Stimulating Sustainability in Multinational Companies: the Significance of Regional Headquarters

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Abstract. *Recently, regional headquarters have gained practical importance and theoretical attention. Traditionally considered a mere transmission facility to manage complex organisations, advanced approaches, however, locate regional headquarters in a field of tension between hierarchical integration and strategic independence. Given the growing concern for global responsibility, stimulating sustainability also and particularly addresses regional headquarters. This conceptual article combines the call for sustainability with the upcoming importance of regional headquarters: which contributions can the regional headquarters of a multinational company deliver to stimulate the development of sustainable corporate strategy and operations? The main topics are the effects different versions of embedding regional headquarters into the corporate context have on opportunities to implement sustainability policies: Are there different chances for successful implementation depending on the strategic setup of the company? Does the distribution of competences matter? Which types of interaction between headquarters and branch are suitable to introduce sustainability sustainably? Is the mix of national contexts of headquarters and branch of importance? First results show that depending on the companywide strategy, and especially on the structure and distribution of competences, regional headquarters can play a significant role as trigger of sustainability. The literature favours strong involvement and large autonomy of both branches as well as regional headquarters for the development and management of sustainability. The parts of the company involved in a critical environment often are the starting point of sustainability policies.*

Keywords: *multinational companies, sustainability, regional headquarters, organisational configurations, regional context.*

Introduction

Sustainability is the promise of future viability for societies in ecological, economic and social terms. The concept stresses greater equity, global solidarity and responsibility both among the living as well as for generations to come. To this end, the sustainability strategies of multinational companies play – or at least should play – an increasingly important role. Contrary to its vital importance, however, the concept of

sustainability has received only marginal attention in the business world; multinationals' explicit considerations in this regard are still a minority issue.

Recent theoretical as well as empirical developments in multinational companies strengthen the importance of regional headquarters: advanced approaches nowadays locate regional headquarters – traditionally considered merely a transmission facility to manage complex organisations – in an area of tension between hierarchical integration and strategic independence. This article combines the call for sustainability with the upcoming importance of regional headquarters: which contributions can a multinational's regional headquarters deliver to stimulate the development of sustainable corporate strategy and operations?

In a first step, current sustainability concepts are examined to develop a suitable characterization of socio-economic sustainability. A second introductory part discusses the concept of regional headquarters and explores the field of tension in which they operate.

The literature emphasizes the importance of strategy for joint actions; thus, demands to integrate sustainability into strategy are widespread. We examine prominent models of integration, find most of them to be maturity models, and try to estimate the chances for a sustainability policy on these stages. Results show that strategy choices are mostly dependent on outside pressure, whereas proactive strategies, which would thus be paying off, are scarce.

Implementation of sustainable business strategies is discussed with regard to varying configurations of control within international corporations: do implementation opportunities differ depending on strategic composition, form of organization and competences? Based on the concepts of Bartlett and Ghoshal, as well as Ambos and Schlegelmilch, it becomes clear that regional headquarters' chances to stimulate the implementation of sustainability in companies are quite diverse and depend on the respective configuration.

Equally decisive for success is the way how sustainability concepts are introduced: therefore the question arises whether control-oriented approaches, participatory approaches or a combination of these are particularly well suited to implement sustainability in the interaction between headquarters, reagional headquarters and branch. In the age of globalisation, value chains extend beyond regions but the importance of local and regional contexts remains obvious. Thus, our final considerations

are devoted to the importance of national contexts in implementing sustainability concepts.

Sustainability

Since the first general reception of the term "sustainability" following the Club of Rome report "Limits of growth" (Meadows, Meadows, Randers & Behrens, 1972) and subsequent reports (Meadows, Meadows & Randers, 1992; Weizsäcker, Lovins & Lovins, 1995), the concept has gained contours, dissemination and impact. Perhaps the most renowned definition – at least in Europe – stems from the Brundtland Report by the UN World Commission on Environment and Development (United Nations, 1987): "Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs." A second tradition (Karmasin, 1996; Karmasin & Litschka, 2008; Göbel, 2013) harks back to company and management ethics, emphasising the ethical and moral obligations of companies. This ethical goal of a fairer world in economy was significantly influenced by development cooperation, inter alia in the framework of the United Nations (Leiserowitz, Kates & Parris, 2005, 2006).

Since the 1990s, the triple bottom line has prevailed as a guiding vision of sustainability. In addition to protecting and preserving the natural heritage, included in the original Brundtland report, the triple bottom line stresses protecting and preserving the economic and social achievements and institutions of our society (Kleine & Hauff, 2009). Thus, a triple reporting necessity of companies with regard to environmental, social and economic factors (Elkington, 2004) is the starting point of different definitions and many concepts of sustainability.

