

Changes at Corporate Headquarters: Review, Integration and Future Research

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In modern corporations, the corporate headquarters (CHQ) unit is considered central to the fortunes of the overall firm. In light of ever-changing environments, changes at the CHQ have become a crucial concern in management research and practice, and scholars have studied a variety of changes at the CHQ. Despite the common focus on the CHQ entity and the potential for cross-fertilization across several research tracks, a coherent picture of this dispersed body of knowledge is lacking. This paper reviews 25 years of research on changes at the CHQ. In so doing, it advances a common language and an overarching framework that integrates the existing knowledge in the intellectual domains of strategy, organizational design and international business research. On this basis, the authors suggest directions for future research to advance knowledge of: (1) the pressure for and resistance to changes at the CHQ; (2) interrelationships among changes at the CHQ; (3) change processes at the CHQ; (4) agents involved in changes at the CHQ; and (5) adaptive and disruptive effects of changes at the CHQ. Overall, the study provides a conceptual basis for combining the existing knowledge of changes at the CHQ and serves as a guide for future research.

Introduction

With the emergence of the modern corporation (Chandler 1962; Melman 1951; Sloan 1964), the corporate headquarters (CHQ) unit has taken centre stage with respect to the fortunes of the overall firm (e.g. Chandler 1991; Collis *et al.* 2007; Goold and Campbell 1987). As firms are faced with ever-changing internal and external environments, scholars and practising managers have become highly interested in changes at the CHQ (e.g. *Economist*

2008, 2014; Ferlie and Pettigrew 1996). However, despite the considerable importance of research on changes at the CHQ and the increasing amount of scholarly work in this field, we lack a systematic review that synthesizes the dispersed body of knowledge.

The existing studies have contributed to several research streams, including research focused on strategy, organization, international business and agglomeration. Initial research on changes at the CHQ was probably fuelled by observations that the size of the CHQ changed significantly during the late 1980s and early 1990s (e.g. Ferlie and Pettigrew 1996) and that a considerable number of large firms were moving their CHQs to new locations (e.g. Baaij *et al.* 2004; Strauss-Kahn and Vives 2009; Voegt 2011). Yet, cases and trend data demonstrate that changes at the CHQ have become frequent, multifaceted phenomena that span a variety of CHQ characteristics, such as structures, activities,

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locations and relationships with subsidiaries (e.g. Kramer 1999; Kunisch *et al.* 2012; Young *et al.* 2000). It thus comes as no surprise that scholars have investigated a broad range of phenomena in the last decade, such as changes in the CHQ's roles (e.g. Grant 2003), changes in CHQ–subsidiary relationships (e.g. Ambos *et al.* 2010; Ambos *et al.* 2011; Joseph and Ocasio 2012) and changes in the CHQ's location (e.g. Baaij *et al.* 2012a,b; Birkinshaw *et al.* 2006; Laamanen *et al.* 2012).

Although the existing studies explore a variety of changes at the CHQ, they all share a common focus on the CHQ as an entity that fulfils various roles and represents the location of the firm's legal entity (e.g. Birkinshaw *et al.* 2006; Collis *et al.* 2007). To capture the wide scope of these studies, we adopt a broad definition of 'changes at the CHQ' as alterations in the state or quality of the attribute(s) of the CHQ entity over time. An alteration in the state of the CHQ refers to a shift in particular CHQ conditions between two specific points in time (e.g. changes in the number of CHQ staff or changes in the CHQ's location). Such alterations can be understood as discrete changes. An alteration in the quality of the CHQ refers to a change in a distinctive attribute of the CHQ (e.g. changes in the CHQ's capabilities). Such alterations can be understood as continuous changes. Using 'changes at the CHQ' as an umbrella term avoids unnecessarily restricting the scope of the study, and directs us to classify the literature with respect to the characteristics of the CHQ entity. This approach is appropriate for this study's purpose and comparable to that found in similar studies (e.g. Ginsberg 1988).

While an understanding of the various phenomena is in itself a good reason for scholarly investigation of changes at the CHQ (e.g. Birkinshaw *et al.* 2006; Ferlie and Pettigrew 1996), research in this area is vital for at least two additional reasons. First, studies of changes at the CHQ can enhance scholarly understanding of the functioning of the CHQ, which is a central component in many theories of the firm (Kleinbaum and Stuart 2014; Menz *et al.* 2013). The use of a change perspective provides an alternative way to explore phenomena even when the primary focus is on non-temporal issues (Ancona *et al.* 2001, p. 660). For example, Birkinshaw *et al.* (2006, p. 697) revealed the importance of the CHQ's externally oriented role by showing that CHQs move overseas 'as a response to the perceived demands and opportunities offered by overseas shareholders and capital markets'. Second, the CHQ offers a compel-

ling context in which to study strategic and organizational change. For example, changes at the CHQ hold significant symbolic value for internal and external stakeholders (e.g. Laamanen *et al.* 2012), and such changes tend to embody organizational change in general (e.g. van Marrewijk 2009). Thus, studies of the conditions that enable or hinder changes at the CHQ can advance scholars' understanding not only of the CHQ in particular, but also of organizational change in general.

Despite the importance of research on changes at the CHQ, the existing knowledge has evolved on several parallel, albeit related, research tracks that cover different characteristics of the CHQ. Given their common focus on the CHQ entity, these research tracks harbour the potential for cross-fertilization and need to be combined in order to advance the cumulative knowledge of changes at the CHQ. The main purpose of this paper, therefore, is to consolidate the dispersed insights of previous studies on changes at the CHQ.

Based on a comprehensive review of 25 years of research into changes at the CHQ, we summarize the body of knowledge and propose an integrative framework that not only allows for cross-fertilization, but also serves as a basis for future research. Specifically, we identify three *interrelated research domains*. Each of these domains has *distinct research foci* that could be transferred to research in the other domains. Based on these general findings, we suggest directions for future research in line with the integrative framework to advance knowledge of: (1) the pressure for and resistance to changes at the CHQ; (2) interrelationships among changes at the CHQ; (3) change processes at the CHQ; (4) agents involved in changes at the CHQ; and (5) adaptive and disruptive effects of changes at the CHQ. In sum, the study provides a conceptual basis for combining the existing knowledge of changes at the CHQ and serves as a guide for future research.

Methodology

In order to systematically review the extant knowledge on changes at the CHQ, we follow a structured approach (e.g. Cropanzano 2009; Short 2009; Tranfield *et al.* 2003; Webster and Watson 2002). Our review includes research published over a span of 25 years (1987 to 2012). As a starting point, we focused on two prominent publications related to the study of changes at the CHQ: Porter's (1987)

study of corporate strategy, and Ginsberg's (1988) study of measuring and modelling strategic change. This starting point coincides with two influential books on the topic written by Goold and Campbell (1987) and Pettigrew (1985), which we include in the formal review. Furthermore, the starting point roughly coincides with the beginning of an unprecedented era of globalization (Roth 2011). Since 1987, many companies have not only diversified their products but also entered new geographical markets – a trend that is believed to result in changes at the CHQ (e.g. Baaij *et al.* 2012a,b; Ferlie and Pettigrew 1996).

The process of finding studies for the review involved two main steps. First, we identified relevant publications in academic and practice-oriented journals. We searched the EBSCOHost Business Source Premier and the ISI Web of Knowledge databases, which provide access to the leading journals. We considered all journals with 2011 ISI Journal Citation Report impact factors of more than 0.5 in the categories of Area Studies, Business, Business and Finance, Economics, Geography, Management, Planning and Development, and Urban Studies. For the search, we used several synonyms for 'CHQ' and 'change'. Scholars have used a variety of terms when describing and analysing the CHQ (cf. Menz *et al.* 2013), including 'strategic apex' (Mintzberg 1979), 'central administrative office' (Aarland *et al.* 2007; Davis and Henderson 2008; Montague 1986), 'corporate centre' (Baaij *et al.* 2004; Hansen and Peytz 1991), 'corporate parent' (Campbell *et al.* 1995a,b) and 'headquarters' (Henderson and Ono 2008; Strauss-Kahn and Vives 2009). Recently, scholars have used the term 'corporate headquarters' (Birkinshaw *et al.* 2006; Collis *et al.* 2007, 2012; Foss 1997; Garvin and Levesque 2008; Young *et al.* 2000) to distinguish the headquarters (HQ) of the overall firm from those of business units (BUs) or regional headquarters. Similarly, we used several synonyms for change, including 'chang*', 'transform*', 'modif*', 'restruct*', 'redesign*' and 'relocat*'. We searched for any combination of the two sets of synonyms, such as 'corporate headquarter* chang*', 'strategic apex restruct*', 'corporate centre relocat*' and 'corporate parent transform*'. To ensure that we included all relevant studies, we also worked forward by searching those studies that cited the articles identified.

Second, two of the authors manually screened the publications uncovered in the first step and excluded those that did not cover changes at the CHQ. To be

included in this review, a study had to deal with some type of 'dynamism' related to the characteristics of the CHQ. We adopted a broad definition of 'dynamism' to avoid unnecessarily restricting the review. We therefore considered works dealing with various types of change, such as radical and incremental change, continuous and discrete change, and planned and unplanned change (e.g. George and Jones 2000; Mintzberg and Westley 1992). As this review focuses on the firm and organizational (unit) levels rather than on the individual or team levels, we did not include research on corporate-executive turnover. Although corporate executives are an important element in CHQ definitions, executive-succession research has developed into an independent research stream (for reviews, see Giambatista *et al.* 2005; Hutzschenreuter *et al.* 2012; Kesner and Seborra 1994). However, we included research on executive succession when it involved other aspects of change at the CHQ. In addition, because the nature of the CHQ differs greatly from that of divisional HQs (e.g. Birkinshaw *et al.* 2006), we did not consider research that exclusively explored changes at the divisional HQ level.

