Corporate regional functions in Asia Pacific

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Abstract: Drawing on managerial interview material from a multi-industry sample, this paper sketches the locational dynamics of regional functions in the Asia Pacific. Generic factors like proximity to company affiliates and market access are discussed, along with industry specific dynamics for air delivery and online information services. The paper ends with an analysis of the inertia created by agglomeration effects of established places versus the competing pulls of new markets and production sites.

Key Words: regional headquarters, multinational companies, agglomeration economies, producer services location

Early economic growth in the Asia Pacific region was manufacturing led. The process started in the 1950s with Japan and later, Hong Kong, and involved Taiwan, Korea, and Singapore in the 1960s and 1970s, and in the 1980s linked Thailand and Malaysia. These economies became connected to the global manufacturing circuit through the efforts of indigenous companies (Japan and Korea), but primarily through the expansion of global subcontracting (especially for Hong Kong and Taiwan) and as a production base for multinational companies (Singapore, Thailand, and Malaysia).

This growth and internationalisation of manufacturing is followed by an expansion of producer services (accounting, legal counsel, management consulting, etc) developing as support services to multinational corporations (Noyelle, 1985: 3). In the case of Asia, this increase in producer services was not only a result of manufacturing expansion, but was necessitated by the wide socio-cultural heterogeneity in this region and the distances between trade centres (Sletmo, 1993: 6). Producer services therefore play a crucial role by mediating such differences and thereby reducing transactions costs and integrating local areas into the global production nexus.

From the perspective of the firm, three decades of the geographical expansion of manufacturing into Asia Pacific has required a transformation in the organisational structure of key economic agents. Dunning (1993: 218, 220) following Ohmae’s (1990) concept of global localisation, has suggested...
that multinational companies can only achieve an effective global reach if the company decentralises some of the decision making function down to regional offices in order to facilitate better control of the immediate regions. Thus, as internationalisation increases, a certain regionalisation in control functions must necessarily occur. This transition to regional control is necessary because, as foreign operations become important and generate a larger share of the turnover, so the need to monitor and control these operations increases. Vicinity to corporate headquarters and original domestic operations becomes less pressing than being close to important parts of foreign operations (Forsgren, Holm and Johanson, 1995: 478). This involvement is not only an imperative to more effectively exploit economic opportunities, but is also strategic. Regional centres are necessary to prevent local subsidiaries in expanding resource environments from building too much autonomy and power and thus lose sight of global competitiveness (Doz and Prahalad, 1981). Taking this analysis a step further, Solvell and Zander (1995) suggest that corporations need to develop what they term a heterarchical structure which involves different types of centres in different parts of their global operations to allow for selective tapping into resource rich foreign industrial environments.

Thus, in the 1990s, the expansion of manufacturing investments into Asia Pacific countries is now being supplemented by a new trend in producer services investments. This paper is an attempt to capture this new composition in the Asia Pacific region by discussing multinational company efforts to set up structures to supply regional functions and/or meet local and regional market demand. It is argued that knowing the location decision-making surrounding regional functions is an important way to understand the way producer services have distributed themselves in Asia Pacific.

The central objective of the paper is therefore to explore corporate regional functions to examine the linkages between such activities, and the impact of these aspects on the choice of city in the Asia Pacific. The approach taken in this paper has three characteristics:

(1) A more diverse view of regional functions is adopted. This paper attempts to move away from monolithic conceptions and recognises that there are a wide variety of types and functions (production oriented, market oriented, distribution, database and so on), each of them with their own production requirements.

(2) Regional office structure and activity is seen as strategic and responsive to the resource environment. As administrative and production support structures, regional offices add and shed functions as the market and production considerations change. Similarly, the form that the regional office takes, whether it is a generalist structure incorporating several functions, or a specialist organisation developed around a particular regional operation function, reflects environmental conditions.