Elkington and with him the majority of authors, calls for equal consideration of all three dimensions: "It is not possible to achieve a desired level of ecologic or social and environmental sustainability (separately), without achieving at least a basic level of all three forms of sustainability, simultaneously" (Elkington, 1999, p.75). In most cases, however, trade-offs occur between the different factors, and actors are thus forced to set priorities between the opposing goal dimensions (Steurer, Langer, Konrad & Martinuzzi, 2005; Müller-Christ, 2012).

In addition to the triple bottom line, a series of action-guiding principles is proposed as a basis for a sustainability concept. Common principles on enterprise level involve issues of justice, temporal orientation and the

participation of all persons concerned (Hauff, 1987; Steurer, 2001). On a societal level, concepts are more oriented towards UN declaration claims for freedom, solidarity, tolerance, justice and shared responsibility (United Nations, 2000, 2005, 2015).

Compared to the content orientation of the three pillar model, principles of sustainability offer the advantage of increased flexibility and situational adjustment. Also, due to their orientation function (Kates, Parris & Leiserowitz, 2005) and despite the disadvantages of a fuzzier and more general formulation, they are better suited for strategic statements or business principles.

Almost traditionally, multinational companies are at the centre of (media) attention in sustainability critique. The potential for scandalisation is as large as the effects of multinational corporations' conduct: the oil spills of Brent Spar and Exxon Valdez, the chemical accidents at Seveso and Bhopal, at Sandoz and Hoechst (Engelfried, 2004; Haeming, 2007) or the bullying working conditions for NIKE products (Klein, 2000), to name just a few.

Public discussion of the global responsibility of multinational companies primarily concentrates on the effects of relocating production or – more generally – is embedded into a critique of economic systems altogether (Altvater & Mahnkopf, 1996, 2002; Stiglitz, 2002), focusing on corporate head office activities. This is quite consistent as first and foremost headquarters are decision centres for downstream parts of the group. Headquarters decisions on and control over production and working conditions may be designed in very different ways, yet direct and indirect responsibility for all operating locations and group companies remain (Lautermann, 2005, Dunning & Fortanier, 2006).

In a broader perspective, global responsibility goes beyond the company itself and includes the value chain on the input (supplier) and output (customer) side. This is merely consistent with the logic of accountability. Contrary to a serious understanding of sustainability, however, companies often try to evade this accountability by exporting non-sustainability and concealing their own contribution. For the simple reason that outsourcing and location decisions can serve to avoid socially or environmentally induced costs or other unpleasant consequences (such as public attention to reduced labour standards), internationally active companies are to be held responsible prima facie. Summarising the arguments, all three areas of sustainability – environmental, financial, and social – are relevant for regional headquarters and along the entire value chain.

Regional headquarters

With increasing international integration, the complexity and requirements of management, structure, and strategy spiral upwards. This involves both the quantity of preconditions (such as legal situations, market structures, national cultures ...) as well as the quality of requirements, i.e. the extent of differences between host countries and the diversity of relocated activities, to be taken into account. Since the first considerations on globalisation, a series of tensions has been introduced into the debate, such as globalisation versus localisation, integration versus responsiveness, standardisation versus adaptation or centralisation versus decentralisation (Bartlett & Ghoshal, 1989; Brooke, 1984; Buzzell, 1968; Levitt, 1983). Regardless of the label, the point is that multinational companies are facing the challenge to adapt their strategies and business processes to regional conditions while at the same time maximising the advantages of an integrated approach through synergies (Lehrer & Asakawa, 1999; Ambos & Schlegelmilch, 2010).

Various practical and theoretical solutions address this area of tension. Stopford and Wells (1972), for example, distinguish between the poles of product-oriented strategic business fields and structural variety according to geographical criteria depending on the importance of product or country. Bartlett and Ghoshal (1989; see also Doz & Prahalad, 1991) adopt this distinction and add two types, allowing for a combination of the two extremes: the global matrix structure and the transnational network. These two versions aim to incorporate the issue of global integration and local adaptation into the individual subunits, thereby avoiding the need to solve the difficulties at the central level.

Both solutions are not without problems: matrix structures often lead to conflicts and confusion, bureaucracy and inflexibilities; rather than balancing interests, one side of the matrix dominates. In addition to showing similar problems, transnational networks often also lack acceptance or at least clarity of responsibility: if everyone is responsible, no one feels responsible in the end (Ambos & Schlegelmilch, 2010). Moreover, networks offer more opportunities for malicious, demotivating or opportunistic interventions of headquarters into the concerns of subordinate units (Foss, Foss & Nell, 2012).

Rugman (2005) goes one step further and questions the concept of globalisation altogether. The spread between global integration and local customisation cannot be covered by either side but leaves a gap comprising important company-specific benefits such as transaction cost advantages,

simplified transfer of knowledge or cultural integration opportunities. According to his empirically-based point of view, real global companies are the exception, most of them by far are virtually region-bound or at least regionally structured. Here, establishing regional headquarters is a solution that allows large, internationally diverse companies to earn company-specific benefits from the centre position. The few large-scale studies available suggest that regional headquarters are actually widely used in multinational companies (Enright, 2005a, 2005b). In a recent study Ambos and Schlegelmilch (2010) examined the role regional headquarters play in multinational companies and confirmed their great importance.

