Am I any worth to my parent?

A Longitudinal Analysis of Regional Headquarters' Added Value

ABSTRACT

Regional headquarters (RHQ) are dynamic organizations that seem to be more volatile than other types of headquarters. Previous literature has identified various roles that RHQ perform and investigated RHQ life cycles and development paths. However, there is limited understanding on how the value that RHQ delivers changes over time. Furthermore, little is known about this dynamism in the specific context of regional mandates. Therefore this paper addresses the question, when do RHQ add value to MNC's management? This paper reports a longitudinal case study of nine RHQ in Finland, investigating the factors that underlie RHQ's ability to add value in the multinational organization. The case analysis takes advantage of RHQ role models from recent literature and reveals that RHQ's entrepreneurial and customer related activities will help MNC enter new markets, while resource sharing fulfills its integrative requirements. Localization activities provide MNC with cost benefits. RHQ is able to add value if there is a parenting opportunity within its region and if it has the right size, capabilities and experience to respond to that opportunity. This study also raises individuals and corporate decisions as potentially causing abrupt changes to the life of RHQ. The paper introduces an illustrative model for depicting the development of RHQ value added over time, separating the perceived value added that RHQ delivers and the value added required by MNC management. The perceived value added is constructed when MNC management observes the 'real' value that RHQ is able to add; if the observant or her ability to see the value changes, so does the perception. The required value may remain stable or change either gradually or abruptly, depending on MNC management's needs for regional management. The paper concludes that RHQ will lose its regional mandate when the required value exceeds the perceived value, in which case RHQ no longer adds enough value in the relationship.

INTRODUCTION

In the ever globalizing world the regional management has attracted increasing interest in the recent years (Enright, 2005a, 2005b; Ambos & Schlegelmilch, 2010; Piekkari et al., 2010; Laudien & Freiling, 2011; Nell et al., 2011; Alfoldi et al., 2012; Mahnke et al., 2012). Arguments have been made that multinational companies (MNC) operate in fact not on a global but rather on a regional basis (Rugman & Verbeke, 2004). Regional management is also taking on new forms as the MNC organizations grow in size and complexity. Rugman (2005) argues that regional business environments lead to parallel regionalization of MNC structures which directly affects the position of regional headquarters (RHQ).

Regional headquarters are established in order to strengthen the management of a specific geographical region. In order to create a new RHQ, the MNC management has two options. It can start a dedicated, green field RHQ, which has as a sole task to manage subsidiaries (or other market units) within a larger geographical region (Daniels, 1986; Schütte, 1997). Alternatively, it can give a mandate (charter) to one of its existing subsidiaries to manage another region than the one of its own (national) region (Birkinshaw, 1996; Holm & Pedersen, 2000; Dörrenbächer & Gammelgaard, 2010; Alfoldi, 2012). Alfoldi et al. (2012) argue that regional management mandates should be distinguished from dedicated RHQ, since they are allocating only some of their time to managing their region. They also suggest that mandates offer advantages over dedicated RHQ in terms of cost, operational expertise and peripheral attention.

Björkman et al. (2004) refer to MNC’s global network of subsidiaries as a source of competitive advantage, through the knowledge possessed by the widespread organization. When sharing such knowledge within its region, RHQ adds value to MNC allowing it to take benefit of the competitive advantage by granting regional mandates. The same phenomenon has been identified with divisional headquarters (DHQ). Benito et al. (2011) report on a significant transfer of DHQ outside the home country, often driven by efficiency gains from co-locating within existing subsidiaries.

RHQ – be they dedicated or mandated – take on various roles and functions. The purpose for a new RHQ may be a new market entry, e.g. an American MNC entering the Asian market, establishing a RHQ in one location to support the business in the selected Asian countries (Lasserre, 1996; Schütte, 1997). RHQ could also be tasked to consolidate the management of a number of existing or acquired subsidiaries, in order to reduce the management workload in the corporate headquarters (Enright, 2005a; Ambos & Schlegelmilch, 2010). According to Schütte (1997), regional headquarters may serve two types of purposes, first strategy development and implementation, and second, raising efficiency and effectiveness. Lasserre (1996), Ambos and Schlegelmilch (2010) and Alfoldi et al. (2012) have all introduced comprehensive models on RHQ roles and functions, with the basic distinction of entrepreneurial and integrative roles.

Whatever its role and functions may be, Campbell et al. (1995) argue that if the headquarters are not adding value – but rather destroying it – the business units would be better off without that parent. Following this argument, also RHQ must add value in order to receive and retain its mandated region. If it stops adding value, its subsidiaries – and thus the MNC as a whole - will in fact benefit from having another structure. Campbell et al. (1995) also present three conditions under which headquarters will generate rather than destroy value: the mandated business unit must have room for improvement, i.e. offer a parenting opportunity, and respectively HQ should possess capabilities to respond to this opportunity, parenting characteristics. Finally, parent must understand the business and its critical success factors well enough.

However, even if the new RHQ may add value at the outset, this may change over time. In order for the RHQ to remain as part of the MNC structure, it will have to sustain its added value and consequently also be able to demonstrate its benefits to its parent. Due to their position between the corporate headquarters and the local subsidiaries, the RHQ roles and responsibilities are under constant scrutiny and pressure for adaptation and change. In fact, regional headquarters have proven to be dynamic and volatile organizations, either with limited life cycles (Lasserre, 1996;) or with more permanent purpose (Ambos & Schlegelmilch, 2010). Reflecting their dynamic nature, Laamanen et al. (2012) found evidence in their study of headquarters relocation that RHQ are more likely to relocate than other type of headquarters, and Nell et al (2011) find them less stable than product divisionsm.

RHQ will remain within the MNC's structure only as long as the benefits perceived by the MNC management outweigh the cost. While there is an increasing interest in regional management, and a number of studies addressing the role of RHQ, their dynamic nature calls for more attention. We may know how RHQ adds value through its functions, but we have limited understanding how the value changes over time. Furthermore, little is known about this dynamism in the specific context of regional mandates (Alfoldi et al., 2012). Finally, studying any phenomenon over time will benefit from longitudinal research, which is currently scarce in the field. Therefore, I ask the following dynamic research question: When does a RHQ add value to MNC's management?

METHODOLOGY

In order to answer the research question above, I have carried out a longitudinal case study. Piekkari et al (2009) performed an extensive review of case study practice within international business. They conclude that the disciplinary convention in the field is a multiple case study, which is based on interviews and has an exploratory nature. The design tends to be cross-sectional and philosophical approach positivistic. My research follows very much this convention. I have performed a multiple case study with nine company cases. My data is mainly driven from interviews and the approach is exploratory. However, my study deviates from the convention in being longitudinal rather than cross-sectional.