This identification process resulted in a final set of 66 publications. Given the broad scope of CHQ change phenomena, the research reviewed in this paper has been published in journals in a variety of fields (for an overview of the journals and articles, see Figure S1 and Table S1). This variety is also reflected in our analysis of the literature.

To organize the discussion, we sorted the contributions into three domains based on their primary focus: (1) the strategy domain, in which the CHQ is referred to as a corporate-level (or firm-level) entity that is responsible for the overall firm; (2) the organizational-design domain, which pertains to the design characteristics of the CHQ as a distinct organizational unit at the top of the corporate hierarchy; and (3) the physical domain, in which the CHQ is referred to as a physical entity with a geographical location (often linked to the location of a legally registered entity). As illustrated in Table 1 and described in the literature review, the three domains differ in their conceptualizations of the CHQ, their main research foci and their measurements of changes at the CHQ. In the following, we review and discuss the studies in each of the domains, which is an approach similar to that found in other literature reviews (e.g. Purkayastha *et al.* 2012).

Table 1. Three domains of changes at the CHQ

	Strategy domain	Organizational-design domain	Physical domain
CHQ concept	<ul style="list-style-type: none"> • Strategic entity • Both a unit- and a company-level concept • Internal and external focus 	<ul style="list-style-type: none"> • Organizational entity • Unit-level concept 	<ul style="list-style-type: none"> • Physical/legal entity • Both a unit- and a company-level concept
Main concerns	<ul style="list-style-type: none"> • How the CHQ manages the overall company <ul style="list-style-type: none"> – Roles/functions – Styles – Activities 	<ul style="list-style-type: none"> • Internal focus (internal alignment) • Organizational design of the CHQ <ul style="list-style-type: none"> – Informal design (e.g. culture) – Formal design (e.g. structure, systems) – People (e.g. staffing) 	<ul style="list-style-type: none"> • External focus • Physical location of the CHQ <ul style="list-style-type: none"> – Legal registration of the firm – Location – Physical buildings
Examples of changes	<ul style="list-style-type: none"> • Corporate management styles • Value-adding strategy (e.g. growth via M&A vs. organic growth) • Intensity of corporate-level specialism 	<ul style="list-style-type: none"> • Number of CHQ staff, CHQ functions, CHQ costs • Level of formalization and centralization • Configuration of the CHQ–subsidiary relationship 	<ul style="list-style-type: none"> • Location of the CHQ • Number of CHQ locations • CHQ mobility
Exemplary studies	<ul style="list-style-type: none"> • Goold (1994) • Campbell <i>et al.</i> (1995a,b) • Grant (2003) 	<ul style="list-style-type: none"> • Ambos <i>et al.</i> (2010) • Gospel and Sako (2010) • Kleinbaum and Stuart (2014) 	<ul style="list-style-type: none"> • Baaij <i>et al.</i> (2012a,b) • Birkinshaw <i>et al.</i> (2006) • Laamanen <i>et al.</i> (2012)

Research in the strategy domain

Changes at the CHQ can be conceptualized as strategic changes at the corporate level. The CHQ's management of the overall firm is an important aspect of a firm's corporate strategy and its international strategy. The concepts of corporate strategy (e.g. Goold *et al.* 1994; Porter 1987) and multinational company (MNC) strategy (e.g. Bartlett and Ghoshal 1989) typically incorporate two elements: (1) the company's set of product and regional domains; and (2) the CHQ's management of the set of individual domains. Accordingly, strategic change at the corporate level occurs along these two elements (e.g. Ginsberg 1988). Changes at the CHQ thus reflect strategic choices made at the corporate level related to the value-adding strategy. Studies in this area are broadly concerned with changes in how the CHQ manages the overall firm, including changes in the functions and roles of the CHQ, and changes in corporate growth strategies. Table 2 summarizes the relevant studies in the strategy domain.

Characteristics

An important theme in this domain is the evolution of the roles and management styles of the CHQ. Over time, the 'general office' (Chandler 1962) and the 'strategic apex' (Mintzberg 1979) have developed into the CHQ of today's large corporations. Based on

his original work (Chandler 1962) and on Goold and Campbell's (1987) research into the role of the CHQ, Chandler (1991) argues that the CHQ has two basic roles: an entrepreneurial (value-adding) role and an administrative (loss-preventing) role (see also Foss 1997). He also argues that industry characteristics shape how firms in those industries develop and implement the two basic CHQ roles. With respect to the entrepreneurial role, Hungenberg (1993) argues that, because the pressure for the CHQ to add value has increased, firms need to define an effective role for their CHQs, as well as an efficient scope and size. In a similar vein, scholars have explored the evolution of individual CHQ units, such as the strategy department. In particular, Grant (2003) studies strategic planning systems and finds that three key roles have emerged: (a) strategic planning as a context for strategic decision-making; (b) strategic planning as a coordination mechanism; and (c) strategic planning as a control mechanism.

A common finding in prior research on CHQ roles is that fundamental changes rarely occur, while minor changes occur more often. Goold and Luchs (1992), for example, investigate different CHQ management styles and postulate that they rarely change. In a conceptual article focused on CHQ learning, Goold (1994) argues that some types of CHQ learning are fairly easy, while others are difficult or even impossible. Specifically, he argues that, as the firm ventures into unfamiliar territory, the CHQ finds it

Table 2. Previous studies in the strategy domain

Author(s) (year) ^a	Research focus ^b	Theory	Method	Key findings related to changes at the CHQ ^c
Goold and Campbell (1987)	CHQ management styles (I-B; II)	Parenting theory; contingency theory	Empirical study (qualitative): 16 large companies	Companies rarely change their CHQ management styles and then only with considerable difficulty. Such changes generally address strategic planning, financial control and strategic control.
Chandler (1991)	CHQ roles; management styles (II)	Contingency theory	Conceptual study	Over time, the characteristics of the industries in which firms operate shape the development and implementation of the two basic CHQ roles (entrepreneurial and administrative).
Coulson-Thomas (1992)	Corporate vision and mission (I-B)	n/a: descriptive	Three surveys	The lack of TMT commitment and the lack of communication skills are major barriers to vision/mission change at the CHQ level.
Goold <i>et al.</i> (1993a,b)	CHQ management styles (I-A; I-B)	Parenting theory; contingency theory	Empirical study (qualitative): 16 major UK firms	Companies rarely introduce major changes in their CHQ management styles (strategic planning, financial control and strategic control) except in times of crisis (poor performance) or TMT changes.
Hungenberg (1993)	CHQ roles; CHQ size (I-II; II)	n/a: descriptive	Conceptual study with illustrative cases	Two main forces affect changes at the CHQ. Institutional changes increasingly require the CHQ to add value, while environmental changes have reduced the practicability of central problem-solving.
Goold (1994)	CHQ learning ('parental learning') (I-III; III)	Organizational learning	Qualitative: case studies	A precondition for successful CHQ learning is recognition of the need to learn. Some types of CHQ learning are relatively easy, while others are hard or even impossible.
Campbell <i>et al.</i> (1995a)	Parenting characteristics (I-A; I-B; II)	Parenting theory; organizational adaptation view; contingency theory	Empirical study: case study	CHQs constantly modify and fine-tune their parenting, but fundamental changes only occur when CEO/TMT changes take place because 'parenting' is built on deeply held values and beliefs.
Goold <i>et al.</i> (2001)	CHQ redesigns; CHQ roles (I-A; II)	Parenting theory; contingency theory	Mixed study: trends of 600 companies; illustrative case study	CEO change prompts reassessment of CHQ roles and structure. CHQ redesigns are based on three CHQ roles: minimum corporate parent, value-adding parenting and shared services.
Grant (2003)	Strategic planning systems (I-A; II)	No explicit theory: process theory	Empirical study: in-depth case studies of eight large oil companies	Fundamental changes in the nature and roles of strategic planning systems have occurred since the end of the 1970s.
Durmuşoğlu <i>et al.</i> (2008)	CHQ strategy (II-III)	No explicit theory: control theory	Empirical study: case studies of three BUs of one MNC	Several factors influence strategy implementation by different BUs after changes in the product-innovation strategy at the CHQ.
Stuyterman and Wubs (2010)	CHQ roles (I-II; II)	No explicit theory	Two case studies: Royal Dutch Shell, Sara Lee	Changes are a response to globalization and an attempt to advance globalization processes by simultaneously building international institutions and changing elements of the national business system.
Aspara <i>et al.</i> (2011)	CHQ business model (II)	No explicit theory: managerial cognition, organizational change	Empirical study: historical case study of Nokia, 1987–1995	Business units can feed strategic alternatives and capabilities into corporate-level change through people and cognitive mind-set exchanges between business and CHQ levels.

^aIn chronological order.^bThe characters in parentheses in the second column refer to Figure 1.^cIncludes direct and indirect quotes.

more difficult to learn. The most significant learning challenges for the CHQ seem to arise in situations where deeply held assumptions and beliefs are questioned, and the learning situation simultaneously requires that perceived truths be forgotten, at least to some extent. Along the same lines, Campbell *et al.* (1995a, p. 132) claim that good 'parents constantly modify and fine-tune their parenting, but fundamental changes in parenting seldom occur, usually only when the chief executive and senior management team are replaced'. Moreover, the privileged status of the CHQ is believed to shield it 'from the rigors of the market' (Campbell *et al.* 1995b, p. 82). Overall, these findings imply a certain amount of inertia at the CHQ level because fundamental changes in the CHQ's value-adding strategy are difficult to implement.

Antecedents

Changes at the CHQ can be fostered or impeded by changing and enduring conditions in the firm's internal environment. First, and perhaps most importantly, changes in the firm's strategic leadership are associated with changes at the CHQ. Most researchers agree that fundamental changes at the CHQ only occur when top executives (the CEO or members of the top-management team (TMT)) are replaced. For example, when investigating different management styles, Goold and Luchs (1992) observe that change occurs only as a result of a crisis, or in conjunction with a new CEO or turnover in the TMT. Furthermore, Goold *et al.* (2001) assert that CEO changes lead to a reassessment of the roles and composition of the CHQ. An implicit assumption is that CEO and TMT changes serve as adaptation mechanisms that facilitate changes in cognitive orientations and mental models (Wiersema and Bantel 1992, 1993), as well as in the power structures at the top (e.g. Shen and Cannella Jr. 2002). Relatedly, Coulson-Thomas (1992) identifies a lack of TMT commitment and a lack of communication skills as major impediments to changes in the firm's vision or mission at the CHQ level.