Regional headquarters are organisational units that occupy a middle position between corporate office (headquarters) and operating companies (subsidiaries) in a pyramid of possession (Grosse, 1981; Lehrer & Asakawa, 1999). In addition to the most common form of the legally independent and fully or at least majority-owned subsidiary, we can find so-called regional management mandates: these are minority interests, licensees, joint ventures, network partners and parts of operational units or even individuals that take on the functions of a regional controlling unit (Alfoldi, Clegg & McGaughey, 2012).

The most evident aspect of implementing regional headquarters is the shifting of problems from branches and the head office to the regional units, evoking special tensions there. On one hand, regional headquarters are a seat of management: they have strategic tasks and control subordinate units, they often have their own research and development centres and sales (Nell & Ambos, 2013). On the other hand, they serve as intermediary between the parent and the executing parts of the company and also represent the interests and concerns of the regional sites at the company centre (Wanner, 2006; Schuh, 2013). Thus, they are at the same time (strategic) management and recipients of (strategic) objectives.

The first approaches to establishing regional headquarters stressed the steering and control character for a specific geographical region (Heenan, 1979). Decades later, this view has been represented by Enright (2000) as well. He sees a decisive advantage in not depending on an overseas headquarters to answer inquiries or consultations. Young, Hood and Firn (2001) underscore the significant simplification of the hierarchy of accountability if the regional headquarters are now responsible for their branches. Bartlett and Ghoshal (1989; Bartlett, 1986) emphasise extending the role of regional headquarters beyond controlling, adding the independent development of the company and the market in the region and the influence of the regional centre on the company headquarters. Other

authors highlight the synergies of regional centres, the proximity of decisions to markets (embeddedness) or the facilitation of regional product developments (Mori, 2002).

Sustainability and strategic considerations

Models integrating sustainability (or corporate social responsibility or corporate citizenship) into strategy are now more than 30 odd years old. An early model describing corporate responsiveness with regard to social performance is presented by Ian Wilson (Carroll, 1979). He promotes a four-stage model (Ditlev-Simonsen & Gottschalk, 2011):
- reaction: corporations actually realise that there is a social challenge or problem;
- defence: corporations defend their status towards society, claiming to have done nothing wrong;
- accommodation: corporations acknowledge the problem and try to adapt and accommodate for criticism;
- proaction: corporations are ahead of criticism.

Dyckhoff and Souren (2008) have developed a five-type model of environmental strategies which can be made fruitful also for sustainability considerations. Based on a portfolio approach, the sustainability strategies are positioned in a matrix of direct versus indirect sustainability and retroactive versus precautionary sustainability. Contrary to the models before, they go beyond the borders of the organisation and try to consider the entire value chain:
- defensive strategies: no (significant) measures, but defence and shifting claims;
- output-oriented strategies: defensive, reactive attitude, retroactive measures without changing the core business model;
- exploitation-oriented strategies: retroactive measures without changing the core business model, but going beyond the company itself;
- process-oriented strategies: at the transition to offensive strategy, proactive but limited to the company and its production;
- cycle-oriented strategies: proactive and comprehensive strategic measures in the company as well as along the entire value chain.

Dyllick (2003; see also Gminder, 2006) assumes the primacy of economic interest, therefore the benefits of ecological and social sustainability potentials stand in the foreground of the economic activity. From this interest, he derives the following types of strategy:

- safety: this sustainability-oriented competitive strategy focuses on risk management, its aim is to control and reduce risk;
- credibility: the focus is on improving corporate reputation and corporate image in the public, the main instrument is communication;
- efficiency: the aims of the strategy are productivity and efficiency, the greatest attention is paid to cost management;
- innovation: the aim is to achieve differentiation/positioning in the market, the company makes use of innovation and marketing management for sustainability positions;
- transformation: the focus is on lobbying and public relations work to develop (new) markets.

Companies adopt these strategy types in three stages: initially, defensive or reactive sustainability strategies dominate, the safety type is used as a basis for sustainability-oriented strategy. In a second step, credibility, efficiency and innovation can build on this base. The company will concentrate on cost reduction potentials and then identify sustainability-oriented product differentiation and innovative products. The last step, the strategy of transformation, makes sense only once the other strategies have been successful and thus represents the completion of the sustainability-oriented strategies (Dyllick, 2003; Gminder, 2006).

A recent suggestion by Mirvis and Googins (2006a, 2006b, see Table 1), derived from observations in the US, argues in the same vein. Based on the renowned more general conception of organisational development by Larry Greiner, it stresses the importance of organisational learning. In this five-stage model, development is triggered by the need to adapt to market and stakeholders – and ultimately be ahead of them.

