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Operating in the middle-power position: Conceptualising the role of regional headquarters through loaned and owned power

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ABSTRACT

This conceptual paper argues that the role and development of regional headquarters (RHQ) is dependent on and determined by intense power relations and political interactions with interdependent actors in the multinational enterprise (MNE). We demonstrate how studies to date on the RHQ have focused on exploring its bridging function as either administrative or entrepreneurial in managing trade-offs between global and local contexts. Equally, we suggest that research on MNE power and politics has concentrated on understanding the power dynamics that exist in the corporate headquarters (CHQ)-subsidiary relationship. By combining and enriching these disparate works of literature, we conceptualise how the RHQ role shapes, and in turn is shaped by, political struggles, diverging interests, and conflictual tensions at critical interfaces across the MNE. A novel contribution from our paper is the development of a typology that conceptualises how RHQ role variations are defined by the RHQ's loaned power over subsidiaries as well as its owned power over CHQ.

1. Introduction

Regional headquarters (RHQ) performs an essential intermediary role in the multinational enterprise (MNE), serving as both the command-and-control centre for the dispersed activities of corporate headquarters (CHQ) while remaining connected to local subsidiary operations within a given region (Amann et al., 2020; Kähäri et al., 2017; Pla-Barber et al., 2021a). Research has traditionally focused on how the RHQ creates value in a hierarchical MNE structure as a mediator between contradictory global and local demands (Grosse, 1981; Li et al., 2010), having a greater understanding of local subsidiary interests than the CHQ (Asakawa & Lehrer, 2003; Enright, 2005b), and concomitantly garnering a more informed appreciation of the CHQ agenda than host country subsidiaries (Nell & Ambos, 2013; Piekkari et al., 2010). More recently, scholars have emphasised the complex, ambiguous and dynamic nature of the RHQ's position in large globally dispersed MNE structures managing a multiplicity of trade-offs between global integration, regional coordination, and local responsiveness (Alfoldi et al., 2017; Kähäri et al., 2020; Nell et al., 2017). For instance, the RHQ is

increasingly expected to balance the orchestration of global activities on behalf of the CHQ, while controlling and coordinating intra-regional activities across a fragmented system of local subsidiaries (Schotter et al., 2017). Given the critical bridging role of the RHQ within this multi-layered MNE structure, an intractable challenge emerges in relentlessly confronting a multitude of contradictory demands and opposing agendas between global (CHQ) and local (subsidiary) actors (Alfoldi et al., 2012; Hoenen & Kostova, 2015; Nell et al., 2011).

Extant literature underestimates how the role of the RHQ is heavily influenced by the intense power dynamics it is exposed to with central actors at key interfaces within a multi-layered MNE structure (Conroy et al., 2017). Viewing the MNE as a complex and contested social structure where power flows through vertical and horizontal relations suggests that political interactions, diverging perspectives, and competing tensions exist between actors at different levels who leverage a multitude of power bases (Geppert & Dörrenbächer, 2014; Morgan & Kristensen, 2006). In this context, the RHQ is an auxiliary power player in the CHQ-subsidary relationship (Enright, 2005a; Nell et al., 2017) and its role may be vehemently opposed by the contradictory intentions

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of these powerful actors. An important part of the RHQ's role in this context is to navigate opposing power bases between self-interested subsidiaries in host countries and a rationally bounded or over-controlling CHQ in the home country (Conroy et al., 2017). There is a risk that the RHQ may potentially destroy value at the local level if they are unable to wield power over opportunistic subsidiaries (e.g., Li et al., 2010; Piekari et al., 2010), or if they are incapable of surrogating for, or establishing influence over, CHQ (e.g., Mahnke et al., 2012). As such, the role of the RHQ in the MNE is more complex, intense, and multifaceted than existing work portrays, as it is challenged to continually reconcile opposing interests and temper political struggles between a multitude of powerful actors.

Applying insights from the literature on power and politics in the MNE (Clegg et al., 2018), we argue that MNEs represent diversified structures of power (Lee, 2022) or political arenas (Morgan & Kristensen, 2006) where different patterns of power between various actors interact and overlap (Geppert et al., 2016). This stream of literature considers the micro-foundations of power through politicking and politicisation, where power positions are exercised and shaped through interdependent actors' conflicting motives, goals and objectives, which may not always align with the overall strategy of the MNE (Geppert & Dörrenbächer, 2014). To date, research on this subject largely focuses on understanding the dyadic relationship between the CHQ and foreign subsidiaries, depicting them as the main power players in the MNE (Bouquet & Birkinshaw, 2008; Dörrenbächer & Gammelgaard, 2016; Jun et al., 2019). Studies emphasise the destabilising effects of intense power struggles and political contestations between the CHQ and local subsidiaries that are facilitated respectively by their divergent global and local interests (Cuervo-Cazurra et al., 2019). However, power struggles or political tensions at the CHQ-subsidiary interface do not need to be deleterious, and they may be nurtured over time (Neeley & Reiche, 2022; Stendahl et al., 2021) but we suggest that they require an intermediary actor to stabilise contradictory agendas between opposing power players. Despite calls to unpack the role of the RHQ in converting potentially destructive conflicts into productive tensions, we have a limited understanding of how the RHQ navigates the multi-layered power dynamics that exist in the contemporary MNE (Nell & Ambos, 2013). We consider how the RHQ's power position may be characterised by loaned power which is granted by the CHQ through decision-making rights, and owned power that the RHQ gains through access to intangible resources such as critical relations or knowledge assets that the CHQ has no control over (Cuervo-Cazurra et al., 2019). Balancing loaned and owned power may result in the RHQ engaging in or being exposed to a variety of micropolitical struggles and interactions where the formal top-down control of CHQ and the informal bottom-up influencing of subsidiaries modify the RHQ's power position over time. By conceptualising the role of the RHQ through insights on power and politics, we aim to understand how the RHQ role shapes, and in turn is shaped by, power dynamics with interdependent actors across the MNE.

This paper develops two novel contributions. First, we expand the reach of existing literature on power and politics in the MNE to studies that consider the role of the RHQ. Specifically, we conceptualise the contradictory power dynamics that the RHQ is exposed to, and how these influence, and are influenced by, the RHQ. Drawing on work that considers the MNE as a dispersed multi-layered power structure (Clegg et al., 2018; Geppert & Dörrenbächer, 2014; Geppert et al., 2016; Lee, 2022), we disentangle how the *middle-power* role of the RHQ generates an intensity of conflicting power struggles with interdependent actors. 'Middleness' may refer to those actors that experience a sense of middle-power occupying an intermediary position in a hierarchy, repeatedly caught between high and low power interactions (Anicich & Hirsch, 2017) serving as the "transmission belt between the top of the organization and the bottom" (Osterman, 2009: 66). We consider how the power relations that the RHQ has with other actors may be both productive and repressive, enabling and constraining the role of the

RHQ (Allen, 2002). Moreover, we suggest that, although the strategy and structure of the MNE and RHQ function may determine the power of the RHQ, the RHQ may also modify its role by engaging in micropolitical strategies (Conroy et al., 2017; Dörrenbächer & Gammelgaard, 2006). In doing so, we identify the significance of *political spaces* in the MNE context (Arendt, 1969) which we argue exist at critical interfaces that the RHQ shares with interdependent power players. In this paper, we suggest that political spaces may unfold at the RHQ-CHQ interface (regional-global) (Mahnke et al., 2012) and the RHQ-subsidiary interface (regional-local) (Hoenen et al., 2014). Political spaces serve as a performative stage that materialise when political actors, powerful or otherwise, negotiate the terms of their co-existence, seeking to gain or reinforce dominance over others (Arendt, 1969). These political spaces may be characterised by varying degrees of political intensity depending on the RHQ's power position and are important contexts for understanding how an RHQ reconciles conflicts, tensions and struggles with powerful actors. These insights further our understanding of the MNE as a multi-layered power structure, where triadic power dynamics manifest in top-down and bottom-up micropolitical interactions between CHQ-RHQ-subsidiary.

Second, we develop a typology that conceptualises how RHQ role variations are defined by the RHQ's *loaned power* over subsidiaries as well as its *owned power* over CHQ. The typology consists of four archetypes of RHQ roles in the form of: Corporate RHQs, Political RHQs, Hybrid RHQs, and Holding RHQs. Drawing directly from work on organisational power (Fleming & Spicer, 2014; Lukes, 2005; Pfeffer, 1981) and more broadly on how power is bestowed and sanctioned (Arendt, 1969; Butler, 1997; Foucault, 1980), our typology demonstrates how RHQs may simultaneously become the *dominators* – those who wield power over CHQ and subsidiaries, and the *dominated* – those who are subjected to power from CHQ and subsidiaries. In this sense, we suggest that the role of the RHQ may involve a double valence of subordinating and producing (Butler, 1997) in that the RHQ channels ascending and descending power flows, alternating between patterns of domination and subjugation while mediating political tensions between global, regional, and local power players. Emphasis is given to the importance of the hybrid RHQ role, which has a high degree of loaned power and a high degree of owned power, to stabilise power relations within and across the MNE. Moreover, our typology shows how an RHQ's aggregate role and overall power position may vary in line with a specific set of value chain activities, i.e., it may be powerful in some activities while at the same time weaker in others. We also conceptualise how an RHQ's role and power position may evolve or devolve over time by changing from one role type to another. Our typology serves as an important tool for scholars to build on and we present a future research agenda.

