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Enabling or Coercive? A Comparative Study of How Finance Managers at Subsidiaries in Indonesia Perceive Headquarters' Management Controls

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Abstract

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Purpose: This study aims to explore how finance managers in Indonesian subsidiaries perceive management control systems implemented by headquarters, based on an understanding of how these controls are designed and used. The study also examines how institutional duality shapes these perceptions within headquarters–subsidiary interactions.

Methodology: The thesis adopts a qualitative research design based on semi-structured interviews. The empirical material consists of interviews with finance managers from Indonesian subsidiaries of four multinational companies, headquartered in the France, UK and China. The data are analysed through a case-based comparison to examine how subsidiary finance managers perceive headquarters controls across different headquarters–subsidiary contexts.

Theoretical perspectives: The thesis draws on the enabling and coercive control framework as its primary theoretical foundation. The levers of control framework is used to structure the analysis of headquarters management control systems. The study treats employees' perceptions of control as an important element of understanding how management controls are implemented. Institutional duality is further used to explore how perceptions are shaped in the Indonesian context. Together, we develop an integrated framework for analysing how headquarters controls are perceived by subsidiary finance managers in practice.

Empirical foundation: The empirical foundation consists of four multinational companies with seven interviewees from Indonesian subsidiaries. The interviewees are finance managers or finance-related roles who engage directly with headquarters control systems in their daily work. This setting provides first-hand insights into how headquarters controls are perceived by subsidiary finance managers within the Indonesian context.

Conclusions: Management control systems implemented by headquarters are rarely perceived as purely enabling or coercive. Enabling and coercive elements often coexist within the same lever of control. Subsidiary finance managers' perceptions are shaped by the design and practical use of controls, the presence of enabling features, and the extent to which the controls align with the local institutional environment and business context.

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1 Introduction

1.1 Background

The multinational company (MNC) is conceptualized as an interorganizational network of exchange relationships among different units, including the headquarters and its national subsidiaries (Ghoshal & Bartlett, 1990). As suggested by Ghoshal and Bartlett (1990), MNCs are “physical dispersed in environmental settings that represent very different economic, social, and cultural milieus (Fayerweather, 1978; Hofstede, 1980; Robock, Simmons, & Zwick, 1977); are internally differentiated in complex ways to respond to both environmental and organizational differences in different businesses, functions, and geographic locations” (p. 604). In the contemporary global landscape, MNCs have undergone a significant transformation in the mechanisms they utilize to achieve economic success (Dossi & Patelli, 2010). In previous research, Ghoshal (1986) argues that subsidiary initiatives can be focused either on local market opportunities (‘local for local innovations’), or on global market opportunities (‘local for global’ or ‘global for global’ innovations). Birkinshaw (1997) further elaborates that initiatives can be internally focused from existing activities or the promotion of new ones. The subsidiary has the potential to enhance the local responsiveness, global integration, and worldwide learning capabilities of the MNC. Consequently, local subsidiaries are no longer perceived merely as passive implementers of assignments delivered from the center but are recognized as active contributors to the development of firm-specific advantages.

The roles of subsidiaries are dynamic and evolve over time through a combination of headquarters mandates and local initiatives. This allows subsidiaries to develop specialized competencies within their specific environments, creating unique knowledge that eventually benefits the broader multinational organization. Rugman and Verbeke (2001) further support this by arguing that subsidiaries often possess subsidiary specific advantages that are distinct from the firm specific advantages held by headquarters. These advantages allow subsidiaries to respond more effectively to local market demands and develop into entrepreneurial actors in their own right.

Despite increased autonomy, subsidiaries remain embedded in a state of organizational interdependence where their actions must align with global corporate objectives. This creates a unique challenge known as institutional duality, where the subsidiary is simultaneously confronted with competing institutional pressures (Kostova & Roth, 2002). As they argue, a foreign subsidiary must maintain legitimacy in two distinct domains: the host country environment and the internal environment of the parent firm.

