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Effects of Regional Strategies on Multinational Corporations in Nigeria

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Abstract:

This study examined the effects of regional strategies on multinational corporations in Nigeria. Relying on secondary data and review of dependency and contingency theories, this study revealed that regional management autonomy, product comforts, and climate design adaptation for each region are very important determinants of multinational corporations' operations subject to environmental considerations. This study concluded that multinational corporations must engage in fair treatment of involvement of the society for objectives optimizations. This study recommended multinational corporations should integrate representatives of various parties of the region where they operate in effective decision making and participation for benefits.

Keywords: Culture, geographical location, contingency/dependency theory, profit repatriation; government policies, strategies

1. Introduction

Regional strategies of multinational corporations are very sine-qua-non in order to keep a breath with trends in the dynamic world economic situations (globalization) in the global economic market. They may be regarded as re-adjustments, amendments in facilities and production programming, re-organizing and reformulating policies and strategies applied in tandem reality, to earn regional marketing benefits. It is worth mentioning that "Regions" differ by geographical locations; natural resources endowments, and population strata, social and technological development. All these have both positive and negative effects and influences. Culture, choice, tastes are not the same all over the world.

Some current literature on regional multinationals (McKinsey Global Institute 2019; UNTAD, WTO, and World economic reports 2018; Rugman 2015, 2011, 2012; Arregle et al 2013; Heinecke 2011) stated that regional strategies of multinational corporations defined a way of internationalizing strategies that blind together local responsiveness and global integration. This is supported by Banalieva and Dhanaraj 2013; Ghemawat 2017 on semi globalization of integrating various types of markets cross-border is linked together. Basically, different experts have various mental picture of geographical area which must be position strategically to fit in appropriately in the policy of the society or environment of operation and the region. (Banalieva and Dhanaraj 2013; Rugman and Oh 2013)

Moreover, region by region home government differs in policies like Africa with home base industries having economic advantages in areas of non-tariffs on raw materials, leverages, and tax waver, relief period; but these are disadvantage to multinational corporations. Hence impact of regional strategies on multinational corporations to penetrate regions and take larger part of the market, irrespective of local and global market competitions as in Asian countries. Products and services re-design for more product comforts and benefits added to reason for shaping regional strategies to pave way for: more creativity of various models for operations; innovative methods, room for intuitions for new products designs, rebranding, reshaping and modeling through technological developments for quality.

Expectedly, industrial production processes are improved; machineries for productions/service provisions are functioning, leading to capturing larger regional market in the eyes of stiff global competition. These new technological innovations made China to be a place for many multinational corporations having large sum of Foreign Direct Investment (FDI) for large market dominance in those Asian regional markets. In addition, irrespective of Western world quality products i.e., USA, Britain, Germany, Italy and France products/services for example in areas of auto mechanisms, air plan, vehicles, scientific products, even in medicine, and medical science world and equipment supply to the global market, India one of developed global industrial market nation that is posed to take second position in global market in view of the economic globalization opportunities.

This is because of their sophisticated and standard well planned technological innovative and intuitions Industrialization strategies made worth 5.2 billion dollars. To buttress the plan, it says "Asia is shaping the future of digital innovation globally" (source: McKinsey Global Institute, July 2019). They are determined to make latest machines in all facets of economic products like industrial machines, aircraft, ships, motor vehicles, electronics and home need appliances and chemicals productions (UNTAD, W.T.O., and World economic reports, 2018).

Achievable plans and higher performance strategies and efforts are concentrated, and supported by management financial budgets to function and maintain market positions in each region by the multinational corporations. Staff motivation and rewards for higher performances are done accordingly to the organization employees. Regional strategies are done for economic dominance and customer's satisfaction for patronage, which led to higher sales, revenue generations, progress and continuity of business by multinational corporations.

Indeed, regional strategies are highly necessary as each region is re-aligning to the social and development regional changes. Political restructuring; continuous technological advancement and developments; and advancement in business interconnectivity relations, dynamism of global shaping regional strategies for pursuit in economic reality of the advance world economies.