I build on data originally collected in 1998-99 through mail and telephone survey as part of larger investigation of MNC subsidiaries in Finland (Luostarinen, 2000). At that time, 375 RHQ were identified. In the latter phase of the longitudinal study, the subsequent development of these RHQ was tracked through telephone interviews in 2009-10, and nine RHQ were selected for further investigation. As most of the 375 RHQ, all nine selected RHQ were so called 'regional management mandates' (Alfoldi et al., 2012), and in all nine cases the RHQ also managed the business in Finland. The purpose of the further investigation was to deepen my knowledge on the phenomenon of RHQ dynamics and therefore I aimed at selecting RHQ with special interest. I selected RHQ with both continuing and ended mandates. The industries were varied, as well as their geographical remits. Furthermore, they differed in size both in terms of business and mandate. Finally, based on prior telephone interviews, I knew they had a special "story to tell". So, while my sampling took into account the population representativeness, my main aim was to select cases contributing first and foremost to theory construction. This is in line with the grounded theory approach (Charmaz, 2006), even if I do not claim constructing grounded theory as such. Another common feature my study shares is conducting literature review after developing an independent analysis (Charmaz, 2006).

In these nine RHQ we performed personal semi-structured interviews with the company representatives. The interviews were recorded and notes were taken by 1-2 interviewers. The recordings were later transcribed. The interview data was complemented with material given by the interviewees and other, publicly available information. Table 1 summarizes the key background information on the nine companies, drawn from the longitudinal investigation.

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The nine cases were first analysed individually, performing so called within case analysis. This was done firstly to understand the development of the RHQ mandate over the years, secondly to apprehend the larger context where the RHQ operated during the period studied, and thirdly to identify the key characteristics influencing the RHQ development. I then performed a cross-case analysis in order to draw conclusions on the common characteristics and overarching themes of RHQ dynamics.

RHQ roles are deeply embedded in their context and they also change over time (Daniels, 1987). My purpose is not to draw a detailed picture of each of the studied RHQ, neither over time, nor at any specific moment. Instead, my aim is to present the highlights of all the nine RHQ, focusing on those characteristics that seem to appear more often than others. However, I will also pinpoint such characteristics that are special in each case and seem to be important in that specific context. Like Daniels (1987) in a similar study, I will describe company characteristics when they appear to influence the changes.

FINDINGS – CASE ANALYSIS

In this chapter I will present the analysis of the nine cases, using extensively the direct quotations from the respondents. The purpose is to let the data speak and offer a genuine understanding of the findings. I will start by providing a summary of the background to explain the origin of the regional mandate in each of the nine cases. This is followed by presenting the four major ways in which the RHQ are adding value for their parent. Finally, I will consider two special groups of stakeholders that emerged from the case data, namely specific individuals and corporate headquarters.

Origin of the RHQ mandates

Regional headquarters get established in two ways, either by setting up a new, dedicated RHQ for a region or by granting a regional mandate to an existing subsidiary. All of my case companies belong to the latter group. Furthermore, RHQ can be established with a specific task of exploring and developing a new market or it can be tasked to manage existing business within its mandated region. Table 2 below summarizes the origin of the mandates in the case companies.

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How does RHQ add value to its parent?

Following the within case analysis, I performed a cross case analysis in order to identify common and significant characteristics from the nine cases. The focus in the analysis was on those characteristics that are related to RHQ adding value – or stop adding value - to MNC management. My analysis has revealed four such areas: entrepreneurial and customer related activities, resource sharing, localization activities, and RHQ's size, capabilities and experience. Below all four will be discussed in more detail, supported with direct quotations from the interviewees.

Entrepreneurial and customer related activities

It is typical that RHQ are given an entrepreneurial objective to enter and develop an untapped market (Lasserre, 1996; Ambos & Schlegelmilch, 2010; Alfoldi et al., 2012). I too identified a wealth of entrepreneurial activities within my case data. While such activities existed in all the case companies, explorative activities took a primary role in AkzoNobel, Icopal and Bosch. Also in IBM and Mars their predominant role was to stimulate business growth in their regional organizations. Below I will give some detailed examples of the entrepreneurial action.

In Oracle the Finnish subsidiary was mandated to build up country organizations as opposed to previous model of travelling salesmen. One person built up the organization, and once complete another manager took over to act as a dedicated manager responsible for the Baltics, with a sales manager in each country reporting to him. IBM has a long experience with regional organization as it started to develop a European regional management as early as 1957 (Williams, 1967; see also Lehrer & Asakawa, 1999). RHQ in Finland was able to speed up the market development in the Baltic countries significantly, but later on it became more difficult to add value. Also L'Oréal offers a similar account:

"At the beginning, so, we've been able to do with a light structure, to set up business there in those countries and that's been our goal, to get it there, to get established." (Business Area Director, IBM)

"Quite naturally Baltics and Finland are connected, so that, it was not hard to justify to France that, we can do it from here, we can sell to an agent. It started to grow really fast, that Baltic business, and then they wanted to establish the subsidiary there." (Finance Director, L'Oréal)

Customers are a group of stakeholders that appears more often than others in my case data. It is natural for companies to follow their customers to new markets and also adopt similar structures, in order to serve them better. It is also a resource-effective way to enter a market and thus well suited to fulfill such entrepreneurial objectives. The Bosch strategy is to be a manufacturer and to sell its products to local wholesalers. Consequently, there are only few (3-5) customers in each of the three Baltic countries and particularly in Estonia and in Latvia these customers are subsidiaries of Finnish wholesalers, and thus customers of the Finnish Bosch subsidiary. In IBM the business started through Finnish and international customers, who expanded their business to Estonia and other

Baltic countries, and needed their (IBM supported) infrastructure to follow. Icopal Finland got the Russian mandate as it was exporting to Russia since a number of years and many of the existing customers were organized similarly, through Finland. So it was natural for Icopal to follow the industry “standard”:

“Maybe it was the fact that we’d had product exports traditionally, the Finnish constructors had been there for a long time. And through that we had exports and then pure product exports also to Russian distribution. At that time all [constructors such as] Skanska was organized in the same way, so that Finland took care of the Russian operations.” (Managing Director, Icopal)

Resource sharing

Pooling or sharing resources is generally acknowledged as one of RHQ’s key functions (Daniels, 1987; Schütte, 1997; Enright, 2005a). It is typically considered within the integrative charter of RHQ (Lasserre, 1996; Ambos & Schlegelmilch, 2010; Alfoldi et al., 2012). Resources can either reside in RHQ and get shared between the local and mandated markets, or the resources can be spread and utilized across the region. I identified several examples of resource sharing within my case data.

