

# To better utilize “Beyond RHQs”

This Report summarizes the discussions held with Japanese entities operating globally on the subject of regional headquarters and the insights gleaned from such discussions. Regional headquarters have contributed significantly to the global operations of Japanese entities, as links, as well as buffers, between the head office and the field. However, conventional methods based on regional headquarters will only go so far; and if Japanese entities are to prevail as global entities and seek further growth, changes must be made to the concept of the global organization itself.

## Key Messages

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**Look at the world from a bird’s eye view and shore up world headquarters from the perspective of global optimization.**

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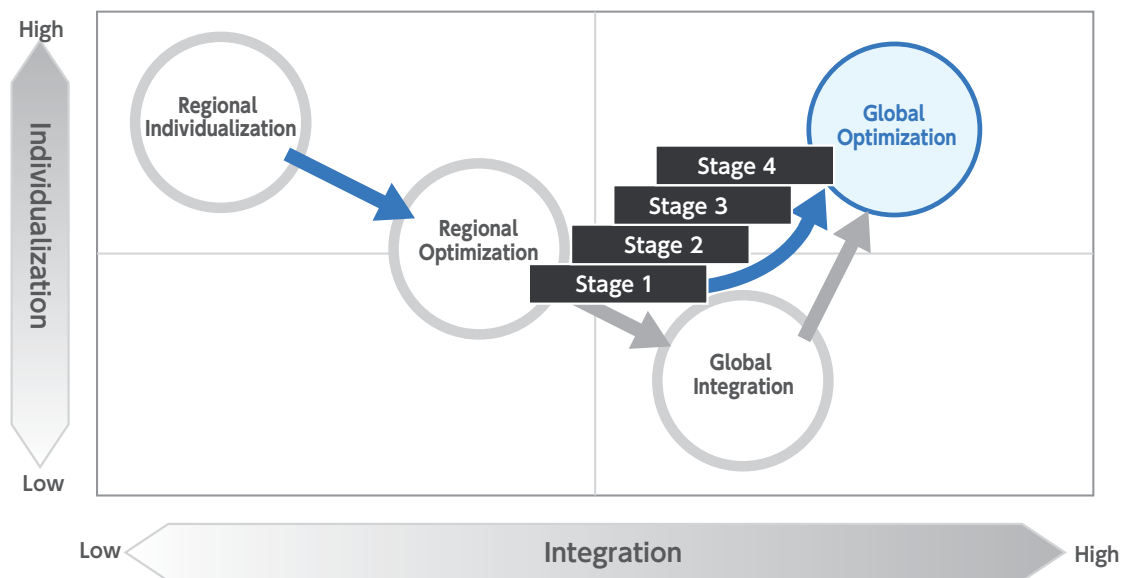
**Think beyond the existing framework of regional headquarters.**

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**Thoroughly consider concentration and decentralization, the unit for decentralization, and location.**

# 1 The stages of globalization and the role of the organization

Maintaining a balance between individualization (Demonstrating respect for each country’s identity and characteristics and adapting to local needs) and integration (Pursuing the economies of scale that go beyond national borders and regions, and effectively utilizing management resources) is essential in prevailing over today’s world market. Japanese entities in the process of globalization are currently considered to be in the transitional stage between “regional optimization” and “global optimization.”



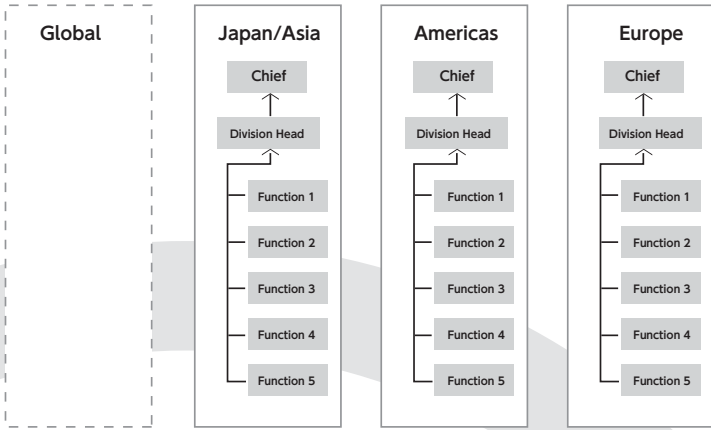
An organization’s transition from “regional optimization” to “global optimization” may be broken down into four stages:

Stage 1	The regional organizations are mutually independent and there is minimum coordination between the regions.
Stage 2	Various global committees are set up in order to deal with the increasing need for global consultation.
Stage 3	As globalization progresses committees can no longer adequately deal with rising global needs and it becomes necessary to set up world headquarters.
Stage 4	World headquarters, in the true sense of the word, capable of determining the global allocation of resources and optimization are established and the global organization is redesigned.