2. MNE strategy and structure

The literature on MNE strategy and structure has identified several dominant archetypes based on a prevailing orientation or way of organising (Bartlett & Ghoshal, 1989). Conceptualised through global integration or local responsiveness, MNEs will largely follow an international,⁴ global, multidomestic, or transnational strategy. Dominant structures that are closely aligned with these strategies include hierarchical, networked, and heterarchical structures (Andersson et al., 2007; Mees-Buss et al., 2019; Prahalad & Doz, 1987). These archetypes determine where power resides and how it flows in an MNE but may vary regarding levels of centralisation, subsidiary roles, knowledge flow patterns, resource configuration and interdependence (Kostova et al., 2018). We argue that the characteristics of each strategy and structure

⁴ We follow others that do not examine the international strategy as it is less well-defined than the other approaches and lacks substantial empirical evidence (Kostova et al., 2018).

shape power relations in the CHQ-subsidary dyad as well as the tensions that the RHQ confronts. These arguments lay the foundations for subsequent discussions presented in our typology.

Global strategy is invariably characterised by a *hierarchical* structure where decision-making authority is highly centralised and standardisation of systems, policies, and processes ensures economies of scale in an integrated structure (Prahalad & Doz, 1987). CHQ is a central actor in controlling dispersed subsidiaries through the delegation of clearly defined mandates for implementing corporate directives (Menz et al., 2015). In this context, there is a risk that the CHQ becomes an absentee landlord that destroys value (Ciabuschi et al., 2012), leading to disillusioned subsidiaries failing to behave as prescribed. Avoiding the tensions that may arise from an uninformed CHQ may require an RHQ that enacts a role focused on controlling subsidiaries on behalf of the CHQ (Conroy et al., 2017). A *multidomestic strategy* is likely characterised by a *networked* structure with decentralised decision-making delegated to highly autonomous subsidiaries, anchored in local markets (Bartlett & Ghoshal, 1989). Tensions and conflicts can be rooted in behaviour, for example, the opportunistic subsidiary engaging in rent-seeking (Mudambi & Navarra, 2004) which is not aligned with the dominant logic of CHQ (Monteiro, 2015). RHQs in this context may assist CHQ in coordinating complex regional networks of subsidiaries by ensuring initiatives are contributing to the corporate strategy (Ambos & Schlegelmilch, 2010), thereby reducing friction. The *transnational strategy* is likely characterised by a *heterarchical* structure seeking to combine an integrated hierarchy with a dominant CHQ and a locally responsive network of autonomous subsidiaries (Hedlund, 1986). A transnational strategy is complex to implement and pressures for increased economies of scale, as well as global innovation, will invariably produce friction between actors. RHQ roles in this setting may be focused on easing the tensions that arise in strategic dualities (Birkinshaw et al., 2016) by educating an increasingly disconnected CHQ and mitigating self-serving subsidiaries.

A criticism of the above archetypes is they fail to recognise that MNE strategies and structures are not driven by purely rational-based circumstances but facilitated and impacted by the socio-political characteristics of powerful actors (Gammelgaard et al., 2012; Morgan & Kristensen, 2006). The dynamic processes through which MNEs manage political interactions are closely associated with the exercise of power, as Pfeffer states, “politics is the study of power in action” (1981: 7). However, there is a need to move beyond simple configurations of the dyadic CHQ-subsidary relationship as asymmetrical power distribution and instead consider the multi-layered nature of power dynamics across the MNE (Decreton et al., 2017; Hoenen & Kostova, 2015; Lee, 2022). Conceptualising the role of the RHQ as a central power player between the CHQ and subsidiary serves as a fruitful yet overlooked context to enrich our perspective of the MNE as a dispersed multi-layered power structure.

3. Regional headquarters' function

As MNEs expand and organise their global structures, it is a challenging process to emulate home region success in new host regions (Asmussen, 2009). One well-established way to manage this problem is to utilise an expansion platform through an RHQ structure (Ambos & Schlegelmilch, 2010). RHQs can be defined as “organizational units concerned with and involved in the integration and coordination of activities of the MNC within a given geographical region and

representing the link between the region and the headquarters” (Schutte, 1998: 105). In essence, it is a formally recognised unit with HQ functions set up to manage at least one subsidiary in a region (Enright, 2005a; Lunnan & Zhao, 2014), or control, coordinate, and integrate multiple subsidiaries within a defined regional context (Li et al., 2010; Yeung, Poon & Perry, 2001). RHQs are a specific form of regional management⁵ (Kähäri et al., 2020; Schotter et al., 2017), usually in receipt of disaggregated activities from CHQ,⁶ to develop and execute a specific strategy for greater economies of scale or adaptation regionally (Ghemawat, 2005; Rugman & Oh, 2013). Depending on the circumstances, various subsidiaries within a given region may have different perspectives of their RHQ, creating greater regional complexity. For instance, there is an interesting double cross-border dimension to the RHQ structure in that it may be perceived by subsidiaries as either a parent in their own right (cross border) or indeed an agent of CHQ (double cross border). The European RHQ located in Norway of a US MNE may be viewed by the Danish subsidiary as either a Norwegian parent or a US marionette.

Extant literature surmises the role of the RHQ as carrying out two contrasting functions: administrative or entrepreneurial (Ambos & Schlegelmilch, 2010; Lassere, 1996; Mahnke et al., 2012). An RHQ with an *administrative* function adds value by improving the CHQ's span of control and access to information within a given region (Schutte, 1998) as well as enhancing regional economies of scale, standardisation, and integration (Lassere, 1996). Administrative functions ensure value creation for the CHQ, in that the RHQ coordinates and controls intra-regional complexities (Piekkari et al., 2010), orchestrates descending knowledge flows, and minimises the risk of subsidiary isolation or empire building (Morrison & Roth, 1992). Serving as vertical/hierarchical actors (Lunnan & Zhao, 2014; Schutte, 1997), RHQs with administrative functions establish greater visibility to what may be a fragmented MNE presence in a region, as well as provide a springboard in signalling commitment to regional stakeholders (Li et al., 2010; Verbeke & Asmussen, 2016).

An RHQ with an *entrepreneurial* function is focused on creating value for local subsidiaries within the region through synergy creation and knowledge sharing (Hoenen et al., 2014). The RHQ will have more autonomy, along with subsidiaries in the region, as value is enhanced through embeddedness in local networks (Kähäri et al., 2017). This function enables RHQs to act as initiators (Lassere, 1996), coordinating regional subsidiaries while simultaneously acting as suppliers of specialist knowledge and resources for subsidiaries (Amann et al., 2020; Schutte, 1998). As such, value is created by acting as a knowledge broker, receiving knowledge inflows, and distributing knowledge outflows to and from a given region (Ambos & Schlegelmilch, 2010).

A *dual* function of balancing administrative with entrepreneurial responsibilities is less well documented in extant studies on the RHQ (Conroy et al., 2017; Lunnan & Zhao, 2014). Value may be created in an intra-regional setting, adapting global practices to local conditions, but also in an inter-regional setting, channelling and sharing local and regional knowledge to CHQ and laterally to other RHQs (Collinson & Rugman, 2007; Nell et al., 2011). RHQs with dual functions may engage in a high degree of inter-regional collaboration in sharing best practices but also a healthy level of competition in terms of resource allocation

⁵ Other studies allude to the importance of regional management mandates delegated to subsidiaries in the region as an alternative to RHQ but empirical work in this area is limited (Alfoldi et al., 2012, 2017; Chakravarthy et al., 2017). Our paper is focused on RHQs as “specialised units dedicated to critical headquarters functions only” rather than subsidiaries with some regional head office functionality (Verbeke & Asmussen, 2016: 1061).

⁶ Many companies operate with divisional headquarters that may work hierarchically in a similar way to RHQs (Decreton et al., 2017). However, RHQs are structured around geographical regions and divisional are structured around products and services as often seen in conglomerates.

and competitive tendering processes.

There is a need to enrich the literature on the role of the RHQ with insights from power and politics. Studies to date overlook how the role of the RHQ may be opposed by other powerful actors such as CHQ or subsidiaries (Kähäri et al., 2017). For instance, the existence of an RHQ leads to the CHQ naturally devolving some of its power, while concomitantly subsidiaries lose a degree of autonomy to be locally responsive (Schotter et al., 2017). A powerful CHQ may not want its influence within the region to diminish and may use coercive power to ensure the RHQ remains aligned with its agenda (Mahnke et al., 2012). Equally, subsidiaries may feel their local conditions are idiosyncratic and behave politically in resisting any support from the RHQ (Schutte, 1997). These situations ensure that power struggles are pervasive within a multi-layered MNE and there is a need to unpack how the RHQ role is influenced by these potentially destabilising dynamics.

