"REGIONAL MANAGEMENT AND REGIONAL HEADQUARTERS IN EUROPE: A COMPARISON OF AMERICAN AND JAPANESE MNCS"

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REGIONAL MANAGEMENT AND REGIONAL HEADQUARTERS IN EUROPE:

A COMPARISON OF AMERICAN AND JAPANESE MNCs

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REGIONAL MANAGEMENT AND REGIONAL HEADQUARTERS IN EUROPE: A COMPARISON OF AMERICAN AND JAPANESE MNCs

Empirical research on the European operations of American and Japanese MNCs suggested revealed, first, that regional management and regional headquarters in Europe are less interrelated phenomena than one might suppose, and second, that American and Japanese MNCs differ in their organizational responses to regional management challenges. Among American MNCs, the preferred method of handling pan-European issues in the 1990s appeared to be the prudent carving up of regional tasks for delegation to local subsidiaries (especially appointed lead countries), with coordination assured not by central functions, but by formal or informal "councils" periodically bringing top European managers together. Among Japanese MNCs, substantive issues of regional management are usually attended to without altering the formal organizational structure; regional headquarters, where they exist, exercise a largely nominal function.

In presenting empirical findings from the authors' comparative research on American and Japanese multinational corporations (MNCs) operating in Europe, this paper attempts to resolve the following paradox:

- On the one hand, the strategic emphasis placed on large regional blocs (such as North America, Western Europe, Asia Pacific, etc.) is said to be growing in American and Japanese MNCs. Managers of these corporations segment their business environment increasingly along the borders of these trading blocs.

- On the other hand, the power and size of regional headquarters (or regional offices) in these same MNCs were generally not found to be enhanced accordingly, and on balance were actually diminishing among American MNCs at the time the survey was conducted. In other words, an enlarged role for regional management evidently did not translate into an enlarged scope for regionally centralized control and coordination.

This paper will attempt to provide an account for this counter-intuitive finding and point out some of the limits of organization-environment contingency models revealed by

our research. The following sections cover the general conceptual background of the project, the framework and methods employed in the survey, the findings, and the conclusions drawn from them. Observed differences between American and Japanese MNCs are explained in terms of differing paths of organizational evolution.

BACKGROUND

The research project was undertaken to explore current trends in the way American and Japanese MNCs manage their European operations. Whereas MNC researchers in the 1980s devoted a great deal of attention to the design and implementation of global strategies (Kogut, 1985; Ghoshal, 1986; Porter, 1986), more recent research has emphasized the advantages of regionally oriented strategies (Morrison, Ricks et al., 1991; Aoki and Tachiki, 1992), as have some writers in the popular business press (Ohmae, 1990). Reasons given for preferring regional over global organization are economic (limits to economies of scale), geopolitical (regional political boundaries, e.g. NAFTA), strategic (cross-regional differences of markets and employees), as well as organizational (the need to protect special subsidiary competencies and initiatives from a narrow "headquarters mentality.")

Concrete information about current evolutionary trends within MNCs is nonetheless sparse, particularly concerning the centralization and decentralization of global companies. Although some attempts have been made to operationalize overall measures of centralization within MNCs and to correlate them with environmental conditions using a contingency approach (Gates and Egelhoff, 1986), others dismiss aggregate assessments of the centralization or decentralization of MNCs on the grounds that MNCs are multi-level, multi-functional organizations, some of whose tasks or dimensions become more centralized, others more decentralized at any given moment. Yet even putting aside such reservations, the evidence is contradictory. Proponents of global strategy claim that competitive pressures have obliged MNCs in many industries to coordinate activities among subsidiaries world wide so as to optimize their value chains (Porter, 1986). The forceful intervention of the central office is required in order to plan and implement restructuring activities of this kind. Meanwhile,

observers such as Sabel (1989) claim that the head offices of American, German, and Italian MNCs have engaged in extensive decentralization in order to delegate crucial tasks to lower levels of the organization closer to customers and markets; central staffs have been cut back and even top management has redefined its role from control to strategic consultancy.

A focus on the regional headquarters or regional office level of the MNC allows one to disentangle many of the centralizing and decentralizing tendencies within the MNC which become confounded when the unit of analysis is the MNC as a whole. Launched into order to peer beyond the headquarters-subsidiary dichotomy so prevalent in the literature on multinationals, the present research was designed to explore the organizational roles played by intermediate levels within the geographic hierarchy. As will be seen, our research revealed substantial differences between American and Japanese MNCs in their system for solving regional management problems and coordinating tasks across national boundaries in Europe.

