

Assessing Subsidiary Performance in a Multinational Context

*A single case study investigating practical procedures for performance measurement and
underlying factors for performance creation.*



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Preface

It is with immense pleasure that we present this master thesis, the result of a collaboration between ourselves, our supervisor Johan Jakobsson, our seminar group, and our Case Company. The research presented in this thesis represents a significant contribution to the field of performance measurements in multinational corporations (MNCs), and it is our hope that it will be well-received by the academic community. The idea for this research project was born out of a shared passion for sales and measurement processes, and a desire to better understand how MNCs measure the performance of their subsidiaries. From the outset, it was clear that collaboration would be essential to the success of this project. Our complementary skills and perspectives allowed us to approach the research from multiple angles, and to develop a more nuanced and comprehensive understanding of the topic.

We believe that our commitment to open communication, mutual respect, and a shared sense of purpose enabled us to finally produce a high-quality piece of research. In addition to our collaboration, this thesis would not have been possible without the support and guidance of our supervisor, Johan Jakobsson, and our contact persons at the Case Company. Their expertise, encouragement, and feedback were invaluable throughout the entire research process. Finally, we would like to thank each other for our dedication, hard work, and friendship. It has been a pleasure to work together on this project, and we look forward to future collaborations. Overall, we are proud of the work presented in this thesis and hope that it will contribute to a deeper understanding of performance measurements in MNCs as well as the underlying factors that influence the development of performance measurement systems (PMSs). We also hope that it will serve as an example of the value of collaboration in research, and the importance of fostering positive and productive relationships with one's co-authors.

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Abstract

The path for successful performance is uncertain for any corporation, where there is no concise definition of performance and the objective of the organisation. The uncertainties and challenges related to the management of Multinational Corporations (MNCs) complicates the performance assessment of subsidiaries. Simultaneously, 70 percent of firms possess insufficient understanding of key performance indicators (KPIs) and performance measurement systems (PMSs). To address the challenges related to performance assessment, this study breaks out performance by investigating how MNCs use PMSs to assess their subsidiaries globally. The thesis addresses different factors that could influence performance for MNCs, together with aspects that are important to consider when formulating an PMS.

A single case study approach was used to get valuable insight into how a single MNC has constructed their PMS and how the decision-makers use their PMS to assess the subsidiaries. Interviews conducted with directors on multiple levels in the Case Company were compared to financial statements, to investigate how the PMS is applicable in one Asian region.

Findings in this thesis suggest that it is important to consider what measurements that are included into the PMS, since it could affect the ability of subsidiaries to take initiative and improve the position in MNCs internal network constellation. Furthermore, it also suggests that PMS can influence the ability to develop suitable capabilities to improve future performance. The thesis finds that there is a path in reality that is not coherent with the theoretical approach to generate performance. The analysis shows that the strategy by firms is set by the objective and that the capabilities are developed to align the given strategy. Lastly, the thesis finds that there is no clear path on measurement to assess the whole organisation, but rather a focus on the result rather than the path to performance.

Keywords: Performance, Subsidiary Measurement, Network Measurement, Capability Measurement, Performance Measurement System

Word Count: 297

Abbreviations

Abbreviations	
MNC	Multinational Corporation
HQ	Headquarter
PMS	Performance Measurement System
KPI	Key Performance Indicator
RoA	Return on Assets
RoE	Return on Equity
RoI	Return on Investment
OCF	Operating Cash Flow
MBR	Monthly Business Review
QBR	Quarterly Business Review
ComEx	Commercial Excellence
NDS	Net Distributor Sales
IMS	In-Market Sales
EBITA	Earnings Before Interest Taxes & Amortization
P&L	Profit & Loss Statement
GM	General Manager
CFO	Chief Financial Officer
RoCE	Return on Capital Employed
CAGR	Compounded Annual Growth Rate
COGS	Cost of Goods Sold
EBITDA	Earnings Before Interest Taxes Depreciation & Amortization

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1. INTRODUCTION

1.1 Background

All multinational corporations (MNCs) aspire to achieve superior performance, but there is no clear consensus regarding the definition of performance. To easier comprehend the process and underlying factors for performance, literature have suggested to divide performance into categories depending on the objective for the MNC, financial performance, operational performance, and overall effectiveness performance (Hult, Ketchen, Griffith, Chabowski, Hamman, Dykes, Pollitte, & Cavusgil, 2008). The implementation of suitable measures is essential to ensure sufficient monitoring of performance in MNCs by using performance measurement systems (PMSs) (Ferreira & Otley, 2009; Cooper, Ezzamel, & Robson, 2018). The purpose of an PMS is to monitor every function in the organisation (Ferreira & Otley, 2009) through applicable key performance indicators (KPIs), process analytics, and more qualitative measures (Verhaelen, Mayer, Peukert & Lanza, 2021).

Despite the importance of applicable KPIs, Forbes Magazine outlines that over 70 percent of companies do not understand the nature of KPI frameworks and other kinds of advanced analytics (Manchala, 2021). Insufficient measurement activities create substantial risks related to the adaptation to uncertainties and digitalisation, and the usage of data analytics to guide decisions has been proven to be successful for firms that aspire to learn more about their industry and themselves as a company (Manchala, 2021). Beside the argument that KPIs can contribute to a firm's ability to adapt to uncertainties by reporting a snapshot of the current state of the firm, performance measurement is crucial to implement considering the financial and operational performance of MNCs. The ability to leverage performance measurement to create and strengthen the competitive advantage of the firm has been emphasised, along with successful identification of performance gaps, as a key factor for organisational success (Tesoro & Tootson, 2001).

Earlier research refers to PMSs as control systems where one of the main arguments entail that alignment between PMSs and firm strategy can generate positive effects of firm performance, especially when applying a high degree of control when formulating and using the PMSs. However, it is important to highlight that earlier research is more oriented towards accounting, hence referring mostly to financial measurements of firm performance (Simons, 1987). Hult et al. (2008) defines financial KPIs as accounting measures and financial measures that can be

found internally, whereas non-financial KPIs are external measurements such as customer satisfaction and market share that are not found in the internal financial statements. In this thesis, PMSs are defined as an aggregated bundle of tools, including KPIs, that are used to measure Hult et al.'s (2008) definition of performances.

An MNC can be described as a network consisting of internationally dispersed units that all have different roles in the international network. How the different units in the MNC operate depends on their knowledge-based environment which consists of the intra-organisational network and the external business environment of the MNC. The intra-organisational network consists of the headquarters (HQ), subsidiaries and other relevant business functions, and the external business environment consists of competitors, institutions, customers, and other relevant external stakeholders, related to the location in which the subsidiary operates (Yamin & Andersson 2011).

When observing MNCs from a network perspective, it is evident that the operational procedures of units tend to vary considerably as a direct result of international dispersion of the units and variations in the respective business environments (Andersson, Björkman & Forsgren, 2005). Based on the arguments provided by Andersson, Björkman, and Forsgren (2005) it is possible to argue that the strategies and agendas driven by the HQ of the MNC might not be optimal for all subsidiaries within the MNC based on their respective business environments. The actual implementation of PMSs in MNCs has been determined to be challenging, due to the difficulties in ensuring a qualitative implementation across geographically dispersed organisational units. However, considering the numerous benefits attributable to PMSs, it is crucial to contribute to firm's understanding of KPI frameworks to unlock the potential of performance measurement (Cooper, Ezzamel, & Robson, 2018).

The ability to create, manage and benefit from capabilities within MNCs can be seen as a competitive advantage together with the adaptability of the organisation as it enables innovative processes to take place depending on the business environments related to the different parts of the MNC (Teece, 2014). Consequently, it is possible to observe a connection between the views on subsidiary autonomy and the dynamic capabilities within the MNC with regards to organisational flexibility and adaptability. The role and identification of capabilities are important to consider in the process of strategic formulation for MNCs. Further, including capability measurements in PMSs has been determined to be beneficial from a strategic perspective of performance (Schreyögg & Kliesch, 2007).

There are arguments stating that capabilities which are deeply embedded into the organisation could further enhance the effectiveness as well as enhance business performance by proper identification and exploitation of the capabilities (Winter & Teece, 2010). In short, the embeddedness of capabilities depends on the relations between organisational units, whereas stronger relations between for instance subsidiaries will contribute to a facilitation of capability transfer between the subsidiaries (Garcia-Pont, Canales & Noboa, 2009). Relating back to performance measurements, it is possible that sufficient assessments of the capabilities within the MNC as well as the relations between subsidiaries might contribute to a more seamless distribution of capabilities throughout the MNC.

1.2 Problem Discussion

The subject of performance measurements within multinational corporations (MNCs) is characterised by limited research.¹ Most of the research conducted within the field has been oriented towards the aggregated performance measurement of MNCs. However, there has been less emphasis on the performance measurement of subsidiaries in MNCs (Schmuck, 2022; Chowdhury, 1992; Gauer & Lu, 2007). A central part of the previous research considers Performance Measurement Systems (PMSs), a concept that is discussed by multiple scholars (Simons, 1987; Tesoro & Tootson, 2001; Cooper, Ezzamel, & Robson, 2018; Schmuck, 2022) and that generally consists of three main elements; the measures, the reporting process, and the diagnostic analysis tool (Tesoro & Tootson, 2001).

Hult et al. (2008) elaborates on three main measurement categories for performance: financial performance, operational performance, and overall effectiveness performance. The three measurement categories are defined as the outcome from the goals set by the firm. Elaborated upon from a perspective relating to the financial statements, profitability and other accountability metrics are mentioned as measures to assess financial performance. Operational performance is assessed by the product specific outcomes, which could be measured by market-related non-financial metrics such as market share and new product introduction, as well as metrics relating to the internal process effectiveness. Lastly, overall effectiveness is related to overarching capabilities that are more difficult to measure, such as survivability of a firm, and the ability to achieve goals within the organisation (ibid). Following the discussion by Hult et al. (2008), there is no clear definition of performance, and their categorical reference could

¹ The articles that were reviewed when developing the theoretical framework can be observed in Appendix 1-6.

potentially complicate the measurements as there is no consensus what performance is referred to.

There are multiple factors that influence the development of PMSs, when seen from an international perspective. The organisational structure of the MNC together with the external environment attributable to different subsidiaries is proven to have considerable impact on how PMSs are developed (Ferreira & Otley, 2009). Moreover, findings by Dossi and Patelli (2008) demonstrates that subsidiaries can influence the development of PMSs in exchange for enhanced mandates to execute desired strategic objectives. Further stressing the complexity related to the development of PMSs, multiple measurement procedures within MNCs' PMSs are described to arise from the coaction of local understandings of historical measurement procedures and strategies for legitimation (Cooper, Ezzamel, & Robson, 2018) which further illustrates the challenges attributable to the external environment of subsidiaries and the network configuration of MNCs.

The discussion regarding the performance of subsidiaries within MNCs has previously been overlooked, where previous research has been more focused on control benefits that are attributable to PMS, especially in the context of the MNC HQ (Ferreira & Otley, 2009; Bedford & Malmi, 2015; Simons, 1987). However, considering the perspective of control benefits, assessing subsidiaries from a HQ perspective, could lead to subjective measurement systems to satisfy HQ objectives rather than measuring the most applicable performance of the subsidiaries (Bedford, Malmi & Sandelin, 2016). To increase the reliability in performance indicators, and to adjust for asymmetries between international subsidiaries, PMSs should be developed to be heterogenetic. The development and implementation of heterogenic PMSs is described as beneficial as it enables individual evaluation of subsidiaries, which in extension facilitates the process of streamlining subsidiary performance with the objectives of the MNC (Cooper, Ezzamel & Robson, 2019).

When considering the aggregated performance for MNCs, it is possible to note asymmetries between different parts of the MNC. Consequently, scholars have discussed the shift in focus away from individual departments in an MNC towards a more aggregated view of organisations (Verbeke & Ciravegna, 2018). One point of view is that inconsistencies in MNC performance measurements results from MNCs having multiple objectives and might experience negative effects by relying on few acknowledged KPIs to determine successfulness (Schmuck, Lagerström, & Sallis, 2022). The inconsistencies in MNCs are also influenced by the degree

of autonomy that is assigned to each subsidiary, as higher levels of subsidiary autonomy are proven to have substantial impact on the subsidiaries ability to perform given the preconditions of their external business environment (Kostova Marano, & Tallman, 2016).

The performance of subsidiaries can be connected to the strengths and weaknesses of their capabilities, which has been defined as an underlying factor for performance. Thus, capability management has been pointed out as crucial to create sustainable competitive advantages (Sirmon, Hitt, Arregle, & Campbell, 2010). Superior performance has been observed in MNCs that are sufficient in their ability to develop and transfer capabilities throughout the organisation, which demonstrates an apparent connection between capability development and performance (O'Regan & Ghobadian, 2004). The level of difficulty related to the measurement of capabilities tends to vary depending on the characteristics of the capability as such. Song, Di Benedetto, and Nason (2007) argue that the measurement of capabilities is considerably difficult due to the tacit nature of capabilities. There are some measures that have been identified, but the theoretical view on capability measurement in PMSs is still notably limited.

The existing literature addresses specific aspects related to performance such as the development of PMSs (Dossi & Patelli, 2008; Ferreira & Otley, 2009; Cooper, Ezzamel, & Robson, 2018), the influences of the MNC network (Simons, 1987; Bedford, Malmi & Sandelin, 2016; Kostova Marano, & Tallman, 2016; Schmuck, Lagerström, & Sallis, 2022) and the relationship between performance and capabilities (Sirmon et al., 2010; Teece, 2014; Winter & Teece, 2010). However, there is little to no literature that cover the aggregated spectrum of assessment practices and measurement requirements that are essential for sufficient performance measurements in globally dispersed corporations (Verhaelen et al., 2021). To enhance the understanding of how an MNC uses their PMS to assess the performance of their subsidiaries, this thesis presents a cross-sectional analysis covering the MNC network, capabilities and strategy as underlying factors for performance, thus contributing to a more comprehensive understanding of how performance is created and measured in practice.

1.3 Purpose and Research Question

The purpose of this thesis is to enhance the understanding of how an MNC uses performance measurement systems (PMSs) when assessing the performance of their subsidiaries. The MNC network, capabilities and strategy are used as underlying factors for the creation of performance to provide contextual understanding to the architecture of the PMSs used by the Case Company selected for the single case study.

To increase the contextual understanding of how an MNC use PMSs to assess the performance of their subsidiaries, this thesis aspires to answer the following main research question:

- *“How does an MNC use performance measurement systems when assessing subsidiaries?”*

The usage of PMSs is dependent on the development of PMSs. Thus, to answer the main research question, and to understand the implications of the underlying factors for performance creation and the hierarchical differences and symmetries between HQ and subsidiaries related to the measurement, the following sub-research question is formulated:

- *“What are the underlying factors when formulating a performance measurement system?”*

1.4 Delimitations

This thesis aims to identify the drivers of performance within an MNC as well as measurement procedures that can be used to sufficiently assess the performance of the subsidiaries in an MNC. The identification of drivers and measurement procedures is performed by observing one case company currently using processes and methods for performance measurement of their subsidiaries in an Asian region.

This study will be limited to four essential theoretical topics, Performance measurements, the MNC network constellation, capabilities, and strategy. However, the emphasis is devoted to performance measurements as it constitutes the foundation for the empiric part of the study. The remaining topics function as supporting topics to the main topic, with the aim to reach a higher level of understanding of how the performance of the subsidiaries within an MNC is assessed. The inclusion of the supporting topics further increases the understanding of how the performance, assessment procedures and the formulation of the PMS are affected by the objective, network constellation, capability development and strategy of the MNC.

A single case study approach was used for the study to get a deeper insight into how an MNC uses their PMS when assessing the performance of their subsidiaries. Therefore, the empirical data will merely present findings given the perspectives from one company and one industry. There could be disparities in utilisation of PMSs for different corporations and different industries, but that will not be covered in this study. The study was also conducted by focusing how the HQ measures subsidiaries in one region; all other geographies the Case Company are present in are excluded from the analysis. The case study is related to one of the case company's

business areas. Lastly, the study is conducted from an organisational perspective and does not analyse or observe the findings from a consumer's perspective.

1.5 Disposition

The study consists of the following disposition which is presented in the order illustrated below in figure 1.

Figure 1 Disposition of Thesis



Source: Computed by authors.

2. THEORETICAL FRAMEWORK

This section aims to provide a comprehensive and educating exposition of existing literature within the different fields attributable to the scope of this report. The theoretical framework begins with the existing literature within performance measurements in multinational corporations (MNCs), along with an extension for research of KPIs. The chapter continues with research connected to MNC networks and how networks can affect the performance and performance measurements in MNCs. Within that section, an elaboration on autonomy and HQ-subsidary literature is given by discussing the relationship that literature has covered. This is especially important as this report investigates how performance measurements are assessed in MNCs, that consist of HQ and subsidiaries.

The theoretical field of MNC capabilities is presented to create a deeper understanding of how MNCs develop, integrate, and utilise capabilities to improve performance. Further, the academic understanding of performance measurements in MNCs is presented to describe different ways of assessing performance in cross-national units. The theoretical framework contributes with a clear overview of previous research within the fields mentioned in this section to create a strong theoretical foundation for the analyses and assessments provided in this report.

2.1 Performance Measurements in Multinational Corporations

Performance measurement systems (PMSs) are generally referred to a way to assess the performance of different organisational units. However, the role of PMSs in MNCs is not certain as there are many different areas of application depending on the scope, purpose, and formulation of the PMSs themselves. Apart from using PMSs for the evaluation of subsidiary performance, PMSs are also a great influencing factor in the decision-making process among entities within MNCs, especially in cases where subsidiaries' participation in the development of the PMSs are higher (Dossi & Patelli, 2008). The MNC objective, success factors, organisational architecture and strategy are essential components to include in the formulation of PMSs as they contribute to an aggregated overview of the MNC network (Ferreira & Otley, 2009).

The early theoretical development of PMSs predominantly considers control-reporting systems aiming to evaluate merely financial performance of international business units to hedge for macroeconomic trends. More recent research is increasingly oriented towards the actual role,

use, integration, and impact of PMSs in the context of MNCs as well as the integration, impact and effectiveness of non-financial KPIs, especially in the context of MNCs and international operations (Dossi & Patelli, 2008). By including non-financial measurements when formulating PMSs, the applicability of the PMSs can be expanded beyond measurements for accounting data (Dossi & Patelli, 2010), which ultimately can improve sensemaking and generate a deeper and more comprehensive understanding of the organisation (Cooper, Ezzamel & Robson, 2018).

The development of PMSs is greatly dependent on the external environment and business networks of subsidiaries. Consequently, MNCs that operate in dispersed locations globally face substantial challenges when formulating PMSs (Andersson & Forsgren, 1996). Power distribution among subsidiaries and the power balance within the MNC are important aspects to include when formulating PMSs to assess the performance of foreign operations (Lee, 2021). The importance of power balance in MNCs is further illustrated by Ambos and Birkinshaw (2010) who recognise that subsidiaries' ability to influence decisions, positively affect the performance of subsidiaries.

Conclusively, PMSs have many different areas of application as they can constitute an important measurement tool of the current state of MNCs as well as being the foundation in the decision-making process. The development of PMSs have moved away from strictly financial measurement systems towards including more non-financial measures to increase sensemaking and enabling a more comprehensive understanding of MNCs global operations. Power distribution and power balance are important aspects to consider and include in the PMS formulation as the power dynamics within MNCs is proven to influence the performance of subsidiaries.

2.1.1 Managing Key Performance Indicators in Multinational Corporations

Verhaelen et al. (2021) presents a framework for KPI management, which consists of three essential elements: performance planning, performance improvement and performance review. It is crucial to analyse the gap between planned performance and reviewed performance to determine if the current strategies of the MNC are successful. The phase of performance planning is initiated by setting the performance related goals of the MNC through a thorough definition of the corporate strategy. Performance improvement is suggested to be created through alignments of the subsidiaries' strategies in the MNC network. Finally, the performance review is, naturally, conducted by measurements of the actual performance

(Verhaelen et al., 2021). Once the first loop of measurement activities is conducted, the reviewed performance is compared with the planned performance to enable formulation of quantitative objectives based on the performance gap which in turn creates a feedback loop for strategy formulation. The balanced scorecard is a widely used tool for managing the performance comparison and strategy formulation related to the performance measurement activities (Verhaelen et al., 2021).

Commonly used sales-based measures include KPIs such as sales volume, sales growth, growth in foreign sales and foreign sales as a quote of total sales. Return on assets (RoA) is a commonly used measure for defining performance in a multinational context, as it includes all assets possessed by the MNC (Schmuck, Lagerström & Sallis, 2022). However, it is equally as common not to use sales-based measures and RoA when assessing the performance of MNCs (Hult et al., 2008). Relating to operational performance, market share is a common measure to use both when measuring the performance of MNCs, but also when measuring performance of strategic business units. When assessing inter-organisational units, productivity is a more common measure to use. Perceived overall performance is a common measure to use when measuring the overall effectiveness performance, both for MNCs and for inter-organisational units. Performance relative to competitors is also highlighted as a common measure used for the assessment of strategic business units (Hult et al., 2008). In essence, the kind of measures that are used depends not only on the category of performance, but also on the unit that is measured.

Efficiency oriented indicators, quality-oriented indicators, time-oriented indicators, and flexibility-oriented indicators are described as four essential categories of KPIs. The aggregated use of the different categories of KPIs have the purpose of providing a joint description of the aggregated performance of the network (Verhaelen et al., 2021). PMSs have been described as a tool to improve strategic formulation which stresses the importance of aligning the KPIs with strategic objectives (Ferreira & Otley, 2009). Dossi and Patelli (2010) presents a few examples on how KPIs can be aligned with the strategic objectives of MNC where both the function and objective of the measurement is considered. An illustration of how KPIs can be categorised based on corporate function and strategic objective is presented below in Table 1.

Table 1 Description of some of the most common KPIs found by Dossi and Patelli (2010)

Key Performance Indicators	Measurement	Strategic Objective
Sales Revenue	Financial	Growth or maintain
Sales Growth	Financial	Growth or maintain
Operating Income	Financial	Managing Costs
Contribution Margin	Financial	Value added
Gross Margin	Financial	Conversion of costs
Net Income	Financial	Value added
Cash Flow	Financial	Value added
Net Working Capital	Financial	Survivability
Sales Volume Trend	Marketing	Growth
Days Sales Outstanding	Financial	Survivability
Employee Turnover	Human Resource	Long-term growth
Process Productivity Rate	Organisational	Efficiency
Market Share	Marketing	Growth or maintain
Return on Investment	Financial	Value added
Return on Equity	Financial	Value added
Cost of People Training	Human Resource	Efficiency
Residual Income	Financial	Survivability
Product/Service Quality	Organisational	Long-term growth
Internal Processes Total Costs	Organisational	Efficiency
Service Indicators	Organisational	Efficiency
Customer Satisfaction	Marketing	Long-term growth
People Productivity Rate	Human Resources	Efficiency
R&D Expense/Revenues	Human Resources	Innovation
Market Coverage Indicator	Marketing	Growth or maintain
Process Quality	Organisational	Efficiency
Sales from New Products, Patents, and Licenses	Marketing	Innovation
Organizational Climate Indicators	Organisational	Long-term growth
New Customer Rate	Marketing	Growth or maintain
Product Cycle Time	Organisational	Innovation
Economic value added	Financial	Value added
Customer Loyalty Rate	Marketing	Long-term growth
Internal Customer Satisfaction Ratings	Organisational	Efficiency
Time to Market	Human Resource	Efficiency
Flexibility Rate	Organisational	Efficiency
Trade Partner Satisfaction	Marketing	Long-term growth
Innovation Rate on the Development Projects	Human Resources	Innovation

Source: Computed by authors, inspired by Dossi and Patelli (2010, p. 511).

The capabilities of an MNC can be used as a reference point to determine the importance and weight of different KPIs. For instance, in corporations that have extensive capabilities relating to production and economies of scale, it might be suitable to apply more weight to KPIs oriented towards efficiency and lead times. Depending on the resource base and capabilities of a given business unit, MNCs can benefit from including capability assessment when formulating and managing KPIs (Verhaelen et al., 2021).

2.1.2 Performance Measurement Systems' Role in Strategic Decision-Making

Performance measurement systems (PMSs) constitute an essential role in assessing and monitoring the implemented strategy in MNC networks to ensure that the strategic orientation remains consistent among the entities, despite the disparities between subsidiaries and HQ (Dossi & Patelli, 2008). To ensure a correct assessment of the strategic development in an MNC, as well as to secure a proper implementation of strategic decisions, it is of great importance to use suitable measurements that are aligned with the strategic objectives of the MNC (Elbanna & Naguib, 2008; Gimbert, Bisbe & Mendoza, 2010).

Earlier research indicates that HQs should formulate and implement KPIs that follow the strategy established by the MNC. Thus, KPIs are understood as a tool for monitoring the MNC strategy to improve the MNCs future performance (Simons, 1987). Later research is increasingly oriented towards investigating the relationship between measurement systems and strategic decision making where PMSs are discussed as a mechanism used to utilise the data from previous performances to enhance the future performance through rational decision making (Elbanna & Naguib, 2008). Elbanna and Naguib (2008) conducted a study where they investigated the relationship between financially well performing firms and rational decision making. Their results indicate that bad performing firms often based their decisions on political objectives while good performing firms based their decisions on rationality which derived from measurements of previous performance. Thus, to make rational decisions, firms need to find the right measurements and use suitable KPIs to correctly make rational decisions.

Continuing the importance of using the right measurements, Gimbert, Bisbe, and Mendoza (2010) argue that measurement systems should work partly as a control system of existing strategies, as well as a compass for future strategic decision-making. They emphasise the importance for MNCs as they are further exposed to changes in external environments and should thus be more cautious when designing their PMS. This is further found by Chen and

Jermias (2016) who found that international ventures that used correct measurement systems when formulated strategies increased their survivability rate.

