

Attention HQ

Strategies for UK subsidiary companies



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The Advanced Institute of Management Research (AIM) develops UK-based world-class management research. AIM seeks to identify ways to enhance the competitiveness of the UK economy and its infrastructure through research into management and organisational performance in both the private and public sectors.

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AIM consists of:

- Over 200 AIM Fellows and Scholars – all leading academics in their fields...
- Working in cooperation with leading international academics and specialists as well as UK policymakers and business leaders...
- Undertaking a wide range of collaborative research projects on management...
- Disseminating ideas and shared learning through publications, reports, workshops and events...
- Fostering new ways of working more effectively with managers and policymakers...
- To enhance UK competitiveness and productivity.

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Our more specific objectives are to:

- Conduct research that will identify actions to enhance the UK's international competitiveness
- Raise the quality and international standing of UK research on management
- Expand the size and capacity of the active UK research base on management
- Engage with practitioners and other users of research within and beyond the UK as co-producers of knowledge about management

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Current AIM research projects focus on:

UK productivity and performance for the 21st century.

How can UK policymakers evaluate and address concerns surrounding the UK's performance in relation to other countries?

National productivity has been the concern of economists, government policymakers, and corporate decision-makers for some time. Further research by scholars from a range of disciplines is bringing new voices to the debates about how the productivity gap can be measured, and what the UK can do to improve the effectiveness of UK industry and its supporting public services.

Sustaining innovation to achieve competitive advantage and high quality public services.

How can UK managers capture the benefits of innovation while meeting other demands of a competitive and social environment?

Innovation is a key source of competitive advantage and public value through new strategies, products, services and organisational processes. The UK has outstanding exemplars of innovative private and public sector organisations and is investing significantly in its science and skills base to underpin future innovative capacity.

Adapting promising practices to enhance performance across varied organisational contexts.

How can UK managers disseminate their experience whilst learning from others?

Improved management practices are identified as important for enhancing productivity and performance. The main focus is on how evidence behind good or promising practices can be systematically assessed, creatively adapted, successfully implemented and knowledge diffused to other organisations that will benefit.

It is all very well exhorting UK business to be more innovative, more competitive and to close the productivity gap with economic rivals such as the US. The problem is, approximately 40 per cent of companies in the private sector are owned by non-UK based companies. In these cases the parent companies may not be committed to, or concerned about, the long term competitiveness of the UK.

The challenge for the subsidiary country managers in the UK then becomes this: How to manage the relationship with HQ in such a way that attracts sufficient resources and decision making power to determine the future of the subsidiary in a way that benefits both the parent company and the UK?

Our research focused on a key component in managing the relationship between subsidiaries and parent companies: *attention*. The research, which looked at 87 UK subsidiaries, and compared the results with those obtained from subsidiaries in Canada and Australia, revealed a number of important findings relevant to country managers of subsidiaries both here in the UK and elsewhere.

Key findings:

Attention: What is it? Where does it come from? What factors are important?

- **Signals that reach HQ:** Signals that shape the degree of attention given by HQ to any one subsidiary comes via two channels. *External stimuli* come from industry reports, media companies, and competitor intelligence, regardless of any action or inaction on the part of the country managers. *Internal stimuli* come from within the organisation, bottom up through regular reporting procedures, for example, or through the active lobbying of particular executives.
- **Six forms of attention:** In this context attention can be categorised as three sets of opposing pairs (see page 15): top down or bottom up; directive or supportive; instrumental or symbolic. High performing subsidiaries had higher levels on all of the positive forms of attention (bottom-up, supportive, symbolic), poor performing subsidiaries had higher levels on all the negative forms (top-down, instrumental, directive).

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Strategies for managing attention

- **Attention vs Decision making autonomy:** The dilemma for country managers of UK subsidiaries is that by raising the profile of the subsidiary market and increasing attention, they risk losing autonomy through the involvement of the parent. Our research shows, however, that it is perfectly possible to both increase attention and autonomy so long as the correct strategy is adopted.
- **Some winning strategies:** There are a number of useful strategies for both capturing attention and increasing autonomy.
 - Improve track record: Establish credibility in the eyes of the parent company.
 - Take the initiative: Identify new market making opportunities.
 - Maintain exposure: Show that local initiatives can contribute to the MNC network.
 - Be a good citizen: Demonstrate identification with the organisation as a whole.

- **Country manager roles in a global economy:** Harvard management academic Chris Bartlett identified four essential roles for country managers: pioneers (staking out the territory, making connections); traders (creating a profitable operation); intelligence gatherers (in charge of strategic thinking in the local market); and quarterbacks (motivating the team, advocating the 'field' view, and acting entrepreneurially).

Of these the quarterback role appears to be increasingly important. In particular the country manager as: global networker and profile builder; entrepreneur and catalyst for change; advocate and defender of country operations.

