BUSINESSES WITHOUT BOUNDARIES: A GEOGRAPHY OF CORPORATE POWER

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Abstract
During the last decades, the literature on international business reflects a growing interest in the extension of the corporate networks and the status of the multinational corporations in the global economy. Firstly, in this study, we briefly summarize several aspects regarding to the strategic focus of the multinational corporations on the global market. Secondly, we intend to map business extension in the international environment from the perspective of regional concentration. In this regard, for each region we have aggregated the key performance indicators (assets, sales and employees) which reflect the magnitude of the activities of the companies included by UNCTAD in the Top 100 non-financial TNCs outside the home economic environment. Also, based on the algorithm for calculating the Transnationality Index we estimated an aggregate index for each home region of these companies. The main conclusion drawn from the study is that Europe is the most internationalised region; this tendency is underlined both by the value of the Transnationality Index at regional level and by the total value of the assets hold abroad by the companies which have the home location in the European economic environment. At the same time, from all the developed regions, Europe is the most attractive location for the implantation of the multinational corporations from outside.

Keywords: *international business, multinational corporations, global networking, global focusing*

JEL classification: *F23*

I. INTRODUCTION

The increasing presence of the multinational corporations in the global economy generates debates which exceed the academic communities, involving economists, politicians and last, but not least, ordinary citizens. Most of them seem to share the same opinion, that such giant-entities play an increasingly important role, and design the business environment at the international level. But the focus is set differently; some argue the contribution of the MNCs to the economic growth and to the technological progress, while others see this like a threat to the small businesses, for the local communities and even as a threat for the sovereignty and power of the national states. In the post-war decades, the economic borders have become „accessible", the businesses expanding beyond the home country at an unprecedented rhythm. A growing body of literature reflects this trend even only by more frequently appeal to phrases such as „multinational corporations", „global corporations", etc., living in the past the idea of „transnational firm".

Either they are looking for cheaper or more performant factors of production or they want to conquer new markets or to exploit new opportunities, the MNCs are very present in all the parts of the world, intruding on as important actors in the international relationships.

II. FROM THE MULTINATIONAL COMPANIES TO THE GLOBAL COMPANIES

In the nowadays business environment, „... all the enterprises must become competitive whether they produce or sell on the local or regional market. Today there is a single economy and a single market". (Drucker, 2004, p. 25) A company, due to its developing, tends to exceed the local, regional and national limits of the business environment by *extension of the activity in the global economic space.*

About seven decades ago, Peter Drucker described the organization principles applied by General Motors as a general „model", a prototype of the modern company; based on such principles, the executives from Europe and Asia have lately created the modern corporation (Drucker, 2008). The rise of the globalization also determined a reconfiguration of the international environment where the companies operate; the MNCs have gradually become a source of real power, influencing the balance of power in the international relations. As Susan Strange (1996) argues, in certain situations, the MNCs may play the role of some powers „from behind the throne" due to their influence over some decisions of the international governments or organizations.

The relationship between globalization and the status of the MNCs is ambivalent; *on the one hand*, the globalization was the one which opened the path for the development of the corporations in the position of leaders; *on the other hand*, the former encouraged the globalization of the markets. At the same time, globalization is the one which dictates to corporations their strategic decisions, starting from the international strategies until the global ones (Hill, 1997).

In the literature there is consensus on the main motivations which determine the companies to extend their operations beyond the borders of the home economy; Dunning & Lundan (2008, pp. 67-77) notes, in this regard:

Looking for new markets – the companies reach a certain dimension where they can optimize the costs only by significant extension of the local market and/or operation on foreign markets;

Looking for new resources, such as raw materials, cheaper and better qualified labour force, the purchase of new technologies or expertise in management and marketing;

Improvement of efficiency, a situation where the companies look for optimization of the costs of some units which are geographically spread, spreading the risks and gaining advantages from economies of scale;

Identification of some strategic assets, the case when the companies purchase assets of some foreign companies in order to promote the objectives on long term and to consolidate their competitive positions;

Other situations which can become motivations for the extension of business on foreign markets (actions of the host states in attracting/encouraging foreign investments; strong competition on the local market; lower requirements on certain markets; avoidance of customs barriers; exploitation of differences regarding fiscality, etc.).