The role of strategy within performance measurements has developed over time and strategically oriented PMSs has been discussed as a vital mechanism to align the strategic agenda of MNCs with the measurement procedures, which in extension contributes to improved knowledge bases used for strategic re-evaluation. Closely attributable to the strategic re-evaluation of MNCs, the formulation of PMSs is mentioned to be an important aspect to consider when formulating the strategic outlook for MNCs (Gimbert, Bisbe, & Mendoza, 2010). The literature regarding strategic measurements has moved away from traditional strategic management which understands KPIs as a tool to visualise the current state of the business, rather than being a tool for future decision-making (Skibniewski & Ghosh, 2009). There is a general understanding of PMSs as a mechanism to increase MNCs' future performance by aligning the strategy with the measurement activities. However, Bedford, Malmi, and Sandelin (2016) argue that there is no direct relationship between PMSs and strategic decisions that results in future improvements in MMC performance. Despite the lacking relationship between PMSs, their study suggests that firms which combine accounting measures with diagnostic non-financial measurements show the most promising results when considering performance measurements aligned with a given strategy.

To summarise, the theoretical understanding of the strategic role within performance measurements has developed from a perspective where PMSs are discussed as a monitoring mechanism for strategies set in MNCs. Later research emphasises PMSs as a tool to formulate strategies, ensure strategic alignment in MNC networks and apply performance measurements as a foundational instrument to improve future performance through rational decision making. It is important for MNCs to cautiously formulate suitable measurements, but also to balance the objective of PMSs to both consider the current and future strategies of the MNC. Lastly, finding a sufficient balance between financial- and non-financial measurements has been proven to improve the alignment between the performance measurement and the set strategies of MNCs.

2.2 The Implications of Multinational Corporation's Networks

Since this thesis aspires to enhance the understanding of how MNCs assess the performance of their subsidiaries, it is important to understand how MNCs are structured and how the performance of subsidiaries is influenced by the MNC constellation. The network constellation

of MNCs is usually described as an internal network which in turn can be divided into two main categories (Rugman, Verbeke, & Nguyen, 2011). Firstly, the relationship between subsidiaries and the HQ is defined as the vertical relationship in MNCs, whereas the subsidiaries of an MNC operate based on objectives set by the HQ (Andersson, Björkman & Forsgren, 2005). Secondly, the relationships between subsidiaries are generally described as the horizontal aspect of the internal network, where the subsidiaries in an MNC can cooperate and share knowledge to improve their performance (Williams & Lee, 2011).

Apart from the internal networks of an MNC, each subsidiary is exposed to their external business environment consisting of various external stakeholders. The relationships that each subsidiary has with the actors in the external business environment is defined as the subsidiaries' external network (Andersson, Forsgren, & Holm, 2002). The following chapter strives to describe how the strategies used for the internal network within the MNC, but also for the external network of subsidiaries can influence the performance of subsidiaries, which in turn can be directly applicable to the discussion on performance measurement.

2.2.1 The Performance Related Impact of Subsidiary Network Constellations

Internal networks' within MNCs is an important aspect to consider when relating to the creation of locally bound firm-specific advantages. MNCs that facilitate local embeddedness can create an environment that enables their subsidiaries to create competitive advantages at their respective market (Rugman, Verbeke, & Nguyen, 2011). Moreover, subsidiaries' embeddedness in their local external networks allows them to access knowledge from their markets that could further increase the knowledge stock for the MNC (Williams & Lee, 2011). The MNC internal and external networks are also important to consider in terms of the firms' strategy formulation, as organisational performance has been proven to be dependent on the aggregated network of the MNC (Håkansson & Sneholt, 1989).

There is some disbelief of the benefits of internal networks and its impact on performance. Li and Lee (2015) argue that horizontal relationships between subsidiaries could hurt the overall performance of MNCs. Their argument is that subsidiaries that are entrepreneurially oriented could decrease their ability to develop capabilities by an increased knowledge flow from other subsidiaries. Furthermore, according to Li and Lee's (2015) discussion, subsidiaries performance is related to the capabilities, which in turn could be weakened for entrepreneurially oriented subsidiaries because of redundant knowledge flows. Yamin and

Andersson (2011) also argue that internal network and embeddedness could negatively affect the continuous development of capabilities in international subsidiaries.

Moreover, MNCs that have a high degree of coordination of their subsidiaries and their internal horizontal networks tend to apply substantial control from the HQ, which can constrain the subsidiaries' possibilities to increase their embeddedness in their respective external networks (Yamin & Andersson, 2011). The influence of the external network is further elaborated by Andersson, Forsgren, & Holm (2001) who argue that local external networks could improve performance for subsidiaries, as well as increase probability of survival for international subsidiaries. In addition, external networks can contribute to increases of the knowledge stock for subsidiaries (Andersson, Björkman & Forsgren, 2005; Williams, & Lee, 2011).

In modern times, HQ-subsidiary relationships are described as more autonomous where the HQ applies less control on its subsidiaries in comparison to what is generally discussed in earlier literature. The MNC is seen as more of a network in recent literature compared to a unit that requires a controlling body. By applying the network perspective, scholars have observed that the level of control that is applied on each subsidiary is dependent on the environmental difficulties related to each subsidiaries' external business environment (Kostova, Marano & Tallman, 2016).

Continuing on the entrepreneurial culture of subsidiaries, initiative-taking is proven to have a positive effect on strategic change related to innovation, market entries and changes in organisational structure. Thus, it is possible to argue that subsidiaries characterised by a high degree of initiative-taking are more resilient and flexible in changing environments. Given the performance related benefits that can be observed from initiative-taking, The entrepreneurial culture in subsidiaries can be related to performance measurements and capability management (Ambos, Andersson, & Birkinshaw, 2010). The development of entrepreneurial culture which is characterised by a high degree of experimentation and problem solving, and capabilities such as marketing, manufacturing processes and product development, is likely to improve the efficiency in knowledge transfers between subsidiaries and HQ. Moreover, MNCs should let the HQ allocate resources towards the development of entrepreneurial culture and capabilities in subsidiaries as it could facilitate the knowledge transfers and could potentially generate superior performance (Li & Lee, 2015).

Successful initiatives driven by subsidiaries have been observed to contribute to increased autonomy for the subsidiaries, even though the HQ most probably would increase the

monitoring as a result of the initiatives. Moreover, any subsequent initiative taken by the subsidiary could be perceived to be a risk as unsuccessful initiative could decrease the autonomy for the subsidiaries. (Ambos, Andersson & Birkinshaw, 2010). The importance of autonomy for subsidiaries' performance is highlighted by Lou (2003), who elaborates that subsidiary performance could be dependent by the level of autonomy within an organisation. Findings indicate that the highest performance is generally demonstrated in market-seeking subsidiaries when the HQ was giving the subsidiary enough attention while letting the subsidiary work more independently with limited operational control.

The relationships within an MNC are also dependent by the power dynamics between the subsidiaries (Bouquet & Birkinshaw, 2008; Mudambi & Navara, 2004; Ambos & Birkinshaw, 2010; Dellestrand, Kappen & Lindahl, 2020). Ambos and Birkinshaw (2010) argue that the level of attention that subsidiaries are given from the HQ can contribute enhanced influence from the subsidiary when making strategic decisions. This is earlier elaborated by Bouquet and Birkinshaw (2008), who drive the argument that subsidiaries with low power in an MNC are less capable to influence their mandates and the strategy. Thus, power dynamics, which have substantial influence on the subsidiary mandates and strategic path of the MNC, can have a considerable impact on the overall performance of the subsidiary (Birkinshaw, 1996; Dellestrand, Kappen & Lindahl, 2020).

2.2.2 Performance Enhancement Through Sufficient Stakeholder Management

Building on Ferreira and Otley's (2009) argumentation on aligning vision and mission in performance measurement systems (PMSs), Rugman, Verbeke, Nguyen (2011) argues that MNCs must be agile and responsive to changes in both the global economy and at the local level. Responsiveness to external disruptions is commonly ensured by adopting a long-term scope on the MNCs' strategic planning together with an extensive focus on collaboration with stakeholders, innovation and risk-taking (Rugman, Verbeke, & Nguyen, 2011).

Lack of understanding of local market contexts of foreign markets as well as misalignments with local business policies might harm the operational performance of subsidiaries within MNCs. Thus, local adaptation together with sufficient resource allocation and expertise acquisition is crucial when operating in foreign markets. Communication is also emphasised as a key aspect to successful regional adaptation which in turn relies on relationships with local stakeholders. Thus, building trust with local stakeholders is noticeably important to improve

the conditions for clear communication between the MNC and important local stakeholders (Hultén, 2006).

Management of relationships between subsidiaries and key stakeholders is important to ensure a sufficient development of the subsidiaries in MNCs, since good relationships with stakeholders along with good relationships amongst the subsidiaries, can enhance technological capabilities for MNCs both globally and locally. Thus, one of the crucial success factors for regional adaptation is the ability to build strong relationships with the external business environment, as well as facilitating a good relationship between subsidiaries within the MNC (Phene & Tallman, 2018). Lou (2003) further argues that the parent company must have good relationships with the subsidiaries to be successful in emerging markets.

2.2.3 The Complexity of Aligning Subsidiary Objectives

The objective of the MNC determines the configuration of the internal network and the activities performed by the subsidiaries in the MNC (Bedford, Malmi & Sandelin, 2016). It is not unusual that MNCs have multiple objectives due to their size which requires tailored approaches for performance measurement to streamline the different objectives and create a way of measuring performance that allows for a more viable and applicable assessment of subsidiaries (Schmuck, Lagerström, & Sallis, 2022).

Subsidiaries that have been granted a high level of approval on initiatives could result in increased autonomy for the subsidiaries (Ambos, Andersson, & Birkinshaw, 2010). Thus, by letting the subsidiaries adjust their objectives based on local interests, MNCs can notice improvements in the aggregated performance of the internal MNC network (Rugman, Verbeke & Nguyen, 2011; Hultén, 2006; Hada, Grewal & Chandrashekar, 2013). Despite the positive effects that can be observed from granting subsidiary initiatives, HQs should be cautious with granting too much strategic freedom to subsidiaries as deviations from the HQ objectives can result in negative effects relating to the relationship between the HQ and the subsidiaries (Lou, 2003; Meyer, Li & Schotter, 2020).

The power dynamics within MNCs is also influenced by the level of autonomy given to subsidiaries. Birkinshaw (1996) argues that restrained subsidiary autonomy could potentially have a negative effect on the mandate and the level of power distribution between the subsidiaries in an organisation. Whereas the entrepreneurial culture in subsidiaries, which is

granted by the HQ, is found to have a positive effect on the level of influence a subsidiary has on their own strategic objective (Scott, Gibbons, & Coughlan, 2010)

Findings by Garcia-Pont, Canales, and Noboa (2009) suggest that one of the primary objectives for subsidiaries is to maintain and increase their local embeddedness, to expand their external network and manage the internal relationships within the MNC. The external network constellation is also recognised as a strong influencing factor on the objectives that are set by the HQ, which is shown to be positively related to performance. This is aligned with findings from other scholars (Andersson, Björkman & Forsgren, 2005; Williams & Lee, 2011) which argues that the external networks are essential for international subsidiaries. Other scholars, such as Narula (2014) argues that the balance between internal and external embeddedness is important for subsidiaries to maintain competency in their markets.

To summarise, the objectives for subsidiaries are dependent on the level of autonomy granted by the HQ of the MNC. The autonomy given by the HQ influences the ability to implement individual initiatives to improve the performance for each subsidiary. Moreover, subsidiaries' ability to create, expand, and deploy their locally embedded network should be part of their objective. Lastly, the power distribution between the subsidiaries in an MNC influences subsidiary abilities to gain mandate and strategic autonomy within an MNC, which consequently shape the subsidiaries' objective (Ambos & Birkinshaw, 2010).

2.3 Multinational Capabilities' Impact on Performance

This chapter is oriented towards providing a deep understanding of how different kinds of capabilities can influence the performance of subsidiaries in MNCs. Early research described capabilities as a combination of coordination, managerial philosophy, and geographical configuration (Roth, Schweiger & Morrison, 1991) whereas more recent research describes capabilities as firms' ability to configure their resources to adapt to changing environments (Teece, 2014). Applying a perspective of MNCs, capabilities are developed and stored in different organisational units within the MNC network (Schmid & Schurig, 2003). The development is influenced by the internal network of the MNC where high levels of operational autonomy assigned to subsidiaries is proven to improve the development of internationally useful capabilities. The external business network of subsidiaries can also contribute to a sufficient development of capabilities as close collaboration with the external stakeholders can increase the possibility for locally useful capabilities (Palmie, Keupp & Gassman 2014).

Well-developed capabilities are often referred to as tacit and thus deeply embedded in the respective units of the MNC. However close relationships between organisational units as well as embeddedness in proximate business networks can facilitate the transfer of capabilities within MNCs (Schmid & Schurig, 2003). Findings from Li and Lee (2015) illustrates that forcing the wrong kind of capability sharing on subsidiaries could not only be difficult to absorb, but also hurt subsidiary growth, as well as a subsidiary's ability to develop further capabilities going forward. In extension, the risk of harming subsidiary growth imposes a great importance of using sufficient measurement methods to ensure a qualitative and sustainable development of capabilities.

The assessment process of capabilities is difficult due to the embeddedness and individual development of capabilities in different organisational units in MNCs (Meyer, Li, & Schotter, 2020). However, capabilities could successfully be assessed by combining a short-term approach relating to capabilities impact on the strategic objectives of the MNC, and a long-term perspective oriented towards capabilities impact on the aggregated performance of the MNC (Helfat and Martin (2015). Regardless of the measurement method, the importance of measuring capabilities is emphasised by numerous scholars (Teece, 2014; Li & Lee, 2015; Rugman & Verbeke, 2001; Meyer, Li, & Schotter, 2020).

2.3.1 Defining Capabilities in Multinational Corporations

The core capabilities of a firm are created by combining between the core competencies and the strategic processes of a firm. Thus, combining skills, knowledge, and know-how from the external business environments of business units with the internal strategic processes of the firm creates the core capabilities (Long & Vickers-Koch, 1995). Moreover, the core capabilities have been defined as the most essential and well-defined resources processed by a firm (Long & Vickers-Koch, 1995; Teece, Pisano & Shuen, 1997; Eisenhardt & Martin, 2000).

The international capabilities of an MNC are defined as core capabilities that are aligned with the international strategy and administrative mechanisms of an MNC. International capabilities are, if developed and managed correctly, said to significantly improve the financial performance of business units (Roth, Schweiger & Morrison, 1991). When relating to MNCs, capabilities of all sorts can be stored in different organisational units which entails that the quality of capabilities can differ in MNCs. Further, the embeddedness of capabilities can differ considerably within MNCs due to the subsidiaries' individual processes related to the development (Schmid & Schurig, 2003). Building on the differences and prerequisites related

to subsidiaries' capability development, it is not unusual that subsidiaries develop so-called critical capabilities which in essence entails that a subsidiary within an MNC develop capabilities that allows it to perform certain activities better than other units in the MNC (Schmid & Schurig, 2003).

The initial concept of dynamic capabilities, as defined by Teece, Pisano, and Shuen (1997), referred to the organisation's and its management's capacity to effectively integrate, construct, and adapt internal and external competencies in response to swiftly evolving environments. Eisenhardt and Martin (2000) expanded upon this definition by arguing that dynamic capabilities are related to the ability to reshape the external environment to better suit the objectives of the MNC. One of the latest definitions by Teece (2014) describes dynamic capabilities as the ability to identify and seize opportunities and threats in the external business environment in order to reconfigure resources to address these opportunities and threats. Eisenhardt and Martin (2000) emphasise that dynamic capabilities can be observed as drivers to evolution and reconfiguration of a firms' resources which in extension can improve firms' performance and sustained competitive advantage.

2.3.2 Multinational Corporations Development of Capabilities

Recent research defines capability development as an organisational units' ability to develop unique skills and distinct resources through learning from other organisations, which can be located in a subsidiary's external network, or within the MNC's internal network (Kim, Reiche & Harzing 2022). A consensus regarding capability development is that cooperation with either, or together with the external- and internal network is one of the underlying factors for sufficient development of capabilities (Palmie, Keupp & Gassman 2014). Subsidiaries shall be embedded into both external and internal networks to optimise their position for sufficient capability development. The embeddedness in the external network enables extensive knowledge gathering which in turn facilitates the development of capabilities. However, the internal sharing of capabilities within the MNC requires comprehensive processes which enables the internal units to efficiently exchange knowledge (Palmie, Keupp & Gassman 2014)

Leadership capabilities can contribute to dynamic capability development as it facilitates the identification of opportunities and threats, seizure of opportunities and management of threats by reconfiguring the resources of the firm (Augier & Teece, 2009). Regnér (2008) argues for the importance of managerial capabilities in different levels of the firm where extensive weight is put on the manager's role to develop and take advantage of distinct resources, signature

business models and unique processes to combine external and internal assets in line with the strategic agenda of the firm. The development of useful capabilities can be facilitated by aligning the mission of the subsidiary in MNCs with the objective of the headquarters (Palmie, Keupp & Gassman 2014).

The development of capabilities requires cooperation with other organisational units within the MNC, which is connected to the previous section on internal networks. From a subsidiary perspective, the development of useful competencies requires a high level of operational autonomy. Nevertheless, the subsidiary’s strategic autonomy must be constrained for the competencies to be internationally useful to the entire MNC (Palmie, Keupp & Gassman 2014). Once the competencies are attributable to various units within the MNC, the strategic alignment can take place which in turn generates the development of capabilities. Core capabilities are created by combining core competencies and strategic routines (Long & Vickers-Koch, 1995). The development of capabilities is therefore dependent on both the strategic approach of the MNC but also the methods used to create and develop the competencies of different organisational units (Palmie, Keupp & Gassman 2014).

Proactive management of external knowledge resources and the ability to utilise the locally external networks are key factors to consider when developing capabilities (Teece, 2014; Gupta & Govindarajan, 2000; Rugman, Verbeke, and Nguyen, 2011). Active engagement with the external business environment has been proven to be a successful factor when developing competencies that are useful in relation to the local business environment. In essence, the development of MNC capabilities depends on the external network along with the internal network within the organisation. Competencies are developed in the subsidiaries by receiving knowledge from their local business environments (Palmie, Keupp & Gassman 2014). The competencies are then aligned with the objectives and strategic agenda of the MNC to create capabilities (Long & Vickers-Koch, 1995).

Figure 2 Capability development



Source: Computed by authors.

To support the various objectives of the MNC, it is important to develop suitable capabilities in different parts of the MNC to address the different business environments attributable to the subsidiaries (Regnér, 2008; Augier & Teece, 2009). Whereas additional literature (Teece, Pisano & Shuen, 1997; Teece, 2014) argue for the importance of developing dynamic capabilities as it facilitates creation of competitive advantages in changing business environments. However, the creation and transferability of dynamic capabilities is hard due to the tacitness of the capabilities themselves (Andersson, 2003; Li, Easterby-Smith & Hong, 2019; Sheng, 2015; Li & Lee, 2015). Thus, given the high level of embeddedness of dynamic capabilities, there have been numerous discussions of whether the capabilities of a firm should constitute the foundation for strategy formulation and vice versa (Schreyögg & Kliesch, 2007). The discussion on capabilities impact on performance has been in favour of the argument that capability development is essential for sustainable performance (Teece, Pisano & Shuen, 1997; Goll, Johnson & Rasheed, 2007; D'Aveni, Dagnino & Smith, 2010; Augier & Teece, 2009). O'Regan and Ghobadian (2004) finds that firms that can develop capabilities that are transferable throughout the organisation are demonstrating an overall superior performance compared to the ones that are unable to develop organisational capabilities. Furthermore, the ability to allocate and utilise the resources within an organisation is essential to generate remarkable performance for firms. Research suggests that there exists a relationship between competitive advantage, capabilities, and performance (Sirmon & Hitt, 2009; Sirmon et al., 2010; D'Avani, Dagnino & Smith, 2010).

2.3.3 The Importance of Aligning Capabilities with Strategy

Research regarding the relationship between strategy and a firm's capabilities has been discussed to understand the performance of firm's strategies. Loasby (2010) argues that it is crucial for firms to correctly analyse the firm's capabilities and construct a strategy from that analysis. If there is an asymmetry between the capabilities and strategy, the firm could suffer by the subsequent development of new capabilities that does not align with a firm's strategy. This is further argued by Schreyögg and Kliesch (2007) that discuss the dilemma faced by firms whether they should establish a strategy in line with the existing capabilities or develop capabilities that are important for the strategy.

The primary discussion has been that strategy is implemented to assist the already existing capabilities in a firm (Augier & Teece, 2009; Teece, Pisano & Shuen, 1997; Song, Di Bonetto & Nason, 2007). The argument is that firms that engage in a global strategy that builds upon

capabilities throughout the organisation with proper capability coordination demonstrates better performance than firms that engaged in a multidomestic strategy, even though the multidomestic strategy fitted the capabilities (Roth, Schweiger, & Morrison, 1991). According to Meyer, Li, and Schotter (2020), managerial capabilities are essential to develop as they constitute a central part of communication and development of new capabilities that can affect the strategic agenda in the organisation.

In MNCs, it is particularly important to consider the aspect of subsidiaries and their relationship between capabilities and strategy. Garcia-Pont, Canales, and Noboa (2009) argue that subsidiaries do have a say in the overall strategy established within an MNC. They continue to discuss the possibilities for subsidiaries to develop new capabilities along the strategic capabilities that align the organisational strategy. When considering the impact subsidiaries have on organisational strategy implementation, the discussion made by Ambos, Asakawa and Ambos (2011) regarding subsidiary autonomy could help bring light to the dilemma. They argue that a strategy that allows for subsidiary autonomy could facilitate for the subsidiaries to develop capabilities locally.

Helfat and Martin's (2015) discussion about entrepreneurial strategy in a multinational organisation is good for the MNCs future growth. Furthermore, scholars such as Wang, Chen, Guo, and Lin (2020), add the dimension that the objective from a subsidiary could have a different impact on strategy and its performance. Subsidiaries with marketing-oriented capabilities which align with a diversification strategy have been observed to demonstrate good performance. Whereas subsidiaries that are R&D oriented should not be as strategically involved as strategic involvement can contribute to inferior performance for R&D oriented subsidiaries. Sirmon, Hitt, and Ireland (2007) argues that MNCs should consider the capabilities that exist in the subsidiaries as a bundle of capabilities that collectively should be leveraged through the global strategy formulation of the MNC.

The relationship between a firm's capabilities and the firm's strategy has been a well-researched subject (Schreyögg & Kliesch, 2007; Augier & Teece, 2009; Roth, Schweiger, & Morrison, 1991; Schmuck, 2022). The main argument is that it is of essence for firms to identify their capabilities correctly and align the strategy to fit these capabilities. D'Avani, Dagnino, and Smith (2010) argues that global corporations face challenges when applying global strategies to achieve multiple objectives to align with multiple local external business environments. Following the discussion from Rugman and Verbeke (2001), that subsidiaries

have locational bound capabilities, and therefore need to have a strategy that can align those capabilities. Wilden, Gudergan, Nielsen, and Lings (2013) continues to argue that it is important for firms' performance to align the strategy with capabilities.

2.3.4 The Complexity in Assessing Capabilities

Difficulties to measure capabilities have been established by many (Teece, 2014; Li & Lee, 2015; Rugman & Verbeke, 2001; Meyer, Li, & Schotter, 2020). However, existing research focuses on the difficulties from a geographical perspective and follows the argument that capabilities do not function the same across borders. Schmid and Schurig (2003) elaborate on difficulties of assessment of capabilities and add the argument that the nature of capabilities also complicates the assessment process for an MNC. The creation and maintenance of subsidiaries external networks are exemplified as difficult capabilities to measure throughout an MNC due to cross-border disparities and individual processes for managing the external networks.

It is important to cautiously consider what aspects that are measured when assessing the capabilities within an MNC. Song, Di Benedetto, and Nason (2007) recognise that some capabilities are easier to measure than others. Marketing capabilities can be measured through marketing planning, forecast accuracy and sales numbers, whereas technology capabilities can be measured through processes and new product development. In Nath, Nachiappan and Ramanathan's (2010) research capabilities are measured by bundling multiple KPIs together that collectively could assess one particular capability.

The assessment of dynamic capabilities is especially difficult as the ability to adjust and configure firm resources will firstly be visible after a given period. Thus, the measurement process of dynamic capabilities is rather time consuming which in extension makes the process difficult. Moreover, dynamic capabilities differ across subsidiaries within an MNC, and need to be assessed differently depending on the subsidiary that is considered (Teece, 2014). Locational bound capabilities are challenging to assess. However, the identification of locally bound capabilities is crucial to enable capability sharing in MNCs (Rugman & Verbeke, 2001). One suggestion provided by Rugman and Verbeke (2001) suggests that one of the top objectives of the top management in MNCs should be to systematically share subsidiaries' dynamic capabilities within the MNC.

The argument by Teece (2014), to monitor dynamic capabilities through correct KPIs is important by multiple dimensions, as it's not only important for future growth, but also to prevent subsidiaries from being hurt by forcing the wrong type of capabilities upon them. Furthermore, Li and Lee (2015) argue that forcing the wrong type of capabilities on subsidiaries could obstruct the growth and performance for the international units. According to Teece, Pisano and Shuen (1997) dynamic capabilities should not solely be assessed by the value added to the MNC, but also the level of flexibility it possesses to be reconfigured in the future. Helfat and Martin (2015) argue on the other hand that capabilities should be measured in a 2-step model. By first assessing the short-term outcome of the dynamic capability and how it affects the strategic outlook for the firm, and secondly assess how the capability affects the firm's performance.

2.4 Conceptual Framework

The conceptual framework of this report is based on several concepts that all have direct or indirect impact on the performance for MNCs. This section aims to clarify these concepts and explain the synergies that can be observed between the different concepts that have been discussed above in the theoretical framework. The theoretical framework suggests that capabilities are dependent on the objective and environment of the subsidiaries within the MNC, the strategies are thereafter formulated given the objective and aligned with the developed capabilities that exist within the MNC. The outcome of the strategy is thereafter what could be perceived as the performance for the subsidiary. All four of these aspects are suggested to be measured through the MNCs' PMS, where the output of the measurement is meant to be used as an underlying factor for the processes of decision making and re-strategizing. The discussion in the theoretical framework has included perspectives from both an HQ level and from a subsidiary level. The conceptual framework which illustrates the findings in the theoretical framework is presented in Figure 3.