4. Power and politics in the MNE

Power is a multifaceted and complex phenomenon to operationalise, but in an organisational context, it can be defined as the ability to achieve one's will even when faced with resistance from others (Lukes, 2005). The classical definition of power, to enforce others to do something they would not otherwise do (Fleming & Spicer, 2014), relates to power as a concept that is acted on subjects in a dominant fashion (Foucault, 1980). Others explore power as a construct that acts a subject into being and is, in turn, acted by these subjects through a political agency (Arendt, 1969; Butler, 1997). There is a clear thread considering the distinction between *top-down* power and *bottom-up* power as an appropriate way to explore how power is understood in MNEs (Dörrenbächer & Gammelgaard, 2016). Top-down power is defined as the ability to limit others' opportunities for choice and bottom-up power is defined as the ability to achieve a goal or resist authority (Allen, 2002; Pfeffer, 1981).

We contend that top-down power is prevalent in a hierarchical MNE structure and acted on subjects in a descending manner. This type of power manifests through a form of domination, in that power is an instrument of rule (Foucault, 1980), a restrictive or repressive force, in which the exercise of this power involves the imposition of the will of the powerful on the powerless (Allen, 2002). This power generally resides at the CHQ but may reflect a more delicate balance between domination and authority (Dörrenbächer & Gammelgaard, 2016). For instance, the CHQ may exercise top-down power coercively over subsidiaries by threatening sanctions, but this form of domination may impact the subsidiary's ability to be effective and lead to short-term compliance. To establish more enduring forms of domination, the CHQ may use its legitimate authority and reward subsidiaries with scarce or valuable resources, which ensures that regulations remain largely unchallenged (Clegg et al., 2018). Top-down power is therefore persistent and consistently asymmetrical in favour of those actors at the helm of the hierarchy (Mudambi & Navarra, 2004).

Bottom-up power is more prevalent in a networked MNE structure and channelled through autonomous action and agency in an ascending manner (Arendt, 1969). In this context, agency may refer to those actors that are subjected to, or constituted by, power becoming vehicles of this power and they exercise this through relations with interdependent actors (Foucault, 1980). However, in an MNE setting, we know very little about how "agency exceeds the power by which it is enabled" (Butler, 1997: 13) and how the ascending nature of power is used for displacing domination (Geppert & Dörrenbächer, 2014). Networked MNEs consist of fragmented bundles of coalitions where power is mobilised through the formation of alliances between low-power actors who build coalitions to stifle or counteract coercive directives (Whitford & Zirpoli, 2016). Recent work has considered how subsidiaries use their agency to influence CHQ through initiative-taking (Conroy et al., 2019), micropolitics (Dörrenbächer & Gammelgaard, 2011), issue selling (Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016), or

resource dependency situations (Mudambi et al., 2014). We suggest that, although the RHQ may be subjected to the top-down domination of CHQ power, they are enabled to become a subject in and through this power. Drawing on these insights, we argue that power may be concomitantly repressive and productive as contemporary MNEs are characterised by hierarchical and network-based components (Neill et al., 2017), and this is an important issue in shaping the position of middle-power actors such as the RHQ.

4.1. Loaned power and owned power

Referring to principal-agency theory on the one hand and resource dependency theory on the other, Cuervo-Cazurra et al. (2019) distinguish between top-down power versus bottom-up power as loaned and owned power respectively. They discuss whether power is loaned by a high-power actor such as the CHQ (top-down) or owned (bottom-up) by low-power actors such as subsidiaries. These concepts are useful to explore at the RHQ level. Loaned power is formal and involves delegated decision rights and authority that are always borrowed and not owned by low-power actors, as the high-power actor will always retain the power of veto to overrule how the delegated responsibilities are exercised. Loaned power is therefore descending in nature in that it flows from the CHQ to the RHQ and is typically channelled and enacted through hard control mechanisms of centralisation and formalisation (Cuervo-Cazurra et al., 2019). RHQs that exploit home-based competences are subservient executors of CHQ commands wielding loaned power, and as such are more exposed to domination from the CHQ. Loaned decision rights represent a restricted form of power that is *granted* to the RHQ which they, in turn, enforce through compliance and subjugation of subsidiaries.

Alternatively, owned power is *gained* rather than granted and based on the control of resources that are strategic or critical to the MNE. Owned power is more informal and generated through intangible resources like knowledge assets over which property rights are difficult to define and defend. This likely results in strong bargaining power for the RHQ which denotes a degree of ownership over decision rights that are difficult for CHQ to revoke (Mudambi et al., 2014). As such, soft control mechanisms like socialisation are used by CHQ to encourage the continued development of valuable competences and sharing of these across the MNE (Cuervo-Cazurra et al., 2019). RHQs that hold strategic resources in terms of managing critical relationships in a network attain owned power by being able to exert influence over CHQ decision-making through negotiation in a bottom-up manner. An RHQ's owned power is promoted by a network structure where they have greater autonomy and are more loosely coupled from CHQ, enabling them to resist CHQ's control. However, we argue that owned power is only useful when it can be exercised to influence high-power actors, and this takes place through negotiations and bargaining.

Cuervo-Cazurra et al. (2019) suggest that tension occurs between these two forms of power, but they do not manifest in isolation and may co-exist in an MNE setting. As an intermediary layer, the RHQ is not only the consenting target of power but rather they are "always also the elements of its articulation... simultaneously undergoing and exercising power" (Foucault, 1980: 98). In this sense, there is a need to consider how power is manifested in duality in that it may be both productive and repressive, enabling and constraining (Allen, 2002). Subjugation provides the RHQ with the loaned power it is granted to control the region and potentially the owned power it gains to influence CHQ (Mahnke et al., 2012). As such, "power is a condition for the possibility of both subjectivity and agency" (Allen, 2002: 142) and both contrasting perspectives need to be considered to understand how power can be driven through strategic, top-down control but also through political, bottom-up agency (Dörrenbächer & Gammelgaard, 2016). A key takeaway from the above discussion is that the RHQ is invariably operating in a middle-power position by channelling top-down (loaned) and bottom-up (owned) flows of power. We elaborate on these arguments in

our typology below.

4.2. Political spaces and micropolitics at the RHQ

As suggested earlier, power is manifested in political interactions between central actors (Pfeffer, 1981). Politics may be seen as a manifestation of the conflicts or power struggles that emerge when interdependent actors with divergent goals or interests interact. Politics are particularly important for low-power actors when attempting to influence decisions and make a dominant actor aware of their hidden competences or strategic opportunities that lie beyond their immediate interests (Bouquet & Birkinshaw, 2008). Studies have suggested that micropolitics, which are the everyday occurrences and conflicts between interdependent actors to increase power, are important mechanisms through which power is enacted in the MNE (Dörrenbächer & Gammegaard, 2006). Micropolitical interactions can be both top-down, where high-power actors reinforce their dominance and control, or bottom-up where low-power actors attempt to modify and shape their power base. For instance, subsidiaries engage in micropolitical strategising or game-playing to increase their bargaining and negotiation power over a dominant CHQ, access vital resources or resist disagreeable demands (Conroy et al., 2019). Equally, dominant actors in powerful positions such as the CHQ may choose to engage in micropolitical processes of persuasion or encouragement with subsidiaries as a more subtle substitute to hard control (Neeley & Reiche, 2022). Others suggest that the RHQ may enact contradictory micropolitical strategies depending on its position as an agent of CHQ or a principal for local subsidiaries (Conroy et al., 2017).

Viewing the MNE as a contested terrain or transnational social space (Morgan & Kristensen, 2006), we argue that it consists of *political spaces* where power and agency are enacted between political brokers. Political spaces are necessary for negotiating the terms of co-existence with interdependent actors (Arendt, 1969). Drawing on insights from previous studies (Clegg et al., 2018; Geppert & Dörrenbächer, 2014; Geppert et al., 2016), we define these spaces as politically intense interactions of negotiation, manipulation, collaboration, and persuasion between the contradictory agendas of interdependent actors across the MNE. We posit that political spaces exist at particular interfaces that the RHQ shares with interdependent political brokers (Morgan & Kristensen, 2006) inside the MNE, such as the RHQ-CHQ interface (regional-global) (Mahnke et al., 2012) and the RHQ-subsidiary interface (regional-local) (Hoenen et al., 2014). These interfaces provide a performative stage for actors, powerful or otherwise, to gain, maintain, or reinforce their dominance (Arendt, 1969). We suggest that the more divergent and conflicting the values, agendas, or interests between actors the more intense the micropolitical bargaining and negotiation will be in a given political space. In this context, there is a need to consider the role of the RHQ in bridging deviating patterns of power and destructive contestations in these political spaces.

