Headquarters Landscape in Austria: International HQs

Study Report 2022

WIRTSCHAFTS UNIVERSITÄT WIEN VIENNA UNIVERSITY OF ECONOMICS AND BUSINESS

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Executive Summary

In this report, we describe the results of our study on the current international headquarters (HQs) landscape in Austria. This study represents a follow-up to our previous study on the overall HQ landscape in Austria[1]. It is based on a data collection combining information from the database "Orbis" (Bureau van Dijk) and other publicly available data from companies' annual reports and previous reports.

These are our main conclusions:

- **Austria, and particularly Vienna, is an attractive location for international HQs, hosting both regional and divisional HQs.**
  Overall, Austria hosts 390 HQs of international corporations. Almost half of those international HQs are located in Austria's capital city, Vienna. This confirms Austria's and Vienna's attractiveness as locations for HQs among foreign multinational corporations (MNCs). Based on a categorization of foreign intermediary HQs into divisional HQs (DHQs) and regional HQs (RHQs), we have identified 148 HQs with a clear divisional mandate, and 109 with a clear regional mandate. This indicates that Austria is an attractive location for all types of international HQs. Moreover, since DHQs are often a consequence of acquisitions, this finding might suggest that Austria's HQs are attractive acquisition targets.
- **International HQs in Austria have privileged access to Germany and Eastern Europe.**
  International HQs based in Austria take advantage from the country's strategic position to get access to Eastern European countries. In fact, Hungary, Czech Republic, Slovakia, and Romania are in the top 5 of the subsidiary countries for international HQs in Austria. However, the most common subsidiary country is Germany, with 141 international HQs owning at least one subsidiary in Germany.
- **Austria attracts international HQs from a broad variety of industries.**
  International HQs in Austria operate primarily in the manufacturing as well as wholesale and retail sectors. Additionally, an important share of international HQs also operates in the financial and service sector. HQs in the manufacturing industry are especially represented by international HQs from Germany and Switzerland, while the wholesale and retail sector is primarily represented by international HQs from Germany and the US. This hints at the fact that, in Austria, HQs from different countries specialize in certain industries.
- **Germany, Switzerland, and the US are the top 3 countries for Austria as an HQ location.**
  Austria is often selected as privileged location from MNCs based in neighboring countries, such as Germany and Switzerland. In particular, Germany is by far the most common country of origin of international HQs based in Austria. However, Austria is considered a strategic location not only by European countries but also by non-European countries (such as the US).
- **Austria attracts HQs of large MNCs from all over the world.**
  Austria hosts intermediary HQs of several large international conglomerates. The corporate parents of international HQs in Austria employ on average more than 30,000 employees and have a yearly turnover of more than €10bn. With this, they are much bigger than the corporate HQs of Austrian MNCs (400 employees and €200m turnover). Hence, even though the proportion of international HQs (27.1%) is smaller than that of Austrian corporate HQs (72.9%), the relevance of international HQs for the Austrian economy is remarkable.

[1] Schmitt, J., Fabrizi, C., & Nell, P. C. (2022). *Headquarters Landscape in Austria: An Overview*. Retrieved April 5, 2022, from https://epub.wu.ac.at/8589/.

Headquarters in Austria (HiA) - About us

The project "Headquarters in Austria" (HiA) is an "umbrella project" for different projects and activities, with the aim to support companies in the development of their organization and in particular of their HQs, but also to help Austria to remain an attractive location for HQs. The pronunciation of the acronym HiA is reminiscent of the word "here" and emphasizes the focus of the research project on Austria as an HQ location.

The HiA research project was launched in 2021 and has its origin in a collaboration between *eXplore!* as a funding partner and the WU Vienna University of Economics and Business (WU).

Our objectives are to:

- generate valuable theoretical and practical knowledge around HQs, their roles, functions, activities, and locations,
- share insights from research to a broader (non-academic) audience and thereby promote interest in HQs and an understanding of their importance,
- provide a platform that stimulates discussions for research, education, business practice, and policymakers.

Our core team consists of internal and external researchers at the WU Institute for International Business and is led by Prof. Dr. Phillip C. Nell. Each group member focuses on specific aspects related to HQs.

Due to the HiA project's focus on Austria, we also collaborate with relevant local partners, such as *Oesterreichische Nationalbank* (OeNB), *Austrian Business Agency* (ABA), and *Vienna Business Agency* (among others).

More information about HiA's projects can be found on the project's website and LinkedIn page.