Increased integration of the markets leds to the need to rethink the strategies; so that the companies have shifted towards more comprehensive visions which also change the characteristics of their role as actors on the global economic scene. The global strategies oriented towards the whole world market take the place of the local or regional strategies and they have much more complex objectives than the traditional ones. The multinational companies of the 80s and of the following decades, described by Dunning (1988) as *the new style multinationals*, have firstly, *a global vision over the market and over the competition*. The global actors from the class of „*new style multinationals”* are looking for an answer to the challenges launched by the globalization of the markets through three strategic options, namely *global networking, global switching and global focusing* (Howells & Wood, 1993, pp. 139-145).

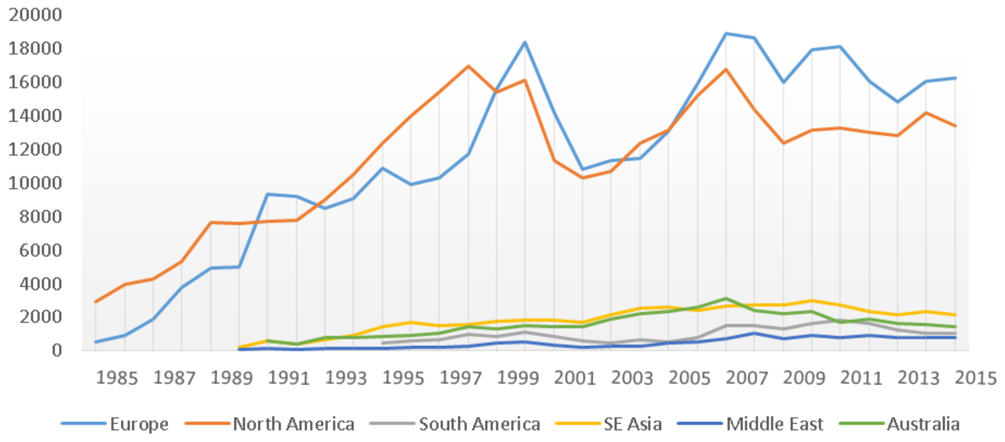
Global networking describes the way the companies connect their operations and relationships throughout the world. The concept *business networks*, developed by Hakanson & Snehota (1995), changes the perspective on the organization and management of the corporations for the purpose of giving up the rigid, hierarchical and centralized structures in favour of a decentralised system (*heterarchy*), based on flexible coordination which favours the autonomy of the local affiliates. In other words, in order to maintain or ameliorate competitiveness and adapt to changes on long term, the companies which strongly extend outside the borders of the home country need flexible organizational structures, which assure a high level of autonomy. *Global switching* is based on the ability of the company to integrate and coordinate at global scale their different functional operations (i.e. R&D, production, marketing, sales, administration, etc.). For the companies which develop at a large scale, the issue of the geographical localization of the R&D activities and of the technical capacities increasingly looses its relevance. *Global focusing* is an alternative preferred by the companies with activities extended in the entire world, but with operations concentrated spatially, in certain locations of the world, for certain products or technologies. In other words it is about the spatial concentration of R&D, of the production and of other key facilities for the specialization on a certain product or group of products (or on associated technologies) in an unique location or in several areas of the world, among which there are connections.

In case of global activities, the competitive position gain by a company in a country can be significantly influenced by its competitive position from other countries or vice versa, and, finally, by its competitive status on the global market. Porter (1998) mentions a series of tendencies which gives a certain pattern to the competition on global scale, such as: reduction of differences among countries, more aggresive industrial policies, acknowledgement and protection given to some distinctive assets (natural resources, cheep labour, etc.), liberalisation of technology flows, gradual development of new markets of large sizes, emergence of the new industrialized countries (which hold competittive advantages in the light industry, toys, plastic products, etc.)

The technological process, especially in the information technology section and the production techniques, plays an increasingly important role in the administration of the global companies and in the creation of an integrated value chain at regional or global scale. The global companies develop more and more, on the one hand, under the form of some networks integrated at global level and, on the other hand by the implication/integration in the business networks with other global companies.

