

Longitudinal study of regional headquarters in Finland

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Abstract

Regional headquarters can be defined as an intermediate organisational unit that is hierarchically situated between headquarters and subsidiaries. The corporate headquarters has given a certain mandated role for regional headquarters with a high decision making autonomy concerning the subsidiaries under its management in a definite geographical area.

This thesis focuses on the Finnish subsidiaries with regional headquarters mandate that foreign multinational companies have established over time. The purpose of this research is to find out how many regional headquarters identified in 1999 in Finland still continue operations in 2010 and whether the regional headquarters mandate still exists. The study seeks to find out if some of the subsidiaries have lost the regional headquarters mandate, have discontinued operations or have relocated the regional headquarters out of Finland.

The study analyses the ways in which the regional headquarters mandate can be lost and possible reasons and motives behind the decision for the subsidiary to lose its mandate or relocate out of Finland. In addition, the study examines the decision making level of the organisation hierarchy in the multinational company when making the decision for the subsidiary to lose the regional headquarters mandate or relocate out of Finland. The lifespan of regional headquarters mandate is examined in the research, as well as, the relocation target countries.

The empirical research is qualitative and longitudinal in its approach based on the large sample of regional headquarters population in Finland. The data collection method is structured survey interviews for the managers of the Finnish subsidiaries.

The study recognizes three ways in which the regional headquarters mandate can be lost: regional headquarters responsibility transfer to the parent, termination and relocation. Regional headquarters relocations out of Finland to some other country are found to be common. The study finds that the most common motives behind the regional headquarters mandate loss are parent multinational company's reorganisation, regionalisation, growth of markets and acquisitions. The decision of the regional headquarters mandate loss is made most often in the company headquarters, but the Finnish subsidiaries also participate in the decision making. The thesis argues that when the subsidiary loses the regional headquarters mandate, in many cases it can be considered as a more neutral phenomenon than failure and finds evidence that sometimes it is a relief from the subsidiary's point of view.

Keywords regional headquarters, headquarters, multinational companies, regional management, regional headquarters' mandate loss, relocation

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Tiivistelmä

Aluepääkonttorit määritellään välitason organisaatioiksi, jotka sijaitsevat hierarkkisesti pääkonttorin ja tytäryhtiöiden välissä. Aluepääkonttori toimii pääkonttorin valtuuttamalla mandaatilla, ja sillä on korkea autonominen päätösvalta tytäryhtiöissä tietyllä maantieteellisellä alueella Suomen rajojen ulkopuolella.

Tämä pitkittäistutkimus käsittelee monikansallisten yritysten Suomeen perustamien tytäryritysten aluepääkonttoriasemaa suhteessa ulkomaisiin tytäryrityksiin. Tutkimuksen tarkoituksena on selvittää, kuinka moni vuonna 1999 identifioituista aluepääkonttoreista on säilyttänyt asemansa ja jatkanut toimintaansa Suomessa vuonna 2010. Tutkimuksessa selvitetään, kuinka moni suomalainen tytäryritys on menettänyt aluepääkonttoriasemansa, lopettanut toimintansa tai kuinka moni aluepääkonttori on sijoitettu uudelleen Suomen rajojen ulkopuolelle.

Tutkimuksessa analysoidaan eri tapoja, joilla aluepääkonttoriasema voi päättyä sekä mahdollisia syitä, jotka johtavat aluepääkonttoriaseman loppumiseen tai uudelleen sijoittamiseen. Tutkimuksessa tarkastellaan myös monikansallisen yrityksen organisaatiohierarkian eri tasoja, joissa tehdään päätös aluepääkonttoriaseman päättymisestä tai uudelleen sijoittamisesta. Tarkastelun kohteena ovat myös suomalaisten aluepääkonttoreiden elinkaaren pituus sekä kohdemaat, joihin aluepääkonttorit ovat sijoittuneet Suomesta pois muuttaessaan.

Pitkittäistutkimus on laadullinen, ja tutkimustieto aluepääkonttoriaseman kehittymisestä on kerätty haastattelemalla suomalaisten aluepääkonttoreiden johtoa 222 yrityksessä.

Tutkimuksessa havaitaan, että yrityksen aluepääkonttoriasema voi loppua kolmella eri tavalla:

1) aluepääkonttorimandaatti voidaan siirtää pääkonttoriin 2) aluepääkonttori voidaan lopettaa ilman, että mandaatti siirtyy muualle 3) aluepääkonttorimandaatti voidaan siirtää monikansallisen yrityksen organisaatorakenteen sisällä ulkomaille.

Tutkimuksessa selviää, että suomalaisten aluepääkonttoreiden uudelleen sijoittaminen on yleistä. Aluepääkonttorimandaatin menettämisen syinä ovat useimmiten monikansallisen yrityksen sisäinen uudelleen organisointi, regionalismi, markkinoiden kasvu sekä yrityskaupat. Päätös aluepääkonttoriaseman lopettamisesta tehdään useimmiten pääkonttorissa, mutta myös suomalainen aluepääkonttori voi osallistua päätöksentekoon, joka johtaa oman aluepääkonttoriaseman loppumiseen. Tutkimuksessa argumentoidaan, että aluepääkonttoriaseman loppuminen ei usein merkitse organisaatioyksikön epäonnistumista, vaan kysymyksessä on ajoittainen vapaaehtoinen aluepääkonttoriaseman luovutus. Aluepääkonttoriaseman päättymisen johtuu usein dynaamisesta organisaation evoluutiosta, jossa ulkomailta sijaitsevat aluepääkonttorivastuun alla olevat organisaation yksiköt kasvavat itsenäisiksi toimijoiksi.

Avainsanat aluepääkonttorit, pääkonttorit, monikansalliset yritykset, aluepääkonttoriaseman lopettaminen, aluepääkonttorin siirto ulkomaille

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1 INTRODUCTION

1.1 Background

This study focuses on regional headquarters (RHQ) that foreign multinational companies have established in Finland over time. The research is a sub-study of a larger research project carried out at Aalto University School of Business in 2009-2010.

In Autumn 2009 a joint research project was initiated by Professor Rebecca Piekkari and Perttu Kähäri from Aalto University School of Business and Professor Wilhelm Barner-Rasmussen from Hanken School of Economics to examine the dynamics of regional headquarters within multinational corporations. Three researchers were selected for the team, Iris Saittakari (formerly Hilvo), Taina Heimo and an author of the thesis. The research project was building on the results of a previous Gateway-project study making the current study longitudinal.

The Gateway-project study was organised under the FIBO (Finland's International Business Operations) programme and was conducted by Professor Reijo Luostarinen in 1998-1999 at the Helsinki School of Economics. His research group examined the Finnish gateway position in relation to the Baltics states, Russia, and the Central and Eastern Europe and concentrated on subsidiaries of foreign companies in Finland that had a regional headquarters' position. In 1999, the study identified a total of 1144 foreign-owned subsidiaries in Finland of which 375 had at some point in time been recognized with a regional headquarters' status. In 1999, there existed 325 RHQs in Finland and 50 companies had lost the RHQ-position. (Ratia 2000, 31)

The purpose of the study in hand was to find out how many of these RHQs identified in 1999 still continued operations in 2010 in Finland, i.e., whether the RHQ mandate existed. The study sought to find out if some of the subsidiaries had lost the RHQ mandate, discontinued the operations or relocated the RHQ out of Finland.

Also, the study analysed the ways in which the RHQ mandate can be lost and possible reasons and motives behind the decision for the subsidiary to lose its RHQ mandate or relocate out of Finland. The decision making level of the organisation hierarchy when making the decision for the subsidiary to lose the RHQ mandate or relocate were also discussed. In addition, lifespans of RHQ and the relocation target countries were examined.

1.2 Research gap

According to Arregle et al. (2009), how MNCs cope with the opposing pressures of globalization and localization is a central issue in IB research. Recently there has been a debate about the existence and nature of regionalization process or semi-globalisation (Ghemawat, 2003; Rugman & Verbeke, 2007). The regionalisation of MNC activities have increased the demand for control and co-ordination functions that have been previously carried out by the corporate HQs. Many MNCs have established RHQs to penetrate into markets, which may be geographically too distant to be co-ordinated and managed by the HQ. If the MNC must efficiently manage many subsidiaries in the region, the RHQ often becomes established. (Piekkari et al. 2010; Yeung et al. 2001)

The studies show that the number of RHQs has increased and RHQs have become a more important way of managing global business (Ambos & Schlegelmilch 2010, 60). The existing research suggests that RHQs are widely used by MNEs, however, large scale studies on RHQs are still infrequent (Alfoldi 2012, 278). Piekkari et al. (2010) find that the RHQ related literature is rather managerial and descriptive, and the classification of the functions performed by RHQs is incomplete and under-theorised. Enright (2005b) sees that the existing work on the RHQs is more impressionistic than analytical and relies on a small sample of large firms. He finds that there is a need for studies with large samples and evidence of a clear research gap on the evolution of RHQs. The longitudinal approach in IB research has only recently become more articulate, but it has been found to be particularly suitable in research fields that involve evolutionary developments (Blazejewski 2011). Kähäri (2014) says that the role and

location issues have been discussed in the RHQ literature but the geographic scope has received less attention. He adds that since most research on RHQ is cross-sectional, little is known of what happens to RHQs during their life cycle or how RHQs develop.

1.3 Research questions

The overall purpose of this study is to gain a greater understanding of regional headquarters. In the empirical part, the study aims to find out how the RHQs situation in Finland, identified in 1998-1999, has evolved in ten years and how the change in RHQ population can be explained?

The research questions in this study are as follows:

1. *Are the RHQ that were identified in 1999 still present in Finland in 2010?*
2. *Have some RHQ lost their mandate?*
3. *Have some RHQ relocated out of Finland?*

2 REGIONAL MANAGEMENT

"Economic geography is now much less relevant for business strategy at country and global levels. It is at the intermediate level of regions that new thinking needs to take place about the interaction between MNEs and geographic space." Rugman & Oh, (2013, 475)

Recent literature presents growing evidence that regionally based management is occurring in organizational life (Rugman & Oh, 2013; Rugman & Verbeke 2004, 2007; Ghemawat 2003; Arregle et al. 2009). The world is becoming more global, but a parallel process is regionalisation or semi-globalisation (Yeung et al. 2001; Ghemawat, 2003). MNCs need regional strategies and government structures to deal with different main market areas. Also, the importance of regional headquarters (RHQ) as a strategic option to manage global business has grown.

Rugman & Verbeke (2004, 3) argue that globalization is a poorly understood phenomenon and partially a myth. According to data on the activities of the 500 largest MNCs reveals that very few are successful globally. A geographic sales data shows that most large MNEs have an average of 80% of total sales in their home region of triad. In other words, many of the worlds largest companies are regionally based. Rugman & Verbeke (2004) argue that these results have significant implications on how MNCs should design their strategies and governance structures. They say there is a need for regional strategies to complement global strategies and a regional component in the MNCs governance structure to deal appropriately with the different characteristics of each region of the triad. (Rugman & Verbeke 2004; see also Collinson & Rugman 2008)

Rugman's analysis is in line with Ghemawat (2003, 138) who sees regionalization as an expression of semi-globalization. He means that markets are neither completely isolated nor integrated across borders, but instead the markets fall somewhere in between these

two extremes. Limited cross-border integration of markets means that location and regional specificity matters. (Ghemawat 2003; Arregle et al. 2009)

Ambos & Schlegelmilch (2010, 60) say that the number of European RHQ have increased by 76 % during the last decade which suggests that RHQs are becoming a more important way for managing global business. According to the researchers, this trend has two implications. First, the world is becoming more regional instead of global when firms increasingly structure around key regions. Second, this shows that RHQs have become an important structural solution to deal with the global-local dilemma.

2.1 A history of increasing regional management

Regionally based management is not a new phenomenon. In the 1960s, Williams (1967, 87) already reported that “an impressive group of U.S. firms with excellent records in international operations are moving in the direction of geographically based management.”

Heenan & Perlmutter also observed a trend in MNCs towards regional integration in the 1960s. They suggested that regiocentrism should be added to ethnocentric, polycentric and geocentric orientations managing the operations of MNCs. Corporations with regiocentric orientation were characterised as “organisations highly independent on a regional basis, where authority and decision-making were concentrated within a regional headquarters and collaborating subsidiaries.” (Schütte 1997b, 4)

During the 1980s it was assumed that regional management was in decline due to the increased globalization of markets and competition. Many MNCs moved to a global approach in managing their operations. Some companies ended up eliminating their existing RHQs and switched to manage the business globally from HQs. In contrast, at the same time some companies set up their first RHQs “in order to compensate for the distance between the global view of the centre and geographic reality.” (Lasserre 1996, 30-36)

At the end of the 1980s, there was a dramatic increase in regional competitive pressures that came from various sources (e.g. formalization of trading blocs). Regionalization was viewed as a new way to compete globally (see also Ohmae 1989) - a compromise between the traditional strategies adopted by miniature replica subsidiaries and the global strategies. Regionalization suggested that all companies should move to exploit their strengths and formulate competitive strategies separately for each region. (Morrison, Ricks and Roth 1991, 23-26)

2.2 Reasons for regional approach

According to Yeung et al. (2001, 2) the driving force behind regionalisation has been the formation of relatively homogeneous markets, an outcome of economic integration on a regional scale (e.g. the EU, NAFTA). Since a truly global market does not yet exist in most industries, MNCs are formulating regional strategies that are in line with the relative market homogeneity at the regional scale (Yeung et al. 2001). They say managing from a distance is no longer suitable due to the competitive situation of the world and high demand for local responsiveness. Lehrer and Asakawa (1999, 268) see the regional level approach as a practical organizational compromise between global integration and local differentiation.

Besides the intra-regional homogeneity of markets, the authors point out that the differences between the regions require MNCs to carry out certain activities at the regional level, instead of a global one (Ambos & Schlegelmilch 2010, 72). Lehrer & Asakawa (1999) mention cross-regional differences of markets and employees, while Rugman (2005, 52) notes that regional business environments differ in terms of “information processing requirements, customer requirements, region-based cluster requirements and political requirements”.

Arregle et al. (2009, 103) say that the regional perspective reflects an attempt to reduce the complexity of location decisions. They mean that instead of managing foreign subsidiaries in more than 100 countries, there will be less complexity with six or seven

regional zones. In Daniels' (1987, 40-41) words, a large MNC must divide the management responsibility so that there are not 120 subsidiaries reporting to the same manager at HQ. Daniels (1987, 40-41) suggests that if a company has investments in 14 countries but the amount of business done in each is small, the region could be combined: "The country units are pushed down one tier in the corporate structure, thus better approximating the importance to the overall corporation."

Dunning (1993, 218) suggests that MNC can better achieve global reach effectively if it decentralises some of the decision making functions to RHQ. Ho (1998, 180) agrees that as a company's internationalization increases, a certain regionalization in its control functions must take place. He continues that as the importance of foreign operations increases, the need to monitor and control these functions rises. Ho (1998, 180) adds that regional hubs "prevent local subsidiaries in expanding resource environments from building too much autonomy and power and thus lose sight of global competitiveness." Morrison et al. (1991, 25) note that by transferring operations and decision making to the region, the firm will have an insider's advantage in the local management.

Finally, the authors point out many efficiency-related reasons for the regional management approach: pooling of resources, production rationalization, size of reporting structures, day to day control, management development and unifications of external relations, limits to economies of scale, and the need to protect subsidiary competencies and initiatives from a narrow headquarters mentality (Daniels 1986, 29-32; Lehrer & Asakawa 1999; Ambos & Schlegelmilch, 2010, 72). According to Daniels (1987, 40-41) a regional management group in Europe "saves the time necessary to make connections across the Atlantic", and overcomes the problem of jet lag and telephoning through different time zones. He sees that the RHQ is especially important for troubleshooting. Arregle et al. (2009, 89) say that a regional management centre "permits firms to achieve superior flexibility, to avoid exclusive commitment, to reduce transportation cost, to capture better information and to benefit from larger economies of scale and scope".

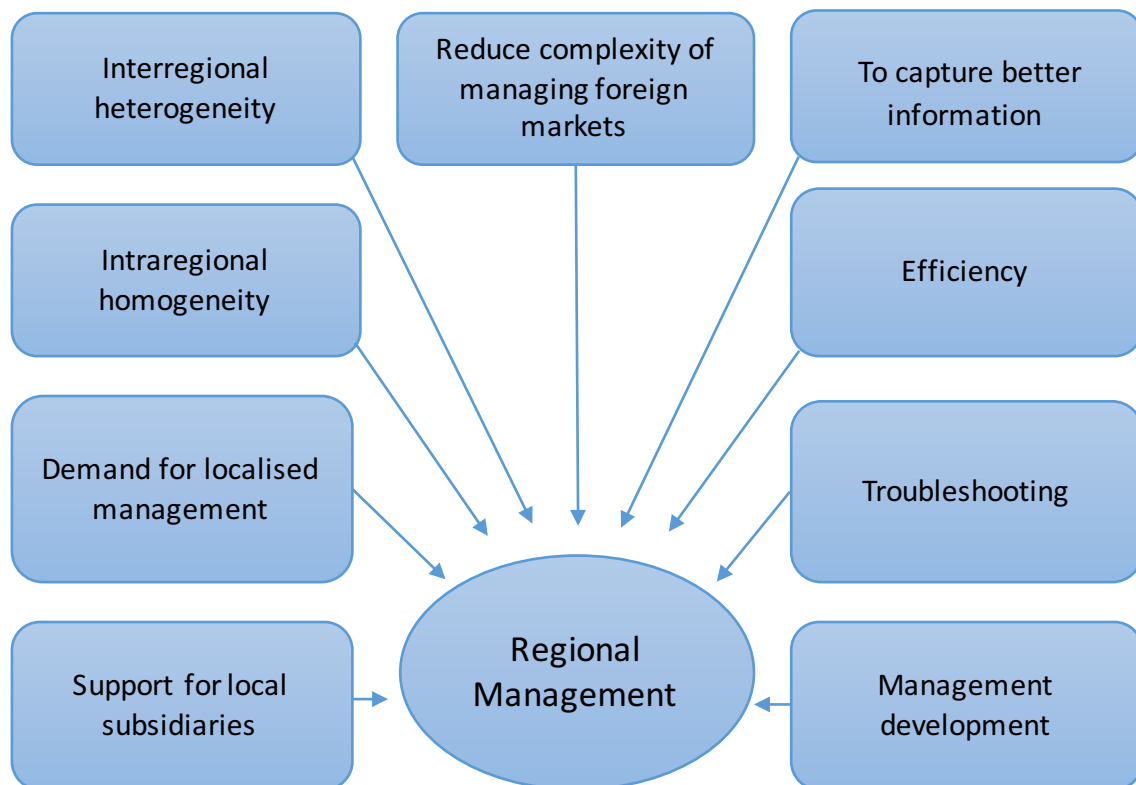


Figure 1: Different Motives for Regional Management (applied from Ambos & Schlegelmilch 2010)

2.3 Regional strategies and their clarifications

“A key parameter of succeeding in the host region is to think about strategy on a regional not a global level”. (Ambos & Schlegelmilch 2010, 60)

Many global firms have adopted a regional strategy which means that regions become the main focus of the MNC’s worldwide activities (Yeung et al. 2001). Under regional strategies companies extend their home-country loyalties to the whole region. The competitive strategies - investment locations, product mix, competitive positioning, and performance evaluation - are formulated for the region. (Morrison et al. 1991, 23) Arregle et al. (2009, 87) say that MNCs develop regional strategy by integrating their foreign investment decisions among countries at the regional level: “A decision to create a new foreign subsidiary in a country depends on characteristics, or prior decisions, relative to the other countries in the same region, or a decision to close down

a subsidiary in a country could be linked to the decision to open a new one in another country in the same region.”

According to Schütte (1997a, 437) the strategic importance of a region depends on the market size and potential, the competitive threat of competitors' activities in the region and the availability of the resources. He says that the strategic importance of a region differs between MNCs and even between businesses of the same company. Schütte (1997a, 441) argues that there is no justification for a regional organisation without regional strategy. However, he points out that in some exceptional cases the regional organisation has been established with the primary task of developing a regional strategy. This is in contradiction to Chandler's (1962) argument that structure follows strategy. Also Ghemawat (2005, 104) suggests that having the RHQ does not mean that the company actually has a regional strategy, and a company without RHQ can still use regions as building blocks of its overall strategy. While Ambos & Schlegelmilch (2010, 60) argue that regional strategy does not require a regional structure, evidence from their survey of European RHQs shows that regional strategy and structure often go together.

Ghemawat (2005, 101) classifies regional strategies into five types: Home Base Strategy, The Portfolio Strategy, The Hub Strategy, The Platform Strategy and The Mandate Strategy. Home Base Strategy means that companies start their internationalization by serving close by foreign markets from the home base, wherein the R&D and manufacturing are located. In the Portfolio Strategy, the company sets up or acquires operations outside the home region that report to the home base. In the Hub Strategy a regional base is set up that provides resources and services to local operations. In the Platform Strategy interregional platforms spread fixed costs across regions. The Mandate Strategy focuses on economies of specialization and scale. Firms that apply this strategy permit certain regions broad mandates to supply particular products or perform specific roles for the whole organisation. (Ghemawat 2005, 101-104)

2.4 What constitutes a region?

Lasserre & Schütte (1999, 263) suggest that the first move towards regionalisation and establishing a regional management centre is to decide how many regions a MNC needs to manage global operations. The authors say that often a triadic structure (North America, Europe, Asia) is adopted and completed by a fourth region which covers the home market. Also Rugman & Verbeke (2007, 200) consider the triad of regions the most important because these regions are home to a large group of MNCs in the world and the geographic concentration of most business innovations. In addition, they say that these regions differ economically, are distant from each other and characterized by internal attempts to achieve greater regional unity. However, Ambos & Schlegelmilch (2010, 66) argue that the typical practise to divide the world into three triad markets “does not do justice to the managerial problems at hand”. Whereas, Amann et al. (2014, 882) argue that the triadic split of world markets seems out of date due to the development of emerging economies (e.g. BRIC). Delios & Beamish (2005, 22) researched Japanese MNCs and found that they divide the world into seven regions: Asia, Africa, Europe, the Middle East, North America, Oceania and South America.

Instead of thinking about one region as a whole, Dunning et al. (2007, 186) discuss a specific in-country or intra-regional effect meaning that MNCs can be attracted to particular sub-regions or countries in a region. Amann et al. (2014, 900) investigated 47 French MNCs in 11 countries in Asia and found that nearly half (22/47) of the firms subdivide the Asia-Pacific region into two to five clusters of countries. The MNCs used the following criteria to cluster Asia into homogeneous regions: economic size and maturity of markets, geographic proximity, cultural differences and specific characteristics of MNCs (entry mode, presence of production facilities, historical ties with countries). The other half (25/47) of MNCs considered Asia as a whole, but these MNCs were smaller, had smaller sales, and managed fewer countries with subsidiaries in Asia.

The research by Ambos & Schlegelmilch (2010, 66) regarding European MNCs reveals five factors for defining a region for RHQ: geographic proximity, market similarities, managerial consideration, political consideration, and cost efficiency. While Laudien et al. (2011, 117) suggest organizing regions based on geographical position of the markets, the future market-specific development of demand as well as cultural and political market characteristics. Typically, the boundaries of the region are defined differently from company to company. Usually MNCs adopt a pragmatic attitude in defining the boundaries of the region, for example, distances and transportation linkages could be more important than political linkages or cultural similarities. (Lasserre & Schütte 1999)

Arregle et al. (2009, 88) define regions from economic, social, cultural, institutional or geographical perspectives. They say that in a geographical conceptualization of a region, physical continuity and closeness of the countries inside the group is emphasized. According to them, the region is usually greater in size geographically and more diverse than a country. Arregle et al. (2009, 88-89) see that “the region is made up of a limited number of countries that are geographically close and with lower economic and institutional distance than at the global level.” They say that firms try to exploit these similarities and advantages across countries.

Ghemawat (2005) says that the world economy consists of many overlapping geographic layers. Ghemawat (2005, 107) suggests that companies should determine what is the right level for them - global, continental, subcontinental, national, intranational or local – by defining the region based on its profitability. Also, Ghemawat proposes to redefine distance and regions according to non-geographic dimensions: cultural, administrative and political and economic. Finally, he mentions that the definition of a region tends to change in a response to market conditions and to a company’s own strategic decisions. (Ghemawat 2005). Nell et al. (2011, 88) observed across their case study of MNCs that firms had difficulties to group countries optimally into regions. They observed constant reorganisations where case firms reallocated subsidiaries from one region to another.

2.5 Alternative approaches for regional management

According to Heenan (1979, 410), at the end of the 1970s, two out of three MNCs already maintained RHQs to supervise operations in Europe, North America, Asia and other geographic blocs. Now, a question arises that if two out of three MNCs had set up RHQs what alternative strategies for regional management were the rest of the MNCs applying at that time.

According to Lasserre (1996, 34) there have been at least three other organizational devices other than RHQs for regional management: corporate-headquarters based regional structure, local subsidiary mandate and regional networking. However, according to his study, an executive board or a specific department in HQ for regional management is no substitute for local regional structure but rather they complement each other. In addition, he says that some companies have mandated a local subsidiary with a broad coordination function across the region and country managers have been pushed to develop a regional view. Lasserre (1996) mentioned the difficulty of such arrangement due to the fact that managers in non-mandated subsidiaries feel that their problems are given a second priority. He said, some companies that do without RHQ have managed to succeed in building a regional culture through informal and formal networking. Lasserre (1996) says that regional meetings, the exchange of best practices and regionally oriented task forces have provided some companies with an alternative way to manage regionally.

Lehrer & Asakawa (1999, 278) examined the regional operations of Japanese and American MNCs in Europe. They reported that regional management was considered important also by those companies that did not have a RHQ.

3 REGIONAL HEADQUARTERS

In advanced stages of internationalization - as the number, geographical dispersal, age and size of foreign units increase - maintaining control becomes more difficult. The regional headquarters (RHQ) tend to be established if MNCs must efficiently manage many subsidiaries in the region (Piekkari et al. 2010). RHQs provide better control than corporate headquarters (CHQ) (Daniels 1987, 31).

Laudien et al. (2011, 111) say RHQ are administrative units hierarchically located between the HQ and the local subsidiaries in each individual country (see Figure 2). According to them, the RHQ are governed by the firm's HQ and the core function of the RHQ is to coordinate the subsidiaries in a region in a more specific manner that the corporate HQ is able to. Regional managers have to cope with a limited number of subsidiaries that share certain characteristics, which make it easier to understand the context at the level of the RHQ (Nell et al. 2011, 93).

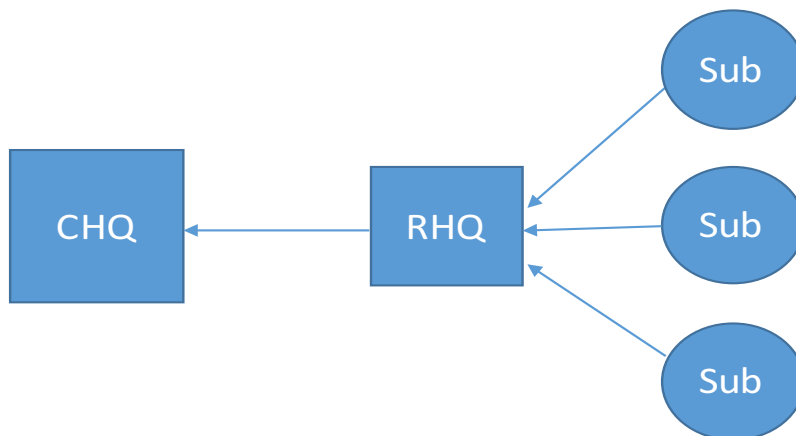


Figure 2: The organisational structure of MNC with the RHQ

According to Mahnke et al. (2012, 299), it is typical that global HQ usually hands over significant headquarters' functions to RHQ, making RHQ a subunit within MNC as well as a HQ in their own right. They say that the formal HQ mandate shifts the relationship between CHQ and RHQ from a parent-agent relationship to a complex parent-parent/agent structure. Nell et al. (2011, 97) say that the corporate HQ only

selectively intervenes in regional matters, and the regions are very independent quasi-firms. Also they propose that the establishment of RHQs is an act of strengthening hierarchical control within the region through means of centralised decision-making, vertical information processing and formalisation. Schütte (1997, 441) sees RHQ' role as a link between the region and the headquarters independently of its location. Egelhoff (1988) stresses the RHQs' role as improving information flows between top management and the growing number of subsidiaries. In addition, Mahnke et al. (2012, 293) point out the RHQ as an important source of knowledge and input, a bridge between local subsidiaries and CHQ.