5. Typology of regional headquarters' role variations

Based on the above discussion, we develop a typology of four role variations for the RHQ (Fig. 1) consisting of corporate, political, hybrid, and holding RHQ. The underlying assumption of our typology is that the role that an RHQ performs is influenced by the power and politics that exist in the CHQ-RHQ-subsidiary relationship. The four identified RHQ roles are defined by two dimensions of power: (a) RHQ loaned power (i.e., delegated decision rights from the CHQ); (b) RHQ owned power (i.e., power that the RHQ possesses). In constructing our typology, and building on the above arguments in existing literature, we conceptualise how these dimensions may be determined by: (i) the MNE strategy (global, multidomestic or transnational); (ii) the MNE structure (hierarchical, networked or heterarchical); (iii) the RHQ function (administrative, entrepreneurial or dual); and (iv) micropolitics between CHQ-RHQ-subsidiary.

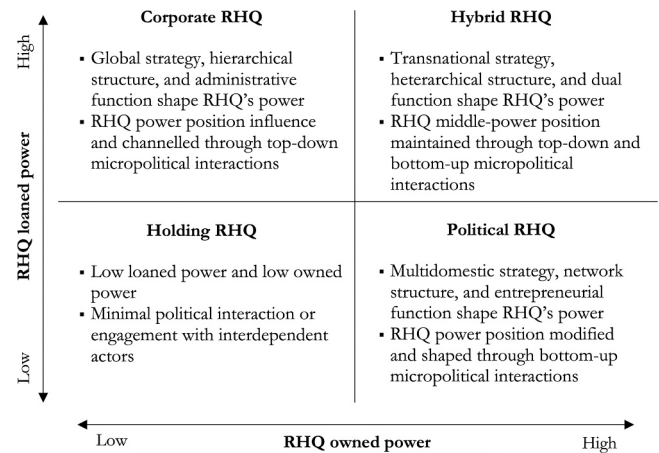


Fig. 1. Typology of RHQ role variations.

Although strategy, structure and function may shape the power position of the RHQ, the RHQ's role is amorphous, dynamic, and ambiguous (Alfoldi et al., 2017), and they can modify existing power relations by engaging in top-down and bottom-up micropolitical interactions. As such, although power may be loaned to the RHQ from the CHQ, and shaped through strategy, structure, or function, it may also be owned by the RHQ and exercised through political spaces. Moreover, our typology shows how an RHQ's aggregate role and overall power position may vary in line with a specific set of value chain activities, i.e., it may be powerful in some activities while at the same time weaker in others. We also conceptualise how an RHQ's role and power position may evolve or devolve over time by changing from one role type to another.

5.1. Corporate RHQs

The corporate RHQ role has high loaned power but low owned power. We argue that the power dynamics that shape the corporate RHQ role are a condition of a global strategy, hierarchical structure, and administrative function, but its power position is influenced and channelled through top-down micropolitical interactions.

5.1.1. Strategy-structure-function

The high loaned power position of the corporate RHQ is shaped by the MNE strategy and structure, and its function. First, corporate RHQs are more relevant for an MNE with a global strategy (Bartlett & Ghoshal, 1989) in that the CHQ, as commander in chief, possesses a significant degree of power and its strategic agenda is channelled from global to local through regional power structures. This strategy ensures a high degree of integration, coordination, and control as the main prerogative within the region, ensuring regional economies of scale (Verbeke & Asmussen, 2016). Apple's European RHQ in Cork, Ireland is an example of a corporate RHQ that focuses on regional economies of scale through financial and legal services with limited sales and manufacturing responsibilities (Counis, 2017). Knowledge and resources flow from CHQ and are granted or lent to the corporate RHQ where they are filtered across the region in the form of corporate strategy directives that subsidiaries are required to comply with and adopt without any adaptation. Second, the structure of the MNE in this context is likely that of the archetypal hierarchy, in that power and decision-making are centralised (Geppert & Dörrenbächer, 2014) with decision-rights owned by CHQ but loaned to the corporate RHQ (Cuervo-Cazurra et al., 2019), flowing downward through clear reporting lines and formalised communication. In this sense, the CHQ maintains hard control with standardised policies and systems of monitoring that are transferred to the corporate RHQ and deployed across regional subsidiaries through centralisation and formalisation. Third, the function of a corporate RHQ is administrative, acting as coordinators (Lassere, 1996) on behalf of the CHQ and, in turn,

dominating regionally dispersed subsidiaries. Similar to “replica corporate headquarters but on a regional scale” (Ho, 1998: 181), this RHQ role focuses on developing regional efficiencies through budgeting, signalling, intelligence gathering, bundling of resources, and control of descending knowledge (Lunnan & Zhao, 2014; Schutte, 1997). An administrative function in this respect may be less to do with value-creation and more about engaging in loss-prevention tasks (Chakravarty et al., 2017).

5.1.2. Micropolitics at CHQ-RHQ-subsiary

In addition to the above conditions, RHQ's low owned power may be modified by interactions manifest in the political spaces with CHQ and subsidiaries. First, top-down micro-political strategising transpires at the RHQ-CHQ interface, where the corporate RHQ has limited power that it owns directly, and rather than developing distinctive and specialised competences, it will mainly exploit the firm-specific competences of CHQ. Acting as corporate agents, they identify with the corporate agenda and represent a subservient entity that is subject to CHQ domination. In this sense, its low-power status with CHQ means that the corporate RHQ becomes a subject of CHQ power but, in turn, this loaned power is assumed by the RHQ and used to control and dominate subsidiaries in the region (Butler, 1997), operating as an auxiliary arm of CHQ. Therefore, the corporate RHQ becomes passionately attached (Butler, 1997) to the CHQ through power dynamics that form its role. From an agency perspective, corporate RHQs have a principal-principal relationship with CHQ and will be more concerned about how the power they wield adds value for the CHQ (Cuervo-Cazurra et al., 2019). For example, when Japanese firms first established regional bases across the US and Europe they loaned power by deploying CHQ managers to run their corporate RHQs (Preece et al., 2013). Although political tensions at the RHQ-CHQ interface are modest, corporate RHQ may enact micropolitical strategies of alignment which involve exchanging relevant and valuable knowledge through socialisation with CHQ (Conroy et al., 2017).

Second, at the RHQ-subsiary interface, we suggest a moderately intense political space exists where power dynamics are more likely to give rise to top-down micro-political strategising through RHQ high loaned power. For instance, corporate RHQs internalise the loaned power from CHQ and become dependent on it to enact domination and coercive power over subsidiaries. As such, they will likely have greater information asymmetries with, and less political proximity to, the operating level of subsidiaries, which may also create a divergence in interests and values between the RHQ and subsidiaries and, in turn, intensify the political space between the two (Enright, 2005a; Schutte, 1998). The RHQ's political efforts are therefore channelled downwards through their principal-agent relationship with local subsidiaries to ensure they remain dominant over a dispersed network in the region. Political tensions may emerge in the internal capital market where subsidiaries compete to acquire corporate competences from the RHQ. Any conflicts may be assuaged if corporate RHQs implement micropolitical strategies of alignment with subsidiaries or, in severe cases, discursive threats regarding CHQ intervention in subsidiary operations to pre-empt or discern rent-seeking behaviour locally (Clegg et al., 2018). In this respect, both the CHQ and corporate RHQ may have conjoint micropolitical influence (Heyden et al., 2018) over subsidiaries, creating a form of subjugation at the subsidiary level (Butler, 1997) and minimising any destabilising political struggles at the RHQ-subsiary interface.

5.2. Political RHQs

The political RHQ role has low loaned power but high owned power. We argue below that the political RHQ role is a condition of a multidomestic strategy, networked MNE structure, and an entrepreneurial function, but its power position is modified and shaped through bottom-up micropolitical interactions.