The reorientation of the companies towards global strategies is illustrated also by the intensification of the transnational mergers and acquisition, beginning with the end of the '80, especially in Europe and North America (figure 1). The transnational mergers and acquisitions set a global pattern of the competition, rising the level of markets internalisation, too.

Figure 1. The evolution of mergers and acquisitions by regions (1985-2015)



Source: Adapted after *M&A Statistics* (Institute for Mergers, Acquisions and Alliances, 2016)

The global strategic approach determined a „detachment" of the competitive advantage of the companies from the factors specific to the home economies; the global companies exceed the territorial constraint becoming important actors who emancipate more and more from the national states.

In order to explain the activity of the companies beyond the national borders, Dunning (2001) developed an eclectic paradigm (*OLI- Ownership, Location, Internalisation*). Studying the labour productivity, Dunning noticed the major differences existing between the level registered in the manufacturing industry from USA and that registered in the UK. Trying to explain this gap, he advanced the hypothesis that the productivity difference is connected to the intangible assets owned by the parent company, spatially transferrable (*ownership-speciffic effect*). If the affilites of American companies in the UK registered lower performances than their local competitors and the parent company, this thing is owed to the non-transferable characteristics of the American company (*location-specific effect*). In order to understand the pattern and the dimension of bussiness extension outside the national economic ebvironment, Dunning analysed the benefits offered by internalisation (*internalisation-specific effect*), comparing the motivations which the companies may have in order to generate and exploit in their internal environment the specific advantages with the ones which they can have in order to purchase or sell these advantages.

The globalization of the market and of the production lead to a new pattern of the universe of the corporations from the perspective of the integration models (table 1).

Table 1. Models of corporate integration

Characteristics / Corporate integration model	Configuration of the assets and of the responsibilities	Role of external operations	Development and diffusion of knowledge
International	The sources of the core competencies are centralized, the other are descentralized	Adjustment to the strategies of the parent company	Knowledge is developed at centre and transferred to the external units
Transnational	Dispersed, independent and specialized	Differentiated contributions from the side of the national units with the purpose of integration in the operations in the whole world	Knowledge is developed in partnership
Multinational	Descentralized and limited to the national frame	Identification and exploitation of local opportunities	Konwledge is developed and maintained within each external operative unit
Global	Centralized and sized at global scale	Implementation of the strategies of the parent company	Knowledge is developed and maintained at centre

Source: (Cherunilam, 2010)

The answer of the corporations to the challenges and opportunities of globalization has been improved, the international expansion of business exceeding the export/import of goods and services. The directions that join the strategic thinking express only a reaction to the transformations occured in the environment where the companies operate, which gave birth to different action patterns.

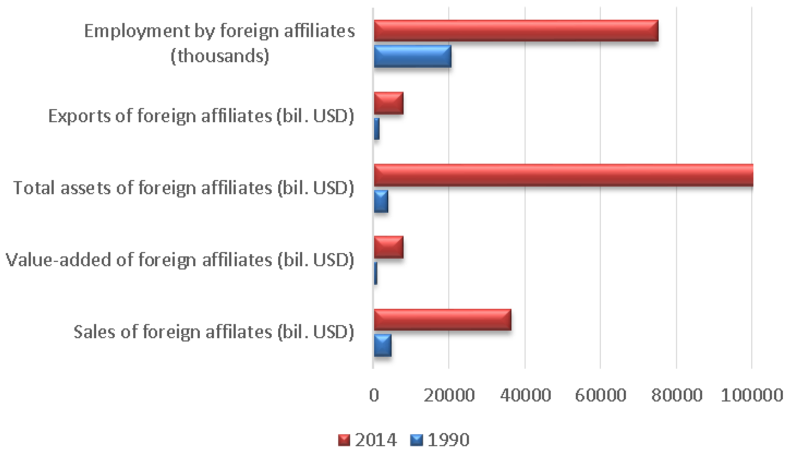
III. EMPIRICAL EVIDENCES OF THE EXTENSION OF BUSINESS OUTSIDE THE AREA OF THE HOME ECONOMIES