To navigate this duality and leverage the potential of dispersed operations, headquarters employ coordination mechanisms to ensure that local pro-activeness does not lead to strategic fragmentation. Central to these mechanisms is the implementation of management control systems (MCSs), which serve as the primary tools for steering employee behaviour and decisions to be consistent with the organizational objectives and strategies, consequently achieving its goal

(Merchant & Van der Stede, 2007). When functioning effectively, these systems provide critical benefits such as goal congruence, improved resource allocation, and a standardized framework for measuring performance across diverse regions. While these systems are traditionally viewed through their technical design, recent literature has begun to emphasize how they are subjectively perceived by the individual actors who use them (Tessier & Otley, 2012).

1.2 Problematization

While management control systems are theoretically designed to shape employee behaviour and facilitate global goals, their practical realization within MNCs is frequently characterized by strategic friction between headquarters and subsidiaries. This problem is uniquely salient within their interactions because subsidiary managers operate under a state of institutional duality, where the subsidiary must balance headquarters requirements against the host country local legitimacy (Kostova & Roth, 2002). Ahworegba et al. (2020) describes this as a condition where simultaneous pressures to follow both headquarters and the host environment create challenges for subsidiaries seeking acceptance in both locations. The host country environment exerts pressures through its regulatory, normative, and cognitive institutional pillars, while headquarters demands internal consistency and strategic alignment across the entire network. This duality is intensified because MCSs are not neutral tools; they carry specific normative values from headquarters that become embedded within the local context (Cruz et al., 2011). As Malmi et al., (2020) highlight, cultural region is an important factor associated with whether and how MCSs form interdependent systems. Because control practices are connected to regional cultures, global MCSs cannot simply be applied to a subsidiary at face value. Consequently, these global systems must undergo a process of localization where managers reshape corporate mandates to fit specific local regulatory and social pillars.

Beyond these structural complexities, the core research tension lies in the black box of subjective interpretation: while the technical design of a control is visible, how a manager actually perceives that design remains conceptually hidden (Tessier & Otley, 2012). Enabling and coercive are generally viewed as the dual role of controls: enabling controls promote creativity and flexibility, while coercive controls emphasize constraints and restrictions (Tessier & Otley, 2012; Mundy, 2010). This gap between managerial intent and local perception could transform MCSs from a coordination tool into a primary source of role conflict (Schmid & Daniel, 2011). The problem is not merely a lack of technical fit, but a deeper cognitive friction where a system intended by headquarters to be enabling is subjectively experienced by the subsidiary as coercive.

In practice, this misalignment creates a significant organizational risk: when controls are perceived as coercive, the intended benefits of goal congruence are replaced by dysfunctional coping mechanisms. Local managers may respond by creating budgetary slack (making goals easier to hit) or prioritizing short-term results over long-term achievements (Van Der Stede, 2000). Ultimately, this subjective interpretation can inadvertently undermine the global integration MNCs

seeks to achieve, making the understanding of individual perception critical for organizational success.

1.3 Purpose and research questions

Despite important insights into the power of perception, most existing literature remains focused on the formal design of control systems at the headquarters level. Consequently, there is a scarcity of research regarding the subjective experiences of subsidiary finance managers who are responsible for navigating complex organizational pressures. Although headquarters is responsible for defining the structural context, the actual contribution of a subsidiary to the MNC depends on the actions taken by subsidiary managers. This study addresses the empirical gap by exploring these mechanisms among senior finance professionals. As [Dossi and Patelli \(2010\)](#) suggest, investigating these perceptions is essential to ensure that global controls facilitate dialogue rather than serving as bureaucratic hurdles. Building on this insight, the study shifts attention to the subsidiary level by focusing on how finance managers interpret headquarters controls in practice. To fulfill the research purpose, this study is guided by two primary research questions that bridge the gap between organizational design, individual perception, and the influence of institutional duality.

The first question focuses on the descriptive aspect of controls, asking subsidiary finance managers how MCSs are designed and presented. This provides the necessary foundation to address the second and more evaluative question, which investigates how they perceive these controls as enabling or coercive, and how these perceptions are influenced by institutional duality inherent in these interactions. By integrating these two perspectives, the research aims to uncover how headquarters MCSs are experienced and perceived at the subsidiary level.