It is a known fact, that the advanced economy of the west in countries like US, France, UK, and Germany are gently being reduced, even though new technologies and products and services are unmatched in economic standards, yet there is high development steps and strands by the Asian countries that are re-shaping world economic dynamics through improvement in science and technologies by manufacturing various products in goods and services, equipment tested to stand in alternative products/service equipment, tools and other human needs utilities due to the Asian regional countries re-shaping world market and global economy especially for home consumption.

In Asian regions which comprises of countries like Indonesia, Thailand, China, India, and Vietnam, are really making giant strands competing highly with products and services equipment made in UK and US. China and India have been building move domestic supply chains. They are becoming multinational corporation by development in science and technologies; producing and manufacturing various models of human needed materials including vehicles, aircrafts, computers textiles industrial chemicals and electronics, telephones, machineries etc. in line with Asian markets internal consumptions and for export to the third world economy countries.

Nigeria as a developing nation in Africa is characterized with constant regulation of policy, unstable economic market factors, corruptions, environmental pollution, incessant increase of price of goods and services etc. which serves as constraint to effective positioning and competitiveness with global market of goods and services. The need of regional strategy by Multination Corporation to suit the region and the local environment becomes so imperative for effective operation to achieve the corporate and global objectives. Good products and services that are dynamic in nature must be produce and value-added policy ignited favourably to the region, local environment and the organization itself to compete with the global market.

1.1. Objectives of the Study

The basic objective of this study is to identify the effects of regional strategies on multination corporations. Specifically, the study sought to: i. Evaluate the effective management of independent and regional product and service changes on adequate success of the region. ii. Examine how regional natural resources endowment differs, with variation in government's business making policies.

2. Theoretical Foundation and Literature Review

2.1. Conceptual Review

Multinational Corporation as a concept is viewed in different ways by definition in connection to the global environment. It is sine-qua-non to a lot of features in various level of operation in value added chain of business across the border. Spero and Hart (1999) viewed Multinational Corporation as a business entity that maintain and sustain direct investments across the border and hold tightly value added in more nation or country. A multination enterprise must be managerial talented, highly technology inclined, high market skill to operate abroad, and able to send abroad package of capital. According to Dunning (2008) multinational enterprise embraced foreign direct investment and regulates the value-added worth holding in different countries. Multinational corporations operate basically in different countries having their base operations in a particular country known as home nation and business activities in other nations known as the host. The international Labor Organization (ILO) looked at Multinational Corporation as one with management headquarters in a country and operates in various countries that have its management headquarters in one country, known as the home country, and operates in several other countries, known as host countries. Subsidiaries firms may be linked or merged by the home countries to have autonomy.

2.2. Theoretical Review

2.2.1. Contingency Theory

In this study, contingency theory which depend on the outcomes of a third party or variable from the relationship between the independent and dependent variable (Donaldson 2001). The theory was formally developed by Burns and Stalker 1961; Lawrence and Lorsch 1967. For this study, organization is rational and effective if structure and strategy are integrated in line with the components of internal factors and environmental factors. As such organization effectiveness is the synergy of structure and strategy and combination of the internal situations (Zeithaml et al. 1988). The external and

internal features of multinational corporations must be subjugated to the contingency variables and situations to optimize the broad objectives. Rugman (2013) applied regional strategy in the achievement of management autonomy at various levels in product or service dynamism to regional market needs a contingent environmental strategy and structure relationship though there are no universal strategies of obtaining the desire objectives (Zheng Zhou et al. 2007).

2.2.3. Dependency Theory

This theory was developed by Boxborough (1974). It is one sided benefit. It is a kind of parasitic relationship in nature between the developed and emerging economy and under developed and developing economy at which the lesser economies suffer greatly from the bigger ones. Like in Nigeria, the relationship that exists between multinational corporations (the owners) and the country itself is that of dependency theory. The theory shows a complex phenomenon of politico-economic relationship that integrates pure advanced capitalist countries and other countries in structural movement of economic progress of some countries. Some African Countries like Ghana did not benefit greatly from experimenting the dependency theory.

