REGIONAL HEADQUARTERS OF MULTINATIONAL CORPORATIONS: LITERATURE REVIEW AND TAXONOMY

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ABSTRACT
As part of the business globalization phenomena, executives are called upon, more frequently than before, to consider regionally-focused organizational structures, such as regional headquarters, and to determine their location. However, academic literature, as of now, has not placed much emphasis on the subject of regional headquarters and their study has only recently become an emerging area of interest in the field of international business. This paper presents a taxonomy and analysis of literature regarding regional headquarters of multinational corporations, with the purpose of identifying limitations of current literature, as a basis for future research.

Keywords: Multinational corporations, Regional headquarters

1. INTRODUCTION
Regional headquarters (RHQs) of multinational corporations (MNCs) are separate and independent subsidiaries, located in different geographical regions than the corporate headquarters, which have decision-making authority and power over other subsidiaries in their respective regions. This definition is based on a fairly wide consensus between theorists and practitioners regarding what constitutes a regional headquarters.

Despite their importance, issues regarding RHQs of multinational corporations have received relatively little attention in the academic literature [1], and their study has only recently become an emerging area of interest in the field of international business [2].

This paper presents a taxonomy and analysis of literature regarding RHQs, conducted in order to map areas of focus and limitations of current literature, and to identify roles of RHQs and factors that influence their location.
2. TAXONOMY OF THE LITERATURE

Literature concerning regional headquarters can be divided according to major area of focus and type of contribution. Major areas of focus include: 1) Regional strategy and the need for RHQs; 2) Roles and organizational structure of RHQs; 3) Place of RHQs in the multinational corporation's global structure; and 4) Location of RHQs. The issues of location can be further divided into: a) MNC perspectives on location factors; b) Host country perspectives on location factors; and c) Decision making process for location selection. The contribution of the literature can be either: 1) Theoretical contribution; 2) Empirical research; or 3) Case studies. Table 1 maps thirty (30) literature sources identified according to these branches.

<table>
<thead>
<tr>
<th>Theoretical Contributions</th>
<th>Empirical Research</th>
<th>Case studies</th>
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<tbody>
<tr>
<td>Regional strategy and need for RHQs</td>
<td>[3-6]</td>
<td>[1]</td>
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<td>RHQ roles and structure</td>
<td>[8]</td>
<td>[2,9]</td>
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<td>Place of RHQs in MNCs global structure</td>
<td>[13]</td>
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<td>Location of RHQs</td>
<td>MNC's perspective</td>
<td>[18-20]</td>
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<td>Host country's perspective</td>
<td>[22]</td>
<td>[23-28]</td>
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<td>Decision making process</td>
<td>[1], [29,30]</td>
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Literature focusing on regional strategy and the need for RHQs focuses on the forces shaping the MNC's regional competitive environment. Most of this literature is theoretical and discusses the need for RHQs, for example, as ‘a regional solution’ to the challenges of globalization [3,4], a regional response of American and Japanese MNCs to regionalization [5] or to organizational tensions [6]. Empirical research includes an analysis of RHQs in the strategies of MNCs in Singapore [1], and a case study analyzes regional strategy and responses in the automobile industry [7].
Literature focusing on the *roles and structure of RHQs* includes a theoretical typology of RHQ roles [8] and empirical studies of roles of RHQs in the Asia Pacific region [2,9]. Case studies examine the roles and structure of European RHQs of Japanese MNCs [10,11].

Literature focusing on the *importance of RHQs in the MNC's global structure* include theoretical contributions on the influence of regional choice on foreign subsidiaries [13]; empirical contributions regarding the perspective of European RHQs on management processes of U.S. MNCs [14]; and a number of case studies which describe how specific MNCs from different industries organize and employ their RHQs [16,17].

The literature focusing on the *locational aspects of RHQs* deals mainly with factors influencing the location decision and the decision-making process. From the MNC's perspective, the literature includes mostly empirical research regarding the importance of various location factors [18-20]. From the host country's perspective, the literature includes analysis and/or policy recommendations for countries attempting to attract RHQ operations by increasing country competitiveness. These include, for example, a number of European cities [23], Hawaii [24], Australia [25], Singapore, Hong Kong and Japan [26]. From an empirical point of view, one source provides an empirical tool to map a country’s attractiveness based on the perception of its characteristics [22].

**3. ANALYSIS OF THE LITERATURE**

Analyzing the RHQ-related literature according to the taxonomy developed reveals a plethora of literature in certain aspects on one hand, and several gaps on the other.

Relatively many theoretical contributions were made in the field of regional strategy and the need for RHQs. However, most of the theoretical models described are based on the knowledge and experience of the author but not on empirical evidence or in-depth analysis.