***RQ1** How do subsidiary finance managers interpret the design and use of management controls implemented by headquarters?*

***RQ2** Do subsidiary finance managers perceive these controls as enabling or coercive, and in what ways does institutional duality influence these perceptions?*

1.4 Outline

The thesis is structured as follows: Chapter 2 presents the theoretical framework, which provides the foundation for analyzing the design, use, and perception of MCSs. Chapter 3 describes the qualitative methodology, including the multi-case study design and the justification for the selected cases. Chapter 4 presents the empirical findings gathered through semi-structured interviews with subsidiary finance managers. Chapter 5 discusses these findings in relation to the theoretical framework and presents the study's contributions, limitations, and avenues for further research. Finally, Chapter 6 provides a concluding summary of the thesis.

2 Theoretical framework

2.1 Enabling and coercive MCSs

The concept of enabling and coercive MCSs builds on the framework of enabling and coercive formalization developed by [Adler and Borys \(1996\)](#). In their study of workflow formalization, they distinguish between two types of formalization: enabling and coercive. Enabling formalization refers to rules and systems that help employees structure, refine and steer their work processes. In contrast, coercive formalization refers to rules and systems designed to force compliance with pre-specified standards and restrict employee discretion ([Adler & Borys, 1996](#); [Ahrens & Chapman, 2004](#)).

[Adler and Borys \(1996\)](#) describe four features that delineate coercive versus enabling systems: repair, internal transparency, global transparency, and flexibility. Repair refers to whether organizational members are authorized to deal with unexpected breakdowns and identify opportunities for improvement independently ([Wouters & Wilderom, 2008](#)). A high degree of repair signals trust in employees' judgement and capability, while low repair signals that problem-solving and decision-making remain largely centralized. Internal transparency refers to employees' understanding of the logic underlying specific procedures or systems ([Jordan & Messner, 2012](#)). Global transparency refers to the extent to which employees understand the organizational strategy and operations ([Jordan & Messner, 2012](#)), and how their work fits into the organization as a whole ([O'Grady, 2019](#)). Flexibility relates to employees' ability to adapt and modify the use of formalized systems ([Ahrens & Chapman, 2004](#)). High flexibility provides employees with autonomy in dealing with contingencies.

[Ahrens and Chapman \(2004\)](#) were among the first to translate the framework of enabling and coercive formalization into the context of MCSs. Their study of a restaurant chain finds that enabling and coercive elements of control can coexist within the same organizational context and illustrates how management pursue the objectives of efficiency and flexibility by using MCSs in enabling ways. Subsequent studies have extended this framework to different empirical settings and further developed its relevance for MCS research. [Free \(2007\)](#), for example, applies the framework to supply-chain accounting and finds that the enabling or coercive effects of accounting practices depend on how they are used and embedded in supply chain relationships. [Jørgensen and Messner \(2009\)](#) extend the enabling and coercive analysis to the context of new product development, showing that formal controls can be enabling rather than coercive when they allow flexibility, repair, and local adaptation.

These studies suggest that MCSs should not be treated as inherently enabling or coercive. A more nuanced approach views management controls as existing along a continuum from coercive to enabling ([O'Grady, 2019](#)). The extent to which a control system is enabling or coercive can be assessed by positioning the four dimensions of repair, internal transparency, global transparency, and flexibility along the continuum ([Burney et al., 2017](#)).

Taken together, the enabling and coercive framework provides the primary theoretical foundation for understanding how MCSs can be designed and used in more enabling or coercive ways. To apply this framework, it is necessary to clarify how management control systems are conceptualized in this thesis. The following section therefore discusses the meaning and role of MCSs.