Sullivan (1992, 238) sees a mission for RHQ is “to manage the tension between headquarters' call for global efficiency and local subsidiaries' push for national effectiveness.” Paik & Sohn (2004) say that RHQ provide MNC with a halfway platform to reach the simultaneous goals of global standardization and local adaptation. According to Enright (2005a, b), RHQ control valuable resources and take part to the creation of the MNC's competitive advantage in the region.

3.1 Definitions of RHQs

This section describes some problems related to the theoretical definition of RHQ. The period under review for RHQs starts from early studies in the 1970s and continues up to date. In order to understand what a RHQ can be, one must go through RHQ and regional office (RO) related literature. These two organisational forms are closely related and together they constitute an intermediate level in the corporate organisational structure – between headquarters and local subsidiaries lays the regional level organisation or regional management centre (Enright 2005b, 84; Piekkari et al. 2010). RHQ and regional office have both definitions on their own, however, those have not been well established and in practise the definitions might overlap or could mean more or less the same. There is a need to discuss the RO side by side with the RHQ to show the difference between the two and reveal a full picture of what a RHQ can be.

From the next review one can notice the evolution of the RHQ definition over the years. From the 1960s to 1970s, the definition is on a very general level, but it starts to develop from the 1980s onwards. In the course of time the definition of RHQ becomes more precise, detailed and exclusionary when it comes to the ROs. In the 2010s, the one and only exact definition for RHQ is still missing which can be noticed by comparing definitions given by different authors. However, some common characteristics have been formed and can be found between the definitions given by several different authors.

We start by contemplating Williams (1967) classic study of US corporations' regionally based management overseas, which has been the earliest cited reference among RHQ related literature. The term RHQ is not being used yet in this study, however, the study reflects the early years of regionalization, and can show us the starting point – what terms were used at that time when Williams (1967) discussed U.S. based MNCs' geographically based management in Europe. The following terms were used in the study interchangeably without giving explicit definitions: “regional management organization; regional management unit; regional management group and regional office”. This easily gave the reader an impression that all the terms meant more or less the same. According to Williams (1967, 87), “a regional management unit is normally responsible for coordinating product, geographical, and functional activities in a major area of the world”.

Williams (1967) was early to say that a regional management unit coordinates activities in the region, whereas Heenan (1979) noted that RHQ supervises operations in the region. Also, the earliest definition for RHQ that could be found from published journal articles is by Heenan (1979). He examined RHQs' site selection criteria in large MNCs and collected data in 60 American and 47 Japanese corporations. According to Heenan (1979, 410), “MNCs set up regional headquarters to supervise multiple operations in Europe, North America, Asia, or other geographic blocs”. When it comes to the definition of RHQ, it is noteworthy that Heenan used the term regional headquarters throughout his study and did not use other synonyms, however, he did not give a precise definition for the RHQ. For example, all the MNCs that he researched had “some form

of regional headquarters”. The expression clearly indicates that there existed variation in the forms of RHQs between the studied 107 corporations. It was probably difficult to frame a definition that would be suitable for a variety of corporations, thus he ended up giving the definition on a very general level.

Grosse (1981) and Daniels (1986) both made a distinction between RHQ and RO. According to them, RO typically handles one or more functional responsibility for the region, while RHQ has management responsibility for the subsidiaries. Grosse (1981) studied regional offices and RHQs in US-based MNCs coordinating Latin American operations from Florida. All regional offices had some degree of responsibility for subsidiaries in Latin America, ranging from functional (e.g. control of marketing) to management responsibilities. Grosse (1981, 51) stressed that real regional headquarters had management responsibility for the subsidiaries and according to him this case existed in only about 20 of the nearly 80 regional offices in industrial businesses.

Daniels (1986, 35) researched U.S. MNCs in Europe, and like Grosse (1981), categorized ROs to those that had management responsibility over the subsidiaries operating within the area, and those that handled one or more functions for the region. Daniels classified regional headquarters as having multifunctional line responsibility over operations and they were accountable for overall profits in the area. Usually RHQs provided staff support as well.

Next, some authors discussed the variety of establishments that may function as RHQs. Avenell (1996, 1) defined RHQs as performing coordination, control and business planning functions. Avenell (1996, 1) said, “the tasks performed can extend to any combination of finance and treasury operations, data management, telecommunications, research and development, accounting, logistics and marketing.” He also says that any of these RHQ functions must occur together at one location. In a report by the Economist Intelligence Unit (2000, 2), a study carried out by Enright and Scott of RHQs in Asia Pacific showed that corporations carefully assess the optimum location for the management of individual units or functions. They said that it is common today to find firms with several distributed RHQs coordinating marketing and finance in one

location, logistics in another, and production elsewhere – and all these units report back to the main RHQ.

Whereas Perry et al. (1998, 240) discussed the establishments that may function as ROs: “At one end of the spectrum, the regional office may have a regional product mandate giving it control of the timing and direction of product development, investment decisions relating to production facilities, marketing and distribution and the technological thrusts that will sustain development.” Here Perry et al. (1998) refer to the possible responsibilities that RHQs could also carry out in the region. Perry et al. (1998, 240) continue: “At the other end of the spectrum, regional offices without strategic influence or administrative authority may be established to provide service support to affiliates or to produce information or materials for the HQ”. RHQs might provide information and materials for HQ and offer service support for the subsidiaries, however, there is typically strategic influence and administrative authority otherwise the entity could not be called a RHQ. However, Avenell (1996, 1) has pointed out that the term RHQ has been used as “a convenient catch-all tag” which has covered “a very wide range of business services, some of which may have very little to do with headquarters.” As an example of confusing definitions of that time period, Ho (1998, 181) said that the RO is a copy of CHQ at a regional scale.

In line with the RHQ definition given by Grosse (1981) and Daniels (1996), is decade later Schütte (1996): RHQ is a unit established to control, coordinate and integrate activities of one or more subsidiaries in a specific geographical region. This is a classical definition that has been widely cited in many studies, among others Yeung, Poon & Perry (2001) used the same definition. However, there still exist some variation in the definitions, for example, interestingly Enright (2005a; 2005b) uses the very same expression for defining RHQ and RO but stresses the difference between those two by the degree of independence in the decision-making: RHQ “does not need to make frequent referrals to the overseas parent HQs” (see also Poon and Thomson 2003, 201; Economist Intelligence Unit 2000, 3) - eventually the RO needs to consult the parent before decision-making. Also Amann et al. (2014, 884) say that RO has less autonomy than RHQ, but is responsible for general business activities in the region.

Earlier Schütte (1997, 441) said the RHQ has authority “to solve problems in the region, which cannot be handled by the national units, and otherwise would have to be dealt with and acted upon headquarters.” While Ho (2000, 2343) said that RHQ is a regional version of a CHQ i.e. the office is exclusively tasked with the coordination between the CHQ and the subsidiaries in the region.

From the 2000s on, the authors generally start to stress more RHQs’ independence, decision-making power and role in strategy development. Mori (2002) carried out an interview survey of European regional organisations of Japanese MNCs, examined the existence of RHQs and suggested a minimum requirement for RHQs. Mori (2002, 3) says that “a RHQ is a kind of headquarters” - meaning that it cannot be a liaison office, a RO, a sales headquarters, a financial subsidiary or a holding company. Mori discusses that a HQ is a core place in the organization where strategic decisions are made. He continues that the RHQ is a place where strategic decisions are made for the region. According to him, if RHQ carry out HQ functions they must have strong decision-making power in the region, meaning that the CEO of the RHQ must be a member of the board at the CHQ. Also, he says that the CEO of the RHQ must work in the RHQ. (Mori 2002, 3)

The definition by Paik & Sohn (2004, 351) is in line with the previous authors: RHQ generally develops long-term strategies for the regional operations, controls and coordinates local subsidiaries and evaluates their operational and managerial performances.

As an exception, a text book definition for RHQs is given by Dicken (2007, 141): “Regional headquarters constitutes an intermediate level in the corporate organisational structure, having a geographical sphere of influence encompassing several countries.”

As discussed earlier, Perry et al. (1998, 240) described ROs’ responsibilities as a spectrum, ranging from one end such as service support to a regional product mandate. This analogy, a spectrum of regional responsibilities, can be extended and applied for RHQs as well. Piekkari et al. (2010) and Enright (2005a; 2005b) recognize the functions

of regional units to vary ranging from regional coordination centres with limited but specific regional responsibilities to fully blown regional headquarters. Enright (2005a, 79; 2005b) analysed survey responses of 1,100 Western and Japanese MNCs active in Asia Pacific and showed that there is not a single type of a regional management centre but instead four different types. In addition to the traditional, full-fledged RHQ there exist several regional centres: regional coordination and support centres, peripheral centres, and marketing and customer centres.

When discussing HQ roles carried out regionally, it is important to separate the dedicated RHQ and local subsidiary with regional responsibilities. However, this has not been carried out yet in many studies (except Alfoldi et al. 2012; Kähäri, 2014; Lasserre, 1996; Piekkari et al. 2010; Schütte, 1997). In large MNCs HQ roles may be distributed to subsidiaries, instead of being performed by the dedicated RHQ only. Alfoldi et al. (2012, 277) have examined a phenomenon that they term as a regional management mandate (RMM) which differs conceptually from the dedicated RHQ. According to them, CHQ gives the RMM to a profit-oriented local subsidiary that dedicates some of its time and resources to carrying out RHQ roles.

Laudien & Freiling (2011, 112) define RHQ as an organisational unit that is hierarchically situated between the HQ and local subsidiaries - “Endowed with managerial discretion and responsibility confined to a certain region, they execute a managerial function towards the hierarchically subordinated local subsidiaries.” According to them, the primary purpose of the RHQ is to carry out a coordinative and administrative function, as well as, fulfil a market function. This is very much in line with the previous definitions of RHQs.

Laamanen et al. (2011, 5) define RHQ as headquarters that administer a firm’s regional activities across multiple countries and consolidate the results before reporting them to the CHQ. They see a firm’s regional headquarters can be considered to represent the hub of a regional, spatially distributed system of activities. Before Laamanen et al. (2011), Piekkari et al. (2010, 3) used a similar kind of an expression as they first conceptualized regional management as a system of differentiated centers. From the

definition of Laamanen et al. (2011) the RHQs' role stands out in consolidating the results and reporting them onwards to HQ – this is new approach to stress this aspect in RHQ definitions. However, they researched the relocation of HQs in Europe and tax benefits played a great part for explaining the relocation phenomenon of RHQs so it is natural that financial perspective shows off in their definition.

The following authors offer us simple, classical type of definitions for RHQs on a general level. Nell et al. (2011, 91) say that the RHQ is an organisational unit that integrates and coordinates activities and provides a link between the region and the HQ. While Alfoldi et al. (2012, 277) define the RHQ as an administrative unit that dedicates its time and resources to performing regional HQ functions. Kähäri (2014) points out that approximately half of the publications of RHQ do not offer any definition at all. He says, instead many researchers rely on an implicit understanding of the RHQ concept or could allude to a definition with role descriptions. Kähäri (2014) says that it is difficult to define RHQ in an easy and simple way. When authors define RHQ briefly, the definition tends to be on a very general level.

Kähäri's (2014) recent RHQ definition is an exception, comes from a new perspective and is clearly more theoretically developed as a result of an in-depth analysis of RHQs lifespan research work in his doctoral dissertation. This is first instance when time and dynamic change has actually been taken into account in the RHQ definition. Kähäri (2014) defines RHQ as an intermediate organizational unit within MNC hierarchy with a mandated role, geographic scope and location. According to him, RHQ is triple embedded, terminable and change-sensitive. By being triple embedded he means the RHQ being simultaneously embedded internally and externally in both its own environment and its subsidiaries' environments. Also, he stresses the interdependence of the three attributes, i.e. they are all related to each other.

Kähäri (2014) noted that no generally accepted definition for RHQ has emerged yet. However, as he points out some attention should be paid to the fact that the language of the corporate world differs from that of academic world, i.e., the terms used for RHQs in practice differ for various reasons. The diversity of MNCs concerning their structure,

geographic reality, a company's organizational politics, corporate language, spoken language (a native language) and even external reasons (statutory or tax position of RHQ in a particular country) could all lead to the use of a certain term for RHQ (Kähäri 2014, 26). Also Amann et al. (2014, 898-99) recognized the great diversity of terminology concerning regional management structures in their study of 47 French MNCs in Asia by their respondents. They explain that phenomenon may indicate either the regional management structures being disparate or reflecting the specific corporate vocabularies being adopted by each MNC. In their study 15 MNC had set up RHQs in the Asia-Pacific and according to them, only eight respondents from 15 MNCs described their regional management structure with the term RHQ. In the study, six respondents incorrectly noted the RHQ as 'a regional office', whereas one interviewee mentioned the 'Business Unit Asia' instead of RHQ.

According to Kähäri's analysis of the RHQ definitions, certain shared attributes emerge. One can agree with his view about the common denominators shared by most of the RHQ definitions. Kähäri (2014, 28) says that most authors note RHQ's intermediary nature between HQ and subsidiary and often refer to its management responsibility - "In terms of the object of such responsibility, the references to local subsidiaries or region are more vague and versatile while still present in most of the definitions. Even more ambiguity prevails over the tasks that RHQ performs, ranging between solving problems, control, and integration and coordination". Kähäri (2014) recognizes that so far none of the definitions appears as an evident choice to be used in (all) the future literature on RHQ. As we have seen the beauty of the development of RHQ definition in the course of time, one could say that the current situation of the definition is simply the best forecast for the future. Lately the definitions by different authors have come closer and are mostly in line with each other. Also, the different research perspectives seem to show off naturally in the definitions. However, one could say that the future research possibilities in the RHQ field indicate some further development for the definition. For example, at the moment new concepts such as 'sub-regional headquarters, springboard subsidiary, extra-regional headquarters and regional management mandate' have emerged related to the topic (Pla-Barber & Camps; Alfoldi et al. 2012)

Based on the analysis of previous RHQ definitions, I would summarize RHQ for the time being as an intermediary organizational unit that is hierarchically situated between headquarters and subsidiaries. HQ has given a certain mandated role for RHQ with a high decision making autonomy (strategic, administrative, coordinative and market function) concerning the subsidiaries under its management in a definite geographical area. Over time, RHQs are change-sensitive concerning their mandated roles, geographic scopes and possibly terminable.

3.2 Types of RHQs

Schütte (1997a, 442) classifies RHQs into three main types, depending on the way it manages the local subsidiaries: vertical, horizontal and virtual RHQs. He says that in vertical regional headquarters, local subsidiaries report to the RHQs which in turn reports to HQs. Horizontal RHQ operates on a consensus basis and by this he means that the authority of the RHQ is dependent partly on the national units. The role of RHQ in relation to local subsidiaries is only supporting and consulting (Kähäri, 2014). In virtual arrangements, a RHQ as an organisational unit with an office and staff does not exist and the RHQ responsibilities and functions are distributed to local subsidiaries (Schütte 1997a). Alfoldi et al. (2012, 277) call this latter arrangement as a regional management mandate (RMM) and see the arrangement as suitable in new, peripheral or transitional markets. According to them, another virtual arrangement option is to delegate the responsibilities of RHQ upwards in the corporate hierarchy.

Lasserre & Schütte (1999, 252-56) categorize RHQs according to their organisational structure: global, transnational and multi-domestic RHQ. These RHQ types differ in their connection with HQ and how they enhance local responsiveness in the region. The global RHQ is an extension of the corporate headquarters and its purpose is to be easily reachable for the subsidiaries in the region. RHQ coordinates functional activities and represents HQ in board meetings of subsidiaries. However, it is relatively weak representing regional concerns at HQ. Transnational RHQ operates at the regional level and is a prototype of an organisation exposed to tensions arising from dual pressures for

integration and responsiveness. Its organisation structure is a matrix wherein sub-regions or countries represent geographical concerns and product divisions business concerns. Ideally the transnational RHQ is a powerful organisation where decisions for the region are made without consultation with HQ. The multi-domestic RHQ typically operates in an environment that is different from other parts of the world. Its main purpose is to represent the subunits in the region and their concerns towards HQ. In this mission it relies heavily on consensus between local subsidiaries and their support. (Lasserre & Schütte 1999)

3.3 Roles of RHQs

Studies over the last 30 years have discussed various roles for RHQs in theory, but few studies have discussed what functions the RHQs carry out in practice (e.g. Lasserre 1996; Daniels 1986; Lehrer & Asakawa 1999; Mori 2002, Kähäri 2014).

Early studies already showed that companies were following a variety of approaches in terms of the functions that the RHQs carried out (Daniels 1986, 27). Williams (1967, 89) pointed out that it is normal for the functions of a regional management to vary with the characteristics of the particular company, its operations, and its management. Perry et al. (1998, 240) mentioned the implementation of ambitious globalization strategies by MNCs as one influence driving the heterogeneity of regional headquarters. Ho (1998, 180) saw the RHQs structure and activity as strategic and responsive to the resource environment: “RHQs add and shed functions as the market and production considerations change.” Whereas, Lasserre noted that the roles RHQs play depends on several factors: company’s experience in the region, corporate regional impetus, the global structure of MNC, corporate product diversity and the status and seniority of executives in the RHQs. Naturally, the roles of RHQs vary between organizations due to the different objectives MNCs’ try to achieve. For example, Daniels (1986; 1987) examined the European regional management centre experience by 16 large U.S. firms in terms of the types of responsibilities they handled and found that the purpose of the

offices varies substantially from company to another and no two companies had the same combination of objectives.

According to a textbook definition by Dicken (2007, 141), RHQs' primary role is "to integrate the parent company's activities within a region, i.e. to coordinate and control the activities of the firm's affiliates (manufacturing units, sales offices etc.) and to act as the intermediary between the corporate headquarters and its affiliates within its particular region. RHQs are both coordinating mechanisms within the MNC and also an important part of the MNC's 'intelligence-gathering' system." (Dicken 2007, 141).

The literature shows that there can be found plenty of typical and more specific roles that RHQ play. Many authors divide the RHQ roles for the start for two main roles and then continue dividing these into more specific important functions or roles. First, we take a look at the two main roles named by different authors. Schütte (1997) divides the roles of RHQs between those more directed towards HQs and others more involved with regional operations. Lasserre (1996, 31) and Alfoldi et al. (2012, 278) conceptualise the main roles for RHQs as entrepreneurial and integrative. According to Mahnke et al. (2012, 295) RHQ perform unique parental activities, which they refer to as entrepreneurial or administrative.

Two things must be noted when talking about RHQ's roles and their definitions. First, generally speaking, many authors talk about the same kind of RHQ roles, but sometimes do so with different names i.e. role definitions may differ between the authors. Second, when Alfoldi et al (2012, 278) listed the possible RHQ roles they found in their study, they stressed that it must be noted that due to the complexity of the RHQ roles there may possible overlaps at the level of functions and roles. This idea of possible overlaps should be expanded to concern the variety of possible RHQ roles named by different authors due to the complexity of the roles and differing definitions. Next we will look at the variety of specific roles or functions in more into detail.

According to Schütte (1997, 441), the first set of RHQ roles are directed towards HQs and concern "strategy development and implementation in a sense of budgeting and

control, strategic stimulation, intelligence gathering, new business development and the bundling of otherwise fragmented demands from dispersed operations for resource or simply more attention from HQs in competition with other regions.” Schütte’s (1997, 441) second set of roles are involved with regional operations and consist of “raising efficiency and effectiveness through the pooling of resources, benchmarking and the spread of best practise, and the co-ordination of activities across borders and business divisions.”

Based on empirical data obtained through a survey and informal interviews at RHQs of western MNC in Asia Pacific, Lasserre (1996, 31) identified five important roles for RHQs. Three of these roles enhance entrepreneurial development - that is, scouting, strategic stimulation and signalling commitment - while two of the roles are integrative: coordination and pooling resources. These roles named by Lasserre are nicely defined in his work and we will look at these more later on. His study represents classical RHQ research that has been repeatedly referred by many authors. Therefore, we will look at the Lasserre’s RHQ roles as a basic set for RHQ – seems that many authors have build their definitions on Lasserre’s – and compare them to other definitions later on and add some new ones.

Alfoldi et al. (2012, 278) conceptualise the same entrepreneurial and integrative roles for RHQs as Lasserre. However, their definitions for these roles differ. Alfoldi et al. (2012) define the entrepreneurial role as value-adding or ‘creating something new’ and they further divide the role into five functions as follows: strategic leadership, planning and direction; resource development, acquisition and deployment; seeking and exploiting new opportunities; driving organisational adaptation; and attention and signalling. Alfoldi et al. (2012) define the integrative role as ‘managing something existing’ or as loss-preventing which they further divide into five functions: monitoring, control and governance; resource and knowledge management; representation and mediation and coordination and harmonisation; and integration and facilitation of inter-unit linkages.

Mahnke et al. (2012, 295) say that RHQ's administrative charter consists of the coordination of regional activities, the exploitation of headquarters' knowledge, and the achievement of synergies by pooling resources and centralizing value-added activities. According to them, RHQ's entrepreneurial charter, in contrast, provides a RHQ with a mandate to scout out and explore new business opportunities, to initiate new ventures, and to stimulate and assist in understanding the changes in the business environment.

Lasserre (1996) used a term scouting when referring to the RHQs as a base from which to search out opportunities and initiate new ventures in the region. Perry et al. (1998, 240) labelled this role as a bridgehead. The RHQs' role for developing new business in the region was mentioned in many studies (Lasserre 1996; Schütte 1997; Perry et al. 1998; Mahnke et al. 2012; Alfoldi et al. 2012). Regardless, when Mori (2002, 13) surveyed the role and functions of European RHQ in Japanese MNCs, he did not find such a role for the companies. According to him, RHQs are normally established to manage existing subsidiaries efficiently, therefore the development of new business is not a main purpose of RHQs. In addition, he said that RHQ is usually not a business unit and it is logistically difficult for it to develop new business. However, Mori (2002) believes if the RHQ has the mission to create value in the region, it will play the role of developing new business.

By strategic stimulation Lasserre (1996, 31) means RHQs' role in assisting businesses in understanding the changes in the regional environment and helping them to integrate these changes into their business strategies (see also Schütte, 1997; Enright 2005b; Mahnke et al. 2012; Alfoldi et al. 2012). Kriger & Rich (1987, 45) see RHQs as 'strategic windows' that try to understand changes in the local host county environment and learn about those changes quickly. Also Laudien et al (2011, 113) stress RHQ's role as an observer. According to them, RHQ monitor market developments, record the information on changes, evaluate the importance of each observation and bring together the observations on a regional level and transfer the result of this process to the HQ.

According to Lasserre (1996), another central tasks of RHQs is to signal commitment to the region internally and externally to local governments, the general public, shareholders and the financial community (see also Daniels 1987; Alfoldi et al. 2012). Most of the studies mentioned that RHQs should have the role as a coordinator (e.g. Lasserre 1996, Schütte 1997; Perry et al. 1998, Lasserre & Schütte 1999; Mori 2002; Enright 2005b; Alfoldi et al. 2012; Mahnke et al. 2012). This function could be further divided into two: coordination between global integration and local responsiveness (e.g. Morrison & Roth 1992; Lehrer & Asakawa 1999) and coordination of business units within the region. According to Lehrer & Asakawa (1999, 272), “where strong pressures exist for both regional responsiveness and for regional integration, the regional office can be expected to exercise an important administrative, headquarters-like function”. Mori (2002, 4) sees the coordination between global integration and local responsiveness as important due to possible differences in market sensitivity and intent between HQ and RHQs. Lasserre (1996, 31) stated that co-ordination consists of “ensuring that the businesses exploit synergies and follow consistent policies across the region.” He distinguished between strategic and operational coordination. Whereas, Perry et al. (1998, 240) said the RHQ is being responsible for disseminating policies and decisions from CHQs, monitoring the performance of subsidiaries and providing periodic reporting to the CHQ.

Several studies mentioned pooling of resources as one of the main roles of RHQs (Lasserre 1996; Schütte 1997; Mori 2002; Perry et al. 1998; Daniels 1986; Mahnke et al. 2012). “The management of certain key functional activities across the region may be undertaken by the RHQ for a greater efficiency and effectiveness” (Lasserre 1996, 31). According to Daniels (1986, 29), by pooling of resources it is possible to add services that would otherwise not be available to the country level management. For example, regional staff monitors region-wide economic conditions and regulatory developments, prepares and supplies information and forecasts in order to prevent costly duplication among subsidiaries within the various countries (Daniels 1997). Also, Daniels (1986, 31) suggests the management development as one of the RHQs objectives (see also Morrison 1991). Nell et al. (2011, 101) say RHQs are in a very good position to manage economies of scale and scope within the region through means

of centralisation, formalisation and socialisation. Mori (2002, 4) expects RHQs to provide staff services (e.g. information systems, personnel function, and legal services). Also Perry et al. (1998, 241) mentioned RHQs as providing services to the HQ and subsidiaries such as search for investment opportunities, site selection, public relations and liaison with host governments and other regional and international organisations.

The role of transferring knowledge was seen as one of the main roles of RHQs according to the literature. According to Asakawa & Lehrer (2003, 32), RHQs are in a key role in the identification and mobilization of knowledge in the MNC. Lunnan & Youzhen (2014) say RHQ may have important roles in the knowledge creation, adaptation, integration and transfer of knowledge within MNEs as they may be centers of HQ expertise in region. According to them, RHQs potentially create knowledge and provide lines of transfer for local knowledge initiatives into the regional and global network. Perry et al. (1998, 241) said RHQs directs information both upwards and downwards in the MNC. Mori (2002, 5) expects RHQs to transfer knowledge from local operations and markets to CHQ and other subsidiaries in MNCs. Kriger & Rich (1987, 45) call RHQs as 'windows of influence', meaning that RHQ "serves as two-way conduits of influence" between various stakeholder groups in the host region and key decision-makers in HQs at home. Daniels (1986, 31) mentions the role of RHQs in transfer successful practices from one of the countries to others. Also, "by the RHQs transferring information, there is a growing ability to predict success or failure for a group of countries on the basis of their experience in one of them" (Daniels 1987, 34).

Laudien et al. (2011, 109) see that RHQ has a role as a facilitator since it exerts considerable influence on the information flow between local subsidiaries and the HQ. They say, it is necessary for MNCs "to gather relevant and detailed information both on a global and local scale since they have to identify local prospects and local risks to ensure or improve their performance and to make sure their long-term survival". Laudien et al. (2011, 109) see RHQ as an essential coordination mode for MNC which can be used "to ensure the availability of a sufficient quality and quantity of required information considering the costs of information search, the costs of ensuring information quality" and the significant costs caused by incorrect or missing

information. Nell et al. (2011, 93) found across their case study examples of MNCs where “introduction of RHQs had the effect of closing information asymmetries between the HQ and the subsidiaries in the regions.”