The first box in the vertical arrangement refers to the objective of the subsidiaries and HQ, which constitutes the foundational basis for how the performance is generated. Following the discussion in the theoretical framework, the objective of MNC consists of the entire MNC strategy. Thus, the objective of the MNC constitutes the foundation for all the following concepts described in this chapter. A globally set objective is challenging as the individual objectives of the subsidiaries are not considered, which could negatively affect the performance of the subsidiaries (Andersson, Björkman & Forsgren, 2005). However, if the subsidiaries are

seen as an extension of the HQ and could be able to drive their own initiatives, subsidiaries are able to expand their networks and therefore increase the possibilities to enhance their performance (Bedford, Malmi & Sandelin, 2016; Ambos, Andersson & Birkinshaw, 2010). Therefore, subsidiaries face different conditions for capability development based on their role in the MNC.

With the given objective that is set by either the HQ or from a local level, an MNC can develop or possess capabilities (Schreyögg & Kliesch, 2007). The embeddedness of capabilities determine how they are defined. Capabilities that are deeply embedded in subsidiaries are often defined as local capabilities, and capabilities that are transferable and less embedded in subsidiaries are defined as global capabilities or HQ-capabilities (Li & Lee, 2015). Furthermore, Long, and Vickers-Koch (1995) argues that the network and environment is essential when developing capabilities. The conceptual framework illustrates that the ability to develop capabilities is dependent on the objectives in Figure 3 by including the arrow between the two boxes of objective and capabilities.

There has been extensive research on the impact capabilities can have on MNC performance (Palmie, Keupp & Gassman 2014; Goll, Johnson & Rasheed, 2007; D'Aveni, Dagnino & Smith, 2010). The theoretical framework suggests that competitive advantage is created through capabilities and that competitive advantage is related to firms' performance (Sirmon, et al., 2010). The Capability box in Figure 3 is thus one of the constituting foundations in the process of creating performance in MNCs. This follows the argumentation by O'Regan and Ghobadian (2004) that MNCs which can utilise capabilities throughout the organisation tend to demonstrate superior performance.

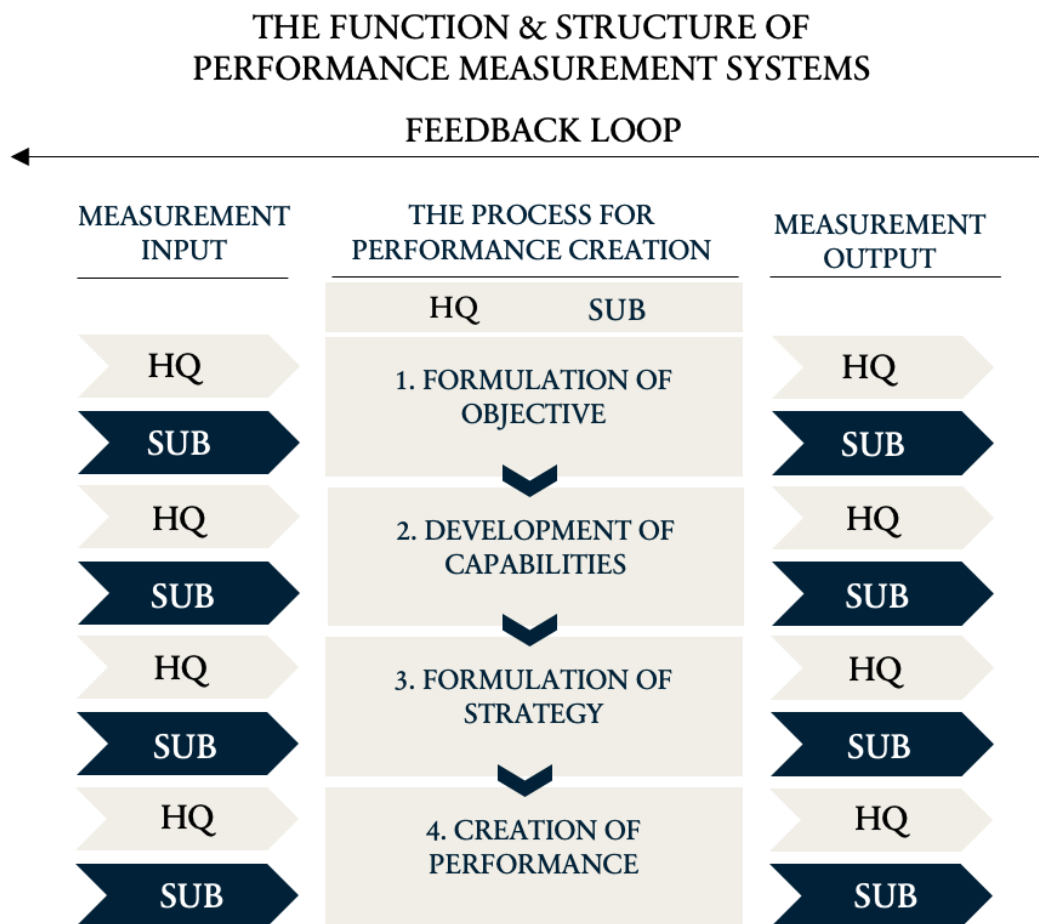
The strategies should be based on the objective and capabilities that exist in the organisation and could be set on an HQ level or on local levels. When setting the strategies, it is essential to have a correct assessment and identification of capabilities that exist in the HQ (Schreyögg & Kliesch, 2007; Augier & Teece, 2009; Roth, Schweiger, & Morrison, 1991; Schmuck, 2022). These strategies could be set so that they fit the existing capabilities (Augier & Teece, 2009; Teece, Pisano, & Shuen, 1997) or be flexible enough to be able to change along dynamic capabilities (Schreyögg & Kliesch, 2007). The PMS should be able to measure the outcome of the strategic formulation for the MNC (Gimbert, Bisbe, & Mendoza, 2010), both on an HQ level and on a local level. Since capabilities should be developed depending on objective, the





relationship between capabilities and strategy formulation is illustrated by the arrow between Capabilities and Strategy in Figure 3.

Lastly, the performance for an MNC is defined as the outcome of the MNC strategy. Performance can be defined in the form of financial, operational, or overall effectiveness (Hult et al. 2008), and the PMS should allow for measurements that allows for both performance definitions to assess the overall performance within an MNC. The theoretical framework clearly describes the individual relations between the boxes in the conceptual framework. However, the conceptual framework suggests a process that MNCs need to consider when aiming for superior performance. Therefore, the arrow between Strategy and Performance in Figure 3 represents the result of the process which has been discussed in the theoretical framework.

The KPIs that are used on this level of assessment are the ones which are most practically common and discussed by Dossi and Patelli (2010). Ferreira and Otley (2009) argue that the measurements used in the PMS should assess the situation comprehensively in an organisation, and therefore measure each of the vertical boxes in the conceptual framework. This is represented by the horizontal arrows aimed towards the vertical alignment of boxes. The output from the assessment of performance constitutes the underlying basis for future decision making, which is suggested by Gimbert, Bisbe, and Mendoza (2010). Cooper, Ezzamel, and Robson (2018) argues that one of the roles for PMSs is to increase sensemaking within an organisation, which constitutes an ongoing process of using and reusing the outputs from the measurements. The PMS should also function as the underlying assessment mechanism when deciding and formulating new strategies for an MNC (Ferreira & Otley, 2009; Gimbert, Bisbe & Mendoza, 2010; Elbanna & Naguib, 2008). This is illustrated by the horizontal arrows from each of the vertically aligned boxes in Figure 3. Lastly, the arrow located above the framework visualises the process where the output from the measurement is used for future decision making and re-strategizing. The function of the arrow illustrating the feedback loop is to demonstrate that the PMS continues to develop based on the output that is generated from each measurement cycle.

Figure 3 Conceptual framework model



VISUAL ELEMENT	DEFINITION
	The arrow containing “HQ” visualises that the measurement input is generated by the headquarters (HQ), and that the measurement output is shared with the HQ.
	The arrow containing “SUB” visualises that the measurement input is generated by the subsidiaries (SUB), and that the measurement output is shared with the SUB.
	The arrow aims to illustrate the order of different processes that results in the creation of performance.
	The arrows describes the continuous development of the PMS, where the output from previous measurements are assessed through a feedback loop and then used to improve future measurement inputs.

Source: Computed by authors.

3. METHODOLOGY

The study in this thesis aims to create a deeper understanding of how a multinational corporation (MNC) develops their performance measurement systems (PMS). The underlying factors for the development of the PMS are analysed and discussed in a multinational context using a deductive research approach to provide findings that can be used as validation of existing literature within the field. The chapter is initiated with a description of the selected research approach, the single case study. A cross-sectional research approach based on purposeful sampling was used to enhance the possibilities of providing valuable information and insights. The chapter continues with accounts of the data collection. Then the analysis process is described where the empirical findings are analysed in relation to theory using the conceptual framework for this report. The research quality and the measures taken to enhance the research quality are presented where we discuss the extent to which this report can be applicable to further theoretical development. Ethical considerations are the last section of the chapter which describes the ethical measures that have been taken to ensure a fair treatment of the respondent's rights and integrity.

3.1 Research Approach

The study is based on a qualitative and deductive research approach which is defined as a systematic and structured methodology. The theoretical framework is developed and then analysed in relation to the data collected in the case study which makes it possible to define the research approach as both deductive and qualitative (Bell, Bryman & Harley, 2019). The theoretical foundations of the study are based on three different perspectives; a perspective of performance measurements in MNCs, a network perspective, and a capability perspective that includes strategic elements. The theoretical foundations of the report are important for the purpose as previous literature within performance measurement demonstrates absence of the underlying factors that influence the development of PMSs. Moreover, previous research does not combine the three perspectives used in this report and thus, there is no true bridge from existing theory to new more specific research areas such as the relationship between specific network constellations and the development of PMSs.

The main research question aims to investigate the gap between existing theory and reality, as it is formulated to enable analysis of how an MNC uses their PMS in practice. A cross-sectional research approach was used which is referred to as a research process where multiple sections

are analysed to provide context and depth to the report (Bell, Bryman & Harley, 2019). The sections: capabilities, the network perspective, and strategy were included as sections in accordance with the cross-sectional approach. Thus, by using a cross-sectional research approach, we are able to analyse the underlying aspects for the development of PMSs as well as the actual usage across organisational units in a globally dispersed MNC, characterised by noticeable differences in external business environments. The sub-research question is designed to treat and investigate the underlying factors for PMS development which is not yet addressed in the context of a case study where empirical findings are compared to existing literature.

Due to the limited research within the field addressed in this thesis, this report takes on an explanatory research approach where we aim to explore the subject of performance measurements in MNCs in a practical and detailed manner. Thus, the approach chosen for this thesis can also be described as a qualitative approach as no forms of statistical testing and hypothesis formulation is being conducted during the research process. According to Bell, Bryman, and Harley (2019), an explanatory research approach is suitable for subjects characterised by limited existing knowledge, which is the case for the research scope of this thesis.

3.2 The Single Case Study Approach

A single case study was used in this thesis to investigate how a multinational corporation (MNC) uses a performance measurement system (PMS) and what underlying factors influence the development of the PMS. The single case study approach was selected as it enabled analysis of detailed empiric data to provide rich and reality based contextual understanding to the phenomena of performance measurements in an MNC. A single case study must be heuristic, particularistic, and empirically descriptive (Merriam, 1998). The heuristic quality of a study is determined by its ability to contribute to the reader's understanding of a phenomena which is done by providing detailed explanations of how the Case Company uses and develops their PMS. The case study is particularistic as it provides detailed empirics on a single MNC with particular characteristics. Moreover, the region selected for the analysis have specific traits that differ from other regions within the MNC which in turn contributes to the particularity of the study. Lastly, the study is empirically descriptive as it provides detailed descriptions of retrospective data retrieved from secondary sources within the Case Company, but also of real-time data gathered during interviews with the employees of the Case Company.

The study is oriented towards observing and analysing the internal processes of the Case Company relating to performance measurement, development of the PMS, capability development, and strategy formulation, as well as the network constellation of the MNC. To incorporate all the sections into the study, a cross-sectional research approach was used (Bell, Bryman & Harley, 2019). The empirical data contributed to a foundation which enabled analysis of various phenomena within the Case Company, as they all were observed to be related to each other. Moreover, the study was conducted during a short and particular period which in turn motivates the use of a cross-sectional case study (ibid).

3.2.1 Selection of Case Study

The selection of a case study must impose characteristics that are suitable in relation to fulfilling the purpose and enables the possibility to answer the research question of a report (Merriam, 1998). The initial stages of the study were devoted to increasing the understanding of how MNCs use and develop PMSs and what connections that are seen between the strategy formulation, capability development and network constellation of MNCs in a context of PMSs usage and development. The study required a Case Company which was globally dispersed in terms of organisational units to enable analysis of the network constellation. To facilitate access, communication, and cooperation, MNCs whose headquarters (HQ) were located in Sweden were contacted. One of the MNCs demonstrated a noticeable degree of interest and offered the possibility to analyse one of their emerging regions in Asia. In exchange, the MNC offered access to relevant interviewees across the entire organisation, databases, accounting systems, internal reports, and corporate hardware which in turn facilitated the communication with the MNC during the research process. The emerging state of the region in Asia was unknown to us before the initiating conversations with the MNC and consequently, the scope and interest for the study became more specific due to the particular characteristics of the region included in the study.

The choice of case study substantially improved the opportunities to analyse cross-national and cross-hierarchical phenomena related to capability development, strategy formulation, and network constellation in relation to performance measurements and development of PMSs. Thanks to a sufficient variety of respondents, access to internal data and seamless collaboration with the MNC, the possibility to contribute to existing theory within the fields discussed was created. The selection of the case study can be seen as purposeful (Yin, 2012) due to the benefits of proximity, collaboration possibilities and mutual interest in the study. To summarise, the

case study in this thesis can be referred to as a single case study that applies a cross-sectional research approach where the Case Company was selected based on purposeful sampling with fragments of convenient sampling due to a high level of cooperability demonstrated by the Case Company.

3.3 Research Process

The research process of the study was initiated with an initial exploration of the subject addressed in this thesis. Once the initial theoretical foundation was established, the research questions were formulated to investigate how an MNC manages the performance measurement of their organisational units. The next step was to conduct an extensive theoretical review to build a deep and rich understanding of the subject which generated adjustments of the research questions to address how MNCs develop PMSs, what the underlying factors for the development are and how MNCs use their PMSs. The combination of extensive theoretical review and conversations with the selected Case Company contributed to a more specific and complex scope than the scope that was initially intended for the report.

Once the new scope was established, the analysis of numerical data was initiated which provided a comprehensive understanding of the MNCs methods and processes for financial measurement of their subsidiaries, but also a sufficient analysis of the current state of each subsidiary in the region selected for analysis. Following the analysis of numerical data, interview guides were formulated to gather empirical evidence from different levels of the MNC; global, regional, and local. Interviews were conducted, transcribed, and analysed continuously which resulted in adjustments of the interview guides due to a noticeable enhancement of knowledge. The latter interview guides were formulated to be more specific and related to subjects discussed in the earlier interviews, thus providing more detailed and valuable empirical evidence for the cross-section analysis.

The empirical findings were formulated and codified once all interviews were conducted which was followed by the analysis process. The analysis process was conducted by using the conceptual framework created earlier in the report. The empirical findings from the interviews and numerical data were put in relation to the theoretical foundation of the report in order to investigate to what extent the Case Company reality was applicable to existing literature. As the last step in the research process, the conclusions were formulated based on the analysis of the report. The research process can be observed in Table 2: Summary of research process.

Table 2 Summary of research process

Research Process		
1	Exploring	Initial Exploring of subject.
2	Research Gap	Identification of research gap and formulation of RQ.
3	Literature Review	Review of existing literature within MNC-management, capabilities, and performance measurement.
4	Numeric Data	Analysis of numeric data and identification for information gaps.
5	Interview Guides	Construction of interview guide for MNC employees, using insights from the numeric data, previous literature, and interview data in extension.
6	Interviews	Interviews with MNC employees to supplement the data.
7	Adjustments of interview guides	Adjustments based on interview findings
8	Interviews	Interviews with MNC employees to supplement the data.
9	Empirical Findings	Formulation and codification of empirical findings.
10	Analysis	Analysis of empirical findings and evaluation of input to the company report.
11	Conclusion	Formulation of conclusion and recommendations for future research.

Source: Compiled by authors.

3.4 Data Collection

From a perspective of data collection, the research approach was suitable as it enabled access to primary data from managers and other employees within the sales organisation of the Case Company. In addition, the approach enabled access to secondary data such as organisational schemes, financial databases, and accounting systems to use as benchmarks for the analysis of the primary data. The research was primarily conducted during the spring 2023. The first data-related part of the process was to understand the theoretical background to the selected fields, and to gain as much information as possible related to our scope and research questions. When a Case Company was selected, a deeper understanding of the company was gained by being present at the office in Gothenburg and talking with the employees. We were assigned a supervisor from the company, which created an informal forum where questions could be asked to increase the understanding of the company from a holistic view. To get a more comprehensive view of the Case Company, we decided to collect both numerical data from the company's reporting system, and primary data from interviews. Even though we analysed both the interview data and the numerical data continuously throughout the process, we began with

collecting and cleaning up the numerical data to have a better understanding of how the company used their measurement procedures internally. The selected order of data gathering allowed us to ask more relevant follow-up questions during interviews. In addition, the selected order helped to improve our understanding of the company language which facilitated the continuous communication with the Case Company.

3.4.1 Secondary Data Collection

The collection of secondary data started in the early stages of the research process with the purpose of exploring the subject of performance measurements in MNCs, as well as identifying potential research gaps in the existing literature of the selected subject. The earlier search for literature was divided into three main categories: MNC Networks, Capabilities and Performance of MNC Subsidiaries. The three categories were used to create a theoretical framework including the second, more extended search for literature. To provide a more comprehensive understanding of how MNCs use PMSs to assess the performance of their subsidiaries, an extensive literature review based on the cross-sectional approach was performed which laid the foundation for the conceptual framework. The articles were systematically organised using Endnote in line with the different categories which facilitated the process of summarising and highlighting the most important aspects of the articles that were reviewed. The articles utilised for the two searches can be further examined in Appendix 1-6.

The literature in this thesis focuses on the above-mentioned main areas of research. The research started wide, to later be narrowed down to sub-categories within each field of study. The research has been intended to follow Bell, Bryman, and Harley (2019) definition of a systematic unbiased review. The keywords used for literature review can be found in Appendix 7: Keyword screening. The inclusion criteria were to review articles that were peer reviewed and published primarily, the other criteria considered were the number of citations. The articles were then examined and got selected based on inclusion and exclusion criteria. Some exceptions had to be made as part of the research is a rather under-researched topic and newer articles that either yet must be published or had not reached a satisfiable number of citations, were included. The exclusion criteria were primarily based on language, as we did not consider any articles that were written in any other language than English.

The article searches were mainly conducted through the literature service for the University of Gothenburg Gupea. However, Google Scholar was used as an alternative database to find supplemental articles for the cases where the initial searches on Gupea generated an insufficient

number of articles. Due to the limitations in time for this thesis, the trade-off between time limitation and the value of finding supplementing literature was conducted which in turn resulted in the utilisation of the two databases mentioned above.

Other secondary data collected were the numerical data retrieved from the company's reporting system. This data was collected to understand the reporting system better and to get an insight on what measures were used by the decision-makers in the Case Company. Additionally, to get an overview of the Case Company, internal reports and organisational charts were retrieved to further understand the organisational structure. This information was also part of identifying and sampling the interviewees in the first sampling approach. This approach enabled us to cross-examine the interviews and broaden the analysis by including the KPIs as an aspect for analysis.

3.4.2 Primary Data Collection

To answer the research question of how HQ assesses the performance by subsidiaries, we interviewed employees from different layers in the organisation to validate the numerical data collected, as well as conduct the analysis. The primary data collection was conducted through purposeful sampling (Yin, 2012) to enhance the possibilities of receiving valuable input for the analysis. The interviewees were purposely selected based on their experience and role in the Case Company which enabled data collection from different hierarchical levels in the Case Company. Besides the purposeful sampling of interviewees, theoretical saturation was achieved during the research process which influenced the sampling approach for the later interviews that were conducted. The data collection was performed in accordance with discussions presented by Bell, Bryman, and Harley (2019), where the sample size of a qualitative study is described to be dependent on the purpose and theoretical saturation that is considered during the research process.

3.4.2.1 Selection of Interviewees

The selection of interviewees was based on two main criteria. Initially, the interviewees had to operate within the field and scope of the report, meaning sales, marketing or decision-making attributable to the performance measurement in those business areas. Second, the interviewees had to operate in markets that were applicable to the scope of the report, meaning one of the markets in the Asian region as well as within the relevant business area. The first sampling process was to simply ask our contact person at the Case Company of interviewees that could

be relevant for the subject. Secondly, we investigated their internal organisation chart to see who reported to whom within the organisation. The sampling process used for the primary data collection is referred to as generic purposive sampling which is used to enable clarification of theoretical categories as well as generation of new theory (Bell, Bryman & Harley, 2019). The interviewees were selected from different levels of the organisation to better reflect how performance measurement procedures are conducted and integrated throughout the entire organisation which in turn generated valuable insights related to improvement of integration in the MNC network. We emailed all of the prospects to see if they had the opportunity to conduct an interview and had relevant insight to the subject.

When the interview process began, snowball sampling was used to further increase the reach of relevant insight from the case study, (Bell, Bryman & Harley, 2019; Noy, 2008). Since the scope of the research question could potentially cross multiple functions in the organisation, the risk of missing relevant insight from the first sampling technique we considered present. Therefore, we asked the respondents who they reported to and who reported to them through their system to get a wider scope of users. This generated an additional sample of prospects that were requested for an interview. The interviewees, the date and duration of the interviews as well as the hierarchical position of each interviewee is presented in Table 3: Table of interviewees.

Table 3 Table of interviewees

Respondent	Referred to	Location	Date & Duration	Location
Global Director-Finance 1	GD-Finance 1	Global	04.04.2023 08:00-08:50 (50 min)	Microsoft Teams
Global Director-Finance 2	GD-Finance 2	Global	25.04.2023 15:30-16:30 (60 min)	Microsoft Teams
Global Director-Finance 3	GD-Finance 3	Global	26.04.2023 11:00-12:00 (60 min)	Microsoft Teams
Global Director-Marketing	GD-Marketing	Global	25.04.2023 08:00-08:43 (43 min)	Microsoft Teams
Global Director-Operations	GD-Operations	Global	05.04.2023 11:00-12:30 (90 min)	Microsoft Teams
Regional Director-General Manager	RD-GM	Regional	17.04.2023 09:00-09:50 (50 min)	Microsoft Teams
Regional Director-Marketing	RD-Marketing	Regional	12.04.2023	Written answers
Regional Director-Operations	RD-Operations	Regional	21.04.2023 10:0-10:50 (50 min)	Microsoft Teams
Regional Director-Finance 2	RD-Finance 2	Regional	17.04.2023 09:00-09:50 (50 min)	Microsoft Teams
Local Director-Finance 1	LD-Finance 1	Local	20.04.2023 10:40-11:40 (60 min)	Microsoft Teams
Local Director-Finance 2	LD-Finance 2	Local	26.04.2023 09:00-09:50 (50 min)	Microsoft teams
Local Director-General Manager	LD-GM	Local	11.04.2023 11:10-12:00 (50 min)	Microsoft Teams
Local Director-Human Resources	LD-HR	Local	25.04.2023 09:00-09:36 (36 min)	Microsoft Teams

Source: Computed by authors.

3.4.2.2 Interview Guides

Three interview guides were formulated to suit the different characteristics of the interviewees. The interview guides were formulated to enable tailored interview questions based on the organisational position of the interviewee, thus taking account if the interviewee operates on a global, regional, or local level within the MNC. The interviews were done semi-structured to get a more interactive conversation with the respondents, we asked interpretive follow-up questions to get clarification in between the questions when necessary. After conducting a few interviews, an increase of knowledge about the organisation led us to change the interview guide to slim down parts that were not relevant and elaborate on relevant questions.

The global interview guide (Appendix 8: Global Interview Guide) was created to be used when interviewing professionals working close with, or at the HQ of the MNC. The global interview

guide was designed to get a greater overview of the procedures and strategic processes used for the assessment of subsidiaries from an HQ perspective, thus open questions were formulated in a way that was determined to be suitable for HQ representatives.

The regional interview guide (Appendix 9: Regional Interview Guide) was designed for management (directors) responsible for the regional operations of the selected business area. A lot of emphasis was put on the relationships with the subsidiaries and the reporting procedures related to performance and capabilities. The aim with the regional interview guide was to get a deeper understanding of the governance of subsidiaries and reporting processes related to the PMS on a regional level.

The first local interview guide (Appendix 10: Local Interview Guide) was constructed for business directors and subsidiary managers within the different sales organisations. The objective with the local interview guide was to gain insights regarding the relationship and processes related to information exchange with HQ but also regarding the PMS integration process within each subsidiary. Once again, open questions were asked to optimise the preconditions for disclosure of information.

A certain level of theoretical saturation was achieved during the interview process which resulted in the formulation of a second interview guide for the local interviewees (Appendix 11: Revised Local Interview Guide). The second local interview guide was oriented more towards performance measurements as we received a sufficient level of information during the earlier interviews regarding the network constellation and capabilities of the Case Company.

