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For Multinational Companies, Localization Matters More Than Ever

Three keys to success in a fractured global business environment.

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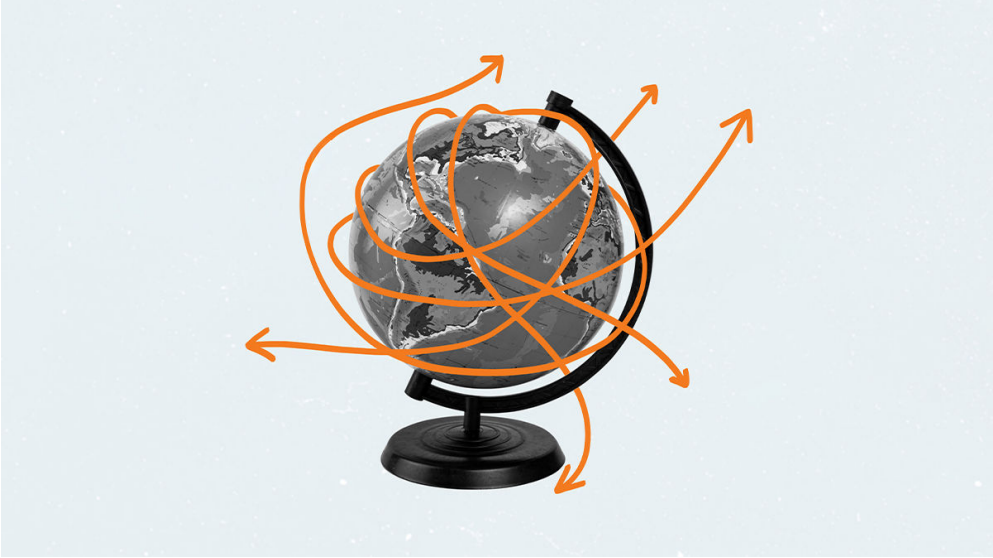

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For decades, multinational companies treated localization as a surface-layer adjustment. They tweaked marketing, packaging, or pricing to suit regional tastes. But in today's fractured world, such superficial localization is no longer good enough. Trade policies conflict. Data laws clash. And many governments now enforce data sovereignty laws and mandates for local sourcing and technology transfer. They require companies to perform key operations, stretching

from research and development to manufacturing and data processing, within their country, instead of merely selling products from abroad. The result is a profound shift in how global companies operate. They duplicate supply chains, adjust to local markets in real time, and integrate national and regional suppliers, even at the cost of scale efficiencies, to ensure redundancy and tailor best practices for every market.

We call this new model the "multipolar company," a multinational structured as a network of regionally integrated businesses, guided by centralized decisions. Unlike traditional decentralization, the company customizes everything from the technologies used to how workflows are carried out in each region's operations to local geopolitical and market realities, rather than replicating a single, standard model everywhere.

Our unpublished, proprietary research found that some companies are more successful than others at implementing a multipolar model. To evaluate how diversified company operations are, we examined two decades of foreign investment data, partnership networks, and supplier concentrations for 34,866 multinational firms. We also looked at the supplier bases of 3,029 companies from 2014 to 2024, analyzed survey responses from 1,000 executives about supply-chain independence and shifts in operating models, and explored case studies on how top companies are adapting.

In this article, we share the three main factors we found essential for success in the current global business environment: 1) developing rooted regional capabilities, 2) shaping rules and ecosystems, and 3) competing at the speed of a company's global, collective AI-enhanced intelligence on the front line. Although elements of these approaches have been used for years, today's geopolitical, regulatory, and

technological realities have turned them into system-wide necessities that must be applied in full, in every region.

Develop Rooted Regional Capabilities

While many multinationals have long built self-reliant operations in countries like Japan, today's geopolitical and regulatory fragmentation demands an increase in the level of autonomy of regional capabilities across every core function, not just manufacturing. The imperative is to allow each region to operate, comply, and innovate locally without having to rely on global hubs, especially in moments of disruption.