Amann et al. (2014, 899) investigated regional management structures of 47 French MNCs in the Asia-Pacific and found that 15 of them had set up RHQs with the following roles and functions: investment choices, financing, business development, management of subsidiaries, executive HRM and intra-Asian short-term assignments. While Enright (2005b, p. 100) analysed the roles of regional management centers of North American, European and Japanese MNCs active in the Asia-Pacific his findings for the roles of RHQs are very much in line with Amann et al. (2014): coordination, monitoring, reporting and supporting of regional activities; regional strategy formulation; senior HRM; competitor intelligence; business development; finance and investment; accounting; marketing and IT management.

3.4 Life cycle of RHQ

The evolution of RHQs has attracted limited scholarly attention. There are a few exceptions, such as: Lasserre 1996; Lehrer & Asakawa 1999; Enright 2005a, 2005b; and Piekkari et al. 2010; Kähäri 2014; Kähäri & Piekkari 2015). Based on the literature review, we know that RHQs are change sensitive with possibly limited lifetime. However, a longitudinal research perspective in RHQ studies is missing (except Piekkari et al. 2010; Kähäri 2014; Kähäri & Piekkari 2015) and without empirical studies we cannot say for sure what happens to RHQs during their life-cycle or how and why RHQs develop.

First, we will look at the birth of a RHQ. According to Kähäri (2014, 74), there are two ways for a RHQ to be born. In both cases corporate HQ grants a new RHQ mandate, either to an existing subsidiary or sets up a green-field operation. Schütte (1997a, 441) says that companies can potentially set up RHQ when the benefits of regional integration are higher than the costs of an RHQ as an additional organisational unit and

an extra hierarchical level. Laudien & Freiling (2011, 109) say the implementation of RHQ means that fixed operation costs rise but in contrast costs caused by collecting local market information potentially decline and the quality of information may improve due to the RHQ's locational advantage in comparison to HQ. Therefore, they say that potentially MNC's overall costs of operation decline. Kähäri (2014, 77) says RHQs live because they add value to their parents and subsidiaries at a lower agency cost than other alternatives, and because they are flexible structures.

Among many studies Nell et al. (2011, 102) have recognized that the RHQ solution is not clear to MNCs since many of them struggle with the implementation. As Parks (1969, 79) have said it, RHQ represents an extra layer of management and "few companies have effectively sorted out the respective roles of these three tiers". Nell et al. (2011) have noticed that MNCs "constantly increase and decrease the power of their RHQs, reallocate individual markets from HQ to RHQ responsibility and back again, regroup countries to form regional entities, establish sub-regional offices and dissolve them again." Nell et al. (2011, 100) studied nine large MNCs from different industries originating from US, Germany and Japan and interviewed the decision makers at all the three hierarchy levels of the MNC. Based on the interviews they reported that regional managers complained about their need to fight constantly for their mandate (see also Piekkari et al., 2010). In line with Nell et al. (2011) is one finding of the study of RHQs in Asia-Pacific by Enright and Scott: A large number of companies, consisting of North American, European and Japanese firms, had reorganised their regional activities at least once in the last three years, and quite a few expected further reassessment in the near future. (Economist Intelligence Unit 2000, 3).

Parks (1969, 79) reported that during the 1960s many US MNCs set up European HQ with great expectations, however, in many cases the offices were later cut back in scope or closed down. The author found six reasons for the failure: profit failures, limitation of regional management, personnel changes, communication, poor execution and organisational philosophy. In contrast, Piekkari et al. (2010) suggest that the frequently reported failure of RHQs is associated with the immense task complexity requiring local, regional, product and functional knowledge. Schütte (1997a) worries that costs

and benefits of RHQs are difficult to measure. Lasserre & Schütte (1999, 250) see this as one possible explanation why RHQs of Western MNCs in Asia have such “a chequered track record and are a largely unstable organisational phenomenon”. Also they have recognized lack of planning among the reasons why so many RHQs of Western MNCs in Asia have failed or been closed, or have been restructured. Also Parks (1969) has recognized that many U.S. based RHQs in Europe have suffered from too rapid build up and have never quite recovered from the mistake. However, Parks (1969) points out that the withdrawal of RHQ does not necessarily mean that it has failed. Instead, it may simply indicate “the mission of launching ventures has been accomplished” and the need for a HQ in the area has ended. Anyway, seems that Parks (1969, 84) wanted to save some of the US RHQs in Europe from closing down: “While the European headquarters is oftentimes sick, let us cure the patient, not eliminate him”.

One important theoretical contribution in the field is by Lasserre (1996, 36) who introduced a life cycle model for RHQ in Asia based on a survey and informal interviews with managers at RHQ of Western MNCs. The life cycle of RHQ mirrors the tasks that are carried out at different stages in the evolution of the RHQs. Depending on the relative emphasis given to the entrepreneurial or integrative role of RHQ during its life cycle, he suggested four profiles for RHQs: initiator, facilitator, coordinator and administrator.

Lasserre (1996, 36) says that in the entry stage, the RHQ takes the role of an *initiator* and concentrates “on the stimulation and strategic coordination needed to support local operations in their development”. In the development stage, the company has become more established in the region, the RHQ will augment the *facilitator* profile and take a more integrative role in the region. When regional operations have reached the consolidation stage, local subsidiaries are sufficiently mature to develop their own business opportunities. Then, the RHQ takes the role of the *coordinator* by playing a strong integrative role and by exploiting synergies between the businesses. However, none of the companies Lasserre (1996) interviewed represented this stage in the life cycle. In the final administrative stage, as a natural evolution the full tasks of the RHQs will be taken over by local subsidiaries. The RHQ is left with the role of the

administrator covering only functions such as: financial management, training, taxation, treasury and legal support. Lasserre (1996, 36) calls this as “a prelude to the RHQ being wound down and finally withering away completely”. Yeung et al. (2001, 8) pointed out that the scope for deviation of individual organisations is so wide that it is unlikely that most RHQs will evolve in the same sequence as Lasserre presents. Ambos & Schlgelmilch (2010) point out that some caution should be warranted when transferring Lasserre’s model into the European context since the model was developed for RHQ in Asia. Schütte (1997, 132) said that setting up a RHQ in Asia was linked to a certain phase in MNCs development called ‘strategic investor’ and this action was designed to signal strong commitment to the region and high visibility of the project both internally and externally. Lasserre (1996) describes that MNCs entered Asian market typically through a regional bridgehead that had a mandate to enter the region, develop business, and become redundant as the subsidiaries become mature enough to take over the tasks from RHQs. Ambos & Schlgelmilch (2010) say that the starting point for many European operations they investigated is different. According to them, the RHQs for Europe are usually not the first unit to be established in the market but much later after the subsidiaries are already running. They argue that RHQs in Europe are not a temporary structure but help firms to manage the international operations in the long term. Even if Lasserre’s role categorization has been criticized, the model has still been quoted by many. However, Enright (2005a) suggested that Lasserre (1996) should prove large-sample tests to determine the generalizability of the concept. Also Kähäri (2014, 111) notes that Lasserre’s role categorization has never been empirically tested in published literature.

Edgington & Hayter (2013, 662) made a case study analysis of RHQs and interviewed managers of seventeen Japanese electronics MNCs in Japan and in ASEAN. Their study indicates that Japanese electronic MNCs have established more autonomous RHQs in Europe and the United States in comparison to those set up in Singapore or ASEAN. RHQs are at different stages of development. Edgington & Hayter (2013, 665) note “the evolution of RHQs should not be taken for granted but understood in terms of nuanced reciprocating relations between corporate structure and corporate strategy and how these relations change over space and time. “

Li et al. (2010) examined the changing role of RHQs in five American and one European MNCs based on interviews of managers in Taiwanese subsidiaries. All MNCs had set up sub-regional headquarters (e.g. Greater China) under RHQ in Asia in 2000. According to the authors, findings of the study suggest just the opposite to Lasserre's (1996) argument that the last step of RHQs is diminishing. In their study, the sub-regional headquarters replaced RHQ to manage the subsidiaries in a sub-region, while RHQ became a resource distributor. It managed the operations of the sub-regional headquarters, distributed resources to them and engaged more in planning activities. According to the study, all RHQs ended up existing. (Li et al. 2010, 28-29)

In comparison, Paik & Sohn (2004) carried out a case study of large Japanese MNCs that redesigned their organizational structure, including the roles of RHQs. They say that in their case the organizational restructuring led to a 'double-tiered' RHQ structure. Also, they found that the role of RHQ at the group corporate level became smaller as their main responsibility was to provide supporting activities (e.g. legal and financial services).

Lehrer & Asakawa (1999) studied the European operations of 19 American and Japanese MNC and found that here the roles of RHQ became also less important over time. They say the MNCs were unbundling their European operations in order to improving their flexibility but they did so in different ways and to a different extent. The American MNCs tended to delegate regional tasks to local subsidiaries, while the coordination task was assured by periodic formal or informal European management councils. Japanese MNCs hesitated to grant any real authority to RHQs which therefore ended up exercising a largely nominal function.

Piekkari et al. (2010) carried out a longitudinal case study concerning RHQ evolution in a Finnish MNC. The study included three regional management centers in Northern Europe and five in Asia-Pacific: two RHQ, one sub-regional headquarters and five regional coordination centres. Piekkari et al. (2010, 3) suggested that regional management could be conceptualized as a system of differentiated centers that adapt over time to internal and external contingencies. In the study, an analysis period was

exceptionally long at 40 years and throughout the span the MNC had a regional structure in place, but the resources and status of RHQs shifted over time. For example, at a certain point in time RHQs were organized almost virtually and one of the RHQ did not survive the entire period. According to Piekkari et al. (2010), some of the regional management centres were dismantled or merged with existing ones and their regional responsibilities were divided between other centres in the region. Piekkari et al. (2010, 14) argue that regional centres tend to disappear when they become inefficient. In other words, when the realized information processing capacity of an individual centre became smaller than their cost, adjustments were made to the regional management system. Also, Enright (2005a, 63) argued that regional management centres exist and survive only as long as they create value for the corporation. In his doctoral thesis Kähäri (2014, 77) lists three possible reasons why RHQs will die: if RHQs stop adding value, if it loses its parent's (HQ) trust, or if something unexpected happens in the corporate or external environment that affects RHQ position within the organizational structure of the MNC. Also Parks (1969) reports that changes at US corporate HQ often have an immediate impact on subsidiaries in Europe and sometimes the actions and decisions made in the US corporate HQ have hurt the RHQs in Europe.

So according to Kähäri RHQs can simply die and their termination incurs low cost. He explains (2014, 13): "RHQ may disappear entirely and be replaced with alternative organisational structures." Kähäri (2014) sees terminability of RHQ as an innate attribute of an intermediate organizational level. According to him, RHQ can be eliminated and the surrounding organizational structure can continue to exist, albeit with changed roles. Kähäri's (2014) longitudinal study shows that while RHQ possibly evolve through a life cycle, most likely RHQs lose their mandate due to a disruptive change in the MNC or to external development. He says that these reasons account for two thirds of the RHQ mandate losses in his data, while natural death remains a clear minority.

Pla-Barber & Camps (2012, 531) studied European MNCs and the role of the Spanish subsidiary as a springboard into Latin America. As RHQ, the springboard subsidiary is situated between the parent company and local subsidiary and it may have similar

functions as RHQ. However, the opposite of RHQs, the springboard subsidiary is not located in the foreign region but outside. The authors describe that springboard subsidiary's roles may change over time. According to Pla-Barber & Camps (2012, 532-33), in the initial phase when activities are developing in the region, "the springboard subsidiary may have an entrepreneurial role that involves searching the opportunities across the region and signalling commitment". In the final stage, after the MNC has increased its presence in the region the springboard subsidiary potentially plays an integrative/administrative role as an extra-regional head quarters (ERHQs). They say, it coordinates the different units in the region, exploits synergies and pools resources to manage the key functional activities regionally. They continue, when the springboard subsidiary gains experience it acquires more autonomy to formulate and implement strategic decisions in the target region/country. In the end of the life-cycle, they expect the springboard subsidiary to disappear due to its own success. When the springboard subsidiary has successfully developed the strategy in the region, it loses the reason to exist. Now, the parent company has two options: either establish RHQ or give more autonomy to the local subsidiaries in the region. (Pla-Barber & Camps 2012, 533)

To sum up, we already know several features about RHQs life-cycle. The RHQs are being born when a CHQ grants a new RHQ mandate to an existing subsidiary or sets up a green-field operation. RHQs are born with flexible structures and they live because they add value to their parents and subsidiaries (Kähäri 2014). Theoretically we have a classical RHQs life-cycle model (Lasserre 1996) guiding RHQs potential development, however, the model has not been empirically tested. Anyway, we know from the literature that RHQs are at different stages of development, change sensitive and their evolution should not be taken for granted, but understood that RHQs adapt over time to internal and external events (Piekkari et al. 2010). Also, we know that the RHQ solution as an extra layer of management is not clear to MNCs and many of them struggle with the implementation. Typically, MNCs often increase and decrease the power of their RHQs, reallocate individual markets from HQ to RHQ responsibility and back again, regroup countries to form regional entities, establish sub-regional offices and dissolve them again (Nell et al. 2011; Piekkari et al. 2010). In practice many RHQs strive to keep their mandate. Also it is not uncommon that RHQs fail and we know several possible

reasons for this such as: lack of planning, poor execution, tremendous task complexity, cost and benefits of RHQs are often difficult to measure.

Some studies indicate that the role of RHQs possibly becomes less important over time. In other words, RHQ could adopt more administrative role, or responsibility to provide more supporting than originally managing activities to subsidiaries. Respectively, the role of subsidiaries under RHQ' management typically grow larger and more independent with time. RHQ live only as long as they add value to MNC and have the trust of a parent. The latest research on RHQs with large RHQ population with longitudinal perspective shows that RHQs possibly evolve through a life-cycle, but it is likely that RHQs lose their mandate due to a disruptive change in the MNC or to external development. Natural death of RHQ is also an option, but a minority one (Kähäri 2014).

The problem in the field and concerning RHQs' life-cycle is clearly that the longitudinal studies of RHQs are few. We can recognize that RHQs evolve with time and are at the different stages of development but without empirical studies we cannot say for sure what stages RHQs meet while going through a life cycle or how and why RHQs develop in the long run. The research perspective is relatively short in the current studies. What we see in few years of RHQ development is possibly different kind of evolution compared to the analysis period being 10 or even 40 years (Kähäri 2014; Piekkari 2010). As mentioned in the recent literature an empirical test of Lasserre's (1996) life-cycle model would be an interesting addition to the discussion since the model was build based on analysing RHQs of Western MNCs in Asia. Empirical life-cycle study based on his work of European RHQs population could possibly give differing RHQ profiles.

4 RHQ LOCATION

According to Zaheer & Nachum (2011, 96) firms locate and relocate in order to get access into location resources. The authors classify location resources into physical resources (e.g. natural resources, weather, sources of energy) and relational resources (e.g. labour, supplier networks, connections to institutions and consumers). Also they divide location resources into tangible (e.g. labour, natural resources) and intangible (e.g. identity or reputation for quality of particular location). They say that locations do not have the same value for all MNEs, and a firm's ability to extract value from location is an outcome of its sense of place, i.e., the recognition of the potential of a location. Zaheer & Nachum (2011, 96) point out that value of a location that might be disadvantageous for one firm could deliver unique value to another.

Kähäri (2014, 115) says that only 20% of the RHQ papers have location as the main focus, even the topic is widely noticed and attracts general attention. The academic focus has been so far on the criteria for selecting a location for RHQs and on the relocation phenomenon. These will be covered next in the following chapters. Next we will look at the criteria that MNCs have used in selecting the location for their RHQs.

4.1 RHQ location criteria

There does not exist specifically articulated theory of RHQ location choice (Holt et al. 2006, 6). However, previous studies list number of attributes that possibly affect the decision where to locate the RHQs.

We start from internal factors that may affect the choice of a RHQs' site. Williams (1967, 89-90) compared five cities in Europe and introduced several factors that could play a part when choosing the place for the RHQ: location of largest subsidiaries, proximity to customers, nationality of executives and their personal preferences, availability of office and staff. Then Dunning (1988, 279) suggests several factors that could affect the location choice: office rents, availability of support staff, housing and

residential costs, attitudes towards foreigners, taxation, market growth, the telecommunications and personal preferences of executives. These factors mentioned seem natural and logical determinants and can be found commonly among the literature, but the weight of the decision factors varies between the studies. For example, the personal preference of executives has been found to have some weight in the process of choosing location for RHQs.

According to Laamanen et al. (2011, 10), companies favour headquarters locations that are central to their operations and can regard some countries as more peripherally located than others. Ho (1998) said that coordination and the need for regular contact at dispersed local subsidiaries requires a geographically central accessible site, especially in terms of flight times and frequency. According to Lasserre & Schütte (1999, 266), the central location is one of four main criteria that influence the decision where to locate the RHQs. The other criteria according to them are: convenience and infrastructure, cost factors including taxation and proximity to business. These factors are common location criteria and have been widely recognized in the literature. Lasserre & Schütte (1999, 266) add that RHQs may be located either where the main market opportunities lie, or where the business is small, vulnerable and needs support.

Heenan (1979) examined the decision making process of executives in 60 US and 47 Japanese MNCs for selecting site for RHQs. He found different preferences between the US and Japanese corporations. For US executives, the most important criteria in the RHQs' location selection were a political stability of the city (see also a report by Economist Intelligence Unit 2000, 3), when the Japanese appreciated the most the economic importance of local market to the region. Both US and Japanese firms considered the supporting infrastructure as a second most important criteria. The other important factors for the US MNCs included the cost of maintaining expatriate staff, air transportation, communications and proximity to major countries' markets and support services. In comparison, for Japanese MNCs the other important factors were government attitudes towards HQ companies, political stability, educational and medical facilities, as well as, international and multicultural orientation of the location. (Heenan 1979, 413)

Ambos & Schlegelmilch (2010, 78) studied European RHQs and found three different motivations concerning the location choice: power leverage of individual managers, personal preferences of senior managers and historical accidents. For most of the MNCs they studied, the location choice for the RHQ was not to select a greenfield site but to choose one subsidiary within the region to win the RHQ mandate. Williams (1967, 89-90) suggested that the decision of site location could be best approached by process of elimination. Anyway, Ambos & Schlegelmilch found that soft factors or pure personal preferences of the top management were second most common driver. Also Parks (1974, 8) noticed that the European RHQ location has been influenced by the personal preferences of the European chief executives. However, the managers in the study of Ambos & Schlegelmilch (2010, 78) often revealed that the initial location decision was usually a historical accident (see also Mori 2002).

Ho (1998) suggested that the following factors shape the location of RHQs in Asia Pacific: proximity to company affiliates, market access, distribution and information services. He also discussed the pull of places affecting location choice of RHQs: presence of large budget customers, other RHQs, skilled labour and local service sector. Ho saw that only a few cities in Asia could provide the attractive environment to RHQs, and stressed the importance of the base since once it is established inter-industry linkages provide the additional incentive for new firms seeking site for RHQs. (Ho 1998, 182-87; see also Ho 2000, 2351-53).

Ho (2000, 2354) also compared the site characteristics of three competing centres for RHQs in Asia: Hong Kong, Singapore and Australia. He found that there is a match between functions and sites, in other words, for some functions of RHQs (e.g. manufacturing, and sales and marketing) proximity and distance matters. He said that there is a clear geographical division of labor between Hong Kong and Singapore, since Hong Kong handles the East Asian region, while Singapore coordinates the South-East Asia. However, according to Ho (2000, 2354) Australia sells the concept of 'passive RHQ', where the workers do not travel frequently within the region. Ho suggested that for some particular functions of RHQs (e.g. customer support, training and data processing) the computers and telecommunications possibly overcome the hurdle of

distance. Zaheer & Nachum (2011, 105) agree that companies have increasingly the ability to access location resources remotely through technology.

According to a report by Economist Intelligence Unit (2000, 3), Enright and Scott surveyed over 8000 North American, European and Japanese companies' key RHQ decision criteria and locations of their RHQs in the Asia Pacific. The results of the study showed that political stability and consistency of government policy were the most important factors affecting the location decision. In comparison, Ho did not mention these factors in his study concerning the location choice of RHQs in Asia Pacific. However, market factors (proximity to existing and potential customers) proved to be important in both of these studies. Communications and transportation infrastructure, especially air transportation (see also Ho 1998) and dense route network were considered important, following factors such as: transparent law and regulation environment, absence of corruption, and availability of skilled managers. In comparison, as mentioned above, Heenan (1979) found similar determinants in his study. However, in contrary to study by Lasserre & Schütte (1999, 266) in the Asia-Pacific, Enright and Scott did not found taxation, cost issues or quality-of-life among the most relevant factors when choosing location for RHQs in Asia Pacific. Parks (1969, 82) supports Enright and Scott by saying that tax issues should not be an over-riding criterion for RHQ's location. Instead, Parks (1969) suggests that the living conditions for the staff and a favourable environment for operations should be considered as the most important location criteria which is in line with Lasserre & Schütte (1999).

A research by Yeung et al. (2001, 14) made of 130 RHQ in Singapore showed that three factors played a significant role in strategic decisions by MNCs to establish RHQs in Singapore: geographic distance, strategic necessity and business services. Since control decreases with distance, MNCs from outside Asian region (e.g. European and US) tend to be more likely to set up RHQs in Singapore to coordinate and manage their operations in Asia. Yeung et al. (2001) pointed out that there is a contrast in their study to Heenan (1979) who found that geographical proximity to CHQs was of least concern to US multinational corporations. The contrast in the results of the two studies could be

explained by the fact that in Heenan's (1979) study American MNCs had a higher preference for satisfactory air transportation and easy access to international airports in comparison to Japanese MNCs. Ho (1998; 2000) and a report by Economist Intelligence Unit (2000, 3) both agree that distance matters while setting up a RHQ in Asia. Third reason to choose Singapore as a location for RHQs, according to Yeung et al. (2001), is its business services capabilities (see also Ho 1998). Yeung et al. (2001) see this as an important finding since many Asian mega-cities are trying to copy the success of Hong Kong and Singapore in attracting the RHQs, but they fail to understand that total business environment of the host city matters most to RHQs. Yeung et al. (2001) argued that interurban competition for the location of RHQs through incentives (e.g. tax holidays) is unlikely to be highly effective among those cities with very different endowments of infrastructure and service qualities. As we see, the tax issue as a decision factor has been mentioned by many authors but the importance of its role clearly varies between the studies.

As we know, the strategic necessity of RHQs is important in their establishment and RHQs are part of the wider regionalisation strategy for MNCs (Yeung et al. 2001). Mori (2002) researched Japanese MNCs with RHQs in Europe and on a basis of the survey he discovered that there were no well-defined strategic reasons for RHQ location site. In Mori's study, for most of the companies the location of RHQ was originally the site of a sales subsidiary, or a logistics subsidiary. As already mentioned, Ambos & Schlegelmilch (2010, 78) studied European RHQs and found that the initial location decision was often a historical accident. In Mori's study, only one Japanese MNC out of eleven had located the RHQ on the basis of prospects for the future. The author said that too often companies locate RHQs as a management or service organisation. Instead, Mori (2002, 20) suggested that Japanese MNCs should reconsider the RHQs locations on the basis of knowledge flow. Laudien & Freiling (2011, 116) actually suggest that MNCs make the decisions about locating the RHQs based on the information costs and information quality. They say that the location of the RHQ defines the costs stemming from collecting and transmitting information. According to them, it is preferable to locate RHQ close to their areas of responsibility to ensure high information quality and to enhance the reaction time revealed to environmental influences.

Holt et al. (2006) studied the decision factors influencing MNCs' regional headquarters location selection strategies. They analysed 57 RHQs in Europe and the Asia-Pacific and found that RHQs established in order to be responsive to regional markets tend to use different selection criteria compared to the RHQs that facilitate global coordination. Also Zaheer & Nachum (2011, 102) argued that MNEs's ability to recognize opportunities in a location, its sense of place, varies across MNEs pursuing multidomestic and global strategies.

According to Holt et al. (2006) the location decisions of RHQs pursuing regional responsiveness strategies are based mainly around concerns of operational costs. The factors that were taken into consideration were as follows: economical IT infrastructure, a location must fit with the firm's prior experience, low operating costs and favourable government incentives. In contrast, they found that RHQs pursuing a global coordination strategy, the primary concern in making location choices were the type of employment relations that environment presents, a supportive business environment, the cost of living, a favourable financial environment and efficient access to regional links. (ibid. 17-18)

Holt et al. (2006) also found that US-based MNCs use significantly different selection criteria compared to Asian-based MNCs when making location decisions. Also Heenan (1979) found differences in the preferences between the US and Japanese corporations when selecting a place for RHQs. Holt et al. (2006) found that the RHQ location decisions of US firms were driven primarily by business efficiency and incentive concerns. Their factors in location selection of the top priority were, in descending order of importance: compatibility with home base, economical IT infrastructure, effective regional links, government incentives and low cost of living. These results were partially in contrast with Heenan's study (1979) – for example, the political stability of the city was the most important decision factor in locating a RHQ for US MNC. Nevertheless, Heenan discovered a similar type, but not the same, business efficiency factors and incentives affecting the location choice in a different order of importance. In contrast, the location decision priorities of European-based firms were low operating costs, supportive business environment, favourable employment relations and effective

regional links. In contrast, Ambos & Schlegelmilch (2010, 78) who studied European RHQs, did not find these specific motivations concerning the location choice (see above). According to the study by Holt et al., the location decision priorities of Asian-based firms were different and almost only driven by government incentives, and to a lesser extent cost concerns. (Ibid. 19-20) As mentioned earlier, Heenan (1979, 413) found that government attitudes towards headquarters companies were an important criteria for Japanese MNC in the RHQ's location selection.

Holt et al. (2006) also found that location decision priorities vary between industry sectors. The service sector firms' prefer a favourable financial environment and a familiar operational environment, whereas manufacturing sector firms' are driven by cost effectiveness. Ho (2000, 2354) found that for manufacturing function of RHQs proximity and distance matters in Asia. In comparison, Holt et al. found that technology firms' location decisions are driven by broad concerns for a supportive environment, spread across business and government and familiar operational culture. (Ibid. 21-22)

Holt et al. (2006) identified a total of 39 specific variables associated with influencing location decisions of RHQs. Their study revealed that the infrastructure related variables were ranked the highest in affecting the location choice of RHQs. Reliable communications infrastructure was the most important variable, followed by the availability of highly skilled and English speaking staff, an English-speaking environment, and efficient international flights (see also Ho 1998). Also, Lasserre & Schütte (1999, p. 266) found infrastructure as one of four main criteria that influence the decision where to locate the RHQs. The results by Holt et al. (2006), being very much more detailed and specific, still seem to be quite in line with the previous authors.

In the study by Holt et al. (2006), the market-related location variables were ranked as the second most important group of variables affecting the location choice of RHQs: economic stability, accessible geographic location, market growth potential, presence of key technology suppliers, commercial compatibility with home base, and reliable suppliers. The importance of market related variables as location criteria for RHQs have been widely noticed in other studies.

In the study by Holt et al. (2006), the third group of variables centre around the median score of importance and they are as follows: strong cultural links with the region, cultural compatibility, taxation regulations, stable exchange rates, regional telecommunications hub and low priced telecommunication circuitry. The variables below median importance were dominated by three groups of variables: input costs (rents, operating costs, price of labour,) government incentives and cost of living (ibid. 12-13). All these specific variables mentioned and associated with influencing location decisions of RHQs have all been noticed in some of the earlier studies.