In BAT all the support functions served all the Nordic markets from Finland (and later to some extent from Sweden). This organization was integrated to such extent that shared cost was not allocated to markets. In L’Oréal one of the four product lines shares a divisional director, located in Finland, between Finland and the three Baltic countries. Furthermore, there is another product line with a large number of references, which are stored and shipped to the retailers in Baltics from Finland directly but invoiced to the Latvian subsidiary. In Icopal the small country organizations in the Baltics (2-3 employees each) focus on sales. Business is managed locally, while enjoying benefits from administrative resource sharing:

” I don’t think it could be done any more efficiently. They are part of this ERP and we can control it well from here and, yet, they represent independently, then, all group’s products that are made in different factories.” (Managing Director, Icopal)

Also in Delta Energy Systems there are plans for integrating the operations more across the countries. The development in the German subsidiary offers a good example:

"And the German accounting for example, in this our business, it is done here, and Germany is like one cost center for us. It is a model we'll most probably copy in the future, I mean we have quite a few organizations in different countries in Europe too, and… every country doesn't need all operation. We have large and small units, and based on that we of course try to distribute that, the strengths and resources." (HR Director, Delta)

IBM offers several examples how resources can be effectively pooled across the entire region. IBM Finland had a Baltic finance and operations team supporting the local organizations, led by a dedicated manager. Also the rest of the Finnish organization provided support whenever necessary. In the early days of the mandate the sales were carried out from Finland, but as the business grew, local sales and support people were recruited. At some point the Baltic units also provided certain services to the Finnish customers (near-shoring). Also, in the customer projects people were used flexibly across the countries.

While pooling is an efficient way of taking benefit of thin resources, particularly in small markets, its negative effect is the fragmenting focus on each of the markets. The more thinly the resources are shared, the less attention each market receives – or the attention becomes unbalanced. To address these issues, Mars shifted in 2009 from a joint Finland and Baltic management team to a management model, in which they have separate management teams for Finland and Baltics. These teams have a number of members in common, though. They share general manager, CFO and heads of HR and logistics. These functions are centralized and managed jointly for Finland and Baltics. In addition, the Baltic management team includes responsible managers for marketing and sales in the Baltic countries. Correspondingly, the Finnish management team includes sales and marketing directors for Finland. With this split management model, the local Mars management aim to avoid the skewed focus on the dominant business in Finland:

"In the previous model Finland was, however, the bigger business. The Baltics were more like an 'additional bullet' on the agenda. And as we know the uniqueness of their business challenges in the Baltics, we have to have 100 % focus on that, when we talk about it. This model will surely ensure that we have 'finger on the pulse', so that we really understand what's happening in the Baltics." (HR Director, Mars)

In Icopal the transfer of Russian mandate away from the Finnish subsidiary seems rational in the hindsight. This change allowed Icopal Finland to focus on developing its local business:

"But on the other hand, considering that we have here grown, like almost, let's say from 50 million level to 92 million level, and we have made it in the home market. As a decision it is probably quite a rational one, that we have done it here, strengthened our position in the home market." (Managing Director, Icopal)

BAT personnel shared the same experience. While the transfer of RHQ mandate resulted in losing some responsibilities (and even jobs), the personnel in the Finnish subsidiary were generally positive about the change. Also work practices, roles and responsibilities were always not fully clear, creating occasional glitches in cooperation:

"I believe that, at least here in the Finnish office, here people were mostly satisfied that we got more clarity in the operation and we could concentrate fully on Finland… When you have to report to the head office, so you report things from six countries. Every country has different legislation on tobacco, different language, different currency, so, it was really quite a hassle." (Corporate & Regulatory Affairs Manager, BAT)

Localization activities

Localization is one of the capabilities that RHQ can offer (Lehrer & Asakawa, 1999; Paik & Sohn, 2004), thus adding value to MNC management. In order to do this, the RHQ must possess local knowledge on the markets and culture in its mandated region. On the other hand, localization activities require additional efforts, which need to be put in balance with the benefits of localization.

A European RHQ seems to offer localization benefits for an Asian MNC. While Europeans may be accustomed to having a large number of relatively small countries with their own language, legislation and habits, and may even consider European integration resulting in a relatively unified region, to an Asian eye, the continent may look like a jigsaw puzzle of minuscule markets with unexplainable differences and incomprehensible rules and regulations:

"Yet, it's new to them, to do business in the west and manage operations in Europe and they need locals for that… One typical example could be the annual wage raises… they say that ok, now it's recession in the world, let's cut the costs, let's not raise wages. And then an order comes that the wages must not be raised. Ok, we have countries with the collective labor agreement and it cannot be bypassed. And that one has to, so many times, to so many levels in the organization, to justify that the company is forced to…" (HR Director, Delta)

One aspect of localization is language, which is specifically mentioned as the reason for the Finnish mandate in Bosch, in two ways. First, there is a language divide within the larger region, and second, since some of the customers in the Baltic countries are Finnish companies, Finnish is a common language with them:

"Finland and Baltics have in a way been one entity inside the Northern sales area. And the most important separating factor is the language, because those Scandinavians speak and get along with that language[i] *quite well… and then regarding Estonia, it's quite clearly this language question too… there, with these three clients, we speak Finnish there, when we go there. I was just yesterday in Tallinn."* (Business Area Director, Bosch)

Managing localization requires certain effort, for example covering the geographical and cultural distance of the mandated region from the RHQ. The shorter these distances are, the lesser the effort of managing them will be. All Baltic countries and especially Estonia are within easy reach from Finland, thus reducing the effort for the Finnish subsidiary to manage the mandate. In Oracle the Estonian unit has historically been acting as a Baltic center, having some shared Baltic resources, thus making the entire Baltic area relatively easier to cover from Finland. In Bosch the cultural differences are also reflected. Perhaps from a close distance one can see these differences better and thus be able to manage the regional mandate better:

"About these three countries, it's clearly different, the culture, the way to do things. One Estonian guy said that the Germans easily look at the Baltics as one entity. But he said there is a clear difference in all three countries." (Business Area Director, Bosch)

A regional mandate may also remain because no-one else wants to take it over. In the MNC where every unit has its own profit or cost to watch, one will consider closely whether an additional responsibility is attractive enough to carry the extra effort. Perhaps IBM Finland's Baltic mandate was not interesting enough for anyone else to take over:

"It wasn't that big business area, to be interesting to anybody. Surely, I think at some point also others, maybe Denmark thought that, hey, it might be [interesting], in certain way they looked at it, but on the other hand there were so many things that, because of our basic structure, brought along more work and effort, so I think because of that, nobody wanted it. But yes, I remember… when Lithuania started to grow, then the Danes were suddenly very interested!" (Business Area Director, IBM)

RHQ's size, capabilities and experience

Size does matter – when it translates in more competence and more experience. When the subsidiaries are small they will benefit from the RHQ's ability to support them. In Oracle, the Finnish RHQ was able to add value to the local business in the Baltics due to its size and experience:

"We were able to bring so much seniority in there, we were tenfold in size to start with… clearly more senior team we had here in the management… So, we could really genuinely help them and get them well off the ground. But I think it was mainly because of that seniority. Like, it would've been just as successful if Sweden had done it, or from anywhere, even Denmark." (HR Director, Oracle)

Another example is BAT, where the Finnish subsidiary was old, well established and also had manufacturing until 1995, while in other countries the operation only consisted of sales and distribution activities. The Finnish subsidiary had the necessary organization and competences:

"Yet, we had it here, knowledge and people and experience." (Corporate & Regulatory Affairs Manager, BAT)

Why was Finland given the EMEA mandate in Delta Energy Systems? Experience and accumulated competence seem evident reasons as over the years, the Finnish company had built a significant operation, both domestically and abroad. The wide functional scale also seems to carry weight:

"It was most probably because of the historical reasons, we had clients, we had certain functions here. Espoo [location of Delta in Finland] has typically been one of the biggest and broadest units in Europe, in the sense that we've also had the widest range of functions here, from production to design, material management, service, support functions, everything." (HR Director, Delta)

One could assume that having a production facility in Finland was a critical factor for the RHQ mandate in Delta Energy Systems, but my interviewee dismisses this assumption and in fact she tells that it has been explicitly decided that production location and the RHQ mandate are not linked:

"I don't think that it [production] has been as important as have been the client relations and the broadness of the clientele… It has been specified that at the moment the location of production doesn't matter." (HR Director, Delta)

Mere size of the parent organization is hardly relevant, but rather the competence that it brings with it. My interviewee in Delta emphasizes the pivotal role of key individuals in this respect:

"But it doesn't mean that, like let's say there'll be changes in persons, then it might be that it [RHQ] will be somewhere else. There's no intrinsic value in having Espoo, like, the head office or having functions concentrated here. We've had resources that have been put to these positions." (HR Director, Delta)

However, it is not the absolute size that matters, but the relative size. In IBM there was an obvious need for this support in the early days, but over time the position became less and less natural, and thus the new organization (see below) seems to offer better opportunities for the Baltic subsidiaries' support and growth:

"But especially such small countries like Baltic countries… they did need support... The structure itself, if we think about the size of Finland and them, like, it's a bit odd structure that a country, which is from a global perspective small itself, is supporting other even smaller countries… Here we built a kind of a… structure in which… such small emerging countries, are supported by an organization that… can give better support and it [support] is not just a side track from the main…business." (Business Area Director, IBM)

Similarly, in Icopal, the new production plant made the Russian subsidiary so significant *in relation* to the Finnish subsidiary – which also has a production plant – that it was set up as an independent SBU[ii]. The Russian business was going to require an increasing amount of attention and expertise. Expansion in Russia would have been a great risk from the Finnish subsidiary's point of view, while from the corporate perspective it was both manageable and tempting:

"As long as - in my opinion - it still is… a sales unit, it's a reasonable way to operate there. But at the point when you start to invest and it requires technology, it requires quite a lot... when the market is ten times bigger than in Finland, so we should've started to build this Finnish organization to serve the Russian organization. But maybe it is a more sensible way then to separate it as an independent SBU. Also regarding the balance sheet and those things." (Managing Director, Icopal)

The size may also be in relation to a wider structure. In Bosch one reason for the longevity of the Baltic mandate may be the strong status of the Finnish subsidiary within its larger region. As a response to the question, how successful the mandate has been, the interviewee stated:

"We've done quite well in fact. We've been kind of the stronghold in this, this Northern sales area. So Baltic countries are not very large part of our sales at the moment. Like, what it might be, perhaps something like 15 %. But as an example, this one product group, batteries, we sell 70 % of Bosch batteries of the Nordic sales area in Finland and Baltic countries." (Business Area Director, Bosch)

<u>Disruptive changes</u>

Importance of individuals

Within my case companies, I often came across situations, where single individuals were mentioned as triggering a change. While this may in some instances be the way to 'tell the story', we should not underestimate the decisive role one person may have. In Icopal the CEO who made Russia a SBU reporting directly to him, was fluent in Russian and thus able to liaise directly with the local people. Also in Delta Energy Systems the importance of the strong individuals is mentioned in relation to the Finnish subsidiary receiving the RHQ mandate for EMEA. In Bosch the individuals also do count as no less than three examples illustrate:

"It always depends on the people who work there. So we have a really good team there [in Lithuania], three guys and they've made a lot of good stuff. We are selling well."
"Maybe the most important change is then… the change that came with the new boss. I mean when this German guy went back… when he left and [name of the new manager] came, then this became a new world."
"Apparently this [the choice of the Northern RHQ location] was a question of personalities, that there was this strong personality in Denmark, called [name of the manager], who apparently took care of it so that it ended up there.. And it's quite logical of course… Copenhagen is still closest to Germany. But, like, for the car product side it would've been logical… in Sweden, because they have most car industry anyway. But now it ended up there in Denmark." (Business Area Director, Bosch)

Impact of corporate decisions

From the RHQ perspective, there is one stakeholder above others: the corporate headquarters (CHQ). Corporate decisions are seldom made with a specific (small) region in mind, but rather tend to reflect the corporate strategy and thus global needs. Despite their wider focus, these changes often have specific consequences at regional level and may thus cause abrupt changes in the mandates, even if the RHQ continued to add value. Furthermore, it is because of this wider focus that these changes usually override other considerations regarding the mandate's future. A few examples from the case data will illustrate these effects.

In BAT, after 13 years of existence, the Nordic structure changed completely in 2008. BAT acquired several business units from Skandinavisk Tobakskompagni (a company in which BAT held a minority stake), multiplying its business in the Nordic countries and giving it a strong market position in Denmark, Norway and Sweden. As a consequence, the Nordic headquarters was transferred to Copenhagen in late 2008 and the BAT subsidiary in Finland focused solely on the Finnish market. All Nordic responsibilities were handed over to the new RHQ and also some employees transferred from Helsinki to Copenhagen.

In IBM a new region, CEEMEA, was established, collecting together a large number of emerging market countries. This change brought the longstanding Finnish mandate for Baltics to an end and the responsibilities were finally handed over to the new RHQ in 2009. In Icopal the corporate initiative to shift Russian mandate was considered logical, since after a recent change in corporate management there were numerous other changes in the organization.