(3) The location of regional functions is analysed at different levels, since such decisions are influenced by firm, industry and place logics.
The paper draws its insights from case study interviews with multinational companies in different industries in Singapore, Hong Kong and Sydney. The industries that are included in the study are electronics, credit card services, air delivery services, database services, and regional (i.e. multi-country) broadcasting. The firms that are included in the sample are therefore both regional offices of multinational manufacturing companies (e.g. Sony, Matsushita, Dell) as well as producer service firms specialising in the delivery of a particular service (e.g. UPS for air delivery, Dow Jones Telerate for online financial information). Because one industry does not make a whole economy, the justification for adopting such a diverse sampling strategy is so that a broad picture of service trends can be appreciated. These industries are therefore selected for the very different characteristics they display, allowing for an understanding of cross industry linkages as well as different locational considerations.

The selected industries however share one common trait in that they are all have a strong presence in the Asia Pacific region. Electronics for example have an established presence in both East and Southeast Asia. While regional broadcasting has just started making inroads into this region, the necessity of having to develop a regional network means that key firms in this industry will have to develop offices in key markets in the region. Credit card support services, air delivery and database services, by their nature, are also quite dispersed among major markets in the region. The interview strategy is to select major companies in the industry and conduct interviews with regional managers located in key cities. Several interviews may be also conducted with managers from the same company if the company has regional functions in several locations. The case study approach provides an alternative to the more quantitative treatments in this collection and the wider literature since it delivers a more nuanced discussion of the dynamic process of firm strategies and locational consequences for cities.

FORCES SHAPING THE LOCATION OF REGIONAL FUNCTIONS

The notion of a regional function has often been alluded to in several different contexts. The most common meaning of a regional function is associated with the discussions around the ‘regional office’. In terms of its management function, the regional office is a replica of the corporate headquarters, but at a regional scale. Such structures play a coordination role bridging national offices and head office. Its central function is information transmission and executives move between levels and locations in the corporate hierarchy. As Hymer (1972: 127) puts it ‘nationals remain rooted in one spot, while above them is a layer of people who move around from country to country, as bees to flower, transmitting information from one subsidiary to another and from the lower levels to the general office at the apex of the corporate structure’. The second is a more specific structure that is created around a regional service function. Although the regional office may often assume operational producer service functions, like marketing and data management for example,
management and the operational functions can exist as separate organisations. These two types of structures, in turn, organise a variety of regional functions, each with their own locational requirements.

Proximity to company affiliates

Perhaps the most basic building block is the regional concentration of a particular production activity, and the best example in Asia Pacific comes from electronics. Different branches of electronics production – consumer, industrial and semiconductors – are concentrated in the region because of the existence of production chains, original equipment manufacturing schemes, and the local sourcing of components. For the firm, the presence of a large number of subsidiaries spread over a number of neighbouring countries creates the impetus for the formation of regional headquarters when certain economies can be enjoyed through regional centralisation as functions come to be managed by one office. In Asia Pacific, two Japanese electronics giants can be used as examples. Matsushita has 17 subsidiaries in Malaysia, 5 in Indonesia, 10 in Thailand and 9 in Singapore. While these subsidiaries take their orders from divisional headquarters in Japan, a regional head office has emerged to assume several functions. Its foreign currency exchange division, for example acts like a small bank to lend to subsidiaries, and acts as a consultant for purchases of foreign currency. A logistics arm within the regional office handles intra subsidiary sales of components within the region. This function is managed by an electronic ordering system connected to 70 to 80 percent of the subsidiaries. Such a system acts as a clearing house, sending invoices to subsidiaries and placing the order and purchase orders to the factories. The annual value is around $3 billion of consumer goods and industrial components, with an average monthly order of 25,000 invoices in 1995.