Dicken (2007, 141-42) says that CHQ and RHQ both need a strategic location on the global transportation and communications network, an access to high-quality external services and particular range of labour market skills (e.g. information processing). Also he says that headquarters activity involves interaction with the head offices of other organisations, so there are strong agglomerative forces involved. A close geographical proximity also enables face-to-face contacts with executives of other organizations. (Dicken 2007, 141-42)

Zaheer & Nachum (2011, 104) say that the managerial task in MNCs varies from the location choice to the development of the MNC's location capability, and the deployment of this capability to create firm-specific locational capital and benefit from location resources. According to them, the MNCs' administrative heritage, its experience at home and in other countries, and the global exposure of its senior management all influence its location capability. Zaheer & Nachum (2011) say that by developing such capability, firms can turn locations into a differentiate factor and potential source of competitive advantage.

The review of literature identified dozens of factors that have been either found or suggested to have an influence in the process of choosing a location for RHQs. However, based on the current literature these location determinants cannot be easily set into an order of importance as such. First, the results of the various studies seem to be situation and location specific. Second, the results of the studies vary, i.e. the order of importance concerning the specific determinants vary significantly between studies.

However, based on the current literature we know that several factors can be found commonly among various studies and some determinants seem to have more weight than others in the process of choosing a site.

Each location choice process for the RHQ is a unique case where MNC's internal factors, such as the location of the largest subsidiaries, proximity to customers, nationality of executives and their personal preferences all affect the location choice. Therefore, locations do not have the same value for all companies and a location that might be disadvantageous for one company could provide exceptional value to another.

Based on the literature, we know that the home country of MNC might affect the location criteria of RHQ, for example US based firms tend to stress different factors when choosing a site compared to Asian-based companies. Also, regional differences affect to the location criteria i.e. when setting up a RHQ in Europe, the location criteria seem to differ in order of importance compared to the area of Asia Pacific. Location decision priorities seem to vary also between industry sectors. There is some indication that service sector, manufacturing sector and technology firms' locational needs differ. Also, RHQs established in order to be responsive to regional markets tend to use different selection criteria compared to the RHQs that facilitate global coordination.

Literature shows that the location of RHQ is preferred to be strategic, geographically central, accessible and in close proximity to the largest subsidiaries and customers. Central location seems to be clearly one of the main criteria when choosing a site for RHQ. The results of two studies show that political stability is the most important factor by respondents affecting the location decision choice, but other studies do not indicate similar importance – possibly for the reason that political stability has been a current state for long periods in some regions, and is type of basic assumption that does not show in study results.

As we know, RHQs require high-quality business services, particularly a range of labour market skills and reliable communications infrastructure. Overall, infrastructure

related variables have been ranked very high in the literature and seem to be clearly one of the main criteria that affect the location choice of RHQs.

According to the literature, other important location criteria seem to be market related variables, costs, overall business efficiency and convenience. The importance of personal preferences of executives has been noticed in some of the studies to weigh in the process of choosing a location for RHQ. Taxation, as location criteria, has been noticed widely, but the weight of its importance varies between the studies.

As suggested earlier, the decision of site location can be best approached by an elimination process. Even though the studies introduce plenty of important variables, it is probably still the internal factors of MNCs and the overall business environment of the host city that matters most to RHQs.

4.2 Relocation of RHQs

There is an established literature on the relocation of CHQ, while very few studies purely concern the relocation of RHQs – instead the focus of prior research has been primarily at the business unit or division level of analysis (Forsgren et al. 1995; Euro, 2001; Birkinshaw et al. 2006; Barner-Rasmussen et al. 2007). Even if the locational requirements of corporate headquarters and RHQs are partially similar (Dicken 2007), the motives to relocate these entities possibly differ, although, there is not enough empirical evidence to show this. However, the drivers of HQ relocation have been found to be different in the business unit and corporate settings (Birkinshaw et al. 2006, 697). In this work, studies concerning corporate headquarters relocation will not be referred to. Instead, the studies available of the relocation of business/divisional HQs will be used, since these units are more closely related to RHQ - all of them present a layer directly below corporate headquarters in the organisation hierarchy.

There has been a debate about the mobility of RHQs, but according to the literature the relocation of RHQ is not an unusual event (Perry et al. 1998, Ambos & Schlegelmilch

2010, Edgington & Hayter 2013, Kähäri 2014). Laamanen et al. (2011) have analysed 52 cross-border headquarters relocations (both corporate and regional headquarters) in Europe during 1996-2006 and have found an increasing trend towards relocation. Ho (2000) says that on a medium term (5-8 year period) perspective, we see a fair degree of mobility concerning RHQs. Barner-Rasmussen et al. (2007, 261) discuss that relocations are becoming more common and find it surprising that the issue has not received more academic attention. Birkinshaw et al. (2006, 682) say that a firm's competitiveness depends of its geographical location so any decision to relocate RHQs is potentially very important to the future success of the MNC.

Birkinshaw et al. (2006, 684) define headquarters as having two essential elements: a top management group in an official location and a number of HQ functions with an identifiable physical location. These elements have traditionally been co-located, but now we see some growing separation. Today, it is relatively common for the firm to move one or more corporate functions away from the traditional centre. The HQ location can be conceptualized as a continuum, from entirely based in the home country through to entirely relocated overseas. (Birkinshaw et al., 2006)

Laamanen et al. (2011, 5) define international headquarters relocation as the legal transfer of a firm's corporate or regional headquarters from one country to another. In order to be considered as headquarters relocation, they do not require the top management team to move to the new HQs location, but they observe this to be the case in most relocations. Barner-Rasmussen et al. (2007, 261) say that relocation of a HQ unit of MNC involves reorganising critical activities and moving key decision makers of the firm to a new location.

According to Strauss-Kahn & Vives (2005, 2-3) the relocation of headquarters is a three level logic structure. First, a firm considers whether to relocate HQ, then classifies the potential locations by characteristics and chooses a nest, and finally chooses a location within the nest.

According to Ho (1998, 190), MNCs review periodically the site of their regional functions and seek new central points amid changing markets, production sites, regulatory and pricing environments. Ambos & Schlegelmilch (2010, 80) say that as an organization matures, firms often reconsider the original location of the RHQ and the decision where to locate a RHQ seems to be driven by many unpredictable and often firm-specific factors. Laamanen et al. (2011) find that the decision to relocate the RHQs is likely to be driven by rational optimization. Also, they say that finding reasons for the existence of a large number of HQs in a certain country is equivalent to analysing why companies choose to relocate their headquarters there.

Ambos & Schlegelmilch (2010, 80) have researched European RHQs and found that a large proportion of the RHQs changed their original location during the course of operation. In their study, the firms followed one of three trajectories over time: 1) The HQ stayed in its original location 2) The HQ relocated into a lead market 3) The HQ relocated to mirror structural changes. According to the authors, soft factors and internal resource and power considerations have more impact on the relocation decision than economic factors like tax benefits. In contrast, the study results by Laamanen et al. (2011, 3) show that high corporate taxation or employment rates play an important role in increasing the likelihood of HQs relocation decisions. They found that the mean tax rate, an increase in corporate taxes by one percentage point will increase the likelihood of any given company leaving the country by 6.8%. Also, their data shows that companies tend to move their HQs to countries with lower taxes and to locations close to capitals. Laamanen et al. (2011) also say that RHQs tend to be diverse in their functions and scale. As these functions are usually more limited than those of the global headquarters, they assume that the costs associated with the relocation of RHQs are lower and therefore RHQs are easier to move. Results of their study show that the RHQs of foreign companies are more mobile than the global headquarters of European companies. They say that being a RHQ rather than global headquarters increases the chances of relocation over fourfold. In addition, the authors have considered the possibility that HQs' relocation decisions are driven by the tendency for firms to imitate each other.

As we know, MNCs possibly review the relocation options periodically but some of them decide to stay in the original location. What are the possible reasons for this according to the literature that may explain the immobility of RHQs? If the MNC is satisfied with the current geographical location of RHQ, sunk costs (e.g. investments in information systems and physical infrastructure) and the cost of relocation can add to the barriers of RHQs mobility. Also, companies could stay if they enjoy the benefits of continued infrastructure investment by governments and the advantages experienced by companies because of the critical mass created by co-locating businesses. In addition, the following reasons have been mentioned that may constrain RHQs mobility: the organizational context of RHQ within matrix organization structures, alternative roles of RHQs such as new business development and management of regional resources, coordination of networks of business partners and the absence of a pool of prospective regional managers. (Ho 2000, Perry et al. 1998)

Perry et al. (1998) examined the relocation of RHQs between Singapore and the Hong Kong. These two cities accommodate the major concentrations of RHQs located across the Asian Pacific rim and there is flexibility within organizations to use either Singapore or Hong Kong as the main RHQs location for East Asia. The findings of the study indicated a low level of mobility amongst RHQs. Also, little willingness to consider any other location was discovered. The range of feasible headquarters locations for foreign organizations is limited as Hong Kong and Singapore are both specialized in the geographical sub-regions to which they are most suited. (Perry et al. 1998, 137-39)

The study by Perry et al. (1998) argued that the relocation of RHQ occurs only in the context of multiple influences. According to them, the location considerations tend to be subject to market cycles that can change the relative attractiveness of locations. They continue, the growth and redistribution of foreign investment can affect the geography of regional control, thus affecting to the location choice of RHQs. For example, Hong Kong's attractiveness to RHQs has strengthened from the changing geography of foreign direct investment in favour of China to the loss of South-East Asia (Perry 1998). Third, according to Perry et al. (1998), fiscal incentives are less important in attracting RHQs than firm strategies and other structural forces. Ho (2000) sees that in the

medium term perspective (5-8 years) RHQs could move as a response to rising costs, the pull of new markets and production sites, and the investment promotion efforts of new contenders.

Forsgren et al. (1995) examined 19 large Swedish MNCs and reported that 22 of a total of 104 divisions HQs had moved abroad. They explained that the location of division HQ is a consequence of power relations associated with the internationalisation of the corporation. In other words, the different interests associated with division HQ, foreign subsidiaries and corporate HQ have an impact on the location of division HQ. Internationalization changes power relations between the three different actors and leads to a power struggle - wherein foreign subsidiaries present an attractive force and corporate HQ as a resisting force in the relocation of division HQ abroad. The results of the study indicate that the more internationalized the operations of a division, the more likely that the division HQ will be located outside the CHQ country. The most dominant subsidiary presents an attraction force which has a positive effect in locating division HQ abroad. (Forsgren et al. 1995, 475-86)

Previous research has taken a view that the HQ relocation is a step in a firm's internationalisation process (Forsgren et al., 1995). Usually, internationalisation starts from the transfer of sales and marketing units abroad, with production and R&D units following later. Forsgren et al. (1995) have labelled this the first degree of internationalisation. According to them, in the second degree of internationalisation, subsidiaries may develop into strategic centres or centres of excellence with responsibilities beyond their local undertakings. Barner-Rasmussen et al. (2007, 263) build on the work of Forsgren et al. (1995) by labelling the relocation of HQ units as the third degree of internationalisation.

According to Barner-Rasmussen et al. (2007, 263), several different types of relocation have been identified. Firms may relocate a HQ unit *directly* or a firm may decentralise its functions to other units which then are relocated – this would be called an *indirect relocation* or a *hidden relocation*, which according to them may be difficult to detect. They say that relocation can be full, partial or virtual. *Full* relocation takes place when

the entire top management group and all HQ functions move. When only selected members of the top management group and functions are transferred, the question is about *partial* HQ relocation. In *virtual* relocation, HQ management responsibilities are being handled by frequent travelling and with modern IT support systems. Barner-Rasmussen et al. (2007) argue that the patterns are not mutually exclusive, but often simultaneously present due to the intertwining of the functions and staff of corporate and business units. (Barner-Rasmussen et al., 2007, 263; 270)

However, Barner-Rasmussen et al. (2007, 269) discovered that the relocation of HQs in some Finnish MNCs was practically “de-internationalisation”. In their research, in two of the case companies they examined, the HQ returned to the firm’s home country of origin after having been abroad for some ten years. However, they note that the relocation abroad should not be interpreted as being erroneous or the return to the home-base as being a step backwards. They say, instead the relocations helped the executives to gain valuable experience that contributed to a more global mind set. Their study discusses that under particular circumstances HQ may be highly mobile and that a strategic decision to relocate a HQ unit abroad is not necessarily a one-off event, but may be repeated or take a virtual form. Therefore, according to them no relocation should be considered permanent. (Barner-Rasmussen et al. 2007, 269)

Strauss-Kahn & Vives (2005) have examined the relocation phenomenon of HQs and management centres in the US between 1996-2001. They used a database of about 30,000 management centres and found the rate of relocation to be 5% a year. Their study shows that larger firms (in terms of sales) and younger HQs tend to relocate more often, as well as larger (in terms of the number of management centres) and foreign firms, and firms that are the outcome of a merger. Typically, HQs relocate to metropolitan area with good air traffic connections, low corporate taxes, low average wages, high levels of business services, and concentration of HQ in the same sector of activity (Strauss-Kahn & Vives 2005, 3).

A study by Birkinshaw et al. (2006) examined the decision by the Fortune 500 list of global companies to locate their corporate or business unit headquarters overseas. They

used data on 125 business unit HQs and 35 corporate HQs and found out that around 23 of them had shifted their entire HQ overseas. More than half of the 23 cases occurred in the last five years.

Birkinshaw et al. (2006, 685) suggested that there are three reasons why business units might move overseas: efficiency gains, strategic benefits and symbolic value. By moving management closer to the centre of the business, there are likely to be efficiency gains in communication and more efficient interaction between different activities will enhance the firm-specific advantages. Second, strategic benefits may emerge in the form of knowledge spillovers and access to resources in shifting to a new location. Third, there is symbolic value in relocating the business unit HQ abroad since it demonstrates to employees and outside stakeholders, that the business is global in its outlook.

Birkinshaw et al. (2006, 697) showed that the business unit HQs relocate overseas when they already have a large percentage of their sales and manufacturing activities overseas, and they move to more attractive locations than the host country, in terms of industrial clustering and a favourable business climate. Birkinshaw et al. (2006) argue that the extent to which corporate and business unit HQs move overseas is constrained by the concentration of the share ownership of the MNC and to some extent by the interdependence between the two levels of HQ.

Birkinshaw et al. (2006, 698) expect that in the future there will be more relocations of HQs from small European countries (e.g. Finland) to larger European countries; from Canada to the United States; and from smaller developed economies in other regions to major financial and commercial centres.

Barner-Rasmussen et al., (2007, 267) studied the relocation cases of large Finnish MNCs (including division HQs and business group HQs) and based on their findings they explained and conceptualised HQ relocation as an outcome of six key drivers in two dimensions. The key drivers may be internal or external to the case company and the two dimensions are pragmatic or symbolic. The key drivers of HQ relocation are:

control and integration of subsidiaries, inducing HR-related change, responding to owners and other stakeholders, physical presence in relevant area, costs and spatial structure of management, and the quality of life. Barner-Rasmussen et al. (2007) argued that factors associated with HQ relocation are prioritised differently in different firms, and even within the same firm, their relative importance varies across time as business conditions and goals change. According to them, the same key drivers can operate into two directions: at one time, they may push the HQ to relocate to another host country and at another time, they may attract it to return to its original location. The interaction of key drivers and two dimensions results in different patterns of HQ relocation under particular circumstances in highly mobile HQ units: full, partial, virtual, hidden or direct relocation.

Barner-Rasmussen et al. (2007, 269) found that HQ relocation is often motivated by a quest for resources, such as global managerial talent perceived to be low in the location of departure and plentiful in the target location (see also Euro 2001). Closeness to key customers and competitors was also mentioned. The availability of skilled employees and knowledge spillovers from customers, suppliers and competitors also apply to HQ relocations. In addition, they discovered that financial performance seemed not to be a direct driver of the relocation, instead the expected economic benefits were seen as longer-term and indirect, derived from smoother and better integrated operations or more competent employees that the firm was able to attract in the new location. Barner-Rasmussen et al. (2007) did not find strong evidence that individual income taxation alone would determine the HQ location. However, they say that in combination with other factors, a country with high levels of personal income taxation constitute a barrier to the recruitment of foreign nationals to that country and over time may contribute to MNCs locating their HQ somewhere else. (Barner-Rasmussen et al. 2007, 269)

Benito et al. (2011) conducted a longitudinal study concerning the relocation of divisional HQ abroad in about 30 of the largest publicly listed Norwegian companies between the years 2000 and 2006. In 2000, the 30 companies were divided into a total of 106 divisions while in 2006 the number of divisions had increased to 132. The number of division HQs located outside Norway increased from 31 in 2000 to 56 in

2006, which represents an increase of 80 percent and a massive outward movement of divisional HQs out of Norway.

Benito et al. (2011) suggested that HQ relocation is influenced by efficiency factors, relating to company size and internationalization as well as drivers by legitimacy, particularly by ownership factors, such as the identity of owners (private versus state, national versus foreign) and ownership concentration. To be precise, their study showed that the higher the number of divisions in a company, the more likely that it has located some of its HQs abroad. According to them, one explanation is that companies increase the number of divisions when expanding abroad through acquisitions. In contrast to the studies of Forsgren et al. (1995) and Birkinshaw et al. (2006), Benito et al. (2011) found that the degree of internationalization does not itself lead to relocation of divisional HQs. According to their results, conglomerates are less prone to locate division HQs abroad. However, Benito et al. (2011) said it is possible that large conglomerates have more layers of HQ functions (other than division HQs), and their study may have missed foreign headquarters activities at lower levels. Also, their data showed that companies operating in service sectors are more prone to locate division HQ abroad than manufacturing companies. They said that service MNCs must pay more attention to local institutes and competition conditions, as well as, develop strategies for local subsidiaries, therefore division HQs must be located close to subsidiaries abroad.

Benito et al. (2011) observed that foreign ownership does not itself increase the tendency to relocate. However, they found that state ownership and ownership concentration prevents headquarters relocation abroad. Results of the study of Benito et al. (2011) support the findings of Birkinshaw et al. (2006) concerning ownership concentration.

In summary, HQ unit relocations are becoming more common and it is not unusual that the RHQ changes the original location during the course of its operation. International RHQ relocation is defined as the transfer of a firm's RHQ from one country to another. However, several different types of relocation have been identified. HQ unit can be relocated directly or indirectly. Also, relocation of HQ can be full, partial or virtual. It is

possible to conceptualize the HQ location as a continuum, from entirely based in the home country through to entirely relocated overseas. The relocation event should not be considered as permanent.

The decision where to locate a RHQ unit is likely to be driven by rational optimization, but often it is driven by many unpredictable and firm-specific factors. The relocation of a RHQ unit usually occurs in the context of multiple influences. Also, it is possible that factors associated with RHQ relocation are prioritised differently in different firms, and even within the same firm their relative importance could vary over time.

Several factors affecting the relocation decision of a HQ unit have been found in the literature: control and integration of subsidiaries, inducing HR-related change, responding to owners and other stakeholders, physical presence in relevant area, costs and spatial structure of management, and the quality of life. HQ relocation is often motivated by efficiency gains, strategic benefits and symbolic value. HQs relocate to more attractive locations than the host country, close to capitals with good air traffic connections, low corporate taxes, low average wages, high levels of business services, a favourable business climate and concentration of headquarters in the same sector of activity. HQs' relocation decisions could be driven by the tendency for firms to imitate each other.

There is some evidence that larger firms (in terms of sales) and younger HQs tend to relocate more often, as well as larger (in terms of the number of management centres) and foreign firms, and firms that are the outcome of a merger. The costs associated with the relocation of RHQs are lower than global headquarters, and therefore RHQs are easier to move. The RHQs of foreign companies are more mobile than the global headquarters of European companies.

RHQs have been found to relocate into lead markets and to mirror structural changes. In the medium term perspective (5-8 years) RHQs could move as a response to rising costs, the pull of new markets and production sites, and investment promotion efforts, and regulatory and pricing environments. Soft factors and internal resource and power

considerations possibly have more impact on the relocation decision of RHQ than economic factors like tax benefits.

5 METHODOLOGY

First, this chapter discusses the background of the study and structured survey interview as a study method. Second, it will describe the method of analysing data. Third, it will reflect on the reliability and validity of the research, as well as limitations of the study.

5.1 Background

The empirical part focuses on regional headquarters (RHQ) that foreign multinational companies have established in Finland over time. This research is a sub-study of a larger research project carried out in Aalto University School of Business in 2009-2010 and findings of this study have been reported before (Kähäri 2014; Kähäri & Piekkari 2015). The research project builds on the results of a previous Gateway-project study carried out by another team of researchers in 1998-1999 in the Helsinki School of Economics (Luostarinen 2000).

The Gateway study identified a total of 1144 foreign-owned subsidiaries in Finland and out of them 375 had at some point in time been recognized with a regional headquarters' status. In 1999, there existed 325 RHQs in Finland and 50 companies had lost the RHQ mandate. (Ratia 2000, 31)

In the study of 1989-1999, the RHQ was defined as a unit which fulfils two key criteria: 1) it should be mandated by the higher levels of the MNC organisation (before or after the initiation of the activity) and 2) it should have explicit decision-making power over its mandated region (Kähäri 2014). Due to the longitudinal nature of this study, the same RHQ definition has been applied in the research of 2010.

The purpose of the study in hand was to find out how many of these regional headquarters identified in 1999 still existed in 2010. The feasible way to reach this goal was to carry out a census, i.e. the complete population was researched. It should be noted that this study did not seek to find new RHQ but to follow up the original population that existed in 1999.

For the start, the population was determined and a sampling frame was formed. This stage in research process is often problematic in practice, because “it is difficult to get a complete and fully correct list”, which was also the case in this study (Kajalo 2010).

5.2 Sample, researching the original database

First, the original extensive Gateway-database had to be researched and organized. The material was not in any kind of order or listed after being stored in several locations for over a decade. In practice, part of the database was searched from a messy warehouse, which was filled mostly with irrelevant material, but among relevant piles of papers, albums filled with old written questionnaires (with most part missing), and floppy disks. The most valuable part of the database had been saved from computer hard disks and it consisted of several files from different periods of the prior research process. The researcher was left with a great amount of disorganized files that had to be listed and researched in order to understand the content and meaning of the files. The written material concerning the Gateway research and results could be found from the school library and also from some of the old files in Word-format that were a great help in understanding the prior research process and meaning of data. The prior research consisted of three major parts (corresponding to three Thesis’: Ratia 2000; Santalainen 2000; Kautovaara 2000) and two separate sub-studies and a summary report of five different studies by professor Reijo Luostarinen (2000).

As the results of the Gateway study were produced by five different sub-studies, the master files (in Excel-format) had been built by pooling the information from separate studies. The researcher examined both the individual files and master files in order to understand the different sub-studies relative to the reported results as a whole. Also, comparisons between the files were carried out and some minuscule differences could be found between the reported findings of the study and the Gateway Excel-files. After reviewing the whole prior research material, some lack of clarity was found to exist concerning the 50 companies that had lost the RHQ-position before 1999. Excel-files showed around 30 companies from whom RHQ was withdrawn, while the reported results showed almost 50 companies. In other words, at this stage of the research, some names of the companies were missing that had lost the RHQ status. To solve this

problem, it was justifiable to include all 375 companies in the sampling frame, which is a total number of RHQs established through time in Finland up to 1999.

5.3 Choosing the data collection method: structured interviews

Due to the longitudinal nature of this research, the study method of the former FIBO/Gateway research conducted in 1998-1999 will first be discussed. In the previous study, the method was a mail questionnaire, however, the problems encountered with this method led to a change of method in the middle of the research process. Santalainen (2000, 39) explains:

“The questionnaire was mailed to 228 Baltic RHQs. Due to the limited number of valid responses after the first mailing round, a second round was undertaken in August 1999. However, after two mailings only 48 answers were received and therefore it was decided to carry on the data gathering by telephone interviews.”

The difficulties encountered in the former research and low response rate convinced the author of the thesis that the study method should be other than traditional mail survey. The research team collectively shared the view that an electronic mail survey would probably not provide better results than the traditional mail survey, and the response rate was expected to be low. Some disadvantages can be attributed to the mail surveys: the time taken, a low response rate, and some of the questionnaires when returned are not fully complete (Kajalo 2010).

The purpose of this study was to contact the whole population and find out how the RHQ position in each of the 375 companies had developed in over a decade. The research team was aiming for a high response rate, which would clearly have an effect to the reliability of the study. The survey interview over the phone was chosen as a suitable method due to the large number of respondents and the nature of research questions. The study would be longitudinal, employing both qualitative and quantitative research (Pettigrew 1990). According to Pettigrew (1990), longitudinal research design can be conducted using different data collection methods such as interviews. According to Daniels & Cannice (2004, 190), a methodology should be picked based on the quality

of information that the methodology is likely to yield. The information we needed was of a special kind, highly contextual and could only be obtained from company representatives at executive level i.e. the desired sample consisted of respondents in a very specific target population. As researchers we needed to understand the phenomenon more deeply and considered direct discussions with company representatives necessary. According to Daniels & Cannice (2004, 186): “Interview-based research studies are particularly well suited for exploratory and theory building studies; that is, when researchers study an issue with little or no pre-existing theoretical bias.” They say that the interview method has several strengths, including the possibility that interviews may allow researchers to establish a deeper rapport with informants than is possible through written questionnaires. Daniels & Cannice (2004, 186) continue: “This may be necessary to gain honest and accurate responses and to add insights that lay the groundwork for larger or follow-up studies.” Also, the researcher becomes confident that no other than the target informant supplies the information. A telephone interview was chosen, seeing that it is relatively cost efficient and fast in the sense that the results of the survey are available right away (Kajalo 2010). However, disadvantages of this method include that it can be very time-consuming, which typically constrains the use of interviews for large samples. Interviews are also more demanding since they require certain interpersonal skills, researchers must have the ability to interact with high-level executives. (Daniels & Cannice 2004).

Structured interview was chosen as the type of interview, meaning that interviewer uses a pre-planned script and there is little flexibility in the wording or order of questions. A structured interview is qualitative if the responses given by participants are open ended. It is considered as an efficient study method when collecting information about ‘facts’ (e.g. what happened, when and how). Also, the structured interview was suitable because there were three interviewers involved and it was necessary to reduce variability caused by it. Structured interview is convenient when interviewers are less knowledgeable, and when it is important to be able to compare the information provided by the participants systematically. (Eriksson Päivi & Kovalainen Anne, 2008)

5.3.1 Preparing for data collection

Before the interviews, the existence of the original population of 375 RHQ companies had to be verified. A contact information update was carried out for the companies due to changes in company name, mergers and acquisitions as well as shut downs that had occurred since the first survey was administered in 1998. This was carried out based on the official registries (Yritys- ja yhteisötietojärjestelmä YTJ, www.ytj.fi), company contact information databases (Fonecta, <http://profindexb2b.fonecta.com>) and company websites. In addition, business news, company updates, business articles published in internet/web in general provided some useful hints. These were used as a supporting source of information in order to find out what had happened to some of the companies in a period of over ten years. In some case it appeared during the phone interview that it was no longer relevant (e.g. the company had moved to Finnish ownership).

Old questionnaire forms could still be found from the FIBO database concerning some of the researched companies with the prior address of the company and the name of the executive who answered the survey over 10 years ago. In practice, there were some cases where several phone calls had to be made in order to find out what had happened to the company/business operations under survey in 1999, or until the appropriate contact person could be found.

There existed certain challenges related to the data collection in general. How to get access to interviewees? How to get the number of suitable respondents and reach them? It was expected that the large target population would be busy and unreachable at times. Even so, the research team believed that the telephone would be the most appropriate way to find out who is the right representative of the target company to answer to the survey and to obtain the telephone number of the person.

It was clear that the role of the interviewer would have an effect on who would respond to the survey and what kind of information the researchers would obtain from the interview. Golden (1992) says that the incentives and disincentives for participating in a research project must be recognized in the design of a study. Miller et al. (1997, 201) say that researchers should motivate the managers to participate in the study, as well as

provide accurate information. Miller et al. (1997, 201) add: “To motivate informants, confidentiality should be ensured, the duration and inconvenience of data collection should be minimised, and rich explanations of the usefulness should be given.”