3.5 Analysis Process

The analysis of theory was partly performed during the earlier stages while formulating the theoretical framework. The different topics were analysed in relation to each other to create an aggregated theoretical understanding of how MNCs measure the performance of their subsidiaries, and what underlying factors influence the development of performance measurement systems (PMSs). The initial analysis of theory facilitated the formulation of the conceptual framework that was used to analyse the empirical findings later in the research process. The next step of the analysis process was to analyse the numerical data that was gathered from the Case Company. An initial understanding of how the Case Company manages their performance measurement was created, and by comparing the numerical data with the

conceptual framework, information gaps were identified which created the foundation for the interview guides.

The gathering of empirical material imposes the risk of creating so-called data beasts (Soulsby & Clark, 2011) which in essence entails considerable amounts of data which complicates the analysis process. As a measure to avoid the creation of a data-beast, the qualitative data-analysis software Nvivo version 1.7.1 was used to facilitate the navigation in the interview material. The use of the Nvivo software made it possible to search for keywords across all the transcripts which made it easier to identify how different interviewees responded to the same questions. Moreover, the transcripts were organised and categorised based on the hierarchical level of the respondents which contributed to the simplicity in comparing the responses of the different interviewees. The use of Nvivo version 1.7.1 and the categorisation of interview material facilitated the analysis process both in terms of providing greater overview of the empirical findings, but also in terms of enabling more efficient use of our time during the process. The empirical data was analysed in relation to the theoretical foundation of the report, and as the understanding of the different phenomena increased considerably during the analysis process, continuous discussions were held at times where clarifications related to the empirical findings were needed. The input from the discussions was then used to formulate a more detailed and descriptive discussion for the analysis.

First-order narratives, which can be described as the stories told by the interviewees (Elliot, 2005), were used to describe the respondents understanding of performance measurement, the development of PMSs and the underlying factors for the development in the Case Company. The process related to performance measurement reporting was also described which further motivates the use of first-order narratives and second-order narratives in this thesis (ibid). Once the understanding of the different phenomena was sufficient enough, we used the data from the first-order narratives to create second-order narratives, which in essence entails the researcher's formulation of the empirical narrative (ibid). As described earlier, the last step of the theoretical analysis process was to compare the theoretical findings with the empirical findings to construct the discussion and conclusions for the thesis.

3.5.1 Analysis Model

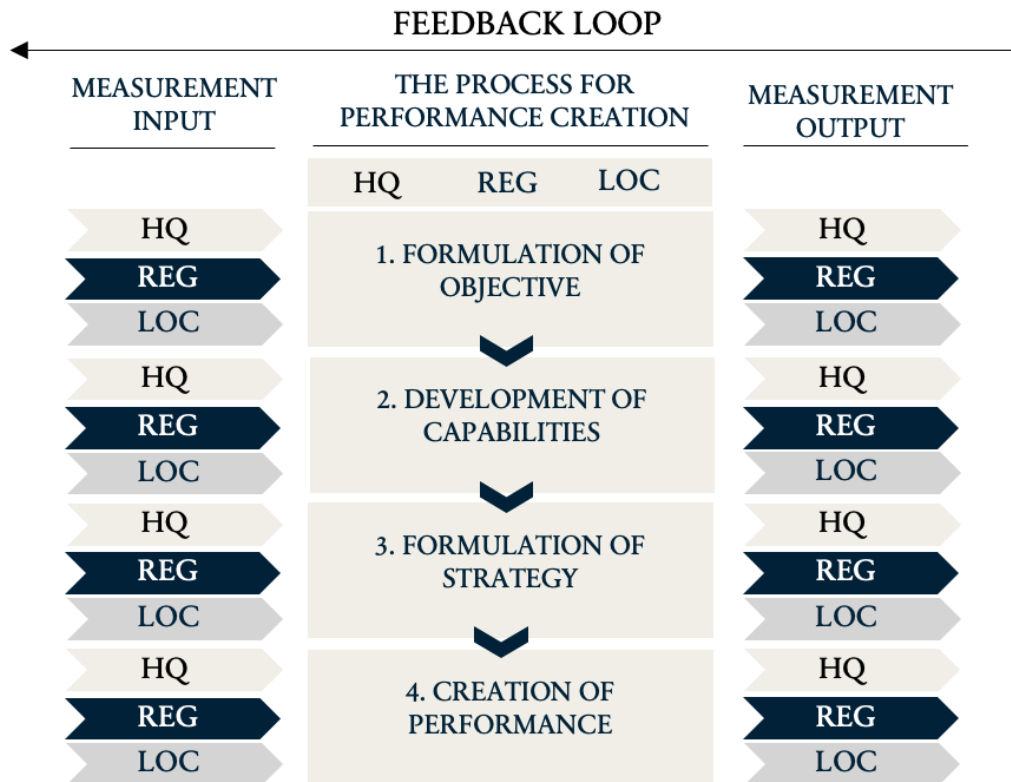
The conceptual model that was created based on the theoretical framework was adjusted slightly after the gathering of empirical material. As the conceptual framework merely accounts for the network constellation of HQ and subsidiaries, and does not take regions into account,






we chose to add regions as a dimension for the analysis model. The model is used to illustrate the order in which the underlying factors for PMS development are structured in an MNC. The underlying factors are illustrated as centralised and vertically aligned boxes in the analysis model and the arrows between the boxes describe the direction of development of the different factors. Thus, the underlying factors for development, including the influences related to the network constellation are illustrated as four vertically aligned boxes in the analysis model.

The flows of measurement activities and output are illustrated as arrows containing abbreviations of the respective unit that either generates the measurement input or uses the measure output for decision making. The arrows illustrating the flow of input and output goes into the vertical boxes on the left-hand side of the model, and out from the vertical boxes on the right-hand side. The arrows are meant to illustrate each unit's increment in either generating measuring input or using measurement output related to the underlying factors for performance creation and PMS development. The idea of the analysis model is to illustrate a closed loop of how PMSs are used and developed based on the theoretical framework. The analysis model is then used to analyse the empirical findings to observe symmetries and differences between theory and reality. In essence, the analysis model enables us to compare how the Case Company uses and develops their PMS on three different levels in the organisation. It also enables us to identify which of the underlying factors for PMS development that are assessed, and how they are assessed in terms of measurement and output to the PMS. The analysis model for the thesis is illustrated below in Figure 4.

Figure 4 Analysis model

**THE FUNCTION & STRUCTURE OF
PERFORMANCE MEASUREMENT SYSTEMS**



VISUAL ELEMENT	DEFINITION
	The arrow containing “HQ” visualises that the measurement input is generated by the headquarters (HQ), and that the measurement output is used by HQ as basis for decision making.
	The arrow containing “REG” visualises that the measurement input is generated by regional units (REG), and that the measurement output is used by REG as basis for decision making.
	The arrow containing “LOC” visualises that the measurement input is generated by local units (LOC), and that the measurement output is used by LOC as basis for decision making.
	The arrow aims to illustrate the order of different processes that results in the creation of performance.
	The arrows describes the continuous development of the PMS, where the output from previous measurements are assessed through a feedback loop and then used to improve future measurement inputs.

Source: Compiled by authors.

3.6 Research Quality

The research quality of this thesis is discussed below in terms of the report's trustworthiness, using credibility, transferability, dependability, and confirmability as themes for the quality measures that have been taken. The measures taken to ensure that this qualitative report has a possibility of answering the research questions are described below.

3.6.1 Trustworthiness

Trustworthiness is commonly used as a criterion to assess qualitative research and could be seen as a sufficient alternative to quantitative criteria such as reliability and validity (Bell, Bryman & Harley, 2019). Trustworthiness consists of four separate criteria; credibility, transferability, dependability, and confirmability, which all consider that there can be more than one social reality to a research topic (ibid).

3.6.1.1 Credibility

Credibility refers to whether others can accept the findings generated by the research conducted within a particular field. The credibility of the research can be increased by ensuring the use of research methods that are in line with good practice, but also by submitting the findings to members of the context or social world that was researched. There are a few methods that can be applied to make the findings credible (Bell, Bryman & Harley, 2019) and for this thesis, respondent validation and triangulation were used. Respondent validation simply entails that the findings of the research are shared with respondents that have been included in the research, in order to be confirmed. During our research process, interview transcripts were shared with, and confirmed by the respondents to ensure that the information produced in the report was accurate. Moreover, the report in its entirety was approved by the Case Company before publication which in turn indicated that the findings presented in the report are credible. Triangulation essentially entails that more than one method or source of information is used in the research of a social phenomenon (ibid). We have used both numerical data, qualitative data from interviews and secondary sources for comparison of the results to increase the credibility of the findings.

3.6.1.2 Transferability

Transferability is, in the context of qualitative research, referred to the extent that findings, insights and conclusions can be applicable to other similar or relevant cases or contexts. Generalisability is not the primary focus when referring to transferability in qualitative case

studies which are oriented towards providing the opportunity for thoughtful considerations of similarities and differences between the case being studied and other relevant or similar cases (Yin, 2012). To improve the transferability of this thesis, the methodology chapter presents detailed descriptions of the context of the case study as well as of the methods, approaches and designs used to conduct the study. As this thesis provides a high degree of transparency, it is possible that the findings and insights of the study can be applicable to other cases and relevant future research (ibid).

As with most qualitative research, the case study of this report is oriented towards a rather narrow and specific context and includes a relatively small number of individuals sharing insights. Due to specific characteristics in the contexts analysed in qualitative research, a comprehensive description of the context as such may increase the transferability of the findings into other environments (Bell, Bryman & Harley, 2019). However, it is the responsibility of future researchers to critically evaluate the applicability of the findings of this thesis into their own contexts (Yin, 2012).

3.6.1.3 Dependability

Dependability is a validation criterion that is based on an auditing principle. In essence, dependability can be created by keeping records from all phases of the research accessible for the authors. During and especially in the final stages of the research process, the records are audited by the authors to determine if proper methods are used for the collection of data (Bell, Bryman & Harley, 2019). During the entire research process, all records and transcripts are stored, categorised, and shared with both authors of this thesis to ensure that sufficient auditing is enabled and conducted throughout the different stages of the research process.

3.6.1.4 Confirmability

To improve the confirmability of the findings, we have an effort to stay as objective as possible towards the data we have collected (Bell, Bryman & Harley, 2019). One example of how we managed to stay objective is by comparing the results generated from the data with secondary sources and existing literature within the research field. In addition, the respondent valuation has contributed to the confirmability of the results as the primary data used in the report is confirmed by the original sources. The use of multiple kinds of sources has enabled analyses in both academic- and practical manners which in turn were conducted objectively by putting our personal values aside.

3.7 Ethical Considerations

The qualitative case study conducted in this thesis is partly based on interviews but also internal data from the Case Company. Thus, to ensure the reader that we have conducted the study sufficiently from an ethical standpoint, it is important to present the measures that have been taken to ensure a high level of ethics during the research process (Yin, 2012). Informed consent is emphasised as an important factor to mention when conducting interviews (ibid). Consent was obtained by providing clear terms in the information that was sent out during the sampling of interviewees, stating how the interview data would be used and what prerequisites that applied to the interview format. For instance, all the interviewees gave their consent of the interviews being recorded, transcribed, cited, and used to formulate the empirical chapter, analysis, and conclusions of the report. A clear description of the purpose, procedures, benefits, and risks were described to each interviewee to ensure a high degree of transparency.

This thesis is strictly anonymised through extensive coding of the interview material as well as the secondary data gathered from the Case Company. The possibility to track the findings of this report to the Case Company and the respondents has been determined to be very low which in turn enhances the safeguarding of the privacy of the participants. In terms of data storage, the original interview recordings, transcripts, and data sets were all stored on the password protected Case Company computers during the entire process. All material that was transferred from the Case Company computers were coded and anonymised to minimise the ability to track the information back to the Case Company.

All the interviewees participated voluntarily and were under no obligation forced or pushed to participate without voluntary consent. The relationships with the interviewees were and is still maintained in a professional and respectful manner to avoid any form of exploitation or coercion. Moreover, the data collection was conducted in an unbiased and impartial manner, with a focus on allowing participants to express their views and experiences freely.

Lastly, ethical approval is mentioned as an important factor to describe (Yin, 2012), which was obtained through continuous meetings and discussions regarding the structure and content of the thesis with our supervisor from the Case Company. The thesis is assessed by numerous functions within the Case Company to ensure that all information that is published is ethically approved by the Case Company.

4. EMPIRICAL DATA

The following chapter describes how a Swedish MNC uses performance measurement systems when assessing the performance of their subsidiaries. The first section is oriented towards insights from the interviews held with employees at the Case Company. The insights are divided into three subsections to provide a more holistic understanding of the different underlying factors for the performance and the development of the PMS. The network perspective describes how the network constellation of the MNC influences the performance measurement of the subsidiaries. The capability perspective illustrates how the MNC identifies and manages the development and sharing of capabilities which in this thesis is described as an underlying factor for performance. Lastly, the performance perspective presents a detailed overview of how the MNC measures the performance of their subsidiaries and what measures that are used for the measurement.

The second section of the empirical chapter replicates a financial performance assessment of the subsidiaries to provide a benchmark for the analysis of how the MNC assesses the performance of its subsidiaries. The measurement of financial performance presented in section 4.3 is conducted in line with the practical procedures of the MNC to illustrate how financial performance is measured in practice.

In essence, the section describes how a Swedish MNC measures the performance of their subsidiaries in one of their Asian regions and how the network constellation and capabilities of the MNC influences the performance measurement as underlying factors for the PMS.

4.1 Insights from Interviews

The interview data presented in this section is collected through a semi-structured approach which consists of interviews based on the different interview guides (see Appendix 8-11). The interviews were conducted with senior leaders from different functions within the Case Company to get different perspectives on the topics discussed during the interviews. In essence, this section presents the perceptions of performance measurement, capability management and the network constellation of the Case Company. To cover different views on the topics, the data presented in this section is collected from global directors, regional directors, and national managers within the Asian region.

4.1.1 Network Related Insights

The empirical section that follows describes the perspectives of the respondents with regards to the role played by the subsidiaries within the context of the Case Company. The aim of this investigation is to analyse the way the objectives of these subsidiaries are conveyed through different hierarchical levels within the organisation. Furthermore, we seek to gather the insights of the respondents concerning the level of collaboration and information sharing that exists among these subsidiaries. Through this inquiry, we hope to provide a more comprehensive understanding of the dynamics of the company and the factors that contribute to its overall success.

4.1.1.1 Network Constellation

There is a clear consensus from a global HQ perspective that the region in Asia is characterised by a strong network with sufficient procedures to facilitate a good network between the subsidiaries. The implementation of a regional HQ was mentioned as essential to maintain a strong network between the subsidiaries in the region, but also to foster the relationship between the region and the global HQ. Many of the processes that are reported within the organisation are standardised measures that are cascaded down from the global HQ to facilitate learning and cooperation between subsidiaries. However, it is acknowledged by the global HQ that even though the subsidiaries possess a good relationship within a region and meet up regularly to maintain that the Case Company generally lacks procedures to integrate and share information from external networking sources amongst each other:

“I think there's a good connection and network when it comes to coordination, communication within the region. They have regular management team meetings, and they have regular follow up calls. So, I think that works quite well and there is a frequent update about progress, open items, pending things. One area of improvement is the processes related to information sharing from external network sources.” - Global Director - Finance 3 (GD-Finance 3)

Similar response was shared by the regional directors with regards to the network constellation. Regional directors meet frequently on a monthly gathering called the monthly business review (MBR) where they communicate the progress of each region which in turn facilitates sufficient relationship building within the region. Further, the regional directors describe their mentorship program as a useful tool for connecting subsidiaries in the purpose of capability development and training. In essence, the mentorship connects subsidiaries that have developed certain

capabilities with subsidiaries that plan to excel in the same area. Hence, the subsidiaries are allowed to exchange experiences and competence to accelerate the development of capabilities.

Expanding a bit on the network perspective, interviewees were asked whether the network is stronger vertically between subsidiaries, the regional HQ, and the global HQ, or horizontally between subsidiaries within the region. The perception from the global HQ was that the relationships between subsidiaries and the regional HQ were stronger than between the subsidiary and the global HQ, and that the level of collaboration of the subsidiaries in the region was high. The regional directors' perception was a bit more dispersed. On one hand, there were perceptions that subsidiaries relationships are stronger vertically, rather than horizontally, due to the fact that most events aimed to improve the networks are organised by the HQs. On the other hand, some of the respondents believed that the horizontal relationships between subsidiaries in the region were about equally as strong as the vertical relationships between subsidiaries and the HQs.

The local directors agreed that the local subsidiaries have strong relationships with both the global and regional HQs. However, they describe that the subsidiaries operate rather separately, despite the initiatives organised by the HQs. There is however an agreement to the statement that there is a strong relationship between the HQs and the national subsidiaries, where the subsidiary can rely on the regional HQ if there is need for support.

4.1.1.2 Subsidiary Autonomy

The majority of the respondents on the regional and local levels had corresponding answers when asked about the level of freedom possessed by the subsidiaries. The consensus being that all decisions that are not covered in the annual budget meetings must go through the global HQ. The company has formulated a culture aimed at encouraging entrepreneurial involvement within the organisation, but at times, it does not translate consistently throughout the organisation. The strategies are formulated from a global level and are cascaded down to the regional HQ, who translate them and then send them to the national markets. A local manager tells us that there are some levels of freedom to adjust parts of the strategy so that it fits the environmental conditions. Thus, subsidiaries perceive the control from the global HQ to be strong from a regional perspective as there are multiple steps when trying to influence the strategies for the subsidiary. The consensus from the global HQ is that the subsidiaries have a rather high degree of freedom in terms of operational and technical decision making, however they are not allowed to make strategic decisions.

4.1.1.3 Power Dynamics

The power dynamics in the Case Company is perceived differently between the different hierarchical levels in the organisation. From a global HQ perspective, the respondents acknowledge some power dynamics in the organisation, where larger markets often have more room to speak than smaller markets. There are arguments to be made that more mature markets have been established longer than the smaller markets, but there is still a consensus from the global HQ that they listen more on larger markets than emerging markets.

“We have a couple of quite dominant geographies, which is not something specific for the [Asian] region. I think that you will find in EMEA and in the Americas, those geographies which are dominant in terms of sales and profits, are also driving most of the decisions and the discussions within the geography[region].” - Global Director - Finance 3 (GD-Finance 3)

When considering the power dynamics within the Asian region from a local level, it's possible to observe some disagreements compared to the answers of the global respondents. Both finance directors on the local level gave the impression that there is a more noticeable power dynamic in other business areas than the one being analysed. But when talking with LD-GM, they answered that power dynamics in the Asian region is rather absent.

“I would say it's very non-political. There's very little politics, and I think the expense of communication, or the cost of communication is not very high. It's quite easy to communicate with anyone. And I don't know if everyone has the same experience. I kind of just reach out to people.” - Local Director - GM (LD-GM)

This would be an example of a low level of power dynamics, but it is worth mentioning the contrast from respondents from geographies which were not perceived to be leaders in the region. The question about power dynamics in the Asian region did not get a straight answer by the regional directors. However, according to regional directors, it was clear that Country 1 was the market that is the top performer within the region, and that Country 1 was the market that they exemplified when talking about significant markets. The power dynamics could therefore be perceived as being low for the people that in fact have the most freedom in the region, but from the rest of the local directors that did not have the perception of freedom, the level of power dynamics is perceived to be higher.

4.1.1.4 Decision-Making

As mentioned above, a majority of the respondents from regional and local levels answered that the global HQ has a high level of control of their subsidiaries. The decisions are mainly driven by the annual budget meetings. It is also noted that the subsidiaries within the Asian region are rather far away from the decisions and influencing processes. RD-Finance tells us that it is reasonable to have some decisions through the global HQ, such as larger investments or acquisitions, since the HQ is better suited to engage in such investments. But also, that some decisions could be taken from lower levels to better adapt to locally specific changes.

“We also need formal approval. It means it means given things like hiring resources. Having new business laws, new market development opportunities, we do need to get approvals for such things which you would expect in an entrepreneurial environment in a fast-growing region. We should be able to make some of these decisions [on a regional level].” - Regional

Director - Finance (RD-Finance)

4.1.2 Capability Related Insights

This section is initiated with an account of the capabilities that have been possible to observe in the Case Company. The section continues with an explanation of how capabilities are developed and shared throughout the organisation and lastly, the attributes related to dynamic capabilities are presented in relation to the general flexibility of the capabilities in the different parts of the organisation. The last subsection part of this section describes how the Case Company measures their capabilities.

4.1.2.1 Identified Capabilities

In order to clarify the disposition of well-developed and underdeveloped capabilities in the Case Company, this section is divided into two sub-sections: Strong capabilities and Weak capabilities.

Strong Capabilities

Capabilities related to training, management and leveraging of clinical know-how in the sales process was described as one of the strongest capabilities throughout the entire organisation. The different subsidiaries were described as sufficient in their ability to constantly update and use their knowledge of the products and the industry which in turn contributed to the sales capability of the subsidiaries. Building closely on the sales capabilities, relationship management and networking are also mentioned as strong capabilities throughout the

organisation. RD-Operations mentions that the network is strong considering both the internal network, but also capabilities related to customer and stakeholder management.

“And our strength, I think, is that we have a good working network both globally and with our partners in the region, both internally but also with external partners” - Regional

Director - Supply Chain (RD-Operations)

One respondent from the global HQ mentioned that the internal network is well functioning but that the organisation needs to utilise the potential of the external network even further.

“So internal communication and networking works quite well, but we are not yet fully leveraging the external sources.” - GD-Finance 3 (GD-Finance 3)

The networking capabilities tend to differ between markets, where mature markets are more oriented towards relationship building with high-level decision makers in the sales process, and the emerging markets are more oriented towards distributors and end customers.

Further relating to sales, the ability to create and manage sales organisations were mentioned by locally based respondents. For instance, local respondents mention that the subsidiary in Country 1 has a rigid sales organisation with a proven track record of delivering good sales performance. The success of the subsidiary is, by the respondents' interpretations, partly generated thanks to a strong commercial excellence (ComEx) team embedded with extensive programming and analytics related capabilities. The sales performance is measured thoroughly by measuring the sales to distributors, which is referred to as net distributor sales (NDS), and the sales from the distributor to end customers, referred to as in-market sales (IMS). The most emphasis and incentives are oriented towards the measurement of IMS which in turn gives the sales team sufficient indications on the actual sales to the end customers.

Capabilities related to data utilisation and cross-functional cooperation were mentioned as especially strong in Country 1, both by regional and local respondents. The technical capabilities of the ComEx team in Country 1 have contributed substantially to the capability to monitor and improve IMS which in turn helps the subsidiary to deliver sufficient sales performance. LD-GM described how the ComEx team used their technical capabilities to improve their understanding of their market position which then reflects on the sales performance.

“We just launched late last year a distributor management system which automates a lot of the validation of the in-market sales. So early, in the beginning of the month we will get very good indications of the months that have just finished. Before we launched the system, we would have a delay of two to three weeks before we knew what the in-market sales from the previous months was.” - Local Director - GM (LD-GM)

The technical capabilities are also reflected in an initiative where the e-commerce team and the marketing team were merged into a unit called the marketing and digitalisation team. LD-GM also mentioned that the facilitation of cross-functional cooperation generated by the initiative has generated various benefits related to the management of their existing customers. Many of the respondents put noticeable emphasis on the capabilities relating to cross-functional cooperation, but there is a big difference between the subsidiaries on that matter as some of the subsidiaries have created internal cross-functional teams, while others have not.

Supply chain management is also mentioned as one of the strongest capabilities of the MNC. Thanks to a sufficient network constellation and good means for communication, the supply chain function is described as flexible, and solution oriented which in turn contributes to the cross-functional cooperation capabilities.

“We have had many examples where the local logistics team has supported the local commercial team with either securing new products from uncommon roots, let's say. Maybe we have delivered face masks to [Country 3] with short notice, due to a certain COVID surge. Where you had a peak demand, it has been working on setting up new flows to avoid the standard flow to shorten lead time.” - Regional Director - Supply Chain (RD-Operations)

The adaptability of different business units is described as strong. However, many of the respondents emphasise that business units often need support to make right decisions related to the adaptation to changing business environments.

“I think we are quite agile in changing and adapting to changes in the environment and do internal changes.” - Local Director - GM (LD-GM)

“I think in my area, they often need support to adapt to how they should react because we have the expertise of planning here and headquarters with long experience and the colleagues in the Affiliates are often more junior compared to that.” - Global Director - Operations (GD-Operations)

Weak Capabilities

Financial reporting is mentioned as one of the weaknesses of the MNC. RD-Operations also mentions difficulties related to financial reporting due to technical differences and preconditions in the different markets. Further, the majority of the respondents mentions that capabilities related to some parts of the market-based performance measurement are either underdeveloped or non-existent due to industry specific challenges such as lack of information, negotiation capabilities and difficulties in sourcing the right talent. Even though some of the subsidiaries experience difficulties in attracting good talent, the MNC is generally sufficient in keeping employees through various initiatives related to career development.

Capabilities related to strategic planning are described as underdeveloped which has generated comprehensive initiatives towards strategic capability development during 2023.

“We have worked a lot with the strategy and our tactics this year... before I started, we were hugely missing out on the tactical and on the strategic capabilities. The closer you get to execution the better.” - Local Manager - GM (LD-GM)

For instance, the need to be more flexible towards market changes has accelerated the development of strategic capabilities, which prior to this year has been seen as one of the main weaknesses of the organisation.

Thinking ahead, how you work with the local environment and the policies with the change in [Case Company industry] systems, they are changing the entire [Case Company industry] system in [Country 1], so you need to think strategically around that... We've changed some of the people in the organisation to have a little more strategic thinking inside the organisation as well. But we're generally very good at execution.” - Local Manager - GM (LD-GM)

The marketing strategy is essential for the region and from a regional perspective, the capabilities related to the formulation and coordination of the strategy are seen as strong thanks to extensive initiatives that facilitate communication between the subsidiaries and the leadership team. For instance, town hall meetings and regional meeting points are two frequently used methods to align and improve the marketing strategy. One of the regional directors explains how the meetings function as sufficient forums to discuss all sorts of strategic matters. In addition, an annual kick off meeting is mentioned which gathers roughly 70 key decision makers to discuss strategy and outlook for the approaching year.