Probably the most fundamental corporate changes within my case companies have taken place in Oracle. In the past, the country subsidiary was responsible for all business within its country and countries under its remit. All the functions were under managing director's responsibility and all the personnel reported to him or her. Over the years the corporate organization went through a major globalization. In this process some of the service lines were made fully global as well as the support functions (HR, IT, Finance). In less than five years from the inception of the Baltic mandate in Finland, the support and training services became globally organized and the mandate for those businesses was dismissed accordingly. Software sales and consulting services continued for two more years, after which the European regions were rearranged and the mandates were transferred to Eastern Europe region. As the functional reporting lines were separated, finance and IT mandates lasted longer, but only the HR mandate remained at the time of the interview. This chain of events led to a gradual dismantling of the country organization:

"Now being the managing director is just a small side role for some employee to sign these financial statements once a year. And the board has no other role either than to sign the same papers. In other words it has nothing to do with the management system." (HR Director, Oracle)

Continuing on the Oracle account, since Baltic countries are under the Eastern Europe region and Finland belongs to Western Europe region, even the HR structure is no longer sustainable. HR is seen as providing business support (rather than transactional services), which requires regular contact with business management. This has proven difficult when the Baltic countries report to a different geographical region. For the Finnish HR director this either means duplicating his Western Europe contacts, meetings and such with corresponding ones in Eastern Europe, or adding less value to the business.

In AkzoNobel the corporate streamlining of product lines and production units affected a specific business. AkzoNobel had a manufacturing unit in Finland, producing mainly car repair paints with an old technology, with a significant market in Russia and other former Soviet republics. The product line was very profitable, based on strong market position, increasing demand in the market for Western quality paint and relatively low production cost.

"A good product, good cash [cow], if you can say so, an old technology, but a functioning paint… Nowadays there are two components and it's painted in the paint shop and the car is fancy and it should become like that. But in Russia it goes, like, you go to the market and buy four liters of paint, take it with you and go to the paint shop and want to paint the car with the paint. This is how old Ladas work there. And they have, if I'm correct, about 20 million old cars still in Russia." (recently retired Managing Director, AkzoNobel)

Ultimately there was a corporate decision to join the product line with other, technologically more modern car paints. Also, the production was moved to Poland as the group wanted to reduce the number of production units and the plant in Finland was relatively small. However, this unit was run from the Netherlands and the management was lacking the knowledge on the local market and the sales organization in Finland was closed down. Also, the product – even if highly profitable – was marginalized in this unit. Consequently, the product line faded away over the years.

DISCUSSION AND CONCLUSIONS

After reviewing the major findings from the analysis of the case data, I will discuss them in the light of previous literature on RHQ focusing specifically on RHQ's ability to add value within the MNC.

I will first address the various roles and functions RHQ may take. This gives us a snapshot, a static view on the added value. I will then move on to explore the dynamic nature of adding value, seeking to understand how and why the value changes over time.

RHQ roles and functions – how RHQ adds value

In one of the very first role definitions, Williams (1967) states that "a regional management unit is normally responsible for coordinating product, geographical, and functional activities in a major area of the world". Daniels (1987) identified four purposes for using a regional approach in his marketing-oriented study. *Pooling of resources* allows either to improve efficiency or to provide capabilities to small subsidiaries. *Gaining synergy among operations* is useful particularly when addressing corporate customers or benefiting from good relations in one country. *Standardisation* of for example marketing campaigns will drive cost efficiencies. *Control of the strategic product thrust* allows MNC to develop products offering on a regional rather on a multi-domestic basis. Based on his empirical study in Asia, Lasserre (1996) identified five distinct roles: scouting, strategic stimulation, signaling commitment, coordination and pooling resources. The first three are entrepreneurial in nature while the last two are integrative. Enright (2005a) performed a large survey of MNC managers in Asia-Pacific, to understand what kind of regional management centers exist. He concluded that the type of RHQ each MNC has depends on both firm and location specific factors. Utilizing cluster analysis, he was able to identify four types of RHQ. Based on their key tasks, he dubbed them as coordination and support centers, full functional centers, peripheral centers, and marketing and customer service centers.

More recently, two comprehensive models have been introduced in order to conceptualize the RHQ roles and functions, those by Ambos and Schlegelmilch (2010) and Alfoldi et al. (2012). Based on the literature on corporate headquarters, Ambos and Schlegelmilch (2010) argue that regional headquarters may add value in three ways. First, they have *parenting* advantage if they understand the local business of the subsidiary or if they are able to provide them with resources or capabilities (Campbell et al., 1995). Second, the RHQ has *knowledge* advantage, if they are able to bridge and translate the information between the CHQ and subsidiary (and potentially between subsidiaries). Third, following Lehrer and Asakawa (1999), the RHQ has *organizational* advantage if it is taking an intermediary role in combining the needs of global integration and local adaptation.

Furthermore, Ambos and Schlegelmilch (2010) present two charters, *entrepreneurial* and *integrative* roles for RHQ to fulfil within the MNC. The entrepreneurial charter will address such needs as *scouting and exploring, stimulating and assisting,* and *signalling commitment*. The integrative charter, on the other hand, will respond to the needs of *coordination* (across subsidiaries, i.e. horizontally), *control* (vertically), and *pooling of resources*. Alfoldi et al. (2012) perform what they call a 'comprehensive typology of headquarters functions' both at corporate and regional level (ibid. p. 1). They have created a typology of roles, functions and tasks of regional management mandates. The two main roles, *entrepreneurial* and *integrative* role both comprise of five different functions, each constituting of various tasks. To take benefit of these recent models, I will next use a framework constructed with these concepts to analyze the findings from the case data. In Table 3 below I summarize the primary advantages of each of the nine case companies for their MNC, as well as the primary role they held, both in terms of integration and entrepreneurially.

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INSERT TABLE 3 HERE

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Entrepreneurial activities

Scouting and exploring (seeking new opportunities) dominated as an entrepreneurial role. They are natural tasks for the Finnish RHQ as most of the mandates were granted in the early or mid-1990s, in order to grow the MNC business in the new and untapped markets in Russia and the Baltic countries. The Finnish subsidiaries possessed knowledge and motivation to expand to these markets, often following their Finnish customers. Alfoldi et al. (2012) also found evidence of similar phenomenon in their study of Unilever's RHQ in Hungary with a mandate for Croatia and Slovenia. They mention that not only customers, but also competitors were organized in the same way; however, my respondents did not bring this up.

Resource sharing

In terms of the roles, resource pooling (coordination and harmonization in terms of Alfoldi et al. (2012)) appeared as the most common integrative role. Resource pooling is a natural consequence of many of the local subsidiaries being very small in size. Therefore, they will benefit from the professionals based in Finland, in such functions as sales, marketing, finance, or HR. In some cases the region also shared inventories, thus pooling logistical resources.

Localization activities

Localization activities emerged as one of the key ways for RHQ to add value in the case data. Localization entails addressing such issues as language, cultural and legislative differences in comparison to MNC home country, and sensitivity to subtle differences within the region. Supporting my findings, Alfoldi et al. (2012) argue that small geographical distance reduces the information asymmetry which then allows RHQ to perform monitoring more efficiently than CHQ would. In Kidd and Temamoto's (1995) study of Japanese RHQ in Europe major findings focus on learning, where they identify RHQ taking a key role. Learning aspects relate naturally to RHQ's localization role, particularly in the case of Japanese multinationals.

