

MNE Governance: Is the location of a Regional Headquarters a management perk?

Date: February 1st, 2019

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Abstract

The need for multinational enterprises (MNE) to be closer to their markets may require setting up regional headquarters (RHQ) to support their operations in the different regions of the world. If this is the case, selecting the most appropriate location is a significant strategy decision.

This paper does a case study on the selection of the most appropriate location for the Latin America regional headquarters of an MNE operating in the financial services space. It presents a framework on selection criteria based on twelve location factors aligned along *Quality of Services* and *Cost of Delivery* in each alternative location. The unit of analysis is the RHQ. It is not a greenfield study as the company has an existing RHQ located in Miami; however, one of the premises of the study is that the *cost of moving vs. do nothing* is not considered so as not to bias the study towards the current location.

The study arrives at that, applying the defined criteria, Miami is the most attractive location followed by Santiago de Chile. It must be taken into account that the *Quality of Services* factors are relatively constant in time, but that the *Cost of Delivery* factors can be significantly volatile.

From the study it emerges that the selection of a location for an RHQ is often done to accommodate the convenience of the managing director of the RHQ. This can have serious sustainability consequences as it can negatively affect at least two stakeholder groups: the RHQ staff and the shareholders of the company.

Keywords: Regional Headquarters, management perks, international business, multinational enterprises.