“On a quarterly basis we have a town hall [meeting] where we gather all the people from the region and where we share numbers and success stories and strong behaviour of different people.... The Kick off meeting is where we show the strategy, the marketing strategy for the year and the theme, the products to be launched or the products to be focused on. That's all done during this meeting. So that's a very important meeting” - Regional Director - General Manager (RD-GM)

Most of the respondents were united regarding the understanding of strategic formulation and implementation. It is evident from the interviews that the global HQ formulates the strategy and that the regional- and local managers are responsible for the execution of the strategy. The core strategic capabilities are located at the global HQ and in the global leadership team. However, there are processes in place to facilitate input from local and regional managers which in turn have to provide arguments for strategic suggestions.

4.1.2.2 The Development and Sharing of Capabilities

The capabilities are developed based on the strategic needs of the organisation. The global strategy is set from the HQ to be translated based on the regional and local objectives and environments.

“I feel that [Case Company] is doing a good job because we are good at shaping a new strategy. And based on the strategy we have; we can narrow down to smaller plans and tactics and then let's see what type of capability we need to support this in the market.... We are very clear about what we need more in terms of capabilities. Then the next step would be if we buy talents from external [actors] or grow our own talents to mitigate the gap with the capabilities.”- Local Director - HR (LD-HR)

Capability sharing is generally executed during the leadership team meeting, the town hall meetings, and the kick off meeting. In addition, the subsidiaries in the Asian region partake in capability sharing during regular meetings and by using forums and other internal communication channels. From an operational perspective, it is common to gather the subsidiaries to discuss different challenges and success stories to create awareness of potential possibilities for capability development. In addition, it is not unusual that the HQ assists with the formulation of capability training and provision of resources to ensure that all subsidiaries get the proper opportunities to improve their capabilities. The material that is created for capability development is stored in internal focus groups that enables sharing for future occasions. However, the material is not stored on the intranet of the Case Company. Training

bootcamps are recently introduced to accelerate the development and sharing of capabilities. However, the initiative is still under development and therefore not as successful as it could be in the future.

“One example of something we're doing at the moment is we have incision care bootcamps, that is happening, training bootcamps, that is happening in a number of markets. And as part of that, each of the salespeople that go through the training bootcamps need to take a test before the training and then a test after the training. And that's not just related to product knowledge, that's also related to how they would effectively sell. So, I think we're starting to develop ways to do it, but I would say we're not great at that.” - Regional Director -

Marketing (RD- Marketing)

Besides the initiatives related to capability sharing, and due to variations in different business environments, the MNC have chosen to localise the capability development to a rather large extent.

“We need to focus on capabilities to stay relevant in the market.... This is something we just completely centralised as a company. New product development, market access, clinical evidence is all centralised and we don't look at them from a local perspective, which I think is helpful and beneficial as we don't have to build those capabilities in each and every single geography.” - GD-Finance 3 (GD-Finance 3)

4.1.2.3 The Dynamics of Capabilities

The MNC operates through a rather hierarchical approach and the majority of the respondents stated that the flexibility of the subsidiaries in the Asian region is very limited, at least relating to strategic decision making and process development. LD-GM on the other hand expressed that due to strong relationships with the global leadership team and the global HQ, they generally had a high flexibility in terms of decision making. Besides the strong relationships with global HQ, a track record of high performance on LD-GM's own initiatives have created more room for strategic decision making for the subsidiary in Country 1.

The lack of flexibility to local market changes is described to be a result of eurocentrism, but also due to a strong level of control applied by the global HQ in terms of financial decisions, recruitments and spend on initiatives.

“I think our Eurocentrism leads to us being less flexible when it comes to markets outside, which may require a different view. ... Last year, I had a role as a business director in a local market and I think that there are still limitations to what decisions Business Directors are allowed to make without approval higher up.” - Regional Director - Marketing (RD-Marketing)

The extensive control and governance from the global HQ are further highlighted from a regional perspective, with a majority mentioning that new market development opportunities, new business policies and process-related inquiries must be granted by formal approval. The formal approval is granted by the global HQ and the process relating to formal approvals is contradictory towards the claimed entrepreneurial culture of the Case Company which is said to promote fast decision making.

4.1.2.4 Measurement of Capabilities

The majority of the interviewees provided insights on how they measure capabilities, while some had less understanding of how to assess the capabilities of their business unit. GD-Operations explained that capabilities are assessed through close dialogue with the respective managers in the Asian region. Most of the respondents explained that the capability identification is performed on a local level and that the other subsidiaries within the region, as well as more central functions based in the global HQ are supporting initiatives related to capability training. For instance, GD-Operations described how local initiatives contribute to the capability development of other parts of the organisation through comprehensive information sharing.

“Often if you have weaknesses somewhere, if you have a need for training or education somewhere, you most likely have it in other parts of the world as well. I wouldn't expect one market to be far behind competence wise compared to others. So often, we take in the needs, the gaps, prepare the training, the improvements and then we cascade them to all of them together.” - Global Director - Operations (GD-Operations)

The majority of the respondents mentioned that capabilities are generally measured using the global scorecard as it enables the managers to identify the speed, quality, and consistency of different activities which in extension facilitates the process of measuring the strengths of the different capabilities attributable to each activity. The managers that operate within sales generally had a better understanding of how to use the scorecard for capability assessment,

compared to some managers operating within supply chain management who demonstrated less knowledge of capability measurement as an area of application for the global scorecard.

“We have the scorecard at all different levels [in the organisation]. It's something that we launched last year. So, we have it at the global level, [as well as the Asian region] at the regional level, then we have it at the country level and then we have it at the country minus one level. So, we follow the same process and then we have all the activities and KPIs. We measure the KPIs every month. So, during our review, we will, with every country, review the score cards and identify where we have gaps.” - Regional Director - General Manager (RD-GM)

High performance behaviours are used as guidelines for capability development in the Asian region. Customer centricity is the first guideline which enables extensive capability development within all aspects relating to customer management. Entrepreneurship is used to promote capabilities relating to flexibility, innovation and problem solving. Team behaviour is used to develop strong cooperation-related capabilities, but also to create a culture that encourages challenging and argumentative discussions without creating tensions within the teams. One of the subsidiaries uses a competency and performance system which in turn facilitates the different capabilities that are developed by using the high-performance behaviours as guidelines. However, the system was recently adopted by LD-GM and not fully integrated by the other units in the organisation.

“I've been using the Korn Ferry's FYI, it's a competency and performance system with success profiles and a lot of tools related.” - Local Manager - GM (LD-GM)

4.2.1 Insights on Performance

To understand the Case Company respondents' views on how the performance measurement system (PMS) evaluated their subsidiaries, we need to define their perspective on performance and what constitutes good performance. From a global HQ perspective, the respondents provided a clear answer indicating that two most important financial KPIs when determining the performance for a market, region, or subsidiary are EBITA margins and sales growth. These two KPIs are representative of how the performance is on a financial level both top and bottom line and offer a quick snapshot of how markets' financial situations are when they are set against the targets. On a regional HQ level, the definition of performance is similar as from the global perspective, they consider EBITA and sales growth to be the defining KPIs for financial

performance. However, sustainability in the markets is considered a success factor when determining the performance for the regional managers, where there is attention on non-financial KPIs, such as, market share and customer data. Locally, the financial determinants stay within profitability and sales growth, non-financially is narrowed down to consider customer satisfaction and the reach of customers.

4.2.1.2 Measurement Tools

To get an insight on how the PMS of the Case Company looks like, we need to understand the tools that are used for the system, and whether or not there is a difference in tools on different levels within the organisation. We define a measurement tool to be a platform to share and communicate the performance measurements to other parts in the organisation. One of the tools mentioned amongst the respondents was a scorecard that is shared according to the business area and function within the Case Company. The scorecard itself consists of multiple KPIs, both financial and non-financial, to track the performance and development of targets and objectives. The scorecard is a new initiative that was implemented throughout the organisation in 2023. GD-Finance 1, part of the team that formulated the scorecards for CFOs, said that one of the reasons for implementing the scorecards was so that the organisations should use a more homogeneous model when reporting their measurements to HQ to create a consistency throughout the organisation.

“...it has been put a lot of pressure on a higher level that everybody will use the same kind of model. You will see the same kind of model; you have the same titles [throughout the organisation]” - Global Director - Finance 1 (GD-Finance 1)

There is a consensus among the respondents from a global perspective in how the Case Company tracks and reports the measurements within the organisation. Financial measures are used through the internal reporting system through Microsoft Excel which consolidates the Profit & Loss statements (P&Ls) on different levels. Another tool mentioned by HQ respondents were quarterly business reviews (QBRs), where the HQ received a summary of the businesses with a few KPIs discussed later in Section 4.3. To track non-financial data from the global HQ, external reports were sometimes used to track market-driven indicators.

At the regional and local level of the company, the respondents all agreed that they use additional tools to track and report the performance for their respective function. To get further insight on market data, external reports are retrieved to get estimations on market share and other market metrics. Business reviews are also mentioned to be a tool by the respondent but

compared to global HQ that do them once a quarter, regional reviews are mentioned to be monthly or even more frequently. Other tools mentioned in the interviews were software platforms such as Power BI and Veeva, that could facilitate the regional managers to get a deeper insight into the markets.

4.2.1.3 Scorecards Role in the Performance Measurement System

As mentioned above, most of the respondents mentioned the scorecard as being an essential tool for performance measurement for the organisation. According to local respondents, the initiative of the scorecard was driven by the global headquarter (HQs) of the Case Company, and that the structure of the scorecard was developed by the global leadership team. The scorecard is rather similar to the balanced scorecard (BSC), and according to LD-Finance, the formulation of the Global scorecard is inspired by the BSC. The scorecard is used actively across the entire organisation, and it is the responsibility of the General Manager (GM) for each region to deliver results based on the objectives on the scorecard. Due to the recent implementation of the scorecard, the knowledge regarding the usage and processes for formulation of KPIs is rather limited to the leadership of the organisation, consisting of the global leadership team and the respective leadership teams of each region.

When interviewing staff that work on a local level, they also recognise the scorecards as being a method of more systematically assessing the objectives from the global HQ. However, they are yet to assess the impact of the scorecard, as it is being rather newly implemented, but they also told us that it will help the organisation more systematically assess the subsidiaries and their objectives compared to former tools.

“With the scorecard I think the idea is to cascade down from the headquarter level executive level to the field staff level more systematically. So, I think the requirements from this year's scorecard is to connect each of the individual targets.” - Local Director - Finance 2 (LD-Finance 2)

Below in Figure 5, a replication of the scorecard is given that were shown during one of the interviews. It is meant to be a clear alignment on what the strategy and objective is, and what KPIs the subsidiary has to focus on to get there.

“The leadership level writes down issues they want us to concentrate on and then every function creates their own targets and then we get this kind of like the scorecard or KPI model. Which is followed monthly, through tracking.” - Global Director - Finance 1 (GD-Finance 1)

Figure 5 Scorecard

Strategy pillar	Priorities	Activities	Activities status	Owner	KPIs	KPI status	KPI direction
Pillar 1	Main objective	Activity 1	●	Finance	KPI 1	●	➡
		Activity 2	●	HR	KPI 2	●	↘
		Activity 3	●	Business Director	KPI 3	●	↗
Pillar 2	Main objective	Activity 1	●	Finance	KPI 1	●	➡
		Activity 2	●	HR	KPI 2	●	↘
		Activity 3	●	Business Director	KPI 3	●	➡
Pillar 3	Main objective	Activity 1	●	Finance	KPI 1	●	➡
		Activity 2	●	HR	KPI 2	●	↗
		Activity 3	●	Business Director	KPI 3	●	↘
Pillar 4	Main objective	Activity 1	●	Finance	KPI 1	●	➡
		Activity 2	●	HR	KPI 2	●	➡
		Activity 3	●	Business Director	KPI 3	●	↗
Pillar 5	Main objective	Activity 1	●	Finance	KPI 1	●	➡
		Activity 2	●	HR	KPI 2	●	↘
		Activity 3	●	Business Director	KPI 3	●	↗

Source: Computed by authors, inspired by internal data from the Case Company.

4.2.1.4 Reporting Frequency

As mentioned earlier, some of the tools used for measurements are reported on a daily basis that covers the financial data within the organisation. More qualitative measurements are not as frequent, and none of the respondents gave insight on how often they met up for reporting for meetings. External reports are given on a monthly basis, which had data from the finance cube. The scorecards have, according to all respondents, been reviewed and reported once a month.

From a global HQ perspective, they are mostly attentive to the annual numbers and the QBR. Both of which said that each of those time frames gives an interpretation on how well the markets and business areas are against the target and their respective forecasting. An annual

survey is also conducted for the employees to answer to track the performance from multiple perspectives throughout the Case Company. It is a more comprehensive survey that can measure the non-financial KPIs within the company. Local managers have additional meetings with the entire local management team once a month to look over the goals and objectives within their market, and then less frequently meet with staff from his team in other markets to look over the measurements and discuss improvements.

“Monthly Business Reviews is one [way of communicating measurement] but that's country by country. Region, wise we have at least one, we call it the [Asian] meeting, so the [Asian] leadership team meeting... Then on a quarterly basis we have a town hall meeting where we gather all the people from the region and where we share numbers and success stories and strong behaviour of different people.” - Regional Director - General Manager (RD-GM)

4.2.1.5 Key Performance Indicators

The KPIs that are used to assess the current situation of the subsidiaries tend to differ depending on the hierarchical level and business function that is considered. Stories from the global HQ tells us that the directors are focused on very few KPIs to assess the markets globally. Mainly focusing on the P&L, such as revenue growth, EBITA and operating cash flows. To make the former KPI more comparable across markets, cash conversion was also considered when assessing the current situation for subsidiaries globally. This is further elaborated upon by GD-Finance 3, who argues that sales (top line) and EBITA (bottom line) is a good indication on the current and future situation for an entity.

“When you grow 10 percent top line in a [market], at least we would like to also achieve 10 percent bottom line growth or even faster, which means that in the short term we always try to make sure that we have profitable sustainable growth. And it's very much linked to P&L measures, sales and EBITA. ... Short term we accept less profitable growth, while long term, the objective is creating additional value for the company by driving top line and bottom line” - GD-Finance 3 (GD-Finance 3)

Empirical data suggest that there exist some disparities regarding KPIs of interest between the functions within the Case Company. For example, GD-operations that primarily look at forecasting data when assessing the subsidiaries on a global level. It is reasonable to expect some fluctuations in the empirical data on this issue, since the directors focus on the KPIs that are of value for their position and are less concerned about their day-to-day operations. Similarly, when asked about KPIs used to assess subsidiaries, GD-Finance 1 explained that

they consider scorecards and how the CFOs utilise them. This suggests that there may be variation in the KPIs used across departments. It is likely that different KPIs are used, and the measurements may be more oriented towards specific relevant departments.

Overall, it is important to recognise that different departments within an organisation may prioritise different metrics when assessing their subsidiaries, and that the specific KPIs used can vary depending on the department's goals and focus.

When asked whether the global HQ is flexible on what KPIs they analyse to determine the performance, and what KPIs they are looking at when making decisions, the majority of the respondents on the global HQ acknowledged that the KPIs used might not be the best indicators for every market. However, they also acknowledged that if the subsidiaries are performing top-and bottom line, they are going to make the shareholders satisfied in the end. The maturity of the country could be a factor on how they weigh the KPIs, and how they set the targets, but that in the end the global HQ are still focusing on the same KPIs. We did get an example from one respondent on how the Case Company reevaluated the situation and decided to change the measurement system. Where they realised that one of the business areas in the Case Company did not focus on the right things when trying to reach their targets.

“I mean, I think we've taken a very, very clear stand in that point when it comes to [one of the Case Company's business areas], where we two years ago removed their sales targets. We said that we don't want you to have a sales target any longer. We just want you to have an EBITA target because we don't want you to take on non-profitable business to reach the sales target and potentially miss the EBITA target. So that's a very practical [example]” - Global

Director - Finance 2 (GD-Finance 2)

When looking at the regional level of respondents, they answered similarly as those from the global HQ regarding what KPIs that are important. Sales growth and market share was described to be especially important measurements when assessing the performance of the regions and subsidiaries. The closer the respondents were local levels, the closer they looked at more non-financial KPIs. One of the respondents introduced us to what is referred to as lead and lag KPIs that are used when assessing the KPIs they look at. Which is notable since it gives a picture how these two categories point out the difference in KPIs and what it could represent.

“...a good lead KPI or indicator would be the sales results of the quarter, right, and the good lagging measure would be the number of customer visits you're doing and the number of new

listings.” - Local Director - GM (LD-GM)

All respondents that are operational on a regional level mentioned the scorecard when asked about KPIs. When talking about the KPIs that were set by the global HQ, a majority of the regional respondents answered that they assess the KPIs in relation to the targeted levels that are set. As the Case Company is working both with distributors and direct to customers, the risk of misleading KPIs is considerable according to regional respondents. For instance, distributors could increase their stock, which would influence the sales growth, which could give a false interpretation of the growth in the market. If there is a market that is heavy on distributor sales, the customer data could be misled when analysing the sales and sales growth outgoing from the company as the distributors could have low sales to the end customer. Therefore, one regional director emphasises that in-market sales (IMS) is important to consider when estimating the potential of the market rather than looking at sales to distributors. There is also a consensus between the regional directors that it is relevant for the KPIs to be compared in relation to the competitors. This is especially important to consider when operating in emerging markets, as a target could fluctuate from year to year to a larger extent than in mature markets.

“...if we grow by 20 percent and globally, we say WOW, that's fantastic. But then in another report you see that the competitors grow by 45 percent. In fact, you are very bad. So, we always try to show what we do compared to our competitors.” - Regional Director - General Manager (RD-GM)

Considering the local respondents' view on KPIs, as we are strolling down the hierarchy there is a more detailed focus on what KPIs the directors are focusing on when assessing the current state of the subsidiary. Locally located directors look closer to the penetration- and coverage rate by the sales representatives rather than considering the market share. This could be explained by the perspective the local representatives have on the impact by KPIs compared to global directors. LD-GM has realised that the KPIs reported are not necessarily considered to be an indicator where to improve and how to improve, as it must be considered more closely, and that some of the KPIs might not promote a sustainable business as illustrated in the example with the sales growth target above. This is further emphasised by LD-Finance 1 who says that KPIs don't tell the whole story when analysing the current situation.

“I think KPI's don't necessarily help, not always, I would say, because once you set KPIs right, you want to hit them, achieve them, and if you hit them, achieve them. It's basically good. But my personal view is that even if something is green on a KPI, it doesn't mean that there's no room for further improvement. It can be misleading.” - Local Director - Finance 1

When examining the KPIs included in the Case Company’s internal reporting system, we found that return on capital employed (RoCE) was reported by the company but not mentioned by any participants. One global director provided some insight by noting that RoCE would be relevant if cash flow problems arose in any of the subsidiaries or business areas. However, as there are no such issues currently, this KPI is not receiving significant attention. Similarly, another respondent indicated that RoCE and return on equity (RoE) are measures that may be standard for stand-alone or publicly traded companies but are not necessary for the Case Company as it does not control its own equity.

Table 4 List of reported KPIs

Key Performance Indicator	Category (financial/ non-financial)	Mentioned by interviewees	Frequency in reporting	Reported to HQ
EBITA margin	Financial	Yes	Monthly	Yes
Market Share	Non-financial	Yes	N/a	Yes
Sales Growth	Financial	Yes	Monthly	Yes
Operating Cash Flow (OCF)	Financial	Yes	Monthly	Yes
Return on Capital Employed	Financial	No	Monthly	Yes
EBITA	Financial	Yes	Monthly	Yes
Cash Conversion	Financial	Yes	Monthly	Yes
In-market sales (IMS)	Non-financial	Yes	N/a	No
Net distributor sales (NDS)	Non-financial	Yes	N/a	No
Forecast accuracy	Financial	Yes	Quarterly	Yes
vs. target	Financial	Yes	Quarterly	Yes
Gross profit	Financial	Yes	Monthly	Yes
Return on Equity (RoE)	Financial	No	N/a	No
Return on investment (RoI)	Financial	No	N/a	No
Customer Satisfaction	Non-financial	Yes	N/a	No
Turnover of people	Non-financial	Yes	Anually	No
Net income	Financial	Yes	Monthly	Yes
Stock levels	Financial	Yes	N/a	No
Penetration Rate	Non-financial	Yes	N/a	No
Coverage Rate	Non-financial	Yes	N/a	No

Source: Computed by authors.

4.2.1.6 Performance Measurement Systems Role in Strategies

There is a clear consensus from the respondents on all hierarchical levels that the strategies are set from the global HQ and cascaded down to the business areas and to the regions. There is an earlier mentioned example from one of the members of the global finance department, who

said that they changed the reporting system for one of the business areas when they realised that the KPIs that were used did not meet the requirements related to the strategy cascaded from the global HQ. Seen from a global perspective, another feature of the reporting system and the KPIs is the possibility to assess the progress of regions and markets which in turn enables the global HQ to have constructive discussions with the different markets to improve the regional and local performance. According to respondents from the global HQ, the reporting system and the KPIs are frequently used to identify to the extent to which their regions and subsidiaries reach strategic targets for the respective business areas. It is important to consider business activities as a part of the execution of the strategy, which could be tracked by the previously mentioned scorecards. Furthermore, GD-Marketing also argues for the importance of finding the right KPIs for the activities that are important for the strategy and analyse the outcome from those.

“I mean we've introduced probably quite a few new metrics. So as an example, there wasn't really accurate tracking of the pipeline value, the new product development pipeline value. So, we've done a lot of work to build up an accurate picture of that and then we refresh that regularly. The same with tracking.” - Global Director - Marketing (GD-Marketing)

When considering the respondents from a regional level, it is further agreed upon the statement that they get strategic objectives cascaded from the global HQ, and then the regional mission is to translate the strategy to further adapt the regional capabilities and the regional environment. Insights from the regional perspective show that the annual budget created by the global HQ sets the level of freedom for each region and subsidiary. The regions and subsidiaries have some possibilities to influence the budget decisions but the negotiations with the global HQ could sometimes drag out which results in a situation where the global HQ has rather high control over the regional and local decisions being made.

“... the budget is controlled so much and if we have a deviation of more than 5 percent we have to explain why. If we hire more people, we will have to explain why, even though we are within our budget and we do well. So yes, even at that country level it's quite a bit of control.” - Regional Director-General Manager (RD-GM)

Respondents from the global HQ states that the regional and local directors might exaggerate the importance of the annual budget as there are three essential factors when determining regional and local decisions from a global perspective. From the perspective of the global HQ, the local and regional decisions are based on how well the strategy is carried out through the

targets and forecasts rather than how well the subsidiaries follow their budgets. However, the alignment between the strategy and the KPIs considered are constantly reviewed in their MBRs and QBRs, which further increases the quality of the process as the measures are reviewed and adjusted frequently over the year.

The local directors interviewed are driving a similar discussion as the regional directors, as they believe the budget is one of the key drivers of strategic alignment with the performance measures. The annual budget formulated by the global HQ, which mainly considers broader and more general KPIs, determines what investments are allowed on a local level. The role of performance measurements in strategic decision making through the budget is further elaborated by local interviewees, who describe that they have meetings with the global directors annually to discuss the future of the subsidiaries. However, the local respondents mention that decisions and discussions based solely on past subsidiary performance may result in measurements and targets that are misaligned with the unique circumstances of each subsidiary. The cascading of measurement systems and KPIs from individuals that are less familiar with local markets, as illustrated by the example of LD-Finance 2, can aggravate this issue:

“I would say that at least for the market in [Country 1], we have been too focused on the sales growth, and we have been too focused on the profitability. So, we are actually looking at a quite short pipeline into the market. So that gave us a challenging perspective for future growth.” - Local Director - Finance 2

The time frame is emphasised as a crucial factor when aligning KPIs with the strategy and the local respondents claim that profitability-oriented measurements such as EBITA-margin are important to use when considering a short-term perspective. When considering a long-term perspective, more non-financial measures such as Customer Satisfaction Rate were mentioned as important to determine the sustainability of customer relationships in the region. The respondents on all hierarchical levels described how there sometimes is a bit of competition between two KPIs, and that it is important to balance the use of the KPIs based on strategic interest and prioritised objectives for the respective markets. The scorecard is mentioned to be a sufficient tool to mitigate the risks of using the wrong KPIs and facilitate strategic alignment with the measurement system.

4.3 Measurements of Financial Performance

The KPIs used for performance measurement are substantially dependent on the individual needs of the business (Forbes, 2022). However, some of the most common metrics used to track performance are for instance, total revenue, conversion rate, sales cycle time and repeat customer ratio. When assessing the financial performance, gross profit margin and operating cash flow are identified as commonly used KPIs (Bartley, 2022).

The measurements of financial performance were conducted through the Case Company's internal accounting system, which was analysed using pivot tables in Microsoft Excel. From the data, a profit and loss statement (P&L) was replicated to include the most important rows when calculating the financial performance of the subsidiaries were measured. This section defines and describes the application for the key performance indicators (KPIs) that were identified as central for the measurement of financial performance in the Case Company from a global HQ perspective. The following section should be observed as a simulation on the measurements that are used by global directors to assess the subsidiaries. The measurements discussed in the section are included in the Case Company's reports which illustrates the global directors' perception of performance. To illustrate how financial performance is measured at the Case Company, this section provides descriptives of a performance measurement that is conducted in line with the corporate praxis of the Case Company. The financial performance is later used as a benchmark for the analysis of the report to validate claims regarding the performance given during the interviews. The underlying data to calculate the KPIs included in this section can be found in Appendix 12: Profit and Loss (P&L) Statements, which represent the P&L and investment statements for each of the markets.

4.3.1 Sales Growth

Sales growth was one of the primary KPIs mentioned by the respondents, also referred to top-line or revenue growth. Since sales is the main component in the Case Company's revenue model, it constitutes the basis of the revenue for the subsidiary. The KPI, sales growth is used to determine the growth in sales from one period to another. The sales growth for the subsidiaries in the Asian region was calculated using annually reported numbers as time measures during the period between 2018-2022. Thereafter, the sales growth was then taken over the whole period to calculate the compounded annual growth rate (CAGR) between 2018 and 2022 for each subsidiary.