Size, capabilities and experience

Case analysis emphasized the importance of RHQ size, capabilities and experience. These characteristics relate closely to parenting advantage, which seems the most common way of adding value within the MNC structure. As all the nine case companies are relatively well established subsidiaries and businesses in Finland, they have mature organizations, which have been able to support the new subsidiaries in their early phases. This allowed them to contribute resources and help the subsidiaries in finding and building the necessary capabilities.

Previous literature mentions some ways for RHQ to add value that did not show up in my case data. Regional control for counter-productive pricing or product arbitrage is mentioned by Daniels (1987) and Ambos and Schlegelmilch (2010). However, my respondents did not raise this issue at all. Either it has not been relevant in this specific context or then it is not a typical way for a mandated RHQ to add value. Daniels (1987) found in his study RHQ to be especially important in troubleshooting. However, this did not come up in my case companies. Providing input with the help of local knowledge to MNC management on its efforts to create a corporate strategy is one way for RHQ to add value. Mahnke et al. (2012) explore the influence of RHQ on corporate decision making and find differences depending on the type of RHQ charter. Their analysis reveals that the influence is lower, if the RHQ enjoys higher autonomy and has a dominantly entrepreneurial charter. I found little evidence in my case data on such influence and since the case companies' charters are predominantly entrepreneurial, this supports the findings of Mahnke et al. (2012).

Dynamic view – how RHQ value added changes over time

Williams (1967) was perhaps the first to sketch an evolution of regional management. He categorized 20 large American corporations based on the stage of their development in terms of

European regional management. He concludes that the need for regional management is most acute on one hand in the early phases of entering the market and on the other hand, when the MNC has several well-established, but non-integrated national subsidiaries. My case data provides support particularly for the first need. In fact, in most of the case companies RHQ has provided significant support for market entry, e.g. Icopal in Russia and L'Oréal and IBM in Baltics. The second need is less pronounced, perhaps due to fact that the MNC seldom had well-established subsidiaries in the countries that fall naturally in the region a Finnish subsidiary could manage.

Discussion on RHQ dynamics has evolved from Lasserre's (1996) life cycle model. His empirical investigation of Asian RHQ revealed that the role of RHQ changes over time, which led him to link four stages of company's presence in Asia with the four different RHQ roles. He argues that RHQ moves from entrepreneurial roles of initiator and facilitator through to integrative roles of coordinator and administrator when the Asian business develops from entry stage to development, consolidation and administration stages. Lasserre (1996) also suggests that once through this life cycle, RHQ is no longer adding value and will disappear completely.

Later on, Ambos and Schlegelmilch (2010) and Piekkari et al. (2010) have contributed to the discussion of RHQ dynamics. Ambos and Schlegelmilch (2010) studied European RHQ and found different historical evolution. When in Asia the RHQ was often the first unit to be established, in Europe RHQ in most cases appeared only after a number of local subsidiaries were already operating (Williams, 1967; Daniels, 1987). Ambos and Schlegelmilch (2010) therefore argue that RHQ are not a temporary structure and present an alternative, European model for the dynamics of RHQ roles, more suited to mature markets. Piekkari et al. (2010) performed a longitudinal single case study in order to understand the evolution of regional management. Their longitudinal approach revealed significant changes in the RHQ role and resources, adapting to changes in the corporate strategy and objectives and to other internal and external requirements. However, regional structures remained throughout these changes and thus their findings align with those of Ambos and Schlegelmilch (2010).

I will now return to my research question: when does a RHQ add value to MNC's management? The discussion above has raised important answers to this question, deriving from both empirical analysis and previous literature. In the following I attempt to synthesize those findings, with the help of simple illustrations, presented in Figure 1. The four illustrations depict the development of value added over time, separating the *perceived* value added that RHQ delivers and the value added *required* by MNC management. The perceived value added is constructed when MNC management observes the 'real' value that RHQ is able to add; if the observant or her ability to see the value changes, so does the perception (graph 4). The 'real' value is dependent on RHQ's capabilities and local knowledge and may of course also change over time; however, only stable development has been illustrated here as these changes tend to be relatively slow. The required value may remain stable (graph 1) or change either gradually (graph 2) or abruptly (graph 3), depending on MNC management's needs for regional management. Consequently and conceptually, RHQ will lose its regional mandate when the required value exceeds the perceived value; then RHQ no longer adds enough value in the relationship. I will discuss the four evolutionary patterns below.

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INSERT FIGURE 1 HERE

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1) Status quo: RHQ continues to add value

Following Campbell et al. (1995) the status quo where RHQ retains to add more value than is required by MNC management, is possible under three conditions: subsidiaries must offer parenting opportunity, RHQ should possess capabilities to respond to this opportunity, and it should understand the local business. In all the case companies, status quo existed for a number of years. At the end of the longitudinal study, for example Bosch, Icopal and Mars still retained their Baltic mandates. The analysis showed that they all had own capabilities to support the Baltic business and good operational knowledge on their business in general and in the Baltic countries in particular. Furthermore, Baltic units were relatively small so also the parenting opportunity (affecting MNC required value) continued to exist.

2) Gradual change: MNC needs outweigh RHQ value added

Paradoxically it is the parenting advantage that seems as the most probable advantage (see Ambos & Schlegelmilch, 2010) to fade away. The reason is that once the subsidiary reaches a certain relative size compared to the Finnish RHQ, the required added value from the relationship increases more than RHQ resources allow it to deliver, so that it no longer justifies the incremental cost. Alfoldi et al. (2012) suggest that the growth of the subsidiary may also lead to RHQ losing its legitimacy to control it, which in turn could translate in a risk of moral hazard (thus increasing the required value). To mitigate this risk, MNC management might choose to shift the reporting line.

When comparing my findings with previous research, I can find certain similarities with Daniels' (1987) study of 16 European RHQ. He also identified cases where countries had been shifted away from the RHQ when they "became large enough" (ibid. p. 39). In his study six out of the 16 European RHQ resided within MNC's largest European facility and were thus regional mandates. Daniels points out that while this may offer cost savings, it may also slow down the market development efforts in the mandated countries. The case analysis provided support for this assumption and it was in fact among the reasons for ending the mandate in IBM and Icopal.

Looking at the gradual change from another perspective, Schütte (1997) presents a matrix to compare Asia and Europa as regions, with regional assets and capabilities (RHQ's added value) on one axis and regional investments needs (required value added) on the other axis. He argued in 1997 there would be a shift of resources from Europe in the quadrant of high capabilities, but low investment needs, to Asia with high investment needs, but low capabilities. While the following years have proven Schütte's argument regarding Asia, I can apply the same matrix to my case data. Typically the Finnish subsidiary would reside in the European quadrant; in several case companies I identified Finland providing its mandated region with capabilities its organization possessed. Generally in the Baltic countries the investment needs remained relatively low (in comparison to Finland), but in Russia I identified higher investment needs (AkzoNobel, Icopal), thus creating a need to shift the mandate away.

