active in 2024), as well as the AI Act (voted in March 2024), have seen the EU *de facto* taking on the role of regional –and potentially global– technology regulator (e.g., Schechner & Mackrael, 2022, 2024). These few examples point to the need for MNEs to be regionally responsive, and, in some cases, to the opportunity to reap benefits from regional restructuring, whether as an incumbent in the home region or as a relative outsider in host regions. It, therefore, makes sense for international business scholars to reflect systematically on whether it is advisable to introduce a regional dimension in their research, with a view to address the realities of MNE strategy, structure, and organizational functioning.

In this Perspective, we first review the current stock of knowledge on what we call 'regional MNEs' (RMNEs). These refer to firms for which regions such as Europe, North America, and the Asia-Pacific matter much, rather than only the global environment and individual countries, when setting strategy and allocating resources, or determining the organization's structure, or establishing operational practices (cf. Rugman, 2005). We based our review on a formal cluster analysis whereby we identified five major research clusters on the regional dimension in mainstream international business scholarship. We then outline elements of an agenda for future research on this regional dimension of international business. Here, we distinguish among four areas and twelve related research questions. These four areas address important

contemporary challenges presently facing all MNEs, whereby the regional lens can support effective responses beyond what any analysis at the country-level or that of the global environment can offer: digital transformation and knowledge management; navigating geopolitics and institutional complexity; climate change impact mitigation and sustainability; and corporate resilience in the face of large-scale crises and disruptions. We propose that infusing – or at least contemplating – a regional component in strategy, structure, and managerial practices will not only support MNEs in responding effectively to these four major challenges but is also worthy of dedicated analysis by international business scholars. Fig. 1 illustrates the key findings and recommendations of this perspective paper.

2. The current stock of knowledge on regional multinational enterprises

We reviewed all articles on the subject matter of RMNEs and their strategies, structure, and operations that have appeared in scholarly outlets classified in the Academic Journal Guide (AJG) with 4 *, 4, 3 or 2 status since the publication of Rugman and Verbeke's (2004) seminal article. The AJG list includes high quality business school journals, with 4 * representing the highest quality rating, as determined by the Chartered Association of Business Schools (UK).

We found five main clusters of articles (methodological details are available from the authors), and a set of niche-themes, which we briefly describe below, with a main focus on the 'classic' and best-known published pieces in each cluster.

Cluster 1: Regionalization versus globalization. The most important cluster (in terms of number of papers published and citations earned)

covers the debate on the prevalence of regionalization versus globalization. The articles in this cluster have typically challenged the (often ill-understood) notion of global firms. They have examined MNEs' geographic scope and structure to determine whether these firms are truly global or mainly regional in nature. Rugman and Verbeke (2004) initiated this dialogue by demonstrating that the world's 500 largest firms generated about 70 % of their sales in their home region rather than achieving a more balanced distribution among the 'triad' regions of North America, Europe and the Asia-Pacific (where most of the world's industrial innovation capacity lies, and more so at that time). This finding of a relative absence of global firms came as a surprise to many scholars. There were two reasons for this surprise. First, the mainstream academic narrative up to that point in highly developed economies was that globalization would be the logical outcome of the liberalization of trade and FDI post-World War II (Rugman & Oh, 2008). Second, there was also (and there still is) a prevailing faulty narrative in policy and media circles in Western democracies that a few powerful MNEs dominate many sectors of the world economy and wield excessive power. This systemic power allegedly results from their size, proprietary assets, and allegedly footloose nature of their globally distributed operations. In reality, the global power of MNEs has been vastly overestimated (Verbeke & Buts, 2021).

The precise meaning of –and preponderance of the empirical evidence on– the RMNE narrative has been subject to debate (Osegowitsch & Sammartino, 2008; Stevens & Bird, 2004), but subsequent studies have confirmed that not only MNEs in general but also service sector MNEs (Rugman & Verbeke, 2008a), international new venture firms (INVs) (Lopez et al., 2009), emerging market firms (Rugman & Li, 2007; Sethi, 2009), and supply chains (Rugman et al., 2009) are often regional.

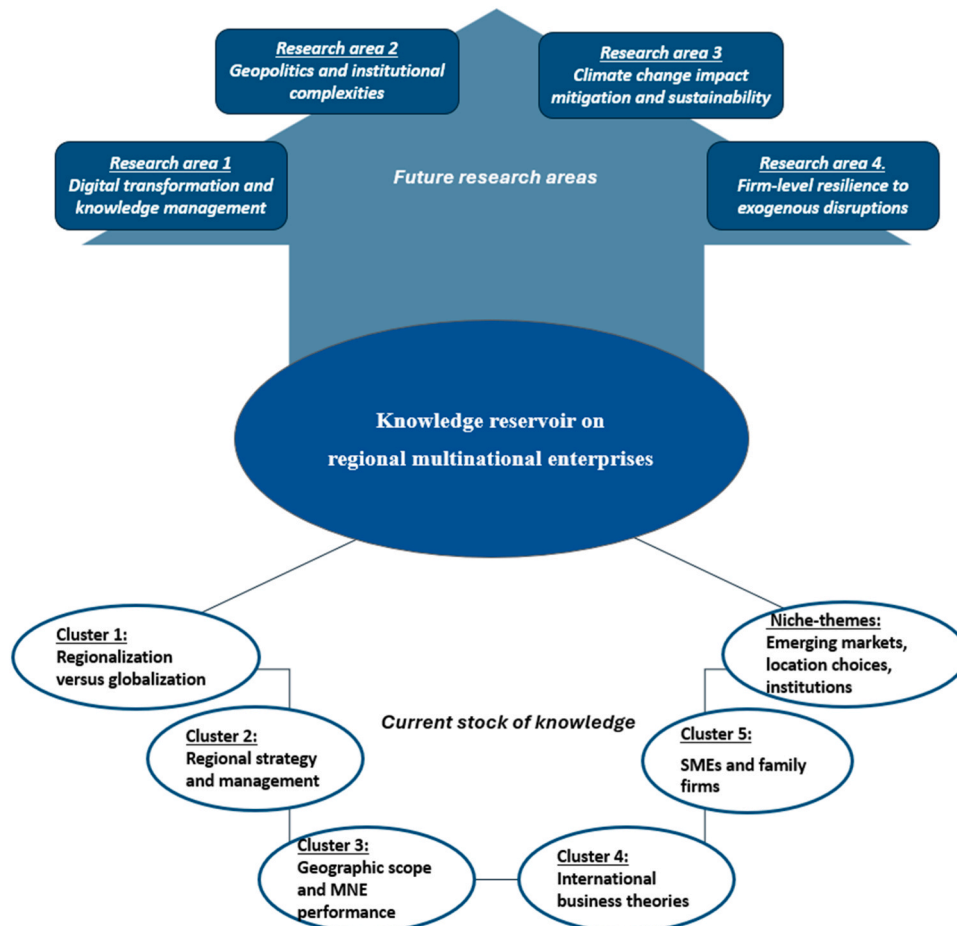


Fig. 1. Past and future research trends on the regional dimension of international business.

