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Corporate headquarters under pressure from digitalization

Munich, July 2018: Around one-quarter of companies are not satisfied with the performance of their headquarters. The main reason is that corporate HQs (CHQ) are not up to the challenge of digital transformation and the pressure to innovate. It is evident that CHQ's claim to support modern, digital structures and processes is far removed from reality. That said, the overall significance of corporate HQs is changing: while work-intensive support tasks are increasingly being pooled in shared services centers, overarching control functions are frequently moving into decentralized business units, according to the findings of the latest study on corporate headquarters, *#CHQbyDesign* by Roland Berger ([Download study here](#)).

"Surprisingly, geopolitical challenges like Brexit, global crises or economic sanctions do not impact CHQ as might have been expected," explained Roland Berger Partner Tim Zimmermann. "Even globalization and the war for talent are no longer at the top of the agenda for corporate headquarters. Today, digital transformation and the power to innovate are perceived to be major issues for CHQ to address."

Gap between claim and reality

But it doesn't always work out that way. As many as 23 percents of the top managers surveyed are not at all satisfied with their headquarters. They harbor doubts that their CHQ has set itself on the right path for a successful future. "There is a particularly big gap between the expectations of what CHQ should be able to do and what they actually deliver in the way of digital competencies and the use of digital technologies," observed Roland Berger Partner Fabian Huhle.

The more than 300 managers from 11 countries whose opinions were polled complained of major deficits in automation, specifically in the use of robotics and artificial intelligence, and in realizing connectivity throughout the company through collaboration platforms, social networks and apps. They say that CHQs also have a lot of catching up to do with respect to Big Data and the Internet of Things.

The CHQ of the future: control decentralized, support pooled

The survey findings paint a nuanced picture when it comes to the size and organizational structure of the CHQ of the future. The trend toward shared services centers and the tendency to bundle transaction-intensive support tasks is intensifying. Strategic functions, on the other hand, are more often being moved into decentralized units. "It's not so much about geographical decentralization but more about linking up decentralized strategic competency across organizational boundaries, orchestrated by the CHQ," explained Zimmermann.

A total of 56 percent of study respondents now view the role of corporate headquarters critically: they believe that CHQs will see their importance wane in the years to come.

"The trend we see emerging is not the complete erosion of the CHQ but a huge challenge facing corporate headquarters as they try to gear themselves up for permanent change," said Fabian Huhle summarizing the findings of the study. "If they don't want to lose their relevance, CHQs need to grapple harder with the key disruptive trends and be a sort of roadmap to guide their company through the changes ahead."

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