2.3. Regional Strategies

Regional strategies are policies developed and by the multinational corporations to help achieve their goals and objectives in the different countries of the region of business operations. It is a known fact that countries technological development and government policies and type of government practice are not all the same government of each country has her business rules, regulation and operational laws. Thus, the multinational corporations' devices and formulate dynamic working achievable policies in agreement with home base government policies to enhance their business continuity, profitability and dominate the market. The multinational corporations put in place regional policies to ensure market development and maintenance through research and development on products, of goods and services that are meeting customer needs and satisfaction. Different brands of Toyota cars. Hyundai produce various types of Nissan has different brands to suit different customers.

Moreover, these auto manufacturing companies bear in mind during the planning, the issues of choice, tastes, market competition, Per Capita Income or purchasing power, large population and technological development which differs. Also, people's level of educational development i.e., all factors that would enhance business success, progress, profitability and market dominance and regional base continuity.

For example, Nigeria, is termed a developing country or economy, in fact base on the above parameters, multinational corporations adjust and make policies for their companies to be in good working business relationship with the home federal government laws and achieve their objectives. This is because Nigeria becomes a hub center for their business because of population, a reforming economy, progress in science/technology and literacy population and higher purchasing power by the people and government.

In addition, regional policies by the multinational corporation were based on how ideas will change into regional operation contents. Although strategies by multinational corporations, may not be attained fully in performance reality (work) as a set objective because of various internal and external factors and prevailing circumstances or forces.

2.4. Regional Management Autonomy

The existence of regional management autonomy is as a result of complex phenomenon arising in multinational corporations. The transaction cost theory sees it as an inter-firm's effective management technique of bounded reliability and bounded rationality in multinational enterprises and the management of subsidiaries (Arregle et al. 2013; Rugman and Verbeke 2017; Verbeke and Kenworthy 2018). The bounded rationality shows the restrictions of the desire human behavior to blend with process and information diagnosis which forced management or headquarters to ensure effective delegation of decisions to regional level and exploiting available opportunity where regional market-related and national can be captured better (Buckley and Ghauri 2004, p. 87). The bounded rationality gives room for regional management effective operation if the corporation is set locally activities oriented in an equi-distance region (Enright 2005a, p 75). The bounded reliability defines the restrictions of individuals of achieving particular outcomes (Rugman and Verbeke 2017). It influences the subsidiaries firms in a nation in areas of reward system, control and monitoring, immediate sanctions etc. (Verbeke and Kenworthy 2018). It revealed how management of a region can be influence by the geographical nearness to the headquarters (Yeung et al. 2016). In addition, regional management is the reaction of multinational corporations to equate the force to remain and to internationalize (Buckley and Ghauri 2004; Enright 2005a). The conflicting forces of bounded rationality and bounded reliability affect the value chain of the customers' ends and the firm functional activities. (Rugman 2005; Rugman and Verbeke 2018a). The geographical classification of corporate work in line with multinational corporation' value chain worth shows a define arm of evaluation for regional management (Buckley and Ghauri 2014).

2.5. Regional Product and Service Adaptation

The multinational corporations' products and services occasionally changed to the marketing demand and state at the various regional levels basically in meeting the needs of the customers (Rugman 2015; Rugman and Verbeke 2018a). The rate and nature of products and services changes in a particular region rely on geographical structure. The region-bound FSAs are corporation ability above the restricted geographical boundary of a particular nation (Morrison and Roth 1992; Morrison et al. 1991; Rugman 2015). In 2000-2021, people's tastes have changed to buying Toyota vehicles from another vehicle manufacturing industry. The Federal Bureau of statistics in Abuja shown data that, although the economy has risen up, and both government parastatals agencies companies and individuals changed to platonic Toyota vehicles. This was also applicable to fabric industries, shoe manufacturing in China communication gadgets, cadiocassette, advance

to higher musical equipment, manufacturing machines and other auto mechanism equipment and home utensils, Black and white television and video to coloured brands; milling machines now automatic.

2.6. Economic Opportunities of Regional Strategies of the Multinational Corporations

There are many economic opportunities involved for shaping regional strategies of the multinational corporations making policies like capturing dominating and controlling larger part of the economic market of the operating region. The large population is an economic advantage. For higher sales revenue, so far, the product and services satisfy the customers and consumer's needs. For example, a country like Nigeria with high population and consumer have higher and strong purchasing power (money) to back up their demands, multinational corporations have to shape and reshape strategies and policies that help to maintain market dominance for patronage of their products.