2.2 Management Control Systems

MCS is a broad concept with various understandings and definitions existing in academic literature. [Simons \(1995\)](#) conceptualizes MCSs as “formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities” (p. 5). Other scholars adopt a broader view, describing MCSs as the devices or systems managers use to influence employees’ behavior and achieve goal congruence ([Merchant & Van der Stede, 2007](#)). [Chenhall \(2003\)](#) shifts attention to the decision-making support function, emphasizing how management accounting practices and other controls assist managers in navigating complexity and uncertainty. More recently, [Malmi and Brown \(2008\)](#) conceptualize MCSs as a package of controls that operate together to ensure that employees’ behavior and decisions align with organizational objectives and strategies. Taken together, these perspectives suggest that MCSs can be understood as mechanisms designed to guide behavior, support decision-making, and achieve strategic alignment. In multinational contexts, MCSs are particularly important because headquarters rely on different controls to ensure that local decisions remain aligned with organizational goals ([Sageder & Feldbauer-Durstmüller, 2019](#)), while allowing room for subsidiary autonomy and local responsiveness.

In this study, MCSs are understood in terms of [Simons’ \(1995\)](#) levers of control (LOC) framework. The LOC framework is appropriate because it provides a structured way to identify and categorize the different types of controls implemented by headquarters. Importantly, the LOC framework emphasizes not only the formal design of control systems, but also how different controls are used in practice. [Simons \(1995\)](#) identifies four levers of control: beliefs systems, boundary systems, diagnostic control systems, and interactive control systems. Beliefs systems are the explicit set of organizational definitions that communicate the company’s values and motivate employee actions consistent with those values ([Simons, 1995](#)). Boundary systems define the limits of acceptable behavior by delineating the domain of activity and specifying risks to be avoided ([Simons, 1995](#)). Diagnostic control systems are formal information systems that managers use to monitor organizational outcomes and correct deviations to ensure the achievement of organizational objectives ([Simons, 1995](#)). Interactive control systems refer to formal information systems that managers use to engage regularly in the decision-making activities of subordinates ([Simons, 1995](#)).

The LOC framework is also useful as it recognizes that the four levers create both positive and negative forces ([Simons, 1995](#)). Beliefs systems and interactive control systems act as positive forces that promote learning, opportunity-seeking and autonomy, while boundary systems and diagnostic control systems act as negative forces that emphasize constraint, accountability and efficiency ([Simons, 1995](#)). However, this distinction remains somewhat static and should not be

interpreted as fixed properties of specific control levers. Rather, each lever of control may operate in more enabling or coercive ways, depending on its specific design, use, and organizational context (Mundy, 2010).

Therefore, the study integrates the enabling and coercive framework with the LOC framework. Within this approach, the LOC framework provides the conceptual categories of controls under analysis, while the enabling and coercive framework provides the analytical lens for examining how these controls may support or constrain subsidiary finance managers. The following sections therefore examine beliefs, boundary, diagnostic control, and interactive control systems individually, focusing on how each lever of control may be designed and used in more enabling or coercive ways in practice.

2.2.1 Enabling design and use of controls

Beliefs and interactive control systems create positive, inspirational forces (Simons, 1995) and are more closely associated with enabling functions.

Beliefs systems facilitate the communication of core values and organizational direction, thereby guiding employee behavior in line with organizational strategy (Mundy, 2010). Beliefs systems are likely to support managers to better manage their work through multiple mechanisms. First, core values provide a relatively stable reference point for organizational members to make judgments aligned with strategic goals (Bedford, 2015; Mundy, 2010). In addition to guiding decision-making, shared values also provide a common basis for understanding and promoting information among organization members (Bedford, 2015). Both mechanisms rely on transparency, through which organizational values and strategic objectives become visible and understandable across the organization. This enabling role may be particularly relevant in multinational contexts, where geographical dispersion and environmental uncertainty increase the need for shared interpretive frameworks. When subsidiary employees clearly understand organizational values, these shared beliefs could serve as guidelines for dealing with uncertainties and contingencies.

Interactive systems are designed to promote dialogue, information exchange, and learning (Widener, 2007). Through open discussion, organizational members are encouraged to share insights, and senior managers remain aware of local knowledge, emerging uncertainties, and strategic opportunities (Mundy, 2010). Ongoing communication contributes to greater transparency, making information and strategic concerns more visible across organizational levels. Open dialogue enhances flexibility by creating space for explanation, feedback, and learning. Together, these features can help employees stay informed and better manage their work. In multinational companies, interactive control systems are more likely to support subsidiary operations when they enable open and two-way communication, allowing local challenges to be communicated upward and enabling headquarters to support local operations. Thus, interactive control systems may function as enabling mechanisms when used in a supportive, participative, and learning-oriented way.

