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International Differences in the Size and Roles of Corporate Headquarters: An Empirical Examination

by David J. Collis, David Young and Michael Goold

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Abstract

This paper examines differences in the size and roles of corporate headquarters around the world. Based on a survey of over 600 multibusiness corporations in seven countries (France, Germany, Holland, UK, Japan, US, and Chile) the paper describes the differences among countries, and then applies a model of the factors determining the size of corporate headquarters (Young, Collis, and Goold, 2003) to systematically examine those differences. The data shows that there are significant differences among countries in the size and role of corporate headquarters, and strongly suggests the existence of a developing country model, a European model, a US model, and a Japanese model of corporate headquarters. Contrary to popular expectations, corporate headquarters in the US are about twice the size of European counterparts. Headquarters there exert a higher level of functional influence and have larger staffs in certain key areas, such as IT and R&D. US managers are generally more satisfied than their European counterparts with their larger more powerful headquarters which suggests that, at least in the US context, large corporate headquarters can create value. Japanese headquarters, as might have been expected, are substantially larger than elsewhere - a factor of four times larger than in Europe. However, those headquarters are becoming smaller because of dissatisfaction with their performance. It is clear that having headquarters the size of the Japanese firms in the survey is not conducive to value creation. More specifically, the evidence cannot refute a hypothesis that the slope of the relationship between firm size and the size of corporate headquarters is the same across all countries, but that there are significant differences in the intercept for Chile, the US, Japan, and the European countries. What the data indicates is that at a firm employing 20,000, a European corporate headquarters would on average employ 124 individuals, a US headquarters would have 255 employees, and Japan 467 employees. The paper also examines differences between countries in the extent to which they perform the two key corporate tasks of control and coordination. The US and Chile chose to be somewhat more interventionist in the traditional tools and processes used to monitor and control business units - setting strategy, budgets, and administering capital budgets. However, there was a significant difference in the degree of influence in operational affairs between countries. The US and Japan exerted far more influence than the other countries over every activity from IT and purchasing, to marketing, R&D and HR issues. The US was also found to have significantly larger legal, tax, and treasury functions than the common European model, perhaps reflecting a more legalistic institutional structure. Japan also has significantly larger tax, treasury, and corporate management functions, but overall was not that much larger than the common European model. While the causes of these observed differences cannot be directly determined from the research, suggestions are made that the institutional infrastructure, the size and homogeneity of the domestic market, and cultural factors within countries are important underlying drivers.

Keywords: [Business Headquarters](#); [Size](#); [Organizational Structure](#); [Culture](#); [Japan](#); [France](#); [Germany](#); [Netherlands](#); [United Kingdom](#); [United States](#); [Chile](#);

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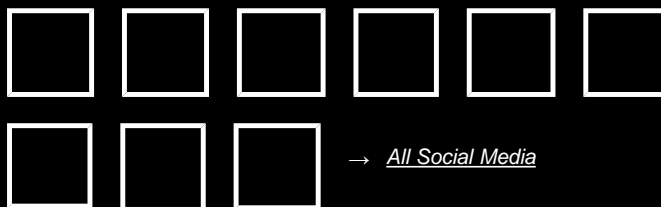
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