**Headquarters-subsidiaries relationships of French multinationals in emerging markets**

**Hanane BEDDI and Ulrike MAYRHOFER**

Hanane BEDDI, IAE Lyon, Magellan Research Centre, Jean Moulin Lyon 3 University, 6 cours Albert Thomas, 69008 Lyon, France, [hanane.beddi@univ-lyon3.fr](mailto:hanane.beddi@univ-lyon3.fr)

Ulrike MAYRHOFER, IAE Lyon, Magellan Research Centre, Jean Moulin Lyon 3 University, 6 cours Albert Thomas, 69008 Lyon, France, [ulrike.mayrhofer@univ-lyon3.fr](mailto:ulrike.mayrhofer@univ-lyon3.fr)

Hanane BEDDI, PhD, is an Associate Professor at IAE Lyon, Jean Moulin Lyon 3 University. Her research and teaching activities focus on international management, and more specifically on the management of headquarters-subsidiaries relationships of multinational companies.

Ulrike MAYRHOFER, PhD, is a Full Professor at IAE Lyon, Jean Moulin Lyon 3 University and Director of the Magellan Research Centre. Her research and teaching activities focus on international management, and more specifically on internationalisation and location strategies of companies.

**Abstract**

Relationships between headquarters and foreign subsidiaries are among the most crucial issues concerning the management of multinational enterprises (MNEs) (Birkinshaw, Hood and Jonsson, 1998; Birkinshaw and Morrison, 1995). MNEs are firms that engage in foreign direct investments (FDI) by controlling and managing value-added activities abroad (Dunning and Lundan, 2008), and foreign subsidiaries thus contribute to their global value chain (Goerzen and Beamish, 2003). Over the past few years, MNEs from mature economies have been investing heavily in emerging countries (UNCTAD 2012), which raises new challenges for their relationships with foreign subsidiaries. In fact, the management of subsidiaries located in emerging countries is likely to differ from the management of subsidiaries located in mature economies. Usually, the distance between the headquarters of MNEs and subsidiaries in emerging economies is important and may thus influence their managerial practices.

In this paper, the authors analyse how location and distance shape the relationships developed between headquarters and foreign subsidiaries, and focus more specifically on the management of subsidiaries established in emerging countries. The CAGE-framework developed by Ghemawat (2001) is used to assess four dimensions of distance (cultural, administrative, geographic, economic). The empirical study is based on three in-depth case-studies of French multinationals: France Telecom, Schneider Electric and Publicis. The authors conducted 31 interviews with managers from both the headquarters and foreign subsidiaries in order to assess the specific characteristics of their headquarters-subsidiaries relationships.

This research indicates that headquarters-subsidiaries relationships are shaped by the location of subsidiaries in emerging economies, and more specifically by the cultural, administrative, geographic and economic distance between the headquarters and foreign subsidiaries. Thefindings of the study demonstrate that the management of subsidiaries in emerging countries presents important differences with the more “classical” management of subsidiaries established in the home region of MNEs or other Triad nations. The contribution further shows that the impact of the country of origin on the management of headquarters-subsidiaries relationships depends on the fact whether the MNE remains a centralised organisation, deeply rooted in its home-country (like France Telecom), or whether it has shifted towards a transnational company (like Publicis and Schneider Electric). Transnational corporations are likely to adopt a different approach to location. However, it clearly appears that the management of subsidiaries in emerging economies is more difficult, mainly because of the distance separating the headquarters from their local subsidiaries.

**Keywords**

French multinationals, emerging markets, location, distance, headquarters-subsidiaries relationships.

**Possibilities of collaboration with USP**

The empirical study conducted by the authors is based on French MNEs which have established subsidiaries in various emerging countries. It seems interesting to extend the empirical study to subsidiaries established by French (or other European) MNEs in Brazil in order to examine which managerial practices are implemented by MNEs from mature economies in the Brazilian market.