Table 1. Stages of Corporate Citizenship (Mirvin & Googins, 2006b, p. 3)

	Stage 1: Compliant	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming
Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	Change the Game: Business in Society
Strategic Intent	Legal Compliance	Reputation	Business Case	Value Proposition	Market Creation or Social Change
Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of It	Champion, In Front of It	Visionary, Ahead of the Pack
Structure	Marginal: Staff-Driven	Functional Ownership	Cross-Functional Coordination	Organisational Alignment	Mainstream: Business-Driven
Issues Management	Defensive	Reactive, Policies	Responsive, Programs	Pro-Active, Systems	Defining

Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership Alliance	Multi-Organisations
Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Exposure

An illustrative example of this sequence of strategies along the value chain is the stage model of organisational learning of responsibility developed by Zadek (2004) on the basis of the NIKE case. NIKE was scandalised early as a particularly severe case of violations of labour standards in supplier factories in developing and emerging countries (Klein, 2000). Since the great media attention at that time, NIKE has undergone considerable development in terms of its commitment to corporate social responsibility.

In a first stage, organisations like NIKE behave defensively, arguing that "it's not our job to fix that": they deny the disputed practices, results, or responsibilities. If the pressure rises and the (negative) effects can no longer be ignored, they will address the allegations with particularly visible, symbolic actions: "we'll do just as much as we can do." But they do not question the business model. Rather, they document that their actions are within the framework of laws and regulations. When companies recognise that they are confronted with a long-term problem that cannot be solved by turning to compliance and public relations alone, they try to embed the social dimension directly in their operational management decisions and practices: "it's the business, stupid." Ultimately, in the strategic phase an organisation learns that adherence to responsible business practices can provide a competitive edge, and thus responsible action gains strategic importance. As a last stage, called the "civil stage" by Zadek, the company promotes its concept as collective action, not least for strategic reasons, that is, also to prevent first-mover advantages of others.

Being maturity models, they all reflect the process corporations go through on the path to sustainability, but not all corporations will accomplish this mission. All models start with (reactions to) problems and outside pressure but end up utilising opportunities rather than focusing on problems. After all, positive pay-offs of integrating sustainability into strategy can only be expected in a highly mature state. Given that outside pressure is common only in a few high-standard business enviroments, you would not expect advanced sustainability strategies to be widespread in companies from low-standard countries. Furthermore, as even in the high-standard countries only a minority of companies will adopt the highest stages of progress, most multinational corporations will likely refrain from transferring their sustainability strategy to branches in low-standard countries, as they are more concentrated on cost savings rather than exploiting market

opportunities brought about by advanced transformative or proactive strategies.

Configurations of international companies

By determining form of organisation and allocation of rights, the company simultaneously decides on the distribution of control, risk, and flexibility between headquarters, regional units and branches. Here, we will examine the models coined by Bartlett and Ghoshal as well as Ambos and Schlegelmilch with regard to their utility in explaining the effectiveness of regional headquarters in multinational companies.

A first model drafted by Perlmutter (1969), based on value orientation and strategy in the cooperation of headquarters and branches, depicts three basic attitudes of multinational companies: ethnocentric, polycentric and geocentric. Later, Chakravarthy and Perlmutter (1985) added regiocentric as another variant. Although especially the last form seems promising to answer some of our questions, Perlmutter's conception is only scarcely used nowadays, except for human resources.

In the strategy debate, the most prominent and widely used model today is the conception of Bartlett and Ghoshal. This model is based on the classification by Perlmutter and Chakravarthy, combined with the four ideal types of international companies by Porter (1986) as well as the categories of differentiation according to Dunning (1979). Bartlett (1986) initially distinguished three, later together with Ghoshal (Bartlett & Ghoshal 1989; 1995; Ghoshal & Bartlett 1990) four types of multinational companies: international, multinational, global and transnational.

International, multinational and global companies

In an international company (coordinated federation), strategies are developed by the parent company and transferred to the subsidiaries, the centre claiming global decision-making sovereignty. This configuration was introduced in the extended version and has received little friendly criticism (Harzing 2000; Rugman 2005) both theoretically as well as empirically.

In multinational companies (decentralised federation), the national offices have considerable strategic autonomy, the entire company sees itself rather as a portfolio of national units. Towards the public the subsidiaries act as quasi-local providers on the market, often under national (and traditional) brands. These companies combine establishing strong local presence with

respect for national differences; the strategic focus is on discovering and developing local opportunities.

In large multinational companies, an intermediate level – a regional headquarters – is frequently introduced to allow for more central control functions. We can distinguish two ways of establishing this unit: 1) fractal: the relationship between regional headquarters and subsidiaries is similar to the one between headquarters and regional headquarters. In this case, the regional headquarters is little more than a centre to collect and distribute financial resources, its influence is small. 2) advanced: the regional centre takes over significantly more control tasks in relation to the branches. Here, the position of the regional headquarters is strong, it bears the overall corporate policy; branches are obliged to adopt the respective regional strategies. This model favours the development of a network at regional level. From their empirical data Nell, Ambos and Schlegelmilch (2011) infer that this type is one of the most important operating forms of international companies.