3) Abrupt change: Change in corporate requirements

The empirical analysis raised two specific topics causing disruptive changes for RHQ. One relates to corporate decisions, with knock-on effects on RHQ. In the illustration (Figure 1) this is depicted as the required value added increasing sharply and thus exceeding RHQ's perceived value added. Such situations may emerge from corporate acquisitions, such as BAT acquiring Skandinavisk Tobakskompagni changing entirely its market position in Nordic countries and as a consequence putting the requirements for regional management to a different level. Changes in corporate structure are another typical source for abrupt changes in the MNC requirements. My case data includes two examples: in Oracle the entire structure changed to a global model and in IBM a new region was established. In the latter case one might also argue that the corporate change was a *consequence* of the increased value added requirements, since the new region was established with the purpose of improving regional support for small and emerging countries. The corporate changes in relation to RHQ have gained less attention in previous literature, however, Daniels (1987) reports on a case where functional control (for production) was transferred away due to globalization of the function. Also Piekkari et al. (2010) emphasize MNC's requirements as a source for changes in regional management.

4) Abrupt change: Change in perception

Finally, one may also see a sudden change in the perceived value added. Rather than stemming from the change in 'real' value, it is more likely to be caused by the change in perception. This could relate to new information received or it could relate to change in observant. However, both refer to individuals and their power to generate organizational change (or equally to assure status quo). Case analysis revealed several such examples in Bosch, Delta and Icopal. Also Ambos and Schlegelmilch (2010) have raised power as one attribute affecting the RHQ decisions and they also give examples of the impact of single individuals in the RHQ location choice.

As an answer to my research question, I can summarize that RHQ retains its regional mandate when it is perceived to add more value than is required my MNC management. My longitudinal study has revealed several key factors affecting the value. RHQ's entrepreneurial and customer related activities will help MNC enter new markets, while resource sharing fulfills its integrative requirements. Localization activities provide MNC with cost benefits. RHQ is able to add value if there is a parenting opportunity within its region and if it has the right size, capabilities and experience to respond to that opportunity. My study also raised individuals and corporate decisions as potentially causing abrupt changes from the RHQ perspective, leading to sudden alterations in the relation of required and perceived value added. In their study of subsidiary charter removals, Dörrenbächer and Gammelgaard (2010) concluded that the removal happened in the interaction of multiple factors. This is in contrast to my findings, that the mandate may be lost due to a single reason, but retaining it usually requires multiple factors to co-exist.

To conclude, this study has also raised some ideas for further research. First, RHQ is in a difficult position between the corporate headquarters and subsidiaries, often with unclear decision making authority (Daniels, 1987). This is accentuated by the dynamic nature of RHQ, further blurring the responsibilities, and the mandated RHQ may be particularly at risk due to the split focus of the personnel. My analysis showed evidence that RHQ personnel were mostly relieved when losing the regional responsibilities, since it resulted in more clear roles. Daniels (1987) found a similar effect that the uncertainty may cause organizational stress in the RHQ. Also Ambos and Schlegelmilch (2010) note that role ambiguity often causes tremendous problems. These tensions would merit more research, which would also have managerial value. Second, Arregle et al. (2013) have introduced a concept of region-bound firm-specific advantages and suggest that those could be exploited across a region of countries with similar country-specific advantages. Also Mahnke et al. (2012) refer to RHQ's contributory role to MNC's firm-specific advantage. Using these concepts could open up new avenues in the future research.

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TABLES AND FIGURES

Table 1. Key facts of case companies in 1997 and 2008

Company	Industry	MNC home country	Subsidiary functions	Established in Finland	Revenue (M€) 1997	2008	Exports / revenue (%) in 1997	Personnel abroad (%) in 1997
AkzoNobel Coatings	Paints and chemicals	The Netherlands	Manufacturing and sales	1954	117	36	55 %	39 %
BAT	Tobacco industry	United Kingdom	Sales and marketing	1909	46	56	50 %	10 %
Delta Energy Systems	Electronics	Taiwan and Thailand	Manufacturing and sales	1991	29	n/a	80 %	n/a
IBM	Information technology	United States	Services and sales	1936	239	441	n/a	7 %
Icopal	Building mateials	Denmark	Manufacturing and sales	1931	17	92	27 %	n/a
Mars	Food industry	United States	Sales and marketing	1980	34	56	n/a	n/a
Oracle	Information technology	United States	Services and sales	1986	37	n/a	n/a	1 %
L´Oréal	Cosmetics and fragrances	France	Sales and marketing	1980	42	89	n/a	4 %
Robert Bosch	Car parts and accessories	Germany	Sales and marketing	1911	39	59	15 %	n/a

Table 2. Origin of RHQ mandates in case companies

Company (MNC home country)	Mandated countries	Origin of regional mandate
AkzoNobel (The Netherlands)	Russia, Baltics	The core of the Finnish subsidiary was Sadolin Oy, which started its first joint venture in the Soviet Union (in Estonia) already in 1987, with a factory running from 1984 producing Sadolin paints. This joint venture later on became 90 per cent owned by Sadolin / AkzoNobel and established subsidiaries in Latvia and Lithuania. The company also had a significant business in Russia and two subsidiaries in St. Petersburg and Nizhnyi-Novgorod.
BAT (UK)	Norway, Sweden, Iceland, Baltics	BAT has had a subsidiary in Finland for over 100 years. The mother company was founded in 1902 and the Finnish subsidiary soon after, in 1909, when Finland was seen as a gateway to the attractive Russian market. Many years later, in 1995, the Finnish subsidiary got a mandate for the Nordic countries. Sales offices were established in each of the three Baltic countries in the first years of 2000, and in 2005 (again) in Sweden. Norway had a one-man office. At its heyday in 2006-07 the organization had grown to about 140 people from about 40 in the year 2000. About 40 of them were located in Sweden and in the Baltic countries and about 100 in Finland. At the same time, BAT held a 30 per cent share in a major market player Skandinavisk Tobakskompagni (STK), headquartered in Denmark, with subsidiaries in Sweden and Norway. However, this company operated independently from the BAT organization.
Delta Energy Systems (Taiwan, Thailand)	EMEA	The regional responsibilities of the Finnish subsidiary have changed along the way, reflecting the winding path the ownership has followed. In the Swiss Ascom period (1991-2003), the division was centered around two poles, one in Switzerland and one in Finland. The world was basically split between the two in such a way that Finland was responsible for the "East" – everything east of Finland – and Switzerland was responsible for the rest. The core of the business acquired by Delta Group from Ascom is since 2003 organized as Energy Systems Market Unit for EMEA (ESE MU) within Delta's Network Telecommunications Business Group. In Delta Group there are four business groups and ESE MU is one of the five (market or business) units within this group. In this structure, EMEA covers Europe, Middle East, Africa, Russia and CIS countries. Until the beginning of 2010 also South American business made part of it, due to a factory in Brazil, but this was transferred under North America, to better benefit from the corporate synergies with other divisions.
IBM (USA)	Baltics	IBM Finland was given the mandate for the three Baltic countries in the beginning of 1990s. The business started from scratch and grew to an organization of close to 300 employees in the 20 years to follow. Own subsidiaries were established in all the three countries already in 1991.