It should be noted that only world headquarters are capable of taking a bird’s eye view of the world and determining global optimization, and that the reinforcement, there of, is indispensable toward the realization of global optimization.

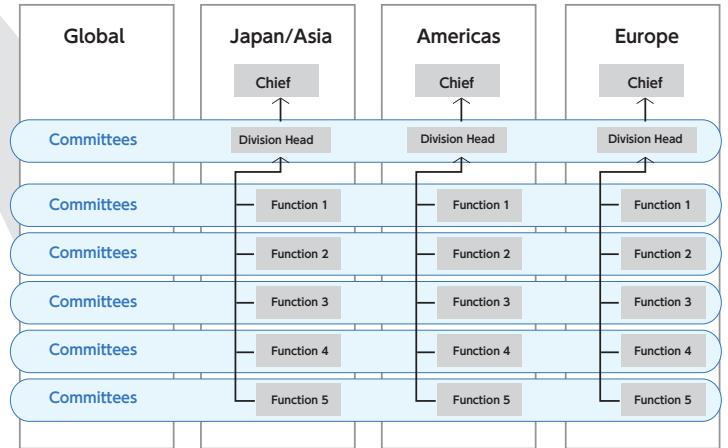
Stage 1

# Global Federal Organization



Stage 2

# Establishment of Global Committees

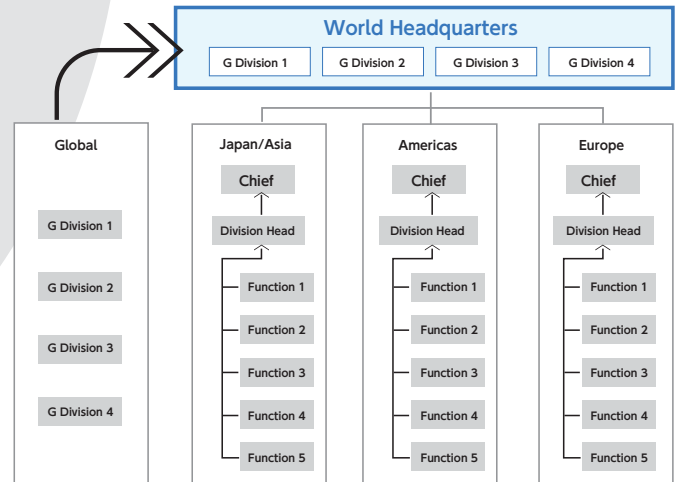


< Organizational Structure >

Artwork from  
"Regional Best"  
to the "Global Best"