Study Design & Motivation

Study motivation and goal

Austria's economy is characterized by **a large number of HQs**. In order to foster continuous growth and maintain its competitiveness as an HQ location, Austria cannot rely exclusively on domestic HQs. Instead, Austria should implement strategies to retain **existing international HQs** and **stimulate investments from foreign companies** in Austria and attract additional international HQs.

This report represents a **follow-up study** to our report on "Headquarters Landscape in Austria: An Overview" (2022). We **deep dive into the international HQ landscape in Austria** and describe its main characteristics. The results of the study are **equally important for international firm managers** who are considering Austria as a potential HQ location, **and for policy-makers** who aim at retaining existing international HQs in Austria, while attracting new ones.

HQ definition

Building on the widely established research on HQs (e.g., Chandler, 1991; Menz, Kunisch, & Collis, 2015), we define **HQs as hierarchically superior firm units**. To identify the hierarchical superiority of HQs, we follow other studies (e.g., Belderbos, Du, & Goerzen, 2017; Voget, 2011) and adopt **an ownership perspective on HQs** (i.e., HQs need to have an ownership of at least 50.01% in another foreign corporate entity). This ownership perspective on HQs usually coincides with the seat of the top management team as well as of central staff functions (such as HR, IT, or finance) and the legal seat.

For the purpose of this report, we only consider **international HQs located in Austria that own subordinate units in at least one foreign country** and that have **recent company information in "Orbis".**

We also acknowledge that HQs can exist at **different hierarchical levels** (e.g., Goold & Campbell, 2002; Zhou, 2015) and can take the following forms:

- **corporate HQs (CHQs):** representing the highest organizational unit within the entire corporate group.
- **intermediary headquarters (IHQs):** units hierarchically positioned between the CHQ and other subunits with region-bound ('regional HQs') or product-/function-bound ('divisional HQs') mandates.

Since international HQs have their corporate parent in a foreign country, the **Austrian HQ will be an intermediary HQ**.

Following this definition, we exclude:

- firms as well as startups that **purely perform exporting activities** to foreign countries without any legal entities in those countries,
- firm entities that **do not hold a clear HQ mandate**, even if they perform activities for foreign firm entities,
- IHQs that are **owned by another IHQ in Austria**, to limit the risk of an over-representation of some firms in the list.

Data collection and key variables

The data collection was conducted in **2021** and involves HQs based in Austria. However, in this study, we focus on **international HQs based in Austria**, which represent a **subsample of the original data collection**.

We primarily collected data on HQs via the **database "Orbis"** (Bureau van Dijk) and **triangulated the data** with other publicly available data from companies' annual reports and previous reports (e.g., Nell & Schmitt, 2018; Schmitt & Nell, 2020). Additionally, we conducted **extensive qualitative checks** with practitioners to guarantee the validity of our data.

For each HQ, we collected variables on several levels: **general information on the HQs** (e.g., name, location, year of establishment, CEO), **hierarchical information** on its corporate group (e.g., level in the hierarchy, subsidiaries owned), information on the **industry**, **geographical footprint**, **size** (i.e., employees, turnover), and similar information for its **corporate parent**.

Analysis and interpretation

We apply **descriptive statistics techniques** on our collected dataset to give a detailed overview of the international HQ landscape in Austria. We interpret the results to **elaborate on some potential implications**. In some instances, we refer to data of our previous report to compare numbers of all types of HQs in Austria with international HQs in Austria.

Limitations

The study yields a broad understanding of the international HQ landscape in Austria. However, we acknowledge certain limitations. First, we primarily **rely on a single data source "Orbis"** in our data collection. While "Orbis" can be considered as the leading database on firm-level data, the database might not capture all international HQs. Likewise, "Orbis" has some missing or outdated data on firm information that we tried to substitute with other data sources such as company reports. Second, we **only focus on the status quo of the international HQ landscape** and neglect a historical view on how the HQ landscape has developed. This will be done in the future by updating the present study and thereby shedding more light on longitudinal developments. Third, because of our data collection approach, we **focus our analysis on relatively large HQs**. Hence, we might lack some smaller HQs in our data collection. However, they tend to play a minor role in the overall HQ landscape.