Further studies also found that not only the sales of MNEs, but also their assets, income, and human and knowledge capital stocks, have been asymmetrically distributed (Verbeke et al., 2025) and largely regionally concentrated as opposed to being global (Hejazi, 2007), even across time (Oh & Rugman, 2014). The articles in this main cluster have significantly affected studies in other clusters, as we discuss below.

Cluster 2: Regional strategy and management. Research in this cluster has been strongly influenced by the seminal studies in Cluster 1. In this cluster, two interrelated subthemes emerged: ‘Regional strategy’ and ‘Regional headquarters and subsidiaries management’.

Research within the regional strategy sub-theme has explored the rationale behind MNEs adopting home-region strategies (Ghemawat, 2005). In this realm, Rugman and Verbeke (2008b) distanced themselves from the oversimplified transnational strategy framework promoted by Bartlett and Ghoshal (1986). These last authors assumed that internationally operating firms would adopt the best governance and strategy ingredients of different archetypes (built either on scale, or on the international transfer of knowledge resources, or on local responsiveness). In contrast, Rugman and Verbeke (2008b) argued that MNEs and the scholars studying these firms should systematically consider the national, regional, and global dimensions of strategy and structure. Subsequent studies confirmed the relevance of regional strategy for firms in different industry sectors and originating in different home regions and countries (Collinson & Rugman, 2008; Rugman & Oh, 2013). Regional strategy was also analyzed using the concepts of intra- and inter-regional geographic diversification (Qian et al., 2010) and semi-global strategy (Douglas & Craig, 2011; Kim & Aguilera, 2015).

The second sub-theme, focusing on regional headquarters (RHQs) and subsidiaries management includes studies that highlight the sometimes significant role performed by these RHQs and their relationships with MNE subsidiaries. The various roles fulfilled by RHQs encompass elements as varied as coordination and control within the MNE network (Mahnke et al., 2012), strategic decision-making (Gruber & Schlegelmilch, 2015; Pinkse et al., 2010), and internal knowledge transfers (Lunnan & Zhao, 2014). For instance, Lunnan & Zhao (2014) found that MNEs establish RHQs in distant locations primarily for coordination and control purposes and that they can perform a key role in both knowledge inflows and outflows. Studies also found that RHQs can influence corporate decisions inside networked MNEs as a result of their relative autonomy (Mahnke et al., 2012) and the ability to adapt and engage in collaboration that can serve corporate-level agendas, for example, in the area of corporate social responsibility – CSR (Gruber & Schlegelmilch, 2015). As regards the location of RHQs, Belderbos et al. (2017) found that the interconnectedness of global cities makes them attractive location choices for RHQs.

Cluster 3: Geographic scope and MNE performance. Given the theoretical and empirical support for the existence and apparent effectiveness of regional MNE strategies in many situational contexts, scholars have tried to address how to measure the geographic scope of MNEs correctly using a regional perspective. They have also attempted to assess the performance implications of regional strategies. This research stream includes two sub-themes: ‘Measurement of geographic scope’ and ‘Multinationality and performance’.

The sub-theme of geographic scope includes studies measuring the local, regional, or global distribution of MNE activities. For example, Asmussen (2009) computed a multidimensional index for regional and global orientation but taking into account market size differences. Oh (2009) compared various multinationality measures commonly deployed in research using a sample of European MNEs. He concluded that popular measures such as counts of the number of countries or the number of foreign subsidiaries, or ratios such as foreign-to-total sales are often unsatisfactory proxies of geographic scope (Rugman & Oh, 2011). He recommended the usage of various entropy-based diversification measures or multidimensional measures of geographic scope in international business research.

Along with the improvement of geographic scope measures to better

capture the regional aspects of international business, scholars have also examined the performance implications of regional strategies (and the related geographic scope) using various performance metrics (Rugman & Oh, 2010). Past studies have focused on the existence of the liability of regional foreignness (Qian et al., 2013) and the complex interplay between regional geographic strategies and product (industry) diversification strategies (Elango, 2004; Oh & Contractor, 2014; Oh et al., 2015). Sometimes, fine-grained assessments of regionalization have led to intriguing results, such as the observation that the greatest performance benefits of Chinese firms internationalizing could be found with strategies focused on the Greater China Region, rather than those associated with a broader expansion to the entirety of Asia or with a global expansion (Chen & Tan, 2012). In addition, a home-regional focus has also been found beneficial for international joint ventures (IJVs) (Almodóvar, 2012; Lee, 2010; Lee & Rugman, 2012; Lopez et al., 2009).

Cluster 4: International business theories. Scholars have explored the theoretical rationale behind the empirical importance of the regional dimension in international business. The inclusion of a regional dimension has permitted augmenting core frameworks used in international business research, such as internalization theory and transaction costs economics thinking (Narula & Verbeke, 2015). For example, Verbeke and Kano (2012, 2016) showed how regional MNE strategies are consistent with internalization theory, but require some reframing of the FSA and resource recombination concepts. More specifically, some FSAs appear to be easily deployable only within the confines of the home region (thereby representing region-specific advantages), and the requisite resource recombination associated with MNE expansion can become much more challenging in host regions. This regional effect can be different for every value chain activity. For instance, subsidiary capabilities at the downstream end of the value chain may be weaker in host regions relative to upstream capabilities, at least in the short to medium term (Verbeke et al., 2016).