The managers of UK subsidiaries bear a huge weight of responsibility. If UK subsidiaries of MNCs are to thrive the executive team in the UK must manage the issues of attention and autonomy with their HQ effectively. If not, attempts to improve the long term competitiveness of the UK may prove futile. Employing some of the strategies outlined in this briefing may help to ease that burden a little.



introduction: foreign ownership of UK companies

The economic future of the UK increasingly rests on UK business becoming more innovative, more productive, and more competitive. This challenge, however, is complicated by an important fact: approximately 40 per cent of companies in the private sector have non-UK based parent companies.

Major UK businesses such as Powergen, Thames Water and Nycomed Amersham are fully-owned subsidiaries of foreign multinationals. Entire industry sectors, including car manufacturing and financial services, are dominated by foreign companies.

Foreign ownership does have benefits: it provides UK companies with greater access to capital, cutting-edge technology, and new managerial practices. However foreign ownership comes at a price: a loss of autonomy and influence for senior executives; and a concern that important decisions will not be made in the best interests of the UK economy.

As large companies consolidate in Europe, many are closing plants, focusing R&D operations, and cutting out layers of support operations that were once run on a country-by-country basis. All these changes reduce the level of influence of the country manager – the individual who has ultimate responsibility for a multinational's operations in a foreign country.

If the country managers want to get things done, they need to retain influence. To do this they need to ensure that the subsidiary and the market it operates in, shows up sufficiently on the radar of the parent company to justify the parent company sanctioning action. At the same time they need to manage the relationship in a way that preserves their autonomy when implementing initiatives.

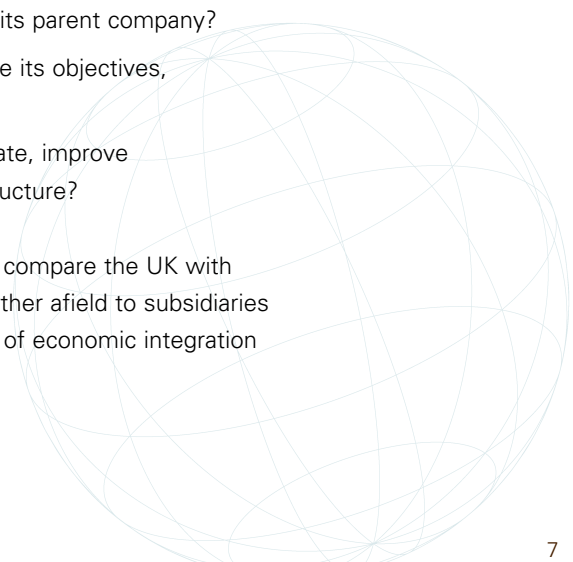
Subsidiary company: any foreign-owned entity, such as a manufacturing plant, a sales subsidiary, or a fully-integrated operation with its own R&D, manufacturing and sales.

To explore the issues surrounding this balancing act we asked managers running UK subsidiaries a number of questions:

- What is the typical range of activities of a UK subsidiary?
- How does the UK subsidiary manage its relationship with its parent company?
- How does it get the necessary level of attention to achieve its objectives, without entirely sacrificing its autonomy?
- What are the approaches the UK subsidiary uses to innovate, improve its productivity, and add new value within its corporate structure?

We also provide some benchmark comparisons. Rather than compare the UK with near neighbours such as France and Germany, we looked further afield to subsidiaries in Canada and Australia to get a sense of the different levels of economic integration that have occurred in different world regions.

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1 The view from HQ

Before looking at the challenges facing the country manager and the results of our research it is worth considering the view from the boardroom at corporate HQ – wherever it is based. How do the executives there see the relationship with the subsidiaries?

For the company to be successful over the long term, simply selling its products on a global basis is not enough. It also needs to derive benefits from access to multiple markets and diverse pools of talent around the world. It needs to develop global reach by accessing knowledge and ideas wherever they arise, and a global mindset by assembling a multicultural and cosmopolitan workforce.

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Surprisingly, research shows that most global companies have actually done a fairly poor job of building *global reach* and a *global mindset*. Most still operate predominantly in their home region; most senior executives still come from the home country; and technological development is typically focused on one or two countries.

(i) International attention

One way of understanding the disconnect between what should be happening – global companies should be truly global in their operations – and what is happening – global companies favour their home country – is to use the idea of attention. In particular how HQ focuses its attention on the subsidiaries.

In a global business top executives are faced with too much information to effectively respond to it all. As a result they develop mechanisms for structuring and filtering attention, to focus attention on those issues that seem most important. This includes choices about lines of reporting, what meetings to attend, which individuals to put in positions of influence, and many other things.

(ii) Receiving signals

The signals upon which top executives make their decision about apportioning attention can be divided into two types: external stimuli and internal stimuli

External stimuli come from industry reports, media companies, and competitor intelligence. China, for example, will get HQ's attention because of the saturation media coverage the country receives. This is regardless of any action or inaction on the part of country managers.