While boundary systems and diagnostic control systems are typically viewed as negative forces that constrain employee behavior, they can also serve enabling functions depending on how they are designed and used in practice.

Boundary systems describe what actions are acceptable and what risks should be avoided. When clearly defined and appropriately balanced, they reduce ambiguity and guide employees' decision-making in contexts of uncertainty. In addition, codes of conduct are often valued by organizational participants, especially lower- and middle-level managers as these codes protect them against inappropriate pressure from direct superiors to engage in conduct that violates personal standards (Simons, 1995). Thus, boundary systems are likely to be enabling when they offer guidance and protection rather than merely imposing restrictions.

Recent studies have explored the enabling use of diagnostic controls. Free (2007) finds that jointly developed performance measurement systems and the flexible use of accounting data enhance operational process transparency and support problem-solving. Jordan and Messner (2012) find that incomplete performance indicators can support employees' work when used pragmatically for discussion and long-term improvement, rather than as rigid tools for short-term evaluation. Wouters and Wilderom (2008) investigate the enabling use of performance management systems, and show that building on employees' managerial skills, competencies, and experience promotes their enabling nature. Taken together, these studies suggest that diagnostic control systems can become enabling when performance measures are used in a pragmatic way rather than as strict compliance with preset targets. Such use enhances transparency, encourages flexible interpretation, and supports problem-solving.

2.2.2 Coercive design and use of controls

While the previous section examined the enabling function of MCSs, the same levers can also be designed and used in ways that constrain employee action. When controls lack transparency, flexibility and opportunities for repair, or when controls emphasize compliance, monitoring, and punishment, they may operate in coercive ways.

Boundary systems are usually designed in negative terms or as minimum standards dictate the actions what subordinates should avoid (Simons, 1995; Widener, 2007). By communicating what activities are acceptable and what are considered off-limits, boundary systems aim to reduce risk by constraining strategically undesirable behaviours and preventing the misallocation of organizational resources (Mundy, 2010; Tuomela, 2005). When boundary systems are overly detailed, rigid or non-negotiable, these rules may discourage employees from taking innovative activities or experimentation outside predefined domains, thereby limiting quick responsiveness to emerging opportunities. Conversely, when boundary systems are ambiguous, they may fail to provide clear guidance, potentially leading to confusion and inefficiencies. Thus, boundary systems may become coercive when they either over-constrain employee discretion or fail to provide sufficient clarity for action.

Diagnostic control systems are used by senior managers to identify negative variances and correct employees' actions. Yet over-emphasizing diagnostic mechanisms redirects organizational attention toward minimizing performance deviations and constrains employee behaviours through tightly specified performance targets (Mundy, 2010). Under such conditions, employees may have limited flexibility to explain local conditions and question underlying assumptions. The coercive effect is reinforced by their close linkage to formal incentive systems. Employees are incentivized to prioritize compliance with predefined metrics rather than engage in experimentation or the discovery of new knowledge (Simons, 1995). In geographically dispersed organizations, standardized performance measurements allow headquarters to monitor subsidiaries at a distance, it may constrain subsidiary autonomy when local conditions are not adequately reflected in preset targets. Taken together, diagnostic control systems operate as negative feedback systems when their use prioritizes target compliance, variance correction and accountability over transparency, reflection, and adaptation.

Beliefs systems and interactive control systems are usually described as positive forces, but they may also exhibit coercive elements, particularly in multinational contexts. Beliefs systems are often designed in a globally standardized way to ensure organizational cohesion. However, when values are presented as universal and non-negotiable, they may limit local interpretation and adaptation. Chang and Lin (2015) similarly suggest that tightly controlled cultures, characterized by serious work attitudes, adherence to standard processes, and restrained forms of individual behaviour, may constrain employees' knowledge-related activities. As a result, subsidiary employees may engage in symbolic compliance rather than genuine internalization.