Examples of other theories that have benefited from adding a regional dimension to international business thinking are real options theory (Li & Rugman, 2007) and the resource-based view (Mohr & Batsakis, 2014). As to the former, Li & Rugman (2007) extended real options thinking to FDI research and highlighted the regional dimension in MNE decision-making, using this logic. Adopting the resource-based view, Mohr & Batsakis (2014) examined the facilitating role of intangible resources in internationalization and argued that the impact of MNEs’ international experience can be different for expansion within and outside their home region. More specifically, a strong concentration of sales in the home region can lead to rigidities and challenges in identifying opportunities outside the home region.

Cluster 5: Small and medium-sized enterprise (SME) and family-firm internationalization. The seminal studies on the regional dimension of international business focused on large MNEs. International entrepreneurship and family firm scholars, therefore, questioned the relevance of RMNE theorizing for small and medium-sized enterprises (SMEs) and family firms respectively. Analysis of the regional dimension in international business for these two sets of firms led to two corresponding sub-themes in this cluster.

In studies on the SME sub-theme, scholars have examined SME internationalization patterns to determine whether these were consistent with the born-global perspective, meaning that young and inexperienced firms could supposedly conquer any foreign market, even outside the home region. The findings have been mixed. Baum et al. (2015) identified a pattern of gradual internationalization by German SMEs, instead of a born-global or born-home-regional pattern, while other studies found more born-regional firms than born-global ones in the Canadian and Italian contexts, respectively (Cerrato & Piva, 2015; Sui et al., 2012). One study also found that SMEs face a strong liability of foreignness when exporting beyond their home regional market, and then require more specialized resources and competencies to be successful (D’Angelo et al., 2013).

As to the family firms sub-theme, scholars have investigated whether

family firms achieve better performance outcomes when pursuing a regional versus a global strategy. One study in the European context found that family firms led by family leaders benefited from a home-region focus, whereas family firms led by non-family leaders would achieve better performance outcomes when expanding beyond the home region (Banalieva & Eddleston, 2011). Alessandri et al. (2018) further found that the positive performance effects of family firms' home-region strategy would be weaker in the presence of more abundant slack resources.

Niche-themes. Apart from the five main clusters described above, we identified three smaller niche-themes that would appear strongly related to each other, as we discuss below, namely 'Emerging markets and emerging market MNEs,' 'MNE location choices,' and 'Institutions and internationalization'.

First, on the niche-theme of emerging markets and emerging market MNEs (EMNEs), past studies have found that EMNEs can benefit from a home-region orientation. For example, Xie and Li (2018) found that exports to countries with institutions similar to domestic ones stimulate innovation because local knowledge can then be more easily leveraged and knowledge transfers more easily achieved. Similarly, Cuervo-Cazurra et al. (2018) found that EMNEs benefit from focusing on home region expansion. However, if these firms command an 'uncertainty management capability' (i.e., the capacity to navigate strong corruption and political risk at home), this positively affects performance when expanding to host regions. Kim et al. (2020) investigated the relationship between the speed of internationalization and the financial performance of Chinese MNEs. They found that faster intra-regional expansion led to better financial performance, whereas faster inter-regional expansion was associated with poorer performance outcomes.

Second, on the niche-theme of MNE location choices, several studies have gone beyond country-level factors to include the regional level (Flores & Aguilera, 2007; Ma et al., 2013). Regional institutional environments can be critical to MNE location decisions for foreign subsidiaries (Arregle et al., 2009; Arregle et al., 2013). For example, Arregle et al. (2016) found that firms will expand more readily into regions with a moderate level of institutional diversity, as opposed to regions with a very low or very high diversity. This type of outcome can be explained by the relative opportunities available in the former regions for MNEs to capture both aggregation benefits (from scale and scope advantages, not available in high diversity regions) and arbitration benefits (from exploiting national differences, not available in low diversity regions), respectively. Adding a regional dimension appears to strengthen the explanatory power of models examining MNE location choices.

Third, within the related institutions and internationalization niche-theme, several studies have focused specifically on the impact of regional economic and political integration on MNE strategies. For instance, Fratianni and Oh (2009) examined regional strategy through the lens of international trade flows and regional trade agreements and found that large regional trade agreements contributed to both intra- and inter-regional trade. Oh and Rugman (2012) found that European economic integration led many MNEs to adopt a regional integration strategy, with substantial cross-border coordination and a focus on economies of scale within this region. Finally, Blevins et al. (2016) found that the evolution of European integration affected entry mode choices, with a shift in preferences from alliances to acquisitions. The World Economic Forum recently stated that at the macro-institutional level, "the road to global cooperation runs through regions." (World Economic Forum, 2025). The above studies demonstrate that such regional institutional agreements in turn also shift the focus of MNE strategies to the regional level.

3. A research agenda for the study of regional multinational enterprises

Building on the stock of knowledge in the field of RMNE research, we

now move towards formulating research questions and setting the stage for an actionable future research agenda. We address contemporary international business subject matter that amounts to grand challenges (Buckley et al., 2017). We assess how a regional component in strategy, structure, and overall functioning can support MNEs in responding to these grand challenges: steering digital transformation and knowledge management; navigating geopolitics and institutional complexity; addressing climate change impacts and sustainability more broadly (Ghauri et al., 2021); and building firm-level resilience to large-scale, exogenous disruptions of business (Oh & Oetzel, 2022). Table 1 provides a summary of these future research areas along with their corresponding research questions.

3.1. Digital transformation and knowledge management

The ongoing digital revolution has altered the ways MNEs operate across borders (Luo & Zahra, 2023; Strange & Zucchella, 2017). Digital transformation includes subject matter such as data analytics, artificial intelligence, and blockchains in multinational operations (e.g., Autio et al., 2021). Digital transformation enables MNEs to collect and analyze vast amounts of data that can be used for customer analysis, product development, and supply chain optimization (Khan et al., 2022). It also allows MNEs to transfer intelligence and knowledge resources more easily across borders, thereby reaping new types of scope economies relative to domestic firms.