Hence, regional strategies of the multinational are exhibiting progress through research and Countries have different government policies and business restriction laws e.g., by tariffs, profit repatriation laws, and foreign company regulatory agencies. Regional applicable strategies should be dynamic as development of the people and market demands. The global market development would also indirectly affect market situations warranting different strategies to continue multinational corporations' dominance of the market. The regional strategies would involve some better workable and achievable objectives of the multinational corporations as all plans is geared towards larger market share and higher sales and revenue generations, achieving their goals and objectives. Factors like – cultural ways of life; administrative costs, geographical distance between countries and Multinational corporations are economically vibrant, and technologically transforming and improving through research development on business products, manufacturing various human needs – vehicles, home appliances, textiles, motor Bikes, engineering drums etc. are moving fast and higher in their regional strategies with vigorous developing and renewal plans in order to firmly take hold of consumer choices and satisfaction and control the regional marketers, bearing in mind of competition from other companies and industries.

In addition, Regional Strategies by multinational corporations make some rooms for economic progress, social development in all socio-economic and political development of the regions where they operate. And the consumers stand to benefit in areas of low maintenance costs/spare part long life span choice making comfort provision and makes life easy, which brought about technological development improvement in tertiary education for technology transfer; solve youth un-employments in the region and raise economic performance higher in the areas or regions of operations. For example, Toyota manufacturer has an assembly plant at region Ikeja Lagos. Yutong a motor Industry has repairs and service center at mile 2 in Lagos and a host of others.