Icopal (Denmark)	Russia, Baltics	Icopal Finland started operating in Russia in 1995 and in the Baltics the year after. Russian mandate was received in 2000 after the then Icopal CEO visited a trade fair in Moscow to find four different Icopal stands there (from different Icopal country subsidiaries). The decentralized management model was clearly leading to sub-optimization in the attractive Russian market. The exporting Icopal units were each given mandates and Icopal Finland got the mandate for Russia and Baltics. Finland operated for a long time in the Baltics through agents. The subsidiaries in Latvia and Lithuania were established in 2000 and in Estonia as late as in 2007,
Mars (USA)	Baltics	The history of Mars in Baltics goes back to 1991, when the managing director of Mars Finland asked for permission to start selling Mars products in Estonia. Local subsidiaries were established soon after.
Oracle (USA)	Baltics	Oracle Finland got their RHQ mandate in 1998 from Switzerland. The original mandate was a full business responsibility.
L'Oréal (France)	Baltics	L'Oréal started operating in the Baltic countries through agents in 1996-97, when a business opportunity was identified in these markets. L'Oréal's Finnish subsidiary handled the business until 2003, when a subsidiary was established in Latvia. After this, two of the business divisions had no longer links to Finland while the other two have retained some links.
Robert Bosch (Germany)	Baltics	Originally Austria acted as the RHQ for the Baltic countries and they had established Riga as their local operational center, including a warehouse for automotive parts. The Finnish subsidiary got involved when they followed their Finnish customers to Estonia in 1991. After operating for a short period side-by-side, the corporate HQ in Germany gave the Baltic mandate to the Finnish subsidiary in 1994.

Table 3. Primary advantages and roles in the nine case companies (framework adapted from Ambos and Schlegelmilch (2010) and Alfoldi et al. (2012))

	Advantages (Ambos & Schlegelmilch)			Integrative role / charter (Ambos & Schlegelmilch)			Integrative role / charter (Alfoldi et al.)					Entrepreneurial role / charter (Ambos & Schlegelmilch)			Entrepreneurial role / charter (Alfoldi et al.)				
Company	**Parenting**	**Knowledge**	**Organizational**	**Coordination**	**Control**	**Pooling of resources**	**Monitoring & control**	**Resource & Knowl. Mgmt**	**Representation & mediation**	**Coordination & harmonisation**	**Inter-unit linkages**	**Scouting & exploring**	**Stimulating & assisting**	**Signaling commitment**	**Strategic leadership**	**Resource development**	**Seeking new opportunities**	**Driving adaptation**	**Attention & signalling**
AkzoNobel Coatings	x			x						x		x					x		
BAT			x			x	x	x	x	x				x	x		x		
Delta Energy Systems			x			x	x	x	x	x	x		x		x	x	x		
IBM	x				x		x	x	x	x			x		x		x		
Icopal	x					x	x	x				x		x	x		x		
Mars	x				x		x	x		x			x		x		x		
Oracle			x		x		x	x					x		x	x	x		
L´Oréal	x					x		x		x		x			x		x		
Robert Bosch		x				x	x	x		x		x			x		x		

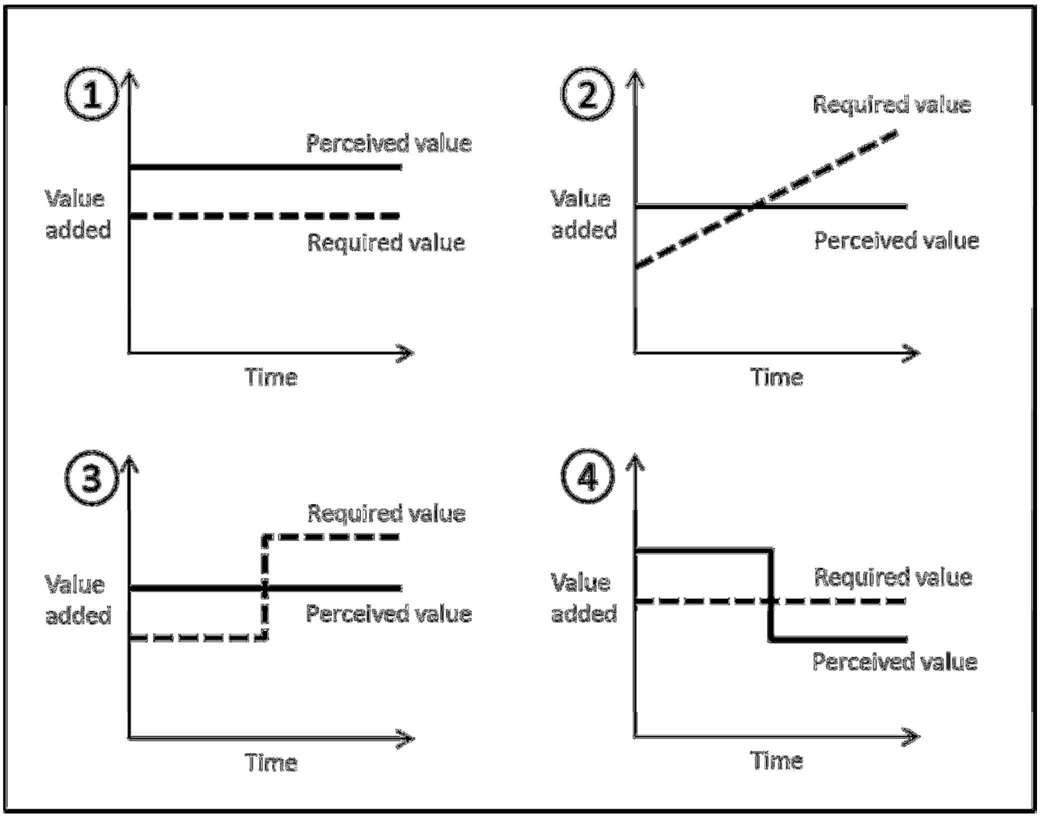

Figure 1. Alternative patterns for the evolution of RHQ's added value

[i] Scandinavian languages Danish, Norwegian and Swedish are closely related, while Finnish belongs to another language family together with Estonian.

[ii] Local production plants are important in Icopal's business as the product specifications vary from one country to another and due to their relatively low value, the prices cannot absorb high transportation cost.