In a global enterprise (centralised hub), common strategies addressing global trends are developed for the world market; strategies and activities are implemented centrally and top down. The global company strives to build costs advantages through centralised but world market-oriented activities. The advantages of general efficiency orientation are valued higher than its drawbacks, which are to be expected when adjusting to national peculiarities. In this model, the influence of both the branch as well as the regional headquarters is small.

Over time, however, the parts of the company are drifting apart: larger local units gain importance and breed a more or less independent corporate identity. Thus, the global enterprise eventually converges to a geocentric attitude: independence from headquarters becomes more important, in particular when managers from outside the head office's country advance in the central hierarchy. You would therefore expect a hybrid corporate identity to be formed guided by headquarters, key regional players and globally defined expectations (Harzing 2000). For practical and tactical reasons many companies are actually not global but regionally focused. In effect, the global company then converges with the advanced multinational model: the strength of the regional headquarters increases; it becomes an essential factor in strategic decisions.

International and type-1 (fractal) multinational companies allow for a limited strength of regional headquarters. Thus, sustainability aspects would have to be triggered by corporate headquarters. In type-2

(advanced) multinational companies and global corporations, the regional units may exert considerable influence depending on other factors such as strength of the respective management and need for regional market development. In the advanced type-2 multinational company, the influence of regional headquarters is critical to the pursuit of sustainable strategies, whereas in non-regionalised global enterprises aspects of sustainability play a role only if this is an important value in the home country. In regionalised global companies, sustainability plays a role if it is seen as a global key value or considered important in the respective region.

Transnational companies

According to Bartlett and Ghoshal (1989; Ghoshal & Bartlett, 1990), the transnational company (integrated network) seeks to integrate worldwide efficiency, local adaptation and global learning. By forming an organisational network the company tries to exploit globally dispersed and interdependent values and resources. Subsidiaries take on differentiated roles and make their functionality available throughout the network. In the long run the locations will specialise and form differentiated centres for specific requirements. These are to a lesser degree regional control units like in international or multinational companies, but content-defined carriers of specifically designed knowhow (Doz & Prahalad, 1991). Tendentially and contrary to common belief, the headquarters can benefit more from the (knowledge) sharing than the branch from the knowledge of the central unit (Ambos, Ambos & Schlegelmilch, 2006).

Management of the network is complex and characterised by diverse interests. The control effort must not necessarily rest with corporate headquarters; regional headquarters can take on these functions as well – especially apart from financial control. The configuration as network opens up the possibility to assume new roles and gain positions of power in the network (Birkinshaw & Hood, 1998) also for subsidiaries and regional centres (Bouquet & Birkinshaw, 2008, Najafi-Tavani, Giroud & Andersson, 2014). Priority is allotted to the living social relationships of actors rather than formal hierarchies, facilitated by an at least rudimentary common understanding of the company and the markets.

The influence of the branch on its own decisions as well as of regional headquarters on the strategy of their own location depends on their power within the network (Kleinbaum & Stuart, 2013; Mahnke, Ambos, Nell & Hobdari, 2012). This in turn is closely connected to unique (knowledge) resources and environmental contacts, centrality in the flow of information, and the persuasiveness of central actors. Strength in the network increases

if the unit has control over other units' zones of uncertainty, if other units' performance depends on one's own actions, and if there are good alternatives or resources outside the network for one's own actions (Crozier & Friedberg, 1979). The position in the network is however subject to constant change: centrality is contested again and again and has to be defended against other locations.

In this constellation, sustainability aspects only play a role if this is an important value for the management in the host country, i.e. if it is part of the corporate culture. Sustainability can gain in importance if related benefits can be made available as resources for other sites, either as knowledge about the concept itself, as implementation knowledge or as availability of necessary technologies.

Entrepreneurial role set versus integrative role set

Actual functions and responsibilities are more important for the decision and enforcement capabilities of regional headquarters than structural factors. Based on an early idea by Chandler (1991), Alfoldi, Clegg and McGaughey (2012; see also table 2) discern two role sets for headquarters:

Table 2. Roles and functions of corporate headquarters

Entrepreneurial (Creating/Value-Adding) Role	Integrative (Managing/Loss-Prevention) Role
Strategic Leadership, Planning and Direction	Monitoring, Control and Governance
Resource Development, Acquisition and Deployment	Resource and Knowledge Management
Seeking and Exploiting New Opportunities	Representation and Mediation
Driving Organisational Adaption	Coordination and Harmonisation
Attention and Signalling	Integration and Facilitation of Inter-Unit Linkages

The entrepreneurial role focuses on creating value and developing opportunities to ensure long-term profitability. The integrative role, on the other hand, focuses on preventing potential loss and helping to make the existing company administrable (Ciabuschi, Dellestrand & Holm, 2012). Albeit sometimes with different headings, this dichotomy is consistent with most of the literature (e.g. Young et al., 2000; Wanner, LeClef & Shimizu, 2004; Garvin & Levesque, 2008; Ambos & Schlegelmilch, 2010).