Digital transformation can, in principle, lower organizational difficulties in executing on global strategies, but at the same time, new vulnerabilities are created, such as cybersecurity risks and the possible creation of an unwarranted confidence of corporate-level decision-makers in digital systems that may actually hide critical supply chain problems from early detection (cf. Adana et al., 2024). Paradoxically, digital systems may be more effective in improving regional strategy execution by supporting regional managers' understanding of market trends, customer preferences, and pathways to gain operational efficiencies within the region they are responsible for and that may have a high distance vis-à-vis the home region (George & Schillebeeckx, 2022).

Furthermore, the concept of Industry 4.0 refers to integrating digital technologies in manufacturing operations. Industry 4.0 technologies include, *inter alia*, the Industrial Internet of Things (IIoT) and 3-D Printing, leading to smart factories and enabling MNEs to optimize manufacturing activities (Luo & Zahra, 2023; Strange & Zucchella, 2017). The ultimate effects of such optimization can vary. On the one hand, Industry 4.0 technologies can further reduce production costs in manufacturing networks for firms pursuing global cost leadership by offshoring more activities to low-cost economies. At the same time, Industry 4.0 technologies in advanced manufacturing allow reducing the labor intensity of production in advanced economies and are best implemented in 'hospitable clusters,' where many other companies supply – or rely on – these same types of technologies. These elements weaken the location advantages of low-cost economies and can induce reshoring, especially to North America, Western Europe and advanced economies in Asia. (cf. Kinkel et al., 2023). Region-specific supply chains, operating largely as autonomous modules vis-à-vis other modular units in the MNE, can operate with greater efficiency, supply chain visibility, and quality and partner controls (Dilyard et al., 2021). Industry 4.0 technologies, despite lowering geographic, cultural, and even economic distances in international business, can thus amplify rather than reduce a regional focus in MNE strategy (Castagnoli et al., 2022; Luo & Zahra, 2023; Strange & Zucchella, 2017).

This strengthening of regional elements can be supported further by the varying regulations related to data privacy, cybersecurity, and Industry 4.0 practices across regions and countries. MNEs need to ensure compliance with these regulations in their regional operations. For example, data residency laws, also known as data sovereignty laws, require certain types of data to be collected, processed, or stored within a specific region or country rather than being transmitted or stored

Table 1

Future research areas and questions for the study of regional multinational enterprises.

Research areas	Examples of research questions
Digital transformation and knowledge management	<ul style="list-style-type: none"> • How can digital (and Industry 4.0) technologies support executing on regional versus global strategies, and what are the performance implications thereof? • How can digital technologies affect MNE organizational structure, and more generally the idiosyncratic shaping of MNE internal and external networks within specific regions? • How can new ways of working inside the firm, made possible by digital technologies and including remote work and virtual collaboration, shape the dynamic landscape of MNE regional and global activities?
Geopolitics and institutional complexities	<ul style="list-style-type: none"> • How will the changing world order, moving towards multi-polarity, affect the global versus regional strategies of MNEs? In particular, how will geopolitical rivalry between the United States and China alter the geographic location strategies of these countries' MNEs as well as those of outsider MNEs across different industry sectors? • To what extent can MNE non-market strategies be tailored to region-specific institutional requirements, in this era of continuous, large-scale geopolitical friction, with global institutions appearing to be in retreat? • How can the potential contagion of geopolitical risks across space and across sectors be mitigated or avoided altogether, both inside the MNE's operations and throughout its value chain, and is a more global (centralized) structure versus a more regionalized one best suited to mitigate these risks? • How can multilateral organizations, international treaties, and diplomatic channels either alleviate or exacerbate the institutional tensions that affect MNE regional versus global strategies?
Climate change impact mitigation and sustainability	<ul style="list-style-type: none"> • How can MNEs tailor their sustainability practices to match regional variations in macro-level governance frameworks, environmental regulations, and social norms, with the understanding that stronger needs for differentiation across continents will again affect the geographic scope and functioning of supply chains? • How can MNEs facilitate knowledge sharing and capacity building among suppliers and other stakeholders to drive sustainability-oriented practices and outcomes, both within specific regions and across regions?
Firm-level resilience to exogenous disruptions	<ul style="list-style-type: none"> • How can MNEs adjust their strategies, elements of organizational structure, and operational practices to reduce their exposure to various risks of major disruption and to enhance resilience, with a focus on which risks can best be avoided or mitigated via a global approach versus a more regionally attuned approach? • How can MNEs improve workforce resilience in dealing with large-scale external disruptions, and for which types of disruptions can a regional approach to fostering resilience deliver the highest value added? • Do the traditional arguments in favour of MNE geographic diversification still hold in an era of large-scale exogenous disruptions, and what conditions need to be fulfilled for the resilience benefits of reshoring to outweigh those associated with interregional diversification?

abroad. These regulations can vary significantly across different regions and can have a profound impact on MNEs' data management strategies, thereby reducing the likelihood of a standardized, global approach (Coche et al., 2024). The types of data (i.e., personal data, financial data, and government-related data) subject to localization requirements also vary by region.

Given the above, an important *first research question* is: *How can digital (and Industry 4.0) technologies support executing on regional versus global strategies, and what are the performance implications thereof?* The key point is to acknowledge upfront that trade-offs will likely be necessary when assessing regional versus global optimization. For instance, in the realm of global strategies, research can focus on the facilitation of knowledge-sharing within MNEs operating across diverse regions and on the benefits of cost-arbitrage (Loonam & O'Regan, 2022; Lorenzen et al., 2020; Nambisan & Luo, 2021). But to the extent that regional differentiation is imposed on MNEs by exogenous forces (whether market or non-market ones), many technologies, such as machine learning in the sphere of predictive analytics and blockchains, will be of benefit primarily to region-based strategies (Wamba & Queiroz, 2020).

As a complement to the above components of strategy being affected –whether in terms of knowledge management, strategy execution, location choices, or responses to regulation– a *second research question* related to digitalization is: *How can digital technologies affect MNE organizational structure, and more generally the idiosyncratic shaping of MNE internal and external networks within specific regions?* Here, the concept of a unified organizational structure for global knowledge management might prove illusory. For instance, the easy transfer of knowledge resources (including human resources) in the EU often does allow for regionally centralized knowledge management. However, in the Asia-Pacific region, the Chinese context of non-respect of intellectual property rights has incited some foreign MNEs to pursue a China-for-China knowledge management approach, thereby limiting even transfers of knowledge from –and to– other countries in this region. Modern knowledge management may thus not only facilitate the modularization of value chains on a regional basis, but every regional modular structure may also look very different. The more general point is that the internal structure and operation of geographic (regional) divisions in MNEs might change significantly because of digital technologies and knowledge management, but without affecting the presence itself or the importance of these regional divisions in the MNE's structure.