Second, changes in the corporate portfolio are related to changes in CHQ functions and roles. For example, Campbell *et al.* (1995a) suggest that companies would rather change their business portfolios than their corporate management styles in order to establish internal fit. This implies that the costs of changing the business portfolio are lower than the

costs of changing the CHQ's parenting style.¹ These authors join Goold (1994) in arguing that parenting characteristics are based on deeply held values and beliefs that impede the implementation of change. Overall, the extant research largely focuses on changes in the firm's product and market portfolios, while little is known about whether and how changes in the firm's geographical scope affect the CHQ.

Third, prior performance may affect changes at the CHQ. Specifically, the firm's prior performance is associated with strategic change at the CHQ. As noted earlier, Goold *et al.* (1993a,b) suggest that companies rarely change their CHQ management styles except when responding to a crisis (e.g. poor firm performance) or to changes in the TMT. Interestingly, little is known about the consequences of (poor) CHQ performance.

In addition, changing and enduring conditions in the firm's *external environment* are associated with pressure for and resistance to change at the CHQ. Several external factors are associated with strategic change at the CHQ, including the situation in financial markets and macroeconomic conditions. For example, Durmuşoğlu *et al.* (2008, p. 387) study a conglomerate that changed its strategy from growth via mergers and acquisitions (M&A) to organic growth through new product development. They find that this 'change in the parent company's strategy' was driven by a change in the financial markets and in analysts' expectations. Relatedly, institutional change can foster a rethinking of the CHQ's value-adding role (e.g. Hungenberg 1993).

Outcomes

A few studies empirically investigate the outcomes of strategic changes at the CHQ. Durmuşoğlu *et al.* (2008) study whether a change in the product-innovation strategy at the CHQ resonates in the same way among different operating units. They find differences in how the operating units 'reshape their structure and resource allocation, changing various dimensions of their innovation strategy while also fitting the competitive structure in their individual, non-high-tech, traditional manufacturing industries as they respond to the corporate mandate' and that '[...] even with the immense power corporate has [...], some still dance to their own tune'

¹We thank an anonymous reviewer for drawing our attention to the implicit assumptions of this assertion.

(Durmuşoğlu *et al.* 2008, p. 387). This study therefore serves as an example of the intermediate outcomes at the BU level.

With respect to performance outcomes, scholars generally assume that changes at the CHQ are a means to (re-)establish fit. The underlying argument relies on contingency logic, and its premise that internal and external fit lead to superior performance (Donaldson 1987, 2001). For example, Campbell *et al.* (1995a) postulate that a fit between the CHQ's parenting style and the firm's business portfolio can create value, whereas a lack of fit can destroy value. However, empirical evidence from large-scale samples on the performance implications of strategic changes at the CHQ is lacking.

Discussion

Collectively, the extant studies make important contributions to the CHQ and strategic-change literatures. Specifically, two insights appear to be key. First, while the majority of studies on corporate-level strategic change focus on changes in the business portfolio as one aspect of corporate strategy, the research reviewed here highlights strategic change at the CHQ unit as an important dimension of corporate-level strategic change. This research suggests that firms rarely implement fundamental changes at the CHQ level. Second, corporate-level actors play a crucial role. In fact, if strategic changes occur at the CHQ, they are usually driven by these actors.

Despite these contributions, research in the strategy domain has certain limitations. While many insights are based on illustrative case studies, large-scale, quantitative research is relatively scarce. Specifically, empirical tests of the performance implications of strategic change at the CHQ remain very limited. Perhaps as a consequence, we have only inconclusive findings on the benefits and costs of strategic changes at the CHQ. In addition, with the exception of a few studies (e.g. Goold 1994), we know little about the processes associated with such changes.

Research in the organizational-design domain

Changes at the CHQ can also be conceptualized as changes in organizational design. Organization theorists typically distinguish between the unit and

organizational-design levels, and among various components of design (e.g. Nadler *et al.* 1992). Although the two design levels are interrelated, 'effective design at the unit level of the organization is crucial to success' (Nadler *et al.* 1992, p. 35). This is especially true for the CHQ units of large firms (Campbell *et al.* 1995b; Porter 1987). Studies in this area investigate changes in several organizational-design components, such as the work, the people, and the formal and informal organizational designs at the CHQ. Such changes in the formal and informal organizational designs include changes in the levels of formalization and centralization, as well as changes in the relationship between the CHQ and its subsidiaries. Table 3 provides a summary of the studies in the organizational-design domain.

Characteristics

A common theme in this domain is the pendulum between decentralization and centralization. Based on these two extremes of organizational change, Ferlie and Pettigrew (1996) identify several generic trends that still appear to be prevalent. The first trend is downsizing (Ferlie and Pettigrew 1996, p. 497). For example, in the 1980s, volatility in product markets and the search for new competitive advantages led to reorganizations in many large firms (Aksoy and Marshall 1992). The restructuring of many of these firms, such as BP, Unilever, ICI and NatWest, often included significant staff reductions (Young 1993). A second trend is decentralizing while retaining core central control (Ferlie and Pettigrew 1996, p. 498), which refers to the allocation of greater responsibility and authority to BUs, while the core coordination tasks remain centralized at the CHQ. Proponents of centralization usually make value-adding and synergy arguments in favour of this trend, and support for this trend can be found in studies on specific CHQ functions, such as human resources (e.g. Hendry 1990), strategic planning (e.g. Grant 2003), information technology (e.g. Donovan 1988), and research and development (e.g. Park and Gil 2006; Reger 2004).

These general trends are reflected in various changes in the formal design of the CHQ, such as changes in the number of staff or the number of corporate functions. A few surveys provide trend data on changes in formal CHQ designs. For example, Collis *et al.* (2007) report on international trends in formal CHQ organizational designs, such as changes in the number of CHQ staff and corporate

Table 3. Previous studies in the organizational-design domain

Author(s) (year) ^a	Research focus ^b	Theory	Method	Key findings related to changes at the CHQ ^c
Pettigrew (1985, 1987)	Centralization, bureaucracy and control (II)	Process theory	Empirical study: longitudinal case study of one firm (ICI)	Environmental change and pressure are needed for internal strategic change. Substantial changes seem to only occur when firms are in severe economic difficulties.
Tomasko (1987)	CHQ staff and CHQ functions (II; II-III)	No explicit theory: managerial	Anecdotal; case examples	The decentralization of CHQ functions has several objectives. The HR function is important in sustaining a lean CHQ, which can be much harder than achieving a lean CHQ.
Donovan (1988)	Centralization of CHQ resources and control (I)	n/a: descriptive	n/a: descriptive	Technological change, and strategic and organizational factors are driving the decentralization of computing power from the CHQ to decentralized units.
Ohmae (1989)	CHQ tasks and centralization of decision-making (II; II-III)	No explicit theory: contingency theory, managerial	Not explicitly specified; case studies	The restructuring of the CHQ into several regional HQ is important for a company's successful transition into a global player.
Hendry (1990)	CHQ function/processes (HR); decentralization (I-II; II)	No explicit theory: internal labour market	Empirical study (qualitative): 10 large organizations	Decentralization in the 1980s prompted rethinking of the role, status and activities of the HR function. Owing to decentralization, there is a significant shift in the corporate HR role.
Stewart III (1990)	Decentralization of authority and ownership (II-III)	n/a: descriptive	n/a: illustrative cases	The CHQ can add value through: entrepreneurial motivation of BU managers; balance-sheet restructuring and strict financial control; and decentralizing authority and ownership.
Useem and Gottlieb (1990)	Decision-making authority; CHQ staff (I-II; II)	Agency theory: ownership-disciplined alignment	Qualitative (interviews and documents): 12 companies	Focus on shareholder value, among others, fostered decentralizing of decision-making authority; contracted CHQ managers and staff functions, and created mechanisms for internal ownership.
Alexander (1991)	CHQ control; centralization of decision-making (I-II)	Contingency theory; transaction-cost theory; bounded rationality	Empirical study: panel data from 97 multi-hospital systems	Organizations selectively decentralize under conditions of increasing uncertainty, but organizational age, dispersion and initial control arrangements moderate the direction and magnitude of such changes.
Aksoy and Marshall (1992)	CHQ staff and functions (I-II)	Economics	Empirical study: survey of CHQs of 20 large firms in the UK	The number of CHQ staff in large firms has declined substantially owing to corporate restructuring. In addition, CHQ functions have been delegated to operating units or outsourced.
Majlers (1992)	Corporate culture; decentralization (I-II; II)	n/a: descriptive	n/a: illustrative case (Unilever)	M&A increases need for cultural change to build a common corporate culture to avoid the danger of becoming too decentralized.
Tomasko (1992)	Corporate restructuring; CHQ staff (II)	No explicit theory: managerial	Anecdotal; supported with examples	Improvements in the basic management processes are as essential as changes in the organizational structure.