Rooted regional capabilities, in other words, require increased autonomy of regional operations, while keeping global strategic decision-making centralized. Successful multipolar companies build modular, scenario-responsive operations across all business functions—from research and development to manufacturing to customer service. For example, instead of relying on a single supplier, they source key materials from multiple partners to adapt to changing regulatory and economic conditions.

Take NVIDIA as an example. The company is moving well beyond simply setting up locations in various countries. It is building the ability to influence each country's selection of tools and infrastructure for artificial intelligence. In the U.S., NVIDIA is expanding its production capacity with several major manufacturing and chip fabrication partners in different states. Meanwhile, in Europe, it is investing jointly in regional AI infrastructure and governance projects alongside state investment banks and startups. In the Middle East, NVIDIA is partnering to stand up hyperscale AI capacity.

NVIDIA's strategy echoes broader shifts in global investment flows. For instance, our analysis of announcements of foreign direct investment

over the past two decades found a fundamental shift in companies' foreign investment strategies. The Middle East and Central Asia doubled their share of global foreign direct investment projects—from 6% in 2003 to 14% in 2024—and the Eurozone strengthened its position from 18% to 21%.

Developing rooted regional capabilities extends beyond operations to talent strategy. Successful multipolar companies build what we call a locally deep, globally relevant workforce that possesses deep cultural fluency and regulatory expertise in their regions, while maintaining connectivity to global innovation networks. For example, Siemens has built a network of regional innovation centers in locations like Bengaluru, Shanghai, Shenzhen, and Abu Dhabi, primarily staffed by local experts who develop solutions tailored to regional regulations, cultures, and markets—while remaining tightly connected through global platforms like Siemens Xcelerator for cross-regional knowledge sharing and collaboration.

To empower this workforce, multipolar companies need to reimagine core business processes to be both decentralized and interconnected. Product development, for instance, should follow region-specific pathways that account for local regulations and customer preferences, while feeding insights into a global innovation knowledge system that identifies patterns and opportunities across markets. Likewise, supply-chain management is less about central coordination and more about creating intelligent, autonomous regional networks that share capacity and expertise when needed.

Powerful emerging technologies also make sophisticated regional adaptation more accessible and cost-effective than in the past. For instance, both AI-powered digital twins and augmented and virtual reality technologies now allow companies to simulate, test, and

optimize regional operations virtually before implementing them in the real world. Siemens' comprehensive digital twin technology creates AI-enhanced virtual replicas of products, factories, and supply chains. These allow companies to simulate virtually region-specific scenarios such as regulatory changes or local disruptions, optimizing operations before physical implementation—at a fraction of the traditional cost.

Shape Rules and Ecosystems

Companies have always worked with governments and partners. What's new is the need to embed so deeply in local ecosystems that you have the credibility to co-develop industry standards, shape regulatory frameworks, and partner on national-level strategic initiatives. Increasingly, influence depends on being viewed as a trusted corporate citizen that collaborates with governments and partners with local businesses.

Consider Microsoft's new European Digital Commitments, announced in April 2025. The Washington-based company pledged to store and process all European public-sector data strictly within EU borders, as well as invest heavily in European cloud infrastructure and co-create governance frameworks for AI and other emerging tech—all in partnership with European institutions. The company also agreed to contest any government order, from anywhere in the world, that attempts to force the company to cut off, or surrender, EU customers' data. As part of its efforts, Microsoft is establishing a board of directors for its European operations composed exclusively of EU nationals, operating under EU laws.

Microsoft's commitments reflect a broader strategic imperative that successful multipolar companies are embracing across all regions. Indeed, when we conducted our own internal analysis of data from FactSet, a financial intelligence firm, on 34,866 multinationals that

operate in numerous industries, we found the number and range of business partnerships stretching from joint research initiatives to joint ventures and other co-investments are not only rising fast but also becoming denser and geographically diverse. From 2023 to 2024, the number of business partnerships worldwide increased by 44% compared to 2014–2015. Research collaborations soared by 230% during the same period. That growth was driven largely by partnerships involving businesses headquartered in China (+376%), Middle East (+250%), U.S. (+246%), Japan (+245%), EU (+213%), and Southeast Asia (+206%).