At the level of external networks, the structure of knowledge management 'contracts' with partners (including knowledge development practices, sharing routines, and safeguards) will likely also differ greatly from one region to the next (cf. Rios-Ballesteros & Fuerst, 2022). A promising avenue for future research involves the role of digital innovation hubs in innovation ecosystems and in fostering regional versus global collaboration and knowledge exchange among interdependent parties (Crupi et al., 2020). Finally, in a broader context than the individual MNE and its networks, a promising area for research involves examining the role of professional networks in talent mobility. Researchers can investigate the regional versus global reach (i.e., the geographic boundaries) of how professional networks supported by digital communication technologies contribute to knowledge exchange, skill development, and the strategic deployment of talent (Ferreira et al., 2022).

A *third research question* arises in the realm of managerial practices: *How can new ways of working inside the firm, made possible by digital technologies and including remote work and virtual collaboration, shape the dynamic landscape of MNE regional and global activities?* Are there no confines to the geographic deployment of new ways of working, meaning that these can be deployed globally inside the MNE, or are there limits to the non-location-bound nature of these practices, for instance, is there region-boundedness? The MNE's organizational structure will influence whether and how remote work is implemented (Lazarova et al., 2023). For instance, the presence of geographic

divisions is likely to stimulate new work-related practices (and the coordination and control associated with them) at the regional level, and these regionalized remote work practices will then further consolidate the regional component in the MNE's organizational structure. The same logic holds when deploying virtual collaboration technologies (including, *inter alia*, collaborative platforms) to facilitate connectivity and knowledge sharing across internationally dispersed teams (Feliciano-Cestero et al., 2023; Gibson et al., 2022; Luo, 2022; Tran et al., 2016).

The functioning of international virtual teams will not only be influenced by the MNE's organizational structure, but also by the system of cross-cultural communication prevailing in the company. Here, regional confines imposed on teams (as opposed to the absence of such partitioning) can reduce the bounded rationality and reliability challenges posed by cultural differences, language barriers, diverging communication norms, etc., assuming that modularization can be implemented effectively. In a more general sense, it is unrealistic to expect that digital technologies will lead to standardized human resources management practices and related equal treatment of workers across the world (cf. Farndale et al., 2024). In this realm, international talent acquisition (especially in the technological sphere) may be a first step to broaden the feasible geographic scope of virtual teams, so that they would be able to operate across regions, building upon these individual, global competency carriers.

Finally, the above new forms of work need to address cybersecurity challenges, acknowledging that a global scope for each practice (as compared to, for instance, a regional or national scope) may, on the one hand, improve connectivity across all units, but will also expose the MNE to new vulnerabilities. Firm-level cyber security breaches are more likely to occur in the most globally oriented MNEs with large-scale global connectivity and boundary-free, remote work practices, rather than in heavily modularized companies, with quasi-autonomous units at the regional level. Examining how MNEs effectively address cybersecurity threats (in addition to more general data security and privacy concerns), in the context of regional versus global operations, represents salient subject matter for research in this era fraught with highly vulnerable, digitalized management systems (Luo, 2022).

3.2. Geopolitics and institutional complexities

Geopolitics can also significantly affect the strategy, structure, and operations of MNEs (Contractor, 2022; Gammeltoft & Panibratov, 2024; Witt, 2019). Geopolitical factors that increase institutional complexities for MNEs include for instance political instability, rapidly changing and discriminatory trade policies, an uncertain regulatory environment, competition issues related to state-affiliated enterprises and a declining condition of international security and international relations (Albino-Pimentel et al., 2021; Gammeltoft & Panibratov, 2024; Tung et al., 2023). Geopolitical tensions, associated with macro-level trade and investment disputes and regulatory restrictions and discrimination imposed on foreign MNEs, can affect these firms' strategy (e.g., entry, operating mode, and exit decisions), structure (e.g., the national and regional modularization of organizational units) and operations (e.g., routines guiding the protection of knowledge assets and the sharing thereof with external partners).

Multilateral organizations such as the WTO and regional institutions such as the EU, the USMCA, and the Asia-Pacific Economic Cooperation (APEC), were all designed to promote international cooperation and economic stability. However, as noted in the introduction, the multi-polarization of the world economy and the increasing power of the Global South (referring to a group of countries located in the regions of Africa, Asia, Latin America, the Middle East and Oceania that are economically developing) may add complex dynamics due to competing political and economic blocs (Tung et al., 2023). The new groups of emerging economies are demanding and gaining greater influence vis-à-vis advanced economies like the G7 countries in the governance of

global institutions such as WTO, IMF, and World Bank (Tung et al., 2023). Such geopolitical rivalry may negatively influence innovation and knowledge sharing as well as international operations (Redding, 2023). In fact, Fratianni and Oh (2009) found that overly expanded regional trade blocs can divert international trade, turning them from building blocks into stumbling blocks. The *first research question* in this realm is: *How will the changing world order, moving towards multi-polarity, affect the global versus regional strategies of MNEs? In particular, how will geopolitical rivalry between the United States and China (and the related quest for hegemony) alter the geographic location strategies of these countries' MNEs as well as those of outsider MNEs across different industry sectors?*