Amburgey and Dacin (1994)	Decentralization (I–II; II–III)	Contingency theory	Empirical study (quantitative): 262 large firms; observed over 28 years	While there is a reciprocal relationship between strategy and structure, there is a hierarchical relationship between them in terms of the magnitude and timing of change.
Aghion and Tirole (1995)	CHQ control (I–II)	Control theory	Theory building; formal modelling	Growth and other factors lead to corporate restructuring and a refocusing on core competences, which may lead firms to create profit centres, and to abandon the U-form in favour of the M-form.
Cibin and Grant (1996)	Decentralization, control, culture (I–II; II)	Organizational change	Empirical study: in-depth case studies of eight large oil companies	Corporate restructuring involves a transition from one strategy-structure configuration (the administrative-planning model) to another configuration (the market-responsiveness model).
Young (1998)	CHQ size (number of CHQ staff) (I–II; II)	Parenting theory; contingency theory	Conceptual study	As the CHQ can be difficult to change – change is viewed as a threat to established empires – benchmarks can provide a less emotional way of challenging the status quo.
Goold and Campbell (2002)	Organizational (re)design of parents (II)	Parenting theory; contingency theory	Not explicitly specified; case studies	Companies should adopt a practical approach to organizational redesign and try minor design changes before making major design changes.
Kontes (2004)	CHQ activities, organizational structure, model (I–II; II)	n/a: descriptive	n/a: descriptive	There is a need for CHQ redesigns, as firms change significantly over time. There are two main tasks: creating a new CHQ model and replacing the old CHQ model.
Reger (2004)	Decentralization; corporate R&D function (I–II; II; II–III)	No explicit theory	Conceptual study with an illustrative case (Philips Electronics)	Since the early 1980s, global R&D units in MNCs have been reorganized towards corporate-wide centres of excellence, which increases the need for various coordination mechanisms.
Cooke (2006)	Corporate HR function (II; II–III)	No explicit theory	Qualitative: single case study of an MNC	When separating the HR function into strategic, operational and administrative parts, the financial and emotional cost of moving to a shared-services model can outweigh the tangible cost savings.
Morgan and Kristensen (2006)	CHQ–subsidiary relationships (II–III)	Institutional theory: institutional duality	Conceptual; theory building	Due to micro politics between the CHQ and MNC subsidiaries, the institutional contexts produce two types of subsidiaries: ‘boy scout’ and ‘subversive strategy’ subsidiaries.
Park and Gil (2006)	R&D function; structure and processes (I–II; II)	n/a: descriptive	n/a: illustrative case (Samsung)	Key drivers of change were consensus on the need for change, strong top-management leadership, close alignment between R&D and the BUs, actionable planning, and performance management.
Collis <i>et al.</i> (2007)	CHQ size, structure and performance (II)	Information processing; agency, transaction cost, contingency theories; resource-based view	Empirical study: survey of 600 corporations in seven countries	The study reports on international trends in changes at the CHQ. Country trends were similar to those evident in the overall sample, with the exception of the US and Chile.

Table 3. Continued

Author(s) (year) ^a	Research focus ^b	Theory	Method	Key findings related to changes at the CHQ ^c
Harrell <i>et al.</i> (2007)	CHQ strategy department; CHQ staff (II–III)	Dynamic capabilities	n/a; descriptive (case description)	The introduction of BU experienced managers transformed the planning culture of the CHQ's strategy department from academic to action oriented.
Luo (2007)	CHQ–subsidiary relationships (I–II)	No explicit theory; theory of international business	Conceptual; theory building	Along with the competitive and regulatory environment changes, many MNCs have shifted their dominant strategies from 'foreign investors' only to 'strategic insiders'.
Borini <i>et al.</i> (2009)	CHQ–subsidiary relationships (I–II)	Theory of international business	Empirical study: 30 Brazilian MNEs and 66 subsidiaries, survey	The subsidiary's competitive context and external network are the most important elements for competence development, and for transfer to and recognition by the CHQ.
Ambos <i>et al.</i> (2010)	CHQ–subsidiary relationships (I–II)	Resource-dependence theory; self-determination theory	Empirical study: 257 subsidiaries in three countries, survey	Subsidiaries influence through initiatives only increases if the CHQ is interested. While subsidiary initiatives have a direct effect on subsidiary autonomy, they also induce CHQ control, which decreases subsidiary autonomy.
Collings <i>et al.</i> (2010)	CHQ staff (staffing flows/policies) (I–II)	Resource-based view; neo-institutional theory	Empirical study: 213 MNEs in Ireland, survey	Firms are likely to exploit the resources of subsidiary managers through 'in-patriate assignments' at the CHQ and at other subsidiaries if the subsidiary is large and well integrated with others.
Gospel and Sako (2010)	CHQ activities; HR function (I–II)	Contingency theory, transaction-cost theory, resource-based view	Empirical study: Procter & Gamble and Unilever	A high degree of centralization fosters an internal shared-services centre rather than outsourcing. A decentralized environment favours outsourcing rather than globally standardize systems and processes.
Joseph and Ocasio (2012)	CHQ–BU relationships; CHQ attention (II; II–III)	M-form	Inductive case study of GE's governance system, 1951–2001	There are three types of collective vertical interactions between the CHQ and Bus through channel integration, which help explain strategic adaptive change at the BU level.
Kleinbaum and Stuart (2014)	Communication networks of CHQ staff (II)	Network theory	Empirical study: 3.3 million e-mail dyads among 24,090 employees in one company	A 'corporate imprimatur' exists on the CHQ staff's network structures (relative to BUs, CHQ staff have more centralized and broader networks) that remains even when the people move back to the BU.

^aIn chronological order.

^bThe characters in parentheses in the second column refer to Figure 1.

^cIncludes direct and indirect quotes.

functions, and changes in CHQ costs (see also Young *et al.* 2000). They find that, relative to five years before the study, 42% of the CHQ had fewer staff, 32% had the same number of staff, and 26% had more staff. Trends in the individual countries were similar to those evident in the overall sample, with the exception of the US and Chile, where approximately 50% of firms reported increases in the number of CHQ staff.

Antecedents

Several internal factors can be associated with organizational design changes at the CHQ level. First, a few studies explore the role of corporate-level factors, including corporate strategy and corporate restructuring. For example, Aksoy and Marshall (1992) suggest that corporate restructuring, the delegation of tasks to operating companies and outsourcing have led to a substantial decrease in the number of CHQ staff in large firms. Cibirin and Grant (1996) study corporate restructuring in eight international oil majors from 1980 to 1992. They link changes in corporate strategy – especially a narrowing of the firm's scope – to various changes at the CHQ, including decentralization, a lower level of formality, a lower level of specialization, the introduction of non-hierarchical systems of coordination and control, and a redefinition of the roles of the TMT and CHQ staff. In addition, they link changes in business-level strategies to strategic change at the CHQ.

Second, several firm characteristics are also important, especially firm growth and prior firm performance (e.g. Aghion and Tirole 1995; Maljers 1992; Young and Goold 1993). For example, growth derived through M&A activities increases the need for cultural change in order to build a common corporate culture and avoid the danger of becoming overly decentralized (Maljers 1992). In addition, prior performance affects changes in the organizational design of the CHQ. Substantial changes seem to only occur when firms face severe economic difficulties (Pettigrew 1985, 1987). Along the same lines, Young and Goold (1993) argue that the driving forces of CHQ downsizing stem not only from corporate styles, but also from cost and efficiency pressures.

Third, several studies consider the operating units' characteristics, such as subsidiary size, CHQ–subsidiary relationships and relationships with other subsidiaries. For example, firms are likely to exploit the resources of a subsidiary manager through

assignments to the CHQ or other subsidiaries if the subsidiary is large and well integrated with other subsidiaries (Collings *et al.* 2010). Interestingly, Kleinbaum and Stuart (2014) uncover a 'corporate imprimatur' in the CHQ staff's network structures that remains even when the focal employees move back to their original operating units. Based on a network analysis of 3.3 million email interactions among 24,090 employees in a single firm, the authors find clear differences in the network structure of BU staff and CHQ staff: CHQ staff members have more centralized and broader networks.

Finally, as in the strategy domain, a few studies point to the crucial role of strategic leadership. More specifically, in a comprehensive single case study on the role of leadership in change processes, Pettigrew (1985, 1987) finds that revolutionary periods of change are associated with changes in leadership and power in the firm. Relatedly, Young (1998) argues that changes at the CHQ are viewed as a threat to the established empires of those who are running the firm. The author thus suggests that firms should use external benchmarks as a less emotional way of challenging the status quo at their CHQs. In a similar vein, Goold and Campbell (2002) propose that companies should take several rational steps when engaging in organizational redesign and try minor design changes before making major changes in order to avoid disruptions.

In addition, several external factors are associated with organizational-design changes at the CHQ. In the 1980s and 1990s, for example, an increased focus on shareholder value triggered a review of CHQ activities (e.g. Useem and Gottlieb 1990). Notably, an increasing degree of internationalization fostered decentralization in formerly centralized functions such as R&D (e.g. Park and Gil 2006; Reger 2004). Similarly, technological changes and the development of new information technologies are associated with decentralization in functional activities (e.g. Donovan 1988; Rajan and Wulf 2006). Another important factor is the market environment (e.g. Cibirin and Grant 1996; Luo 2007; Pettigrew 1985, 1987). For example, Pettigrew (1985, 1987) finds that periods of high-level change activity are associated with economic recessions that affect industries, markets and prices, and thus firms' relative performance. Similarly, Cibirin and Grant (1996) reveal that increased competition and instability are linked to changes at the CHQ. Alexander (1991) analyses panel data from 97 multihospital systems in a study of adaptive change in control practices between the

CHQ and operating divisions. He finds that ‘organizations generally practice selective decentralization under conditions of increasing uncertainty but organizational age, dispersion, and initial control arrangements significantly moderate the direction and magnitude of such changes’ (Alexander 1991, p. 162).

Outcomes

Some studies explore the consequences of changes in the CHQ’s organizational design. In particular, several intermediate outcomes at the CHQ and BU levels have been revealed. For example, Harrell *et al.* (2007, p. 34) find that appointing managers with business-level experience can transform the culture in the corporate strategy department. They observe that the ‘presence [of such managers] has transformed the department’s formerly academic planning culture to one that is much more action-oriented’. Joseph and Ocasio (2012) describe three types of interactions between the CHQ and the BUs, and suggest that these types of interaction vary in terms of their effectiveness for the adaptation of strategic change at the BU level. Amburgey and Dacin (1994) study intermediate outcomes at the firm level, and find a reciprocal relationship between strategy and administrative structure. However, in terms of the magnitude and timing of changes in strategy and structure, they find a hierarchical relationship, with strategy being a more important determinant of structure than structure is of strategy.