Internal stimuli come from within, bottom up through the organisation through regular reporting procedures, for example, or through the active lobbying of particular individuals.

Put the two together and you end up with four possible types of markets (see Figure 1).

Figure 1: Sources of attention in a global firm

Attention given to market on basis of internal cues or bottom-up 'attention structures'	High	Squeaky wheels Internal success stories or problem cases; or markets with highly vocal managers	Major markets Markets that represent big opportunities or threats
	Low	Low attention markets No visibility through external sensing or internal managers	Honeypots Markets that represent big opportunities or threats but little current activity
		Low	High
		Attention given to market on basis of external (industry, competitor) cues or 'attention structures'	

Major markets: Countries like the US and Japan that tend to gain attention on the basis of both internal and external stimuli.

Honeypots: Countries like China and India are currently 'honeypots' that attract lots of attention because of media buzz, but where the company may not be that strong.

Squeaky wheels: Countries like Australia or Canada are often characterised as 'squeaky wheels' (as in the phrase, it is the squeaky wheel that gets the grease) because they are established operations and their achievements are well known. Squeaky wheels can be both good and bad. The key point is that they get attention at board level.

Low attention markets: These countries are simply not on the radar.

Subsidiary managers can adopt a variety of strategies to attract attention depending on which type of market they are located in. The UK, for example, is probably a major market for most firms due to its size and influence on a global scale. With other countries growing rapidly, however, and with the UK becoming increasingly integrated into the rest of Europe, there is a risk that the importance of the UK as a subsidiary location and the usually high levels of attention it has received will be threatened. It is necessary to master the use of internal stimuli to reinforce the importance of the UK market in the minds of top executives from global corporations.

The research

In early 2005 we conducted a survey of 87 UK subsidiaries in order to compare these findings to similar surveys carried out in Australia and Canada.

The 87 responding companies covered a large range of industry sectors and were highly diverse in terms of their age, size, mode of formation, and parent country. Some of the key characteristics were as follows:

- The companies were formed between 1887 and 2004 with a median founding date of 1984.
- 31 were established through acquisitions of local companies, 43 as greenfield operations, and 13 through other approaches (e.g. joint ventures).
- The average size was £98 million in sales revenues and 600 employees.
- 67 per cent had European parent companies (of which 16 were German), 11 per cent Japanese, five per cent USA and 4.5 per cent Canadian. No other home country was represented more than three times in the sample.
- The average level of export sales (outside of the UK) was 23 per cent.
- The sales of these companies represented 16 per cent of the parent company's total sales.
- The management team of the responding companies had an average of one non-UK national in its management team (out of six), and an average of 32 other non-UK nationals working in the company.

It should be clear from the numbers that these are typically 'medium sized' subsidiary companies, rather than the major players such as IBM in Scotland or Nissan in Sunderland. Nonetheless, these companies are fairly representative of the foreign owned sector, with the small caveat that there are relatively more European-owned and relatively less US-owned than in the population as a whole.

research findings

Our comparative research revealed a number of important findings about the nature of the subsidiaries in the UK and their counterparts in Canada and Australia which in turn relate to the attention they receive from HQ.

(i) Specialisation

An important issue for the subsidiary is the number of different functional activities it is responsible for. On the basis of the evidence, UK subsidiaries are rather more specialised in their activities than Canadian or Australian subsidiaries. The typical UK subsidiary focuses on a much narrower range.

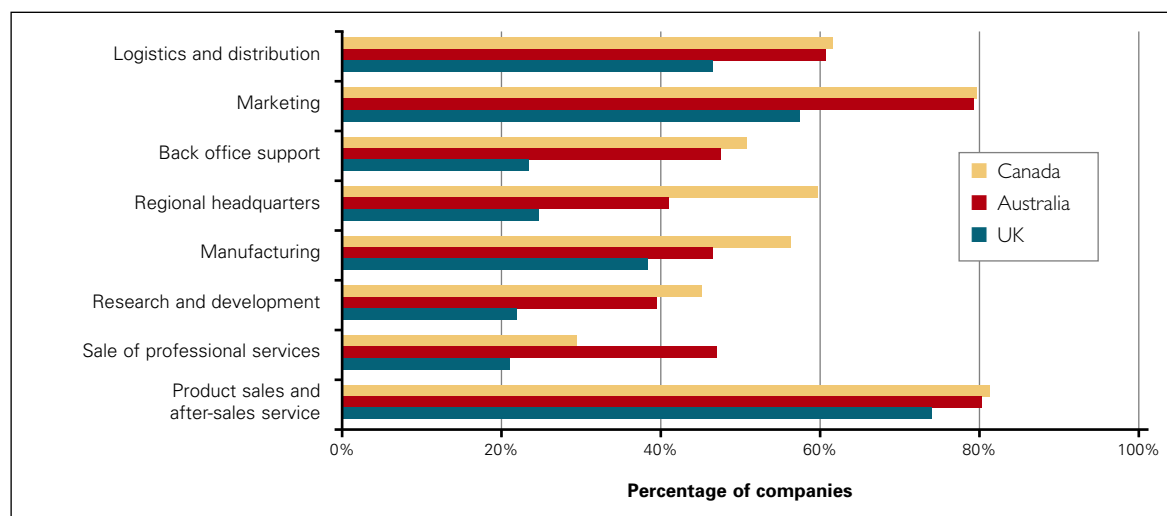
This difference can be attributed in large part to the process of integration that most multinationals have put in place in Europe. The subsidiary in the UK is more likely to be a single value-adding activity (e.g. a sales operation or a manufacturing unit), whereas in Canada or Australia it is more likely to be a broader operation with multiple functions. This greater level of specialisation reduces managers' degrees of freedom and does not leave them much scope for developing new initiatives and activities.