5.2.1. Strategy-structure-function

The political RHQ is less reliant on loaned power and is more likely found in MNEs implementing a multidomestic strategy with an emphasis on local responsiveness through the customisation of policies and procedures and adaptation to the local context (Bartlett & Ghoshal, 1989). For example, Piekkari et al. (2010) found that in the early stages of regional formation in the Americas and Asia Pacific, the Finish MNE Kone relied on this kind of RHQ role to generate regional responsiveness. Rather than exploiting home-based assets or formalised controls, multidomestic strategies emphasise the bottom-up inflows of knowledge, learning, and innovation from locally embedded subsidiaries to political RHQs through subsidiary-specific advantages (Rugman & Verbeke, 2001). Political RHQ's limited loaned power challenges them to control through socialisation mechanisms and remain connected to an evolving network of subsidiaries that have access to peripheral power sources the RHQ may not be aware of. This may create a resource-dependence situation where subsidiaries grow their mandates by tapping into locally valuable competences and network relations as a form of owned power in attempting to influence the political RHQ (Dörrenbächer & Gammelgaard, 2016). Second, political RHQs are likely to endure in the context of a network-based MNE structure where decision-making rights are decentralised beyond the CHQ throughout a geographically dispersed power structure. Networked structures breed differentiated power relations, autonomous actions, and the competence-creating capacity of subsidiaries embedded in local markets (Ambos & Schlegelmilch, 2010; Andersson et al., 2007). As such, a political RHQ's role in a networked structure relies less on loaned power from CHQ and more on forming owned power by building relations with powerful subsidiaries in the region and creating technological competence via their networks (Cuervo-Cazurra et al., 2019). Third, the function of the political RHQ is entrepreneurial where it focuses on creating value for subsidiaries by orchestrating synergies in the region and ensuring the free flow of knowledge across the network (Asakawa & Lehrer, 2003). This entrepreneurial function is less focused on integration or economies of scale and more on orchestrating innovative tasks that lead to the creation of new initiatives rather than exploiting existing routines (Lunnan & Zhao, 2014). This involves the political RHQ scouting for new business opportunities, engaging in discovery processes, and assisting in adaptation efforts in the region (Alfoldi et al., 2012).

5.2.2. Micropolitics at CHQ-RHQ-subsiary

Intense power relations and political interactions with interdependent actors furnish the political RHQ with an opportunity to gain greater owned power and shape its role. First, an intense political space likely materialises at the RHQ-subsiary interface, as the RHQ has low loaned power to formally control subsidiaries. For instance, bottom-up micropolitical strategising may emerge from powerful subsidiaries that have a lot of autonomy and risk becoming increasingly isolated or removed from the regional structure, making it more difficult for the RHQ to access and extract their knowledge (Conroy et al., 2023; Jun et al., 2019). Divergent interests may emerge with powerful subsidiaries who seek to enforce their agenda and the political RHQ may have to rely on softer control mechanisms such as socialisation and persuasion, rather than coercion or formalisation (Hoenen et al., 2014). Equally, political RHQs may have to navigate multi-local political tensions in the region, such as managing an RHQ-subsiary-subsiary relationship if powerful subsidiaries have regional mandates or R&D responsibilities and directly control less powerful subsidiaries (Alfoldi et al., 2012). In this context, local subsidiaries may have power loaned from CHQ through global mandates or co-parenting responsibilities and therefore have a direct line to the CHQ, creating an extra layer of micropolitical bargaining, which destabilise the RHQ's power base (Pla-Barber et al., 2021a). This was the case in the past for the Asian RHQs of BP and Unilever which had powerful Indian subsidiaries with direct connections to the European CHQ (Schutte, 1997).

Second, the RHQ-CHQ interface serves as an intense political space that represents a battlefield where tensions are likely to shape the high owned power the RHQ possesses to influence the CHQ through bottom-up micropolitical strategising. For instance, RHQs may be embedded in their subsidiaries' networks for reasons related to control, power, and information gathering, essentially creating horizontal-like structures in the region (Hoenen et al., 2014). This may allow political RHQs to develop competences that are owned, removing any dependence they have on the low loaned power bestowed from CHQ (Cuervo-Cazurra et al., 2019). From an agency perspective, the relationship is more akin to a principal-agent where the RHQ leverages subsidiary owned power and enacts bottom-up micropolitical strategies of self-interest, hoarding valuable knowledge that the CHQ does not have access to and enhancing their power base with CHQ (Conroy et al., 2017). Yet, micropolitical strategies will likely be enacted by powerful subsidiaries in the region to exploit the low loaned power position of the RHQ over the region. This may involve subsidiaries forming coalitions to build bargaining power and leverage the RHQ for access to valuable resources at CHQ (Bouquet & Birkinshaw, 2008; Whitford & Zirpoli, 2016). In turn, the RHQ may engage in micropolitical strategies of issue selling to CHQ where they identify and develop initiatives that subsidiaries have made them aware of, and subsequently package these initiatives to CHQ (Dörrenbächer & Gammelgaard, 2016; Mahnke et al., 2012). In this sense, political RHQs may have the power to wrap and frame issues to CHQ in a more influential way than the local subsidiaries as they are hierarchically closer to the viewpoint of corporate decision-makers (Conroy et al., 2019). However, there may be a danger of an unhealthy degree of political lobbying from the RHQ in the interest of a few very powerful subsidiaries in the region (Lunnan & Zhao, 2014). In this context, the political RHQ and regional subsidiaries may have conjoint influence over CHQ (Heyden et al., 2018) where bottom-up micropolitical influencing rather than top-down domination becomes the vehicle of power. It could be argued that a political RHQ risks becoming a player amongst others, ignorant of increasingly powerful subsidiaries that are exploiting them to build local advantage (Bouquet & Birkinshaw, 2008; Ciabuschi et al., 2012). Taken to the extreme, powerful subsidiaries may end up evolving into a regional management mandate, leading to a partial or full loss of the RHQ's mandate (Chakravarty et al., 2017; Kähäri et al., 2017). The automotive industry in general is highly regionalised and firms like General Motors and Volkswagen have had their Brazilian subsidiaries develop mandates beyond the local market to coordinate regional operations in South America (Amatucci & Mariotto, 2012). Toyota has also seen powerful subsidiaries transform into dedicated regional structures such as their Taiwanese subsidiary upgrading its mandate to become an RHQ for manufacturing and new product development across developing countries in Asia (Marinov et al., 2017).

5.3. Hybrid RHQs

The hybrid RHQ role has both high loaned power and high owned power. We submit that the power dynamics that shape the hybrid RHQ role are a condition of a transnational strategy, heterarchical structure, and a dual function, but its power position is maintained through top-down and bottom-up micropolitical interactions.

5.3.1. Strategy-structure-function

A hybrid RHQs' high loaned and owned power is shaped by the MNE's transnational strategy (Bartlett & Ghoshal, 1989) which enables them to maintain control through regional economies of scale and integration while ensuring autonomy and responsiveness for local subsidiaries. Transnational strategies foster hybrid RHQs which gain owned power by leveraging dispersed sets of knowledge from across the MNE and recombining them in a way that enhances the innovative capacity of the CHQ and local subsidiaries (Mees-Buss et al., 2019). In this sense, transnational MNEs demand that RHQs operate as a strategic midway house that is geographically and institutionally closer to both the CHQ

and subsidiaries than the two units are to each other (Hoenen et al., 2014; Yeung et al., 2001), which eases information asymmetries and improves communication (Lunnan & Zhao, 2014). A hybrid RHQ's power position is also shaped by a heterarchical MNE structure that seeks to reap the benefits and offset the limitations of both integrated hierarchies and differentiated networks. Heterarchies are complex multi-layered structures entwined with multiplex power dynamics and hybrid RHQs operate to balance tensions and conflicts in global integration, regional coordination, and local responsiveness (Pralahal & Doz, 1987). Heterarchies are designed through a CHQ structure where power is dispersed to regional and local levels relying on matrix-based reporting lines through a combination of formalised policies and systems with a blend between formal and informal socialisation (Hedlund, 1986). Power and decision-making rights are loaned through decentralised functions in the hybrid RHQ, but a high degree of independence enables them to build owned power through network relations and competences specific to the region. A hybrid RHQ also balances a dual function, enacting both administrative control and entrepreneurial initiatives. A dual function involves owned and loaned power through ambidextrous abilities of exploration and exploitation (Tempelaar & Rosenkranz, 2019). Hybrid RHQs function as relay offices that assist subsidiaries in identifying, evaluating, and pursuing local opportunities while concurrently linking these subsidiaries to the broader global network to exploit successful initiatives (Asakawa & Lehrer, 2003; Hoenen et al., 2014; Nell et al., 2011). Whirlpool is a good example of a firm that has promoted significant global collaboration, particularly between RHQs in fast-growing emerging markets such as Asia and Latin America, where products can be standardised regionally (Ghemawat, 2005). In the EU, Whirlpool Slovakia transitioned from a sub-standard producer of washing machines to a major regional cog in the global value chain and a model of efficiency in the production of top-loader washing machines (Rubens et al., 2019).