Unfortunately, we could not identify any studies of the performance outcomes of changes in the CHQ’s organizational design. However, one study does postulate a range of objectives for changes at the CHQ that reflect potential intermediate and performance consequences. In this study, Tomasko (1987, p. 36) identifies a range of objectives for firms attempting to turn CHQ functions into ‘businesses’ that provide their services not only internally, but also to customers outside the firm. These objectives include decreased overhead costs, additional profits, broader CHQ services than the company could afford if services were only offered internally, higher customer orientation among CHQ staff and higher retention of high-quality staff. In a similar vein, Stewart III (1990) argues that the CHQ can increase shareholder value by motivating BU managers, restructuring the balance sheet and engaging in strict financial control, and decentralizing authority and ownership. Future

studies might consider these objectives as potential outcomes of changes at the CHQ.

Discussion

Collectively, these studies develop vital insights with respect to the CHQ and organizational-change literatures. First, a number of corporate-level factors increase the need for changes at the CHQ, including changes in corporate strategy, corporate restructuring and growth. Relatedly, CHQ–subsidiary relationships are important. Second, a common theme centres on the interrelationships among changes in various aspects of the CHQ unit’s formal and informal designs, the culture and the people.

However, research in this domain has some shortcomings. First, as with research in the strategy domain, research on the effects of changes in the organizational design of the CHQ is relatively scarce. For example, some scholars argue that, if companies greatly reduce the size of their CHQs, they might lose important corporate capabilities (e.g. Collis *et al.* 2007; Raynor and Bower 2001). Yet, there is a lack of empirical evidence on the intermediate and performance consequences of such changes. Second, with the exception of a few studies, little is known about the change agents. We thus lack specific knowledge of which actors (i.e. external consultants) trigger and implement changes in the organizational design of the CHQ.

Research in the physical domain

Finally, changes at the CHQ can be conceptualized as physical changes, which include changes in geographical location of the CHQ and changes in other physical artefacts, such as CHQ buildings. Most studies in this domain have explored the effect of CHQ relocation. Table 4 summarizes the relevant studies in the physical domain.

Characteristics

Research on changes in the location of the CHQ either within one country (e.g. Davis and Henderson 2008; Feldman and Bolino 1998; Holloway and Wheeler 1991; Klier and Testa 2002; Voget 2011) or across national borders (e.g. Baaij *et al.* 2004, 2012a,b; Birkinshaw *et al.* 2006; Laamanen *et al.* 2012; Voget 2011) has increased in recent years. Indeed, the phenomenon of CHQ relocation is

Table 4. Previous research in the physical domain

Author(s) (year) ^a	Research focus ^b	Theory	Method	Key findings related to changes at the CHQ ^c
Holloway and Wheeler (1991)	CHQ relocations (I–II)	Dispersion theory	Empirical study: 300 large firms from 1980 to 1987	Changes in metropolitan corporate dominance are closely related to spatial shifts in the CHQ's location.
Ghosh <i>et al.</i> (1995)	CHQ relocations (II–III)	No explicit theory: finance	Empirical study: event study; 160 CHQ relocations between 1966 and 1992	The stock-market reactions to CHQ relocations are: (1) positive when decisions are attributed to cost savings and (2) negative when decisions are prompted by managerial self-interest.
Feldman and Bolino (1998)	Employee mobility during relocations (III)	No explicit theory	Empirical study: survey of 380 employees of a government defence agency	Employee willingness to move during relocations is determined by their (1) attachments to the present community, (2) attachments to the current organization and (3) options on the job market.
Shilton and Stanley (1999)	CHQ location decisions (I–II; II–III)	Cluster theory (competitive synergies)	Empirical study: 6,525 CHQs in 1996, 1,455 CHQs survived since 1986	Firms spatially cluster for competitive advantage (Porter 1998). Counties with CHQs of diverse firms tend to host various CHQs, and counties with CHQ in specific industries attract firms in those industries.
Garnaut (2002)	CHQ relocations (I–II; II–III)	Economics	Naïve theorizing (deductive theory building)	Regulations (to reduce transport and telecommunications costs, and to increase the attractions of people with executive leadership skills) positively influence CHQ location decisions.
Klier and Testa (2002)	CHQ geographic location trends (I–II)	n/a: descriptive; competitive advantage	Empirical study: large, publicly traded US companies	Trends for preferred CHQ locations and the determinants of CHQ growth in metropolitan statistical areas (MSAs) are: population and changes in population, industries, and regions.
Baij <i>et al.</i> (2004)	CHQ relocations (I–II)	Theory on international business (MNC); parenting theory	Conceptual study (including empirical trend data)	A conceptual framework of determinants of CHQ relocations suggests four sets of factors: (1) firm specifics, (2) industry specifics, (3) metropolitan specifics, and (4) nation and region specifics.
Brouwer <i>et al.</i> (2004)	CHQ relocations (I–II)	Location theories: neoclassical, behavioural, institutional	Empirical study: 5,568 firms, 21 countries from 1997 to 1999; survey	Internal factors (changes in the workforce) as well as external factors (growth through M&A) influence CHQ relocations. Firms serving larger markets relocate more often.
Gregory <i>et al.</i> (2005)	CHQ relocations (I–II)	n/a	Empirical study: 167 CHQ relocations over six years	There is little evidence of improved operating performance after relocation, and the distance between the old and new locations has no significant impact on performance.
Birkinshaw <i>et al.</i> (2006)	CHQ relocations (I–II)	International business; institutional; corporate strategy and governance	Empirical study: Swedish MNCs; 35 CHQs and 125 BU HQs; survey	CHQ relocations are a response to the perceived demands and opportunities offered by overseas shareholders and capital markets.
Prinsky and Wang (2006)	CHQ geographic relocations (II–III)	No explicit theory; finance	Empirical study (qualitative): 118 firms; from 1992 to 1997	The stock returns of firms with CHQs in the same geographical location co-move, the co-movement of the stocks of the old (new) location decreases (increases) when firms relocate their CHQs.
Barner-Rasmussen <i>et al.</i> (2007)	CHQ relocations (I–II; II)	Theory of international business (MNC)	Empirical study (qualitative): multiple case study of Finnish MNCs	There are six key drivers (internal and external), each involving pragmatic and symbolic dimensions of CHQ relocations. There are several relocation types, including direct, hidden, full, partial and virtual.

Table 4. Continued

Author(s) (year) ^a	Research focus ^b	Theory	Method	Key findings related to changes at the CHQ ^c
Cox and Schultz (2007)	Stock-market effects of CHQ relocations (II–III)	No explicit theory: market-based view	Empirical study (event study): CHQ relocations of US firms from 1994 to 2005	There is an overall positive relationship between relocations and stock returns. It is most positive if managerial interest is the reason, still positive if costs/consolidation is the reason, and negative if space is the reason.
Davis and Henderson (2008)	Spatial agglomeration of the CHQ (II–III)	Economic theories; economic geography	Empirical study: US CHQ locations from 1977 to 1997 in five-year intervals	A separation of central administration from production can benefit the CHQ: (1) the availability of different local service-input suppliers and (2) the scale of other CHQ activities nearby.
Henderson and Ono (2008)	CHQ relocations (I–II)	Economic theories; economic geography	Empirical study: 488 US manufacturing firms between 1992 and 1997	Firms consider the benefits (abilities to outsource service functions in the area and to gather market information) and increased communication/coordination costs of separating their CHQs from production sites.
Desai (2009)	CHQ relocations (I–II; II)	No explicit theory: theory of international business	Conceptual; illustrative cases	Firms unbundle their CHQ functions and reallocate them opportunistically across nations. A firm's legal home, its financial home and its homes for managerial talent no longer need to be co-located.
Strauss-Kahn and Vives (2009)	CHQ relocations (I–II)	No explicit theory: new economic geography model	Empirical study: 26,195 CHQ in 276 US areas in 1996 and 2001	Larger and younger CHQs, larger and foreign firms, and firms created through M&A relocate more often. Good infrastructure and business services, low taxes/wages, industrial concentration and other CHQs attract CHQ.
van Marrewijk (2009)	CHQ building and design (artefacts) (II)	No explicit theory	Empirical study (qualitative): longitudinal case study	The CHQ building is a physical embodiment of the firm's organizational change history. A firm's location in a government building (spatial positioning) is a reflection of the privatization process.
Voegt (2011)	CHQ cross-border mobility (I–II)	No explicit theory: economics	Empirical study: 140 MNCs, 1997–2007	The additional tax due in the home country has a positive effect on CHQ relocation, and controlled foreign corporation legislation has a positive effect on the number of relocations.
Baaij <i>et al.</i> (2012a)	CHQ relocations (II)	No explicit theory: economics	Empirical study: 58 of the 100-largest Dutch MNCs	The internationalization of markets and industries fosters the international relocation of CHQ parts. Strategic benefits and costs exist, and there are three options for CHQ relocations.
Baaij <i>et al.</i> (2012b)	CHQ relocations (I–II; II–III)	No explicit theory: theory of international business	Empirical study (quantitative): 58 of the 100-largest Dutch MNCs	An increase in the firm's degree of internationalization degree and a decrease in the perceived home-country attractiveness drive CHQ relocations. There are several strategic benefits of overseas relocations.
Laamanen <i>et al.</i> (2012)	CHQ relocations (I–II)	No explicit theory: theory of international business	Empirical study: 52 cross-border CHQ relocations in Europe from 1996 to 2006	Push factors increase the likelihood of CHQ relocation. Pull factors increase the attractiveness of certain CHQ locations. Catalysing factors increase the tendency to relocate.

^aIn chronological order.