Table 5 includes the sales growth for each market over the whole period, as well as and the CAGR calculated over five years. By investigating this KPI alone, there are a few takeaways if we were to assess performance regarding the sales growth. Country 4 is the top performer regarding the average sales growth rate over the time-period, while Country 5 being. Whereas if the CAGR is considered more important, Country 8 would be perceived as the top performer, and Country 5 in second place. Country 7 and Country 3 would by these measures be in the bottom in terms of performance in the Asian region.

Table 5 Sales growth for all markets

	Sales Growth					Mean
	2019	2020	2021	2022	CAGR	
Country 1	16%	4%	3%	18%	11%	10%
Country 2	27%	-8%	18%	22%	11%	15%
Country 3	13%	3%	6%	6%	9%	7%
Country 4	13%	27%	28%	23%	17%	23%
Country 5	39%	-25%	78%	-6%	22%	22%
Country 6	32%	6%	16%	15%	16%	17%
Country 7	-8%	0%	20%	8%	6%	5%
Country 8	126%	-10%	29%	33%	29%	45%
Mean	32%	0%	25%	15%	15%	18%

Source: Internal data from the Case Company.

4.3.2 Gross Margin

The gross profit is calculated by subtracting the revenues with the costs directly related to the goods sold. The Case Company's main costs of goods sold (COGS) were price of purchasing and the transportation cost for the finished goods to distribution centres. Gross margin is an indicator on what companies earn per each sale, disregarding all other costs that aren't directly related to the product. Even though the gross profit is not part of the monthly reports, it is directly dependent on the revenue and the manufacturing costs and is important for pricing. It was mentioned in the interviews that in addition to the top and bottom line, it is essential to monitor the middle line, which is the gross profit.

Table 6 Gross margin for all markets

	Gross Margin					Mean
	2018	2019	2020	2021	2022	
Country 1	89%	89%	88%	86%	86%	88%
Country 2	84%	84%	83%	84%	83%	83%
Country 3	89%	90%	91%	91%	90%	90%
Country 4	79%	81%	81%	79%	76%	79%
Country 5	84%	85%	85%	86%	85%	85%
Country 6	78%	81%	83%	85%	83%	82%
Country 7	84%	84%	85%	86%	85%	85%
Country 8	81%	83%	91%	92%	90%	87%
Mean	83%	85%	86%	86%	85%	85%

Source: Internal data from the Case Company.

4.3.3 EBITA Margin

Earnings before interest, taxes, and amortisation (EBITA) is a measure of a company's operating income that considers depreciation but not financial costs. EBITA margin (also referred to bottom line) is a measurement to see how much the company earns on their internal operations. As the Case Company is an MNC that has multiple entities, an adjustment is made to account for the costs which are carried by the HQ that would have been on the subsidiary P&L if it were to operate as a sole company.

The EBITA margin for the subsidiaries is represented in Table 7. As mentioned above, the EBITA margin without adjustments cannot be compared to standalone firms in the industry as the subsidiaries share costs that don't necessarily show up in their P&L. To be evaluated, a good EBITDA margin is subjective and dependent on factors such as market, sector, and age (Cornfield, 2023), but an EBITA margin over ten percent is often used as a benchmark for healthy operations. Table 7 shows that all markets have a mean over ten percent over the period, with only one being below 20 percent.

By investigating Table 7 there are disparities between the countries regarding the EBITA-margins. Country 2 and Country 4 are the top performers if the average EBITA-margin were the sole determinant for performance. Country 5 would be perceived to be in the bottom, which is reasonable since they have had negative EBITA in two out of five years.

Table 7 EBITA margin for all markets

	EBITA Margin					Mean
	2018	2019	2020	2021	2022	
Country 1	38%	45%	43%	33%	34%	38%
Country 2	63%	63%	58%	61%	65%	62%
Country 3	26%	33%	40%	45%	42%	37%
Country 4	60%	61%	64%	62%	61%	62%
Country 5	16%	19%	-6%	27%	-8%	10%
Country 6	-3%	23%	29%	35%	32%	23%
Country 7	19%	21%	50%	53%	59%	40%
Country 8	25%	20%	21%	28%	28%	24%
Mean	30%	36%	37%	43%	39%	37%

Source: Internal data from the Case Company.

4.3.4 Operating Cash Flow

The cash flows of a company are considered to be an essential aspect of companies' survivability. Operating cash flow (OCF) explains the cash generated from a company's operations over a period, in contrast to EBITA, which includes non-cash accounting transactions. Prude, Mailandt, and Walker (2020) argues that management of OCF can be essential in recessions to survive.

The study aims to investigate MNCs measurements of performance, where the OCF is the most relevant type of cash flows. For the same reasons that the former two measurements are adjusted to replicate a sole entity rather than a part of a greater organisation, cash flows from investment-, and financing activities cannot be interpreted as the investments are often diluted over several entities in an MNC.

Looking at Table 8, which represents the OCF generated from each subsidiary. If the primary objective for performance were to maximise the cash generated to the HQ, Country 1 and Country 4 would be the two most prominent performers in the Asian region. Whereas there is one market that has generated negative cash flow on average (Country 5), and therefore would be the subject for reconsideration according to this KPI.

Table 8 Operating cash flow for all markets. Numbers are in TEuro.

Operating Cash Flow							
	2018	2019	2020	2021	2022	Mean	CAGR
Country 1	8 141	9 404	13 861	9 501	11 049	10391	6%
Country 2	167	3 820	4 262	3 512	4 338	3220	92%
Country 3	N/A	1 879	4 656	3 278	4 480	3573	N/A
Country 4	4 051	6 593	6 712	10 134	14 376	8373	29%
Country 5	N/A	55	N/A	1 051	N/A	-132	N/A
Country 6	N/A	67	243	356	30	92	N/A
Country 7	34	1 116	1 956	2 542	3 173	1765	148%
Country 8	N/A	78	446	1 068	682	303	N/A
Mean	3 098	2 877	4 591	3 930	5 447	3448	69%

Source: Internal data from the Case Company.

4.3.5 Cash Conversion

Cash conversion is a ratio to connect the above explained OCF and the earlier accounting measures, EBITA. Where OCF explains the actual cash that flows in and out from an entity, and the other two being accounting measures. When dividing OCF with EBITDA (Earnings before, Interest, Taxes, Depreciation, and Amortisation) you get the ratio of cash the entity generates in relation to the accounted earnings. Hence, the measurement can illustrate how well the accounted results are related to the financial well-being of a company.

Table 9 Cash Conversion for all markets

Cash Conversion						
	2018	2019	2020	2021	2022	Mean
Country 1	78%	65%	96%	84%	79%	80%
Country 2	6%	107%	141%	93%	90%	88%
Country 3	N/A	59%	121%	72%	100%	88%
Country 4	72%	100%	77%	94%	110%	91%
Country 5	N/A	13%	688%	138%	629%	367%
Country 6	2750%	34%	95%	105%	8%	598%
Country 7	4%	114%	87%	90%	93%	78%
Country 8	N/A	15%	89%	120%	59%	71%
Mean	582%	63%	174%	100%	146%	213%

Source: Internal data from the Case Company.

5. ANALYSIS

The conceptual model of this thesis illustrates a certain order in which the objective, capabilities, strategy, and performance are related in the development of performance measurement systems (PMSs). The aim of this section is to provide clarity of the symmetries and differences that have been observed between literature, conceptual framework, and the empirical findings of this report. Moreover, the analysis aims to contribute with a validation of existing literature and thus demonstrate the accuracy of current literature relating to development of PMSs.

5.1 Performance Measurement in Theory and Reality

The definition of performance and what is considered successfulness has been discussed in past theory to first and foremost consider the financial performance of firms (Patelli & Dossi, 2008; Hult et al., 2008; Schmuck, Lagerström & Sallis, 2022). Hult et al. (2008) discuss performance by introducing two additional categories of performance, operational performance, and overall effectiveness performance. The simplicity of how to determine performance from past literature depends on the nature of the firm and what the objective is (Hult et al. 2008). Considering our findings regarding the Case Company's definition on performance and how it could be considered successful for internal entities only confirms that statement. However, the interviews show that the HQ often considers financial easily accessible measures when assessing the performance by subsidiaries, which is in line with the argumentation by Tesoro and Tootson (2001) that firms tend to analyse internal data when conducting assessment.

The Case Company assesses the subsidiary differently depending on the role the respondent had in the organisation. Global directors in the Case Company have a clear picture on operational performance, where processes and forecast accuracy are the main determinants of successful performance. Hult et al.'s (2008) operational performance is therefore relevant when considering performance in MNCs. When considering the rest of the respondents from the global HQ, it became clearer that a mix of financial performance and operational performance is important when assessing subsidiaries. Consider the three categories by Hult et al. (2008), where overall effectiveness is harder to measure for firms, the respondents' beliefs is that if there is a good mix of short-term financial performance and long-term financial and operational performance, in turn, the mix creates Hult et al.'s (2008) definition of overall effectiveness performance, as it includes measures such as survivability and ability to achieve targets. We

could however argue that the global directors' view on successful performance is inconsistent in comparison to the actual result from the measurements if we are to consider financial performance. Directors from the global HQ assess performance by looking at the top- and bottom-line in the profit and loss statement (P&L), where they argue that it is essential to maintain a good EBITA-margin to have cost control and in combination of the sales growth they would like to see a long-term profitable business. But if we are to consider the result from the numerical data (Section 4.3), the country that is considered most mature and successful (Country 1) is not the leader within the region in either of the measures considered essential. In sales growth (Table 5), Country 1 has performed the sixth highest growth on average over the past five years, and fourth best EBITA-margin on average over the past five years (Table 7). Therefore, it would be the combination of financial and operational performance that is important when assessing the performance of subsidiaries within an MNC by their reasoning.

5.1.1 The Role of Measurements when Assessing Subsidiaries

Earlier research by Simons (1987), who discusses measurement systems as control systems is not far behind the truth when investigating the Case Company's view on the measurements used by HQ. Global directors mention the top- and bottom-line KPIs as measures to see the profitability and the potential profitability contributed to the MNC. Hence, if a subsidiary can control its revenue and EBITA, the HQ would not be too concerned about the future of the subsidiary. Therefore, it could be perceived to be more of a controlling function to monitor the subsidiaries, so they are able to be financially sustainable over time.

Previous research by Dossi and Patelli (2008) indicates that the methods and criteria used by an MNC to measure its subsidiaries can affect power dynamics and relationships within the organisation. This is in line with the empirical findings from the interviews, as the subsidiaries that are perceived to be the highest performing in the Asian region are the ones that have the closest relationship with the HQ. However, Cooper, Ezzamel, and Robson (2018) argues that the aspect considered when formulating measures within an MNC is very complex and that MNCs should take external environment into consideration when formulating the PMS. Empirical findings do not suggest taking MNCs' complex nature of external environments into consideration when formulating measures. Rather taking few overarching homogenous measurements to assess the situation for their subsidiaries from an HQ perspective.

If we are to consider non-financial measures that have been mentioned during interviews to be used in the assessment of subsidiaries. Ferreira and Otley (2009) suggest that MNCs should

incorporate non-financial measurements into their PMS to gain a clearer understanding of their performance in relation to their objectives and strategies. While empirical findings show that there is generally little consideration of non-financial measurements from a global perspective, the further down in the organisational hierarchy we get in the Case Company, the more non-financial aspects considered to assess the performance. Throughout the data collection process, market share was the non-financial measure mentioned most frequently at all levels of the organisation. This emphasis on non-financial measures aligns Cooper, Ezzamel, and Robson's (2018) argument that MNCs should adopt an PMS that accounts for the complex nature of their operations. However, most respondents agreed that the data available to calculate market share does not provide a homogenous picture for all markets, which may lead to an inaccurate assessment of subsidiary performance when compared across markets. It could therefore be an argument that the determinant of performance depends on what KPIs the company is including in their PMS, and what the decision-makers are looking at.

The measurement of capabilities has been discussed to be of utmost importance when setting strategies and developing new capabilities (Li & Lee, 2015; Teece, 2014; Rugman & Verbeke, 2001; Meyer, Li & Schotter, 2020). There has not been found by the Case Company that the HQ measures the capabilities from an HQ perspective. However, the extent of measurement of capabilities increases further down in hierarchy. The earlier discussed scorecard has been proved to be one way of measuring capabilities from a regional perspective. There are similarities to the balanced scorecards discussed by Verhaelen et al. (2021) and the scorecards used by the Case Company. The reporters of the scorecard in the Case Company are allowed to discuss and identify their capabilities, as well as areas of future development. However, as the HQ sets the objective and strategy for the subsidiaries, and as they don't take the scorecards into deep consideration, the measurement of capabilities is expected to have little to no effect on the strategy formulation given the current process for strategy formulation and strategy implementation. Measurements are merely included to assess the successfulness of the capability utilisation, which is not aligned with Nath, Nachiappan and Ramanathan's (2010) approach of applicable measurement of capabilities. Schmid and Schurig (2003) exemplifies network creation as a particularly difficult capability to measure for MNCs. One of the global directors at the Case Company specifically highlighted network creation as a capability that lacked sufficient measures in order to assess, which aligns with the example given by Schmid and Schurig (2003).

5.1.2 The Power of Key Performance Indicators

As discussed throughout this thesis, there is no consensus on the definition of performance and successfulness for subsidiaries. Empirical findings show that financial performance is the most important aspect when assessing subsidiaries within an MNC. This holds true for much of the literature, as a lot of research emphasises the KPIs; return on assets (RoA), return on equity (RoE), and return on investment (RoI) when determining assessment measures for subsidiaries (Schmuck, Lagerström & Sallis, 2022; Hult et al., 2010; Dossi & Patelli, 2010). The KPIs mentioned above are determined to be important for any company as it calculates return on a given activity. One regional director also recognises this as being important for the Case Company when reporting, but that it is more on individual investments rather than on a regular and global basis. It is therefore questionable if it should be mentioned as part of their PMS, certainly as one of the global respondents argues that such traditional measures are not applicable for companies that do not control their own assets and equity.

Earlier in the analysis there are findings that suggest that the performance is determined by the scope of KPIs that decision-makers are looking at. Empirical findings suggest that there is power dynamics in the Asian region that is dependent on the perception of performance by the decision-makers, who operate at the global HQ in the Case Company. These findings are in line with the discussion by Kostova, Marano, and Tallman (2016) and Dossi and Patelli (2008), who suggest that the relationship between an HQ and its subsidiaries are influenced by factors including past performance. Kostova, Marano, and Tallman (2016) further argues that the power dynamics can influence the level of autonomy for the subsidiaries. When comparing this to the empirical findings, there is evidence for such a statement. Where the decision-makers agreed that Country 1 was the most prominent market, which is further argued by the regional directors. One of the local directors for Country 1, indicated a higher degree of autonomy in the answers compared to the other local directors interviewed. Unsurprisingly, the local director was one of few that did not have the impression that there is a power structure within the region. Consequently, findings by Ambos, Andersson, and Birkinshaw (2010) suggest that subsidiaries with a higher degree of autonomy have a higher probability to perform better in the future.

The impact of KPIs could therefore have an impact on multiple layers, such that it could affect the future performance for subsidiaries. By analysing the KPIs that are presented in the Case Company's monthly report (Section 4.3), a clearer picture could be analysed as the numbers

accessible to the decision-makers are presented. Earlier discussions show that the decision-makers are mostly concerned by the sales growth (top line) (Table 5) and the EBITA-margin (bottom line) (Table 7). By solely looking at these two KPIs, the data suggest that the top performing subsidiary is, in fact, Country 4, since it has the highest EBITA-margin on average over the past five years, and the second highest sales growth on average. It was mentioned by the global directors that operating cash flow (OCF) also is of interest when assessing the subsidiaries, since it shows the cash generated to HQ. OCF is the only measure that is nominal rather than a ratio and accounts for the size of the market. By analysing Table 8, Country 1 is in fact the best performer in terms of mean OCF over the past five years. But it is also shown that Country 4 is the second ranked subsidiary in OCF and has had a higher cash conversion (Table 9) than Country 1 on average over the past five years. This shows that there is a suspicion that the Case Company is reporting additional KPIs when determining the performance for their subsidiaries. Market share has been mentioned as being a measurement of consideration, nominal volume has been mentioned by few as well. This confirms the argument by Cooper, Ezzamel, and Robson (2019), stating that PMSs are characterised by certain weaknesses when used to assess subsidiaries in a homogenous manner across markets.

The power of KPIs is therefore important to remember, as KPIs are the state of the subsidiaries from the decision-makers' perspective. Since KPIs only give a snapshot of the current state, and as expressed by the interviewee's, decision-makers have rather limited information to have an overarching situation on the subsidiaries. The power of KPIs increases when the organisation has a centralised organisation, such as in the Case Company, as the decisions are determined by the information that they are given by KPIs. Research by Ferreira and Otley (2009), and Gimbert, Bisbe, and Mendoza (2010), argues that the measurements included in PMS do have an impact on the strategic outlook for the MNC. This is in line with the empirical findings and analysis from the Case Company.

5.2 The Process Leading to Superior Performance

This part of the analysis describes what the underlying factors are to generate high performance. By comparing the subsequent steps that the theory suggests and investigate how the Case Company explains their processes towards performance for their subsidiaries.

5.2.1 The Objective as a Foundation of Performance Measurement Systems

The empirical findings suggest that the objective constitutes the first step in the development of the PMS used by the Case Company which aligns with Verhaelen et al.'s (2021) suggestions. By identifying the symmetry between theory and practice related to the initial development of the PMS, the objective set by the HQ in MNCs is proven to be the first building block from which PMSs are formulated. However, the objectives of the subsidiaries in the Case Company are not aligned with literature that argues for main objectives related to increased local embeddedness, expansion of the external business network and management of the internal network (Garcia-Pont, Canales, & Noboa, 2009). Considering the misalignment with theoretical findings, the Case Company fails to utilise the benefits attributable to subsidiary input when formulating the objectives for the MNC, which in extension hampers sustainable preservation of competency in the different markets of the MNC (Narula, 2014).

The Case Company is further characterised by a high degree of control applied from the HQ when observing the network constellation for a perspective of decision making which relates to earlier theory of PMSs as management control systems (Simons, 1987). The subsidiaries in the MNC are allowed to adjust their objectives slightly based on the local interests which according to numerous scholars (Rugman, Verbeke & Nguyen, 2011; Hultén, 2006; Hada, Grewal & Chandrashekar, 2013) can increase the aggregated performance of the MNC. However, by considering the underlying factors for performance, it is likely that the development of the PMS of the Case Company could benefit from adjustments related to the process of capability development and strategy formulation.

5.2.2 Misalignment Between Strategy Formulation and Capability Development

The control-oriented approach applied by the MNC results in a scenario where the strategies are formulated based on the global objectives of the HQ. The control-oriented approach is contradictory to Loasby's (2010) arguments stressing the importance of assessing the MNCs' capabilities prior to the strategy formulation process. The general understanding that strategies should be formulated to assist and supplement the capabilities of MNCs is deeply established by numerous scholars (Augier & Teece, 2009; Teece, Pisano & Shuen, 1997; Song, Di Bonetto & Nason, 2007). Many of the respondents at the Case Company claim that most of the subsidiaries are sufficient in developing capabilities that are dynamic, and therefore increasingly resistant towards external pressure such as fluctuating market conditions. Nonetheless, by simply reversing the procedure to develop capabilities based on the strategy,

the Case Company exposes themselves to risks related to reduced utilisation of the subsidiaries capabilities that are developed with input from their respective external business environments (Palmie, Keupp & Gassman 2014). Capabilities that are developed in close collaboration with the external business environment of subsidiaries are likely to improve the performance of MNCs (Andersson, Björkman & Forsgren, 2005; Williams, & Lee, 2011). Nonetheless, the situation observed in the Case Company is more aligned with the risks related to reduced growth and performance in their subsidiaries, as a result of forcing the development of capabilities that may not be suitable to the local business environment of the subsidiaries (Li & Lee, 2015).

The control-oriented approach of the Case Company hinders the strategic integration of the competencies and capabilities that are developed in close cooperation with the subsidiaries' external environments. As a result, possible improvements of performance are neglected which contradicts the benefits described by Andersson, Forsgren, and Holm (2001). The impact of the network constellation has a considerable influence on the level of utilisation that can be realised from the capabilities of the subsidiaries in the Case Company. In extension, the formulation of the PMS follows the observed procedure of strategy formulation and capability development which contradicts the recommendations provided by Verhaelen et al. (2021).

5.2.3 Drivers of Performance

Relating back to Simons (1987), firms need the right measurements to promote good performance which in turn contributes to rational decision making. Thus, the structure and formulation of PMSs may either harm or increase performance which in turn imposes a great importance for the initial and continuous development of the PMS in an MNC. The strategy formulation of the Case Company neglects the existing capabilities in the subsidiary which contradicts the theoretical understanding related to performance improvements (Andersson, Forsgren, & Holm, 2001; Li & Lee, 2015; Williams, & Lee, 2011).

The formulation of the PMS, and a sufficient inclusion and weighting of KPIs can increase rational decision making which is discussed as a key determinant for good performance (Elbanna & Naguib, 2008). Moreover, strategic re-evaluation and strategic monitoring using PMSs is determined to boost performance (Gimbert, Bisbe, & Mendoza, 2010). Thus, MNCs can increase their performance by using sufficient and well formulated KPIs to monitor and re-evaluate their strategy which in turn is reflected in the scorecard approach implemented by the Case Company. The scorecard enables continuous measurement of targets, but also indirect

capability measurement which might increase performance. However, as the strategies in the Case Company are translated on local- and regional levels and then not reported to the HQ. Thus, the possibility of fully integrated strategic re-evaluation by using the PMS is not yet visible in the Case Company.

5.2.4 Network Related Effects on Measurement Procedures

Different measurement procedures have been noticed in the Case Company where the global units have a more focused form of performance measurement oriented mostly towards financial measurements when assessing their subsidiaries. The regional units are extensively more active within non-financial measurements besides the standardised financial measurements applied by HQ. It is likely that the inconsistencies in the PMS have risen from the extensive approval of mandates for some of the subsidiaries in the Asian region, which, when compared to the homogeneous measurement approach applied by the HQ, illustrates an inaccurate view of the performance of the subsidiaries.

Differences in external business environments and operational behaviour of the subsidiaries complicates the formulation of the collective PMS (Dossi & Patelli, 2010) which is reflected in the Case Company due to difficulties in streamlining measurement practices that are specific for some of the markets. For instance, in comparison to the other subsidiaries, Country 1 has much more comprehensive and specialised measurements on the internal level, given among other things more extensive resources, more well-developed technical capabilities and a higher degree of autonomy with regards to decision making. The disparities in local measurement procedures, which is part of the PMS formulation, makes it difficult to determine whether suitable measurements are used to assess the performance subsidiaries (Gimbert, Bisbe, & Mendoza, 2010).

Further, firms that develop their strategies based on their capabilities might be able to establish more functional PMSs as the capabilities of the firm can contribute to a more sufficient weighting of the KPIs (Verhaelen et al., 2021). When asked, the interviewees stated that the weighting of KPIs are mostly conducted based on financial objectives and access to resources. Thus, it is possible that various benefits related to capability-based strategy formulation are lost due to the current approach for PMS development.

5.2.5 The Role of the Performance Measurement System Within the Case Company

The role of PMSs can evidently differ substantially depending on a few factors such as the approach for strategy formulation and capability development, the level of control applied to different units and the main objectives of the MNC. PMSs can function as a controlling system to fulfil the main objectives for the HQ but can also be used as a way to develop and improve both strategies and capabilities. When observing the Case Company, it is clear that the PMS is mainly used for controlling purposes and that there are many areas of improvement attributable to strategic and capability related matters. Based on the analysis of this report, it is possible to argue that the role of the PMS has substantial influence on the performance in the MNC, which in turn motivates a more integrated approach that includes strategy monitoring and capability development as central parts of the PMS.

5.3 Renewed Conceptual Framework

After analysing the empirical findings, it is clear that the conceptual framework deviates from the reality observed in the Case Company, which is illustrated in Figure 6. Starting with the process for performance creation, the objective is set by the global HQ in the Case Company, rather than set collectively by all hierarchical units as illustrated in the analysis model. The process for formulating the objective is illustrated by the box with dotted lines covering the first vertical box, indicating that the regional and local units are excluded from the formulation of the objective. Related to the measurement input, the local and regional units have limited influence for the formulation of the objective. Neither local nor regional units use the measurement output from the objective to re-strategies as this is exclusively conducted by the HQ.