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Table 1: Activities undertaken by subsidiaries



(ii) Types of activity

To gain insight into the nature of foreign-owned UK companies it is useful to look at the clusters of activities they undertake. The analysis suggests that four distinct types can be identified: the professional services subsidiary, the sales subsidiary, the full-scope manufacturing subsidiary, and the world mandate subsidiary (see below).

Four types of subsidiary

Professional services subsidiary: Responsible for selling professional services in the local market. E.g. Arthur D. Little, Publicis and Korn/Ferry International.

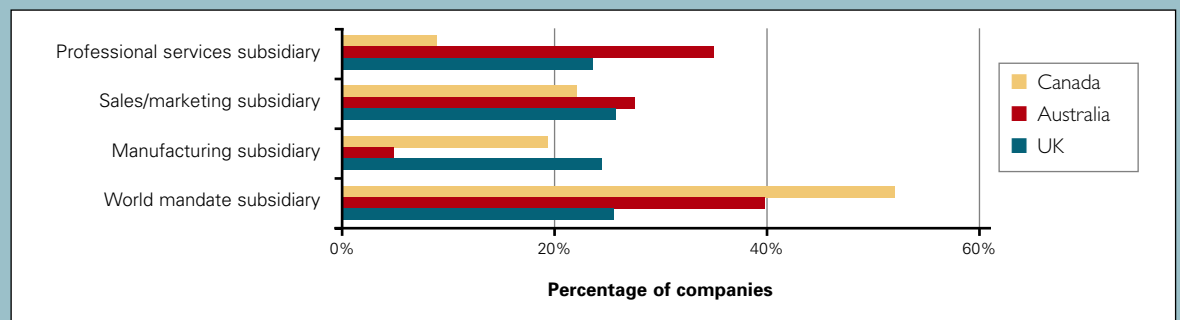
Sales/Marketing subsidiary: Responsible for marketing and selling a range of products in the local market, typically with their own distribution and logistics operations as well. E.g. DaimlerChrysler and ENI (UK).

Manufacturing subsidiary: Responsible solely for the manufacture and sale of a particular range of products. The products manufactured by this subsidiary would typically be ‘sold’ on an internal basis before reaching their final market. For example, Intel’s fabrication plant in Ireland does not sell its microprocessors directly – they are transferred to Intel’s commercial arm and then sold to computer manufacturers.

World mandate subsidiary: Responsible for a full range of activities, including R&D, manufacturing, marketing and sales, and back-office support services. The term ‘world mandate’ comes from Canada, and it suggests that the subsidiary has worldwide responsibility for developing and growing a particular product line. Examples include Nestle’s UK subsidiary in Croydon, and NCR’s automatic teller business in Dundee. In some industries such as IT or software the subsidiary may undertake all functions except manufacturing (e.g. games company Electronic Arts).

It is possible to make two important observations: first, the relatively small number of 'world mandate' subsidiaries in the UK compared to the other two countries; and second, the higher number of pure manufacturing subsidiaries in the UK than Australia and Canada. Again, these results are consistent with UK operations having a high degree of specialisation within the European Union, in comparison with Canadian and Australian subsidiaries that still have greater breadth to their responsibilities.