The starting assumptions of the project (latter contradicted somewhat by our findings) were relatively standard and straight-forward. The scope and role of the central regional office of the MNC would depend both on the nature of the business or industry environment(s) in which the MNC was situated (Prahalad and Doz, 1987; Yip, 1989) as well as on the particular coordination tasks to be performed in accordance with the configuration of the MNC's assets among businesses and countries (Martinez and Jarillo, 1989; Ghoshal and Bartlett, 1990). Based on a contingency model of environment-organization fit, the central regional office could be expected to manage many of the crucial trade-offs between environmental imperatives for integration and differentiation (Lawrence and Lorsch, 1967; Galbraith, 1973; Martinez and Jarillo, 1991). As a modeling tool for representing the environmental pressures for integration and differentiation of the MNC's geographically dispersed operations, a decomposed version of the integration-responsiveness or I-R grid (Prahalad and Doz, 1987) was developed. It comprises two grids, each with a regional component. The first grid (Figure 1) maps the pressures for global MNC integration (vertical axis) against those for differentiation among the regions in which the MNC maintains a presence (horizontal axis). At the level of a particular region, the second I-R grid maps pressures for the regional integration of activities (vertical axis) against pressures calling for a nuanced response at the

local subsidiary level.

Insert Figure 1 about here

The structural model of the MNC corresponding to this modified I-R grid is not dyadic (headquarters-subsidiaries), but rather triadic (headquarters - regional offices - subsidiaries), with authority relationships segmented into two parts: (1) headquarters - regional offices, and (2) regional offices -subsidiary relations. A contingency hypothesis of organization-environment fit links this simple structural model of the MNC to the environmental forces tracked in the modified I-R grid (Figure 1) as follows:

Organization:

```
                HQ <======> Regional Offices <======> Subsidiaries
                     *                  *
Environment:         *                  *
                     *                  *
            Global Integration -   Regional Integration -
            Regional Responsiveness  Local Responsiveness
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According to this framework, the role and scope of the regional office in the MNC will correlate positively, inter alia, to (1) global environmental conditions favoring regional responsiveness vis à vis global integration, and (2) regional environmental conditions favoring regional integration vis à vis local responsiveness. Where strong pressures exist for both regional responsiveness (resulting in the delegation of important corporate tasks from headquarters to the regional level) and for regional integration (resulting in centralized decision-making within a given region), the regional office can be expected to exercise an important administrative, headquarters-like function. Conversely, the scope for regional management, and hence for the MNC's regional offices can be squeezed in business environments characterized either by competitive pressures for global integration of activities or by the need for strong local adaptation.

Although this framework addresses the issue of environmental fit, it excludes from the

field of vision both the problem of "internal fit" (Miller, 1992), that is, the fit between the overall strategy and the internal processes of the firm (Child, 1972; Miles and Snow, 1978; Roth, Schweiger et al., 1991), and the much-researched link between the organizational structure and strategy of the MNC (Stopford and Wells, 1972; Daniels, Pitts et al., 1984). Moreover, the pertinence of structural models of the MNC has been called into question by recent literature emphasizing alternative integrating mechanisms to formal structure such as shared values and interunit communication networks (Hedlund, 1986; Ghoshal and Nohria, 1989; Martinez and Jarillo, 1991). Members of the research team, aware from the outset that regional management could be performed in a number of different ways (with or without a central regional office or designated "regional headquarters"), thus regarded the modified I-R grid described above as a kind of "null hypothesis" against which to assess the phenomenologically richer findings of the field study we conducted.

The foregoing discussion explains the theoretical point of departure for the study. The extent to which systematic national differences between American and Japanese MNCs would emerge from the study was not *a priori* assumed to be as important as industry effects and individual firm differences. Nonetheless, as described below, the possibility of important country-of-origin effects was provided for in the research design.

RESEARCH METHODOLOGY

The final sample was composed of nine US-based multinationals and eight Japanese MNCs. This sample was arrived at through the following process. Of fourteen American MNCs with a significant European presence invited to participate in the research project, twelv agreed to do so. Only American MNCs with a recognizable European administrative center (or regional headquarters) were contacted, resulting in a possible sample bias in favor of centralized companies. Although covering a range of industries (including banking, electronics, and consumer products), the sample of American MNCs privileged information processing companies (five out of twelve) requiring highly complex managerial trade-offs between the geographic, product, and functional dimensions of their business. Of the original

twelve companies surveyed, three were ultimately excluded because of information constraints. The list of the nine remaining American MNCs studied is shown in Table 1.

Insert Table 1 about here

In the case of Japanese MNCs, eight companies were selected based on their extensive operations in Europe. These eight companies cover a range of industries roughly similar to that covered by the US sample, though the ultimate quality of the match was dictated by the vicissitudes of access. These companies are listed in Table 2.

Insert Table 2 about here

In all, 33 interviews were conducted by one or two members of the research team with managers of American MNCs and 17 interviews were conducted by one member of the team with managers of Japanese MNCs. Interviews lasted from one to two hours, and summaries of them were typed/up and distributed to other team members. Although following the proscribed format described below, interviews were not confined to questions regarding developments in the managers' firms alone; rather, we sought the managers' perspectives on how the administrative evolution within their own firms reflected or contrasted with trends they observed within their industries or within the business world as a whole. We did not only regard each company as an isolated observation in a statistical sample; instead, we were convinced from the outset that MNCs today are highly interconnected with one another through a multiplicity of communication, trade, and information networks. To treat each company as an isolated observation would, in our opinion, have been detrimental to the goal of exploratory research intended by the project.

Although interviews were in principle open-ended, four sets of questions were common to all interviews:

- The forces that affected the mission and role of the European regional headquarters (or regional office) and may contribute to make that role broader or narrower. In accordance with the environment-organization contingency model described above, the concept of "forces" was used to gain insight from interviewees into the crucial environmental determinants affecting the scope of regional management.

- The range of specific tasks performed by the regional European office or headquarters of the MNC. These included legal and financial management, human resources, logistics, and especially Europe-wide functions, such as research, negotiation with governments, and managing key international accounts.