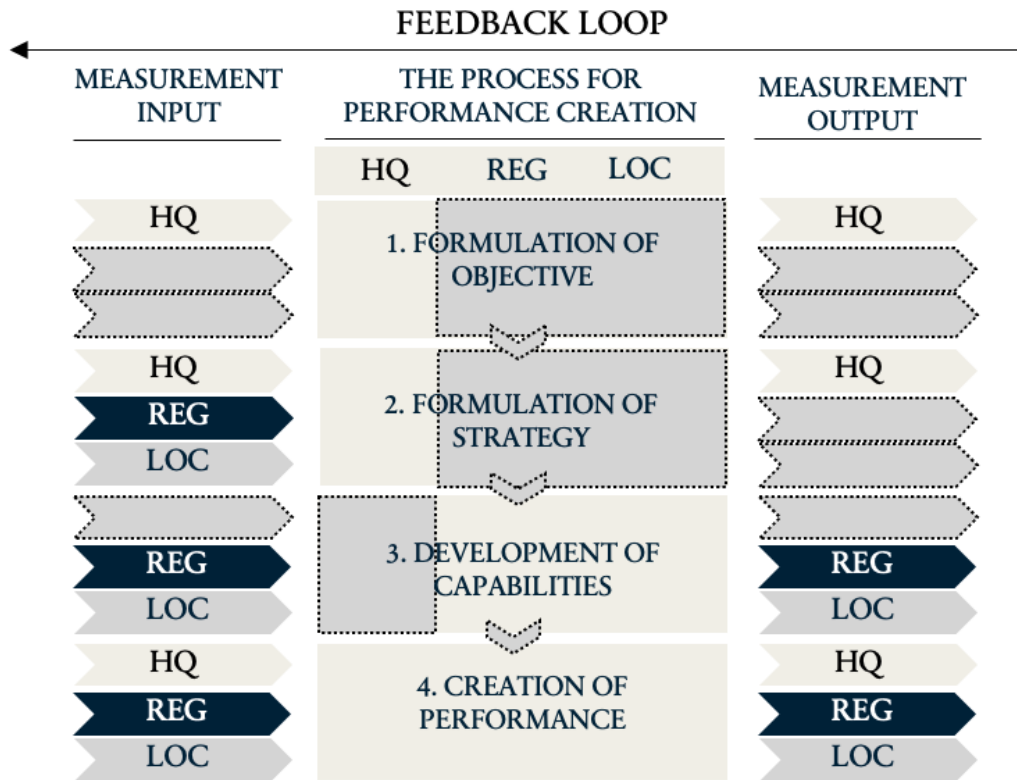
The second vertical box indicates that the strategy formulation is performed before assessing and developing the capabilities of the MNC. Thus, the strategy formulation process does not take the input from the local and regional units into account. However, the local and regional units can slightly translate the global strategy to fit their external business environment within the global strategy. The difference between the empirical findings and the analysis model is highlighted by the box with dotted lines covering the box for strategy formulation. The measurement output from the measurement of the strategy is exclusively done by the HQ, which demonstrates a clear difference between the analysis model and the empirical findings.

The third vertical box illustrates that capabilities are developed based on the strategy set by the HQ in the Case Company, and that most of the capabilities are developed in regional and local units. Capabilities are developed based on the strategy which deviates from the conceptual framework. The difference between the empirical findings and the analysis model are illustrated by the box with dotted lines covering the box for capability development. The input and output related to the assessment of capabilities are merely utilised in regional and local units, which deviates from the understanding in the analysis model and theoretical framework.

The fourth and last vertical box indicates that all hierarchical units are included in the process of performance creation, which does not deviate from the analysis model. The centralised and vertical arrows with dotted lines indicate that the order in which the underlying factors for performance creation and PMS development differs between the analysis model and the empirical findings. The input and output of the performance does not differ between the empirical findings and the analysis model. However, there are uncertainties on whether the right KPIs are being used for the performance measurement. A renewed version of the conceptual model can be observed in Figure 6: Revised conceptual framework, which illustrates the reality of the Case Company observed in the empirical findings of the study.

Figure 6 Revised conceptual framework.

THE FUNCTION & STRUCTURE OF PERFORMANCE MEASUREMENT SYSTEMS



VISUAL ELEMENT	DEFINITION
	The arrow containing “HQ” visualises that the measurement input is generated by the headquarters (HQ), and that the measurement output is used by HQ as basis for decision making.
	The arrow containing “REG” visualises that the measurement input is generated by regional units (REG), and that the measurement output is used by REG as basis for decision making.
	The arrow containing “LOC” visualises that the measurement input is generated by local units (LOC), and that the measurement output is used by LOC as basis for decision making.
 	Figures with dotted lines indicates that the empirical findings differ from the understanding presented in the conceptual framework and the analysis model.
	The arrow aims to illustrate the order of different processes that results in the creation of performance.
	The arrow describes the continuous development of the PMS, where the output from previous measurements are assessed through a feedback loop and then used to improve future measurement inputs.

Source: Computed by authors.

6. CONCLUSIONS

One of the key disparities between theory and practice that has been evidently noticeable, is the order of strategy formulation for MNCs. Theory suggests that MNCs should formulate a strategy based on the objective and the capabilities that exist internally. However, in practice it is possible to observe that capability development is rather a result of the given strategy. Therefore, the performance measurement system (PMS) is not intended to give a foundation for identifying the capabilities, but rather a baseline on how to set the strategy and then it is up for the subsidiaries to develop adaptable capabilities for the strategy.

The challenges to develop and implement a PMS in an MNC has been evident throughout this thesis. Both theory and empirical findings suggest that there is no “one-size fits all” strategy when it comes to formulating a PMS. There are simply too many aspects to consider when formulating what to include and what to measure in the PMS. Geographical disparity is one of the most difficult aspects to consider, as there could be multiple dimensions that need to be adjusted for when formulating a PMS in an MNC. It is also clear that PMS is one background for how power dynamics arise in an MNC, since the performance is a determinant for the power structure between subsidiaries. Hence, another aspect that makes it difficult when formulating an PMS is the competing objective that could arise from the HQ who formulate such systems. Therefore, it increases the difficulties when aligning the PMS to measure the outcome of a strategy, as there exist multiple layers of translation and the measurements need to be translated to the same extent.

It is however clear that an PMS is a useful system for MNCs to continue developing. PMS could help identify struggles in the organisation early, and it could, in theory, help the development of capabilities that could be shared with the rest of the MNC. It has been shown that inaccurate measurement could lead to wrongful perception of subsidiary performance, which in extension could harm the autonomy and slow down the development of capabilities. Therefore, continuous development of an PMS is important to consistently develop the right capabilities, that sets the right strategies that should result in good performance.

6.1 Answering the Research Questions

- *“How are MNCs using performance measurement systems when assessing subsidiaries?”*

From a global HQ perspective, it is evidently hard in the Case Company to get the entire picture of each subsidiary to assess them according to its specific environments. Therefore,

overarching measures are used to get a birds-eye view of the current state in the subsidiaries and make decisions from those KPIs. It is shown that the Case Company raises questions when needed to get more information, but their use of the performance measurement system (PMS) is mainly to get the most essential measures when assessing the subsidiaries. As the Case Company is centralised in strategic decisions, these overarching KPIs are essentially the most important tool when considering the strategic outlook for regions and subsidiaries.

The regional usage of PMS differs from the global, as the regional units at more country specific KPIs and are able to have more narrow measurements to get a better picture of the subsidiaries. The regional HQ is therefore more capable to translate the strategy in line with each market environment. Since the regional HQ is closer to the global HQ in the Case Company, they could use their part of the PMS to influence the global directors to make as suitable decisions as possible, but such communication is not as frequent as the digital reporting systems.

The power dynamics within a region is also considered a use for PMS. Since the level of autonomy is based on the performance of subsidiaries, and the decision hierarchy for the company is based on the performance, the PMS plays a rather important role for such structures. What is included in the PMS is therefore the snapshot that determines the rules of performance that each subsidiary must follow.

To summarise, MNCs use PMS to formulate the agenda for the subsidiaries internationally. The PMS is adjusted so that each level of HQ has different scopes to consider when assessing the performance, which could alter the results. However, as there are additional steps in the PMS, regional HQ could fill in the global HQ when necessary to let the global directors have the most correct picture as possible, given their scope of information.

- *“What are the underlying factors when formulating a performance measurement system?”*

First and foremost, the network constellation of MNCs constitute a substantial underlying factor when formulating performance measurement systems (PMSs). The orientation of the MNC can either be based on a controlling approach or a developing approach, which both entails different levels of control and hierarchical relationships applied in the network constellation. Observed in the Case Company, a stricter hierarchical approach oriented towards control rather than development results in a PMS that is formulated with a top-down perspective, where strategy formulation and capability development is cascaded down to

smaller units, and where the level of detail in the performance measurement increases down on regional and local levels in the MNC.

The strategy formulation is also a great contributor when formulating PMSs as the formulation of KPIs are based on the strategy rather than the capabilities of the MNC, as observed in the Case Company. One takeaway from the literature is that firms can benefit from developing PMSs that are formulated from capability-based strategy formulation, and the opposing approach can be observed in the Case Company where the PMS is formulated based on Strategy based capability development.

The quality of KPIs is seen as a great influencer for both performance but also the development of PMSs. The orientation for strategy formulation and capability development results in different preconditions related to KPI formulation, which in turn affects the quality of KPIs when not used in the most suitable manner. Thus, KPIs based on capabilities rather than on strategy are, according to the literature, more suitable for accurate performance measurement. Following on the spectrum on KPIs and targets, competing objectives and demands is seen to have great influence on the targets that are set, and the KPIs that are used in the Case Company.

To summarise, there are multiple underlying factors for the development of PMSs, and if the factors are addressed in the right way, firms can drastically increase the quality of their PMS and therefore improve performance by identifying capabilities and performance gaps easier.

6.2 Theoretical Implications

This area of research has mostly been done from an organisational view and not from the inside perspective. The thesis has also introduced a broader view by introducing an accounting management perspective with the empirical data. Earlier literature has focused on the end goal of an PMS, or the reasons to have an PMS (Verhaelen et al., 2021; Gimbert, Bisbe, & Mendoza, 2010; Chen & Jermias, 2016). Whereas this thesis tries to approach the questions regarding the subsequent steps that affect and can be affected by the formulation of PMS. It is still lacking findings from a larger sample set, but the empirical findings suggest that further research would further enhance the understanding on how HQ assesses the performance in subsidiaries.

The thesis introduces the network and subsidiary objective as one of the pillars for formulating the PMS for MNCs. However, findings from this research suggest that strategy and PMS is dependent on subsidiary objectives and network. Earlier research by Schmuck, Lagerström, and Sallis (2022), as well as Bedford, Malmi, and Sandelin (2016) is thus not according to the

findings in this thesis. However, since it only is researched from a single company, it is not suggested that no MNC take subsidiary network and objective into consideration when formulating its PMS and strategy.

The thesis further introduces a more practical path of formulating the PMS towards the strategy, which could be seen in the conceptual framework. Earlier research has mostly covered one of these aspects and connected them individually. This research creates a more practical path towards how MNCs can formulate the PMS from the strategic formulation process. This creates new perspectives on how an MNC looks at the underlying factors for strategic formulation and the role of PMS on assessment and future decisions.

6.3 Practical Implications

Our findings are a result from a practical approach to a theoretical concept. It is therefore to find multiple aspects of practical implications from the findings in this thesis. First and foremost, the findings suggest that there are difficulties when MNCs try to assess the current situations for subsidiaries. There is an argument that younger subsidiaries are more difficult to assess according to the empirical data. Since the analysis is from a single Case Company, it is difficult to appreciate the impact of the organisational structure for the process of assessing subsidiaries. The overall view is that the higher in hierarchy the receivers of reporting are, the less detailed information is reviewed.

This type of overarching approach that has been found in this study has been shown to miss out on important aspects of the organisation. It is therefore reasonable that the findings are not aligned with arguments made by Rugman and Verbeke (2001), and Roth, Schweiger, and Morrison (1991), that firms should align the strategy with the existing capabilities. Instead, empirical findings show that the Case Company develops capabilities that align the given strategy. This approach could potentially decrease the ability to develop strong capabilities that are adaptable to the market.

However, we have found a practical implication of the impact of the assessment and how that could affect the future objective of the subsidiaries. For example, when strategy is cascaded down from the global HQ, the risk is that the strategy does not align with the current situation in the subsidiary. Thus, the subsidiaries could be unable to utilise their capabilities according to the strategic utilisation.

6.4 Limitations

The limitations of this thesis are oriented towards the scope and structure of the case study. Initially, the study is conducted together with one Case Company which entails certain limitations with regards to the sample size and perspective that was selected for the analysis. Hence, since this thesis is limited to empirical data collection related to only one region, one business area and one company, the findings of the thesis might not be entirely attributable to other business areas, regions, companies, and contexts.

Performance measurement systems (PMSs) are in theory described extensively from various perspectives and in numerous different contexts. In this thesis, we have approached the theoretical analysis from a financial perspective with elements related to capability development, strategy, and the network constellation of MNCs. Thus, the entire theoretical foundation of performance measurements is not addressed which in turn indicated contextualised limitations related to the theoretical scope.

The study is conducted during a short period in time which entails further limitations related to data collection and analysis. It is possible, given a longer time frame for the study, that the results would have been slightly different due to greater opportunities to collect data.

We must mention that this thesis is written and approached from a narrow scope which describes a practical phenomenon which is set in relation to literature. The results of the thesis should therefore be observed based on the approach and context that is selected for the thesis.

6.5 Suggestions for Future Research

To further increase the understanding of performance measurement systems (PMSs) in MNCs, we would like to recommend that future research expands on our study by increasing the sample size to get a more comprehensive overview of the symmetries and differences in multiple MNC. Further, we encourage research of the relationship between the network constellation and the development of PMSs in MNCs to strengthen the results of this report. By encouraging quantitative studies on the connection between network constellations and PMS development, we are hoping that future research can provide validation for our results.

Further, we recommend researchers to conduct studies relating to the quality of KPIs and the accuracy of performance measurements to further investigate how MNCs operate when setting and measuring targets. As the case study shows that the Case Company does not necessarily

use the most suitable measures for their operation, it would be interesting and valuable to observe how other MNCs operate within the field.

Communication systems and communication channels for performance measurement is another subject that we would like to encourage research within, as the communication and reporting processes in MNCs can affect the quality and output generated by the PMS. Furthermore, since this study has been conducted through a case study, it would be valuable to find out how the PMS is affected by the organisational structure over a larger sample set.

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APPENDIX

Appendix 1: Initial article review - MNC as a network

Initial Review - MNC as a Network			
Authors	Year	Title	Journal
Ambos, Andersson & Birkinshaw	2010	What are the consequences of initiative-taking in multinational subsidiaries?	Journal of international business studies
Andersson, Björkman & Forsgren	2005	Managing subsidiary knowledge creation: The effect of control mechanisms on subsidiary local embeddedness	International Business Review
Andersson, Forsgren & Holm	2002	The strategic impact of external networks: Subsidiary performance and competence development in the multinational corporation	Strategic management journal
Ciabuschi, Dellestrand & Holm	2012	The role of headquarters in the contemporary MNC	Journal of International Management
Gupta & Govindarajan	2000	Knowledge flows within multinational corporations	Strategic management journal
Hansen & Gwozdz	2015	What makes MNCs succeed in developing countries?: An empirical analysis of subsidiary performance	Multinational business review
Hultén	2006	Transfer of management practices in a cross-institutional setting: A case study on a western firm's subsidiary in the Ukraine	International Journal of Commerce and Management
Kostova, Marano & Tallman	2016	Headquarters–subsidiary relationships in MNCs: Fifty years of evolving research	Journal of World Business
Li & Lee	2015	Can knowledge transfer within MNCs hurt subsidiary performance? The role of subsidiary entrepreneurial culture and capabilities	Journal of World Business
Rugman, Verbeke & Nguyen	2011	Fifty years of international business theory and beyond	Management International Review
Verbeke & Ciravegna	2018	International entrepreneurship research versus international business research: A false dichotomy?	Springer
Williams & Lee	2011	Entrepreneurial contexts and knowledge coordination within the multinational corporation	Journal of World Business
Yamin & Andersson	2011	Subsidiary importance in the MNC: What role does internal embeddedness play?	International Business Review

Appendix 2: Article review - MNC as a Network

Second Review - - MNC as a Network			
Arthurs	Year	Title	Journal
Ambos, Andersson & Birkinshaw	2010	What are the consequences of initiative-taking in multinational subsidiaries?	Journal of international business studies
Arregle, Beamish & Hébert	2009	The regional dimension of MNEs' foreign subsidiary localization	Journal of International Business Studies
Birkinshaw	1996	How multinational subsidiary mandates are gained and lost	Journal of International Business Studies
Dabic & Kiessling	2019	The performance implications of knowledge management and strategic alignment of MNC subsidiaries	Journal of knowledge management
Dellestrand, Kappen & Lindahl	2020	Headquarter resource allocation strategies and subsidiary competitive or cooperative behavior: achieving a fit for value creation	Journal of Organization Design
Hada, Grewal & Chandrashekar	2013	MNC subsidiary channel relationships as extended links: Implications of global strategies	Journal of International Business Studies
Håkansson & Snehota	1989	No business is an island: The network concept of business strategy	Scandinavian journal of management
Jiao, Liu, Wu & Xia	2020	Corporate strategy and subsidiary performance: The effect of product and geographic diversification	Management and Organization Review
Luo	2003	Market-seeking MNEs in an emerging market: How parent–subsidiary links shape overseas success	Journal of international business studies
Mudambi & Navarra	2004	Is knowledge power? Knowledge flows, subsidiary power and rent-seeking within MNCs	Journal of international business studies
Mäkelä, Björkman & Ehrnrooth	2009	MNC subsidiary staffing architecture: building human and social capital within the organisation	The International Journal of Human Resource Management
Narula	2014	Exploring the paradox of competence-creating subsidiaries: Balancing bandwidth and dispersion in MNEs	Long Range Planning
Palmié, Keupp & Gassmann	2014	Pull the right levers: Creating internationally “useful” subsidiary competence by organizational architecture	Long Range Planning
Phene & Tallman	2018	Subsidiary development of new technologies: Managing technological changes in multinational and geographic space	Journal of Economic Geography
Scott, Gibbons & Coughlan	2010	Developing subsidiary contribution to the MNC—Subsidiary entrepreneurship and strategy creativity	Journal of International Management
Williams & Lee	2011	Entrepreneurial contexts and knowledge coordination within the multinational corporation	Journal of World Business

Appendix 3: Initial article review - MNC Capabilities

Initial review - MNC Capabilities			
Arthurs	Year	Title	Journal
Ambos, Asakawa & Ambos	2011	A dynamic perspective on subsidiary autonomy	Global Strategy Journal
Andersson, Forsgren & Holm	2001	Subsidiary embeddedness and competence development in MNCs a multi-level analysis.	Organization Studies
Augier & Teece	2009	Dynamic capabilities and the role of managers in business strategy and economic performance.	Organization science
Birkinshaw	1996	How multinational subsidiary mandates are gained and lost.	Journal of international business studies
Claver-Cortés, Zaragoza-Sáez, Úbeda-García, Marco-Lajara & García-Lillo	2018	Strategic knowledge management in subsidiaries and MNC performance. The role of the relational context.	Journal of knowledge management
Distel, de Faria, Preto & Ribeiro	2019	Dynamic capabilities for hire – How former host-country entrepreneurs as MNC subsidiary managers affect performance.	Journal of international business studies
Goll, Brown Johnson, Rasheed	2007	Knowledge capability, strategic change, and firm performance: the moderating role of the environment.	Management decision
Helfat & Winter	2011	Untangling dynamic and operational capabilities: Strategy for the (N) ever-changing world.	Strategic management journal
Kim, Reiche & Harzing	2022	How does successive inpatriation contribute to subsidiary capability building and subsidiary evolution? An organizational knowledge creation perspective.	Journal of international business studies
Li & Lee	2015	Can knowledge transfer within MNCs hurt subsidiary performance? The role of subsidiary entrepreneurial culture and capabilities.	Journal of World Business
Li, Easterby-Smith & Hong	2019	Towards an understanding of the nature of dynamic capabilities in high-velocity markets of China.	Journal of business research
Long & Vickers-Koch	1995	Using core capabilities to create competitive advantage.	Organizational dynamics
Meyer, Li & Schotter	2020	Managing the MNE subsidiary: Advancing a multi-level and dynamic research agenda.	Journal of international business studies
Minbaeva, Pedersen, Björkman, Fey & Park	2003	MNC knowledge transfer, subsidiary absorptive capacity, and HRM.	Journal of international business studies

Initial review - MNC Capabilities			
Minbaeva, Pedersen, Björkman & Fey	2014	A retrospective on: MNC knowledge transfer, subsidiary absorptive capacity, and HRM.	Journal of international business studies
Roth, Schweiger & Morrison	1991	Global strategy implementation at the business unit level: Operational capabilities and administrative mechanisms.	Journal of international business studies.
Rugman & Verbeke	2001	Subsidiary-specific advantages in multinational enterprises.	Strategic management journal
Schreyögg & Kliesch-Eberl	2007	How dynamic can organizational capabilities be? Towards a dual-process model of capability dynamization.	Strategic management journal
Teece	2007	Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance.	Strategic management journal
Teece	2014	A dynamic capabilities-based entrepreneurial theory of the multinational enterprise.	Journal of international business studies
Teece, Pisano & Shuen	1997	Dynamic capabilities and strategic management.	Strategic management journal
Tippmann, Sharkey Scott & Parker	2017	Boundary Capabilities in MNCs: Knowledge Transformation for Creative Solution Development.	Journal of Management Studies
Ulrich & Smallwood	2004	Capitalizing on capabilities.	Harvard business review
Valdemarin & Mayrhofer	2022	Successful reconfiguration and network evolution within the multinational company.	Journal of Organizational Change Management
Wang, Chen, Guo & Lin	2020	Strategy, capabilities, and business group performance: The endogenous role of industry diversification.	Management decision
Wilden, Gudergan, Nielsen & Lings	2013	Dynamic capabilities and performance: strategy, structure and environment.	Long Range Plannin

Appendix 4: Secondary article review - MNC Capabilities

Second Review - MNC Capabilities			
Arthurs	Year	Title	Journal
Alfoldi, McGaughey & Clegg	2017	Firm Bosses or Helpful Neighbours? The Ambiguity and Co-Construction of MNE Regional Management Mandates.	Journal of Management Studies
Andersson	2003	Managing the transfer of capabilities within multinational corporations: the dual role of the subsidiary.	Scandinavian Journal of Management
Bogićević & Domanović	2016	Control in function of foreign subsidiary performance evaluation.	Ekonomika
Bouquet & Birkinshaw	2008	Managing power in the multinational corporation: How low-power actors gain influence.	Journal of Management
Colakoglu, Ya,ao & Lepak	2014	Knowledge creation capability in MNC subsidiaries: Examining the roles of global and local knowledge inflows and subsidiary knowledge stocks.	International Business Review
D'Aveni, Dagnino & Smith	2010	The age of temporary advantage	Strategic management journal
Eisenhardt & Martin	2000	Dynamic capabilities: what are they?	Strategic management journal
Garcia-Pont, Canales & Noboa	2009	Subsidiary strategy: The embeddedness component.	Journal of Management Studies
Haas & Cummings	2015	Barriers to knowledge seeking within MNC teams: Which differences matter most?	Journal of international business studies
Helfat & Peteraf	2009	Understanding dynamic capabilities: progress along a developmental path	Sage publications Sage UK: London, England.
Helfat & Martin	2015	Dynamic managerial capabilities: Review and assessment of managerial impact on strategic change.	Journal of Management
Hong & Snell	2013	Developing New Capabilities across a Supplier Network through Boundary Crossing: A Case Study of a China-Based MNC Subsidiary and its Local Suppliers.	Organization Studies
Li & Tallman	2011	MNC strategies, exogenous shocks, and performance outcomes.	Strategic management journal
Loasby	2010	Capabilities and strategy: problems and prospects.	Industrial and Corporate Change
Michailova & Zhan	2015	Dynamic capabilities and innovation in MNC subsidiaries.	Journal of world business
Nath, Nachiappan & Ramanathan	2010	The impact of marketing capability, operations capability and diversification strategy on performance: A resource-based view.	Industrial Marketing Management

Second Review - MNC Capabilities			
O'Regan & Ghobadian	2004	The importance of capabilities for strategic direction and performance.	Management decision
Panibratov & Klishevich	2020	Dynamic capabilities during the internationalization of MNCs from post-socialist emerging markets.	Multinational business review.
Pronina, Kuivalainen, Torkkeli & Gracheva	2016	Dynamic capabilities in MNCs: subsidiary international business competence in the Finnish-Russian context.	International Journal of Multinational Corporation Strategy
Regnér	2008	Strategy-as-practice and dynamic capabilities: Steps towards a dynamic view of strategy.	Human relations
Sambharya & Lee	2014	Renewing dynamic capabilities globally: An empirical study of the world's largest MNCs	Management International Review
Schmid & Schurig	2003	The development of critical capabilities in foreign subsidiaries: disentangling the role of the subsidiary's business network.	International Business Review
Sheng, Hartmann, Chen & Chen	2015	The synergetic effect of multinational corporation management's social cognitive capability on tacit-knowledge management: Product innovation ability insights from Asia.	Journal of International Marketing
Yamin, Sinkovics & Sinkovics	2007	ICT and MNE reorganisation: the paradox of control.	Critical perspectives on international business
Yazdifar, Zaman, Tsamenyi & Askarany	2008	Management accounting change in a subsidiary organisation.	Critical Perspectives on Accounting

Appendix 5: Initial article review - Performance

Initial review - Performance			
Arthurs	Year	Title	Journal
Andersson & Forsgren	1996	Subsidiary embeddedness and control in the multinational corporation	International business review
Bogicevic & Domanovic	2016	Control in function of foreign subsidiary performance evaluation	Ekonomika
Chen & Jermias	2016	Linking key performance indicators to new international venture survival	Journal of International Accounting Research
Chowdhury	1992	Performance of International Joint Ventures and Wholly Owned Foreign Subsidiaries: A Comparative Perspective	Management International Review
Claver-Cortés, Zaragoza-Sáez, Úbeda-García, Marco-Lajara & García-Lillo	2018	Strategic knowledge management in subsidiaries and MNC performance. The role of the relational context	Journal of knowledge management
Cooper, Ezzamel & Robson	2018	The Multiplicity of Performance Management Systems: Heterogeneity in Multinational Corporations and Management Sense-Making	Contemporary Accounting Research
Dossi & Patelli	2008	The decision-influencing use of performance measurement systems in relationships between headquarters and subsidiaries	Management Accounting Research
Dossi & Patelli	2010	You learn from what you measure: financial and non-financial performance measures in multinational companies	Long Range Planning
Elbanna & Naguib	2009	How much does performance matter in strategic decision making?	International Journal of Productivity and Performance Management
Ferreira & Otley	2009	The design and use of performance management systems: An extended framework for analysis	Management Accounting Research
Ferreira, Lima & da Costa	2012	Perception of virtual team's performance: A multinational exercise	International Journal of Production Economics
Lee	2021	MNCs as dispersed structures of power: Performance and management implications of power distribution in the subsidiary portfolio	Journal of International Business Studies
Marr & Schiuma	2003	Business performance measurement—past, present and future	Management decision
Schmuck	2022	A Tale of Two Concepts: Exploring the Relationship between Firm Performance and Multinationality.	Doctoral Thesis