The phone interview cannot last long (e.g. more than 15 minutes) therefore the questionnaire could not be very complicated. We created a short marketing pitch concerning the value of our research and stressed that the company had responded in the first round of data collection over ten years ago. We promised confidentiality and to preserve the anonymity of respondents so as to put the responder more at ease (Daniels & Cannice 2004).

5.3.2 Formulation and piloting of structured interview questionnaire

The data gathering from the RHQs was carried out by structured survey questions over the telephone. We designed a new open-ended telephone questionnaire (see Appendix 1) based on the original questionnaires from 1998 and 1999. Some research questions (e.g. related to background information) remained as they were in 1998-1999. The old study was only partially replicated and was extended for certain new aspects. We added new questions about the development of RHQs and its changing role. Interview questions centred around: basic company and group data; data on Finnish subsidiary’s current RHQ position and responsibilities; data on lost RHQ position and possible relocation of RHQs; and factors that affected the change in RHQ position in each of the situations.

First, the questionnaire was pretested with an arranged telephone interview and adjusted based on the feedback. The questionnaire was further tested and developed while the telephone interviews were carried on with the pilot group of companies. We considered the pilot interviews necessary seeing as it helped us to understand the phenomenon. Discussions with company representatives provided not just data, but ideas on how to continue the survey and the results guided to the direction of questions to be used in the final questionnaire. In the pilot stage, few target respondents answered that they are too busy for the interview and asked us to send the interview questions in written form by e-mail. However, we noticed almost immediately that the procedure was not working. Either the respondent never took the survey or had not understood some of the research

questions, so we needed to call back to ask further questions and ended up doing the interview over the phone eventually. This was a valuable learning experience after which a conscious decision was made not to send the interview questions by e-mail and to conduct the interviews only over the phone.

5.3.3 Respondent

The contact person in the companies was either the executive secretary or CEO for smaller companies. Researchers found it useful to send an e-mail to the secretary 1-2 days before the telephone interview. The mail contained short introduction to the research topic, a definition of RHQs and some examples of upcoming research questions. The person who received the mail therefore had some time to prepare the answers for the interview, or could pass the mail to someone in more suitable position to answer the questionnaire. It was common that two company representatives answered the questionnaire. Typically, assistants provided answers to basic research questions, and determined who would be another appropriate company representative to continue the interview. Later on staff, communication or marketing managers, country managers, controllers or CEOs continued answering the more specific questions about RHQs and organisational change.

5.4 Data Collection

Table 1: Phases of longitudinal data collection 1998-1999

Phase	Data set	Number of subsidiaries	Phone Interview	Information over the phone	No contact / decision not to contact	Questionnaire	Collection completed
1	Pilot	28	18	5	5	1	December, 2009
2	Main group 1	37	34	1	2	1	January, 2010
3	Main group 2	310	172	57	81	2	April, 2010
	Total	375	224	63	88		

The phases of the data collection are summarized in Table 1 above. The data collection started in November 2009 with telephone calls and gathering of 10 companies that were considered as the pilot group of the study - these were chosen from the group of 375 companies. A total of five companies in the pilot group did not exist in 2009, therefore

new companies needed to be chosen from the list of 375. Finally, the pilot group was extended to a total of 28 companies. At this stage, final adjustments were made to the questionnaire and the 4th version of the questionnaire (1) was in use while we continued the interview with “the main group” of companies. Between December 2009 and January 2010, data concerning the pilot and main group (1) of companies were restored to the FIBO database using Excel-format.

Each interview was conducted in the Finnish language and took about 15 minutes. Since the original survey questions were in the Finnish language the follow-up survey was also conducted in Finnish, that being the native tongue of the majority of the respondents and the researchers (a small number were native speakers of Swedish or other languages). While conducting the structured interviews over the phone, researchers wrote answers directly in the questionnaire. The interviews were also recorded. Summaries of interviews were typed up to the database and distributed to other team members (google.doc).

The third phase of data collection started in February, 2010. A final version of the questionnaire suitable for the large number of interviews was designed. Also, a conscious decision was made that the telephone interview procedures had to be simplified and therefore several measures were taken to improve the efficiency. First, we stopped sending e-mails concerning the upcoming telephone interviews to the companies and later the study results showed that this measure had no effect on the response rate. Second, a decision was made to carry out the large number of interviews with the help of a computer (computer assisted telephone interviewing, CATI). A new web-based questionnaire (2) was created to the Webropol environment (www.webropol.com) only for the use of researchers (see Appendix 2). Now, during the structured interviews, researchers would feed the collected data directly to the database. Data collection lasted until the end of April in 2010, while we covered the entire remaining population. We performed 287 phone calls all together and a total of 224 structured interviews were conducted (see Table 1).

5.5. Data Analysis

5.5.1 Preparing

Before the data analysis we undertook several measures to improve the data quality. A period of one month was dedicated for cleaning of the collected data. The data collected in phase one (the pilot group) and phase two (the main group, part 1) needed to be converted in order to make it comparable with the information collected in phase three (the main group of companies, part 2). We recorded the open-ended questions from phase one and two into Excel format corresponding to the form of the final questionnaire (phase three). A great amount of time and effort was invested in this procedure and all three researchers were involved in this phase. The work was divided as follows: the two researchers that originally collected the data in phase one and two (from pilot and main group of companies) fed the information into a clean Excel sheet in the form equating to the Webropol-survey questionnaire, while the third researcher fed the same information to another clean sheet. Later, the two sheets were compared and if any deviation existed, even minor details, the researchers discussed each case and made a collective decision about the final form of presenting the data. The collective view was copied to into the original form of sheet used in the survey. This work was time consuming, however, the researchers shared a common opinion that the procedure was necessary and agreed that the end results were satisfying. Second, due to the fact that we had three individuals performing phone interviews, we reviewed all interview questions in detail and ensured that similar answers were coded in the same way.

Skippari (2010) points out that in longitudinal statistical data, changes in measures and data classifications and categorizations over time are a major challenge possibly leading to problems in consistency. The classifications of different factors were defined in accordance with the previous Gateway-study 1998-1999 whenever possible, enabling comparisons between the two studies. This was a basic requirement with longitudinal data that concerns more than one point of time and repeated observations on units observed over time (Skippari 2009).

5.5.2 Analysis

The purpose of this study was to reveal the development of the RHQ situation in Finland between 1999 and 2010. The thesis builds on the research results of another research group and continues their work. The analysis methods applied in the earlier research process and choices made in reporting the results have offered some guidance on how to continue the work. The main purpose from the data is to recognize possible changes over the long-term and show trends, therefore straight statistical distributions provided by Excel have been considered appropriate by providing simple and clear results. The simple way to report survey results is by using charts and different figures (Kajalo 2010).

Due to the large sample size, structured interviews produced hundreds of observations that needed to be summarized in a simple way, in order to make the data manageable. Even though a large amount of data refers to a quantitative research, the best approach to the research problem concerning the RHQ dynamics has been qualitative due to the large amount of qualitative data generated in the telephone interviews. Descriptive statistics were chosen to summarize the sample and describe the multiple discrete events of the data. The analysis method was classification of the variables. Classifications are often tabulated and presented with tables, figures and graphs that enable one to understand the data distribution. (<http://www.uiah.fi/projekti/metodi/170.htm>)

The research data was analysed by producing summary data with numerous tables, cross tabulations, figures and graphs that were formulated in order to make the data “visible”. Frequencies and relative frequencies were calculated for different variables regarding time and different background variables. These summaries were then used for particular investigation in order to produce a description of the RHQ phenomenon under research and explain the change that took place in the RHQ population during the research period. (<http://www.uiah.fi/projekti/metodi/170.htm>)

5.6 Reliability and validity

According to Pettigrew (1990), longitudinal methods may be the only way to uncover processes of changes. Retrospective reports are a popular tool for studying the past, but

their use poses a series of challenges (Golden 1992). The main problem is that the interviewees may not be able to accurately remember the past (Miller et al. 1997, 189). According to Golden (1992), inaccurate recall in retrospective reporting can result from rationalizations, simplifications, attribution, self-presentation, and simple lapses of memory. He argues that retrospective errors appear to occur systematically, and demands plenty of scepticism in the study design stage and in the interpretation of retrospective data. Miller et al. (1997, 200) say that “retrospective reports should only be used when reasonable efforts to demonstrate reliability and validity can be reported”. Golden (1992; 1997) and Miller et al. (1997) suggest strategies for reducing errors in retrospective accounts. Golden (1992, 855) says researchers should ask about simple facts or concrete events rather than past opinions or beliefs. A focus on facts and concrete events is likely to be less subject to cognitive biases and impression management (Miller et al. 1997). Miller et al. (1997, 201) say researchers should not ask informants to recall facts or events from the distant past. He adds that researchers should motivate their informants to provide accurate information. Golden (1992) suggests that researchers should acknowledge respondents’ possible emotional attachment to pet projects or their interest in portraying a particular view of the organisation. He continues that the respondent’s organizational role may also influence to her interpretation of the past, therefore, a researcher should possibly rely on multiple respondents in an organisation. Miller et al. (1997, 201) agrees that the information provided by any one informant should be checked against the information provided by other informants. However, as Golden said, the strategic awareness is usually positively related to hierarchical level, therefore, the benefit of using multiple respondents must be balanced against the possibility of introducing greater systematic error into the measurement of certain phenomena. Also, researchers should seek multiple forms of data, including retrospective, archival and longitudinal data – Triangulation may both allow for the validation of each data source and also enrich the researcher’s interpretation of the data. (Golden 1992, 855-56)

Golden (1992) argues that there is a disadvantage in asking open-ended questions about recent changes: Informants may selectively neglect some events that are important or

focus on trends that are actually unimportant but temporarily on display to the informant.

In the course of study, it turned out that some of the interviewees had limited knowledge and memories related to the questions asked. According to Daniels & Cannice (2004, 196): “The people with current responsibility for an area may have little first hand knowledge about events that occurred even recently. A researcher can usually determine that in a short phone call and be redirected, if necessary, to the right person.” It was common that two company representatives answered to the questionnaire, which enabled us to check the internal consistency of respondents from that company and to take into account each respondents’ responsibilities and level in the organisation. (Daniels & Cannice 2004)

The executive secretaries provided answers to basic research questions concerning the background information of the Finnish subsidiary and group. It was common that they checked the information from official company documents (annual reports, financial statements). In addition, researchers used official registries to verify their answers (e.g. net revenue, staff size) that increased the reliability of the answers. However, sometimes assistants possessed limited knowledge and memories related to the specific questions about RHQs and organisational change. Therefore, the respondents from managerial level continued answering the questionnaire and their role was crucial in improving the reliability of responses.

However, we considered the role of executive secretaries and the conversation with them important and agreed with the following line. “A favourably impressed executive assistant will tentatively put the researcher into the boss’s schedule, after which the boss will almost certainly participate in an interview” (Daniels & Cannice 2004, 195). Second, we got an impression that when one respondent from the company had already given her/his time and participated to the survey this seemed to put the second responder from executive level under an obligation to continue the survey and provide information to the open questions. Also the longitudinal perspective of the study and the fact that a respondent from executive level of the firm had participated to the survey in 1999 impressed the respondents. The high response rate of the survey could also be

interpreted as partly reflecting this phenomenon. In addition, the conversation with the secretary was often very useful in order to get the general impression of the company's RHQ situation that helped to continue the survey with managerial level respondents. First, we could seek verification from multiple informants. Second, researchers were more prepared for the conversations with executives and CEOs since they already had a preliminary understanding of the company's current situation, which sometimes could be very complicated. Researchers should clarify responses by asking additional questions and paraphrasing what has been said (Daniels & Cannice 2004, 200). This procedure was instrumental in performing the interviews, and especially useful with discussions with several respondents from the same company.

One must notice the interviewees represented the Finnish subsidiaries and their answers reflect the situation from their point of view, based on their knowledge, memories and impressions on what had happened and why. We must take into account the fact that some of the answers may be biased or inaccurate due to the interviewee's limited knowledge and memories related to the questions asked. For explaining RHQ change over time, one needs a longitudinal perspective. However, one must realistically consider how long in the past can a human being remember. So researchers must be careful, interview many people and compare their answers (Skippari 2009). In this study the reliability of answers was increased by researchers providing the basic facts so respondents did not need to remember company's RHQ situation from the distant past. The main research question was: Does your company still have the RHQ responsibility in this country as you had in 1999 (according to the results of the previous study 1999) or do you have currently a new RHQ position that was not mentioned in 1999? Executive secretaries and executive level managers gave very similar answers concerning the company's current RHQ position.

If the RHQ position was lost, respondents were asked to remember the exact timing of event – When Finnish subsidiary lost the RHQ position concerning a particular country or when the RHQ was relocated out of Finland? Typically, the executive secretaries checked the exact year of organizational change from either company's internal documents or passed the survey to someone else in a more suitable position, typically to

a manager level. More specifically, in practice this question divided the respondents into three categories. One group of the respondents checked the exact timing from company's internal documents or from someone else in the organisation e.g. CEO. Second group of respondent gave an exact year from their memory (e.g. CEO or financial manager). The third group of respondents gave an estimate: "It was five years ago either 2004 or 2005". For the third group, answers were treated by researchers as follows. In the data collection phase we recorded the exact given answer (e.g. 2004-2005) by the responder, however, in the data cleaning stage we commonly agreed to use systematically always the first given year in the data analysis (e.g. 2004). We must acknowledge that some of the answers concerning the exact timing when the RHQ position was lost might be biased or inaccurate due to the interviewee's limited memories. It is realistic to expect the exact timing of RHQ changes that took place recently to be more reliable than the exact timing of event that took place ten years ago. The data concerning how long the Finnish subsidiary's RHQ position existed is realistically expected to be an estimate rather than an exact fact in some of the answers given by respondents.

Among the large sample, there existed a few cases where the company's current RHQ position was open to interpretation - if the company had a RHQ responsibility or not. Research team discussed each case separately in order to find a shared opinion about the specific case and a common line throughout the study.

According to Malhotra & Birks (2007, 281), a recording error can arise due to the errors in hearing, interpreting and recording the answers given by the respondent. Due to the longitudinal nature of the study one must acknowledge possible recording errors in different stages of the studies. A possible error made in the study of 1999 could affect the single result of researched company in 2010 (e.g. the basic RHQ situation and the length of RHQ responsibility of Finnish subsidiary). However, it can be expected that possible single recording errors could not skew the results of the study, since single errors would be compensated for in a large sample.

Some discrepancies were found to exist between the study results of 1999 and the answers given by a few respondents concerning the Finnish subsidiary's prior RHQ

responsibility on a single country level. There were few cases where the interviewee disagreed with the prior study results that their company had a certain RHQ responsibility concerning a particular country in 1999 – and clearly indicated that there must be an error in the old data. We can only speculate about the source of an error or the reason for this deviation between the results of the two studies. Besides possible recording errors, the deviation can arise due to the fact that the interviewee from the company is different now than ten years ago, and the current responder might possess limited knowledge or memories related to the questions. It was typical for the responder to withdraw his remarks after considering the RHQ situation of 1999 for a while. She could say on second thought: “We actually might have had some operations in a certain CIS country, however, it was nothing significant”. In some of the cases the people who had answered the questionnaire ten years ago had left the company or retired, and there was no one left that could know the exact facts (e.g. the year when the RHQ position was lost and the reason for RHQ change), therefore these questions were skipped and the interview did not continue. Miller et al. (1997, 200) suggests that one method for improving the validity of retrospective reports is to use free reports rather than forced reports. They say that under the forced report option an informant is encouraged to answer the question and no option to skip the question is given. Miller et al. (1997) add, although loss of data from the free report approach reduces the number of organisations available for analysis, it raises the accuracy of responses used in the analysis.

The data collection method in the survey was structured phone interviews performed by three individuals, therefore it is important to discuss an interviewer bias (see Malhotra & Birks 2007, 281). Interviewer bias could not be eliminated, however, since there were three researchers performing the interviews of which the number was high, each individuals’ own way to conduct the interview starting from the way to pose interview questions stabilized as well as the way of using the questionnaire. It can be expected that three individual styles compensated each other in the large number of interviews conducted.

In this study, respondent selection error was minimized. The Gateway database provided us with a list of target companies, a census study was made, and the target

companies determined the representatives from their side for the survey interview. In other words, researchers did not select the respondents.

The response rate in the study was extremely high. The researchers were able to follow up the current status of 362 RHQ from the original population of 375 RHQ, which represents a completion rate of 97 %. The interviews were carried out with and research questionnaire thus completed for 222 RHQ units. 153 companies did not complete the questionnaire. Out these, 13 respondents could not be contacted or the person was unwilling to answer. For 140 companies the information does not exist anymore.

5.7 Limitations of the study

The starting point for this longitudinal investigation was the total population of RHQ in Finland in 1999. To ensure comparability and consistency over time, it was not possible to include new RHQ in this study that had possibly been established between 1999-2010. This could be considered a limitation.

The study concentrates on the Finnish subsidiaries of MNC and the interviewees represent the RHQ situation from their point of view, based on their knowledge, memories and impressions of what had happened and why. The HQ of foreign MNCs have not been interviewed in this study. Considering the RHQ position of the Finnish subsidiary and parent's view about the possible RHQ related change over the longer term could provide us with different results. This can be considered as a limitation.

In this longitudinal study, the period of analysis concerning the case companies under survey is 1999-2010. The temporal research perspective is that the research group collected both real time data and retrospective data. This means that the research process took place simultaneously, both while the events of interests were still going on and about the past events that had already come to a conclusion and were reported and interpreted from the point of view of the present (Blazejewski 2011). As we know, the retrospective data is associated with a number of limitations such as difficulties in determining cause and effect and lack of recall (Golden 1992). However, in real-time studies the involvement of interviewees in ongoing events might lead to emotional

biases, misattribution, distortion or actual concealment of important facts (Blazejewski 2011). Real-time and retrospective perspectives produce potentially different time-bound truths (Blazejewski 2011). The variation in temporal research perspective can be considered as a limitation of the study. The research time, meaning the time spent in the field gathering survey interview data, lasted from November 2009 to April 2010. During the last 16 months, from January 2009 to April 2010, RHQ responsibility concerning certain countries was terminated in 11 companies and during the last four months of the research two companies encountered a loss of RHQ position concerning a certain country responsibility. It is possible that the RHQ position of some of the companies rapidly changed after the interview during the research time of five months – the phenomenon was also recognized in the Gateway study in 1999 (Ratia 2000).

Ratia (2000, 30) discusses the limitations concerning the previous Gateway project study:

“Even though the gateway project is aimed at charting the entire population of subsidiaries with regional headquarter positions, there will be some distortions in the gathered data. There are several reasons for this. One is the fact that not every single foreign subsidiary in Finland was reached in phase one of the project. False information, lack of exhaustive list of subsidiaries and refusals to answer the interviews were some causes of this. Secondly, the data is only a snapshot of the current situation. In reality the positions of the subsidiaries can change rapidly, especially those involved with operations in Russia. This can already be seen when comparing the results of phase two to those of phase one.”

These earlier reported limitations also concern the current study both directly and indirectly.

In addition, the analysis of this study did not concentrate to the subsidiaries that had lost part of their RHQ responsibilities (e.g. regional responsibility of Russia, but still continued possessing the RHQ position towards the Baltic countries). Only those Finnish subsidiaries that had lost all RHQs responsibilities or that had relocated their RHQ out of Finland were included to this study. However, the group as such can be considered as a representative group of companies, since it represents nearly the total number of companies that were identified as having RHQ position in Finland in 1999.

Those companies that had RHQ position in 1998-1999 but have been merged later on could not be researched as a separate unit and were therefore not included to the

research. In addition, companies that were transferred to the Finnish ownership were not studied, since they did not belong to the study's target group (i.e. foreign MNC's Finnish subsidiary as having RHQ position) anymore.

The structured survey interview questionnaire might pose some limitations. In the case that the respondent misunderstands some of the questions or the definition of RHQ, this can produce biased interpretation. Also, there exists a disadvantage in asking open-ended questions about change in the RHQ position and factors that affected that change, since interviewee may selectively neglect some events that are important and focus on unimportant trends (Golden 1992).

6 EMPIRICAL FINDINGS

This chapter introduces the empirical findings based on the survey interviews. For the beginning, the status of the sample is presented. The first part of the chapter gives a general description of the 222 companies that lost and retained the RHQ mandate during the research period 1999-2010. These two categories of subsidiaries will be compared and we will examine if they differ from each other. The second part of the chapter, focuses on the RHQs that have lost the mandate and we will discuss the three different ways in which the RHQ mandate was lost in the data. Third part of the chapter concentrates on the companies that relocated the RHQ out of Finland

Status of the sample

As the Table 2 shows, we were able to follow up the current status of 362 RHQ from the original population (a completion rate of 97%). The structured interviews were conducted for 222 RHQ (59% of total population), which revealed that 131 (35%) units had retained their RHQ status between 1999-2010, and 91 (24%) units had lost it during the period.

Table 2: Status of the original sample in 2010

Status	RHQs	%
Structured research questionnaire completed	222	59 %
RHQ status retained	131	35 %
RHQ status lost	91	24 %
RHQ status lost already before 1999	30	8 %
Not possible to study separately due to ownership changes	36	10 %
Operations ended in Finland	52	14 %
Moved to Finnish ownership	22	6 %
Unclear RHQ situation (non-respondent or person not reached)	13	3 %
Total	375	100 %

Out of the original population of 375 RHQ units, 153 companies were no longer relevant for further investigation. 52 companies had ended their operations in Finland. Out of these, 16 were contacted and the information was received over the phone. The situation in the remainder of the 36 companies was researched based on the official registries, company contact information databases and company websites. 22 companies had moved to Finnish ownership, i.e., were no longer operating as a subsidiary of a foreign MNC in Finland. In 36 companies, there had been a change in the ownership, making them unsuitable for studying further (in 27 cases the company was interviewed and in 9 cases the information was found through official registries). 30 companies had lost the RHQ status already before 1999.

Unclear situation (about the current RHQ position) remained with 13 companies. There were five company representatives unwilling to answer the survey. The non-respondents explained that they were either too busy or indicated that the company's business situation in the Baltics was extremely difficult or company policy discouraged participation. In six cases, the contact person or the company could not be reached in the given time limits. In two cases, the company name was missing from the original list of 375 companies and could not be contacted.

Beyond the results above, there was one interesting finding based on our research experience as a team of close to five months conducting structured survey interviews over the telephone concerning the RHQ related change and possible relocations. In the Gateway project study in 1989-1999, Kautovaara (2000) discussed that managers don't see it as important to discuss operations that have been relocated or discontinued and relates this as comparable to the problems in obtaining data on divestments. However, he said that the telephone interviews were very successful and described the atmosphere during the interviews as very positive, the interviewees helpful and patient in explaining the situation of their company. Based on my experience, it is easy to agree with Kautovaara (2000). Managers had a positive attitude towards this study and seemed to understand the value of the longitudinal perspective. They were helpful and patient in explaining the company situation and provided the information we needed. Unofficial information was also revealed on occasion. In some cases, the phone interview time was

reserved beforehand and managers were prepared to provide the answers despite the time pressure.

6.1 RHQ lost versus RHQ retained: Are they different?

Next, a general description will be given about the 222 Finnish subsidiaries of foreign MNCs by comparing the lost RHQs (41%) with the retained RHQs (59%). To follow, we will look at the industries that RHQs lost and retained represent. Then there will be comparisons made of the functions that the Finnish subsidiaries carry out, their functional responsibilities, turnover, staff size, strategic position of the Finnish subsidiary in the group hierarchy, and the parent and group company home countries.

6.1.1 Industry distribution

Table 3: The industry classifications (NACE) of RHQs lost and retained in 1999- 2010

Industry classifications	RHQ lost	%	RHQ retained	%
Wholesale and retail trade	55	60 %	71	54 %
Manufacturing	14	15 %	38	29 %
Professional, scientific and technical	8	9 %	7	5 %
Transportation and storage	3	3 %	2	2 %
Information and communication	3	3 %	4	3 %
Administrative or support service activities	3	3 %	3	2 %
Construction	1	1 %	4	3 %
Financial and insurance activities	1	1 %	0	0 %
Other service activities	1	1 %	2	2 %
Missing	2	2 %	0	0 %
Total	91	100 %	131	100 %

Table 3 presents the industry classifications of the 222 companies that have lost or retained the RHQ mandate. All the industries are represented quite evenly in both of the groups, RHQ lost and RHQ retained. There is at least one observation in each of the categories in both groups with only one minor exception. There is clearly a large concentration of the subsidiaries in wholesale and retail trade in both of the groups, meaning that the Finnish subsidiaries are mainly sales units and their most important RHQ responsibility is to export to the Baltics, Russia or in some cases to Scandinavian

countries as well. The RHQ retained group clearly includes more companies that have manufacturing, which could explain some of the RHQ responsibilities remaining in Finland due to the factory linked to the exporting of the goods to the subunits abroad.

6.1.2 Functions of the Finnish subsidiaries

Table 4 below shows the operations of the Finnish subsidiaries that lost or retained the RHQ mandate between the years 1999-2010. It is possible that the subsidiary has several functions (e.g. all of them).

Table 4: The functions of the Finnish subsidiaries in 1999-2010

Functions	RHQ lost	%	RHQ retained	%
Sales	83	91 %	130	99 %
Production	31	34 %	57	44 %
Warehousing	20	22 %	63	48 %
Service	17	19 %	47	36 %
R&D	17	19 %	31	24 %
Other	17	19 %	29	22 %
Total	91		131	

In both of the RHQ categories, the subsidiaries' main function is clearly sales. Also, production and warehousing have an important role, especially for the subsidiaries that have retained the RHQ mandate. The table shows that every functional category is more presented in the group of subsidiaries that have retained the RHQ mandate. The Finnish subsidiaries that have retained the RHQ mandate have clearly more manufacturing, warehousing, service, R&D and other operations (e.g. design, training, quality control) established in Finland. This could also mean that they are larger units in general and are more capable of carrying out RHQ responsibilities. It is easier to take away the RHQ mandate from the Finnish subsidiary active in sales and transfer the responsibility to the MNC's global sales unit than from a subsidiary that has production, warehousing and service serving the Baltic and Russian market geographically nearby.

In contrast, there is one case where a Danish MNC in a food industry had sales, production, warehousing, service and R&D in Finland and the subsidiary was RHQ for

the subunits in Latvia, Lithuania, Russia, Poland, Slovakia, Czech Republic, Ukraine and Hungary. However, due to the reorganisation of the company's sales organisation that became a global one, the Finnish subsidiary lost the RHQ mandate but continued with the food production in Finland.

Another case is about a Swedish factory automation and data communication MNC that has manufacturing, sales, and marketing and warehousing in the Finnish subsidiary with the RHQ mandate for exports to Estonia and Latvia. However, the RHQ mandate was lost after the company opened the sales units in Estonia and Latvia and these started to report to the HQ in Sweden. The warehouse was closed in Finland as well and the goods were delivered to Estonia and Latvia directly from Sweden.

6.1.3 Functional responsibilities

Next, we will look at the functional responsibilities that the Finnish RHQ carries out on behalf of its the subunits. A large share of the RHQs export to countries under its mandate, while the other group of RHQs have wider responsibilities concerning the subunits abroad, such as business, administrative, reporting or functional responsibility. If RHQ has a business responsibility of the subunit, it means that the RHQ manages the unit and is accountable for its profit and loss. Administrative responsibility means administrative tasks and juridical responsibility of the subunit. When the Finnish RHQ has the reporting responsibility of the subunits, it means that the Finnish subsidiary reports on behalf of the subunit to the HQ. Functional responsibility could mean that the Finnish subsidiary carries out functions on behalf of its subunits such as marketing, financial or legal services.