Institutional complexity facing MNEs has been amplified for many of them by events such as the Global Financial Crisis of 2007/08, the COVID-19 pandemic, the war in Ukraine, and recurring conflicts in the Middle East, as well as ongoing disputes about allegedly discriminatory trade and investment policies. All of these events have put into question the stability and reliability of supposedly 'global' value chains (GVCs) and, therefore, dictate a reevaluation of regional and global strategies (Gammeltoft & Panibratov, 2024; Hitt et al., 2021; Oh & Oetzel, 2023). For instance, geopolitical factors can strongly affect access to critical resources, such as oil, gas, minerals, and raw materials (Shapiro et al., 2018). MNEs in resource-intensive industries, therefore, need to consider geopolitical tensions as well as resource availability in building their supply chains and prepare for both significant supply interruptions and the development of supply chain alternatives to reduce their vulnerability. Regional supply chains are one possibility, but these are not always feasible, namely when critical resources, such as lithium used in electric vehicles, can only be sourced outside of the home-region. In addition, security concerns amidst geopolitical tension can affect manufacturing firms more broadly, e.g., the institutional upheaval triggering changes in the geographic supply chain for magnets that power motors (e.g. Somerville, 2024). As a result, MNEs have often developed non-market strategies to address decaying or unstable macro-level international institutions. The *second research question* to guide future scholarship is, therefore: *To what extent can MNE non-market strategies be tailored to region-specific institutional requirements, in this era of continuous, large-scale geopolitical friction, with global institutions appearing to be in retreat?* In some cases, as with the 'China-for-China' approach adopted by several European and US-based firms, the non-market strategy is tailored primarily to the single country level. Similarly, a 'United States-for-United-States' strategy may become more popular because of the second Donald Trump administration adopting protectionist policies; these may incite outsider MNEs to engage in FDI into the US. But in many other instances, as with non-EU MNEs operating in the EU, regional stances in geopolitical conflicts (e.g., the emerging trade tensions on electrical battery and automobile subsidization, and the regulation of Artificial Intelligence) require region-based non-market strategies.

Given the above geopolitical effects on MNE strategies, especially in the non-market sphere, two additional questions can be raised. Our *third research question* is: *How can the potential contagion of geopolitical risks across space and across sectors be mitigated or avoided altogether, both inside the MNE's operations and throughout its value chain, and is a more global (centralized) structure versus a more regionalized one best suited to mitigate these risks?* (cf. Bussy & Zheng, 2023; Czinkota et al., 2010; Suder, 2015; White et al., 2021; Witt, 2019). One particularly salient area of interest is how changes in regional trade agreements and associated structures of tariff and non-tariff barriers that are part and parcel of geopolitical strife, can affect micro-level configuration decisions on MNE supply chains (Dau et al., 2021; Fratianni & Oh, 2009).

The *fourth research question* is: *How can multilateral organizations, international treaties, and diplomatic channels either alleviate or exacerbate the institutional tensions that affect MNE regional versus global strategies?* Scholars can investigate the evolving, and presently eroding, efficacy of multilateral organizations in harmonizing regulations, resolving

disputes, and shaping the institutional landscape for MNEs. This lower efficacy is materializing despite contemporary multilateral efforts to foster a more transparent global business environment, focused on the social and environmental responsibilities of business (Doh et al., 2022; Li et al., 2018). One major challenge in this realm is that the perspectives on what these last responsibilities entail, vary significantly across countries and regions.

3.3. Climate change impact mitigation and sustainability

Climate change impact mitigation, and more generally, corporate responses to sustainability-related challenges, have had a profound impact on the regional and global strategies of MNEs (Ghauri et al., 2021; Srinivasan & Eden, 2021; Sun et al., 2021). One problem is that these challenges may be global in nature while enforceable macro-level governance is largely absent. Even if macro-level governance is supposedly legally binding as with the 2015 Paris Agreement on climate change that involved commitments from 195 nations, the agreed-upon objectives have already proven to be highly unachievable, with the level of discrepancies from promises made varying upon the country and region concerned. MNEs must, therefore, tailor their strategies with a country-level and regional component in mind, given that evolving laws and regulations vary strongly from one jurisdiction to another, for instance as regards mandatory sustainability reporting and accounting, carbon pricing, environmental taxes, etc. (Fransen et al., 2019).

MNEs must also consider regional variations in stakeholder priorities and public sentiment, and adjust their sustainability initiatives accordingly, to retain their social license to operate (Zhao et al., 2014). As one example: promoting, building and operating new coal-fired plants in North America and some European countries may be excluded for home-grown MNEs, but General Electric (US) is still involved in such projects in Indonesia and India, whereas Siemens (Germany) procures technical know-how and infrastructure for coal-fired plants in Asia (cf. Global Energy Monitor., 2024). Even the concept of what constitutes a 'sunset industry' thus appears to be regionally determined. A first question to consider in future research is therefore: *How can MNEs tailor their sustainability practices to match regional variations in macro-level governance frameworks, environmental regulations, and social norms, with the understanding that stronger needs for differentiation across continents will again affect the geographic scope and functioning of supply chains?* (cf. Barbaglia et al., 2023; Bass & Grøgaard, 2021; Burritt et al., 2020; Derqui, 2020; Ho et al., 2024; Zhang et al., 2022). As regards this last point on supply chains, idiosyncratic climate change impact mitigation strategies, and more broadly sustainability practices in different regions, will likely lead to very different types of collaboration with external stakeholders, each having unique economic and environmental impacts (Joseph et al., 2021; Lundan & Cantwell, 2020; Luo et al., 2019; van Tulder et al., 2021; Zhang et al., 2022).

Scholars can also examine the unique, internal governance challenges facing MNEs in different regions regarding sustainability reporting and compliance, and investigate how companies adapt to these standards considering cultural, legal, and institutional variations (Ahlstrom et al., 2020). For instance, the role of board diversity in sustainability-related decision-making deserves particular attention. Research can investigate whether more diverse boards contribute to a higher capacity in adapting governance mechanisms to diverging sustainability expectations across regions. Exploring how MNE boards can secure stakeholder engagement (including from institutional investors) in designing or participating in governance mechanisms serving sustainability, adds another layer of inquiry (Aguilera et al., 2021; Manning et al., 2019; van Tulder et al., 2021). In this realm, scholars can also investigate how MNEs integrate environmental, social, and governance (ESG) elements into their governance structures and administrative practices, including metrics, again with a focus on the requisite differentiation across diverse continents (Barbaglia et al., 2023; Lashitew, 2021; Linnenluecke, 2022).