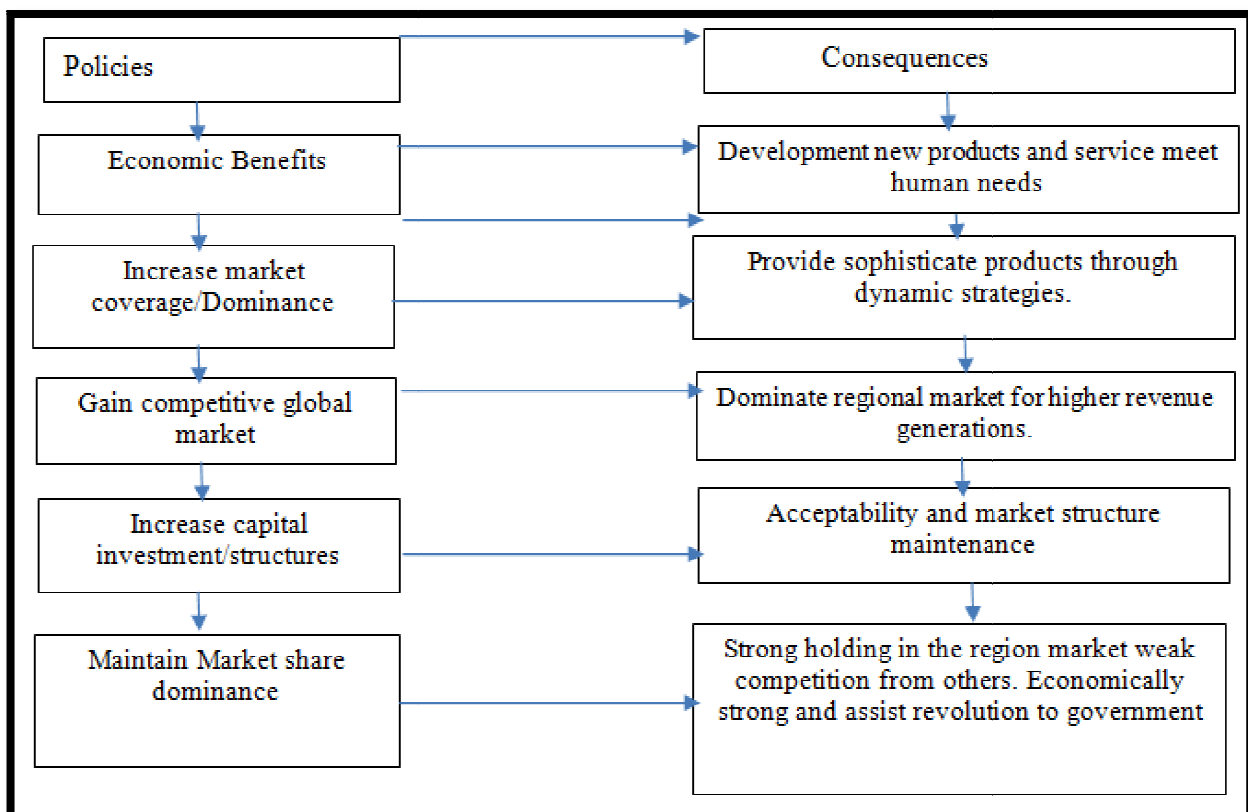


Figure 1: Dynamic Regional Strategies

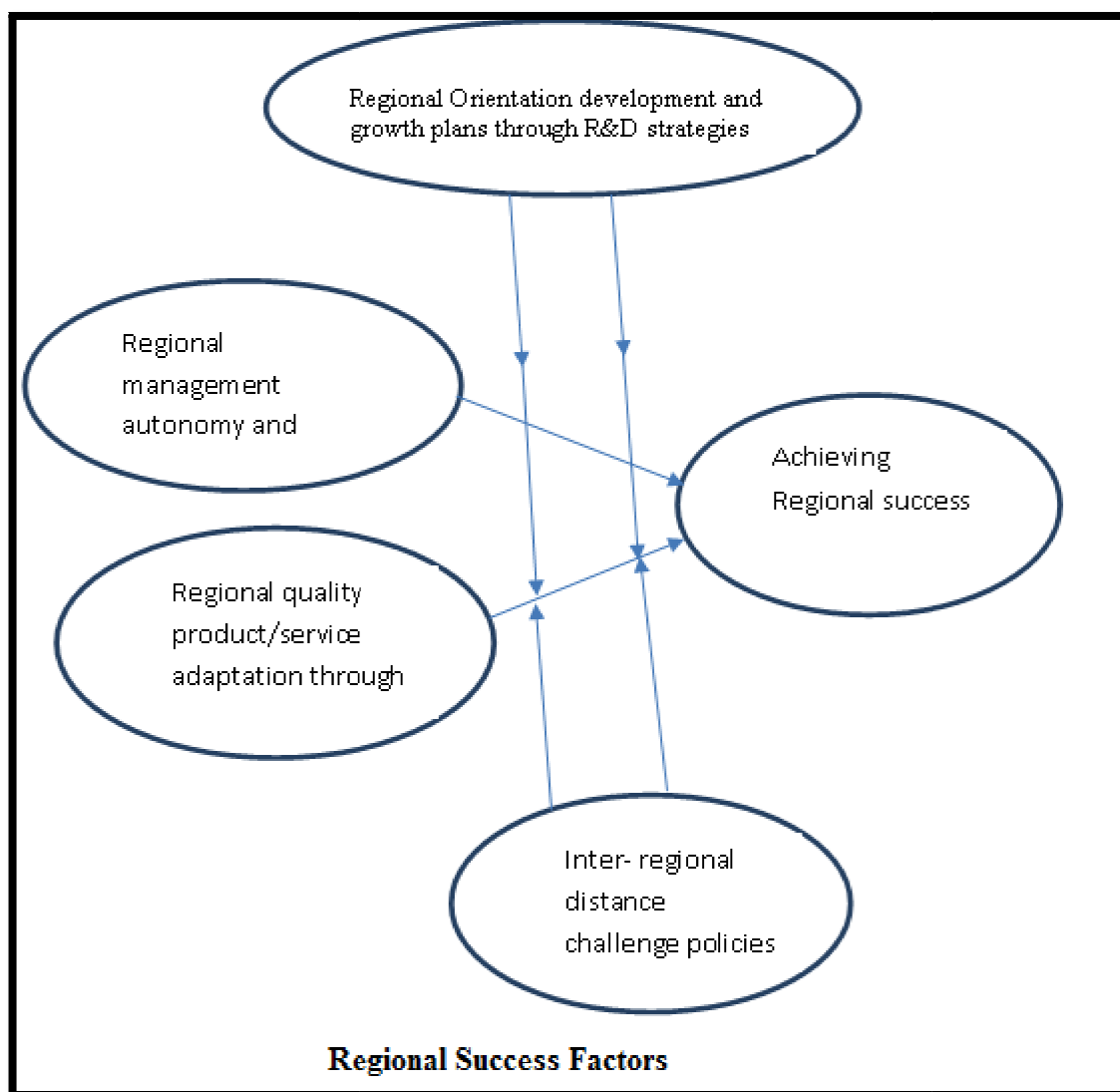


Figure 2: Regional Success Factors

2.7. Strategies of the Multinational Corporations in the Third World

Third world countries are the countries where their economy and business activities and technology development are just trying to take sound roots. Their economic performance is slow multinational corporations' impacts are weak and are mostly feeling on them for aids, loans and government policy supports. Third world countries have large population which is a fatal area or place for multinational corporations to do economic business but this depends largely on factors like good infrastructure provision and maintenance, environment and political peace devoid of military coups in governance and counter coups. African countries fall into these categories. However, many African countries are now practicing Democratic governance.

2.8. Multinational Corporations and Inequality in Developing Countries

By economic theory, businesses are set up to make profits and increase the owners' capitals and wealth with high accounting ratio performances. There are many countries in Africa that are economically poor e.g., Sudan, Eritra, Congo, etc. This is imperatively clear because they lack natural economic endowment. Also, there are political instability ravaging these countries, this makes them poorer, when the society is in chaos, no peace and no reasonable development programmes and policies. Hence, the per capital income is low and people impoverished. For example, Multinational Corporations in their view made Nigeria as a centre where to reach other parts of the regions. Even though the federal government is battling wars against Boko Haram, Herds men gun-torting, kidnapping, killing and other insecurity matters, the Multinational Corporations still have their feet dominance in the regions strategic economic operations and achieve their objectives.

2.9. Poverty, Growth and Multinational Corporations

Without doubt, multinational corporation regional strategies are always necessary and essential. Many countries in their region for operation are ravaging with poverty. Poverty of the society leads to slow economic growth and development. The reasons are easily noticeable. There is no regular power supply to generate and supply constant energy to the industries, manufacturers' small scale and medium enterprises, suffer survival by their efforts to ensure business moves forward for economic growth-Ikeja Electric providing dilapidate-unreliable power supply services. Every business