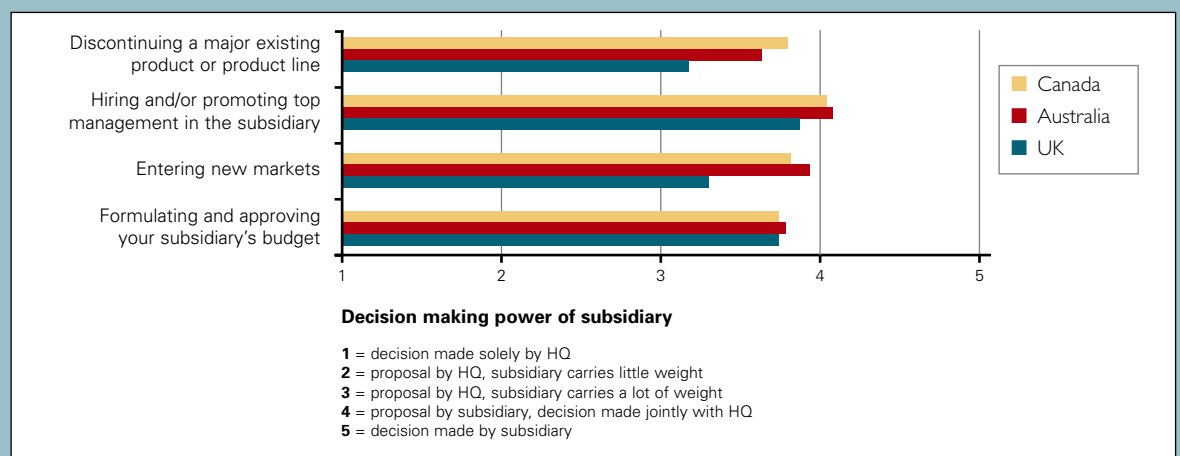
Table 2: Comparison of subsidiary types across countries]



(iii) Decision making autonomy

One of the most important factors is the level of decision-making autonomy the subsidiary managers have – their ability to make strategic decisions about the activities of the subsidiary without interference from their corporate bosses. Table 3 shows that on average while the UK respondents believe they have a pretty high level of autonomy the ratings for the UK are significantly lower than for the Australian and Canadian respondents, which again appears to be a function of the greater level of integration of the UK subsidiaries with their sister operations across Europe.

Table 3: Level of decision-making autonomy



(iv) Proactive/reactive

We looked at the extent to which subsidiary managers were engaged in proactive efforts to build and develop the subsidiary and augment the attention they receive. Initiatives are specific projects or ventures that seek to grow the subsidiary, perhaps by developing new products, or by bidding for new corporate investments. Profile-building efforts are directed more towards building stronger relationships with other parts of the global company, with a view to creating the right set of conditions so that the subsidiary can develop in the future.

In both cases the Australian and Canadian subsidiary managers appeared more proactive than their UK counterparts. Initiatives among the surveyed UK subsidiaries, for example, seemed very rare. As these are actions deliberately taken by subsidiary managers, there appears to be significant room for improvement here.

Table 4: Comparison of subsidiary initiatives across countries

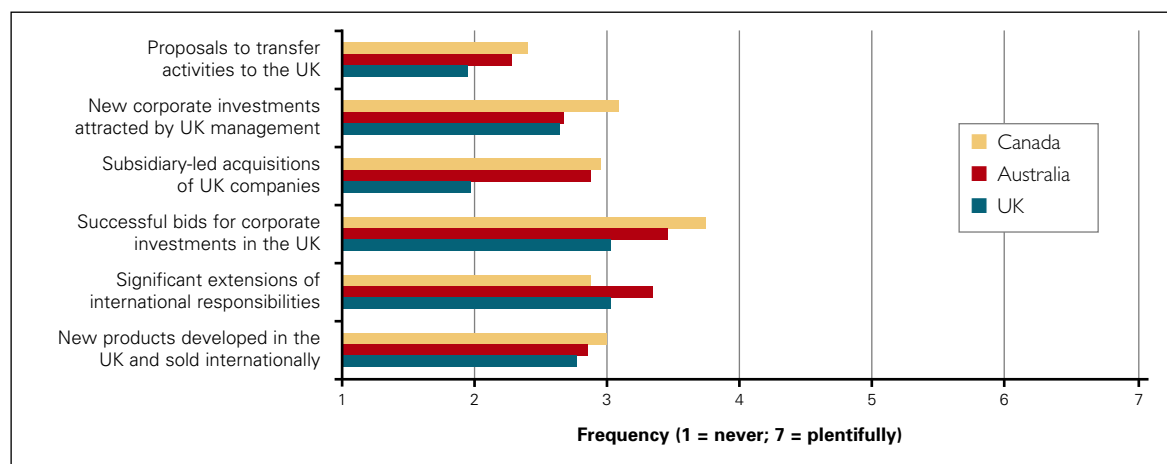
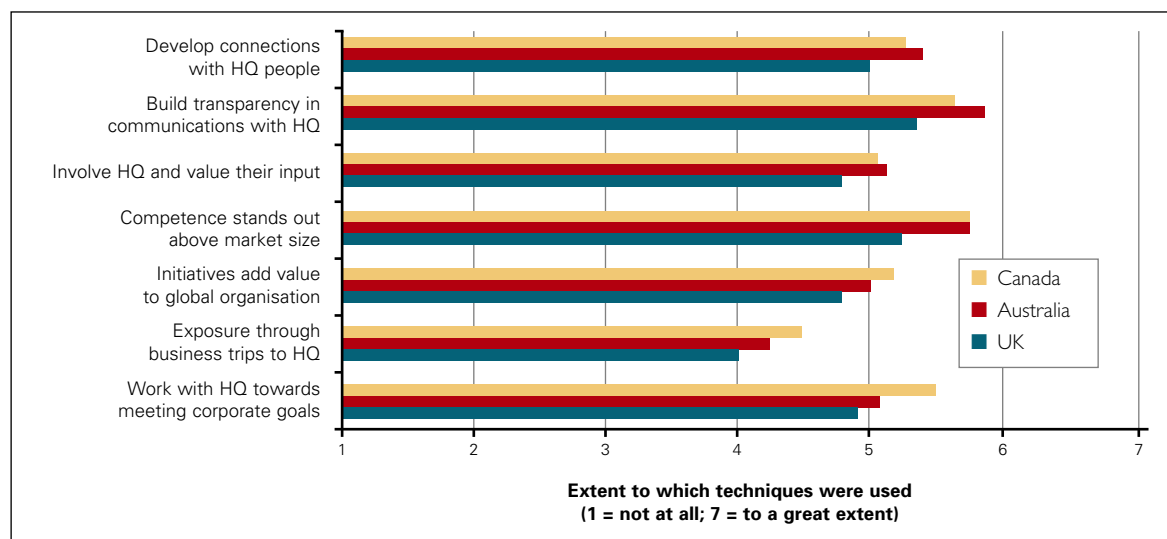