The business environment has become more and more dynamic, volatile and therefore, hard to administrate both by the companies in the *small business* sector, or the big corporations. The international business environment is much more complex than the national one; political risk, different law systems, cultural diversity, different currencies, etc. give certain particularities to the global economic area, from here deriving not only threats, but also high opportunities. The extension of business outside the national economic area can be estimated from several perspectives (Dörrenbächer, 2000):

- By individual indicators of the internationalisation of the company, category in which there are included *structure indicators* (number of countries where they operate, number of foreign affiliates, etc.), *performance indicators* (foreign sales) and *attitude indicators* (management styles, communication types, etc.)
- By evaluation of the regional diversification of a company, better known being *Network extension* (equivalent to *Network/Global Spread Index*).
- By some composite indicators such as *Transnationality Index*.

The intensity with which these „economic forces" have extended is emphsized by the comparative analysis of some of the key indicators of international activity of the corporations in the year 2014 in comparison with the year 1990 (figure 2).

Figure 2. Evolution of key indicators of the international activity of the companies



Source: Adapted after (UNCTAD, 2015)

In 1997 UNCTAD estimated the existence of almost 45000 MNCs having about 280000 affiliates, while in 2010 their number reached about 103786 MNCs, with about 892.114 affiliates in the entire world. Among these MNCs, the weighting majority had the home location in the developed economies (about 70%), while the majority of their affiliates operated in developing economies (about 57%). China (including Hong Kong and Macao) is one of the most attractive locations for MNCs, in 2010 being the host for about 446889 affilites, representing over 50% from the worldwide total and over 87% from the affiliates located in developing economies (UNCTAD, 1998; UNCTAD, 2011).

In order to outline an image of the geographical concentration of the internationalization of the corporations included by UNCTAD in *The World's top 100 nonfinancial TNCs 2014* (UNCTAD, 2014), we firstly analysed the key indicators for each region where they come from. These indicators have resulted by summing the indicators for each company, as they appear in top 100.

Regarding the *assets*, as we can see in table 2, the MNCs in the Top 100 sum a total value of about 13748316 Mil. USD, from which 8103862 Mil. USD is the value of their foreign assets (about 59%). The European companies cumulate the largest value of the foreign assets, respectively 57% from the value of the foreign assets hold by the companies; they are followed by the American companies and by Asian companies. If we take into account the value of total assets, we also notice, that Europe is on the first position, with about 51% from the value of the total assets hold by the MNCs included in top 100; on the following positions there are America and Asia.

Table 2. Concentration of MNCs' assets by home region of parent corporations

Region	**Assets**			
	Foreign (Mil. USD)	**Total** (Mil. USD)	**Ratio of foreign assets to total foreign assets of top 100* (%)**	**Ratio of total assets to total assets of top 100****
Europe	4666101.2	6985196	57.58	50.81
America	2031240.1	3896264	25.07	28.34
Asia	1304496	2680170	16.10	19.49
Australia	67648.502	139178	0.83	1.01
Middle East	34376.173	47508	0.42	0.35
Total 100	8103862	13748316	100	100

Source: Calculated by authors after *The World's top 100 nonfinancial TNCs 2014*(UNCTAD, 2014)

* The ratio of total value of foreign assets hold by the companies which have the home location in a region to the total value of foreign assets hold by all 100 companies in the Top 100.
** The ratio of the total value of assets hold by the companies which have the home location in a region to the total value of assets cumulated for the 100 companies in the Top 100.

The analysis of the value of the *sales* underlines similar tendencies. So, the data summerized in table 3 indicates the fact that the MNCs in Europe accomplish sales outside the home economy of about 3485168 Mil. USD, which represent 71% from their total value of the sales. On the following positions there are the companies from America and those from Asia. Analysing the concentration of the foreign sales, it can be noticed the fact that, from the entire value of about 6061422 mil. USD, the largest part is cumulated by the companies from Europe (about 57%), folowed by the companies from America (about 24%) and those from Asia (about 16%).