Like Matsushita, Sony has a large manufacturing and sales presence in Asia. Of the 41 subsidiaries in Asia, 26 are in Southeast Asia and Oceania, with 12 in East Asia (China, Hong Kong, Taiwan and Korea). The span of this multi-locational production network justifies a regional headquarters which is located in Singapore. The coordination role played by this office is grouped into three divisions: an engineering and manufacturing group which plans and oversees manufacturing and procurement activities in the region, and monitors these activities to ensure efficiency and quality control; a marketing group coordinating sales and marketing; and a corporate support group with a range of responsibilities in such areas as human resource development, logistics, financing and accounting, and corporate communications. In these cases, the spatial concentration of production allows for a range of functions to be created within the region and the clustering of such functions results in the formation of the regional office.

Spatial concentration can also give rise to specialised regional functions which are separate from those assumed by the regional office. Sony, for example, has a subsidiary called Sony Systems Design International [SSDI] which is separate from the regional office. SSDI operates one of Sony’s four
network hubs providing computer services for Sony companies worldwide. Presently, business applications constitute 50 percent of SSDI’s revenue, network infrastructure and computer facility services 40 percent and consultancy about 10 percent. SSDI provides services to both Sony subsidiaries as well as other clients (interviews with the deputy director, SSDI and with the manager, corporate communications, Sony International on 2 June 1997). In such a case, having a regional function separate from the regional office may enable the company to run a more streamlined operation in much the same way as the M-form (multi-divisional structure) allows for specialised management within each division without overloading (Forsgren, Holm and Johanson, 1995: 476–477). It also allows the company the independence to generate revenue from non Sony clients. SSDI plans to derive 30 percent of its business from this market by the year 2000. Two other examples of the separation of regionalised functions from the regional office in the sample of firms interviewed for this paper include Dell, the American PC maker which has a regional office with marketing and financial services functions in Hong Kong as well as a separately managed Asia Pacific customer centre in Penang, Malaysia; and Dow Jones Telerate a financial information provider, which has a regional office in Hong Kong, but its data hub in Singapore.

The organisational separation of regional office from other regional functions also raises important locational questions. All three examples confirm the importance of specific locational advantages for different functions. Thus, Sony’s regional office and regional computer network hub are both located in Singapore for the same reasons, and both of these corporate functions service other Sony subsidiaries which are clustered nearby. Dell’s customer centre is in Penang, because its key component suppliers are there. Since Dell specialises in direct order (i.e. the ‘order-build-ship’ model with negligible inventory) the need for short reaction times between order, manufacturing and delivery tie this centre to its suppliers’ location. Dow Jones’ data hub is in Singapore because of this city’s well developed telecommunications infrastructure.

Market access

For many companies, the Asia Pacific is not viewed as a production site but a large and growing market. The need to be close to the market is fundamental, as the business development manager of Dow Jones Telerate in Hong Kong points out:

you need to know what the customer wants, you have got to be close to the customer, the brokers, investment houses, the major banks, and the forex dealers. You still have to go, you still have to meet face to face. For us [here in the Hong Kong office], it’s jump into a cab, a couple of minutes’ ride and you are there in Central. We need to interact with them ... we have got to know, to get a preview of what has happened overnight. Meeting them socially, it’s very important ... you couldn’t do that flying in, staying in a hotel, you could do that for awhile, but
it’s not effective. It’s [the business] a combination of technology, product and also relationship. We can win deals by basically having our sales people, everyday sit, understand what the guy wants, go to his office, the guy sees you and you build up a rapport, sure ... come to a decision, which product do you want to buy? (Interviewed on 13 February 1997)

Thus, building relationships, meeting the needs of the customers, and gathering market intelligence require geographical dispersion among a number of important markets, and the marketing and sales functions have usually required local offices. However, for regional coordination, the need for regular contact with colleagues at dispersed local offices favours a geographically central accessible site, especially in terms of flight times and frequency. A regional manager with Visa International, the credit card association which supports Visa card issuers, elaborated this problem in the following way:

we could have all our marketing people up with the President (of the Asia Pacific region who is based in Japan because of the size of that market) but if we are travelling in the region, Japan is an awful place to get in and out of ... Australia is an awful place to get in and out of. (Interviewed in Singapore on 21 January 1997)