Table 5: Comparison of profile-building efforts across countries



(vii) Research summary

The information presented here suggests a consistent and clear story: UK subsidiary companies do not have the same degrees of freedom as their counterparts in Canada or Australia. This is both a blessing and a curse.

It is a blessing because closer integration with other parts of Europe generates economies of scale and high-quality market access. It is a curse because the managers running the subsidiary are highly constrained in their ability to shape their own strategy.

If UK subsidiaries are to actively contribute to the competitiveness of the UK economy the country managers must adopt strategies that attract sufficient attention from HQ, while at the same time creating a greater degree of freedom to shape their own destiny.

insights: avoiding attention deficit

A number of broad issues emerge from the research. These relate to the approaches subsidiary managers can use to improve the effectiveness of their interactions with corporate headquarters.

This is partly about increasing the amount of attention paid to the UK subsidiary. However, attention is not necessarily a good thing. It can take many forms, some positive, some negative. Greater attention, for example, may be achieved at the expense of decision-making autonomy.

Three related issues are dealt with here. First, there are the different forms attention takes, and how a better balance across the six types can be achieved. Second, we consider the challenge of achieving higher levels of attention and autonomy at the same time. Third, we look at some of the specific country manager roles that appear to be successful in a world of greater global integration.

1 Six forms of attention

Attention is a resource that enables people to notice and process information pertaining to the world around them. We have identified six distinct forms of attention.

Attention is a resource that enables people to notice and process information pertaining to the world around them.



These can be paired as follows:

(i) Top down or bottom up. Bottom-up and top-down attention is to do with issues of process. Head-office managers can pay attention to the subsidiary as a result of direct solicitations from local subsidiary managers (*bottom up*) or as part of a firm's routine decision-making procedures such as corporate annual review, or quarterly meetings (*top-down*).

(ii) Directive or supportive. This distinction is to do with carrot and stick motivation. A subsidiary may receive a form of attention that is *supportive* because the head-office is trying to learn from the local market, help the subsidiary diffuse its best practices across the firm's global network, or provide greater recognition in the form of cash or career opportunities (all desirable forms of attention).

Conversely attention may be *directive* – a subsidiary can appear on the radar screen as a result of bureaucratic concerns, or because the corporate centre is trying to ensure compliance with global corporate initiatives (less desirable forms of attention).

(iii) Instrumental or symbolic. Finally, attention can be symbolic or instrumental. Attention is *symbolic* when it consists of publicising the subsidiary's activities to a firm's stakeholders. A company's CEO and chairman often use annual reports and letters to shareholders to elicit this type of attention.

Attention is *instrumental* when it involves time-consuming communications between subsidiary managers and their head-office counterparts – through foreign travel, email, telephone and video-conference. This is less desirable because it is often distracting – subsidiary staff spend time managing the parent company rather than local customers.



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Although all six forms of attention coexist in every company, there is considerable scope for an individual subsidiary to influence the levels of attention it is getting, both positively and negatively. Look at the attention difference between the top and bottom quartile performing subsidiaries and it becomes clear that the top-quartile performers have higher levels on all of the positive forms of attention (bottom-up, supportive, symbolic), while the bottom-quartile performers have higher levels on all the negative forms (top-down, instrumental, directive).