Similarly, interactive control systems may take on coercive elements when they are tightly structured and dominated by headquarters. Under such conditions, formal meetings operate as platforms for headquarters to implement micromanagement. Subsidiaries are in a relatively weak position, unable to communicate local information effectively or seek support proactively. In this way, interaction control systems become one-way reporting mechanisms rather than platforms for mutual learning and open discussion.

Based on the enabling and coercive framework and structured through Simons' (1995) levers of control, Table 1 operationalizes enabling and coercive controls by showing how each lever of control may be designed and used in more enabling or coercive ways. It thereby provides an analytical framework for examining how subsidiary finance managers perceive headquarters controls in practice.

Table 1. Operationalizing enabling and coercive controls through the LOC framework (Authors, 2025)

Lever of control	Positive or negative force (Based on Simons' LOC)	Enabling conditions	Coercive conditions
Beliefs systems	Positive force	Beliefs are communicated clearly, consistently, supporting shared understanding of organizational direction and guiding local decision-making.	Beliefs are presented as universal or non-negotiable, thereby limiting local interpretation and encouraging symbolic adoption rather than genuine commitment.
Boundary systems	Negative force	Boundaries are clearly defined, reducing ambiguity and protecting managers from inappropriate or risky actions.	Boundaries are either overly rigid or insufficiently clear, thereby restricting local adaptation or creating uncertainty in decision-making.
Diagnostic control systems	Negative force	Performance metrics are used pragmatically to enhance internal and global transparency, support the interpretation of deviations, and facilitate problem-solving and learning.	Performance metrics are closely linked to evaluation and incentives, and used mainly for variance correction, compliance, and accountability, thereby reducing flexibility and learning.
Interactive control systems	Positive force	Dialogue is open and participative, helping organizational members share information, address operational challenges, and respond to emerging opportunities.	Interaction is dominated by headquarters and becomes one-way reporting or scrutiny, reducing openness and turning dialogue into top-down control.

2.3 Perception of management controls

Organizational members' perceptions are widely recognized as an important factor shaping their attitudes, behaviour and task performance (Mahama & Cheng, 2013; van Triest et al., 2023). Perception can be understood as a cognitive process through which individuals acquire, interpret and organize information about events and objects in their environment, thereby constructing representations of their worlds (Warren, 2006). Such perceptions provide the basis for individuals to interpret situations, make decisions and direct their behaviour within an organization (Mahama & Cheng, 2013).

Applied to management control systems, this implies that controls do not have fixed meanings. While formal controls may be designed with specific intentions, their actual effects depend on how they are understood and perceived by individuals. Perception therefore constitutes a distinct analytical dimension of control, linking the use of controls to their actual effects. This view is supported by Tessier and Otley (2012), who develop a revised LOC framework that explicitly incorporates employee perceptions and attitudes towards controls as separate elements, thereby highlighting their role in shaping the practical effects of MCSs.

Drawing on the framework of enabling and coercive control, subsequent studies explore employees' perceptions of controls in various settings. Jordan and Messner (2012) examine managers' attitudes towards the implementation of performance indicators. Their study shows that the presentation of performance indicators, whether framed as "visions" or as "specific target values", significantly shapes managerial interpretations. Managers are likely to perceive performance indicators as enabling if they are granted the flexibility to handle indicators as "means rather than ends". When performance indicators are closely tied to performance evaluation, evaluation pressures constrain managers' ability to use indicators flexibly, shifting the perception of the control system from enabling to coercive.

O'Grady (2019) examines the enabling and coercive features of formal control in decentralized organizations and the factors influencing perceptions of controls. Through a field study of a global logistics service provider, he finds that perceptions of control are influenced by the presence, absence, or extent of enabling features, and how these features relate to the organizational context and the type of control.

Mahama and Cheng (2013) highlight the importance of managers' perception and investigate whether and how managers' enabling perceptions of their costing systems affect task performance. By conducting a survey of middle-level managers, they find a positive relationship between managers' enabling perceptions and the intensity with which the costing system is used. The findings further suggest that enabling perceptions strengthen managers' beliefs about their own abilities via increased usage of the system and, in doing so, allow managers' enabling perceptions to ultimately influence their task performance.