Table 5 shows the functional responsibilities of the both groups of the Finnish subsidiaries during the research period. The subsidiaries that have retained the RHQ mandate carry out different functional responsibilities more often than the ones that have lost the mandate. The RHQ retained group of companies have more administrative, business and reporting responsibilities for their subunits and their overall role seems to be more entrepreneurial.

Table 5: The functional responsibilities of the Finnish subsidiaries for the subunits in 1999-2010

Functional responsibilities	RHQ lost*	%	RHQ retained*	%
Export	22	24 %	56	43 %
Administrative	13	14 %	26	20 %
Business	11	12 %	29	22 %
Reporting	10	11 %	21	16 %
Functional	1	1 %	2	2 %
Other	12	13 %	17	13 %
Missing	31	34 %	33	25 %
Total	91		131	

*One RHQ may get multiple values

There was a case regarding French MNC, specialized in providing technology solutions for the textile industry. The Finnish subsidiary had a RHQ mandate with business, administrative and reporting responsibility of the Baltic countries and Russia. However, parent MNC's restructuring, economical rationalisation and regional specialization lead to the relocation of RHQ out of Finland to the HQ in Benelux countries. The subsidiary lost the RHQ mandate but continues the production, sales and marketing in Finland.

6.1.4 Turnover

Table 6 shows the turnover of the Finnish subsidiaries. The RHQ lost group of subsidiaries has an average turnover of 41,1 M€, while RHQ retained have 97 M€. There were 13 micro sized companies among the group of RHQ lost, while the same figure for the RHQ retained group was seven. These figures and the table below together show that the subsidiaries that have lost the RHQ mandate tend to be smaller by turnover than the ones that have retained the RHQ mandate. The largest share of subsidiaries (39%) belong to the category turnover ≤ 5 M€ for the RHQ lost, while most of the subsidiaries (51%) that retained the mandate have turnover between 5-50 M€. Also, the RHQ retained had a larger percentage of companies with turnover over 200 M€.

Table 6: Distribution of the Finnish subsidiary and the group company by turnover in 2010

	Turnover M €	RHQ lost	%	RHQ retained	%
The Finnish subsidiary	0-5	29	39 %	24	20 %
	5-50	26	35 %	63	51 %
	50-100	11	15 %	15	12 %
	100-200	5	7 %	8	7 %
	200-	3	4 %	13	11 %
	Total	74	100 %	123	100 %
The group company	0-500	11	18 %	29	31 %
	500-1000	8	13 %	11	12 %
	1000-5000	19	31 %	18	19 %
	5000-10000	6	10 %	14	15 %
	10000- 50000	14	23 %	18	19 %
	50000-	3	5 %	5	5 %
	Total	61	100 %	95	100 %

The group turnover ranges for the subsidiaries that lost the RHQ between 3,3 and 81 588,3 M€, the average turnover of the group being 10 393 M€. For the subsidiaries that retained the RHQ the turnover ranges between 1,7 and 324 313 M€, the average turnover being 13 152 M€. According to the table there is clearly a larger group of smaller MNCs among the group of RHQ retained.

6.1.5 Staff size

The average number of personnel in the companies that lost the RHQ mandate is 111 versus 178 for the group of RHQ retained. A median for the RHQ lost is 32 (persons) while for RHQ retained it is 43. These numbers show that the subsidiaries with RHQ retained are larger in staff size. Given this wide range in the staff size in general, it shows that the ability of the Finnish subsidiaries to carry out regional responsibilities could vary widely. The subsidiary with a small staff size is more likely to lose the RHQ mandate or it can be relocated to a larger central unit in the European organisation with more resources to carry out the RHQ responsibility of the subunits in the Baltic countries and Russia. Table 7 shows that there are more micro sized companies in the group of the RHQ lost than the RHQ retained. Also, there are more small and medium sized companies in the group of RHQ retained than RHQ lost. This size difference and

larger size of RHQ retained could indicate the subsidiary's ability to carry out RHQ responsibilities better.

Table 7: Distribution of the Finnish-based subsidiaries by personnel in 2010

Personnel	RHQ lost	%	RHQ retained	%
1-9 (micro)	23	25 %	22	17 %
10-99 (small)	40	44 %	64	49 %
100-499 (medium)	14	15 %	33	25 %
500- (large)	6	7 %	10	8 %
Missing	8	9 %	2	2 %
Total	91	100 %	131	100 %

6.1.6 Strategic position of the Finnish subsidiary in the group

Table 8: Strategic position of the Finnish subsidiary in the group

Strategic position of the Finnish subsidiary	RHQ lost	%	RHQ retained	%
Under the CHQ	29	32 %	58	44 %
Under European unit	18	20 %	21	16 %
Under Scandinavian unit	29	32 %	30	23 %
Some other option	11	12 %	21	16 %
Missing	4	4 %	1	1 %
Total	91	100 %	131	100 %

As the table 8 shows, the strategic position of the Finnish subsidiary lies more often directly under the parent company in the case of RHQ retained than RHQ lost. Also, in the case of RHQ lost the strategic position of the Finnish subsidiary is situated under Scandinavian and European unit more often than in the RHQ retained. It could be interpreted that the Finnish subsidiaries may have kept their RHQ mandate more often due to the MNCs organisation structure and because the Finnish subsidiary is in a stronger role towards the parent company and the subunits strategically, i.e. there are no other hierarchy levels in between the parent and the Finnish subsidiary.

It is noteworthy that 14% of the interviewees (32 companies) had some other regional organisation structure than presented in the Table. Findings of the study show that there exist various possible regional organisation structures for the foreign MNCs in Europe.

The size, geographical proximity and distances between their regions can vary much between the MNCs. There were no signs of a triadic structure (North America, Europe, Asia) as such, but signs of large regional structures such as EMEA (Europe, Middle-East and Asia; or Europe, Middle-East and Africa) or EMEA + South-America. However, the focus was on the Finnish subsidiary and the RHQ responsibility of the subunits so the regional structure of the whole MNC was not discussed. Still, many MNCs seem to divide Europe to smaller regions or sub-regions, such as: North-West Europe; North and East Europe; Nordic and Central Europe; North Europe; or a sub-region of Belgium, Netherlands and Luxemburg. Finland often belong to the Scandinavian region (with or without the Baltic countries) or to the region East, e.g., Finland, the Baltics and Russia (+ CIS-countries) or to the region North-Europe (e.g. The Nordics, the Baltics, Russia, Poland, etc.).

6.1.7 Group home country

Table 9 shows the group home countries of the Finnish subsidiaries between 1999 and 2010 and that most of them (57%) had the group home country in Europe, while 29% had it outside Europe. The largest number of subsidiaries had the group home country in the United States (23%), followed by Sweden (16%) and Germany (14%). When comparing the figures between the categories RHQ lost and retained, nearly the same amount of Swedish subsidiaries lost the mandate as retained it. More subsidiaries with the group home country in the US continued with the RHQ mandate (58%) than had lost it (42%). However, most of the subsidiaries with the German group home country (78%) retained the RHQ mandate.

Table 9: Group home country of the Finnish subsidiary in 2010

Group home country	RHQ lost	%	RHQ retained	%
United States	21	23 %	29	22 %
Sweden	17	19 %	18	14 %
Germany	7	8 %	25	19 %
France	6	7 %	7	5 %
Switzerland	6	7 %	4	3 %
United Kingdom	5	5 %	4	3 %
Denmark	3	3 %	7	5 %
Japan	3	3 %	7	5 %
Netherlands	2	2 %	2	2 %
Norway	1	1 %	4	3 %
Italy	1	1 %	1	1 %
Other countries	5	5 %	7	5 %
Missing	14	15 %	16	12 %
N	91	100 %	131	100 %

6.2. Lost RHQs operations in Finland

Next, the focus will be on those 91 subsidiaries that lost the RHQ mandate during 1999-2010 and we will take a closer look at the ways in which the mandate was lost, what were the motives behind the decision and where the decision was made in the organisation hierarchy of the MNC.

Table 10: Status of the units that have lost the RHQ in 2010

RHQ status lost	RHQ	%
RHQ responsibility ended, subunits report directly to the HQ	25	28 %
RHQ terminated	14	15 %
RHQ relocated	38	42 %
Missing data	14	15 %
Total	91	100 %

As Table 10 shows, out of 91 cases where the RHQ responsibility of the Finnish based subsidiary of foreign MNC had ended in Finland, there were 25 cases (28%) where the RHQ responsibility had been transferred to the parent company, i.e., today the units

report directly to the headquarters. One interviewee described the situation as follows: “After the sales offices were opened in Estonia and Latvia, these countries started to report directly to headquarters in Sweden” and the Finnish subsidiary was left out from the middle. Another interviewee explained: “Today, [the units in] Baltic countries, Russia, Belarus and Ukraine are independent and these countries manage themselves”. The Finnish subsidiary has lost the RHQ responsibility, and the reporting is done to HQ.

In 14 cases (15%), the RHQ had been terminated without transfer of the responsibility to the parent company or relocation. For example, one Finnish industrial company (part of a German group) had a RHQ responsibility concerning Baltic countries, but the company’s operations had ended entirely in the Baltics and the Finnish RHQ had been shut down. Another case was that the Finnish subsidiary of Danish MNC had RHQ status concerning sales to Lithuania, Latvia, Russia, Poland, Slovakia, the Czech Republic, Ukraine and Hungary. However, the Finnish RHQ was shut down since the new global sales organisation started to take care of these countries directly.

There were 38 cases where the RHQ mandate concerning the subunits overseas was relocated out of Finland. This was the most popular way in which the RHQ mandate was lost in Finland during 1999-2010. 42% of the 91 subsidiaries lost the RHQ mandate due to the RHQ relocation. The last part of the chapter focus more on the RHQs that were relocated, but first we continue to compare the three different ways in which the RHQ mandate was lost.

6.2.1 Reason for the lost RHQ mandate

There were five main motives categories behind the RHQ mandate loss in the study. These categories were given in the interview for the respondent. As Table 11 shows, parent MNC reorganisation has been the most common motive for RHQ mandate loss, following the parent MNC regionalization. 17% of the respondents mentioned growth of markets, while 15% of the RHQ mandates were lost due to acquisitions.

Table 11: Motives behind the RHQs mandate loss in 1999-2010

Motives	91 RHQ* lost	%	25 RHQ* ->parent	%	14 RHQ* terminated	%	38 RHQ* relocated	%
Parent MNC reorganization	23	24 %	8	27 %	3	18 %	12	25 %
Parent MNC regionalization	20	21 %	3	10 %	3	18 %	14	29 %
Growth of markets:	16	17 %	8	27 %	0	0 %	8	16 %
Acquisition	14	15 %	5	17 %	4	24 %	5	10 %
Diminishing of market	4	4 %	1	3 %	3	18 %	0	0 %
Other or unknown	19	20 %	5	17 %	4	24 %	10	20 %
Total	96	100 %	30	100 %	17	100 %	49	100 %

*One RHQ may get multiple values

Next we will examine the motives behind the RHQ mandate loss in the case of responsibility transfer to the parent and the RHQ termination. The motives behind RHQ relocation will be examined in the last part of this chapter.

Motives for the RHQ responsibility transfer to the parent company

As already mentioned, there were 25 cases where the Finnish subsidiary lost the RHQ mandate and subunits started to report directly to CHQ. For those subsidiaries, the growth of markets was one of the most important motive that interviewees mentioned why the RHQ was terminated. An interviewee explained why the RHQ was terminated: “[It was due to] the growth of the companies [subunits abroad] while getting independent and naturally letting go of Finland. Now they are working independently”. There seems to be a link between growth of markets, subunits growing into independence and diminishing role of the tutor and later on there happens a natural shift in responsibilities between the three parties. The subunit takes the responsibility of itself and there happens RHQ responsibility transfer from the RHQ to the HQ. The Finnish subsidiary is left out from the middle, because the large subsidiary is strong enough to report to the HQ on its own. On the opposite side, only one interviewee mentioned a shrinking market as the reason for closing the RHQ and explained that “in a heavy competitive situation you can not compete with a small organisation structure”. This shows that sometimes the subunit might need support and resources from a stronger organisational unit, like the group HQ, in a case of too small organisation size and lack

of resources to handle the difficult market situation abroad. In the case, the Finnish subsidiary had the RHQ mandate of exporting to Estonia and Russia and when the market situation got difficult the Swedish CHQ transferred the RHQ responsibility of the markets for herself.

Parent MNC reorganization/restructuring represents 27% of the motives mentioned for ending the RHQ in Finland. For example, one interviewee explained the restructuring situation of their company that Russian operations were transferred right under the HQ in Denmark. Often the interviewees explained that Russia became independent (from Finland) and reports directly to HQ today. It occurred several times in the data that there was parent MNC restructuring linked to the Finnish subsidiary losing the RHQ mandate of Russian subunit after its growth of independence and after that the reporting structure was changed to CHQs (or relocated out of Finland to somewhere else in the organisation).

In 17 % of the cases (five) when the RHQ was shut down and responsibility was transferred to the parent company an acquisition had played a part. There were several different acquisition cases on the different organisation levels that all lead to the closing the Finnish RHQ unit. In one case, the acquisition concerned the group and due to this the subunits (under the Finnish RHQ responsibility) in the Baltic states were transferred directly under the responsibility of the new parent company. In another case, the Finnish subsidiary was sold and the new owner, well established in the Russian market, had a large sales unit over there. Thus, there was no point to continue the previous direct exports from Finland in the current situation that led to the closing of the Finnish RHQ.

Parent MNC regionalization was mentioned in 10 % of the answers as a reason to close the Finnish RHQ. In one case the parent company restructured its sales organisation to a global one that lead to the closing the Finnish RHQ concerning the subunits in Latvia, Lithuania, Russia, Poland, Hungary, Slovakia, the Czech Republic and Ukraine.

In 17% of the cases the motives were others than mentioned above or unknown. For example, one company representative explained that earlier there was a problem with customs in Russia and the goods had to be delivered through Finland. However, after

local people started to handle the operations in Russia, there was no role for Finland anymore and the RHQ was closed.

Motives for the RHQ termination

This part focuses on the 14 cases where the RHQ mandate was terminated and shows that the RHQ mandate is not necessarily transferred in the organisation to some other unit.

As the table 11 shows, acquisitions represent the most common motive (24%). In one case, the parent company bought the subunit from Lithuania that was under the Finnish RHQ responsibility, leading to a termination of the RHQ mandate along with the acquisition. In another case, the Estonian subunit was sold out from the company and the Finnish RHQ position was lost.

The parent MNC reorganization represents a motive in 18% of the cases. For example, the production was ended in Finland, and therefore the RHQ was closed down as part of wider restructuring. In 18% of the cases, the parent MNC regionalization affected the termination of the RHQ mandate. In the interview data there were signs of regionalization process in the Eastern European area. MNC's have shifted their strategic focus more to the region and are building the regional organisation over there. One interviewee explained that the company's strategy concentrates on the Eastern Europe and the RHQ responsibility of the area has been given to Poland.

The growth of markets was not mentioned as a motive, however, the diminishing of the market/shrinking market as a reason represented 18% of the answers (three cases). The responders also described the situation as "uncertainty of markets" or "risks had grown (e.g., especially in credit financing) in the Baltics". The termination of the mandate can be a consequence of the difficult market situation in the subunit countries and it can be a conscious decision to get away from uncertain markets if there are too many risks involved. This kind of decision, leading to a RHQ mandate loss, can actually be a relief for the Finnish subsidiary.

In the case of RHQ termination, 29% of the motives are other than mentioned above or not known. For example, problems in pricing and with customs in Russia were mentioned as a reason to give up the Russian market (loss of RHQ mandate) and now Russians are handling the market themselves. Another respondent explained that the strategic focus of the company is in the Eastern Europe and therefore they ended up giving up the Russian market.

6.2.2 Decision making level

Next Table 12 presents findings concerning the decision making level in the organisation hierarchy when the RHQ mandate was lost. It is very common that the CHQ makes the decision and this was the case in 62% of the decisions. Contrary to expectations, a Finnish subsidiary was more involved in the decision making than European RHQ or Nordic RHQ.

Table 12: Level of decision making in the MNCs when the RHQ mandate was lost

Level	91 RHQs	%	RHQ ->parent	%	RHQ terminated	%	RHQ relocated	%
Group HQ	56	62 %	21	84 %	9	64 %	26	68 %
European RHQ	8	9 %	2	8 %	0	0 %	6	16 %
Nordic RHQ	2	2 %	0	0 %	0	0 %	2	5 %
Finnish subsidiary	10	11 %	1	4 %	5	36 %	4	11 %
Missing	15	16 %	1	4 %	0	0 %	0	0 %
Total	91	100 %	25	100 %	14	100 %	38	100 %

In the case of RHQ responsibility transfer to the parent and when the RHQ was relocated, in both of these cases the decision was made more often in the European RHQ than in the Nordic RHQ. In the case of RHQ responsibility transfer to the parent and when the RHQ was terminated, there were no decisions made in the Nordic HQ. As Table 8 shows, this finding is interesting since the strategic position of the Finnish subsidiary in the organisation hierarchy lies more often under the Nordic unit (32%) than under the European unit (20%). If we look at the situation in those RHQs that relocated, in 21 companies that relocated the strategic position of the subsidiary was

under the Nordic unit (55%) and yet the unit was involved in the relocation decision only 5% of the cases.

What is even more interesting is the involvement of the Finnish subsidiary in the decision making process when the RHQ mandate was lost. The Finnish subsidiary was involved most often in the decision making when its own RHQ mandate was terminated. When the RHQ was relocated out of Finland, the Finnish subsidiary was involved in the process and responsible for the decision in four cases. One interviewee said: “This kind of decisions do not just come from the parent [alone]”. Four of these decisions that led to the relocation of RHQ out of Finland concerned the Russian market and three of them related to Baltic countries. For example, in one case the Finnish subsidiary decided to give up the business in Russia due to the weak profitability and difficulty of getting payments from Russia. Since the Finnish subsidiary did not want to do business in Russia anymore, the RHQ responsibility for Russia was transferred elsewhere in the group. In another case, the Finnish subsidiary sold the business concerning all the three Baltic countries to the group company, and the RHQ position of Finland in relation to Baltic countries was shifted away.

For comparison, Kautovaara (2000) looked at the level of decision making in relocating the RHQ in 1999 and found that the decision was made in the group HQ and European HQ equally often (39% of the cases each). Out of 18 relocations, the decision was made in the Nordic RHQ (11%) only twice. One time (6%) the parent of the Finnish based unit made the decision and one time it was made in the Finnish unit (6%).

6.2.3 Lifespan of lost RHQs

Next we will examine the lifespans of the RHQs that were lost. First, we will look at the years of establishment for all 91 RHQ, then the ending years of RHQ mandates and finally the lifespan for each of the RHQ lost category separately.

Establishment of the RHQ mandates

According to the Gateway project study database (1998-1999), the first RHQ mandates

for the RHQ lost population were established as early as in 1962, 1965 and 1976 for the subunits in Estonia, Latvia, Lithuania and Russia. The first Finnish subsidiary that got the RHQ mandate was a sales unit of a Swedish industrial and garage door manufacturer in 1962. The second subsidiary with the RHQ mandate was a production unit of the fuel industry that also had a Swedish group company. Regiocentrism was noticed already in the 1960s when a large group of MNC were building regional organisations and setting up RHQs (Williams, 1967; Schütte, 1997b). In the 1980s the regional management was in decline and many MNCs moved towards a global approach in managing their operations (Lasserre, 1996). Since 1990 onwards the situation changed drastically, as the USSR fell apart in 1991 and new markets opened up. Finland was used as a gateway to go to the Baltic and Russian markets. Many MNCs used acquisition as an entry mode to the Finnish market and the acquired units often already had a long tradition doing business with the countries in the East from the era of the Soviet Union (Santalainen 2000).

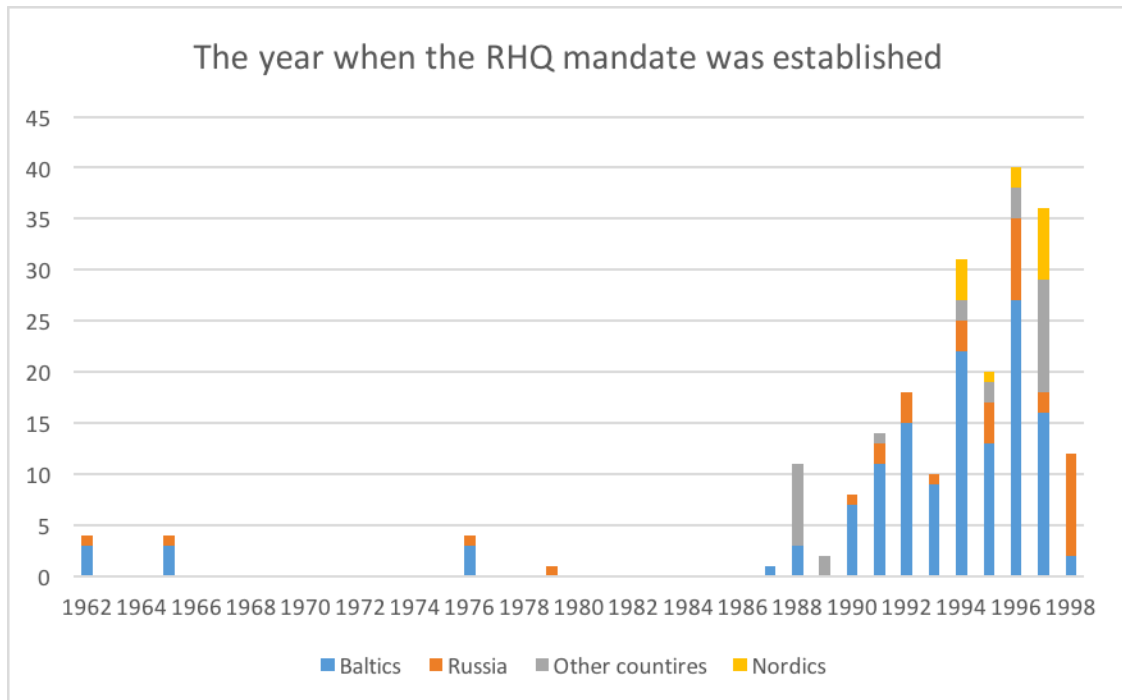


Figure 3: The year of establishment for the subsidiaries' RHQ mandates for the subunits in the Baltics, Russia, the Nordics and other countries (data source Gateway project study, 1999).

As the Figure 3 shows, the 91 subsidiaries got new RHQ mandates every year between 1987 and 1998. The number of RHQ mandates grew increasingly during the 1990s, up to 1996. The subsidiaries got the highest number of RHQ mandates for the Baltic countries starting in 1987, following mandates for other countries (Poland, Hungary, the Czech Republic, Slovakia, Armenia, Azerbaijan, Belarus, Georgia, Kaliningrad, Kazakstan, Ukraine and Uzbekistan) in 1988. The first RHQ mandate of Russia was started in 1990, and a new mandate was based every year up to 1998. A British and US MNCs gave their subsidiaries RHQ mandates for the Nordic countries (Sweden, Norway, Denmark and Iceland) the latest, starting in 1994.

RHQ responsibility transfer to the parent

Next Figure 4 shows the ending years for the RHQ mandates of 25 RHQs concerning 58 different subunits. The RHQs were closed down and the responsibility was transferred to the parent company. The first RHQ mandates were closed in 1993 concerning Estonia and Latvia. From 1998 onwards the Finnish subsidiaries lost RHQ mandates steadily until 2009. Year 2009 represents the highest figure on RHQ terminations with 7 events.

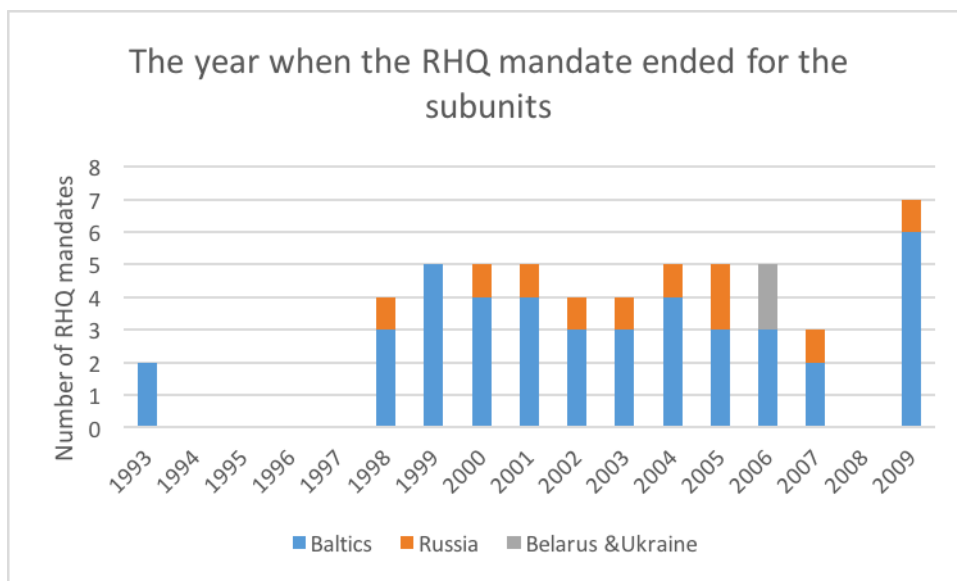


Figure 4: The year when the Finnish RHQ ended for the subunits in the Baltics, Russia, Belarus and Ukraine

The next 5 Figure shows the lifespan of the RHQ mandates. In this RHQ lost category, the shortest lifespan for the RHQ mandate was four years and this case was about the Finnish subsidiary of a German pumps manufacturer exporting to Estonia. The RHQ mandate was lost due to the problems with an agent in Estonia following a responsibility transfer of the Estonian market to the CHQ. The longest RHQ mandate lasted 36 years. As already mentioned, this case was about the Finnish subsidiary of Swedish industrial and garage doors manufacturer exporting to Estonia, Latvia, Lithuania and Russia. The CHQ decided to transfer the RHQ mandate to itself and exporting to these countries was changed to be handled directly from Malmö, Sweden.

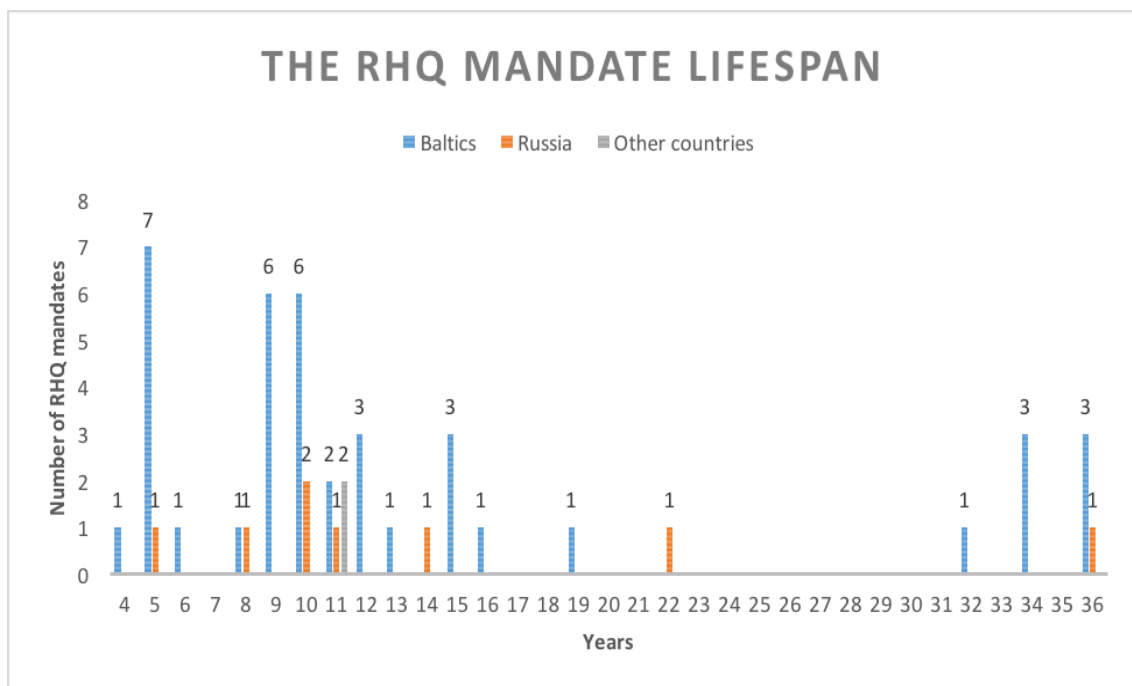


Figure 5: The lifespan of the RHQ mandate before responsibility transfer to the parent for the subunits in the Baltics, Russia, Belarus and Ukraine (data source Gateway project study 1999).