Based on their literature review, Alfoldi, Clegg, and McGaughey (2012) conclude that almost all headquarter functions can be duplicated at the

level of regional headquarters – but with specific regional characteristics such as regional strategic planning, regional monitoring, and the like. However, the authors also discern differences in the design of these functions. For instance, on the regional level resources and knowledge management are not restricted to external representation (contact with clients, governments, etc.), but also include internal representation (contact between headquarters and local units). In no case did the authors find organisational adaptation tasks at the regional level: this role remains the primary responsibility of corporate headquarters.

Regional headquarters normally do not take over all functions simultaneously. Rather, they will specialise and be in charge of only a few and can thus represent more integrative or more entrepreneurial aspects. It stands to reason that regional headquarters with an entrepreneurial role set can exert greater influence on the strategic choices for themselves and their subordinate offices.

Ambos and Schlegelmilch (2010) show that regional headquarters differ in the degree of autonomy regarding regional production, changing the production process or building new production capacity, further development of tasks, existing products or product lines, and determining outsourcing to subcontractors. Autonomous regional headquarters are more successful, their managers estimate their operation to be of greater value for the whole organisation, and they are vested with more authority (Ambos & Schlegelmilch, 2010). Therefore, if considered important at that level, sustainability strategies can be enforced more easily in autonomous regional headquarters with entrepreneurial character and are limited only by the lack of responsibility for organisational change processes. However, this increased effectiveness inside and downstream is accompanied by a lower impact of the regional unit at corporate headquarters: Mahnke, Ambos, Nell and Hobdari (2012) conclude in their study based on the same data set that greater autonomy of the regional headquarters goes hand in hand with lower influence on headquarter decisions if the regional unit is responsible for the same strategic matters at the regional level.

Regional headquarters with integrative roles have an impact, too, though. Through operations, and especially knowledge management, they can exercise indirect influence. According to Alfoldi, Clegg and McGaughey (2012), the design and implementation of organisational adaptation processes remain the primary responsibility of the corporate headquarters, but the introduction and implementation of sustainability aspects within the organisation is left to integrative parts, here regional headquarters. Thus, operational-level sustainability considerations can be accelerated by

regional headquarters just as it is possible to formulate some aspects as strategic elements at the regional level.

Implementing sustainability

In the traditional view, top management defines the business strategy as well as possible details such as marketing, financial, environmental, or sustainability strategies. The literature emphasises the focus on a long-term goal, control of implementation towards joint action and appropriate allocation of resources (Chandler, 1962). The executive level is responsible for operations and day-to-day decisions based on these strategic objectives.

Empirically, it can be observed that many companies take a pragmatic approach when beginning to respond to sustainability demands, especially in diverse environments such as internationally operating companies. We have argued with respect to maturity models that all companies start with reactions to urgent problems and market or regulatory pressure. Thus, first initiatives are often purely pragmatic operations far from sophisticated strategies. In a further step, successful practices will be kept in organisational memory and reused; unsuccessful ones will be avoided. Since every later situation is more or less different, there is a need for constant readjustments at the operational level. Due to the fundamental difficulty to establish a comprehensive strategy for long futures in new and fast-changing environments, successful executives link rational strategic decisions with incremental processes in which they set the agenda by introducing rough targets and orientations but leave open the path to the goal ("muddling with a purpose", Wrapp, 1967). Even if there is a strategic intent at the beginning, practices will thus drift away from the starting point more and more.

Applied to the introduction of sustainability strategies, the only way of implementing sustainability from "above" is disputable. Indeed, both individual actors and organisational parts outside the corporate headquarters as well as the (legal, political, social) environment of the branch play an important role in forming a sustainability policy.

There is much empirical proof stressing the importance of branch autonomy and participation for effective implementation of strategic decisions (e.g. Ambos & Schlegelmilch, 2010; Mahnke, Ambos, Nell & Hobdari, 2012). In the following section some previous empirical findings on the interplay between headquarters and branch in the implementation of sustainability concepts will be presented. The consideration is confined mainly to the most common concept, corporate social responsibility.

Autonomy and participation

Morand and Rayman Baccus (2006) have examined a French international food group with British and Austrian subsidiaries in a corporate case study. The group operates under different local brands; production is located at the subsidiaries close to the consumer. To develop a strategy, results of national market analyses are summarised and proposed to the corporate head office bottom up, central requirements are adapted to local needs through the local offices top down. Management structures are decentralised; control is exercised primarily by financial figures.

