



## HOW HQS CAN ACTUALLY ADD VALUE

DOES HQ ALWAYS KNOW BEST?

By IMD Professor Cyril Bouquet, with Jean-Louis Barsoux

**IMD**  
Chemin de Bellerive 23  
PO Box 915,  
CH-1001 Lausanne  
Switzerland

Tel: +41 21 618 01 11  
Fax: +41 21 618 07 07  
info@imd.org  
www.imd.org

Executives often mock the contribution of head offices to their subsidiaries. And rightly so. Head offices remain bastions of conservatism, advocating innovation everywhere but at HQ. To add real value, the corporate center must rethink its role, to be less of a parent and more of a partner. From dozens of interviews with dissatisfied subsidiary heads (talking anonymously), this implies three key changes.

### **Hear to help**

To contribute effectively, headquarters' executives must first understand the business of the local operation, which means both listening and facing reality. When they fly in for visits, HQ staff typically show little appetite for the kind of unstructured contact that might yield better understanding or insight. As the head of a Thai subsidiary in a European electronics group noted, "When the senior people come, they go from the airport to a hotel to a boardroom and back out".

To develop a more accurate picture of what's happening on the ground, HQ staff must look beyond the "usual suspects" and talk to frontline people and customers. According to an Indian executive with experience both at HQ and as a country manager, it would help to include some slack during visits. "In an ideal visit, the presentations would be planned, but not scripted, and there would be an opportunity for HQ executives to actually wander around and talk to people, to see the reality".

### **Think client**

To add value, HQ must curb its "supply-side mentality" and put the subsidiary's needs at the top of the agenda. The Brazil country manager of a U.S. FMCG company reported a particularly productive relationship with his HQ. Comparing his current company with previous employers, he stressed the importance of clarifying who takes the lead in driving the business. "In our case, it's quite clear that the affiliate is the *entrepreneur* and the corporate head office staff are the *consultants* who are here to support us.... The moment that you get experts coming out from the corporate headquarters telling you what to do, then that becomes very frustrating."

HQ advice is more likely to be taken on board if it is delivered in a way that shows respect for and supports the receiver. Consider the testimony of an Australian subsidiary manager. Contrasting her experience with helpful and less helpful senior visitors, she commented: "The more they try to listen rather than preach, the more value they can add. I think their role should be more like a sparring partner than a teacher... someone with whom you train, with whom you exchange ideas; with whom you actually go through the thinking process."

### **Relieve headaches**

Besides challenging subsidiary managers and helping them develop their plans, HQ staff can actually *do things* for them. During visits, HQ executives can lend their weight in different ways. Rather than block the entire schedule with their own priorities, they can set some time aside to pursue the subsidiary manager's priorities, putting their presence to practical use. The German head of government affairs and corporate communications for a U.S. healthcare group describes the ideal scenario: "Let's say my CEO is coming, and I have full autonomy to make arrangements for him. Sometimes we need to leverage higher people from global to do what we cannot do by using up our local personnel. So maybe we can use our group CEO ranking to meet with government officials to sign a permit, to make a keynote speech, to conduct a media interview or to meet with a hospital president."

If they make themselves available, senior HQ executives can also have an impact internally. Their presence can have a morale boosting effect; for example, when they close a workshop or recognize the achievements of local staff. Contact with top ranking executives is highly valued. According to the Ecuador subsidiary manager of a European foods giant, "Seniority counts. If you have anyone from the head office here, this is like a big moment in people's lives".

Overall, these recommendations demand a reversal in mindset: from pushing existing solutions to jointly identifying and removing client problems. Persistent references to head office as the “parent” are unhelpful. The parenting metaphor conveys the need for HQ to provide knowledge, resources and protection to subsidiaries, and to set expectations, standards and boundaries. But it also suggests one-way dependence, as well as implying that “HQ-knows-best”. This kind of hierarchical thinking does not reflect the way that HQ-subsidiary relations have evolved.

*Networks* do not require a parent, so much as a coordinator or facilitator. Trends such as reverse innovation, inpatriation and lateral communication between subsidiaries have overturned the conventional top-down flows of ideas, talent, and capabilities. In this context, the parenting metaphor drives the wrong kind of efforts and attention from HQ – encouraging dependence and passivity from the subsidiaries in the process.

[Cyril Bouquet](#) is Professor of Strategy at IMD (Lausanne, Switzerland) and Jean-Louis Barsoux is a Senior Research Fellow at IMD.

*A version of this article was published in Forbes.*

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