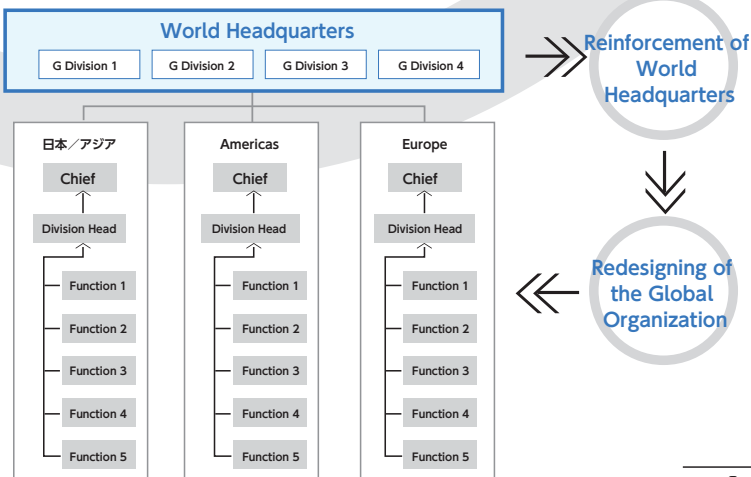
Stage 3

# Establishment of World Headquarters



Stage 4

# Redesigning of the Global Organization



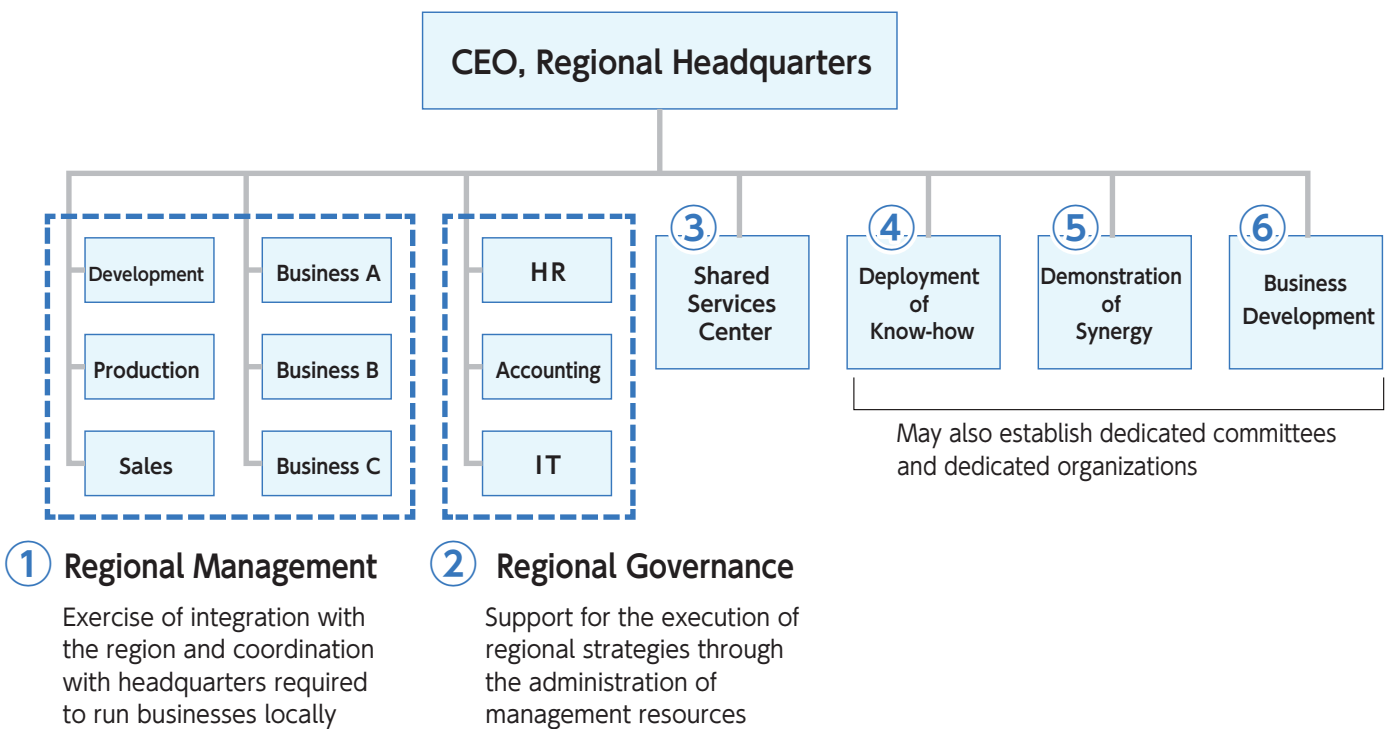
# 2

## Are there functions integral to regional headquarters?

Regional headquarters have played a crucial role for Japanese entities, which have pursued global expansion to date without the presence of world headquarters. Nevertheless, it will become necessary to transform the very concept of regional headquarters, while shoring up world headquarters, if the Japanese entities are to achieve global optimization.

What, then, are the aspects of regional headquarters that should be changed? Chapter 2 of the Report will discuss in detail the current situation and issues, and the necessary initiatives by focusing on the six major functions of regional headquarters;

Regional Management	Deployment of Know-How
Regional Governance	Demonstration of Synergy
Shared Services	Business development (M&A)



## Issues

### Regional Management

Integration and coordination from the perspective of global optimization

## Necessary Initiatives

Reinforcement of information capabilities relating to regional businesses  
Re-establishment of the management and the business execution structure

### Regional Governance

Promotion of regional standardization

Distinguishing between global and regional businesses  
Development of an organization for the promotion of standardization

### Shared Services

Maximum utilization of the economies of scale

Unit for maximum utilization of the economies of scale  
Utilization of outsourcing