In addition to the coordination role for the region, the regional office can play two additional important functions. First, because the Asia Pacific is comprised of many emerging markets, the task of developing such markets often falls initially to the regional office. This has come to be known as the ‘scouting’ (Lasserre, 1996: 31) or the ‘beachhead’ (Bosman and de Smidt, 1993: 973) function. Thus, Dow Jones Telerate has an emerging markets manager responsible for developing these markets. Similarly, the Matsushita regional office directly supervises the marketing and sales activities for Vietnam and Myanmar, where it has no plants or offices. However, once the market in a particular territory has developed to a sufficient degree, a local office comes into being to oversee its expansion. As a Visa International manager explains ‘when there is a certain volume of business, it is just too difficult for someone to support it out of another market, and when we can justify putting in people, we will put people in’.

The second role that the regional office plays in regard to marketing and sales has to do with putting together a regional package for multinational clients. The logic of this is explained by Daniels (1987: 33): ‘frequently, a supplier sells to subsidiaries of the same multinational firm in more than one country. By combining efforts, the supplier may be able to deal with regional or global decision makers, rather than those within each country, and determine what types of concessions will be needed to gain region wide sales. Such regional control also helps assure that one group does not make concessions, such as price decreases or product modifications, which are inconsistent with other corporate entities within the area’.

Two examples from different industries provide support for Daniels’ argument. Dell’s regional office in Penang, which specialises in direct sales
(i.e. no retailing) of custom made computer systems to large order customers is in the best position to capture corporate links. In this particular situation, with direct sales, Dell’s regional accounts managers can offer a multinational company a regional or even a global package: one competitive price for machines to several countries, billed to one country or to several, offering localisation (e.g. different language keyboards; different modems, versions of software), as well as different configurations, all with original components (whereas local distributors carry only a basic model), including customer proprietary requirements (e.g. company logos and other client specifications such as drive partitioning and setup screen parameters) for projects over US$100,000 (interviews with Dell’s general manager and with the major account manager, 14 February 1997, Hong Kong). The potential for sales of this type strengthens the role of the regional office, and consolidates its position within a global network.

The other case example is provided by Dow Jones Telerate, whose manager mentioned the importance of Hong Kong as a regional office location for banks. The advantage of Dow Jones locating there is the opportunity for Dow Jones to work with regional office managers of such banks to develop a service package on behalf of their affiliates in other countries the Asia Pacific region.

Distribution services: air cargo hubs

‘For us, the Asian market is really the next frontier,’ the senior vice president of FedEx reported in *The Wall Street Journal* (August 7, 1995). The expansion of the air delivery/logistics market in Asia is a product of economic growth and the growing intra Asian trade in the 1980s and the first half of the 1990s. Moreover except for China, a large part of the Asia Pacific region is made up of islands, thereby making land deliveries between countries impossible. Delivery considerations, and the need to have central collection and distribution points, thus offer yet another perspective on the importance of regional functions in Asia Pacific. And when delivery becomes the central concern defining the product and service quality, as in the case of the courier and air delivery business, then the distribution centre is often separate organisationally and locationally from the regional office.

By way of illustration, express delivery carriers UPS and DHL have their regional office in Singapore, but both have located their distribution hubs elsewhere. UPS in Taiwan and DHL in Manila. Why UPS chose Taiwan and DHL decided on Manila presents an interesting case study of locational choice based on essentially very similar criteria. Both company spokespersons cited a study by Joseph Schwieterman, 4 who examined a number of alternative hubs for express cargo in Asia, as being influential in their company’s locational decision.