The initiative to adopt corporate social responsibility started out exclusively from the parent company, which in turn reacted to external financial and legal pressure. Policy coherence is backed by a company-wide value framework, while implementation is to a certain extent localised. Headquarters attempts to motivate local actions through reference to the corporate culture, directive statements and educational action. To prove the credibility of the policy to external stakeholders headquarters continuously monitors and evaluates. To stimulate the introduction of corporate social responsibility control the centre apparently feels the need for constant guiding measures, pressure and control. Even though all levels generally agree to the slogan "think global, act local", the branches do not internalise this topic as their own agenda: it is largely understood as a request coming from "outside", from the head office, and runs contrary to the otherwise great autonomy.

A group of researchers headed by Barin Cruz and Pedrozo (2009; Barin Cruz, Pedrozo, Barros Estevalee & Nayar Hoff, 2010) have examined two French retailers at their headquarters as well as their Brazilian branches. Both subsidiaries have rather large autonomy within the network. Especially the larger company sticks to its own identity, since it was already established on the market before the takeover by the French. Both companies pursue a mix of central and local measures to introduce corporate social responsibility. By creating awareness the company attempts to emphasise a common understanding and to anchor corporate social responsibility as cultural identity for all branches. For the development of the strategy the subsidiaries are included in committees on equal footing with representatives from different central departments. These committees remain active even after the introductory phase. The integrative effect is reinforced by local corporate social responsibility officers, who are employees of the branches, and awareness-raising activities at headquarters as well as in the subsidiaries. Also the stakeholder

dialogue is executed not only at headquarters, but at the same time with local stakeholders at the branch locations.

As transversal structure Barin Cruz and colleagues tag the existence of a corporate social responsibility portfolio at the central level, a local representative in each company, and representatives from various areas of headquarters and branches participating in meetings or committees to make decisions on the strategy. This structure takes into account global and local requirements of both the headquarters and the branches and facilitates the introduction of sustainability throughout the company.

Muller (2006) has examined seven Mexican subsidiaries of European companies to answer the question whether the acquisition of European corporate social responsibility standards is dependent on a central or decentralised relationship between headquarters and branch. He comes to the conclusion that more decentralised decision-making is accompanied by a better local effect especially in countries with low standards. Apparently, the perceived autonomy and increased sense of ownership of the branch play an essential role. The same arguments speak for a strong and equal inclusion of all subsidiaries in the case of an internationally agreed policy among multiple branches. This approach particularly promotes proactive measures.

The branches do not primarily respond to needs in their own country, but to the precedent comprehensive vision of the parent company. To ensure success, sustainability measures and strategies are exemplified by the head office and autonomous managers are socialised at branch level. Informal control mechanisms such as personnel selection and foreign training play an important role. In this situation soft control appears more effective and stress-resistant than a pure top-down approach.

To sum up, many arguments favour a strong involvement of branches and regional centres combined with considerable autonomy of regional and local units in the development and management of corporate social responsibility. This inclusive approach greatly increases the odds of program acceptance. It can also sway the biggest detractor and build a cadre of champions to evangelise the new program. At the same time, the central unit is essential as promoter and visionary.

Relevance of the regional context

The business system approach (Whitley, 2007, 2010) emphasises the integration of multinational companies in the regional context of economy and business. According to these considerations institutional changes in the environment lead neither to global convergence nor to the abolition of specific idiosyncrasies. Companies which are active in several institutional contexts must adjust to these differences and to changes to these differences. Willingness to submit to the specifics of the host countries, if not enforced by strict law, must however be cast doubt on when presenting empirical data. Using data from foreign companies listed on the London Stock Exchange, Rejchart and Higgs (2014), for example, show that the origin and thus the home culture of the companies make a difference in compliance with standards such as corporate governance when compared to British companies. In the international context we have to keep in mind which country combinations and thus which combinations of institutional regimes apply to the configuration of the multinational company (headquarters – regional headquarters – subsidiary). It makes a significant difference whether a Japanese company or an American company has regional headquarters in Europe or vice versa a European company regional headquarters in Japan or the United States (Whitley, 2012).

Ambos and Schlegelmilch (2010) have investigated three companies from the three economic regions (United States, Japan and the EU) regarding their activities and regional headquarters. Even though there is a wide range of variation, the results support Whitley's theoretical considerations: U.S. companies tend to be more hierarchical than the others, while communication is complemented by informal teams and a network-like structure. The embedding in the European regional context of the U.S.-companies examined is however high, thus allowing for some autonomy of the regional headquarters. European offices and regional headquarters of Japanese companies most likely represent isolated autocracies: they are dominated by the Japanese mother. Despite some freedoms in detail the final decisions, both strategic and operational, are clearly made in Japan. This tight control, often supported by expatriate Japanese managers in Europe, leads to conflicts and limited room for development for European regional headquarters.

Given all the diversity of institutional context in terms of the standards of sustainability within the previously considered cases, advanced OECD countries are basically similar compared to the differences between developed and non-developed or emerging countries. In addition to purely

economic development disparities, differences in historical experience, political context, dependencies, and perceived (in-)equality are important.

