For executives in subsidiaries of multinational corporations how they get attention from headquarters while maintaining their autonomy is a key to success. **Julian Birkinshaw, Cyril Bouquet** and **Tina Ambos** investigate the art of attention seeking.

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.

Clearly, 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.

The UK is not alone nor are UK managers. 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 show 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.

Signaling problems

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

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 →

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→ reporting procedures, for example, or through the active lobbying of particular individuals.

Put the two together and you end up with four types of markets:

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.

Our comparative research of 87 UK subsidiaries (compared with similar surveys in Australia and Canada) revealed a number of important findings about the nature of the subsidiaries in the UK, and their counterparts elsewhere, which in turn relate to the attention they receive from HQ.

Subsidiary questions

Subsidiaries are not, of course, identical in shape, size or purpose. An important issue for the subsidiary is the number of different functional activities it is responsible for. On the basis of the research, 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. A UK-based subsidiary is more likely to be a single value-adding activity (for example, 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. They do not have much scope for developing new initiatives and activities.

The analysis suggests that four distinct types can be identified among subsidiaries:

- Professional services subsidiary: Responsible for selling professional services in the local market – such as Arthur D. Little, Publicis and Korn/Ferry.
- 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 – such as 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 Nestlé'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 (this is the approach of the games company Electronic Arts).

Our analysis suggests 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 in 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.

Good and bad news

The research 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

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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, 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.

Attention – a resource that enables people to notice and process information pertaining to the world around them – comes in six distinct forms which can be usefully divided into three pairs:

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 reviews or quarterly meetings (top-down).

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 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.)

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.

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.

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.

Statistical analysis (see Table 1) shows that there is no inherent trade-off between autonomy and attention, 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. 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.

New country manager roles

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

	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

Table 1. Characteristics of Autonomy and Attention

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Attention strategies

How can subsidiaries, particularly those located in lesser strategic markets, 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.

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 from 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 cannon. 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 center 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.

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→ 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 growing 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: 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 gathering 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 – and will be – increasingly critical. ■

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