Regarding the roles and structure of RHQs, the literature provides only one well grounded theoretical contribution [8], which is cited by many authors, and one major empirical assessment of the roles and functions of RHQs [2,9]. However, several authors use case-studies to analyze the roles of RHQs in specific MNCs.

The subject of location has attracted the most interest in RHQ-related literature. Most empirical contributions have focused on the MNC's perspective of the location decision, but there are few contributions regarding the location strategies of firms from specific industries and only a handful of contributions describing the location decision-making process [1,29,30].
No author has yet to combine the issues of RHQ establishment, roles, structure and location into a well-formulated theory and application.

Table 2 presents an analysis of RHQ-related literature according to geographical focus. The majority of sources deal with RHQs in the Asia-Pacific region, presumably because many MNCs are in the process of expanding their operations in Asia. On the other hand, few sources deal with North American RHQs.

<table>
<thead>
<tr>
<th>Regions</th>
<th>Sources in the Literature</th>
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<tbody>
<tr>
<td>Asia Pacific</td>
<td>[1], [2], [6], [8], [9], [12], [16], [17], [20], [21], [24], [26].</td>
</tr>
<tr>
<td>Europe</td>
<td>[5], [7], [10], [12], [11], [14], [15], [23]</td>
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<tr>
<td>North America</td>
<td>[12]</td>
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<tr>
<td>Other regions</td>
<td>Hawaii [25], Australia [19, 28], Mediterranean Basin [29], Europe, Middle East and Africa (EMEA) [12]</td>
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<tr>
<td>General case</td>
<td>[3], [4], [13], [17], [18], [22], [30]</td>
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4. ROLES OF REGIONAL HEADQUARTERS

The literature, both theoretical and case-study based, suggests various roles for RHQs. Lasserre [8] differentiates between: integrative roles, including coordination and the pooling of resources; and entrepreneurial enhancing roles, including scouting, strategic stimulation and signaling commitment. This grouping is widely accepted and cited in the literature [1,12]. Other authors suggest differentiating between direct roles and roles directed towards corporate headquarters [6], or between decision-maker roles and integrator - coordinator roles [11].

The review identified twenty four (24) roles of RHQ cited in the literature, of which the most commonly cited include: enable better planning and coordination of activities in the region; identify new opportunities for business development; provide better integration in the region; provide better management support to local subsidiaries; keep watch on competitor activities; and ensure better knowledge transfer among subsidiaries in region [1,2,8,9,17,21].

5. DECISION FACTORS FOR REGIONAL HEADQUARTERS LOCATION

The selection of a location for a RHQ is an important strategic decision. In the field of location, research has focused mainly on industrial facilities, and more recently on the general
case of foreign direct investment (FDI). While it is possible to perceive the location of RHQs as a subset of the general international location problem, the location of RHQs usually requires a greater emphasis on qualitative location factors, rather than on traditional location factors (such as production and shipping costs). Moreover, MNCs may be willing to accommodate their regional operations in accordance with the preferences of key members of the corporation, making RHQs more footloose in location [1].

There is only a small body of literature dealing specifically with the location of RHQs. However, besides the sources listed in Table 1, location factors can also be identified from literature on the location and relocation of corporate headquarters [31-36], which have similar locational requirements to RHQs [24] and from governmental publications regarding their competitive advantages for attracting RHQs [25-27, 37-42].

The review identified seventy six (76) factors for RHQ location cited in the literature. Of these, the most commonly cited include: political stability; frequent and reliable international air flights; high quality it and telecommunication infrastructure; easy access to local financial and commercial services; attractive government investment incentives; availability of highly-skilled staff; accessible central geographic location; high quality public infrastructure (utilities, roads, etc.); attractive corporate tax rate and regulations; competitively priced local staff; proximity to key clients; proximity to surrounding markets; multi-cultural environment; attractive personal tax rates; available quality residential housing, kindergarten to grade 12 international schools, quality medical services, cultural amenities and recreational centers.

6. CONCLUSIONS

The taxonomy and analysis of the literature presented in this paper reveal the primary areas of focus in RHQ-related literature, and contribute to further research on this subject by focusing researchers on less explored areas.

The review shows that there are a number of areas in which further research is required. However, most importantly, the literature lacks research that combines the issues of RHQ establishment, roles, structure and location into an all-integrated, formulated, theory. Furthermore, there is a need for a more comprehensive and empirically-based framework and decision-making process for the location of RHQs.

The literature review also uncovers twenty-four (24) roles of regional headquarters and seventy-six (76) potential factors for RHQ location. These can benefit both researchers and
practitioners. However, practitioners may find the large number of roles and location factors identified too complex to apply. Further research and use of statistical methods (such as factor analysis) could extract the major underlying roles of RHQs and the major underlying location factors, allowing easier application by decision-makers.

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