Altogether, there were eight subunits that had the Finnish RHQ for over 30 years. 64% of the subunits had the Finnish RHQ for over 10 years and 80% of the subunits of the Finnish RHQ had a lifespan over eight years. The average length for the Finnish RHQ mandate concerning Estonia was 14 years (Md 10,5), for Latvia 13,1 years (Md 9), for Lithuania 15,1 years (Md 11), for Russia 14,5 years (Md 10,5) and for the other countries (Belarus & Ukraine) 11 years (Md 11).

Lifespan when the RHQ was terminated

Next we will look at the ending years of those Finnish subsidiaries' RHQ mandates that were terminated (14 companies and their 31 subunits).

As the next Figure 6 shows, the highest number of RHQ terminations were in 2006 when one company closed the RHQ concerning five subunits in Poland, Hungary, the Czech Republic, Slovakia and Ukraine, two in the Baltics and one in Russia. Seven RHQ mandates concerning Russia ended between 2000-2007. The RHQ mandates for the 22 Baltic subunits ended between 1997-2008. Similarity can be noticed between the ending years for the RHQ mandates with the other RHQ lost categories, since the RHQ responsibility transfers happened during almost the same time period, between 1998 and 2009. The requirement for the Finnish RHQ mandates for the Baltics and Russia for many MNCs had stopped during the same time.

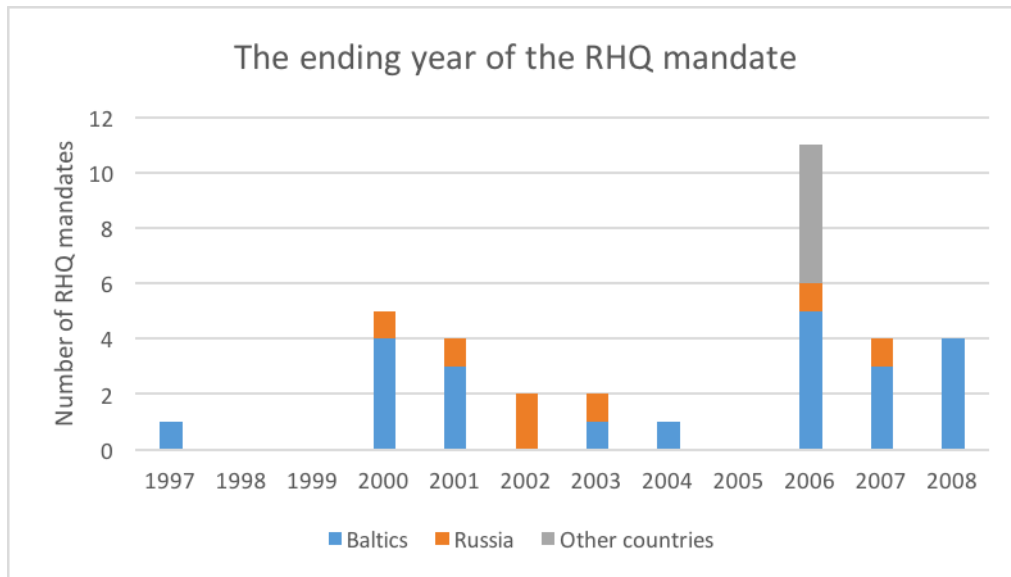


Figure 6: The year when the Finnish RHQ ended regarding the subunits in the Baltics, Russia, Poland, Hungary, the Czech Republic, Slovakia and Ukraine

The next Figure 7 shows the lifespan of the Finnish RHQ mandate of 14 subsidiaries (concerning 30 subunits). The shortest RHQ lifespan was six years for the subunit of Russia. The longest RHQ mandate was for the Estonian subunit for 18 years. The

mandates for other countries (Poland, Hungary, the Czech Republic, Slovakia and Ukraine) were between 12 to 17 years. The average lengths for mandates were as follows: 11,3 years for Estonia (Md 10,5), 11,6 years for Latvia (Md 11), 11,2 years for Lithuania (Md 11), for Russia 9,7 years (Md 9) and for the other countries 15 years (Md 15).

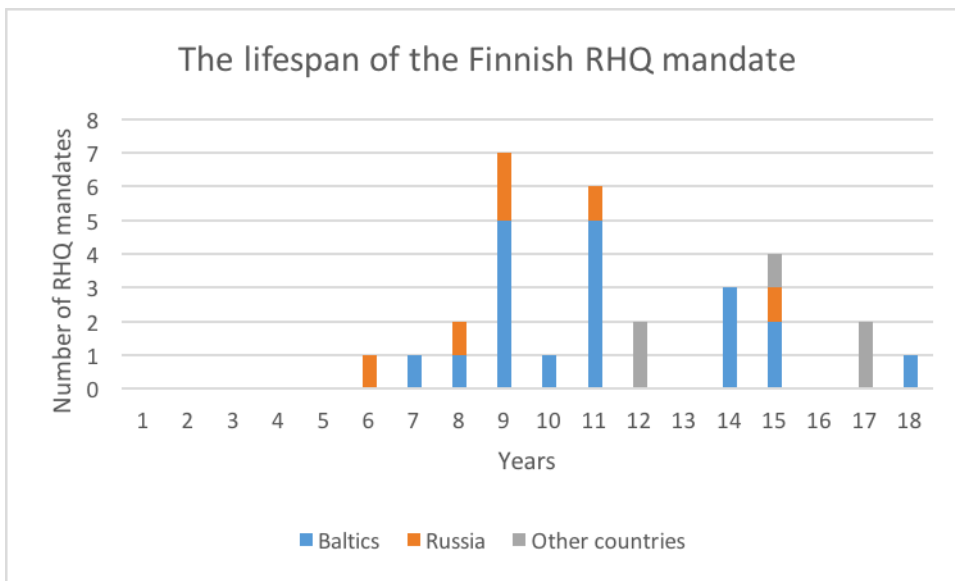


Figure 7: The lifespan of the RHQ mandate in the case of RHQ termination for the subunits in the Baltics, Russia, Poland, Hungary, the Czech Republic, Slovakia and Ukraine (data source Gateway project study 1999).

If we compare the average lifespans between the RHQs with responsibility transfer to the parent and RHQs that were terminated, first it seems that the average lifespans are longer in the case of the responsibility transfer for the parent for all the Baltic countries and Russia. However, if we look at the median lifespan, it is the same for Estonia and Lithuania in both of the RHQ lost categories. For Latvia the median lifespan is actually two years longer for the RHQs terminated and one year shorter for the Russia than for the RHQs where there was the responsibility transfer. The lifespans seem to be close to each other in both of the RHQ lost categories which shows that large group of foreign MNCs have needed the Finnish RHQ about the same length of time, around 9-11 years. The lifespan of the RHQs that were relocated will be looked in the last part of the chapter.

6.3 Relocation of RHQs out of Finland

The remainder of the chapter focuses on the relocated RHQs. First, we will examine how many RHQ mandates were transferred over time and what were the motives for the relocation. Then the lifespan of the RHQ mandates will be looked at. Last, the relocation target countries will be presented.

Out of a full population of 375 units researched, in 10% of these Finnish subsidiaries the RHQ mandate was relocated out of Finland to some other country during the research period.

6.3.1 Relocation per year

In the original Gateway study in 1998-1999, Kautovaara (2000) detected 19 RHQ relocations in the original population during the research period. The relocations took place between 1994 and 1999. Kautovaara found 4 RHQ relocations in 1998 and one in 1999 while this study found two more: the first one in 1998 and the other in 1999. By combining the results of these two studies, the longitudinal RHQ relocation situation is presented in Figure 8 which shows that 57 Finnish subsidiaries relocated the RHQ during the years 1994-2009.

As the Figure 8 shows, there have been RHQ relocations steadily every year out of Finland during 15 years. The average RHQ relocation per year has been around 3,6 mandates. The largest amount of RHQ relocations took place in 1997, with eight events (14%).

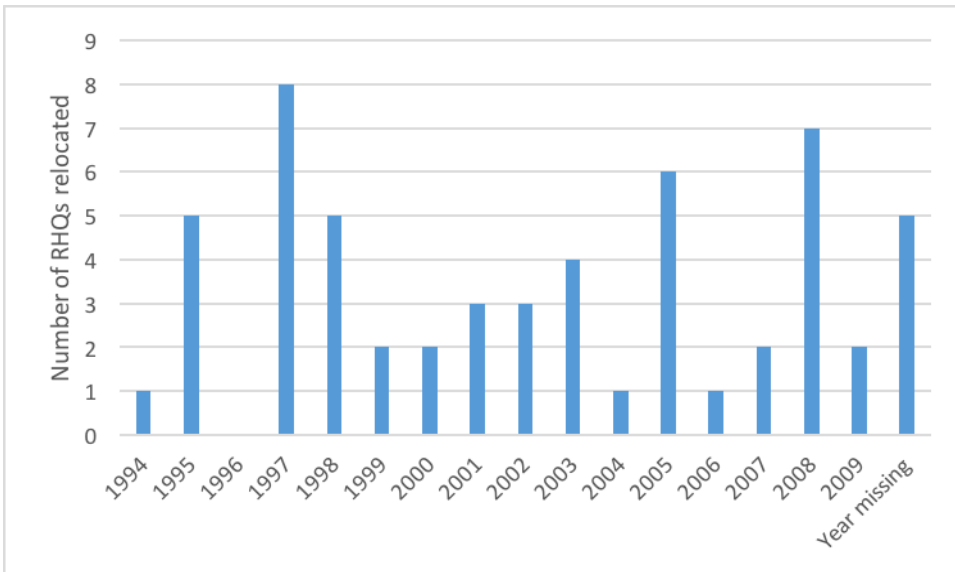


Figure 8: Number of RHQ that relocated out of Finland between 1994-2009

The next Figure 9 shows that the Finnish subsidiaries have lost the RHQ mandates steadily and increasingly every year since 1997 until 2005 in each of the three categories. At least four mandates have been lost every year between 1999 and 2009. The three different ways in which the RHQ mandates were lost do not seem to follow a common pattern during the research period.

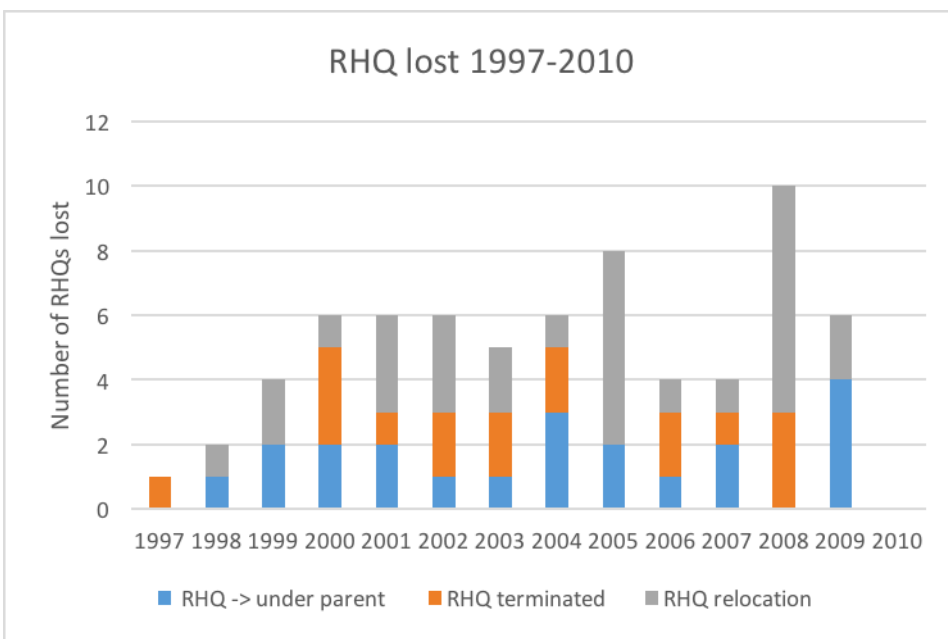


Figure 9: The RHQs lost in 1997-2010

6.3.2 Motives for the RHQ relocation

Largest amount of the Finnish subsidiaries (42%) lost the RHQ mandate due to the RHQ relocation. As the Table 11 shows, the following motives were mentioned by interviewees to explain the relocation of the RHQ out of Finland.

According to the results, the most common reason mentioned for the relocation decision was the parent MNC regionalization that represents 29 % of the given answers. The RHQ relocation out of Finland seems to be often related to the regionalization of Eastern European countries inside the MNC organisation structure, and the responsibility of these markets is shifting from the Finnish subsidiary to Eastern Europe or Central Europe. For example, interviewees explained the situation as follows. When the RHQ responsibility of Estonia had been relocated out of Finland, the interviewee explained that Estonia is part of the Eastern European organisation these days and the RHQ mandate has been shifted to Lithuania inside the MNC. Another interviewee explained their situation with the new Central and Eastern European RHQ in Prague as follows: “Today we have this practice [inside the MNC] that many small countries report to the same place. This is a much better model than before, where small countries [Baltic countries] report to another small country (Finland).” An interviewee from a metal industry subsidiary of a Swedish MNC explained that, inside the MNC, Eastern Europe is as a strategic centre of focus and responsibility for the region has been transferred to Poland. Another interviewee, from a business assurance service subsidiary with the CHQ in Great Britain, explained about their company’s reporting structures that today Baltic countries report to the Central European organisation in Berlin while Finland reports to Copenhagen. Another interviewee from a Finnish express shipping subsidiary explained that the new reporting structures of their MNC (CHQ in Netherlands) were organised so that the Baltic countries and Russia report to Eastern Europe these days, and Finland reports to Nordic organisation.

Parent MNC reorganization/restructuring was mentioned as the reason for relocating the RHQ out of Finland in 25% of the given answers. For example, an interviewee from an industrial painting subsidiary with the CHQ in the Netherlands explained their

company's situation as follows: "The production ended in Finland, the subsidiaries were sold inside the group and therefore the business we used to have did not exist anymore" and therefore the previous RHQ responsibility that the (Finnish) subsidiary used to have concerning the Baltic countries, Russia, Belarus, Ukraine, Kazakhstan and other countries was relocated to Warsaw, Poland. The respondents mentioned also other reasons such as regional specialization and economic rationalization inside the organisation. For example, one interviewee explained how the Finnish organisation was restructured into a smaller unit and the Finnish financial administration, customer service and logistics were relocated to Stockholm inside the MNC, that lead to relocating the RHQ responsibility accordingly concerning the Baltic countries out of Finland as well.

In ten cases (20%), the interviewees gave some other reasons to relocate the RHQ out of Finland than mentioned above or did not know the true logic behind the relocation decision. For example, two interviewees mentioned that the new RHQ had a better market knowledge concerning the countries under RHQ responsibility than the Finnish unit. In one case, the RHQ was relocated to Estonia because it has better market knowledge concerning the Baltic countries, Russia and Ukraine. Another interviewee mentioned that the RHQ was relocated because it is now located closer geographically and the business operations are easier to carry out in practice from the Baltic countries than from the Finnish unit. Kautovaara (2000) found similar statements in the interviews in his study concerning the motives behind the relocation decision.

Growth of markets represents 16% of the motives mentioned to relocate the RHQ out of Finland. By growth of markets the respondents tend to mean that business in the Baltic countries and Russia got off to a good start during the years under the RHQ responsibility of the Finnish unit and were growing meanwhile the companies became more independent. The RHQ role of the Finnish subsidiary as a tutor was no longer needed since the operations grew and subunits were ready to take care of the business themselves in these countries. One interviewee explained that "operations in Russia have expanded after the Finnish unit had a RHQ role. New offices have been opened and the parent company probably wanted the responsibility of Russia for itself. Russian

operations are more independent now than previously under Finnish supervision”. This is in line with Kautovaara (2000) since he also found the positive development of the target operation and the resulting need and possibility for less control as one of the three main motives to relocate the RHQ. However, this was the third important motive for the RHQ relocation in his study. In his study, the most important reason was the need for local organisation (RHQ) in the target country. The second main motive was the accounting and regulatory differences between Finland and the target countries. The latter motive as such was not found in this study. But the need for a local organisation in the target country seems to be among the main motives also in this study. The main motives were regionalization and reorganisation of MNC regional structure linked to the growth of markets.

In 10% of the cases mentioned, acquisition was the reason for the relocation. A British MNC in the tobacco industry had bought a Danish company and the North European HQ was relocated there and the Finnish unit lost the RHQ mandate for the Baltic countries and four Scandinavian countries. In another acquisition case, the companies in Finland, in the Baltic countries and Russia became part of a US company. In the new organisation structure, each of these countries reported directly to European RHQ and the previous RHQ responsibility of Finland was left out and relocated to Europe.

6.3.3 Lifespan when the RHQ was relocated

Next Figure 10 shows the year when the RHQ mandate of the Finnish subsidiary was lost (relocated) for different areas under responsibility. The RHQ relocations of 38 companies concerned 119 country units during the years 1998-2009. The Finnish subsidiaries lost the RHQ mandate due to the RHQ relocation every year between 1998-2009 for the Baltic countries (except only Latvia in 2006). A RHQ mandate concerning Russia was lost every year (at least one) starting in 1999 to 2009, however, there were no mandates lost in 2006. Two companies had the RHQ responsibility of seven subunits all together in the Nordic countries that were all lost in 2008. The first subsidiary lost the mandate in an acquisition. The second case was due to the MNC’s internal reorganization where the Finnish subsidiary of a US mother lost the RHQ mandate

(business responsibility of Norwegian unit, sales in Sweden and Denmark, and reporting concerning the Sweden and Denmark) and the responsibilities were split and relocated to Great Britain and the Netherlands inside the European organisation structure.

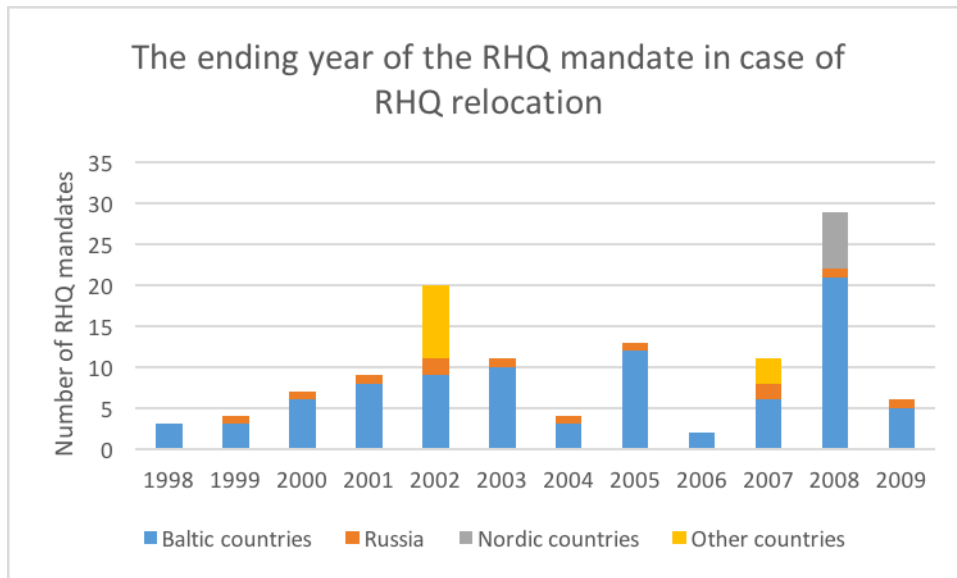


Figure 10: The year when the RHQ mandate of the Finnish subsidiary ended for the Baltic countries, Russia, Scandinavian and other countries

The Finnish subsidiaries lost the RHQ mandate concerning other countries (12 units) mentioned above in 2002 and in 2007. In 2002, the production ended in the Finnish subsidiary and the subsidiary was sold inside the MNC (parent company in Netherlands), and the previous RHQ mandate was relocated to Poland. The other mandate loss happened in 2007 when the Swedish parent company reorganized its export department and relocated the RHQ mandate (exporting to Poland, Hungary and Czech Republic) of the Finnish subsidiary to Sweden.

Next, the lifespan of each RHQ mandate is calculated based on the results of the two studies. The Figure 11 shows the time that the Finnish subsidiary functioned as RHQ for different areas before the relocation out of Finland. The Finnish subsidiaries have the longest RHQ mandates for the Baltic countries (information used in this figure concerns 73 units). The first mandates were started in 1987 and the last ones ended in

2009. The shortest lifespan for RHQ mandate, before the relocation happened, was four years (RHQ position concerning all three Baltic countries in one company). This case was about a US clothing company relocating its European HQ to Belgium. The Finnish subsidiary used to have the exporting mandate for the Baltic countries but the mandate was lost and relocated. The longest RHQ lifespans were 18 years (for the three Baltic countries) and 19 years (for the Lithuanian subunit). The longest RHQ mandate belonged to the Finnish subsidiary of the Swedish MNC specialized in wood finishing solutions that relocated the RHQ out of Finland after the subunits grew independent. The Finnish subsidiary had a business and administrative responsibility for the subunits in Estonia (14 years) and Lithuania (19 years).

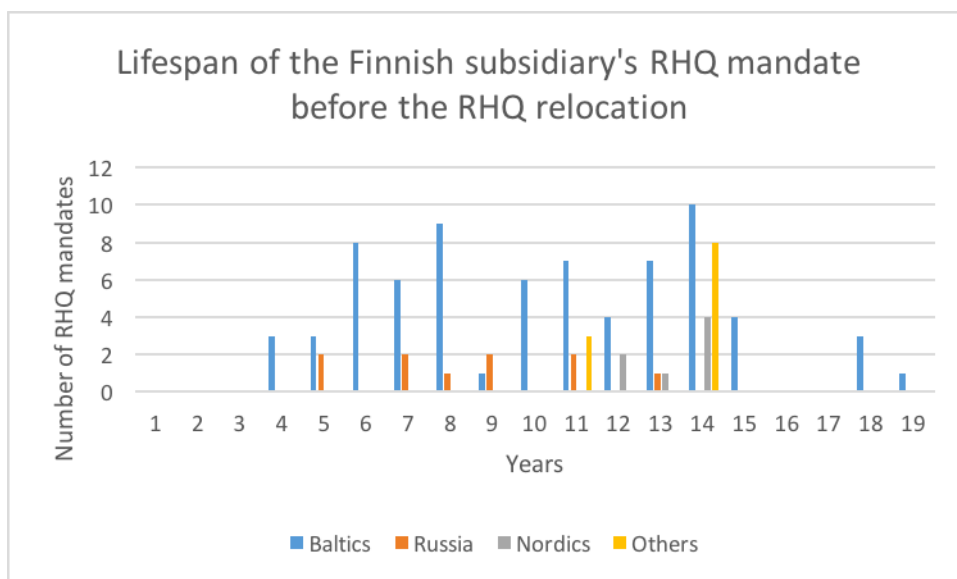


Figure 11: The Finnish subsidiary's RHQ mandate for the subunits in different areas in case of RHQ relocation (data source Gateway project study 1999).

The average lifespan for Estonia is 11 years (Md 11), for Lithuania 10 years (Md 10), for Latvia 10,2 years (Md 10,5), for Russia 8,5 years (Md 8,5), for Nordic countries 13 years (Md 14) and for the other countries 13 years (Md 14). In comparison to the findings of other RHQ lost categories, these average lifespans are slightly longer (0,3-2 years) than in the category responsibility transfer to the parent, and shorter (1,5-4,8 years) than average lifespans of terminated RHQs (except for other countries).

However, the median shows very similar lifespans for all the RHQ lost categories for the Baltic countries and Russia, ranging from 9 to 11 years.

For the comparison, in the study by Kautovaara (2000), the years that the Finnish subsidiary functioned as RHQ before the relocation were as follows. Out of 19 RHQ relocation cases, nine functioned as RHQ for only one to three years, six companies had the RHQ mandate for 3-5 years and four companies were in the RHQ position for 5 to 10 years. The empirical data of this work in hand clearly shows longer average lifespans for RHQs.

6.3.4 Relocation target country

Out of 91 companies that had lost the RHQ status, there were 38 companies (42 cases) that relocated the RHQ in the empirical findings. The Table 12 shows the target country where the RHQs relocated.

In 10 cases, the RHQ was relocated to the Baltic countries or Russia as follows: Estonia (4), Latvia (2), Lithuania (1), Russia (1). In two cases the interviewee did not know on a country level where the RHQ had been shifted after the Finnish unit lost the RHQ mandate, but he knew the new area: “It went to the Baltic states”. Therefore, the relocation phenomenon is presented here both on an area level and a country level.

In 12 cases the RHQ responsibility was relocated to Scandinavia, and out of these seven went to Sweden, two went to Denmark and one to Norway. Also, there were two cases where the responsibility was shared in Scandinavia. When the RHQ was relocated to Scandinavia, the respondent knew the exact target country every time.

For clarity, there were five companies altogether where the responsibilities of RHQs were shifted away from Finland and the relocation was split between two countries (e.g., Great Britain and Holland; Poland and Denmark; and Sweden and Germany). One interviewee of the Finnish subsidiary of a US parent company that lost the RHQ responsibility of Baltic countries explained: “Today Lithuania and Latvia report to Moscow and Estonia reports to Hamburg”. Another example about splitting the RHQ

responsibility concerns a U.S. manufacturer of microcontrollers and semiconductors and its European sales organisation. The Finnish subsidiary used to have the RHQ mandate of exporting to Norway, to the Baltic countries and a functional responsibility of sales in Sweden and Denmark. The MNC reorganized its activities and decided to concentrate on the key customers globally instead of the regions, which changed the RHQ responsibilities and reporting structures, e.g. the sales responsibility that the Finnish unit used to have became divided partially between HQs in Great-Britain and the Netherlands. However, the Finnish sales unit is part of European sales organisation and reports to München, whereas the Finnish design centre is under the Scandinavian HQ and reports to Norway.

There is another example regarding a US engineering software provider that restructured its European organisation and relocated the RHQ by splitting it into two. In this relocation case, the RHQ mandate concerning the main business area was relocated to Denmark, while the regional responsibilities of the Baltic countries were transferred to the RHQ in Poland.

In 20 cases the RHQ responsibility of the Finnish subsidiary relocated to the Central or Eastern Europe, representing 49 % of the relocation cases. Poland was the most common target country in the area with five relocations, and the second most popular destination within all the target countries after Sweden (seven). The importance of Poland as a challenger for other countries as the RHQ target country was noticed already in the Gateway study in 2000. Santalainen (2000) reports that companies named Poland as the third most important alternative RHQ target country if the company had considered other countries besides Finland. During the previous research in the 1990s, Poland had successfully adopted the idea of capitalism and competition was already fierce in many sectors, but MNCs considered the Polish market still challenging but with a lot of potential (Santalainen 2000). However, the importance of the Polish market has grown significantly in 15 years and after aggressive market-oriented economic reforms its market today is dynamic, the sixth-largest economy in the EU and the largest market among the former Eastern bloc countries in Central Europe. The country has a central location geographically and shares a border with new EU and old EU-15

countries. According to one interviewee, Eastern Europe is increasingly managed from Poland these days and it is a natural RHQ location for the Baltic countries due to its centrality and cultural similarity with the Baltic countries.