Table 3. Concentration of MNCs' sales by home region of parent corporations

Region	**Sales**			
	Foreign (Mil. USD)	**Total** (Mil. USD)	**Ratio of foreign sales to total foreign sales of top 100* (%)**	**Ratio of total sales to total sales of top 100 ***
Europe	3485168.2	4868058	57.50	52.21
America	1493931	2858039	24.65	30.65
Asia	1004503.6	1511140	16.57	16.21
Australia	61371.042	65953	1.01	0.71
Middle East	16449	20314	0.27	0.22
Total 100	6061422.8	9323504	100	100

Source: Calculated by authors after The World's top 100 nonfinancial TNCs 2014 (UNCTAD, 2014)

* The ratio of the total value of foreign sales of the companies having the home origin in a region to the total value of the foreign sales cumulated for the 100 companies in the Top 100.
* *The ratio of the total value of the sales of the companies having the home location in a region to the total value of the sales cumulated for the 100 companies in the Top 100.

The concentration of the labour employed in the affiliates outside the home economic area also leads to relevant conclusions. Taking into account the data in table 4 we can notice that the largest part of the labour in MNCs with the origin in Europe is employed in affiliates (about 60.6%); moreover, they concentrate more than half (57.5%) of the labour employed in the affiliates of all 100 companies in top. The European companies are followed by those in Asia and America.

Table 4. Concentration of MNCs' employment by home regions of parent corporations

Region	**Employment**			
	Foreign (number of employees)	**Total** (number of employees)	**Ratio of foreign employment to total foreign employment of top 100* (%)**	**Ratio of total employment to total employment of top 100****
Europe	4737843.16	7817657	49.01	46.12
Asia	3007437.58	5781143	31.11	34.11
America	1679795.53	2768700	17.38	16.34
Australia	135000	307000	1.40	1.81
Middle East	107101	274616	1.11	1.62
Total 100	9667177.27	16949116	100	100

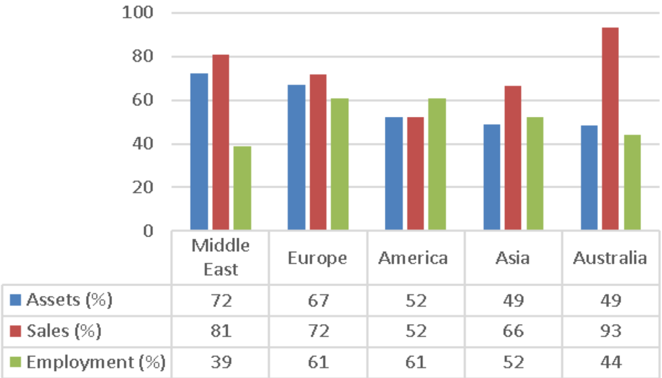
Source: Calculated by the authors after *The World's top 100 nonfinancial TNCs 2014* (UNCTAD, 2014)

* The ratio of the total foreign employment in the companies having the location of origin in a region to the total of foreign employment in these 100 companies.
** The ratio of the total number of employees of the companies having the home location in a region to the total number of the employees in these 100 companies.

If we rank the regions by these three indicators, we could notice that, in case of the concentration of the employment, America is overtaking by Asia. Taking into account the fact that the value of foreign assets, but also of the total assets hold by the Asian companies, is smaller than the value of the Americans, we can draw the conclusion that the Asian MNCs are oriented firstly towards labour-intensive sectors, while the American companies which have become international, operate mainly in knowledge - intensive sectors.

At the present, the most used composite indicator which reflects the spreading of the activities carried out by each multinational company outside the home country is Transnationality Index, calculated as arithmetical mean of the ratio of the foreign assets to the total assets of the company, the ratio of foreign sales to the total sales of the company, and the ratio of foreign employment to the total employment of the company. In order to outline a regional image of the internalization of the companies from top 100 we have calculated a regional TNI, based on the key performance indicators which compose this index (by aggregation of the values for each company). From this perspective, if we report to the ratio of the assets hold by the companies concentrated in each region we notice that Middle East is situated on the first position (72%). More precisely, we are talking about Teva Pharmaceutical Industries Limited, the only company in top 100 with the home location in the Middle East (Israel).