^bThe characters in parentheses in the second column refer to Figure 1.

^cIncludes direct and indirect quotes.

striking in terms of the occurrence and scale of the change. With regard to occurrence, some studies find that between 5% and 6% of CHQs relocate each year (Strauss-Kahn and Vives 2009; Voget 2011). Feldman and Bolino (1998) report that US firms spend over US\$20 billion on corporate relocations and uproot over 250,000 employees each year. In terms of scale, CHQ relocations are major organizational events. Card *et al.* (2010, p. 222) use an example to illustrate the scale of CHQ relocations: ‘Boeing was granted 50 million USD (about 100,000 USD per job) in tax abatements to relocate its CHQ from Seattle to Chicago. The move involved around 500 top managers but no major production facilities’.

The geographical location of the CHQ matters for many reasons. For example, it affects the firm’s capital structure (Gao *et al.* 2011), its taxes, its access to information (Lovely *et al.* 2005) and its access to a wide range of resources, such as human capital (for a comprehensive review on agglomeration research, see McCann and Folta 2008). One study has explored the actual CHQ building as a physical embodiment of the firm’s organizational-change history (van Marrewijk 2009). The study finds that a firm’s proximity to government buildings (spatial positioning) reflects its privatization process. In other words, changes in the corporate architecture manifest as physical embodiments of organizational change at large. Given the importance of CHQ location changes, management scholars have attempted to improve our understanding of CHQ mobility. For example, Birkinshaw *et al.* (2006, p. 682) note that ‘the phenomenon of HQ relocation is on the rise, and as such it merits careful academic consideration’.

Antecedents

Several factors in the firm’s internal environment influence CHQ relocation. First, managerial interests can drive CHQ relocation decisions (e.g. Cox and Schultz 2007; Ghosh *et al.* 1995). Second, ownership and shareholder characteristics can influence such decisions. For example, Birkinshaw *et al.* (2006, p. 697) find that companies move their CHQ overseas mainly in ‘response to the perceived demands and opportunities offered by overseas shareholders and capital markets’. This finding ‘underlines the importance of the externally facing role of the [CHQ], as the interface between the activities of the MNC’s business units and the capital markets’ (Birkinshaw *et al.* 2006, p. 697), and thus serves as a good example of how research on changes at the CHQ can

inform our knowledge about the CHQ in general. Third, several firm characteristics are associated with CHQ relocations. For example, larger and younger CHQs relocate more often, as do CHQs of larger firms, foreign firms and firms created through M&A activity (Strauss-Kahn and Vives 2009). Along these lines, Brouwer *et al.* (2004) identify two internal factors – changes in the workforce, and external growth through M&A – that affect CHQ relocations.

In addition, certain conditions in the firm’s external environment, such as regulations and the capital markets, are associated with CHQ relocations. With respect to regulations, conceptual and empirical studies suggest that taxes and company laws influence decisions to relocate CHQs (e.g. Baaij *et al.* 2004; Laamanen *et al.* 2012). For example, Garnaut (2002, p. 447) suggests that ‘reforms to reduce transport and telecommunications costs and to increase the attractions of residence in Australia of people with skills that are important in executive leadership would have positive effects’. Another set of factors relates to the elements associated with the market environment, including capital markets, market size and the extent of internationalization. For example, Brouwer *et al.* (2004) find that market size is positively related to the frequency of CHQ relocations. Interestingly, in a study of BU HQ and CHQ relocations, Birkinshaw *et al.* (2006) find that the presence of international customers and competition affect the relocation of BU HQs, but not of CHQs. Their findings highlight the difference between the corporate and the BU levels.

Many studies suggest that a mix of factors in the internal and external environments may be linked to CHQ relocations. For example, Barner-Rasmussen *et al.* (2007) identify six key internal and external drivers: the control and integration of subsidiaries, the desire to induce HR-related change, the demands of owners and other stakeholders, a physical presence in a relevant area, the costs and spatial structure of management, and quality-of-life considerations. Each of these drivers has a pragmatic dimension and a symbolic dimension. Laamanen *et al.* (2012) identify three sets of factors: push factors (high taxes and a high employment rate) increase the likelihood of CHQ relocations; pull factors (central location and low taxes) increase the attractiveness of CHQ locations; and catalysing factors (export-oriented firms and regional HQ) increase the tendency to relocate. Cox and Schultz (2007) distinguish among three motivations for CHQ relocations and find that stockholders react positively to relocations motivated by

cost/consolidation and managerial interests, but negatively to those motivated by space considerations. Strauss-Kahn and Vives (2009) find that firms relocate their CHQs to areas that offer certain benefits, such as access to good airport facilities, low taxes, low wages, high levels of business services, same-industry specialization and the CHQs of industry competitors. More generally, Baaij *et al.* (2004) propose a conceptual framework with four categories of determinants of CHQ location decisions. These categories include various factors in the firm's internal and external environments.

In addition, scholars have recently started to relax the assumption of a single CHQ entity and, instead, studied different parts of the CHQ. For example, Desai (2009) argues that firms can have multiple CHQs, which might include a legal home, a financial home and a home for managerial talent, all of which can be relocated independently. Similarly, Baaij *et al.* (2012b) find that large firms are increasingly moving core CHQ parts abroad; only the corporate legal entity tends to be kept 'at home'. Furthermore, their study reveals that different core CHQ parts have different drivers of relocation, such as the degree to which firms are internationalized and the perceived attractiveness of their home countries.

Outcomes

Several studies explore the intermediate and performance outcomes of CHQ relocations. First, CHQ relocations affect various intermediate outcomes. For example, in their study of the determinants of CHQ agglomeration, Davis and Henderson (2008) suggest that the CHQ benefits from spatial separation from its production sites in two important ways. First, the broader range of expert services available for various needs improves the CHQ's productivity. Second, the CHQ benefits from its close proximity to other CHQs. However, Feldman and Bolino (1998) caution that the loss of key employees can become an issue. They find several important factors that affect an employees' willingness to move in conjunction with a CHQ's relocation, including their relationships with the present community and the current organization as well as the availability of job alternatives. Baaij *et al.* (2012a) list various benefits and costs associated with relocations. In a related study, the same authors argue that moving core CHQ parts overseas can be beneficial for firms, because of better communication and knowledge exchange with overseas stakeholders, access to international resources,

and access to fiscal, legal and regulatory regimes (Baaij *et al.* 2012b).

Second, scholars relate CHQ relocations to various performance outcomes, such as operational performance (Gregory *et al.* 2005), tax savings (e.g. Laamanen *et al.* 2012) and, most frequently, stock-price effects (e.g. Cox and Schultz 2007; Ghosh *et al.* 1995; Pirinsky and Wang 2006). For example, Pirinsky and Wang (2006) find that the stock returns of firms with CHQs in the same geographical location co-move, and that the co-movement of the stocks in the old (new) location decreases (increases) when firms move their CHQs. Ghosh *et al.* (1995) categorize the motives for CHQ relocations into six groups: cost, agency, business growth, business decline, sale and no reason. They find that shareholder reactions are positive when CHQ relocations are motivated by cost savings, whereas they are negative when relocations are related to managerial self-interest. In a similar study, Cox and Schultz (2007) find an overall positive relationship between CHQ relocations and stock prices. More specifically, they find that shareholder reactions are most positive when relocations are the result of managerial interest. The reactions are also positive when cost/consolidation is the reason for the move and, to some extent, even when no reason is given. However, the reaction is negative when space is the reason.

Discussion

Collectively, research in the physical domain contributes to knowledge of firm-level decisions. Most importantly, these studies improve scholarly understanding of the contemporary phenomenon of CHQ relocations, which seems on the rise. As CHQ relocations can have significant symbolic and organizational implications, they merit careful scholarly investigation (Birkinshaw *et al.* 2006). More specifically, we are already aware that specific aspects of the firm and its location determine CHQ relocations. In general, these factors can increase the attractiveness of a geographic location (country or region), and thus either decrease the likelihood of a CHQ relocation or attract new CHQs. Thanks to the availability of secondary data, studies in this domain provide empirical evidence on the performance consequences of specific aspects of CHQ change. Overall, there is some evidence that CHQ relocations have a positive effect on firm performance (e.g. stock-market reactions), although such reactions seem to depend on the rationale behind the relocation decision.

Despite these valuable insights, future research needs to address three shortcomings. First, with the exception of a few studies (e.g. Baaij *et al.* 2012b; Desai 2009), extant research on CHQ relocations has largely focused on the CHQ as a whole and has relied on data on legal domiciles. Recently, however, some companies have reported that they have dual or even multiple CHQs. For example, in describing how a Dutch company moved its global CEO and parts of its CHQ to China, Birkinshaw (2010) points to the trend of 'second homes' and dispersed CHQs. Some companies claim that they do not have a traditional CHQ; instead they have opted for a virtual CHQ and the rotation of TMT meetings around major sites (e.g. Baaij *et al.* 2012a; Birkinshaw *et al.* 2006). Baaij *et al.* (2012a) suggest the relocation of a TMT member's office, extensive reliance on travel and communication, and adopting second homes as alternatives to full relocation. As there is little knowledge of such practices, this area offers great potential for future empirical work. Second, as many studies focus on the short-term consequences at the firm level, we have few insights into the intermediate or long-term effects of CHQ relocations. It seems important also to study CHQ-specific outcomes, such as the effect on corporate culture (Feldman and Bolino 1998). Third, studies on CHQ relocation often apply cross-sectional designs, which prohibit us from establishing causal relationships (e.g. Birkinshaw *et al.* 2006).

Overall synthesis and future research directions

Although the research in each of the three domains reviewed here contributes to scholars' understanding of changes at the CHQ, the collective impact of the extant literature has been limited by its independent development in separate research areas, each of which has a certain scope in terms of research foci, methods and theories. In addition, research in the three intellectual domains seems to be in different stages of development, which are reflected not only in the studies' focal topics, but also in the different methods used. For example, while most studies of physical change at the CHQ are large-scale empirical studies, a considerable number of studies of strategic and organizational-design changes are conceptual and rely on illustrative cases. Furthermore, a common empirical issue, especially for studies in the strategic and organizational-design domains, relates to the limited availability of CHQ-related data.