Overview, Location, & Sector of HQs

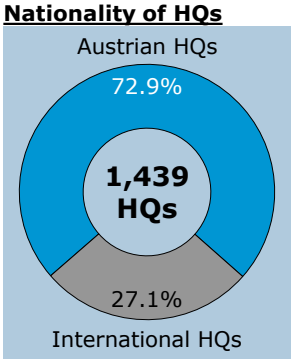
Overview

Overall, **Austria hosts 390 international HQs**. Among them, 148 are clearly divisional HQs, since they have a division-specific mandate, while 105 can be classified as regional HQs, since they have a region-specific mandate. The remaining 137 mandates cannot be clearly determined based on publicly available data.

390

international HQs are currently located in Austria

Nationality of HQs

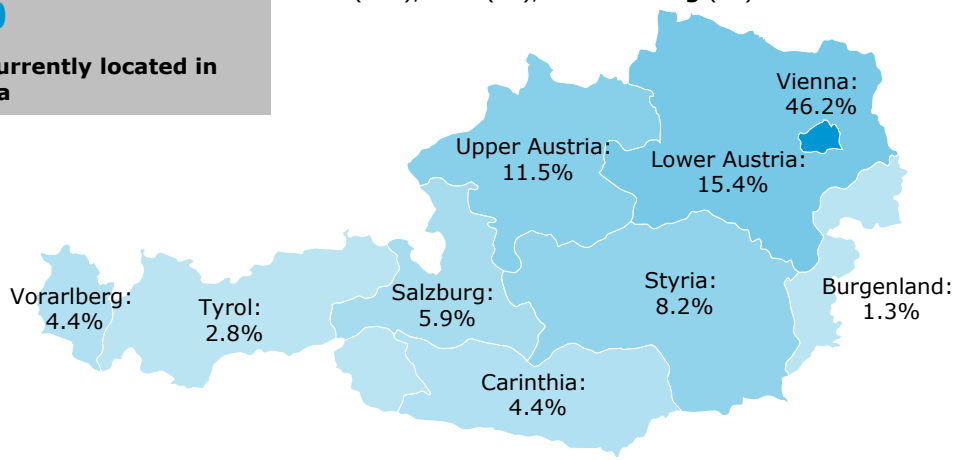


Location within Austria

Almost **half of all international HQs are located in Vienna**, the capital city of Austria.

Vienna is followed by Lower Austria, which is presumably chosen as location for its proximity to Vienna, and by Upper Austria as well as Styria.

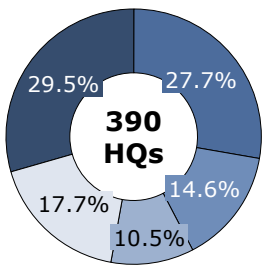
The **top 3 cities for international HQs** are **Vienna** (180), **Linz** (15), and **Salzburg** (15).



Note: Darker blue shades indicate a higher concentration of HQs in the respective federal state.

Industry belonging of international HQs

Austria attracts a **wide range of international HQs**, **operating in different industries**. The majority of international HQs based in Austria belongs to the **manufacturing as well as wholesale and retail sectors**, followed by HQs that perform financial activities, as well as professional, scientific and technical activities (e.g., management and consultancy, R&D, engineering and architecture). Therefore, the **international HQs involved in the production and sale of goods account for 57.2% of the overall international HQs in Austria**, followed by HQs operating in the service industry (32.3%).



- Manufacturing
- Wholesale and retail trade
- Professional, scientific, and technical activities
- Financial and insurance activities
- Other industries

Industry belonging of the top 5 countries

A closer look at the international HQ sectors of the top 5 countries for HQs in Austria shows **heterogeneous preferences of these countries** – partially due to differences in their economies – for Austria as a location of their HQs.

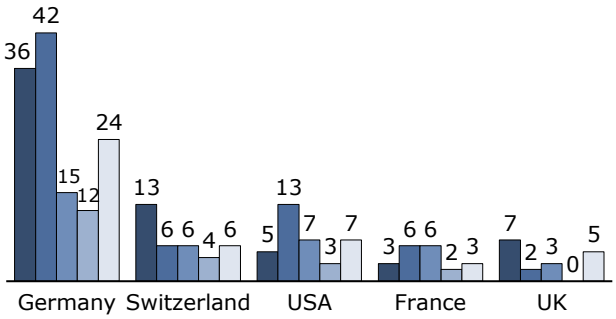
Germany locates in Austria a considerably high number of **manufacturing, wholesale & retail HQs**.

Switzerland locates a high number of **manufacturing HQs** to Austria, whereas the other Swiss HQs are homogenously distributed among the other sectors.