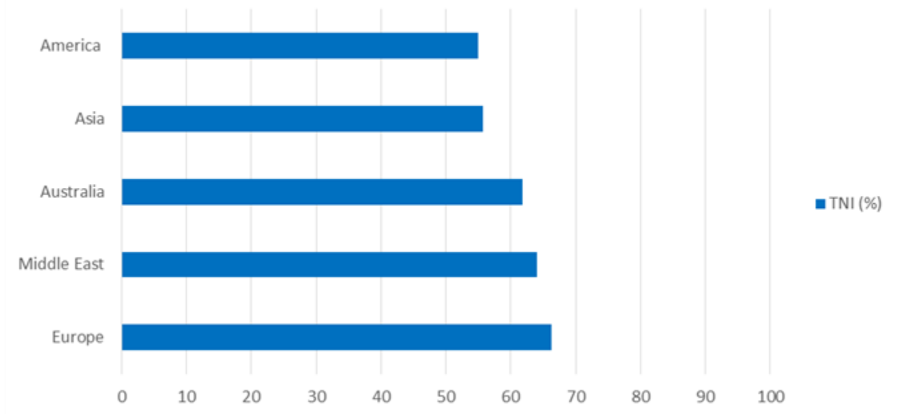
Figure 3. Regional concentration of the three ratios (assets, sales, employment)



Source: Calculated by authors after *The World's top 100 nonfinancial TNCs 2014* (UNCTAD, 2014)

The analysis of regional aggregated TNI reveals the fact that Europe is the most internationalized economic area; the companies in the Top 100 with their origin in the countries from this region carry out most of their activities outside the national economic borders. Moreover, Europe is also the location which attracts lots of multinational companies; so, according to UNCTAD (2011), in 2010, Europe was the home location of about 53751 companies and the host of about 323433 affiliates (representing almost 86% from the total of affiliates in developed countries, and 36% from the total of affiliates at global level). This tendency can be explained especially in the light of the benefits offered by deepening of the integration process in the European economic area (free movement of goods, free movement of capitals, standardization, competition policy, etc.).

Figure 4. Regional TNI (2014)



Source: Calculated by authors using *The World's top 100 nonfinancial TNCs 2014* (UNCTAD, 2014)

IV. CONCLUSIONS

In the business environment at the beginning of the 21st century, the relations and the interdependencies extend at large scale; now, more than before, the products, the capitals and the persons become more and more interconnected, and the business entities extend their activities considerably, becoming rather global than international. More and more companies, whose turnovers are more consistent than the GDP of some countries, consider each area of the Globe as feasible source for raw materials, cheep labour or market opportunities. At the same time they have seriously putt into question the role of the nation state and they have even opened the path for an erosion of its position in the area of the international business.

The magnitude of the corporate phenomenon is quite difficult to evaluate; most commonly it takes either the form of comparisons with national economies, or a series of indicators agreed by the international institutions. An image over the internationalization tendency, and the concentration of the activities outside the home country is given by the analysis of the value of the assets from foreign affiliates, by the number of employees in these affiliates, as well as by the value of the foreign sales. During the last decades, UNCTAD have analysed the corporate phenomenon using the Transnationality Index, as an image of the external size of the activities of a company. Based on this algorithm for determining this index we calculated an aggregate TNI for home regions of the MNCs included by UNCTAD in the Top 100, in 2014. The results of the study, which has opened new research directions, indicate an increased tendency for the internationalization of the companies with home locations concentrated in the European economic area. This propensity towards the extension of business over the border is reflected not only by the value of the aggregate TNI, but also by the analysis of the foreign assets hold by these companies. From this point of view, the American companies, although they hold high values of foreign assets, they have a lower level of internationalization than the European companies. So, there are premises for the conclusion that the American MNCs activate mainly in knowledge-intensive sectors, while the Asian companies operate mainly in labour - intensive sectors.

Nowadays, the multinational corporations are real economical, political and even cultural „forces", a fact impossible to ignore in the contemporary business environment. These entities have created new techniques and reconfigured the pattern of competitive business environment.

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