5.3.2. Micropolitics at CHQ-RHQ-subsidiary

Hybrid RHQs maintain a stabilised power structure in the MNE and a strong overall position through constructive micropolitical interactions with both CHQ and subsidiaries. The CHQ-subsidiary interface serves as an intense political space for these politically astute RHQs alternating between top-down and bottom-up micropolitical influencing. In this sense, they adapt their political bargaining style between hard and soft power, pushing the CHQs agenda when in the region through the formalisation of best practices, but also voicing regional concerns through contestation and negotiation with CHQ (Schutte, 1998). Hybrid RHQs will likely be transcultural political brokers in mediating and balancing contradictory perspectives (Levy et al., 2019) by facilitating conflict resolution processes between the CHQ and subsidiaries. From an agency perspective, the hybrid RHQ serves a dual agency role as both a principal and an agent, enacting top-down and bottom-up micropolitical strategies of knowledge sharing and sourcing to ensure alignment with both CHQ and its subsidiaries (Conroy et al., 2017). We do not suggest that hybrid RHQs are free from political struggles, but rather when they do arise this RHQ role is relatively effective at transforming potentially destructive conflicts into productive tensions. For instance, when engaging with subsidiaries, instead of becoming politically entangled in local power games, the hybrid RHQ may enact a micropolitical strategy of downward deference, which involves recognising that low-power subsidiaries may have greater insight or expertise on local needs, and therefore the RHQ privileges their judgment by transferring influence to them (Neeley & Reiche, 2022). This may also involve micropolitical strategies of persuasion or ingratiation with high-power subsidiaries as a softer, more cooperative alternative to the imposition of authority through domination. This creates enhanced trust in the long term rather than political tensions with powerful subsidiaries. However, there is a risk that this may create intense subsidiary-subsidiary politicking and power games within the region. Equally, remaining connected to CHQ by actively sending appropriate signals rather than striving for too much

autonomy leads to a healthy degree of influence over the corporate agenda, balancing positive and negative attention in the corporate immune system (Conroy & Collings, 2016).

There is a danger that, in performing this middle-power position, hybrid RHQs are perceived as not meaningfully connected to either the CHQ or local subsidiary, which can lead to them not being a trusted partner or powerful actor in either setting - confronting tensions in both. RHQs will likely have to decide when they should take sides to hold opportunistic actors accountable and maintain a stabilised pattern of power over time, which could result in political backlash. In doing so, these RHQs need to be adept at engaging in micropolitical strategising in terms of resisting or opposing corporate directives while shaping or negotiating resourcing decisions for local initiatives (Mahnke et al., 2012). This may involve creating new rules of engagement for how CHQ and subsidiaries interact (Geppert & Dörrenbächer, 2014) or opening up political spaces so that bargaining and negotiating ensure productive power relations between all actors (Dörrenbächer & Gammelgaard, 2006).

To maintain the hybrid RHQ's power position, balancing high loaned and owned power includes initiating the CHQ and subsidiaries in a mutually constructive bargaining process of co-creation where there is no dominant actor and power relations are stabilised (Stendahl et al., 2021). In this sense, the RHQ's micropolitical interactions with the CHQ and subsidiaries are enacted through jointly beneficial compromises where divergent values are reconciled in "both/and" instead of "win/lose" outcomes (Balogun et al., 2011). This may involve the strengthening of shared values to engender continuous support from all actors which may be instrumental in negotiating compromises and co-creating new knowledge. Unlike the other roles in our typology, a hybrid RHQ may invoke what we call higher-order owned power through intangible knowledge assets that they share as global best practices beyond their region at the RHQ-RHQ interface. This may involve the RHQ skipping the negotiation and bargaining process with CHQ and engaging in micropolitical alignment and knowledge sharing with other regions, strengthening its owned power position beyond its home region.

5.4. Holding RHQs

The holding RHQ role has low loaned power and low owned power. This role is substantially different from other RHQs in our typology given that their overall power position is extremely limited, and they, therefore, have minimal political interaction or engagement with interdependent actors. We suggest that a holding RHQ is not particular to any specific MNE strategy or structure, and does not engage in any tasks that are strategically consequential or politically sensitive to other power players (Bartlett & Ghoshal, 1989). As such, a holding RHQ has no distinctive function in terms of administrative control and coordination of subsidiaries or entrepreneurial initiatives taken on behalf of the CHQ. One of the defining characteristics of a holding RHQ is that they operate either for tax and financial purposes or as shared service centres where they have very little autonomy or decision-making power (Heenan, 1979; Schutte, 1998). An example here would be some EU RHQs of American MNEs that operate in Ireland mainly for tax purposes or shared service centres. Firms such as Google and Amazon have been subject to scrutiny in this regard. This is also the case with some MNEs that set up RHQs in Singapore as a tax residency base to coordinate growth in Asian markets but have limited value-adding operations. Firms such as BMW, Rakuten, and Facebook, to name a few, have taken advantage of Singapore as a regional tax base. Instead, alongside the existence of a holding RHQ, powerful subsidiaries may operate with regional management mandates in the same region, negating the need for an RHQ structure with any substantial mandate or formalised power (Chakravarty et al., 2017). Subsidiaries with regional management mandates are provided with value-adding activities in terms of R&D resources (Villar et al., 2018) while holding RHQs act as backup offices that coordinate financial services within the region. As a result, holding

RHQs are dominated by the top-down and bottom-up influencing of both CHQ and local subsidiaries and do not significantly engage in micropolitical strategising or operate in any intense political spaces.

5.5. RHQ role and value chain activities

Up to now, our focus has been on how power and politics shape the aggregate roles and overall power positions of the RHQ. Yet, it is likely the case that RHQs' roles are more complex and fluid in that they vary within and across the configuration of value chain activities they perform. Looking at subsidiaries, Rugman et al. (2011) consider the combination of activities that make up a given role as innovation, production, marketing and sales, or administrative support activities. A given RHQ role may indeed have a high degree of power across all value chain activities but equally, a more likely scenario may be that each role has concentrated power in a narrow set of activities where political spaces are more intense. For instance, a typical corporate RHQ is likely to have a high degree of loaned power or decision rights in administrative services, or head office services, such as legal, financial, and HRM activities, which will be standardised and concentrated in regional structures. In this sense, a corporate RHQ's low owned power may be manifested in marketing and sales activities which are concentrated in subsidiaries engaged with sophisticated customers in local markets. Equally, a political RHQ role with high owned power will likely have an abundance of innovation activities with the autonomy to access critical external R&D resources and networks. The possession of sophisticated assets and critical skills may exist if they are located in a technological cluster or serve as a centre of excellence for the region, as is the case with Novartis' European RHQ in London's White City life sciences cluster (Rees, 2020). Although this RHQ may have limited loaned power in terms of administrative activities granted by CHQ, such as legal and financial decision rights, they may still covet intangible knowledge assets that they share with and source from subsidiaries in the region. However, it is likely that due to a multidomestic strategy and networked structure, some subsidiaries will also possess high owned power through competence-creating mandates with access to specialised innovation, manufacturing, and production networks locally. This combination of value chain activities at the RHQ-subsidiary interface may intensify the political space between these actors where both possess a high degree of owned power in advanced innovation-related activities. This setting may be evident in emerging market MNEs that have RHQs in advanced regions that acquire subsidiaries with advanced knowledge assets that have high owned power, intensifying micropolitical interactions with the RHQ.

Although a hybrid RHQ has both high loaned and owned power their role may also vary in value chain activities. Hybrid RHQs may possess high owned power through access to innovation networks and high loaned power being granted administrative activities for the region. However, this may vary for a hybrid RHQ operating in Asia, for example, where they have high owned power with access to advanced technology in countries like Taiwan as well as high loaned power in administrative activities like financial and legal capital allocation, but, likely, subsidiaries in countries like China and India will also have advanced production and manufacturing activities where they report directly to CHQ and do not require RHQ support (Schutte, 1997). In this sense, a hybrid RHQ may experience more intense micropolitical negotiations with these subsidiaries given the high loaned power they are granted by CHQ. Hence, rather than an RHQ performing multiple roles simultaneously, it is more likely that an RHQ's role and power position varies in line with the specific set of value chain activities it engages in. In this sense, despite its role, an RHQ may be powerful in some activities and at the same time weaker in others. However, it is also likely that, as MNEs rethink their portfolio of value chain activities, an RHQ's role and power position may evolve.

5.6. Evolution of RHQ role

An RHQ's role in our typology may evolve depending on shifting power dynamics and intensifying political spaces. There may be many evolutionary paths that unfold in our typology depending on various factors such as the initial power position of the RHQ. For instance, one potential trajectory may be that in the earlier stages of its life cycle, a greenfield RHQ may be unfamiliar with the region and reliant on exploiting the loaned power, expertise, and competences of CHQ.⁷ A corporate RHQ in this context will be more risk-averse and focus on strategic coordination and integration in what is considered its entry platform into a region. The corporate RHQ in this early stage will likely rely on centralisation and formalisation of control mechanisms to ensure subsidiaries are dominated, assuaging any political spaces. This was the case with the French MNE Carrefour when it began to develop its Asia regional base in Taiwan with a focus on training, financial management, and legal services (Lasserre, 1996). However, if a corporate RHQ was to abuse its loaned power by unfairly allocating financial capital in a biased manner, this may result in losing trust and political capital, weakening its power position, and intensifying the political space with the CHQ.