The **US** has a preference for Austria as a location for **wholesale and retail trade HQs**, whereas they locate relatively few financial and insurance HQs to Austria.

France displays a relatively **homogeneous distribution among sectors**, with a slight prevalence of HQs in the wholesale and retail sectors, and in professional, scientific, and technical activities.

The **UK** has quite a few **manufacturing HQs** in Austria, whereas interestingly, it has **no financial or insurance HQ** based in Austria.



Geographical Footprint & Size of HQs

Geographical footprint of international HQs

International HQs located in Austria own several subsidiaries in Germany, Eastern European countries, and other neighboring countries (e.g., Italy). Germany is not only the first country as corporate parent of the international HQs, but also the first foreign country for subsidiaries. However, in the case of international HQs the distance from the second preferred country for subsidiaries (Hungary) is less considerable. This is probably due to the fact that a high number of international HQs (129) are German. Therefore, they have little or no interest in establishing an Austrian HQ owning German subsidiaries.

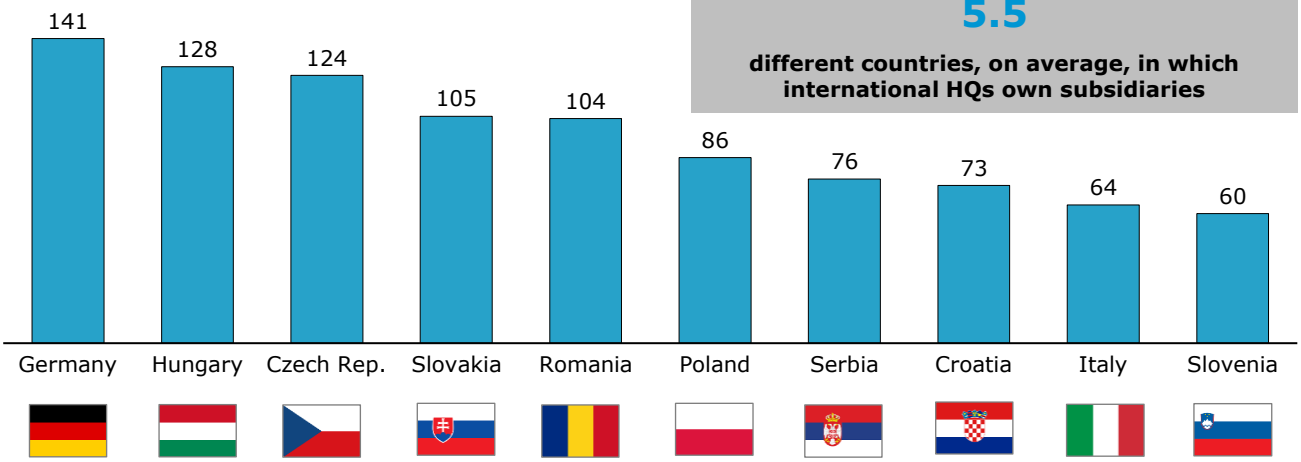
50%

of all international HQs own at least one subsidiary in Austria

Interestingly, **international HQs based in Austria have a quite broad geographical footprint** (on average, they own subsidiaries in 5.5 countries). Moreover, half of them owns other subsidiaries in Austria. These two considerations suggest that international HQs in Austria find themselves at a relatively high position in the overall hierarchy of the corporation they belong to.

5.5

different countries, on average, in which international HQs own subsidiaries



Note: n = 390

Employees and turnover of HQs (consolidated numbers)

Among international HQs in Austria, there is a **strong prevalence of small and medium-sized enterprises (SMEs)**. 85% of them have less than 500 employees, with 53% employing even less than 100.

On average, **the number of employees in international HQs (462) is much lower than the average number of employees overall (856).** This is due to the fact that international HQs are IHQs, with a corporate parent located abroad. However, they generate an average turnover (€206m) that is only slightly below the overall average for HQs (€293m). Hence, **the international HQs in Austria are very productive and relevant for the economy.**

462

people on average employed by international HQs in Austria

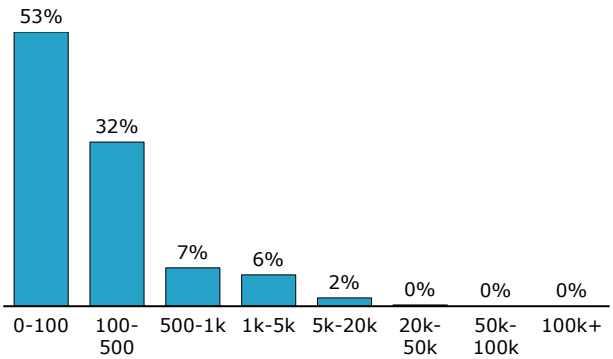
Note: This refers to the consolidated number of employees.