Taken together, these studies suggest that perception is central to understanding how MCSs operate in practice. Formal controls cannot be understood solely in terms of their design or use but

also need to be examined through how organizational members interpret them in practice. In multinational companies, such perceptions are influenced by the organizational context in which controls are used, particularly the institutional duality faced by subsidiaries, which will be elaborated in the next section.

2.4 Institutional Duality within Headquarter–Subsidiary Interactions

Research into institutional duality began with the foundational work of [Kostova \(1999\)](#), which conceptualized the success of practice transfers as the institutionalization of the practice at the recipient unit. This early work proposed a multilevel model of transfer success based on the notion of contextual embeddedness, identifying factors at the country, organization, and individual levels that reflect social, organizational, and relational embeddedness. This perspective established that a primary advantage of MNCs is the utilization of superior knowledge through subsidiaries worldwide, while recognizing that the process is deeply influenced by the distinct environments in which these units operate. Subsequently, [Kostova and Roth \(2002\)](#) established the foundational understanding of how the adoption of an organizational practice by subsidiaries occurs under conditions of institutional duality. They describe institutional duality as a unique phenomenon where a subsidiary is not an independent entity and must navigate concurrent pressures to maintain internal legitimacy within the parent firm while seeking external legitimacy within its host country. This dual landscape could later impact the subjective interpretation of MCSs, determining whether they are perceived by local managers as enabling or coercive.

To map these external pressures, [Kostova and Roth \(2002\)](#) categorized the host environment into three institutional pillars: regulatory, cognitive, and normative elements. The regulatory pillar consists of the formal laws, rules, and enforcement mechanisms that promote specific organizational behaviors and restrict others, often acts as the primary driver for coercive control perceptions. The normative pillar reflects the societal values, beliefs, and norms that define what is considered morally right or appropriate conduct, determining the degree of social obligation felt by managers to comply with specific practices. Finally, the cognitive pillar involves the widely shared social knowledge, schemas, and mental models used by individuals to interpret and categorize information. This pillar dictates the taken-for-granted logic that managers use to understand the purpose of a practice.

[Ahworegba et al. \(2020\)](#) expanded upon these foundational concepts by viewing institutional duality as an incidence of simultaneous pulls that subsidiaries can strategically navigate. This study argues that subsidiaries are active agents capable of strategizing along legal, sociocultural, and technical variables to attain operational legitimacy, rather than remaining passive recipients of isomorphic pressure. Furthermore, this study finds that these strategic responses are consistent with the work of [Kostova and Roth \(2002\)](#) in how the three institutional pillars create dynamic interactions during the adoption process.

For these global practices to succeed across diverse environments, [Cruz et al. \(2011\)](#) argue they must undergo a process of localization. These authors suggest that global MCSs are not neutral

instruments because they carry the normative values and mandates of the parent organization into the local unit. Localization is defined as the process through which heterogeneous practices emerge to facilitate the homogenizing tendencies of globalization by making global systems work for local managers. Through the lens of situated functionality, managers reconstitute global systems to achieve both corporate and specific local objectives.

This leads to a suggested framework regarding how the levers of control interplay with institutional duality during practice adoption in a subsidiary. Boundary systems, which establish rules and limits, interact primarily with the regulatory pillar. These systems are frequently perceived as coercive, particularly when a significant gap exists between host country regulations and headquarters mandates. Although regulations can facilitate objective implementation by mandating specific behavioral actions, they are negatively related to internalization, which can lead to ceremonial adoption (Kostova & Roth, 2002). From a control lens, this ceremonial adoption is fundamentally a response to coercive monitoring; subsidiaries formally comply with headquarters mandates for legitimacy reasons without believing in the underlying value.