- Relationships between the regional office and other units of the corporation (headquarters, subsidiaries) as well as external bodies: customers, suppliers, partners, governments, the EEC, etc.

- Management systems and tools: methods employed for planning, budgeting, measurement, evaluation, conflict resolution, and human resource management.

On all of these points, managers were also invited to comment on important recent and longer-term trends affecting the mission and role of the regional office. In lieu of actual longitudinal data, information on vectors of change within American and Japanese MNCs was solicited. The original intention was to plot the direction of change along the double I-R grid described above for each company's major business areas (cf. the vectors of change in various business plotted by Prahalad and Doz, 1987: 29). Yet even taking into account trends and retrospective company histories, the cross-sectional nature of the study imposed certain limitations on the generalizability of the findings. Because of the cross-sectional nature of the survey, the study could not directly observe processes of organizational evolution in real time (Van de Ven and Huber, 1990). At most it could capture processes of short-term adaptation to recollected environmental shifts.

Thus the change vectors charted necessarily confounded the effects of secular business trends, adaptive organizational adjustments to business-specific environmental shifts, and evolutionary corporate patterns. Were the study devoted exclusively to either American or Japanese MNCs, this intermingling of effects might not pose any grave obstacles to data interpretation. Yet given that Japanese MNCs are fairly recent internationalizers in contrast to the decades-old European subsidiaries of many American MNCs, interviewed managers had a

propensity to construe ongoing changes within Japanese MNCs according to stage models of evolutionary development, while regarding changes in American MNCs in terms of adaptation to industry-specific tendencies or to more widespread business trends. In view of these and other differences between the two samples, separate dicussions of findings for American and Japanese MNCs are warranted.

FINDINGS: AMERICAN MNCs

Our research did not bear out any unambiguous trend toward greater reliance on regional offices in American MNCs. Indeed, what was most noteworthy of the American MNCs studied was a general tendency to manage European regional issues by means other than enlarging the scope of a central European office. In the wake of lean management and corporate delayering, staffs of regional offices have even been reduced in recent years. Although the double I-R framework proved appropriate for one American company (Apple, discussed below), its application was generally rendered difficult by the increasing sub-division of business segments with diverse geographical orientations. This finding requires some elaboration.

Notable strategic shifts favoring pan-European regional management were not nearly as numerous as shifts toward greater segmentation across global product or global business divisions. This nearly always came at the expense of country managers, as most companies were adverse to a matrixed management structure. It also came at the expense of regional office staffs, as divisions clamored for reduced overhead. Though operating in vastly different markets, Raychem (telecom, electronics, industrial products), Dupont (chemical products), Xerox (document processing), and "US First Bank" (financial services) all manifested the characteristic trend toward greater divisionalization and leaner staffs.

- Ever since the mid-1970s Raychem Europe has reinforced its divisional structure. With turnover in Europe actually higher than in North America, four of Raychem's twelve divisions maintain their worldwide headquarters in Europe (two in the UK, two in Belgium, the latter having formerly been in France). To cope with intensifying cost pressures, the divisions have called for a reduction of the administrative expenses

generated by staffs within the different country operations. A. Teitelbaum, president of Raychem Europe, explained: "The question for the functions is not to recentralize activities at the European level, but to assure a more economic collaboration of [existing] resources and staffs [among subsidiaries]." Raychem Europe does not have a regional headquarters as such, but a Euro Council, in which divisional representatives have the main say.

- The function-related staff at Dupont's regional headquarters in Geneva are far outnumbered by those of the three global businesses (industrial fibers, lycra fibers, polymers) headquartered at the same site; elsewhere in Europe, imaging is based in Frankfurt, and agricultural chemicals are headquartered in Paris. Like so many of the companies we interviewed, Dupont has reemphasized the role of the product-specialized strategic business unit (SBU) and given each SBU the authority to headquarter its global operations in the location closest to the "center of gravity" for that particular business. Thus, as at Raychem, while the role of country managers and geography per se has diminished and staffing levels for pan-European functions have been curtailed, European operations have continued to grow in strategic importance and autonomy. Thus, the Geneva office of Dupont is not a headquarters in a hierarchical control-and-command sense, but "a central grouping of senior management thinking power" in Europe (Michael J.R. Allan, Vice-President Europe).

- Xerox has recently supplanted its functional organization with a set of nine different business divisions, each with "end-to-end responsibility." This reform poses a challenge for its European marketing arm Rank Xerox, which will have to deal henceforth not with one parent organization, but with nine of them. A reduction of staffing levels at the European headquarters in England has already been announced, and the company is rethinking its structure of countries and general managers.