UPS spokesperson John Flick has pointed out (*Air Cargo Report* April 11, 1996) that an Asian cargo hub requires access to sufficient population and business at the end of its spokes to grow and be cost-effective. Asian business, although increasing rapidly, has yet to generate the compact volumes of
express cargo that have built FedEx’s and UPS’s hubs in the US. An Asian mega-hub for express cargo would have to serve an area Schwieterman estimated as 50 percent larger than the continental US. Based on the experience in the US, geography favours the South China region encompassing Hong Kong, Manila, Shenzhen and Taipei. Based on the Schwieterman study and also drawing on UPS’ own analysis, Taipei appears the best hub, with Hong Kong and Shenzhen close behind. Flick also added that ‘Singapore and Kuala Lumpur, ideal from many points of view, are simply not central enough in the major market to be efficient, according to these calculations. The average Manila shipping distance would be about 28 percent farther than from Taipei. During its eight-month study of hub options, UPS also considered Manila and Macao, but chose Taipei because of its educated work force and pro-government business practices. We already had an existing relationship with the Taiwanese government on an EDI project. Taipei is in a super location for greater China, which is the machine driving Asian traffic’ (Ibid).

Neil Henderson, the director for the DHL Asia Pacific air and hub system in Manila also quoted the Schwieterman study but arrived at different conclusions (Businessworld, 30 August 1996). According to Henderson, the Schwieterman study drew up a circle of central sites, and the premium site was considered to be Hong Kong, although the preferred circle also covered Taiwan, Shenzhen and Manila. Henderson pointed out that Hong Kong has a curfew: ‘It closes at midnight and opens again at 6:30 in the morning. A hub for express has to be operating at about 1:00 o’clock in the morning until about 3:00 a.m. We’ve considered Taiwan but there is the China question there. Bangkok has a very cooperative government wanting this type of setup but it’s too far south. Likewise, Singapore would love to have a hub but they realise that geographically, it doesn’t work. Singapore could work as a hub for Southeast Asia but not for an entire intra-Asian operation. So, it comes down to Manila or Clark (the former US military base in the Philippines).’

The UPS and DHL case illustrates how the hub location needs to be the strategic centre of major markets, but a location’s flexibility on flights, the availability of government support, and different perceptions of Taiwan eventually resulted in two different locations. These cases also illustrate the separation of production points (airport operations) from management and sales. Here the separation is exaggerated by physical considerations of flying time, and hours of operation.

Information services: data processing and network hubs

In one bold move, Citibank consolidated back office processing in one location, bringing processing from 14 Asian countries under one roof in Singapore. This involved the standardisation of such functions as check processing, savings, time deposit record keeping, loan processing and general ledger. This is a case where a new technology allows for traditional economies of scale to be enjoyed. According to the Asia Pacific IT director of Citibank, the credit card processing cost decreased from US$22 per card to US$5 per
card as the consumer base increased from 100,000 to 5 million in Asia (interviewed in Singapore on 31 October 1996).

In this case, the economies are enjoyed through increasing geographic span. The Citibank’s Singapore hub, for example, covers an area east of Turkey to Japan and then south to Australia. It would be possible for a single global processing hub to exist. But for the time being, the present telecommunications environment means that data hubs remain as regional entities rather than global ones. Because many countries in Asia have yet to deregulate their telecommunications, the high costs maintain the need for regional facilities. The Citibank hub in Singapore handle 20,000 card applications a month, and with telecommunications costs forming one-third of the operations cost, together with an expanding Asia Pacific market, it is likely that this hub will remain in Asia in the medium term. However, in the longer run, within a deregulated environment, one or two centres, probably in the United States where the telecommunications costs are up to eight times less than Asia, could handle the global traffic for the company. The key locational determinant of data processing hubs is aptly summarised by Citibank’s Asia Pacific IT director: ‘where data will reside is a technical issue, it is a trade off between the cost of bandwidth, and the cost of processing ... today, it makes sense to do it in Singapore, but there is no guarantee that in 10 years’ time, we process, as we are doing today, for Taiwan, Australia, Turkey, Japan, out of Singapore. We will process where it makes sense’ (interviewed on 31 October 1996).