Beyond stimulating stakeholder engagement, in general, to align with internal MNE sustainability practices, a second research question is: *How can MNEs facilitate knowledge sharing and capacity building among suppliers and other stakeholders to drive sustainability-oriented practices and outcomes, both within specific regions and across regions?* (cf. Anand et al., 2021; Fransen et al., 2019; Lorenzen et al., 2020; Montiel et al., 2021; Tarnovskaya et al., 2022). From a non-market strategy perspective, it is crucial to investigate the ways in which political connections and informal networks can facilitate knowledge sharing and capacity building in stakeholder engagement (Shirodkar et al., 2024; Sun et al., 2021). Much of this may occur in the sphere of national responsiveness and may, therefore, be more closely aligned with the semi-globalization argument that builds upon cross-country variation. But regional institutional arrangements at the macro-level that cover sustainability issues (as is the case in the EU, the USMCA, and APEC), do suggest that regional approaches by MNEs to sustainability strategy are of value. Political connections often play a vital role in establishing bonds of reliability and communication channels that are essential for effective collaboration and information exchange. For instance, MNEs do participate in industry coalitions fostering renewable energy supply and circular economy initiatives in the context of the European Green Deal (Bomassi, 2023). Such regional networks (with political connections) can subsequently be used for transferring and implementing sustainable practices across different regions.

3.4. Building firm-level resilience to exogenous disruptions

Improving resilience has become an important strategic goal, affecting the geographic scope and operations of many MNEs (Kano & Oh, 2020; van Tulder et al., 2022). Resilience refers to an organization's capacity to withstand and recover from major disruptive events, such as a war, a global pandemic, a financial crisis, etc. (Pananonnd et al., 2020). Because each country and region faces specific challenges based on its economic, geographic and institutional characteristics, MNEs need to identify potential risks and related organizational vulnerabilities in each location. Establishing country- and region-specific risk profiles enables MNEs to make better decisions about which risks are the most critical to consider and must be addressed most urgently and comprehensively in their strategy, organizational structure, and operations. Risk mitigation approaches include, *inter alia*, contingency planning, diversifying investments within and across regions, choosing 'safer' locations more immune from possible crises, establishing more footloose facilities and operations, establishing alternative supply chains with redundancy in mind, establishing data backup centers, and purchasing insurance policies.

Diversifying across regions and supply chain networks can enhance organizational resilience if the probability of occurrence of disruptive events, their severity, and their unfolding over time are locally or regionally bound. MNEs can then better manage the impact of disruptions by having diversified suppliers, manufacturing locations, and targeted output markets, at least if regional modularization (as described earlier) can be achieved, and affected segments of the MNE can be isolated from other parts of the company (cf. Pla-Barber et al., 2021). If this is not the case, geographic diversification and related modularization of supply chains (as opposed to a home-region orientation) could paradoxically increase the organization's exposure to various, unpredictable disruptive events and shocks, with corporate-level management potentially less informed and less prepared to cope with disturbances in a greater number of modules to be monitored (Pananonnd et al., 2020). The first question to be answered in future research is thus: *How can MNEs adjust their strategies, elements of organizational structure, and operational practices to reduce their exposure to various risks of major disruption and to enhance resilience, with a focus on which risks can best be avoided or mitigated via a global approach versus a more regionally attuned approach (including a home-region prioritization)?* (cf. Kano et al., 2020; Panwar et al., 2022; Zhan, 2021). Here, it should be noted that a more regionally

sensitive approach may not only support resilience but could also facilitate further expansion in those regions that benefit from this dedicated, region-focused attention.

One promising new area of resilience-related research within the scope of the above research question addresses *workforce continuity*. MNEs need to consider the availability of skilled workers in each nation and region where they operate under potential disruptive events and the extent to which these workers can support organizational resilience. This can involve training local employees in regional and corporate-level best practices, and sending experienced staff to other regions, so as to develop a geocentric mindset informed by adequate knowledge of regional specificities, for instance on how to respond to large-scale disruptions. Increasingly important in this context are digital employee capabilities (e.g., related to blockchains, the IIoT, and Artificial Intelligence), allowing the anticipation of –and rapid response to– external disruptions, which will again need to be tailored to country- and region-specific requirements. Adaptive business models in this realm will require a matching workforce, both inside the firm and in its external network (Strange & Zucchella, 2017; Tran et al., 2016). The second research question in the realm of resilience is therefore: *How can MNEs improve workforce resilience (also including human resources in their external networks) in dealing with large-scale external disruptions, and for which types of disruptions can a regional approach to fostering resilience deliver the highest value added?*

Another promising area for future scholarship (that we already touched upon in the context of digital transformation) is to consider *reshoring* to the home-region to safeguard the firm from large-scale disruptions. Important trade-offs arise in this realm. Reshoring might make RMNEs more immune from major disruptions arising in other regions, but the loss of the very efficiencies driving the initial offshoring decisions (beyond simple labor-cost differentials, for instance, an abundance of labor, inexpensive plant location sites, high quality logistics with new port and transport infrastructure, etc.) must be acknowledged. What also matters is that the available complementary resources in host regions, associated with market-seeking and natural resources seeking foreign investment, may not be as easily accessible in the home region (Barbaglia et al., 2023; Luo & Van Assche, 2023; Oh & Oetzel, 2022; Pananond et al., 2020).

A rich literature exists on the supposed risk reduction benefits of MNE geographic diversification, spanning at least five decades (Mihov & Naranjo, 2019; Rugman, 1976). This literature could be used to understand better the trade-offs that MNEs need to make when building resilience against large-scale exogenous shocks (Ciravegna et al., 2023; Puhr and Müllner, 2022; Verbeke, 2020). A focus on geographic diversification to reduce risks is clearly the mirror image of the one on reshoring, but the similarity is the underlying idea that geographically defined operations can somehow be insulated from what occurs in other regions. Whether such modularization implies a retreat out of distant regions to reduce bounded rationality challenges and to make a home-based value chain more reliable, or on the contrary suggests creating more self-sufficient regional operations across the world is an empirical question that will be largely industry-specific. As analysis of the regional diversification impacts on MNE resilience emerges as an important research area, unexpected outcomes may come to light. As one example, conventional North American energy firms are presently under attack by US and Canadian stakeholders for allegedly contributing to climate change as a result of their greenhouse gas emissions and for not informing the public about the dangers thereof (WSJ, June 3rd, 2024). Similar criticism, sometimes taking the form of court cases, has been voiced in European Union countries (Mayer, 2022). If such attacks continue, North American and European companies may in the long term diversify away from their home region and into regions more hospitable to conventional energy (such as Africa), thereby strengthening resilience and helping to fuel economic growth and to elevate people out of poverty. This leads us to the *third research question* related to resilience: *Do the traditional arguments in favour of MNE geographic*

diversification still hold in an era of large-scale exogenous disruptions, and what conditions need to be fulfilled for the resilience benefits of reshoring to outweigh those associated with interregional diversification?