- At "US First Bank" rationalization, elimination of duplication, and cost-control measures imposed by the head office have made the international divisions into conduits of a tightly refocused corporate mission. Though the head of the European division elected to relocate in London, his counterpart in the Asian division chose to remain in New York, closer to the power center of the bank. The European division was squeezed at both ends: on the one end, by a divisionalized ("refunctionalized") structure of the head office organized by business segment (derivatives, foreign exchange, etc.), and on the other by national subsidiaries accustomed to significant autonomy and local adaptation. In an effort to motivate more cross-border deals in which US First Bank could hope to gain a competitive advantage vis à vis European banks, the head of the European division instituted European "councils" that brought together the heads of the European subsidiaries. (A senior manager of another financial MNC, "Capital Trust," told us: "We started with 34 general managers in Europe a few years ago. Now we are going to be down to ten. By 1995 there will be room for four. We need to convert them to product managers.")

Taken together, these and other examples suggest that the reforms observed at IBM Europe, and its downsizing of central staff (from 2000 to 200), reflect a widespread trend of

the 1990s and not only a response to the cataclysmic change in the computer industry. IBM Europe has been reorganized as a product-geography matrix of operating units and has decentralized much functional responsibility from regional headquarters to its country and product subsidiaries. To compensate for the disappearance of regional headquarters staff that used to coordinate tasks across subsidiaries, IBM Europe has instituted regular councils bringing together managers from the increasingly autonomous subsidiaries as well as pan-European conferences in marketing, finance, etc. to share best practice among operating units. These are tendencies we observed in most of the American MNCs surveyed, and not only at IBM Europe.

On the whole, the applicability of the double I-R framework for studying the changing role and scope of regional offices in American MNCs was limited by two widespread findings:

- A secular trend toward reduction of centralized functional staff, hence reducing the size and power of regional offices regardless of industry environment. We ascribe this trend to technological advances in communication and information processing which we will discuss in the final section of this paper.

- Increasing segregation of product and business lines, each of which would require a separate plot on the double I-R grid. Although we had purposely avoided contacting conglomerates so as to respect the industry-specificity of the I-R framework, the companies interviewed were visibly becoming more conglomerate-like in their organization.

An usual situation, however, was encountered at Apple Computers Europe, whose business environment could be mapped quite well onto the double I-R framework. A much more recent internationalizer than the other American MNCs examined, Apple's European subsidiaries had operated as a series of independent country units until 1989, when consolidation was undertaken. In early 1993, Apple Europe adopted a new organization centered around broad vertical markets: Education, Business, Large Accounts, Consumers, and Apple Business Systems. Rather than concentrating management authority for these vertical markets at regional headquarters in Paris, however, responsibilities were parceled out to country or regional managers: Education was led by former country managers for the UK and Ireland, the Consumers vertical market by the former Danish general manager, and so forth. On the other

hand, the production side of Apple was organized by five major product divisions: MAC products (MSD), MAC software (MSWD), Enterprise Systems, Personal Interactive Electronics, and CLARIS application software. Thus, Europe Apple had to mediate between the product orientation of Apple's supply divisions and the vertical market orientation of the end markets. As Figure 2 shows, the North American and Asia marketing arms of Apple had to perform the same kind of "conversion" (Doz and Ghoshal, 1993).

Insert Figure 2 about here

Under such a configuration the role of the regional office is apt to be substantial. In electing to adopt a vertical market orientation, Apple Europe had essentially concluded that its customer markets required a pan-European approach, albeit some, such as Education, required more responsiveness to local conditions than others (such as Business). These vertical markets called for a pooling of resources among the country subsidiaries of Apple Europe. In terms of the double I-R framework, this means that Apple's European markets favored regional integration over local responsiveness (the second grid in Figure 1). At the same time, European vertical markets differed enough from those of North American and Asia as to favor regional responsiveness over global integration (the first grid in Figure 1). Under these conditions, the role of European headquarters could be expected to be large.

JAPANESE MNCs

In the case of Japanese MNCs, the importance of regional management again did not translate automatically into a large or powerful regional office. While the strategic significance of regional management became widely recognized by Japanese MNCs in the late 1980s, the role of their regional offices remained more modest than the change in their business environment might have led one to expect. We identified two important evolutionary factors as responsible for this finding. First, from an evolutionary point of view, regional headquarters is such a recent administrative innovation that Japanese MNCs appear

hesitant to invest regional offices with substantial decision-making authority and responsibility. Second, there are various indications that Japanese MNCs follow a somewhat different evolutionary path than their American counterparts, willing to delegate decision-making powers on an informal basis rather than institute new formal organizational structures such as a regional headquarters (Lincoln, Hanada et al., 1986).

Our interviews generally indicated a gap between the recognized importance of regional management and the limited authority wielded by the regional offices. Indeed, several of the Japanese MNCs did not have an official regional office at all. Of those which have regional offices, the following findings illustrate the limited scope of the regional office's authority:

- Both Canon and Mitsubishi Electric have set up regional coordination centers in Europe, reflecting the strategic importance of the European region. Yet even now these regional offices do not have an autonomous strategic role.

- The European operations of the trading firm Marubeni exemplify the delegation of regional coordination tasks to national subsidiaries. While the European regional office located in the UK assures pan-European control and functional coordination, pan-European responsibilities for product categories and business lines are parceled out among the national subsidiaries.

- As for the Asahi Glass Company, its acquired Belgian partner Glaverbel (more than 10,000 employees) actually plays a more substantial role in regional coordination than Asahi's own small European regional office (Asahi Glass Europe B.V.) in the Netherlands.

The importance of regional management was also strongly expressed by those companies which do not have European regional headquarters as such.

- In search of the global efficiency they call "mesh globalization" i.e. optimizing between global production/supply and locally adapted sales activity, NEC has elected to forgo an intermediate level of coordination such as RHQ, even in the strategically vital European region. As a former top executive put it, "regional grouping becomes necessary only when concrete merit is evident. Simple installation of RHQ might even lead to lack of substance at the expense of the actual business line." Instead, NEC encourages direct networking among local subsidiaries in production and purchasing activities.

- Kao has no RHQ, and yet it has mapped out an elaborate organizational strategy for Kao Europe to be built on four pillars: Information, R&D, Production and HR/Finance/PR.

Published sources confirm the existence of a disparity between the perceived significance of regional management and the limited power of regional offices. The Mitsubishi Research Institute (1992), in its study on the global strategy of 239 Japanese MNCs in various machine industries (automobiles, electronics, industrial machines, precision instruments, etc.), found that these firms have developed a fairly strong orientation toward regional (zone) management. Yet even in Sony, the Japanese MNC that advocated regional management and empowered local operations most strongly, the report found that only operational decision-making had been delegated to regional offices, whereas strategic corporate-level functions such as R&D and product planning remained centralized at world headquarters. Matsushita, even after creating its triadic RHQs in the wake of its organizational restructuring in October of 1988, basically preserves a strong heritage of divisional structure, which limits local and regional autonomy.

As in the case of American MNCs, the limitations of the modified I-R grid, predicated on a fit between environment and organization, became evident when applied to Japanese MNCs. However, the reasons appeared related less to technological developments than to the relative youth of regional offices in Japanese MNCs as well as organizational patterns peculiar to Japanese companies. Each of these factors requires amplification.

Regional headquarters and evolutionary stages of Japanese MNCs. In general, the Japanese MNCs are later internationalizers than American MNCs (Yoshino, 1976). Likewise, regional management is a far more recent phenomenon. The Mitsubishi Research Institute (1992) used a stage model of development in identifying a four-step globalization path common to Japanese MNCs: (1) export-focus (-1984); (2) shift to local manufacturing (1985-1989); (3) multi-regionalism (1990-1994); and (4) global network (1995-). Their study charted Japanese MNCs as being in stage 3 of this globalization sequence and now currently reassessing their strategy as to whether to move on to stage 4 or instead retain their current focus on regional operations. Even the movement to stage 3 was found to be hastily precipitated in many companies by a desire to imitate the moves of competitors. In fact, a "follow-the-leader" mentality evidently motivated one of the Japanese MNCs we interviewed to establish its European headquarters without a clearly defined role or mission.

Consequently, some Japanese MNCs have disbanded their regional headquarters (e.g. Yamaha).

Being in the incipient stages of their globalization process, Japanese MNCs still operate largely within a headquarters-subsidiary framework. Regional coordination roles are generally played by the international division at headquarters and/or by important local subsidiaries. Only in the late 1980s did Japanese MNCs witness a rush to establish regional headquarters, whose status, however, remains largely nominal.

Not surprisingly, then, recent empirical studies of Japanese MNCs have found their regional headquarters to be generally in the start-up phase. According to a 1991 survey, three years was the median age, with three quarters of regional headquarters established between 1988 and 1990. As of that year, the number of Japanese companies reporting the establishment of a regional headquarters had increased to 16 in Asia and 33 in Europe (Aoki and Tachiki, 1992). This youth of European regional offices of Japanese MNCs is in remarkable contrast to the decades-old European offices of many American MNCs, although a handful of regional headquarters among Japanese MNCs have been in existence for nearly two decades.

Country-specific factors in the evolution of Japanese MNCs. Will Japanese MNCs follow the same evolutionary path that American MNCs did in the 1950s and 1960s? Our sources and interviews seem to suggest not. According to the Mitsubishi Research Institute survey (1992), a majority of Japanese MNCs in the machine industries expressed strong reservations about adopting the global network or "transnational" model (Bartlett and Ghoshal, 1989), which would be the next stage of regional management according to the evolutionary logic of Western MNCs. Even cosmopolitan global players like Sony and Honda expressed a preference for regional (zone) management (JSMS, 1991). This surprising aversion to moving toward a network structure is surprising and, if confirmed by subsequent developments and research, requires comment.