2 Attention and autonomy

From a subsidiary perspective, the most desirable situation is probably one where subsidiary managers are responsible for key strategic decisions while simultaneously being able to secure the kind of attention that is bottom-up, supportive, and symbolic in nature.

Table 6: Characteristics of autonomy and attention

	Autonomy	Attention
Desirable objectives	To achieve control over key strategic decisions for particular activities of the value-chain	To maintain visibility at the corporate centre to help the subsidiary get the support it needs
Key obstacles	Tendencies towards greater centralisation of power at corporate headquarters	Competition with sister subsidiaries, particularly those located in markets that are perceived to be more 'strategically important'
Role of top subsidiary management	To define the local strategy; to make trade-offs between corporate and local market imperatives	To design strategies that allow subsidiaries to influence the amount and type of attention they receive from corporate headquarters

Statistical analysis shows that there is no inherent trade-off between the two, and it is, therefore, reasonable to try to achieve both at the same time.

The question is how to achieve autonomy and attention together? The answer appears to be through implementing initiatives (see page 19). Our research strongly suggests that the amount of initiative-taking in the subsidiary is a reasonable predictor of the extent to which it achieves both autonomy and attention.

For the country managers, the challenge in delivering on the strategic plan for their subsidiary is enormous.

3 New country manager roles in an era of global integration

For the country managers, the challenge in delivering on the strategic plan for their subsidiary is enormous. Not only must they develop a competitive strategy for their business in a fast-changing marketplace. They have to do it within a corporate context that they have limited control over.

In the mid-1990s Chris Bartlett of Harvard Business School argued that country managers had to wear four hats: pioneers (staking out the territory, making connections); traders (creating a profitable operation); intelligence gatherers (in charge of strategic thinking in the local market); and quarterbacks (motivating the team, advocating the 'field' view, and acting entrepreneurially).

Of these there is an increasing emphasis on the quarterback role, and three of its key elements appear to be increasingly important:

Global networker and profile builder: Country managers and other senior executives in the subsidiary should spend large amounts of time building relationships within and beyond their corporate network. This will include profile building – letting other parts of the company know what the UK operation does, how well it does it, and what it might be able to contribute in the future – as well as pre-selling specific project ideas, and lobbying with the key power brokers in the corporate hierarchy.

Entrepreneur and catalyst for change: We can characterise subsidiary managers on a scale from boy scout (managers who do what they are told) to maverick (managers who do what it takes to succeed, with little regard for rules or demands from HQ). If country managers are to grow the subsidiary's business, they should be biased towards the maverick end of the spectrum.

A key role for the country manager is to be an entrepreneur and a catalyst for change. Part of this role is about alertness to new opportunities – perhaps an emerging market segment in the UK that no-one is serving, perhaps an opportunity to grow a local manufacturing plant.

The other part of the role is about delivering on those opportunities, which takes strong internal leadership as well as considerable networking and lobbying effort. As one executive we spoke to observed, "most country managers are builders: they are aggressive and career-seeking types. So they cannot hide for long, even if it would be in their interests to do so!"

Advocate and defender of country operations: The third key role for the country manager is to be a staunch advocate and champion of the local subsidiary. It is about keeping the corporate bureaucracy at bay so that the people in the subsidiary can go about their jobs without interference; and it is about 'managing up' to ensure that HQ executives learn to trust the country manager.

Of course, this does not mean always doing what is requested: Indeed, we had many conversations with executives about how they 'push back' on corporate requests and how they explain problems to their immediate bosses.

With the increasing push towards global integration that many multinationals are going through, and with the increasing levels of internal competition for investment and other resources, these three roles are critical.

Strategies for managing attention to a subsidiary's advantage

How can subsidiaries, particularly those located in lesser strategic markets, begin to 'stand out' from the crowd? How can they find ways to manage attention to their own advantage? Our research identified several generic strategies, which we illustrate through the example of the *Scotch Inc.* company, a composite of several of the companies we studied.

Improve track record: In 1998, Richard Smith became the country manager for *Scotch Inc.*'s operations in Scotland. The company had just failed to meet its revenue and earnings expectations for the third consecutive year. Scotland was largely underperforming other sister subsidiaries in the MNC network, with assets that appeared fundamentally underleveraged.

Smith quickly realised his first priority was to work towards re-establishing the company's track record. He hired a couple of internationally-respected leaders to regain the confidence of the parent company. The new team was able to streamline operations and generate substantial savings; as a symbolic gesture, all top executives – including Smith himself – opted to travel economy class, to better emphasise the company's commitment to the cost-cutting strategy.

New ISO standards were implemented to improve the quality of procedures, staff, products and services, and to ensure promises made to the parent company were more consistently met. Within three years, the Scottish subsidiary was able to reposition itself for growth, dramatically increase its sales and earnings, and regain crucial credibility in the eyes of the parent company.