However, firms have increasingly begun to disclose CHQ information in their annual reports and analyst presentations (e.g. *Economist* 2014), which offers new opportunities for empirical research.

Organizing framework for research into changes at the CHQ

Based on this literature review, we have developed an organizing framework that integrates the extant knowledge in the three research domains (see Figure 1). The framework reflects the previous studies' main variables of interest and the relationships between those variables. The purpose of this framework is to advance a more coherent perspective on changes at the CHQ that allows for learning and cross-fertilization of the three previously separate research domains, which we hope will stimulate future research.

The framework is composed of three components (the rectangles) and four forces (the diamonds). The latter illustrate the nature of the relationships between the components. The first component captures the antecedents of changes at the CHQ (I).² These factors arise from both changing and enduring conditions in the firm's internal and external environments. The internal factors (Ia) can be broadly differentiated into: (a) strategic leadership (CEO, TMT), (b) corporate strategy, (c) corporate governance and ownership, and (d) firm characteristics (e.g. age, size, prior performance). External factors (Ib) can be categorized into factors in (a) the regulatory environment, (b) the market environment and (c) the technological environment. As discussed above, extant studies often consider various internal and external factors as antecedents of changes at the CHQ.

The second component of the framework incorporates the characteristics of changes at the CHQ along the three content domains (II). The strategy domain (IIa) includes changes in the CHQ's roles and styles, and in its corporate growth strategies. The organizational-design domain (IIb) captures changes in the size and configuration of the CHQ, changes in levels of formalization and centralization, and the dynamic relationships between the CHQ and the operating units. The physical domain (IIc) refers to changes in the CHQ's (physical) artefacts, such as its legal domicile and its physical building(s).

The three dimensions of changes at the CHQ are interrelated. The strategy domain and the

²The characters in parentheses refer to Figure 1.

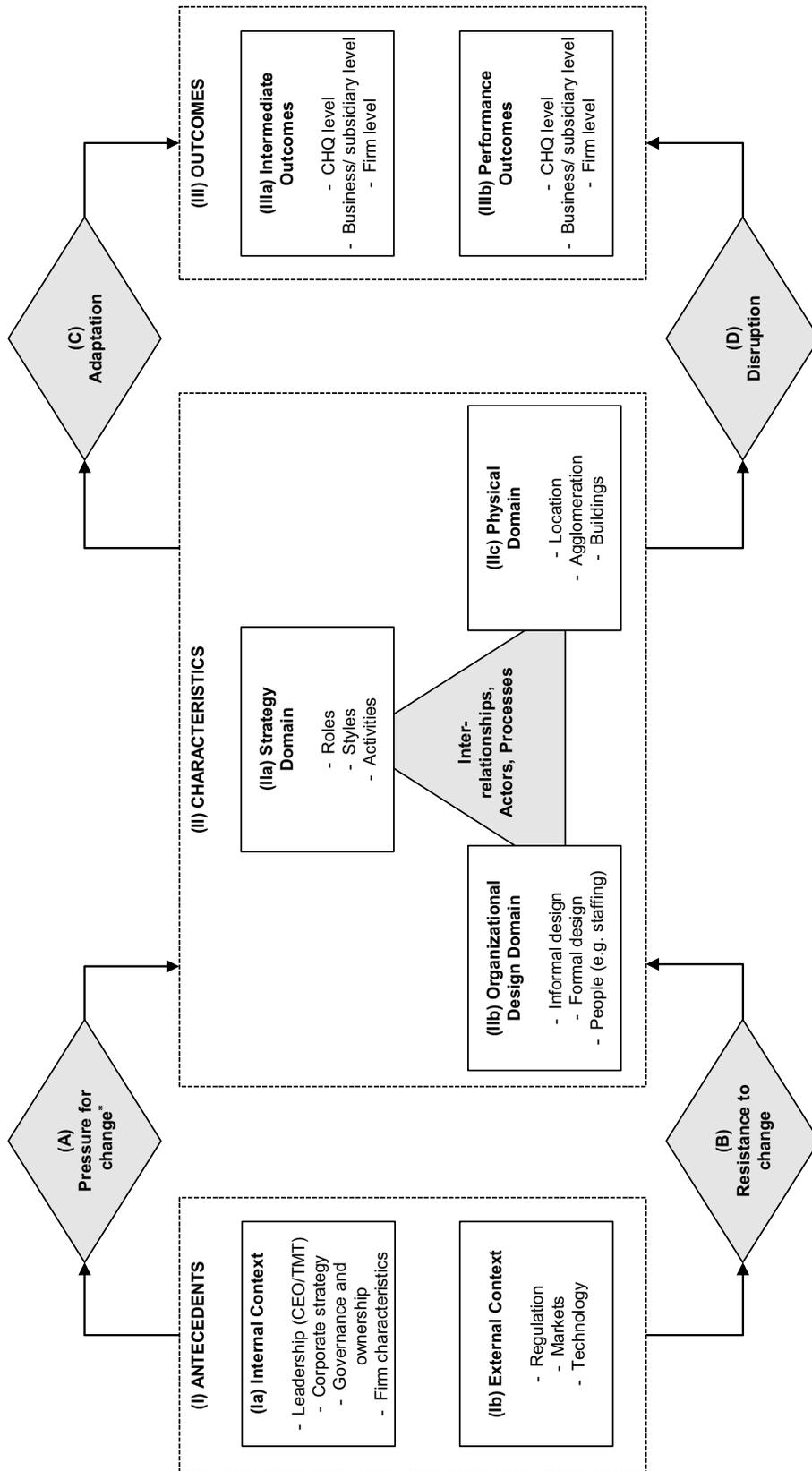


Figure 1. Organizing framework for research on changes at the CHQ.
*The grey-shaded areas highlight the opportunities for future research

organizational-design domain are closely related. As the CHQ's functions and roles translate into the CHQ organizational design (e.g. Collis *et al.* 2007), scholars often assume a hierarchical relationship between strategy and structure. For example, Amburgey and Dacin (1994) find a reciprocal relationship between strategy and administrative structure, but a hierarchical relationship in terms of the magnitude and timing of these changes, with strategy being a more important driver of structure than structure of strategy. In addition, the organizational-design domain and the physical domain are interrelated. For example, a change in the geographical location of the CHQ represents a change in the CHQ's proximity to the firm's operating units and external markets (e.g. Laamanen *et al.* 2012; Landier *et al.* 2009). The decision to co-locate or geographically separate administrative functions and production sites (e.g. Henderson and Ono 2008) is important for the firm, especially from an information and decision-making perspective. Finally, the strategy domain and the physical domain are also interrelated. The geographical location of the CHQ carries significant signal value and is publicly regarded as indicating the 'nationality' of the company (Laamanen *et al.* 2012). Hence, a change in the location of the CHQ has consequences from a signalling point of view and, thus, represents a strategic decision.

Even though there is a substantial amount of research in each of the three domains, there are limited insights into aspects that may benefit from or even require cross-fertilization across them. This is particularly true with respect to the interrelationships among the three domains, the roles of internal and external actors, and the processes of change at the CHQ. For example, while research in the strategy domain stresses the crucial role of internal change agents, such as the CEO and the TMT, in fostering or constraining changes at the CHQ, change agents have largely been neglected in the two other domains. In the subsequent section, we discuss these opportunities for future research and their potential to contribute to understanding of the changes at the CHQ.

The third component of the framework refers to the outcomes (III). These outcomes can be broadly split into intermediate (IIIa) and performance (IIIb) outcomes. They can be further differentiated into outcomes on the CHQ level, outcomes on the BU/subsidiary level and outcomes on the firm level. Overall, we have little conclusive knowledge about the consequences of changes at the CHQ. While both

intermediate and performance outcomes should be studied at different levels, there is a notable lack of empirical research on performance outcomes at the CHQ and BU levels.

The framework's diamonds portray the dynamic relationships between these three components. On the one hand, the changing and enduring conditions in the firm's internal and external environments can influence pressure for as well as resistance to changes at the CHQ (A; B). On the other hand, intermediate and performance outcomes arise from the adaptation and disruption caused by changes at the CHQ (C; D). We believe that the extent to which these four forces affect changes at the CHQ and their outcomes – and how they do so – merit further investigation in order to enhance scholars' understanding of changes at the CHQ. We therefore return to these forces in our discussion of research opportunities.

High-priority research opportunities

On the basis of our synthesis of the extant research, we have identified five important opportunities for future research, as indicated by the grey-shaded areas in the organizing framework (see Figure 1). Specifically, we suggest that scholars focus on improving our knowledge of: (1) the pressure for and resistance to changes at the CHQ, (2) interrelationships among changes at the CHQ, (3) change processes at the CHQ, (4) agents involved in changes at the CHQ, and (5) adaptive and disruptive effects of changes at the CHQ. Table 5 provides exemplary research questions for each of these opportunities. When studying these and other phenomena described in this section, we encourage scholars to pay close attention to the fit among the dynamic perspective on the CHQ, the theories and the research methodology (Bergh 1993; Bergh and Fairbank 2002).