As the MNE grows and a corporate RHQ develops higher owned power, its role may evolve into a political RHQ where it becomes more entrepreneurial engaging in innovation-related activities (Hoenen et al., 2014).⁸ This will naturally lead to less reliance on CHQ loaned power and administrative activities with a greater emphasis on establishing critical networks and competence development. With this change, subsidiaries likely become more dispersed and embedded locally gaining greater power through network relations, which they, in turn, may leverage as owned power to influence the RHQ (Mahnke et al., 2012). This shifting power dynamic fashions an intense political space at the RHQ-subsidiary interface with bottom-up micropolitical negotiations and coalition building from powerful subsidiaries. The risk in this scenario is that the RHQ finds it difficult to relinquish its reliance on CHQ loaned power or cannot combat the political game-playing of powerful subsidiaries. We suggest that the political RHQ's role is at risk of devolving in this context if destructive political conflict signals to the CHQ that RHQ has become an absentee landlord and is failing to create value, triggering partial or full removal of RHQ activities (Kähäri et al., 2017). These activities may be recentralised to CHQ or delegated to a powerful subsidiary but either way will weaken the power of the RHQ, representing a devolution in their role. Over time, if the RHQ becomes more adept at handling bottom-up micropolitical strategies from subsidiaries and develops greater knowledge of local networks, they may gain more owned power to influence CHQ.

As MNEs become more mature in their life cycle they may emphasise global integration and the RHQ is expected to evolve to a hybrid role in

reconciling power struggles between global and local actors (Nell et al., 2017). This may involve balancing loaned and owned power, engaging in the full set of value chain activities, and initiating micropolitical strategies to stabilise power relations. Although a hybrid RHQ is adept at navigating conflicting agendas its role is also susceptible to being devolved. For instance, a transnational MNE pursuing global integration across regions may decide to reallocate or swap innovation-related activities to RHQs in faster-growing regions with less stabilised power dynamics. Equally, devolution may come through full relocation and be outside the power of an RHQ, such as the wave of Brexit-induced relocations from London to cities like Amsterdam, Dublin, and Frankfurt. A natural evolution of a successful RHQ may be full devolution, especially if the MNE has been well-established in a region, perhaps first becoming a holding entity serving powerful subsidiaries before being wound down completely over time. For example, Shell has evolved to operate without RHQs in Asia where local subsidiaries took full control of all value chain activities within the region (Lasserre, 1996).

6. Discussion and contributions

This paper aimed to conceptualise how the role of the RHQ is dependent on and determined by intense power relations and political interactions with interdependent actors in the MNE. Combining previously disconnected literature on the role of the RHQ with power and politics in the MNE, we have developed a typology of four role variations for the RHQ. In doing so, we answer calls for a greater understanding of the different processes through which power is managed in the MNE, particularly how middle-power actors such as the RHQ navigate between patterns of domination and subjugation (Clegg et al., 2018; Geppert & Dörrenbächer, 2014; Geppert et al., 2016). We also challenge future studies exploring power relations within the MNE to move beyond a dyadic view of global and local power struggles at the CHQ-subsidiary dyad – with dominators on one side and dominated on the other – to a triadic perspective of power consisting of a multiform production of relations in a dispersed power structure (Foucault, 1980; Lee, 2022; Nell et al., 2017). In the following, we unpack our main contributions and propose potential avenues for future research.

First, we expand the reach of existing work on the role of the RHQ in contemporary MNEs. Extant literature has focused on understanding the role of the RHQ through its administrative or entrepreneurial function which each consist of distinct tasks, activities, and routines (Alfoldi et al., 2012; Amann et al., 2020; Kähäri et al., 2020; Lasserre, 1996; Lunnan & Zhao, 2014; Mahnke et al., 2012; Nell et al., 2011; Piekkari et al., 2010). A contribution of our paper is the development of a typology that illuminates the diverse roles that RHQs may perform in a dispersed MNE power structure. Responding to the recent call for more explanatory typologies in international business (Allen et al., 2022), we demonstrate how the various roles of the RHQ are much more multifaceted, complex, and dynamic than previous studies suggest (see Alfoldi et al., 2017 for an exception to this). Specifically, our typology identifies how the complexity of the RHQ role depends on the power relations and political interactions they are exposed to and engage with. For instance, rather than engaging solely in administrative or entrepreneurial tasks, much of the RHQ's time and energy may be focused on less rational endeavours such as easing political struggles and conflictual tensions between geographically dispersed actors. Our typology also offers insights into how various RHQ roles may potentially disrupt power relations and destroy value across the MNE. As an example, although corporate RHQs create value for the CHQ by implementing global initiatives and monitoring subsidiaries, they equally may destabilise power locally and destroy value if they are overzealous in exploiting the subsidiary's specialist resources. As such, the role of the RHQ may be more concerned with how it navigates the intricate power dynamics that exist between controlling self-interested subsidiaries and evading, rationally bounded, or over-controlling CHQs. Ultimately, we argue that continuously managing these power struggles will impact the

⁷ The initial power position for any RHQ will likely differ depending on the overall strategy and structure of the MNE, which in turn influences the evolutionary journey of the RHQ. For instance, if an MNE has a multidomestic strategy with a network structure, a powerful subsidiary may be given an RHQ mandate. However, this is likely to create political dynamics with other powerful subsidiaries in a region, especially if the regional mandate was tendered competitively. As such, the subsidiary takes on a political RHQ role before potentially evolving to another role over time. A contrasting scenario may arise when an MNE acquires an established firm with the explicit purpose of making them a powerful RHQ from inception where they are bestowed with high loaned power over the region.

⁸ We do not suggest that a linear evolution will always take place like the example we present here. Instead, we acknowledge that there are many different evolutionary pathways that could unfold which lie beyond the scope of our paper. In some instances, a corporate RHQ's loaned power may not diminish as its owned power grows, and it may instead evolve to become a hybrid RHQ, skipping the political RHQ role. We encourage others to explore the various trajectories that may unfold depending on the origins of the RHQ and their contrasting power positions.

ability of the RHQ to convert destructive conflicts into productive tensions, which should be a central part of its value-creating role (Asakawa & Lehrer, 2003; Belderbos et al., 2017; Hoenen et al., 2014).

We also extend and enrich Cuervo-Cazurra et al.'s (2019) work on loaned versus owned power by applying it to middle-power actors such as the RHQ. In doing so, we broaden our understanding of how these conflicting forms of power may co-exist through the hybrid RHQ role. Moreover, our typology presents a more granular view of an RHQ's aggregate role by arguing that its power position may vary within and across the configuration of value chain activities they perform. Following Rugman et al. (2011), we suggest that some RHQ roles may have a high degree of power across all value chain activities while others may have power concentrated in a narrow set of activities. Our typology also presents a dynamic element arguing that an RHQ's role may evolve or devolve over time depending on how it navigates shifting power dynamics and political relations with interdependent actors. These insights, therefore, provide the basis for future work to empirically test how power and politics infuse the RHQ role with greater complexity and diversity.

Second, by incorporating arguments on power and politics (Morgan & Kristensen, 2006; Geppert et al., 2016), we answer calls for a more in-depth analysis of power dynamics in the MNE as a large, diversified power structure where central actors across multiple levels leverage a multitude of power bases (Decreton et al., 2017; Hoenen & Kostova, 2015; Jun et al., 2019; Lee, 2022; Nell et al., 2017; Pla-Barber et al., 2021a). Specifically, conceptualising the contradictory power dynamics that the RHQ is exposed to, and how these shape, and in turn are shaped by, the RHQ's role is a central contribution of our paper. Although we argue the strategy and structure of the MNE, as well as the function of the RHQ, influence the overall position of the RHQ, we introduce ideas on micropolitics to consider how the RHQ engages in top-down and bottom-up micropolitical strategising to modify its power base (Conroy et al., 2017; Dörrenbächer & Gammelgaard, 2006). We submit that political spaces are interfaces of contestation that impact the role of the RHQ in how it navigates patterns of power (Geppert & Dörrenbächer, 2014; Geppert et al., 2016). These interfaces serve as critical junctures for the RHQ to engage in political exchanges with powerful actors and reconcile competing logics or conflicting norms in a bid to stabilise power relations. RHQs engage in these political spaces through the RHQ-CHQ interface (regional-global) and the RHQ-subsidary interface (regional-local). In developing these arguments, we draw on broader work in political philosophy (Arendt, 1969; Butler, 1997; Foucault, 1980) and organisational power (Fleming & Spicer, 2014; Lukes, 2005; Pfeffer, 1981). Political spaces are part of Arendt's broader spaces of appearance concept that are created when actors convene, and power dynamics emerge through political processes of discussion, bargaining, and negotiation. For instance, we argue that the hybrid RHQ may enact downward deference to neutralise political tensions and stabilise relations with powerful subsidiaries. These insights help further our understanding of the MNE as a political arena or contested terrain (Morgan & Kristensen, 2006), where triadic power dynamics manifest in top-down and bottom-up micropolitical interactions between CHQ-RHQ-subsidary actors.