In contrast to the other industries, data processing and network hubs illustrates the ‘placelessness’ of some types of regional activities. When the processing and delivery of information is tied to computers and telecommunications, various place attributes recede in importance. Telecommunications and the regulatory environment (pricing and entry barriers) surrounding this technology becomes the key factor influencing the location and geographical reach of such functions.

**FIRM STRATEGY AND THE PULL OF PLACES**

*Benefits to places*

When Citibank opened its regional data processing centre in Singapore in late 1994, the local telecommunications industry received a boost, as the current annual telecommunication expenditure of this facility is in the region of US$20 million. The presence of large budget customers allow the momentum of telecommunications infrastructure growth to be sustained, since new investments in increasing capacity and speed have the demand base to offset the huge expenditures which are required. Thus, as Graham and Marvin (1996: 167–170) note, a ‘virtuous’ cycle evolves as such places grow from strength to strength. One could make a similar argument for air cargo and airport development by following the case examples of UPS and DHL discussed previously. Clients with large operating budgets are vital in stimulating infrastructural development and in attracting new customers to places.
Another set of benefits from regional offices stem from the business they provide to local industry and to each other, sometimes in quite indirect ways. When Asian Business News, a regional broadcasting company, decided to locate its regional headquarters in Singapore, the basic consideration had to do with transmission rights involving satellite links. However, as the sales service manager pointed out, Singapore is an important market for generating advertising revenue because the presence of other regional headquarters in Singapore means that the authority for making regional advertising decisions is located in the city-state (interviewed on 23 October 1996).

Perhaps a more complicated case involves the question of labour movement and availability. Beaverstock and Smith (1996: 1379) have argued, in the case of investment banking, that banks ‘have funnelled migrants to corporate headquarters or dealing offices specifically in order that they can maintain corporate control functions and capabilities, service clients, and diversify and seek new global financial markets and products’. Thus, the concentration of skilled labour at a particular place is one consequence of firm decisions and, as Beaverstock and Smith point out, this should be seen in terms of agglomeration economies. Support for this view can be derived from Ito and Iguchi’s’ (1994: 286–288) study, which indicate the parallel increase in Japanese male skilled workers in the ASEAN-4 countries (Indonesia, Malaysia, Philippines and Thailand) in tandem with the movement of Japanese direct investments into these countries.

Thus, these organisational structures have significant impacts on the economic fate of cities as they involve decisions about one location in comparison with another. Where these services locate, they act as positive externalities and the urbanisation variant of agglomeration economies (Moulaert and Djellal, 1995: 107) are built as linkage effects flow from the activities of such functions. In turn, local service sector development will be influenced, reinforcing the advantage of location in that place. This suggests that knowing the location decision-making of regional offices can provide an important way in which to understand the way producer services have clustered in Asia Pacific cities. It also suggests that only a few cities will be involved in this activity, as only a few can provide the environment attractive to regional offices. Once the base is established, inter-industry linkages provide the additional incentive to new firms seeking sites for regional bases.

**Organisational flexibility**

The Hong Kong based SITA director for Northeast Asia office remarked: ‘We operate and run centres in 200-and-something countries, with all sorts of cultures and skill levels, we have a very good methodology for network operations which can be driven down to almost any society’ (interviewed on 17 February 1997). The multinational enterprise, because it is multi-locational, has developed an organisational structure that can adapt to many different places. Indeed, it is this adaptativeness which is one important pillar of firm competitiveness, since this allows the multinational company to move in
search of new resource sites, preventing it from being a prisoner to particular places.