(www.export.gov/poland/doingbusinessinpoland/)

Table 13: The new RHQ target country

New RHQ target area/country	Number of RHQs relocated	Freq %
Russia and Baltic countries	10	24 %
Estonia	4	
Latvia	2	
Lithuania	1	
Russia	1	
Area Baltics/Russia	2	
Scandinavian countries	12	29 %
Sweden	7	
Denmark	2	
Norway	1	
Shared responsibility	2	
Central and Eastern Europe	20	48 %
Poland	5	
Benelux-countries	3	
Switzerland	2	
Germany	3	
Austria	1	
Czech Republic	1	
Shared responsibility	3	
Area Central/Eastern Europe	2	
Total	42	100 %

Kautovaara (2000) found the new RHQ countries after the relocation in 1999 to be as follows: Sweden (4 cases), Germany (4), Italy (1), Great Britain (3), Austria (2), Estonia (2), Russia (2) and Poland (1). In both studies, Sweden has been the most popular destination to relocate the RHQ after Finland lost the position. All the countries where the RHQs relocated in the study of 1999 can still be found in the study of 2010.

7 DISCUSSION AND CONCLUSIONS

For a long there has been a need for empirical, longitudinal RHQ studies to open up the secret lives of RHQ. The purpose of this research has been to examine the development of the RHQ identified in 1998-1999 during the ten years of the research period. Besides answering to the research questions, the study has generated new information about the length of RHQ lifespan, the different ways in which the RHQ mandate can be lost, the motives behind the mandate loss and about the level of organisation hierarchy in the decision making when the RHQ mandate is lost. Next, the main findings of the research will be discussed.

7.1 Research questions 1 and 2

Are there RHQ that were identified in 1999 still present in Finland in 2010? Have some RHQ lost their mandate?

The study finds support that it is common for subsidiaries to lose the RHQ mandate. In the population, 91 subsidiaries out of 222 (41 %) lost the RHQ mandate during the research period (1999-2010). However, the larger part of RHQ in the population (131) continued to exist over the research period, i.e., 59% of the RHQs will have a lifespan longer than the research period of 11 years.

Based on the RHQ literature, we know that RHQ are change sensitive and possibly exist for a limited lifetime. The current literature discusses RHQ as an extra layer of management in MNC, but notices some lack of clarity in its respective role since many companies seem to struggle with the implementation. RHQ are noticed to be largely unstable organisational phenomenon. MNCs often restructure their RHQ organisation, increase and decrease the power of RHQs or close RHQs down. Many authors have discussed the reasons for frequently reported RHQ failure. However, Parks (1969) points out that closing down RHQ does not necessarily mean that it has failed. Instead, it may indicate that the need for a HQ in the area has ended and the mission has been accomplished. (Parks 1969; Lasserre 1996; Piekkari 2008; Piekkari et al. 2010; Nell et al. 2011; Kähäri 2014)

RHQ studies debate how temporary structures RHQs actually are. Lasserre's (1996) life-cycle model suggests that the last role of RHQ is an administrator and the full tasks of the RHQs will be taken over by local subsidiaries before the RHQ disappears completely (see also Pla-Barber & Camps 2012). Some other studies also indicate that the role of RHQs at the group corporate level possibly becomes less important over time (Lehrer and Asakawa 1999; Paik and Sohn 2004). RHQ live only as long as they add value to MNC and have the trust of a parent (Kähäri 2014). However, Ambos & Schgelmilch (2010) argue that RHQs in Europe are not a temporary structure but help the firm to better manage its international operations in the long run.

The use of Lasserre's (1996) model in a European context has been criticized since it was developed in Asian where the basic set up for the RHQ were different than it is in Europe (Schütte 1997; Ambos & Schgelmilch 2010). MNCs went to the Asian market typically through a regional bridgehead, that had a mandate to enter the region, develop business, and become redundant as national markets become mature enough to take over the tasks from RHQs (Lasserre 1996). Ambos & Schgelmilch (2010) say that in Europe RHQ are usually not the first unit to be established in the market but much later after the subsidiaries are already running. We must notice that the Finnish subsidiaries with RHQ mandate have been in a gateway role to Eastern and Central European countries and have often been the first unit in the market before the subunits have been set up. The basic set up for some of the Finnish subsidiaries' RHQ mandate has been a similar type as in Lasserre's (1996) model. For 41% of them, the RHQ mandate has been a temporary structure. For some of the companies, the RHQ mandate has been lost in accordance with the subunits growing into independence under the Finnish subsidiary's tutorship.

It seems possible that for RHQ whom continue to live, at least some of them evolve through a life-cycle, as Lasserre (1996) suggests. However, without empirical study one cannot say that these RHQs are in different stages of development – or what stages RHQs meet while going through a life cycle - but natural evolution of RHQ responsibilities in the beginning and diminishing of responsibilities before the mandate

loss can be noticed in the population sometimes and the association of a possible life-cycle model working behind sometimes can not be avoided.

Lifespans of RHQ are an under-researched topic among RHQ literature. This study brings new information about the topic. The findings show that there has been great variation in the RHQs' lifespans in the RHQ population. The shortest lifespan was 4 years and the longest one 36 years. The average lifespans have been around 8-11 years (depending on a subunit country) and 59% of the RHQs continued to live with a lifespan minimum of 11 years. The exceptionally long lifespans of some RHQs, e.g. 30 years, and the large group of RHQ that continue to live, give support to Ambos & Schgelmilch (2010) that RHQ help the firm to manage its regional operations in the long run and it does not necessarily have to be a temporarily structure.

To interpret the duality of the RHQ population, to either be a temporary structure or have a long life span can be explained by the different arguments presented in the RHQ literature. We know that RHQs exist and survive as long as they create value for the MNC and tend to disappear when they become inefficient. A RHQs can also die if it loses its parent's (CHQ) trust, or if something unexpected happens in the corporate environment or externally that affects its position within the MNC's organizational structure. (Enright 2005; Piekkari et al. 2010; Kähäri 2014)

7.2 Research question 3

Have some RHQ relocated out of Finland?

The relocation of RHQ was the most common way (42%) in which the RHQ mandate was lost in the population. Longitudinal research data shows 57 RHQs' relocation cases and an average of 3,6 RHQ relocations per year out of Finland in 1994-2009 with the relocation rate of 6% a year. According to the literature, the relocation of RHQ is not an unusual event, and there has been found an increasing trend towards RHQ relocation in Europe during 1996-2006 (Perry et al. 1998; Barner-Rasmussen et al. 2007; Ambos &

Schlegelmilch 2010; Laamanen et al. 2011; Edgington & Hayter 2013; Kähäri 2014;). Also, based on a data about 30,000 HQs and management centres in the US, the average relocation rate has been 5% a year in 1996-2001 (Strauss-Kahn & Vives 2005).

According to Ambos & Schlegelmilch (2010), a large proportion of European RHQ change their original location during the course of operation. A fair degree of mobility has been predicted for RHQ on a medium term (5-8 year period) perspective (Ho 2000). There is likely to be more relocations of HQs from small European countries (e.g. Finland) to larger European countries in the future (Birkinshaw et al. 2006). Williams (1967) studied European regional offices and HQ and argued that a Scandinavian country is probably too far away from the centre of Europe to represent a practicable RHQ location.

Perry et al. (1998) say that the relocation of RHQ occurs in the context of multiple influences. In this study, it was not uncommon for the interviewees to mention more than one motive for the relocation. The parent MNC regionalization was the most important motive to relocate RHQ out of Finland (29%), while parent MNC reorganising/restructuring was the second common motive (25%). The literature shows that RHQs typically relocate to mirror structural changes or relocate into a lead market (Ambos & Schlegelmilch 2010). In this study, growth of market (16%) played a part in relocation, as well as, acquisitions (10%). Foreign firms and firms that are the outcome of a merger tend to relocate RHQs more often (Strauss-Kahn & Vives 2005; Benito et al. 2011). It is fair to say that relocation seems to be driven by many unpredictable and often firm-specific factors (Ambos & Schlegelmilch 2010). Research results seem to be in line with the literature.

Ambos & Schlegelmilch (2010) say that often soft factors, internal resource and power considerations have more impact on the decision to relocate than economic factors like tax benefits. In this study, not a single company brought up the taxation as a relocation motive. Even Laamanen et al. (2011, 3) have showed that high corporate taxation plays an important role in increasing the likelihood of HQs relocation decisions.

There were 38 companies that relocated the RHQ out of Finland between 1999-2010. 48% of the RHQs relocated to Central and Eastern Europe, 29% to Scandinavia and 24% to Russia and the Baltic countries. A single country that received most of the RHQ mandates was Sweden with 7 relocations. Poland received 5 RHQ and Estonia 4. Kautovaara (2000) found the three most popular RHQ target countries from his list in 1999 but they were in a different order of importance. Sweden has kept its place with the most popular target country, but the position of Poland has changed the most, since in 1999 Poland received the smallest amount of RHQs. Also, Estonia has increased its popularity relatively. Laamanen et al. (2011) say that finding reasons for the existence of a large number of RHQs in a certain country is equivalent to analysing why companies choose to relocate their headquarters there. According to Strauss-Kahn & Vives (2005, 3), HQs relocate to a metropolitan area with good air traffic connections, low corporate taxes, low average wages, high levels of business services, and concentration of HQs in the same sector of activity.

There is growing evidence that the world is becoming more regional and the importance of RHQs for managing business has grown (Ghemawat 2003; Rugman & Verbeke 2004, 2007; Arregle et al. 2009; Ambos & Schlegelmilch 2010; Rugman and Oh, 2013). This study has found support for regionalisation. The main motives for the relocation of RHQs out of Finland has been parent company regionalisation and parent MNC restructuring. Results show that some of the companies have been restructuring their Eastern European regional organisation – The region seems to be managed increasingly from Central-Europe. Eastern European countries have received more RHQ responsibilities than in 1999. Poland's popularity as the RHQ target country has increased in ten years.

Dunning et al. (2007) discuss an intra-regional effect, meaning that MNCs might be attracted to particular sub-regions or countries in a region. Firms try to exploit similarities and advantages across countries (Arregle et al. 2009). Literature lists a number of factors as to how the region can be defined: geographic proximity, market similarities, managerial consideration, cost efficiency, the future market-specific development of demand as well as cultural and political market characteristics

(Ghemawat 2005; Ambos & Schlegelmilch 2010; Laudien et al. 2011). The definition of a region tends to change in a response to market conditions and to a company's own strategic decisions (Ghemawat 2005).

In addition, inside the relocated RHQ population, there were five cases where the responsibilities of the RHQ were transferred away from Finland and split between two countries. Piekkari et al. (2010) found a similar type of division of regional responsibilities happening in the regional management centres that were dismantled or merged with new ones and their regional responsibilities were divided between other centres in the region.

7.3 Responsibility transfer to the parent

In 28% of cases where the RHQ mandate was lost, the RHQ responsibility of the subunits was transferred to the parent company. The RHQ literature does not directly discuss much this phenomenon, but finds it typical for MNCs to reallocate individual markets from CHQ to RHQ responsibility and back again (Piekkari et al. 2010; Nell et al. 2011). Barner-Rasmussen et al. (2007, 269) discuss HQs' "de-internationalisation" and by this they refer to the relocation of HQ back to the home-base after being abroad. The same analogy can be applied to the RHQ mandate since in practice it becomes de-international if the responsibility is transferred to the CHQ. Barner-Rasmussen et al. (2007, 269) note that HQ relocations abroad should not be interpreted as permanent or transfer back to home as erroneous or a step backwards. This is important to stress, since the return of RHQ mandate of certain country unit back to CHQ can not be considered as a RHQ failure, but the opposite in many cases: the mission of RHQs has been accomplished.

We did not ask specific questions about RHQ failure or trust issues between the CHQ and the Finnish subunit, however, there were no indications about RHQ failure or transfer of the subunits under the CHQ as being as the step backwards. Many subunits under the study had grown into independence and were large enough, or growing

strongly (e.g. subunit Russia), when they started to report directly to CHQ. RHQs tend to disappear when they become inefficient, and it seems that in some cases the Finnish RHQ had become inefficient e.g. due to its size, resources or it was more convenient for the subunits to report somewhere else to a larger central unit. It seems that the Finnish subunit had existed as long as it created value for the MNC.

The literature also discusses virtual RHQ arrangements that touch slightly this topic of previous RHQ responsibilities returning to CHQ. In a virtual arrangement, the RHQ as a separate unit with its own office and dedicated staff does not exist, but the responsibilities and functions of the RHQ could be delegated e.g. upwards in the corporate hierarchy (Schütte 1997a; Alfoldi et al. 2012). Alfoldi et al. (2012) have termed the virtual RHQ as regional management mandate (RMM) where a dedicated RHQ unit does not exist but the regional responsibilities are given to a subsidiary in a form of mandate and the unit dedicates some of its time to perform the regional roles. In this case, one can say that the RMM is transferred back to the CHQ.

7.4 Acquisitions at all three levels of the organisation hierarchy

RHQ literature that considers acquisitions behind RHQ mandate loss is limited. According to Strauss-Kahn & Vives (2005), firms that are the outcome of a merger tend to relocate RHQ more often. Kähäri (2014, 77) says that the RHQ will die if it stops adding value, or if something unexpected happens in the corporate or external environment that affects their position within the organizational structure of the MNC. This study found evidence that acquisitions often affect the position of RHQ in the organisation structure.

In this study, acquisitions represent 14% of the motives that lead to the RHQ mandate loss in the population. The research data shows that the acquisition can happen on three organization levels and affect the RHQ position. If we look at the RHQ population, there were 14 cases where acquisition happened on a different organization hierarchy level but they all led to the mandate loss of the Finnish RHQ: 1) in the subunit 2) in the

Finnish subsidiary 3) in the parent company. Next, some of the cases are presented briefly as an example.

In one case, the subsidiary of a US MNC specialized in information technology lost the RHQ mandate because its Baltic subunits were sold out of the group. In another case, the Finnish subsidiary of a French MNC sold its own subunits in Latvia and Lithuania. The subunit of Lithuania was sold inside the group and the Finnish subsidiary lost the RHQ mandate. There was a case where the US MNC sold its Finnish subsidiary together with the Baltic and Russian subunits and due to this acquisition the Finnish unit lost the RHQ mandate.

In another case, the Finnish subsidiary of a British MNC lost the Scandinavian HQ mandate to the group due to an acquisition of a Danish company, since the Scandinavian HQ was relocated to Denmark. Also, there was an acquisition on a group level that led to the loss of the Finnish RHQ mandate. The parent company of the Finnish subsidiary was sold that led to the Finnish subsidiary to lose its RHQ for Baltic subunits since the new parent company took these units under her responsibility.

7.5 Decision on the RHQ mandate loss was sometimes made in the Finnish RHQ

When the RHQ literature discusses companies eliminating their existing RHQs, the expression often describes that the decision is made by the company but does not specify where the decision has been made and at what organisation hierarchy level.

The study results show that it is very common that decisions to terminate the RHQ mandate are made in in the CHQ. This was the case in 62% of the decisions. European RHQ made the decision in 9% of the cases, whereas only 2% were made in the Nordic RHQ. The strategic position of the Finnish subsidiary lies in 32% of the cases directly under the group, 32% of the cases under the Scandinavian unit, and 20% of the Finnish RHQs are under the European unit. From this perspective it is logical that most of decisions are made in the CHQ. However, what is noteworthy is that even the Finnish

subunit is under the parent company strategically as often as it is under the Scandinavian unit, this does not show in the decisions making when terminating the RHQ mandate. The decision is typically made elsewhere in the organisation than in the Scandinavian unit and is transferred to the higher level in the organisation hierarchy. Also, what is interesting is that the decision that led to the termination of the Finnish RHQ mandate was made ten times in the Finnish subsidiary itself (11%).

To be specific, when the RHQ was lost and the RHQ responsibility of subunits was transferred under the parent company, the Finnish subsidiary was involved one time and responsible for the decision. When the RHQ mandate was terminated, the Finnish subsidiary was responsible for the decision five times. While the RHQ was relocated out of Finland, the Finnish subsidiary made the decision four times. These findings seem to give a new perspective to the discussion of RHQ failure. Also, some studies have reported that regional managers complain about their need to fight constantly for their mandate (Piekkari et al. 2010; Nell et al. 2011). This study clearly shows that this is not always the case. Sometimes regional managers make decisions themselves that lead to the RHQ mandate loss.

If RHQ mandate loss is a consequence of natural growth and evolution of subunits abroad and the need for the RHQ's has ended, just as Lasserre (1996) presents in the life-cycle model that the final task of RHQ is to be closed down, then there is possibly no need to fight for the mandate. The interviews revealed that sometimes RHQ mandate was given away with the Finnish subsidiary's own decision for somewhere else in the organisation if the market was very difficult and there were too many risks involved (e.g. Russian market) in doing business. In contrast, one CEO of the Finnish subsidiary of a Danish roofing company revealed deeper feelings in the interview about how does it feel to give up the RHQ responsibility of a subunit in Russia. The CEO explained: "After you have invested lot of effort to something [subunit Russia] and achieved strong growth and then someone takes away your baby, it hurts every time". But he explained that later on one is satisfied because everybody knows how hard and painful it had been to operate over there [in Russia].

7.6 Conclusions

Based on this research, one can say that the truth about RHQ development is stranger than fiction (theory)! What can actually happen to RHQ during its lifespan in reality, the whole picture and spectrum seems to be wider and more complicated than what the current literature has discussed or Lasserre's (1996) life-cycle model has presented.

The RHQ literature has too often recognized the closing of RHQ as a failure. However, this study argues that when the subsidiary loses the RHQ mandate, in many cases it is can be considered as more neutral phenomenon than failure – sometimes it can even be a relief from a subsidiary point of view. The RHQ mandate can be lost for variety of reasons, e.g. acquisitions on different organisational hierarchy levels. In the case where the subsidiary loses the RHQ mandate, the RHQ responsibility can be transferred to the parent, but it is also possible that it will not be transferred elsewhere in the organisation and the RHQ will simply be terminated. Also, RHQ relocations out of Finland to some other country are common and the RHQ responsibility can be split between two countries in the relocation.

7.6.1 Managerial implications

The strategic position of the Finnish subsidiary lies more often directly under the parent company in the case of RHQ retained than RHQ lost. The Finnish subsidiaries may have kept their RHQ mandate more often due to the MNCs organisation structure and because the Finnish subsidiary has been in a stronger role towards the parent company and the subunits strategically. On a managerial level, this means more trust from the CHQ and more influence inside the MNC.

As we know, it is very common that the CHQ makes the decision about the RHQ mandate loss. However, contrary to expectations, a Finnish subsidiary has been more involved in the decision making than a European RHQ or a Nordic RHQ. The Finnish subsidiary has been involved most often in the decision making when its own RHQ mandate has been terminated. As one interviewee has said: "This kind of decisions does

not just come from the parent [alone]”. The study shows that the level of participation of the Finnish management in the MNC organizational decision making has varied between the subsidiaries. Some managers have been in a more active role in the decision making inside the MNC. They seem to possess more organisational influence and have trust from the CHQ.

Luostarinen (2000) has said that it is essential that the Finnish subsidiary takes a proactive approach to developing its position within the respective MNC. He has suggested that the management of the subsidiary should take a strong role within the group in information gathering and decision making about the subunit’s market. He continues that the subsidiary should acquire the expertise of the market, to maintain a role of “organisation feeler” in the region, to become the centre of knowledge in the MNC of the market and always seek to be one step ahead of other units of MNC in this respect.

This kind of value creation for MNC helps the Finnish unit to retain its RHQ mandate and not become just an extra layer of management. On the managerial level, it builds trust between the RHQ and CHQ and gives the subsidiary’s management more power to influence their own destiny – whether it will be to retain the RHQ mandate or lose it. On a personal level, it might even advantage the position of the Finnish RHQ managers in the MNC’s organisation hierarchy – and possibly make them stick with the mandate and help them to keep their position in the case of RHQ relocation out of Finland.

7.6.2 Suggestions for further research

The use of Lasserre’s (1996) life-cycle model in a European context has been criticised. However, some common situational characteristics can be found when comparing the basic set up of Lasserre’s model for Asian RHQ and the Finnish subsidiaries that were in the gateway role for Central and Eastern European countries. The model has never been empirically tested, but it has been widely cited in the literature. For example, Enright (2005a) has suggested that Lasserre (1996) should prove large-sample tests to determine the generalizability of the concept. An empirical life-cycle study based on

Lasserre's work in the Finnish context with the current RHQ population would be an interesting addition to the discussion.

In this research, interviewees have represented the view of the Finnish subsidiaries of foreign MNCs. However, in the organisational life the RHQ related change often concerns all three different hierarchy levels in the MNC organisation structure. For example, study results show that four different levels of the organisation hierarchy – the Finnish subsidiary, Scandinavian RHQ, European RHQ or CHQ – can participate in the decision making when the RHQ mandate is lost. A wider and more objective picture of the phenomenon could be painted if the research would include more levels of the MNC's organisation hierarchy.

We have been studying the RHQ related change without considering the financial part of the equation – management by numbers is totally missing in this RHQ research. One can expect that there has been a certain critical level of revenue growth or ROI behind the decision to drop out the RHQ from between the subunit and the CHQ. There remain open questions such as: Can there be found a certain level of growth when the business in the subunit is large enough to give up the RHQ mandate of the Finnish subsidiary? What common characteristics must the subunits possess to be able to make it on their own - can some be found? It would be interesting to continue the research and dig deeper with those subunits that have become independent with natural growth path and finally have let go of the tutor role of RHQ. The phenomenon clearly seems to exist in the population - the interviewees have described it intuitively with a similar kind of wording. This growth path to independence also exists in Lasserre's (1996) model.

In addition - related to Lasserre's (1996) life-cycle model - the 131 RHQs that have retained the status must be kept under focus, since for some of them the length of RHQ lifespans are going to be especially long and I consider their independent life-paths as worth following in the future.

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9 APPENDICES

Appendix 1. Webropol questionnaire

Webropol

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Aluepäähallinnon tutkimus

1) Yritys

2) Yritys numero

3) Yrityksen aiempi nimi tutkimuksessa

4) Sähköposti lähetetty

5) Soitettu

6) Katuosoite

7) Postinumero ja -toimipaikka

8) Puh. (vaihe)

9) Vastaajan nimi

10) Vastaajan asema

11) Vastaajan Suora nro

12) Vastaajan Sähköpostiosoite

13) Yrityksen toimiala

14) Mitä toimintoja yrityksellänne on Suomessa?

- a) Tuotannollinen tai kokoonpanoyksikkö (teollinen tai palvelu)
- b) Myynti- ja markkinointiyksikkö
- c) Tutkimus ja tuotekehitys
- d) Huolto

- e) Varastointi
 f) Muu, mikä?

15) Vastaajayritys on

- a) Sivuliike
 b) Tytäryhtiö, jossa ulkomainen omistusosuus on

16) Suomessa sijaitsevan yrityksen liikevaihto 2008**17) Koko konsernin liikevaihto 2008 (valuutta)****18) Henkilökunnan määrä (Suomessa)****19) Yrityksen emoyhtiön tai omistajan nimi****20) Emoyhtiön tai omistajan kotimaa****21) Onko yllä ilmoitettu yritys (emoyhtiö tai omistaja) koko konsernin emoyhtiö**

- Kyllä Ei

22) Mikä on yrityksenne strateginen positio, asema konsernissa?

- a) Euroopan yksikön alainen
 b) Skandinavian yksikön alainen
 c) jokin muu, mikä?

23) Mitä toimintoja yrityksenne vastuulla on ollut näissä maissa? a) Suoraviesti, Minne?

- Ruotsi
 Norja
 Tanska
 Viro
 Latvia
 Liettua
 Venäjä
 Jokin muu

24) b) Organisaatio

1. Ei omaa organisaatiota paikan päällä
 2. Henkilöitä, kpl paikan päällä, maa:
 3. Myyntikonttori

4. Sivuliike
5. Oma tytäryritys
6. Tehdas
7. Muu

25) c) Omistus

1. Maassa (esim. Baltiassa) oleva yksikkö on Suomen tytäryhtiö
2. Omistus on muualla konsernissa

26) d) Mikä oli yrityksen vastuu (eri maiden osalta)?

1. Vientivastuu
2. Liiketoiminnallinen vastuu
3. Funktionaalinen vastuu
4. Hallinnollinen vastuu
5. Raportointivastuu
6. Muu vastuu

27) e) Haastateltava ei tunne aikaisempaa tilannetta pääkonttoriaseman suhteen.

- Ei tunne

28) Toimiko yrityksenne edelleen aluepääkonttorina?

- a) Kyllä b) Ei

29) K1. Mitä toimintoja yrityksenne vastuulla on näissä maissa /onko tullut lisää vastuuta/kehdemaita? a) Suoraviesti, Minne?

- Ruotsi
- Norja
- Tanska
- Viro
- Latvia
- Venäjä
- Jokin muu

30) K1. b) Organisaatio?

1. Ei omaa organisaatiota paikan päällä
2. Henkilöitä _____ kpl paikan päällä, maa
3. Myyntikonttori
4. Sivuliike
5. Oma tytäryritys
6. Tehdas
7. Muu
8. Muutos tapahtunut:

31) K1. c) Omistus?

1. Maassa oleva yksikkö on Suomen tytäryhtiö
2. Omistus on muualla konsernissa

32) K1 d) Mikä on yrityksen vastuu (eri maiden osalta)?

1. Vientivastuu
2. Liiketoiminnallinen vastuu
3. Funktionaalinen vastuu
4. Hallinnollinen vastuu
5. Raportointivastuu
6. Muu vastuu

33) K2. Onko vastuu lisääntynyt/ vähentynyt vuoden 1998 jälkeen? Erittele maat viivalle

- a) Lisääntynyt
- b) Vähentynyt
- c) Pysynyt samana
- d) Poistunut (jokin vastuu)

34) K3. Miksi? Mitkä olivat keskeiset syyt päätökseen?

- a) Markkinoiden dynaaminen kasvu
- b) Markkinoiden dynaaminen pieneneminen
- c) Yrityksen sisäiset järjestelyt
- d) Yrityskauppa
- e) Yrityksen sisäinen uusi aluejako
- f) Jokin muu

35) K4. Missä päätös muutoksista tehtiin?

- a) Suomessa
- b) Skandinavian pääkonttorissa
- c) Euroopan pääkonttorissa
- d) Enessä

36) K5. Tulevaisuuden suunnitelmat aluepääkonttoriaseman suhteen?

- a) Ennallaan säilyttäminen
- b) RHQ siirtyy muualle 1. Baltiassa / Venäjälle, mihin?
2. Skandinaviassa, mihin?
3. Muualle, mihin?
- c) Tulee uusia pääkonttorivastuita (uusia maita, mitä?)

37) E1. Mihin vuoteen asti yritys toimi aluepääkonttorina?

1. Viro
2. Liettua
3. Latvia
4. Venäjä
5. Muu maa

38) E2. Mihin RHQ siirtyi Suomesta?

- a) Baltiaan tai Venäjälle, mihin?
- b) Skandinaviaan, mihin?
- c) Muualle, mihin?

39) E3. Miksi? Mitkä olivat keskeiset syyt päätökseen?

- g) Markkinoiden dynaaminen kasvu
- h) Markkinoiden dynaaminen pieneneminen
- i) Yrityksen sisäiset järjestelyt
- j) Yrityskaupat
- k) Organisaation uusi sisäinen aluejako
- l) Jokin muu

40) E4. Missä päätös siirtymisestä / lopettamisesta tehtiin?

- e) Suomessa
- f) Skandinavian pääkonttorissa
- g) Euroopan pääkonttorissa
- h) Eräessä