Cited reasons for Japanese MNCs to prefer regionally oriented structures over the global network model include regional bloc economies, hands-on management, attachment to the status quo, and preference for simple structures. The vagueness and fluidity of job

assignments within Japanese MNCs make complex structures appear impractical. Since headquarters-subsidiary relations have traditionally formed the strategic backbone of control systems in Japanese MNCs, insertion of an intermediary level between the head office and subsidiaries is perceived as a potential source of confusion and inefficiency.

At a deeper level of explanation, Japanese MNCs are characterized by a high degree of cultural homogeneity and important personal communication networks (Negandhi and Baliga, 1981; Tung, 1987). Maintenance of direct ties to headquarters is a central concern of expatriates interested in promotion and information-sharing (Nakene, 1972; Schneider and Asakawa, 1993). Informal and formal structure need not coincide in Japanese MNCs; formal centralization and de facto delegation in decision-making have been known to be characteristic of their decision-making processes (Lincoln, Hanada et al., 1986). In sum, country-specific characteristics of Japanese MNCs make it far from certain that they will follow the same trajectory as American MNCs.

SUMMARY AND CONCLUSION

Although the sample is too small to permit generalizations on an industry-by-industry basis, differences among American and Japanese MNCs were observed to be smallest in the banking sector, but were more pronounced in the other sectors included in the sample. With respect to the banks in the sample, both "Capital Trust" and Fuji Bank had European headquarters in London whose role was limited to coordination, with strategic autonomy in the hands of other juristictions: the International Department in the case of Fuji Bank, the product functions (consumer business, card products, etc.) in the case of Capital Trust. In contrast, both "US First Bank" and "Japan Corporate Bank" had a heritage of treating their European country subsidiaries as equals, making it a delicate matter to give special regional prerogatives to any one particular country. In both cases, the London office coordinated some of the logistics but had to beware of asserting special status.

Among the electronics and consumer products companies surveyed, the US-Japanese differences in "administrative heritage" (Bartlett and Ghoshal, 1989) were more in evidence.

The European marketing organizations of some American MNCs ("Home Products", Xerox, IBM) had existed for decades, traditionally organized around country subsidiaries with a substantial degree of autonomy. As production facilities were constructed in Europe and as markets became increasingly globalized, regional and global management perspectives (especially along product or business lines) had begun to complement or displace the pre-eminence of national subsidiaries since the 1970s. At the time of this research, pressures for regional or (more often) global coordination of business activities appeared to be eroding the autonomy of country manangers even further in the consumer products and electronics MNCs studied. This finding is not inconsistent with other reports of declining autonomy and influence among foreign subsidiary general managers of US multinationals (Quelch, 1992; Birkinshaw, 1994; Egelhoff and Gates, 1994). However, loss of autonomy is not necessarily identical with disempowerment, for in many European organizations of American MNCs, as explained earlier, country managers had input into the formulation and coordination of pan-European strategy.

For the Japanese MNCs surveyed in the consumer products and electronics sectors, in contrast, the trend seemed to be towards greater geographical decentralization of responsibility from world headquarters to local levels. This trend is incremental and largely unproblematic because European subsidiaries of Japanese MNCs are staffed for the most part by Japanese ex-patriate managers whose loyalty and long-term career focus lie squarely with the parent company. In this they differ from the subsidiaries of American MNCs we surveyed which were dominated by European managers who were often less mobile than their Japanese counterparts and hence had a greater personal stake in the autonomy and strategic importance of their subsidiaries. Much like American MNCs in the 1960s, Japanese MNCs in the 1980s expanded the scope of their European activities from sales to production, development, and even basic research, with a corresponding re-alignment of managerial tasks and responsibilities. Yet it would be misleading to conclude that Japanese MNCs are therefore "catching up" with their American competitors. In a sense, American MNCs are trying to catch up with the Japanese: the greater orientation of American MNCs along global business lines actually amounts to a competitive effort to parry the global product strategy deployed by

Japanese companies with such success in the 1980s.

Though exploratory and open-ended, our survey of American and Japanese MNCs did permit some fairly safe conclusions. First of all, the phenomenon of regional management does not overlap very closely with that of regional headquarters in MNCs. American and Japanese MNCs dispose of other ways to strengthen the regional dimension of their businesses than just augmenting the staffing levels and authority of a regional office. Among American MNCs, the preferred method of handling pan-European issues in the 1990s appeared to be the prudent carving up of regional tasks for delegation to local subsidiaries (especially appointed lead countries), with coordination assured not by central functions, but by formal or informal "councils" periodically bringing top European managers together. Among Japanese MNCs, substantive issues of regional management are usually attended to without altering the formal organizational structure; regional headquarters, where they exist, exercise a largely nominal function. Stated at a more conceptual level, environmental demands for a greater regional orientation of the MNC did not require a pre-ordained "fit" in terms of organizational structure.