Strategies for managing attention to a subsidiary's advantage (continued)

Take the initiative: Once the company's track record was re-established, Smith and his team took it upon themselves to work towards the identification of 'new market making opportunities', i.e. space with ill-defined problems and no apparent solutions.

For example, through a routine conversation with a customer who had been a teacher for about 11 years, Smith realised a lot more could be done to improve the information infrastructure of the primary school system. Typical initiatives consisted of putting equipment into the classroom, and facilitating the use of learning software applications. Interestingly though, some teachers and administrators were doing a much better job than others at implementing technology in ways that accelerated child learning. However, nobody really understood the intervening set of parameters.

Smith put together a team to observe student-teacher interactions in the classroom. Specific metrics to monitor technology usage and its relationship to educational content were built to more fully comprehend the dynamics of effective child learning. In less than a year, a new approach to child education had been built, which triggered a lot of enthusiasm and support with the parent company. They could see this innovation as a holistic approach to self-learning that represented something they were trying to think about, but couldn't even verbalise.

Maintain exposure: If taking the initiative was important, Smith also knew it could create the risk that the company would start to be perceived as a 'loose canon'. Most multinationals were indeed moving towards more globally-integrated models, and it was important to promote the idea that local initiatives could also contribute to the larger network. To avoid fighting resistance when presenting his vision and ideas for the UK business, Smith encouraged subsidiary managers to work closely with the parent company to focus the subsidiary's efforts towards meeting corporate goals and values. He also encouraged key staff to develop connections with people of authority at the corporate centre and maintain exposure, even if it meant a few trips to the head-office.

Be a good citizen: Smith also concentrated on changing the attitudes and behaviour of subsidiary managers to help them grow as members of the multinational network. He kept reminding people that they had at least three spheres of responsibility: to themselves first and foremost, to local stakeholders, and to the overall corporation. Interestingly, it wasn't simply their success as managers that would grant the subsidiary attention; equally important was their larger identification to the organisation as a whole. To increase visibility, they needed to care about the fate of the parent company as much as they wanted the parent company to care for them.

conclusions

UK subsidiaries of foreign owned multinationals have a challenge ahead. For most MNCs the UK is a major market. It may not always be this way however. In the global economy power is shifting. As emerging economies mature the UK comes under increased pressure to be more innovative and more competitive.

Approximately 40 per cent of companies in the private sector are owned by non-UK based companies. As a result the future competitiveness of the UK, and the fate of the UK subsidiaries, is partly tied to the relationship between the subsidiary managers and HQ management. How can that relationship be managed in such a way that attracts sufficient resources and decision making power to determine the future of the subsidiary in a way that benefits both the parent company and the UK?

Our research focused on a key component in managing the relationship between subsidiaries and parent companies: *attention*. The research, which looked at 87 UK subsidiaries, and compared the results with those obtained from subsidiaries in Canada and Australia, revealed a number of important findings relevant to country managers of subsidiaries both here in the UK and elsewhere.



As emerging economies mature the UK comes under increased pressure to be more innovative and more competitive.

Key issues for practitioners:

Attention: What is it? Where does it come from? What factors are important?

- **Signals that reach HQ:** Signals that shape the degree of attention given by HQ to any one subsidiary comes via two channels: *External stimuli* come from industry reports, media companies, and competitor intelligence, regardless of any action or inaction on the part of the country managers. *Internal stimuli* come from within the organisation, bottom up through regular reporting procedures, for example, or through the active lobbying of particular executives.
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Strategies for managing attention

- **Attention vs Decision making autonomy:** The dilemma for country managers of UK subsidiaries is that by raising the profile of the subsidiary market and increasing attention, they risk losing autonomy through the involvement of the parent. Our research shows, however, that it is perfectly possible to both increase attention and autonomy so long as the correct strategy is adopted.
- **Some winning strategies:** There are a number of useful strategies for both capturing attention and increasing autonomy.
 - Improve track record: Establish credibility in the eyes of the parent company.
 - Take the initiative: Identify new market making opportunities.
 - Maintain exposure: Show that local initiatives can contribute to the MNC network.
 - Be a good citizen: Demonstrate identification with the organisation as a whole.
- **Country manager roles in a global economy:** Harvard management academic Chris Bartlett identified four essential roles for country managers: pioneers (staking out the territory, making connections); traders (creating a profitable operation); intelligence gatherers (in charge of strategic thinking in the local market); and quarterbacks (motivating the team, advocating the 'field' view, and acting entrepreneurially).

Of these the quarterback role appears to be increasingly important. In particular the country manager as: global networker and profile builder; entrepreneur and catalyst for change; advocate and defender of country operations.

If UK subsidiaries of MNCs are to thrive the executive team in the UK must manage the issues of attention and autonomy with HQ effectively. If not, attempts to improve the long term competitiveness of the UK may prove futile.

AIM – The UK's research initiative on management

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