The dataspace company Catena-X reflects this shift toward denser, geographically diverse partnerships. Established in Germany in 2021, the consortium brings together original equipment manufacturers, suppliers, small and medium-sized enterprises, and research partners to standardize the exchange of secure and sovereign data across the automotive value chain. Its governance model and certified use cases—from quality management to product carbon footprint—allow participants to work from a common technical and legal framework, while meeting region-specific requirements.

In July 2025, Catena-X partnered with the China Association of Automotive Manufacturers and the German Association of the Automotive Industry to launch a standalone pilot with 50 Chinese companies to expand data collaboration across the automotive sector, with plans to scale to more than 3,000. By embedding its standards into both European and Chinese ecosystems, through localized entities such as BMW Brilliance Automotive, Catena-X is helping to write the cross-border "rules of the road" for quality, traceability, and carbon reporting in the global automotive sector.

Collective AI-enhanced Intelligence

Companies trying to encourage rapid local decision-making isn't new, of course. What's different now is that decisions can spread almost instantly across an entire global network. This enables a self-reinforcing cycle where each adjustment, anywhere, instantly informs and accelerates responses everywhere. Successful multipolar companies give local leaders the authority and data to respond rapidly to market changes. Central leadership supplies digital tools, capital, and strategic guidance so teams can compete effectively in their local markets.

Companies succeeding at this adopt what we call an enterprise digital brain, an intelligence system that integrates data from across the company and uses AI to provide insights wherever needed. With an enterprise digital brain, employees on the front lines can have access to AI-powered insights, predictive analytics, and real-time performance data from across a company's global operations.

Take Ecolab, a global leader in water treatment and hygiene solutions. The company built its own version of an enterprise digital brain by merging its commercial digital solutions group and IT teams into a single global unit, Ecolab Digital. This integration unified technical expertise, data, and digital capabilities under one umbrella, creating a connected operating model that surfaces insights from anywhere in the company and makes them rapidly available to employees in the field. By breaking down functional and geographic silos, Ecolab ensures that knowledge moves quickly and consistently across the entire organization.

The result is that Ecolab's 28,000 field employees worldwide now draw on best-in-class performance, expertise, and insights developed far from their own regions. For example, a water-treatment process

improvement devised for a beverage plant in Southeast Asia can be shared with a food-processing facility in the U.S. that faces a similar challenge. Instead of remaining confined to local teams, insights are transformed into shared resources—thereby enabling faster, better-informed decisions on the front line.

The enterprise digital brain also plays a crucial role in diversifying and making supply chains more autonomous for greater resilience. By connecting data and decision-making across geographies, it enables disruptions experienced by one supplier to trigger rapid adjustments in sourcing and production across the entire network. For instance, a material shortage in one region can prompt alternative sourcing in another, while a new cost-saving process in a local plant can be replicated globally within days. In this way, supply-chain diversification and autonomy are amplified by a system that transforms every local event—whether a challenge or an innovation—into a coordinated, enterprise-wide response.

A survey we conducted of 1,000 executives found that 66% plan to increase their supply chain autonomy at the same time that supply chains are being reconfigured for a broader adoption of emerging multipolar strategies. Diversification is happening fastest in the most digitally intensive sectors, such as software, web, and platforms; consumer goods and services; and high tech. The companies diversifying fastest also tend to be headquartered in East Asia, as well as in the Middle East, emerging Europe, China, India, and the UK.

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The world's shift to multipolarity is rewriting the rules of global business operations. Companies that succeed in this unfamiliar environment will root themselves deeply in every region they serve,

shape the rules of the markets they enter, and move in concert with their front lines to achieve long-term profitable growth.

Doing so requires building the capacity to operate fully and independently in each major geography, while still acting as one enterprise. It also means accepting that advantage now relies less on scale and more on the capacity to be adaptive, versatile, and continuously respond to change, with a deliberate and higher level of precision that sets a company apart from its competitors. In a world that is increasingly fractured, the ability to belong everywhere will determine who thrives.

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