

## Foreword

In International Business (IB) and International Management (IM) literature headquarters-subsidary relationships have been an important topic for many decades. In some publications they are analyzed from the perspective of the hierarchically structured MNC, in other publications they are studied from the perspective of the network MNC. It is surprising, however, that the literature on headquarters-subsidary relationships has not taken a central question into account: How are MNC subsidiaries evaluated when it comes to their performance, and does the role of a subsidiary have an influence on performance evaluation? The present contribution by Katharina Kretschmer aims at filling this gap.

The research on which this publication is based is part of the research programme at my department which is devoted to exploring the management of foreign subsidiaries. Katharina Kretschmer shares the assumption that foreign subsidiaries can play various roles within the MNC. She uses the prominent typologies by Bartlett/Ghoshal and Gupta/Govindarajan to establish the link between the role of an MNC subsidiary and the way performance evaluation is carried out. To accomplish her objectives, Katharina Kretschmer develops a systematic conceptual framework on different components of performance evaluation. She formulates theoretically grounded propositions which are, later on, confronted with empirical data.

By using a case study approach, involving two German MNCs in a transnational industry, Katharina Kretschmer's contribution is manifold. First, unlike many other authors in the subsidiary role typology field within IB/IM research, Katharina Kretschmer studies various subsidiaries within MNCs (instead of analyzing subsidiaries across MNCs). Second, Katharina Kretschmer succeeds in finding empirical evidence for the fact that subsidiaries within an MNC are indeed having various roles. Third, the research carried out confirms that the role of a subsidiary can have an influence on the performance evaluation.

The contribution of the current research is also highly relevant for management practice. While it was discovered during the research process that MNC subsidiaries have various roles and hence are also evaluated differently, managers did not always actively and deliberately use the differentiation potential. Instead, there is still reason to believe that some elements of performance evaluation are not fully linked to the role a subsidiary has. In other words: In the future, MNC top-management could benefit from even more considering the relationship between the subsidiary role and the related consequences. Good parents know that their children may differ, and hence they approach them differently. The same holds true for MNCs: Headquarters

should not treat all subsidiaries alike – also when it comes to performance evaluation.

I am sure that, given its high relevance, its obvious quality, and its innovativeness, the work by Katharina Kretschmer will not only influence future research in the IB/IM field, but can also be very valuable for management practice.

Berlin, July 2008

Stefan Schmid

## Preface

This thesis has been accepted as Ph.D.-Thesis at the ESCP-EAP European School of Management Berlin in 2007. Only minor formal corrections have been made for this publication. The thesis has been written during my work as research and teaching assistant at the Chair of International Management and Strategic Management at ESCP-EAP Berlin. I would like to use this preface to thank all persons who accompanied and supported this project.

First of all, I would like to express my gratitude to my academic teacher and "Doktorvater" Prof. Dr. Stefan Schmid. He was always available and approachable as a discussion partner, provided fruitful ideas and came up with the right comments at the right time. By asking the relevant questions he guided this project into the right direction. Prof. Schmid did not only supervise my dissertation project, but constantly exemplified enthusiasm and joy to do research and teach students through his own life. Thereby, he inspired me throughout my exciting and instructive years at the Chair of International Management and Strategic Management. Thanks a lot!

I am also much obliged to Prof. Dr. Michael-Jörg Oesterle who did not hesitate to act as second reviewer for my thesis. He already influenced the first milestones of this project when commenting my presentation at our joint doctoral colloquium. Prof. Oesterle provided helpful comments and was always concerned that the wood remained visible despite for all the trees. Thank you very much!

The empirical part of this thesis is based on case studies with two multinational corporations. I am grateful for the support and energy the responsible persons put into this project. I would like to thank every single interview partner who took the time for lengthy and detailed discussions. Thank you for supporting this academic research project! Without these discussions the important and very interesting insights into how subsidiaries are evaluated in management practice would not have been possible. Conducting the interviews required a significant amount of travel which, of course, beared cost. The "Förderverein Kurt Fordan" provided me with a generous scholarship which made it possible to design the empirical research in an optimal way. For this and the opportunity to be part of a special network of entrepreneurial young people, I would like to express my gratitude to Kurt Fordan.

In addition, I would like to thank my fellow research and teaching assistants who supported me extensively in a number of ways: On the one hand, they took over my duties and responsibilities at the Chair of International Management and Strategic Management so that I could spend half a year working exclusively on my thesis. On the other hand, they provided me with helpful comments and ideas for my own

research. Furthermore, they revised selected chapters of this thesis with patience and attention so that Prof. Schmid's (very high) demands concerning structure and formal requirements could be met. My thanks go to: Dipl.-Psych. Andrea Daniel, Dipl.-Kffr. Julia Maurer, Dr. Matthias Daub, Dipl.-Kfm. Mario Machulik, Dipl.-Kffr. Monika Dammer, Dipl.-Kfm. Philipp Grosche, Dipl.-Kffm. Stephan Schulze, Dipl.-Kffr. Swantje Hartmann and Dipl.-Kfm. Thomas Kotulla. In this respect, I would also like to thank Renate Ramlau and Dipl.-Kffr. Bernadette Müller for their support!

Input regarding structure, form and content is not sufficient to finalize a thesis: The required motivation and persistency were triggered by my family, partner and friends who accompanied my challenging journey called "Ph.D.-thesis". Special thanks go to my parents who were sceptical about this project at first, but then supported it in all respects and with all possible efforts. They provided the necessary backing and support for this project to become a success. This thesis is dedicated to my parents and grandparents.

Bonn, July 2008

Katharina Kretschmer