

research snapshot

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How Do Small Companies Attract the Attention of Their Corporate Parents?

What is this research about?

Companies today are getting increasingly global in reach. And all too often, it can be difficult for particular subsidiaries – smaller units within a larger company – to attract the attention of executives at the corporate headquarters. These executives often focus their attention on the home market, where the headquarters are based. They also sometimes follow a ‘herd mentality.’ In other words, they tend to focus on the ‘hot’ markets that the competition is pursuing, while neglecting other markets. Too much attention from corporate headquarters, of course, can suffocate a small subsidiary. But too little attention can lead to even bigger problems. By not paying enough attention to its subsidiaries, a company may miss out on important opportunities in less obvious markets. It may even lose talented employees who have become frustrated by the lack of parental interest. How, then, can a subsidiary attract the attention it needs from its corporate parents? And what can executives at the corporate headquarters do to make sure that all subsidiaries receive the attention they actually deserve?

What did the researchers do?

Dr. Cyril Bouquet at the Schulich School of Business looked at the ways in which subsidiaries seek to capture the attention of their parent

What you need to know:

Subsidiaries that are remote from their corporate headquarters need to take on initiatives and build their profile in order to attract positive attention from their parent companies.

companies. Together with Dr. Julian Birkinshaw from the London Business School, he conducted 50 interviews with executives – from corporate headquarters and subsidiaries – in 30 global companies. The interviews took place in Australia, Canada, the United Kingdom, France, Sweden, Switzerland, and the United States. The researchers also developed and analyzed a questionnaire, which was completed by 238 subsidiary managers in four countries: Australia, Canada, the United Kingdom, and the United States.

What did the researchers find?

The researchers found that there are two ways for a subsidiary to attract the attention of its parent company:

1. It can count on its ‘weight’ as a player in an important market.
2. It can exert its ‘voice’ by working through channels within the company.

Subsidiaries that have ‘weight’ are those that usually play a pivotal role in the success of the overall company and have no trouble getting attention. Subsidiaries that *lack* ‘weight’ can capture the attention of top executives by increasing their ‘voice.’

They can do this by taking on initiatives that will help to grow the company, perhaps by developing new products, penetrating new markets, or simply generating new ideas. They can also engage in profile building by improving their image, credibility, and reputation within the broader corporate network. Initiative taking and profile building are especially important when subsidiaries are located far from corporate headquarters and focused on local markets.

Papers associated with this line of research were published in leading academic journals, including the *Academy of Management Journal* 51.3 (2008), the *MIT Sloan Management Journal* 48.4 (2007), and the *Journal of International Business Studies* (2009, forthcoming).

How can you use this research?

In order to ensure that they give the right subsidiaries the right attention, executives need to:

- create channels so that subsidiaries can better communicate with the corporate headquarters;
- seek out the hidden gems – the subsidiaries that, despite their size and importance, do very well – and give these subsidiaries a platform;
- measure the value of the attention that they are giving their subsidiaries;
- give these subsidiaries a chance to contribute.

About the Researchers

Dr. Cyril Bouquet is Assistant Professor of Strategic Management at the Schulich School of Business, York University. Dr. Julian Birkinshaw is Professor of Strategic and International Management at the London Business School. Dr. Tina C. Ambos is Assistant Professor at the Institute for International Marketing and Management, Vienna University of Economics and Business Administration.

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