Initial review - Performance

Schmuck, Lagerström & Sallis	2022	Patterns of inconsistency: a literature review of empirical studies on the multinationality–performance relationship	critical perspectives on international business
Schmuck, Lagerström & Sallis	2022	Turning the Tables: The Relationship Between Performance and Multinationality	Management International Review
Simons	1987	Accounting control systems and business strategy: an empirical analysis	Accounting, organizations and society
Sofiyabadi, Kolahi & Valmohammadi	2016	Key performance indicators measurement in service business: a fuzzy VIKOR approach	Total Quality Management & Business Excellence
Stiebale & Trax	2011	The effects of cross-border M&As on the acquirers' domestic performance: firm-level evidence	Canadian Journal of Economics/Revue canadienne d'économique
Tesoro & Tootson	2001	Implementing a global performance measurement system	Performance Improvement

Appendix 6: Secondary article review - Performance

Second Review - Performance			
Arthurs	Year	Title	Journal
Ante, Facchini, Mossa & Digiesi	2018	Developing a key performance indicators tree for lean and smart production systems	IFAC-PapersOnLine
Bedford and Malmi	2015	Configurations of control: An exploratory analysis	Management Accounting Research
Bedford, Malmi & Sandelin	2016	Management control effectiveness and strategy: An empirical analysis of packages and systems	Accounting, Organizations and Society
Gaur & Lu	2007	Ownership strategies and survival of foreign subsidiaries: Impacts of institutional distance and experience	Journal of management
Gimbert, Bisbe & Mendoza	2010	The role of performance measurement systems in strategy formulation processes	Long Range Planning
Hansen & Gwozdz	2015	What makes MNCs succeed in developing countries? An empirical analysis of subsidiary performance	The Multinational Business Review
Heinicke, Guenther & Widener	2016	An examination of the relationship between the extent of a flexible culture and the levers of control system: The key role of beliefs control	Management Accounting Research
Hult et al	2008	An assessment of the measurement of performance in international business research	Journal of international business studies
Ittner & Larcker	1998	Are nonfinancial measures leading indicators of financial performance? An analysis of customer satisfaction	Journal of accounting research
Kaganski, Majak, Karjust & Toompalu	2017	Implementation of key performance indicators selection model as part of the Enterprise Analysis Model	Procedia Cirp
Meira, Kartalis, Tsamenyi & Cullen	2010	Management controls and inter-firm relationships: a review	Journal of accounting & organizational change
Peecher, Solomon & Trotman	2013	An accountability framework for financial statement auditors and related research questions	Accounting, Organizations and Society
Skibniewski & Ghosh	2009	Determination of key performance indicators with enterprise resource planning systems in engineering construction firms	Journal of construction engineering and management
Tolonen, Shahmarichatghieh, Harkonen & Haapasalo	2015	Product portfolio management–Targets and key performance indicators for product portfolio renewal over life cycle	International Journal of Production Economics

Second Review - Performance			
Valmohammadi & Servati	2011	Performance measurement system implementation using Balanced Scorecard and statistical methods.	International Journal of Productivity and Performance Management
Van Aken et al.	2005	Assessing maturity and effectiveness of enterprise performance measurement systems	International Journal of Productivity and Performance Management
Verhaelen, Mayer, Peukert & Lanza	2021	A comprehensive KPI network for the performance measurement and management in global production networks	Production engineering (Berlin, Germany)
Zarzycka & Krasodomska	2022	Non-financial key performance indicators: what determines the differences in the quality and quantity of the disclosures?	Journal of Applied Accounting Research

Appendix 7: Keyword screening

Performance	
Initial Keywords	Secondary Keywords
Performance in MNC	International Performance
Performance Measurement	Assessing Subsidiary
Key Performance Indicators in MNCs	Performance Measurement Systems
	Control Systems in MNCs
Financial Indicators	Measurement and Strategy
	Strategy to Performance
	Non-Financial KPIs in Subsidiaries
	KPI
MNC as a Network	
Initial Keywords	Secondary Keywords
MNC Networks	Performance MNC
MNC Subsidiaries	MNC Relationships
HQ-Subsidiary Relationship	Internal Networks
International Business	External Networks
MNCs in Changing Environment	Power Relations
Multinational Corporation	Power Dynamics
Subsidiary network	MNC Objective
Embeddedness	Subsidiary Objective
HQ role in MNC	Subsidiary Autonomy
MNC Capabilities	
Initial Keywords	Secondary Keywords
Capabilities	Internal Capabilities
Dynamic Capabilities	Local Capabilities
Subsidiary Autonomy	Global Capabilities
Reconfiguration	Capability Creation
Capability Development	Strategic Capabilities
Capability Assessment	Dynamic Capability Creation
RBV Capabilities	Critical Capabilities

Appendix 8: Global Interview Guide

Global Interview Guide

Network

1. Would you say that the relationships between subsidiaries are stronger vertically or horizontally (amongst subsidiaries in the APAC region or between HQ and subsidiaries in the APAC region)?
2. How do you from the HQ communicate and facilitate a strong network within the company?
3. How do you perceive the level of freedom the regions get in strategic decision making?
4. How do you balance the need for subsidiary autonomy with the need for coordination and control from the HQ?
5. How do you encourage subsidiary initiative while also ensuring that their activities align with the overall strategy set by the MNC?
6. Do you use tools to assess the relationships between subsidiaries in your region and external stakeholders? If yes, what tools are used?

Capabilities

1. How do you assess the strengths/weaknesses (capabilities) of the (Wound Care) subsidiaries in the APAC region?
2. Are you considering the capabilities individually or collectively, considering a bundle of capabilities?
3. Have the national offices been flexible toward local changes so that strengths could be utilised throughout the process?
4. How are you identifying these strengths internally?
5. How do you facilitate a communicative environment where the national managers can share these strengths amongst one another?
6. Who decides the strategies for the regions (i.e. HQ or regional)
7. Who formulate the strategies for the national markets (i.e. HQ, regional or the national managers)
8. How are you aligning these strengths/weaknesses with the strategy? or how are the strengths and weaknesses communicated so that strategies can be aligned with strengths and weaknesses?

Performance

1. How would you from an HQ perspective define good market performance for subsidiaries?
2. How would you describe a region/national office as being successful/ having good performance?
3. What are the key performance indicators (KPIs) that you use to measure sales performance in the APAC region?
4. Can you give an example of how KPIs have been used to identify areas for improvement and increase sales performance in the subsidiaries and/or ?
5. How do you determine which KPIs to use in different international subsidiaries?
6. Describe how you set targets for your KPIs. What do you base the targets on?
7. Can you describe how you track and report on these KPIs in your region?
8. How do you ensure that the KPIs are aligned with the overall business strategy and goals set by the HQ?
9. How do you ensure that the KPIs used in your region are aligned with the strategic goals set by the subsidiaries?
10. How often do you review and update the KPIs used in the company?
11. How do you ensure that the KPIs used in international subsidiaries are relevant and meaningful for the local market and culture?

12. How do you ensure that the KPIs are being used consistently and accurately across different subsidiaries?
13. Can you give an example of how KPIs have been used to identify areas for improvement and increase sales performance in your organisation?
14. Do you think the KPIs used are sufficiently adapted to the APAC region and your subsidiaries?

Appendix 9: Regional Interview Guide

Regional Interview Guide

Network

1. Describe the relationship you have with the other managers/sales subsidiaries in the region (APAC).
2. Would you say that the relationships between subsidiaries are stronger vertically or horizontally (amongst subsidiaries in the APAC region or between HQ and subsidiaries in the APAC region)?
3. How do you facilitate a strong network within your region?
4. How do you take advantage of the regional network when managing the region?
5. How do you perceive your level of freedom when making decisions for the subsidiaries within your region?
6. How do you perceive the level of control applied by HQ when making decisions for the subsidiaries within your region?
7. Do you use tools to assess the relationships between subsidiaries in your region and external stakeholders? If yes, what tools are used?

Capabilities

1. What are the overall strengths and weaknesses (capabilities) of your company within the region?
2. Have the national offices been flexible toward local changes so that strengths could be utilised throughout the process?
3. How are you identifying these strengths internally?
4. How do you facilitate a communicative environment where the national managers can share these strengths amongst one another?
5. Who decides the strategies for your region (i.e. HQ, regional or yourself)?
6. Who formulate the strategies for the national markets (i.e. HQ, regional or the national managers)?
7. How are you aligning these strengths/weaknesses with the strategy? or how are the strengths and weaknesses communicated so that strategies can be aligned with strengths and weaknesses?
8. How do you make sure that the regional strengths and weaknesses (capabilities) are aligned with the strategy of the HQ?
9. How do you communicate/report the regional capability assessment to other subsidiaries and the HQ?
10. How do you communicate the regional capabilities to HQ to influence strategic decisions?

Performance

1. How do you measure the overall market performance of the subsidiaries in your region?
2. How would you describe a region/national office as being successful/ having good performance?
3. What are the key activities that make your subsidiaries successful in your specific market?
4. What are the key performance indicators (KPIs) that you use to measure sales performance in the subsidiaries?
5. Can you give an example of how KPIs have been used to identify areas for improvement and increase sales performance in the subsidiaries?
6. What are the key performance indicators (KPIs) that you use to measure sales performance in your region?
7. Describe how you set targets for your KPIs. What do you base the targets on?
8. Can you describe how you track and report on these KPIs in your region?
9. How do you use the KPIs to identify areas for improvement and drive sales growth in your region?
10. Can you give an example of how KPIs have been used to identify areas for improvement and increase sales performance in your region?
11. How do you ensure that the KPIs used in your region are aligned with the strategic goals set by the subsidiaries?
12. How do you ensure that the KPIs used in your region are aligned with the strategic goals set by the HQ?
13. How do you prioritise and balance different KPIs when they may have competing demands or targets? Give examples.
14. Do you think the KPIs used are sufficiently adapted to your region and your subsidiaries?

Appendix 10: Local interview Guide

Local Interview Guide

Network

1. Describe your relationship you have with the other managers/sales offices in the region (APAC).
2. Would you say that the relationships between subsidiaries are stronger vertically or horizontally (amongst subsidiaries in the APAC region or between HQ and subsidiaries in the APAC region)?
3. How do you take advantage of these relationships when managing the operations in your subsidiary?
4. How do you perceive your level of freedom when making decisions for your subsidiary/subsidiaries?
5. How do you perceive the level of control applied by HQ when making decisions for your subsidiary/subsidiaries?
6. How do you build relationships with external stakeholders in order to enhance the performance of your subsidiary/subsidiaries?
7. Can you give an example of how the communication with local stakeholders contributed to the regional adaptation of your subsidiary/subsidiaries?
8. Does your subsidiary use tools to assess the relationships between your subsidiary/subsidiaries and external stakeholders? If yes, what tools are used?

Capabilities

1. What are your overall strengths and weaknesses (capabilities) considering the market you operate in?
2. Please describe your perceived level of flexibility towards market change. (How do you adapt to changing market conditions in terms of speed and quality? (dynamic capabilities)).
3. How do you assess your strengths and weaknesses (capabilities) internally?
4. Are you sharing these strengths and weaknesses (capabilities) with other subsidiaries near you? If yes, how do you share them?
5. Who decides the strategies for your subsidiary (i.e. HQ, regional or yourself)?
6. How do you make sure that your strengths and weaknesses (capabilities) are aligned with the strategy of the subsidiary?
7. How do you make sure that your strengths and weaknesses (capabilities) are aligned with the strategy of the HQ?
8. How do you communicate/report on your capability assessment to other subsidiaries and the HQ?
9. How do you communicate your capabilities to HQ to influence strategic decisions?

Performance

1. How do you measure the overall market performance of your subsidiary/subsidiaries?
2. How would you describe a subsidiary as being successful/ having good performance?
3. What are the key activities that make your subsidiary successful in your specific market?
4. What are the key performance indicators (KPIs) that you use to measure these key activities?
5. What are the key performance indicators (KPIs) that you use to measure sales performance in this subsidiary?
6. Can you give an example of how KPIs have been used to identify areas for improvement and increase sales performance in your subsidiary?
7. Describe how you set targets for your KPIs. What do you base the targets on?
8. Can you describe how you track and report on these KPIs internally in your subsidiary?
9. How do you use the KPIs to identify areas for improvement and drive sales growth in your subsidiary?
10. How do you ensure that the KPIs used in your subsidiary are aligned with the strategic goals of your subsidiary?
11. How do you ensure that the KPIs used in your subsidiary are aligned with the strategic goals set by the HQ?
12. How do you prioritise and balance different KPIs when they may have competing demands or targets? Give examples.
13. Do you think the KPIs used in your subsidiary are sufficiently adapted to your market and your subsidiary?

Appendix 11: Revised Local interview Guide

Revised Interview Guide

Network

1. Consider the APAC region, how would you describe the network constellation of subsidiaries (include communication channels, power dynamics and cooperation methods)?
2. How do you perceive the level of freedom for subsidiaries in the APAC region in terms of strategic decision making?

Capabilities

1. What sales-related capabilities are you able to identify in your subsidiary and market?
2. Would you say that these capabilities have been flexible enough to change when faced with external pressure?
3. How do you share capabilities between the markets?
4. How do you ensure that the strategies align your capabilities in your market?
5. Do you measure the development of capabilities? *If yes, how do you measure the development of capabilities?*
6. *Do you communicate the measurement to other subsidiaries and to HQ? If yes, how do you communicate the measurement? Why do you communicate the measurement?*

Performance

1. How do you measure the financial performance of your subsidiary/subsidiaries?
2. How do you measure the non-financial performance of your subsidiary/subsidiaries?
3. How would you define good performance?
4. What are the key performance indicators (KPIs) that you use to measure sales performance?
 - a. Financial KPIs
 - b. Non-Financial KPIs
5. What are the key performance indicators (KPIs) that you use to measure sales performance in this subsidiary?
6. Can you give an example of how KPIs have been used to identify areas for improvement and increase sales performance in your subsidiary?
7. Describe how you set targets for your KPIs. What do you base the targets on?
8. Can you describe how you track and report on these KPIs internally in your subsidiary?
9. How do you use the KPIs to identify areas for improvement and drive sales growth in your subsidiary?
10. How do you ensure that the KPIs used in your subsidiary are aligned with the strategic goals of your subsidiary?
11. How do you ensure that the KPIs used in your subsidiary are aligned with the strategic goals set by the HQ?
12. How do you prioritise and balance different KPIs when they may have competing demands or targets? Give examples.
13. Do you think the KPIs used in your subsidiary are sufficiently adapted to your market and your subsidiary?

Appendix 12: Profit & Loss (P&L) Statements

Country 1						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	32,42	37,47	38,86	39,85	47,23	59,21
COGS	(3,56)	(4,02)	(4,59)	(5,57)	(6,46)	(9,39)
Gross Profit	28,85	33,45	34,27	34,28	40,76	49,82
Other COGS	(1,09)	(0,37)	(0,79)	(0,57)	(0,98)	(1,59)
Gross Contribution	27,77	33,09	33,48	33,71	39,79	48,23
Marketing	(10,47)	(11,07)	(10,51)	(12,77)	(13,34)	(15,12)
Market Administration	(5,00)	(5,16)	(6,24)	(7,96)	(10,38)	(13,54)
Operating Expenses	(15,48)	(16,23)	(16,75)	(20,73)	(23,73)	(28,65)
EBITDA	12,39	17,34	17,26	13,44	16,81	20,64
HQ Distributed Costs	(1,24)	(1,73)	(1,73)	(1,34)	(1,68)	(2,06)
Market EBITDA	11,15	15,61	15,53	12,10	15,13	18,58
Depreciation	(0,10)	(0,49)	(0,53)	(0,46)	(0,75)	(1,06)
EBITA	12,29	16,85	16,73	12,98	16,06	19,58
CapEx	0,23	0,12	0,07	0,25	0,50	0,08
WC-Change	4,02	7,82	3,33	3,69	5,26	5,29
Operating Cashflow (internal)	8,14	9,40	13,86	9,50	11,05	15,27

Country 2						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	5,27	6,71	6,16	7,27	8,85	10,06
COGS	(0,86)	(1,09)	(1,03)	(1,20)	(1,52)	(1,64)
Gross Profit	4,42	5,61	5,12	6,07	7,33	8,42
Other COGS	(0,37)	(0,42)	(0,58)	(0,47)	(0,30)	(0,57)
Gross Contribution	4,05	5,19	4,55	5,61	7,03	7,84
Marketing	(0,39)	(0,47)	(0,45)	(0,50)	(0,54)	(0,87)
Market Administration	(0,33)	(0,52)	(0,56)	(0,66)	(0,77)	(0,88)
Operating Expenses	(0,72)	(0,99)	(1,00)	(1,16)	(1,31)	(1,75)
EBITDA	3,33	4,25	3,60	4,49	5,77	6,17
HQ Distributed Costs	(0,33)	(0,43)	(0,36)	(0,45)	(0,58)	(0,62)
Market EBITDA	3,00	3,83	3,24	4,04	5,19	5,56
Depreciation	(0,01)	(0,05)	(0,05)	(0,05)	(0,04)	(0,08)
EBITA	3,32	4,20	3,54	4,44	5,72	6,09
CapEx	0,05	-	-	0,01	-	-
WC-Change	3,11	0,43	(0,67)	0,97	1,43	1,40
Operating Cashflow (internal)	0,17	3,82	4,26	3,51	4,34	4,77

Country 3						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	9,43	10,65	10,99	11,60	12,28	15,57
COGS	(1,00)	(1,06)	(0,97)	(1,00)	(1,22)	(1,85)
Gross Profit	8,43	9,59	10,03	10,60	11,06	13,72
Other COGS	(0,53)	(0,60)	(0,62)	(0,63)	(0,69)	(0,96)
Gross Contribution	7,90	8,99	9,41	9,97	10,37	12,76
Marketing	(3,62)	(3,52)	(2,98)	(2,84)	(2,43)	(3,20)
Market Administration	(1,84)	(1,93)	(2,04)	(1,87)	(2,80)	(3,44)
Operating Expenses	(5,46)	(5,45)	(5,02)	(4,71)	(5,23)	(6,64)
EBITDA	2,49	3,81	4,59	5,42	5,34	6,28
HQ Distributed Costs	(0,25)	(0,38)	(0,46)	(0,54)	(0,53)	(0,63)
Market EBITDA	2,24	3,43	4,14	4,87	4,80	5,65
Depreciation	(0,05)	(0,28)	(0,21)	(0,16)	(0,20)	(0,16)
EBITA	2,44	3,54	4,39	5,25	5,14	6,12
CapEx	0,03	0,03	0,03	0,03	0,01	-
WC-Change	3,82	1,91	(0,10)	2,10	0,85	1,97
Operating Cashflow (internal)	(1,36)	1,88	4,66	3,28	4,48	4,31

Country 4						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	11,11	12,59	15,98	20,47	25,18	28,76
COGS	(2,30)	(2,34)	(3,04)	(4,31)	(6,02)	(8,06)
Gross Profit	8,80	10,25	12,93	16,16	19,16	20,70
Other COGS	(0,00)	(0,21)	(0,01)	(0,31)	(0,62)	(0,34)
Gross Contribution	8,80	10,04	12,93	15,85	18,54	20,37
Marketing	(0,93)	(0,93)	(1,31)	(1,64)	(1,13)	(1,76)
Market Administration	(1,17)	(1,42)	(1,36)	(1,50)	(2,07)	(2,48)
Operating Expenses	(2,10)	(2,36)	(2,67)	(3,14)	(3,20)	(4,25)
EBITDA	6,73	7,83	10,41	12,88	15,55	16,33
HQ Distributed Costs	(0,67)	(0,78)	(1,04)	(1,29)	(1,56)	(1,63)
Market EBITDA	6,06	7,05	9,37	11,59	14,00	14,69
Depreciation	(0,03)	(0,15)	(0,16)	(0,17)	(0,22)	(0,21)
EBITA	6,70	7,69	10,26	12,71	15,34	16,12
CapEx	0,10	0,06	0,21	-	0,02	-
WC-Change	2,58	1,18	3,50	2,75	1,16	4,39
Operating Cashflow (internal)	4,05	6,59	6,71	10,13	14,38	11,94

Country 5						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	1,75	2,44	1,84	3,28	3,07	5,73
COGS	(0,27)	(0,37)	(0,27)	(0,47)	(0,45)	(0,85)
Gross Profit	1,48	2,07	1,57	2,82	2,63	4,87
Other COGS	(0,30)	(0,45)	(0,50)	(0,48)	(0,68)	(1,14)
Gross Contribution	1,18	1,62	1,07	2,34	1,94	3,74
Marketing	(0,39)	(0,53)	(0,52)	(0,72)	(1,26)	(1,11)
Market Administration	(0,51)	(0,61)	(0,65)	(0,75)	(0,94)	(1,19)
Operating Expenses	(0,90)	(1,14)	(1,17)	(1,47)	(2,20)	(2,30)
EBITDA	0,28	0,50	(0,08)	0,91	(0,20)	1,52
HQ Distributed Costs	(0,03)	(0,05)	(0,01)	(0,09)	(0,02)	(0,15)
Market EBITDA	0,25	0,45	(0,09)	0,82	(0,22)	1,37
Depreciation	-	(0,02)	(0,02)	(0,04)	(0,05)	(0,09)
EBITA	0,28	0,47	(0,10)	0,87	(0,26)	1,43
CapEx	-	0,02	0,01	0,05	0,04	0,08
WC-Change	0,50	0,42	0,38	(0,19)	0,83	(0,12)
Operating Cashflow (internal)	(0,22)	0,06	(0,48)	1,05	(1,07)	1,56

Country 6						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	0,67	0,89	0,94	1,10	1,26	1,63
COGS	(0,15)	(0,17)	(0,16)	(0,17)	(0,22)	(0,27)
Gross Profit	0,52	0,72	0,79	0,93	1,05	1,36
Other COGS	(0,06)	(0,09)	(0,10)	(0,14)	(0,20)	(0,20)
Gross Contribution	0,46	0,63	0,69	0,79	0,85	1,16
Marketing	(0,28)	(0,26)	(0,23)	(0,24)	(0,28)	(0,34)
Market Administration	(0,20)	(0,16)	(0,18)	(0,16)	(0,16)	(0,21)
Operating Expenses	(0,49)	(0,42)	(0,41)	(0,41)	(0,44)	(0,54)
EBITDA	(0,01)	0,24	0,31	0,41	0,42	0,63
HQ Distributed Costs	(0,00)	(0,02)	(0,03)	(0,04)	(0,04)	(0,06)
Market EBITDA	(0,01)	0,21	0,28	0,36	0,38	0,57
Depreciation	(0,01)	(0,03)	(0,03)	(0,02)	(0,01)	(0,02)
EBITA	(0,02)	0,21	0,28	0,38	0,41	0,61
CapEx	-	-	0,00	0,01	0,04	0,00
WC-Change	0,23	0,17	0,06	0,04	0,36	0,14
Operating Cashflow (internal)	(0,24)	0,07	0,24	0,36	0,03	0,49

Country 7						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	5,63	5,16	5,18	6,21	6,69	8,00
COGS	(0,88)	(0,80)	(0,76)	(0,87)	(0,98)	(1,13)
Gross Profit	4,74	4,36	4,42	5,34	5,70	6,87
Other COGS	(0,61)	(0,37)	(0,31)	(0,30)	(0,31)	(0,39)
Gross Contribution	4,14	3,99	4,11	5,04	5,40	6,48
Marketing	(1,98)	(1,85)	(1,49)	(1,52)	(0,97)	(1,49)
Market Administration	(1,09)	(1,08)	(0,04)	(0,23)	(0,45)	(0,59)
Operating Expenses	(3,07)	(2,93)	(1,53)	(1,75)	(1,42)	(2,08)
EBITDA	1,10	1,17	2,68	3,39	4,05	4,48
HQ Distributed Costs	0,11	(0,12)	(0,27)	(0,34)	(0,41)	(0,45)
Market EBITDA	1,21	1,05	2,41	3,05	3,65	4,03
Depreciation	(0,03)	(0,11)	(0,10)	(0,10)	(0,07)	(0,08)
EBITA	1,07	1,06	2,58	3,29	3,98	4,40
CapEx	0,00	-	0,02	0,06	0,04	-
WC-Change	1,06	0,05	0,70	0,78	0,84	0,85
Operating Cashflow (internal)	0,03	1,12	1,96	2,54	3,17	3,63

Country 8						
	2018	2019	2020	2021	2022	2023 (FY)
Revenue	1,32	2,99	2,69	3,48	4,65	6,06
COGS	(0,25)	(0,50)	(0,23)	(0,29)	(0,46)	(0,64)
Gross Profit	1,07	2,49	2,47	3,20	4,18	5,41
Other COGS	(0,13)	(0,45)	(0,30)	(0,39)	(0,41)	(0,52)
Gross Contribution	0,94	2,04	2,17	2,80	3,77	4,90
Marketing	(0,41)	(0,86)	(1,16)	(1,30)	(1,59)	(2,16)
Market Administration	(0,20)	(0,59)	(0,45)	(0,53)	(0,87)	(1,23)
Operating Expenses	(0,61)	(1,45)	(1,62)	(1,84)	(2,46)	(3,39)
EBITDA	0,33	0,61	0,60	1,07	1,38	1,58
HQ Distributed Costs	0,03	(0,06)	(0,06)	(0,11)	(0,14)	(0,16)
Market EBITDA	0,37	0,55	0,54	0,96	1,24	1,42
Depreciation	(0,01)	(0,02)	(0,05)	(0,10)	(0,07)	(0,07)
EBITA	0,33	0,59	0,55	0,97	1,31	1,51
CapEx	0,05	0,09	0,01	0,01	0,03	0,03
WC-Change	1,04	0,45	0,15	(0,01)	0,66	0,48
Operating Cashflow (internal)	(0,76)	0,08	0,45	1,07	0,68	1,07