Dell’s development of its electronic communication capacities provides another example of how multi-locational organisations escape the limitations of place. This system has allowed Dell to move away from a more localised hierarchical organisation structure to a truly regional system where power and authority does not necessarily reside in a particular place. This, in turn, allows Dell to recruit talent where talent is found, instead of being restricted to a particular location (the regional office) or requiring the person recruited in another country to move to the regional office, thereby exposing the company to potential attrition of key personnel.

Multi-locational firms demonstrate their flexibility in terms of their abilities to add and shed functions. The regional office develops ‘beachhead’ and ‘scouting’ functions which are oriented towards the exploration and support of emerging markets. These are released as new markets grow to support local offices. The power and authority of the regional office may also result in the addition of new functions to the office. In one of the companies I studied, the presence of the regional office was crucial in determining how a new function came to be located in the same city as the regional office (place X) rather than the competing site which was where the regional office was originally located (place Y). The manager in place Y remarked: ‘The politics dictated that it [the new function] went to place X ... they have the regional office, they want to increase their visibility, their influence, build their little empires. If the regional office had still been in place Y, it would probably have gone to place Y’.

The point revealed by this example is that in the locational competition of new regional functions politics and the exercise of power is related to supervisory or management capacities which then allow new functions to be monitored more closely in their infancy. When the regional office of that particular company moved to place X, over a 100 staff positions went along with it, and it is this capacity which provided both the ‘voice’ and the management necessary to grow new functions. Thus, from a management viewpoint, power and politics is related to management control, and successful change and control in multinational corporations require power shifts in which new executives gain power and authority through the reallocation of resources (Doz and Prahalad, 1981).

Inertia and mobility

The organisational flexibility and potential geographical mobility of regional offices as evidenced from the remarks of various respondents is an important issue to end this paper on. The place flexibility of multi-locational firms runs counter to quantitative corporate headquarter studies, which taking a locational perspective, have usually implied considerable inertia due to agglomeration economies enjoyed by co-location of services (e.g. Eisenberg and Friedland, 1990; Elsenberg and Mittelbach, 1991; Holloway and Wheeler, 1991; Ward, 1994). Working within the logic of this latter literature, if agglomeration
economies result from the location of regional functions, would the economies which are enjoyed by firms be an important factor in keeping this function locked in one place?

The key factor here has to do with the time period. Over the medium term, regional office location is not just dependent on the pull of established places. While the location of regional functions has to be seen as a centralising process with a tendency for activities to coalesce in a few places leading to the hubbing of producer services, the case study interview materials also indicate that regional managers are cognisant of various shifts.

New markets and production sites emerge while other markets mature and plateau and industrial complexes which may have been efficient in the past grow expensive as production sites. At a more macro scale, regulatory and price structures change. So multinational enterprises review periodically the siting of their regional functions as they seek new central points amid changing markets, production sites, regulatory and pricing environments.

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NOTES

1 For example, in my sample, Dow Jones, Visa International, SITA all have regional offices in Hong Kong and Singapore. In addition, SITA has a Sydney office overseeing Australia, New Zealand and the Pacific Islands.

2 In addition to my own interviews with officials from Asia Matsushita Singapore on 23 October 1996, I benefited from Kuniko Fujita’s fieldnotes on Matsushita. Much of Kuniko’s Matsushita interview material are used in the article ‘Japanese Production Networks and Flexible Manufacturing: Matsushita in Southeast Asia’, with Richard Child Hill, in a forthcoming book entitled Economic Governance and Flexible Production in the Developing Countries, edited by Fred Deyo, Richard Doner and Eric Hershber.

3 I am grateful to Martin Perry for pointing this out to me.

4 According to Air Cargo Report (1996), Schwieterman took a rough cut at locating the best location based on recent years’ traffic data and distances. He estimated the total distances to 15 major Pacific Rim cargo destinations for eight potential hubs, then weighted the distances by the volumes shipped. This gave a ranking of the eight hubs by distance which largely determined both their relative total expense and time of delivery.

5 Details of this interview are withheld for reasons of confidentiality.

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