€206m

yearly turnover on average for international HQs in Austria

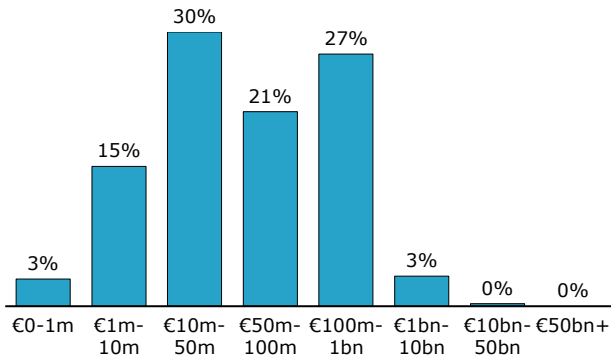
Note: This refers to the consolidated turnover.

Employees



Note: Information on employees was available for 363 firms. The numbers refer to the last available year of information (mostly 2020).

Turnover



Note: Information on turnover was available for 336 firms. The numbers refer to the last available year of information (mostly 2020).

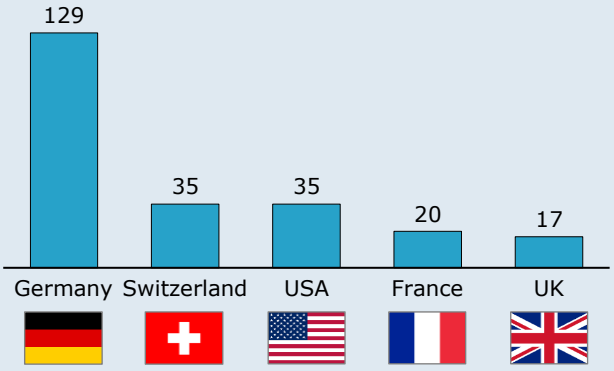
Corporate Parents of HQs

Nationality of corporate parents

Among the top 5 countries, the first two positions are occupied by the other DACH countries, which share language, culture, and borders with Austria.

France and the UK are also important home countries of international HQs in Austria. This suggests that Austria is an attractive location not only for German-speaking countries, but also for other European economies. For UK companies, for example, Austria is an important point of entry to the EU, especially after Brexit.

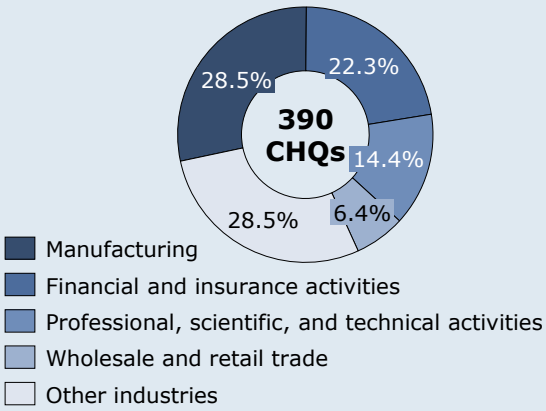
Additionally, **Austria is considered a privileged location for non-European corporations**, as indicated by the presence of US corporate parents in the shared second position.



Industry belonging of corporate parents

International corporate parents mainly belong to the manufacturing sector (28.5%), followed by the financial and insurance industry (22.3%). Considerable, although much smaller, is the number of corporate parents in the professional, scientific, and technical sector.

Interestingly, **the distribution of foreign corporate parents in industries does not mirror that of the international HQs**. For both of them, the manufacturing sector is the most frequent one. However, **the wholesale and trade sector – relevant for international HQs (27.7%) – is not equally common among foreign corporate parents (6.4%).** On the contrary, the financial and insurance industry is much more relevant for the corporate HQs (22.3%) as it is for the international HQs (10.5%).



Employees and turnover of corporate parents (consolidated numbers)

Both in terms of employees and turnover, **foreign corporate parents are considerably larger than their respective HQs.** Moreover, they are also bigger than the Austrian corporate parents.

On average foreign corporate parents have **more than 30,000 employees** and **generate a turnover of more than €10bn.** In comparison, their international HQs have an average of approximately 400 employees and a turnover slightly above €200m.