(1) Pressure for and resistance to changes at the CHQ: when do changes occur at the CHQ? To substantiate knowledge of when changes occur at the CHQ, more conceptual and empirical research is needed on the factors that increase pressure for and resistance to such changes. Studies of the paradox of stability vs. change at the CHQ are critical for improving the limited understanding of the triggers of and impediments to changes at the CHQ. Future research can also help resolve inconsistencies between findings from research on strategic changes and findings on other changes at the CHQ. For example, research in the strategic domain suggests

Table 5. High-priority opportunities for future research on changes at the CHQ

Research opportunities	Exemplary research questions
(1) Pressure for and resistance to changes at the CHQ	<ul style="list-style-type: none"> • How inert is the CHQ? Are some CHQ characteristics more inert or stable than others (e.g. artefacts, such as location or physical attributes, vs. management styles)? • When and why do firms establish new centralized corporate functions? When do they decentralize or even shut down existing corporate functions? • How do different institutional settings and forces affect changes at the CHQ over time? To what extent do bandwagon effects ('fashions') influence changes at the CHQ, such as changes in the CHQ design? • How do shifts in the external environment, such as globalization and the rise of the BRIC countries, affect CHQ relocation decisions?
(2) Interrelationships among changes at the CHQ	<ul style="list-style-type: none"> • To what extent are changes at the CHQ interrelated? How do changes in one CHQ dimension trigger changes in another? Do changes in the various CHQ dimensions occur simultaneously or successively? • How do CHQ artefact changes serve as a catalyst for other changes at the CHQ? • When and why do corporations decide to relocate rather than redevelop their CHQs? When and why do firms decide to establish new CHQ types, such as 'second homes' or 'virtual (token) CHQs'?
(3) Change processes at the CHQ	<ul style="list-style-type: none"> • How do changes at the CHQ occur? In other words, how do they unfold over time? Are there different patterns, cycles or rhythms of changes at the CHQ? Do parts of the CHQ, such as corporate functions, have a life cycle? • How do specific processes of change at the CHQ, such as initiation, decision-making and implementation, function? • How do firms reverse change? Does adverse change occur? • What are the internal and external contingencies of the processes of change at the CHQ?
(4) Agents involved in changes at the CHQ	<ul style="list-style-type: none"> • Who are the internal and external agents of change at the CHQ? How do they enact changes at the CHQ? • Does the CEO's prior work experience inside or outside the focal firm, and at the CHQ or business levels make a difference? What types of CEO succession lead to changes at the CHQ? • To what extent do specific (new) functional executives, such as chief strategy officers, affect changes at the CHQ? How do they do so? • To what extent do external consultants and other external agents (e.g. activist shareholders) influence changes at the CHQ? How do they do so? Do external change agents help overcome CHQ inertia? Do external agents foster mimetic changes at the CHQ?
(5) Adaptive and disruptive changes at the CHQ	<ul style="list-style-type: none"> • When are changes at the CHQ adaptive and when are they disruptive? What are the merits or downsides of stability at the CHQ? • What are the intermediate consequences of changes at the CHQ, such as CHQ relocations? How do changes at the CHQ affect CHQ–subsidiary relationships, corporate culture, corporate capabilities and CHQ staff turnover? • To what extent do decisions related to changes at the CHQ enhance firm performance? How do they do so? How do changes at the CHQ affect a firm's operating performance and corporate value-added?

that CHQ inertia exists, while research in the organizational-design and physical domains does not necessarily support this notion. Scholars should identify and explore various additional internal and external antecedents to a variety of specific changes at the CHQ. Such antecedents may include size, functions and location.

In this vein, one important concern is the extent to which changes at the CHQ are deterministic or based on managerial choice. For example, we have little knowledge of the conditions that lead to the creation of centralized functions, such as HR, IT or marketing. On the one hand, it is widely believed that change is largely driven by institutional forces and that the firm's mimetic behaviour affects changes at the CHQ (DiMaggio and Powell 1983; Ferlie and Pettigrew 1996). On the other hand, changes at the

CHQ are typically driven by senior executives from the top down (Goold and Luchs 1992), which would support the managerial-choice perspective. The CHQ offers a compelling context for gaining additional insights into these competing views.

(2) *Interrelationships among changes at the CHQ: what changes at the CHQ?* Our framework indicates that changes can affect multiple dimensions and multiple levels of the CHQ. While the continued examination of the individual dimensions of changes at the CHQ is appealing, we believe that studying the links between these interrelated dimensions is crucial for extending the collective knowledge of what changes at the CHQ.

Such research could address important questions regarding whether change on one level triggers or

requires changes on other levels. For example, a company that decides to shift its CHQ from one location to another should consider several severe strategic and organizational implications. For example, in their study of CHQ relocations, Feldman and Bolino (1998) explore several factors associated with the staff's willingness to move during corporate relocations. We believe that there are many other opportunities to study such links, which could focus on questions such as: How do changes at the CHQ serve as a catalyst for organizational change at large? When and why do corporations decide to move rather than redevelop their CHQs?

(3) Change processes at the CHQ: how does the CHQ change? Scholars' understanding of the processes behind changes at the CHQ and, thus, of the question of how the CHQ actually changes, is limited, even though such knowledge is urgently needed. We need to learn more about change patterns (Klarner and Raisch 2013) and various time-related aspects (Ancona *et al.* 2001) of changes at the CHQ. For example, scholars should investigate the evolution of the CHQ as a whole, as well as the evolution of its parts. Furthermore, we lack knowledge regarding changes in specific CHQ elements, such as the hurdles associated with launching and institutionalizing a corporate function within large companies (e.g. Campbell *et al.* 2011, 2012).

In order to study the process phenomena related to changes at the CHQ, there is a need for rigorous qualitative research that develops theory and propositions of changes at the CHQ based on rich case studies. Studies in this vein that focus on specific processes of changes at the CHQ – such as change initiation, related decision-making and implementation – may lay the groundwork for comprehensive process models and, thus, offer the potential to contribute to scholars' understanding of how changes unfold at the CHQ. Such studies should incorporate potentially important internal and external contingencies, such as the industry's dynamism and the firm's corporate strategy. For example, as prior research suggests that the role and design of the CHQ differ across regions (Collis *et al.* 2012), the processes associated with changes at the CHQ may also differ. This, therefore, calls for studies that include case companies or large-scale data from multiple geographical regions.

(4) Agents involved in changes at the CHQ: who introduces change at the CHQ? Another important area for future research is the study of the internal

and external agents involved in changes at the CHQ and, thus, of those who are engaged in these changes. With respect to internal change agents, future research should further explore the role of the CEO and top management in changes at the CHQ. As the CEO is expected to be a driving force behind a variety of changes at the CHQ, especially when succession occurs (e.g. Goold and Luchs 1992; Goold *et al.* 2001; Laamanen *et al.* 2012), the study of changes at the CHQ as an intermediate outcome of CEO succession appears promising. Such research may focus on such questions as: When do CEO successions lead to alterations in the roles and structures of the CHQ? Does the new CEO's prior work experience inside or outside the focal firm and at the CHQ or at the business levels make a difference? We also encourage scholars to study other agents of change at the CHQ level, such as heads of corporate functions and corporate strategists, including, for example, chief strategy officers (Menz and Scheef 2014). Future studies in this area will not only inform understanding of how changes at the CHQ occur, but may also help open the 'black box' of how corporate managers affect outcomes, particularly those specific to top executives' roles. They can, therefore, also contribute to upper-echelon research (Hambrick 2007; Hambrick and Mason 1984; Menz 2012). We believe there is great potential for future empirical work in this area, especially for large-scale, hypothesis-testing studies.

In addition, while we have at least some knowledge regarding internal change agents, we know little about the external agents that may affect changes at the CHQ. For example, external strategy consultants often take part in large firms' CHQ changes, as indicated by the frequent studies they publish on the topic. We therefore encourage scholars to explore the role of potentially influential external change agents, such as consultants and activist shareholders. Studies in this vein should address such questions as the extent to which external consultants and other external agents (e.g. activist shareholders) influence changes at the CHQ, and how they affect the respective outcomes.

(5) Adaptive and disruptive effects of changes at the CHQ: why does the CHQ change? An examination of the literature shows that we have little conclusive knowledge about the consequences of changes at the CHQ and, thus, regarding the question of why a CHQ changes. While there are recurring calls for specific changes at the CHQ, such as downsizing

(e.g. *Economist* 2008, 2014), we have hardly any empirical evidence regarding the consequences of such changes. We therefore encourage scholars to explore the extent to which decisions related to specific changes at the CHQ benefit performance outcomes, such as a firm's operating performance and corporate value-added, and how these benefits arise. Given the distance between CHQ changes and performance outcomes, we need to extend knowledge of the intermediate consequences of changes at the CHQ, including their effect on CHQ–subsidiary relationships, organizational structures and corporate culture.

Along these lines, the extent to which changes at the CHQ are adaptive or disruptive also requires further investigation. Studies exploring the CHQ can inform knowledge on the more general puzzle of whether organizational change is adaptive or disruptive (e.g. Boeker 1997). Stability might ensure continuity of the corporate culture and have other important effects that may allow other parts of the organizations to change. A few studies on specific CHQ concerns caution that changes at the CHQ can have severe negative consequences (e.g. Wiersema 2002). Therefore, scholars are encouraged to investigate whether and when such changes are beneficial. The insights derived from such studies will also help firms diagnose the need for change or stability at the CHQ.

Conclusion

With the rise of large multi-product and multinational companies that are confronted with ever-changing environments, corporate managers and management scholars alike have become more interested in understanding the conditions and forces that facilitate successful change at the CHQ in large, public firms. In this paper, we have reviewed the existing knowledge on changes at the CHQ. We have also developed a framework that combines the variety of insights and serves as a basis for directing future research. The framework allows for the integration of research from the three separate tracks of CHQ change: strategic change; organizational-design change; and physical/geographical change. It thereby helps clarify several questions: To what extent do changes occur at the CHQ? On what levels do these changes take place and in which directions? What triggers or impedes these changes? What are the consequences of these

changes? It therefore not only provides scholars with a comprehensive overview of the extant knowledge but also uncovers novel research opportunities. As more research on changes at the CHQ is needed to improve scholarly understanding of the contemporary corporation, we hope that this review will facilitate fellow scholars' work.

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Supporting information

Additional Supporting Information may be found in the online version of this article at the publisher's website:

Table S1. Journal overview

Figure S1. Sample of works considered for this review by domain and year