

NEW RESEARCH IDENTIFIES WINNING STRATEGIES FOR UK SUBSIDIARIES

The big challenge for UK business today is to be more innovative, more competitive and to close the productivity gap with its economic rivals. UK-based subsidiaries can play an important part in this -- approximately 40 per cent of companies in the private sector are fully-owned subsidiaries of foreign multinationals. Whether or not this happens, new research reveals, depends largely on how the UK-based management of the subsidiaries manage their relationship with the non-UK based parent company, and in particular whether they get enough, and the right kind, of attention.

Julian Birkinshaw, AIM Senior Fellow and Professor of Strategic and International Management at London Business School, and co-author of the Advanced Institute of Management Research (AIM) report, *ATTENTION HQ: Strategies for UK Subsidiary Companies*, says: "The challenge for the subsidiary country managers in the UK is this: How do they manage the relationship with HQ so that they attract sufficient resources and decision making power, allowing them to determine the future of the subsidiary in a way that benefits both the parent company and the UK?"

This is where the role played by UK subsidiary managers becomes so important, because, as the AIM research shows there are a number of things that they can do to ensure that they continue to make a positive contribution to their companies and to the prosperity of the UK.

Key points in the briefing include:

1) Comparative research by the briefing's authors shows that **UK subsidiary companies have limited autonomy** to act in their own interests. For example, they do not have the same degree of freedom as their counterparts in Canada – the only G7 country currently running a budget surplus – or Australia, several places above the UK in the World Economic Forum's Global Competitiveness Index. This means that managers running UK subsidiaries may be highly constrained in their ability to shape their own strategy.

2) The **attention** the subsidiary gets from the parent company, and how it manages that attention, is critical.

- "Attention" may seem like a simple concept, but in this context it is highly complex. Signals that shape the degree of attention given by HQ to a subsidiary come via two channels. *External stimuli* via industry reports, media companies etc., regardless of any action or inaction on the part of the country managers. *Internal stimuli* via the organisation, bottom up through regular reporting procedures, for example, or through the active lobbying of particular executives.
- There are six forms of attention: top down/bottom up; directive/supportive; instrumental/symbolic. High performing subsidiaries have higher levels on all positive forms of attention (bottom-up, supportive, symbolic), poor performing subsidiaries have higher levels on all negative forms (top-down, instrumental, directive).

3) Despite the challenges, there are **winning strategies** for managing both attention and the relationships with HQ that UK subsidiaries can adopt. The dilemma for country managers of UK subsidiaries is that, by increasing attention they risk losing autonomy through the involvement of the parent company. AIM's research shows, however, that it is possible to both increase attention and autonomy, so long as the correct strategy is adopted.

Winning strategies include:

- Improving the subsidiary's 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.

Managers of UK subsidiaries must act as: global networkers and profile builders; entrepreneurs and catalysts for change; advocates and defenders 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 their HQ effectively," says Birkinshaw. "If not, attempts to improve the long term competitiveness of the UK may prove futile."

The report: *ATTENTION HQ: Strategies For UK Subsidiary Companies*, published by the Advanced Institute of Management Research (AIM), January 2006

The authors: Professor Julian Birkinshaw, London Business School; Professor Cyril Bouquet, York University; Dr. Tina C. Chini, Research Fellow, London Business School..

Notes for Editors

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For more information contact:

Professor Andy Neely, Deputy Director, AIM, e-mail: aneely@london.edu,
tel: 0870 734 3000 or 07711 140198

For General AIM Enquiries, Please Contact: Claire Fitzpatrick, Press and
Communications Officer, AIM, email: cfitzpatrick@london.edu or tel: 020 7000 0517