This highlights again that **Austria is selected as HQ location from huge and successful MNCs from all over the world.**

32,534

employees on average for corporate parents of international HQs in Austria

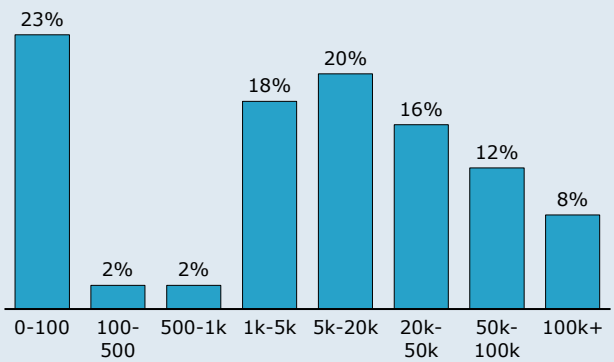
Note: This refers to the consolidated number of employees.

€10.5bn

yearly turnover on average for corporate parents of international HQs in Austria

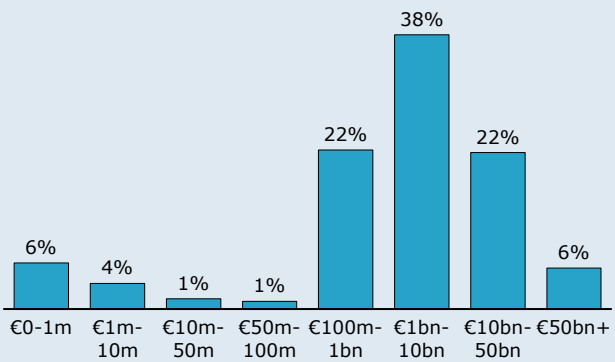
Note: This refers to the consolidated turnover.

Employees



Note: Information on employees was available for 302 firms. The numbers refer to the last available year of information (mostly 2020).

Turnover

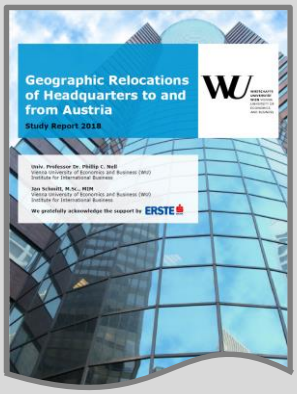


Note: Information on turnover was available for 281 firms. The numbers refer to the last available year of information (mostly 2020).

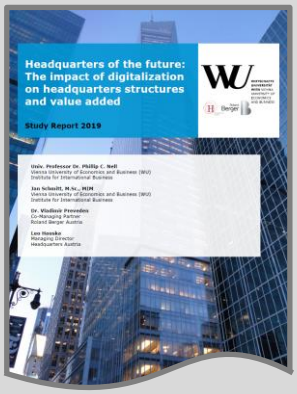
Our Publications

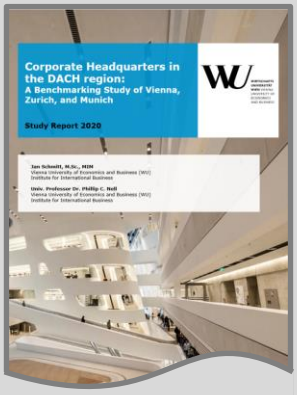
Previous publications

In previous reports, we have already **investigated a broad number of topics related to headquarters in Austria**, including **geographic relocations of headquarters**, **changing headquarters in times of digitalization**, and **Vienna as an important location for corporate headquarters in the DACH region**:



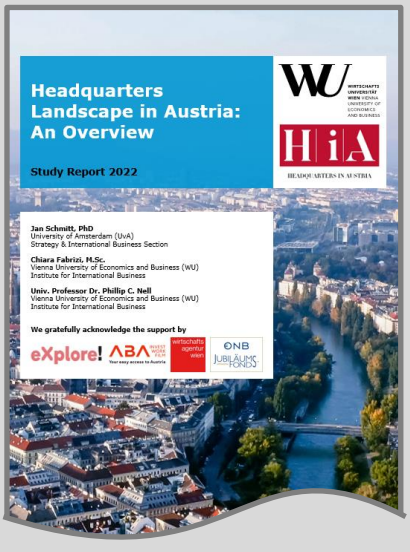






Recent publications

Currently, we are **investigating the headquarters landscape in Austria** in more detail. Based on our analyses, we have published **three reports** that holistically shed light on how the headquarters landscape in Austria looks like:







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