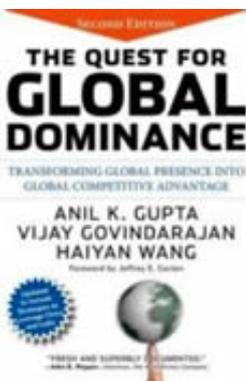




## The death of the corporate HQ?

**Corporate headquarters may very well become a thing of the past, as it becomes a virtual network rather than a physical location, according to Anil K. Gupta and Haiyan Wang, co-authors of 'The Quest for Global Dominance'.**



“So essentially, the corporate headquarters will have to become dispersed, will have to become virtualised. At the same time, we do not believe that what will take its place will be a federation of regional headquarters. Even as the world economy becomes more multi-polar, it is rapidly becoming more, not less, integrated. Therefore, the last thing that the typical Fortune 500 needs to do is to transform itself into a portfolio of loosely-connected regional hubs,” says Gupta, a Professor of Strategy at the University of Maryland.

“Your R&D centre in China will not be doing R&D in China for China,” he says. “It will be a global hub. So what we will see over time is the transformation from this monolithic headquarters, where for instance, for a company like Cisco, (where) San Jose is the mother ship; that will transform, and where we

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will see the emergence of more geographically-dispersed global hubs, not regional hubs (but) global hubs that will be located in a few key geographies, but then they would need to be integrated.”

Regardless of whether you are an IBM, GE or Nokia, Gupta says it would be foolish for companies to be managing these big revenue, production and R&D bases from 10,000 miles away.

“The smart way to manage a company, any company, is for the brains of the company, the top leaders, to not be sitting 10,000 miles away from where the action is because essentially you are going to be too late and you are going to make wrong decisions.”

He cites Cisco as an example of a company that has put already put this action plan into practice by relocating its Chief Globalisation Officer Wim Elfrink to Bangalore, where the company has established its second global headquarters to serve as a new epicentre for growth, talent and innovation.

IBM has also set the same wheels in motion. Three years ago, it shifted its Chief Procurement Officer (CPO) from its corporate headquarters in New York to Shenzhen in southern China, based on the fact

that IBM's biggest procurement base is in that country. All this was done with a clear mandate that the CPO is not just handling procurement for China, but that he continues to be CPO for IBM worldwide.

Co-author Wang, who is also managing partner of China India Institute, says this makes good business sense for IBM because it procures about one-third of its hardware needs from China. On the other hand, a quarter of its workforce, more than 90,000 employees, involved in the global delivery of IT services is located in India. So India too is essentially becoming its global centre, thus reaffirming the notion of a dual China+India strategy.

Decentralisation, however, comes with its attendant challenges. "Essentially, giving more authority to people on the ground is what's needed," Gupta explains. "But there is the risk that the people on the ground, be it in India or China, may think only about India and China."

"You want people to think global, so one way is to empower the people in China and India. Another way to do that is to actually take people who have global responsibility, who are already global, and move them out to the centres of action," as Cisco and IBM have done.

Wang advocates that CEOs should seriously start thinking about how they can cultivate the next generation of leaders to have a global mindset. She also suggests that companies rotate their board or top leadership meetings; for example, move them from New York to Shanghai, Bangalore or Singapore.

"The national identity of tomorrow's winning organisations will not be relevant," she says. "Take IBM. Yes, it is an American company. But, it is also a Chinese company and an Indian company at the same time. This type of a multiple identity will be even more necessary over the next 10 years. As a direct result, the relevance of where your world headquarters is nominally located will diminish."

*Anil K. Gupta and Haiyan Wang co-authored "The*

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*Quest For Global Dominance: Transforming Global Presence Into Global Competitive Advantage' (Jossey-Bass, 2nd edition) with Vijay Govindarajan.*

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