### Deployment of Know-how

Promotion of global and horizontal deployment of know-how

Clarifying champion bases  
Development of a system for sharing know-how

### Demonstration of Synergy

Involvement of the business divisions and management of the PDCA cycle

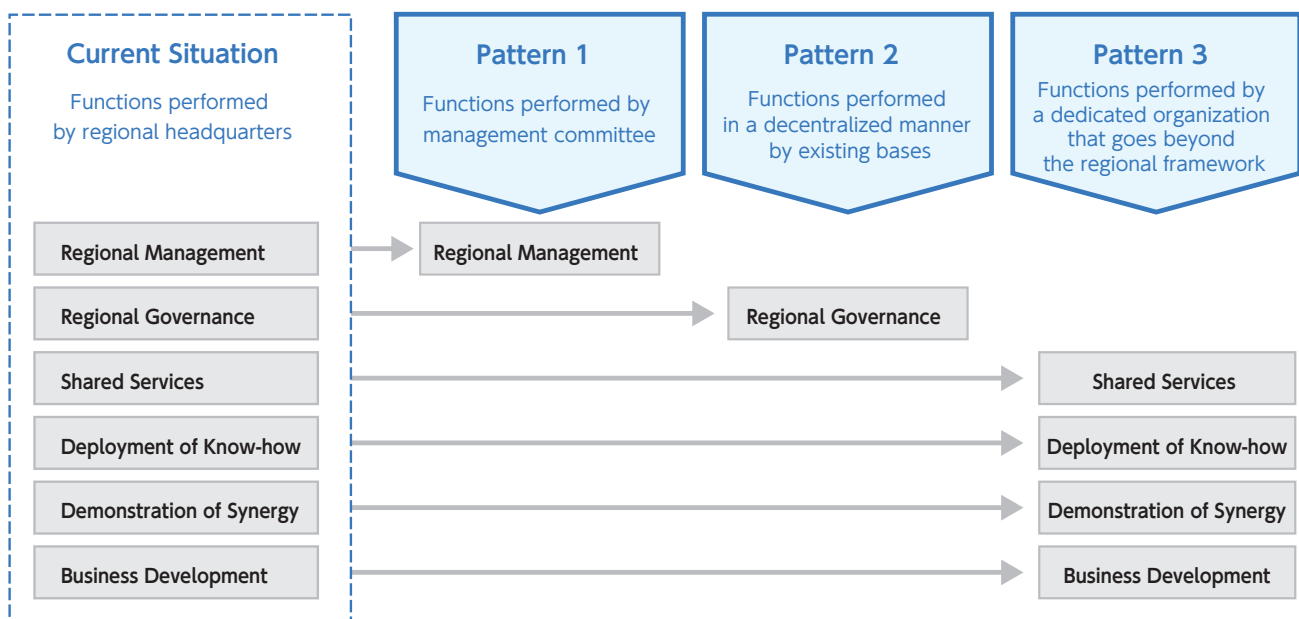
Utilization of know-how and human resources relating to M&As  
Active involvement by headquarters

### Business Development

Accumulation of organizational capabilities and an organization capable of making snap decisions

Development of a standard process by a dedicated organization  
Establishment of a PMO with heavyweight management

The Report will be cover main points but, suffice it to say, that the organization executing the six functions does not necessarily have to be regional headquarters. In fact, in order to resolve the issues surrounding the six functions, it is preferable that we think beyond the existing framework of regional headquarters and pursue the optimal method of executing these functions.



# 3 Key points to consider when redesigning the global organization

Although the global organization will need to be redesigned by world headquarters in Stage 4, there will be no universal solution. Chapter 3 will discuss the guidelines to be followed in considering a new global organization.

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There are three points to be considered when redesigning the global organization:

- 1) Which functions require concentrated efforts and which functions should be performed in a decentralized manner;
  - 2) If the execution of a function is to be decentralized, then what will be the smallest unit for performing the function; and
  - 3) The location of the base.
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Here, the term “function” may be replaced by “capability.” What is important is that the entities first realize the core capabilities required to win on the world market and subsequently envision the organization that would reinforce their core capabilities.

Obviously the global control centre functions of taking a bird’s eye view of the world and determining global optimization need to be performed in a concentrated manner. However, as far as the other functions are concerned, whether such functions should be performed in a concentrated or a decentralized manner will depend on certain prerequisites (e.g. standardization). Consequently, it is preferable that the entity deliberately determines which functions require concentrated efforts and which functions require decentralized efforts, and then creates the conditions that will enable the performance of such functions.

When functions are to be decentralized, the smallest unit for its performance will not necessarily be the “region” overseen by the regional headquarters. For example, units based on markets will not necessarily be geographically adjacent but may expand beyond the framework of a particular “region.” Typical examples are the markets of the emerging countries. If an entity were to adopt the unit of the “Americas” and “EMEA,” the Americas would include the emerging countries of South America and EMEA would include the emerging countries of the Middle East / Africa (and in some cases, Russia). In order for an entity to reinforce its approach to the emerging markets, it may be necessary to adopt a separate unit for the emerging markets.

The four points to be considered when selecting a location are:

1. Ease of doing business,
2. Business costs,
3. Access to superior human resources;
4. Access to critical markets.

While the points to be emphasized will vary according to the function, the important thing is to determine the location for conducting the functions that would provide the greatest competitive edge.

Careful exploration of the above three points will provide the entity with a clear vision of the global organization to which it should aspire. As stated earlier, there is no universal solution. However, if we were to take the liberty of projecting our image of this organization, it would be “consolidated hubs”, where a hub that executes its functions globally and in a concentrated manner and a hub that conducts its functions in a decentralized manner through various units have been connected by networks.

This summarizes the points made in Chapter 4.