Indeed, our data indicated a greater effect of technological and evolutionary factors than of industry-specific environmental ones in determining the apportionment of regional management tasks among units of the MNC. Many of the same conditions favoring the development of interdependent networks within MNCs, notably modern and inexpensive means of travel and communication, also made organizational responses to regional management pressures highly indeterminate from a structural point of view. Regional management tasks not only can be delegated, but generally are delegated to local subsidiaries in American MNCs as product and business divisions demand reductions in the overhead occasioned by functional staffs. These same technological possibilities make establishment of regional offices a less inevitable development in Japanese MNCs: 1990s technology makes it more feasible, not less, to dispense with RHQ and preserve the traditional direct ties between headquarters and subsidiaries of the Japanese MNC. Thus, Japanese MNCs are by no means destined to follow the same evolutionary path as their American counterparts. By the same token, it is far from certain whether foreign subsidiaries of Japanese MNCs will ever attain the

same autonomy as foreign subsidiaries of American MNCs did in the 1950s and 1960s; given the tighter interconnectedness of global economic operations afforded by fax, video-conferencing, and computer networks, this scenario is actually quite unlikely.

The surmise that advances in computer technology have led to the decline of functional hierarchies and centralized staffs was widespread among managers interviewed. Technology was just as visibly behind the tendency toward ever finer segmentation of global product or business lines we observed among American MNCs: thanks to globally networked computer systems, managers could compile up-to-date statistics on their global business operations with great ease. Quite frankly we observed far more signs of globalization than of regionalization among American MNCs in our sample - at a business line by business line, not at an aggregated corporate level -, and although the pressures of global competition induced this trend, technology appeared to be a critical enabling factor. We did observe a trend by Japanese MNCs to enhance the strategic role of their European operations; whether they will ever adopt the same kinds of approaches to issues of regional management as American MNCs remains to be seen, however.

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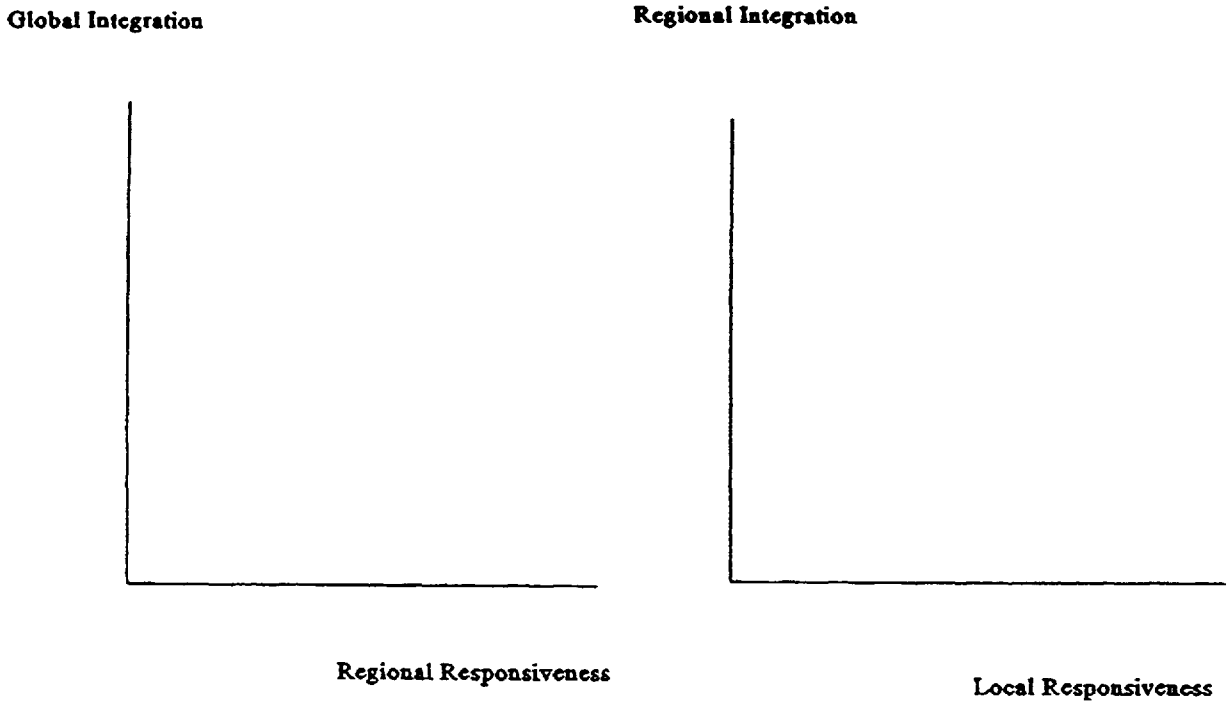

Figure 1

Modified I-R Framework

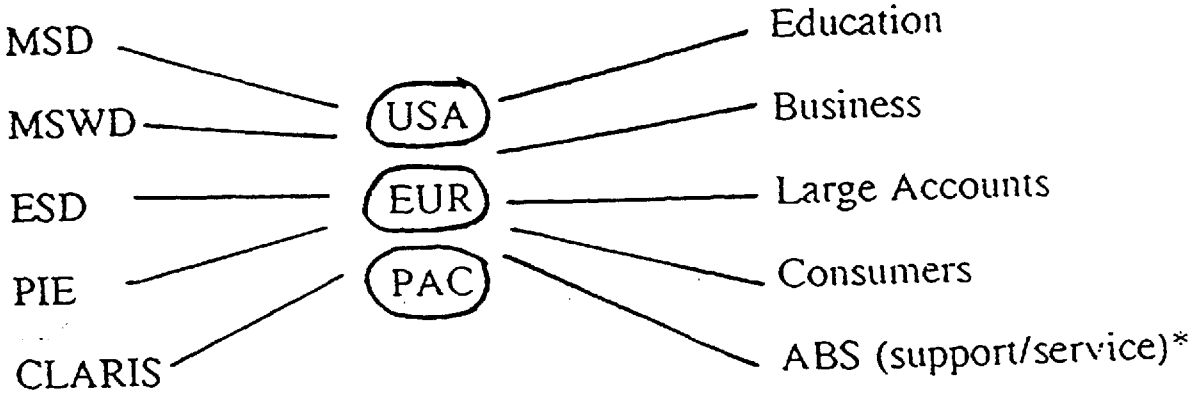

FIGURE 2: APPLE COMPUTER

TABLE 1: AMERICAN SAMPLE

Company	Trend in Strategic Importance of the Region	Trend in Changing Role of the Regional Office
BANKING		
"US First Bank"	Greater business selectivity in the wake of corporate refocusing	Struggling to unite barons &; find operating synergies among Eur. branch offices; regional manager moved from US to London
"Capital Trust"	Steady, but strong cost pressures	Rationalization & deemphasis of country managers; search for operating synergies
CONSUMER PRODUCTS		
"Home Products"	Gradual, but steady growth in scope of pan-European products	Leadership for product dev. and organizational change; emerging global roles for Eur. RHQ
ELECTRONICS		
Hewlett Packard	Role of region in flux as matrix emphasis shifts over time	Coordinator of matrix; transition from control to service role
Rank Xerox	Regional marketing arm must adjust to divisionalization of parent company	Downsizing of RHQ, delegation of roles to sub-regions and countries
IBM Europe	Role restricted to marketing in the wake of re-organization of IBM	Downsizingof RHQ, delegation of roles to product and geogr. units; greater autonomy from US-based hardware divisions
Apple	Logical point of interface between global hardware product divisions and country-specific software markets	Vital for development of pan-European software: "conversion"
OTHER		
Dupont	Emphasis shifting towards global SBUs, some of which are headquartered in Europe	Downsized, but greater autonomy for both European staff and Europe-based SBUs
Raychem	4 of 12 divisions stationed in Europe, but role of geography reduced as importance of global products grows	Modest, as divisions demand overhead reduction

TABLE 2: JAPANESE SAMPLE

Company	Trend in Strategic Importance of the Region	Trend in Changing Role of the Regional Office
BANKING		
"Japan Corporate Bank"	Important in terms of the financial ("Euro") market and EMS	No RHQ, all branches having equal status; Int'l Dept. at HQ as coord. center; informal coordination of logistics from London
Fuji Bank	Importance recognized from the earlier days; continues to be important despite surge of U.S. business	Eur. Dept. created at HQ in 1989; RHQ in 1990; still an extension of HQ
CONSUMER PRODUCTS		
Kao	Local and global levels take precedence over region; Global network of production and R&D; region as strategic unit envisioned yet not fully operationalized	No RHQ, while potential need for regional coord. discussed sometimes; Eur. integ. R&D center established in Germany
ELECTRONICS		
Canon	European region considered as strategic unit since the 1960s	Large RHQ; role gradually going beyond a mere distribution center to info. exchange and coordination
NEC	"Mesh globalization"; global efficiency and local responsiveness rather than regional strategy	No reason for having RHQ; networking among subsidiaries encouraged
Mitsubishi Electrics	Regionally-driven, rather than divisionally-driven	RHQs exist for US and Asia, Eur. coord. center whose role and responsibility depend on the occupants of post; upgrading to RHQ cosidered
OTHER		
Asahi Glass	Importance of Europe linked to its acquired Eur. subsidiary Glaverbel	Interested in moving beyond regional integration in Europe to total integration of Jap. and Eur. businesses
Marubeni	Product/business emphasized rather than region; yet logistic integration at regional level becoming important	Each business unit, corporate HQ created own regional mgmt system