Barkemeyer and Figge (2014) argue that the professionalisation process as well as the global dissemination of concepts and instruments of corporate social responsibility lead to a concentration effect at the top of the headquarter: decisions relating to corporate social responsibility are shifted from branches to central units. It is believed that sufficient expertise and data access to operate the complex instruments, to coordinate the divergent interests of different branches, suppliers, and customers and to address the critical public can be found only there.

A soft and inclusive global strategy would offer the opportunity of an effective transmission mechanism of advanced models of sustainability from head offices in countries with high standards to countries with low standards and less public pressure. As a side effect, this enforces a distinct northern and European concept of corporate social responsibility, while southern stakeholder interests will be pushed back. The embeddedness of concepts and practices of corporate social responsibility into the European-American national cultures and national institutional arrangements is therefore gaining importance (Fransen, 2013).

Based on interviews with eleven oil companies and a case study of a multinational oil company in Angola, Wiig and Kolstad (2010) demonstrate that especially technological superiority and financial strength are important for obtaining licenses and contracts; corporate social responsibility, however, plays only a minor role. If corporate social responsibility is of importance at all, it seems that it is used strategically by companies to increase the chances of getting licenses and contracts by pandering to local power interests. In Angola factors such as the employment of local workers and environmental aspects are more important than labour standards and human rights – the former correspond more to the interests of the ruling class in Angola, allowing them to feed the widespread clientelism and to skim off international development aid into their own pockets, than to the general interests of the people. Thus multinational companies do not only take advantage of economic issues of resource-rich countries, but increase their problems. Contrary to their behaviour in Angola, all companies are aware of sustainability and human rights issues – at home. The hope that multinational enterprises act as efficient transmission mechanisms of advanced sustainability models from headquarters to the location countries are thus disenchanted by Wiig and Kolstad (2010).

Conclusions

In a first step, current sustainability concepts have been investigated to develop a suitable characterisation of sustainability. As a result, an integrated concept of sustainability, based on the triple bottom line, has been presented. A second, related thread of sustainability emphasises the (global) responsibility of companies, especially internationally operating and multinational companies. On this basis, the sustainability concept has been extended to economic, social and ecological responsibility for subsidiaries, their site countries and stakeholder groups. This issue is most relevant in particular for regional headquarters.

Following the vast majority of literature emphasising the need to integrate sustainability into the company strategy, we have presented an overwiev of relevant models. As has turned out, most of them follow a stage model, starting with (reactions to) problems and outside preasue, but end up utilising opportunities rather than problems. Being maturity models, only few organisations will accomplish all stages. Especially the probability of finding advanced sustainability strategies in companies from low-standard countries is low. Furthermore, as even in high-standard countries only a minority of companies will adopt higher stages of progress, most companies will not experience positive pay-offs from integrating sustainability into strategy. Given the concentration on cost savings rather than exploiting market opportunities brought about by advanced transformative or proactive strategies, most multinational corporations will not pursue sustainability strategies on all company layers seriously.

Furthermore, we have discussed which effect how regional headquarters are embedded into the corporate context has on the opportunities for implementing sustainable business strategies. Bartlett and Ghoshal distinguish international, multinational, global and transnational companies. While regional headquarters in multinational and international type-1 companies have only little power, they can still have a big impact and are able to act as a lever for sustainability concerns in global as well as type-2 multinational companies, depending on internal and external conditions. In transnational network companies, however rare, the potential for integration of sustainability aspects originating at regional headquarters reaches its peak. Again, chances depend on intra-organisational constellations, especially power distribution.

Regional headquarters with an entrepreneurial role set exert a greater impact on themselves and their subordinate offices at the level of strategic

decisions than those with an integrative role set, especially when these units are also autonomous. Therefore, a sustainability strategy starting at the level of regional headquarters can be enforced more easily in such cases. Conversely, the influence on the headquarters is low; therefore the regional headquarters can barely be used as leverage in the overall organisation. But regional headquarters with an inclusive role set can exert indirect influence as implementation and operation are defined on that level. Furthermore, most sutainability levels start as operation and adapation to outside pressure, not as fully fledged strategy.

A number of empirical results regarding the interaction between headquarters and branch in the implementation processes clearly show the importance of autonomy for the effectiveness of implementation. Successful strategies are characterised by strong involvement of the branch and considerable autonomy of regional and local units. Apparently, perceived autonomy and sense of ownership play an essential role. The top of the company, however, is essential as driver and visionary.

One hope is that regional headquarters act as transmission mechanism of advanced models of sustainability from high-standard to low-standard countries. However, the results show that companies from emerging markets tend to keep their behaviours in their activities in Europe. Especially the effects of the behaviour of "northern" companies on the "global south" are disappointing: although there are some positive activities, the aims of developing a better society and global responsibility are clearly missed. Rather, interventions from headquarters reinforce the problems they pretend to solve.

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