organization with survival plan and continuity production, provide power generation for itself by having larger generator of 2 or 3 500KVA energy supply provisions to forestall government sources of current supply.

Multination Corporations are trying in the economic operations in the region of operation to assist the government and the people. Some multination corporations like awarding scholarships to brilliant students in universities – for lower and higher level – for learning and research works. Many multination corporations funded provision of books in established library in higher institutions and in some secondary school. These are seen as their social responsibilities to their region of operations through strategic decision making for socio-economic development for the government, the people and society. Moreover, many roads are bad this hinders free flow of business transportation of human goods and service delivery.

3. Methodology

The method used in this study is secondary data and review of dependency and contingency theories.

3.1. Sources of Data

A secondary source of data collection was used and content analysis of journal publications, internet material, library material and other importance materials related to the subject matter.

4. Conclusion, Limitations, and Avenues for Further Research

This study, effects of regional strategy of multinational corporations will result to great performance if thorough region strategies are implemented on identified situations and contingencies. The findings show that multinational corporations do not effectively integrate the society members in their decision-making process thereby creating vacuum in the relationship of both parties. Also, there is an unequal level of degree between the regional management autonomy and regional products and services change possibly as a result of inter-regional equidistance. Basically, we hope that our findings add value to body of knowledge in theory and practice of regional strategy of multinational corporations. We therefore recommended that the management of multinational corporations should always involve the society or environment of their operation in decision making in line with their norms, value, culture etc. for-profit optimization. In the nearest future the application of quantitative research designs for related problems may leads to more reliable and viable outcomes and better performance of regional strategies. Researchers should also direct future study toward small and medium firms, look beyond region to geographical areas.

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