Our arguments are novel in unpacking the middle-power position the RHQ is expected to perform in balancing conflicts of power in the MNE. To date, studies on power in the MNE have focused on actors as either having or lacking power in isolation and have largely neglected the importance of managing power in intermediary positions (Bouquet & Birkinshaw, 2008), simultaneously interacting with and between higher and lower power (Anicich & Hirsh, 2017). We conceptualise how the RHQ is often expected to alternate between high and low-power interaction styles, which others have explored through code-switching activities (Anicich & Hirsh, 2017). Yet, the processes associated with being a powerful actor are often incompatible with the norms and expectations of being a low-power actor, and conflicts may arise when middle-power actors like the RHQ are asked to simultaneously play both roles

(Ashforth et al., 2000). Role switching for the corporate RHQ may be particularly difficult as it alternates between a high-power position when engaging with local subsidiaries and a low-power position when interfacing with CHQ (Floyd & Lane, 2000). As a result, it could be reasoned that the RHQ is continuously relaying or switching hats (Tempelaar & Rosenkranz, 2017) through role transitions between local demands within the region and the global demands of CHQ (Conroy et al., 2017). The challenge for any RHQ role is to ensure they utilise the appropriate micropolitical approaches, minimising the destabilisation of power relations at any given interface. Our conceptualisation of the middle-power position of the RHQ provides us with a holistic perspective of how power and politics unfold and endure in the MNE.

7. Future research agenda

We propose several avenues that provide theoretical purchase for future studies when building on our work. First, our typology does not explicitly examine the RHQ-RHQ interface, but we encourage others to explore how power and politics in this context shape the RHQ's role. For instance, for the corporate RHQ, any potential inter-regional political tensions with its regional counterparts are likely influenced or curtailed by a powerful CHQ (Nell et al., 2011). Given that the corporate RHQ's role is clearly defined with little room for strategic manoeuvring or collaboration beyond the corporate agenda, it would be interesting to examine if/how the allocation of resources from CHQ across regions may breed intense political spaces at the RHQ-RHQ interface. In this context, there may be the risk that over time, through increased domination, RHQs seek to exploit specialist subsidiary resources to improve their power position via other RHQs. Equally, studies could explore how political RHQs may engage in micropolitical bargaining or coalition building with other RHQs to lobby for the allocation of valuable CHQ resources. Political RHQs may also have the autonomy to explore opportunities in neighbouring regions, and if the boundaries of a region are not well defined, political struggles may arise between RHQs seeking to expand their scope. As we alluded to, hybrid RHQs may be expected to engage in greater inter-regional collaboration which demands a high degree of political contestation (Nell et al., 2011). Given their powerful positions, it would be important to investigate if hybrid RHQs form coalitions to combat CHQ over-involvement in the region or learn how to manage growing intra-regional complexity and subsidiary opportunistic behaviour. Future studies could consider how cooptation (Gnyawali & Ryan-Charleton, 2018), in the form of productive competition and open collaboration, manifests at the inter-regional level for the hybrid RHQ. Scholars should also delve deeper into how hybrid RHQs navigate any global-regional-local trade-offs by leveraging and sharing region-specific advantages with other RHQs.

Second, much of the work on understanding hybrid structures considers the importance of organisational identity (Mangen & Brivot, 2015; Smith & Besharov, 2019), which may also prove fruitful for understanding how hybrid RHQs manage divergent exchanges with powerful actors. To date, this perspective is underutilised in the MNE, which is surprising given the potential for an analysis of how various identities interact and evolve in a multi-layered structure (Lee, Kim, et al., 2022). This research may be particularly appropriate for understanding how hybrid RHQs manage dual identities as their power wanes or increases over time. Operating in a middle-power position creates a power vacuum that may shape the identity of the hybrid RHQ. In this context, nested identities may develop in that an RHQ identity may exist at one level but may conflict with its identity at another level (Ashforth & Johnson, 2001). Studies could explore questions such as; How does the identity of the RHQ evolve as it is exposed to conflicting power dynamics? Can multiple identities exist within RHQs given their exposure to contradictory interests? How does the hybrid RHQ use its powers to shape and mould the identities of CHQ and subsidiaries?

Third, future studies on power relations in the MNE could incorporate insights on global staffing at the RHQ level (Lee, Yahiaoui, et al.,

2022), and how this represents a microfoundational perspective of power and politics. Power and knowledge flow through people as well as structures, and varying staffing orientations determine where power culminates (Kostova et al., 2018). For instance, ethnocentric staffing is inherently linked to a global strategy where power resides at the CHQ and is wielded or loaned through expatriation (Schutte, 1998), whereas a polycentric staffing philosophy ensures power is developed or owned through host country nationals in a multidomestic setting. A geocentric staffing approach in the RHQ (Preece et al., 2013) may offer a more established power base between corporate and subsidiary political agendas, stabilising the flow of power. However, managers marshalled to RHQ from powerful subsidiaries may have inherent biases that are misaligned with the corporate strategy and upset power dynamics (Conroy et al., 2019). A microfoundational perspective may be a useful approach to explore how particular global staffing arrangements within hybrid RHQs assuage tensions or distort the flow of power within a global-regional-local context (Contractor et al., 2019; Jooss et al., 2021). Research in this space could examine questions on; How might various staffing configurations impact the balance of power between global-regional-local interfaces? How do RHQ employees carry out boundary-spanning roles as they oscillate between corporate and subsidiary contexts? How has the rise in global virtual work impacted RHQ managers in mediating power relationships?

Fourth, others could utilise a resource dependency perspective to build on our dynamic view of RHQ roles. Although we suggest that RHQ aggregate roles may evolve or devolve, we do not explicitly examine the importance of location-specific advantages in the allocation or reallocation of value chain activities. Future studies should seek to explore how the location-based advantages of RHQs are bundled with internal competences to enhance their owned power over time. For instance, recent work suggests that being in higher quality institutional environments (Valentino et al., 2018), such as global cities with high connectedness and cosmopolitanism may provide RHQs with more owned power in performing their roles, particularly if engaged in entrepreneurial-based activities (Belderbos et al., 2017). Relatedly, more work is needed into understanding the types of firm-specific competences that RHQs can develop so they are less dependent on loaned power. Our discussion on the evolution of RHQ roles focused on how a greenfield RHQ may change its role from reliance on loaned power to gaining owned power, but others could examine the context of an acquired RHQ which may have a high degree of owned power upon inception. Scholars should seek to explore the many evolutionary pathways depending on the various starting power positions of an RHQ. For instance, an acquired RHQ, a greenfield site, or a powerful subsidiary will all assume different power positions upon inception, which may influence how they develop their role over time. We note that a potential limitation of our typology is its focus on the RHQ as a distinct type of intermediary in contrast to a broader portfolio of intermediate units in the MNE (Pla-Barber et al., 2021b). Others could explore how the dependency relationships between these units impact the flow of power laterally between regions, divisions, and powerful subsidiaries in the MNE. Scholars could investigate how RHQs do not always serve as easily identifiable entities with some MNEs having RHQs incorporated into subsidiaries through regional management mandates (Alfoldi et al., 2017). Although this structure may alleviate information asymmetries, it could potentially create tensions within the subsidiary in balancing multiple conflicting local and regional responsibilities. Some questions that may be interesting to pursue here include; How is an RHQ's role influenced by the existence of a subsidiary with a regional management mandate? How do RHQs and CHQs co-exist and how do power relations unfold horizontally between these two actors? How does an RHQ balance a portfolio of value chain activities that are local, regional, and global in nature, and what are the tensions that arise in managing these?

8. Implications and conclusion

Our paper offers practical implications for managers operating in complex multi-layered power structures. First, we argue that regional management should be more conscious of their role as political brokers, as too much control from above, or autonomy from below, will result in them having to choose a side, ultimately destroying value at either global or local levels. RHQ management needs to be neutral arbitrators, free of political agendas or biases, and knowledgeable of home and host country conditions, as well as other regional contexts. If both CHQ and subsidiary management leverage the RHQ role to reduce tensions and conflicts, the MNE will be able to effectively stabilise power relations. Second, for corporate management, it is important to be aware of the multifaceted role the RHQ plays in ensuring harmonisation between home and host regions. Recognising that regional management can add value to both contexts, rather than expecting them to act as committed corporate citizens will mitigate any political tensions in the region. Third, subsidiary management should be cognisant that RHQs are crucial linchpins in linking an often-disconnected CHQ to regional and local networks, educating them about the value of the subsidiary. Although this is a complex and demanding role, RHQs can use their middle-power position to leverage corporate resources in a way that creates value locally, potentially solving intractable problems. In doing so, RHQs should also find ways to share locally developed resources with others across the MNE, helping build trust and counteract any significant power imbalances. Ultimately, our paper enriches our understanding of the role of the RHQ and acts as a conceptual roadmap for future studies seeking to unearth a more nuanced approach to power and politics in the multi-layered MNE.

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