4. Conclusions

The regional dimension of international business is here to stay. The number of firms with a more balanced geographic distribution of their sales and assets across the world may have increased somewhat over the last twenty years, but the notions of *global integration* at the level of MNE strategy, structure, and organizational practices, and of *global competitive success* in terms of MNE performance are, at best, only a partial reflection of reality. A burgeoning body of scholarship in international business has indeed convincingly demonstrated how regions matter and therefore why it is appropriate to reflect on the functioning of RMNEs. The notion of region can be very specific to an individual MNE and need not be confined to the Triad of Asia, Europe and North-America as proposed by Rugman & Verbeke (2004). However, it is important to realize that there is more to compounded distance facing MNEs than the aggregate of country-to-country distances (as assumed in semi-globalization thinking). We identified several clusters of research on RMNEs. We also presented an agenda for future research on the regional dimension of international business and formulated twelve research questions in this regard.

Digital transformation and related knowledge management are presently changing the ways MNEs operate, but any suggestion that digital resources now allow firms across the board to conquer the world unimpededly and at a rapid pace is simply delusional. MNE strategy, structure, and organizational practices in the realm of digital transformation will necessarily need to include a regional dimension, especially as governments in each leg of the Triad strive to achieve digital supremacy and promote home-grown champions at the expense of foreign companies. Competitive success for many digital MNEs will start in the home country and home region, boosted by regulations discriminating against outsiders.

A higher digital intensity in many cases also supports a more effective execution of regional strategy and makes the regional components in the organizational structure (such as regional divisions) perform better. Implementing new ways of working such as virtual collaboration may also require regional adaptation to local norms and industry practices. If digital transformation and knowledge management facilitate the implementation of a regional structure and regional practices, then functioning with regional divisions becomes more efficient for the MNE in its entirety, and the viability of bi-regional and multi-regional approaches, rather than home-region retrenchment, more likely.

Geopolitical fractures presently impose regionalized approaches to MNE strategy, structure, and organizational practices, and are unlikely to disappear soon. The relevant regions for an individual MNE may differ from industry to industry and may depend, at least partially, on the role of regional governance at the macro-level in establishing the rules of the game. Conditions of high volatility, uncertainty, complexity, and ambiguity (VUCA) imply that corporate-level decision-makers in large MNEs need to focus on reducing the enormous bounded rationality challenges and on improving the debatable reliability of value chains arising from these conditions. Empowering regional components in MNE governance, as an intermediate level between the corporate head office and local operations, may go a long way to alleviating decision-making problems caused by poor information and to reducing risks arising from potentially unreliable parties in distant environments. Effective non-market strategies may likewise be much easier to craft and implement at the regional level as compared to the global level. This is because regional strategies can be more closely tailored to the specific economic and institutional contexts of each region, as can presently be observed for many US and European MNEs operating in Asia and faced with macro-level derisking and decoupling from China. Furthermore, working at the regional level allows for more direct engagement with local

stakeholders including customers, suppliers, regulatory bodies, and communities, leading to more targeted and directly responsive non-market approaches. By focusing on regional strategies, MNEs can more effectively address region-specific challenges and leverage opportunities. MNEs can also reduce the potential impact of geopolitical disturbances by modularizing their operations and having distinct strategies, structural elements, and organizational practices for each module or supply chain, which thereby intentionally become somewhat isolated from other MNE operations.

As to the grand challenge of climate change impact mitigation and sustainability strategy more broadly, corporate strategic responses will be very much determined by country-level and regional aspirations and societal priorities, even if MNEs would prefer to adopt more efficient, standardized approaches across the globe. This conclusion also holds for supporting ‘capacity-building for sustainability’ to benefit suppliers and other stakeholders in the MNE network. The added difficulty is that even within a single nation or region, public policy shifts can occur rapidly as a function of the evolving fortunes of political decision-makers, as observed after the European Union parliamentary elections in June 2024, when the ‘green agenda’ was rejected explicitly by large segments of the voting population in several European nations. A similar outcome has been observed in North America following the November 2024 election that led to the second Donald Trump administration, with government-driven climate change impact mitigation being explicitly rejected and with immediate policy responses to the same effect in Canada.

Finally, MNE resilience cannot reasonably be studied without due attention to the regional dimension. A large-scale disruption, which typically originates in one region, can affect the MNE’s entire GVC. The optimal corporate response will almost invariably also include a regional component. For instance, building redundancy through increased geographic diversification implies constructing different value chains –each with a particular ‘weight’ of various regions– that will operate in parallel, but independently of each other, which is expensive. Alternatively, home-region reshoring implies a retreat out of risky regions and likely a renewed concentration of activities in the home-region, but this will likely mean a sub-optimal location for some fine-tuned activities.

To conclude, in the grand theater of international commerce, the stage is not merely set by the poles of national responsiveness and worldwide integration. The regional dimension, often overlooked, plays a pivotal role in the strategy, structure, and functioning of MNEs. It is the canvas upon which the intricate dance of global business is choreographed, a dance that demands not just a global perspective, but a regional one as well. The regional dimension provides a nuanced understanding of cultural, economic, and political similarities and differences that exist within a geographic area beyond the nation-state. It offers a lens to view the subtle interplay of forces that shape the business landscape, forces that often remain masked in a purely global or national-level analysis. Ignoring this regional dimension is akin to navigating the high seas with a mariner’s compass but no map. Yes, the compass can point you north, but the map shows you the reefs, the currents, and the safe harbors. So too, a MNE that neglects the regional dimension in its strategy may find itself adrift in uncharted waters, unable to capitalize on regional synergies, and vulnerable to regional disruptions. Therefore, to achieve superior business performance (especially in terms of parameters such as growth and market share), MNEs must integrate the regional dimension into their strategic calculus, complementing and enriching their global and national perspectives.

Data availability

Data will be made available on request.

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