In contrast, diagnostic systems mainly interact with the cognitive pillar for sense-making, since the main system to track performance measurement in a global company is top-down given by headquarters to subsidiary to ensure comparability and transparency. This can be perceived as either enabling or coercive depending on how the shared knowledge of the subsidiary allows for a clear understanding of the metrics. Diagnostic controls are perceived as enabling when they provide internal transparency, allowing managers to understand the logic behind performance indicators and adjust rules to suit their context. However, if diagnostic systems emphasize negative variances and errors without flexibility, they act as a constraint on employee behavior and are perceived as coercive monitoring.

Similarly, interactive and belief systems mainly interact with the normative pillar to determine the internalization of adoption. Belief systems communicate the core values and organizational direction to provide a stable reference point under uncertainty. When belief systems align with local societal norms, they foster internalization, but when they clash with local moral codes, they are perceived as symbolic or coercive. Interactive systems focus on strategic uncertainties and involve regular personal involvement from managers. These are perceived as enabling when they facilitate two-way dialogue and support learning but can be viewed as coercive if the interaction is focused solely on accountability and one-way order.

However, a fundamental organizational dilemma arises from this interaction. While headquarters requires these enabling systems to extract vital local knowledge, the autonomy can result in increased risk of opportunistic behavior. To mitigate this, headquarters may shift toward coercive controls characterized by one-way dialogue and strict accountability, which often clashes with local moral codes such as those emphasizing social harmony or benevolent leadership. In such instances, the control system could be viewed as a restrictive burden that undermines the manager's social standing, potentially leading to ceremonial adoption where practices are performed behaviorally for legitimacy but remain decoupled from the manager's personal values.

Table 2. A Framework of LOC, Institutional Duality, and Perceptions (Authors, 2025)

Lever of control	Institutional Duality in Adoption of Practice	Enabling or Coercive
Boundary Systems	Interact with regulatory of both host country and headquarters.	<p>Coercive in default, especially when there is a gap between host country and headquarter regulation.</p> <p>Enabling in supporting structure and objective control implementation.</p>
Diagnostic Control Systems	Interact with cognitive for sense-making of top-down budget system.	<p>Enabling when system providing internal transparency and allowing for context-based rule adjustments.</p> <p>Coercive when emphasizing negative variances/errors without flexibility.</p>
Interactive Control Systems	Interact with normative (local moral codes)	<p>Enabling when facilitating two-way dialogue and learning.</p> <p>Coercive when emphasizing accountability and one-way dialogue.</p>
Beliefs Systems		<p>Enabling if they foster internalization by aligning with local societal norms;</p> <p>Coercive/Symbolic if they clash with local moral codes.</p>

3 Methodology

3.1 Research Strategy

The objective of this research is to provide insights into how finance managers in Indonesian subsidiaries perceive MCSs as enabling or coercive, and in what way does institutional duality influences these perceptions. To address this, the study adopts a qualitative research strategy. Merriam (1998) defines this as an intensive and holistic analysis of a bounded phenomenon, such

as a process, a person, or a social unit. While Merriam emphasizes the delimitation of the case as the primary defining characteristic of the methodology, Yin (2009) provides the technical framework for the multiple case study design used here. This approach is particularly effective for exploring complex phenomena within their real-life contexts where the boundaries between the phenomenon and the context are not clearly defined.

A multiple case study design is utilized to analyze the phenomenon within individual settings and across multiple settings, facilitating the identification of common patterns and unique variations (Baxter & Jack, 2008; Yin, 2009). This comparative approach is chosen because the evidence created from multiple cases is considered robust and reliable (Baxter & Jack, 2008; Eisenhardt & Graebner, 2007). By employing literal replication to predict similar results and theoretical replication to predict contrasting results for predictable reasons, the study produces analytic conclusions that are significantly more powerful than those derived from a single case alone (Yin, 2009).

3.2 Case Selection

To implement the comparative strategy described above, a purposeful sampling approach was employed to select cases that are rich in information. These are defined by the selection of individuals who possess significant knowledge or experience with the phenomenon and have the capacity to communicate their insights in an articulate and reflective manner (Palinkas et al., 2015). In qualitative research, the goal of case selection is not statistical representativeness but rather analytical generalization, where the cases are chosen for their ability to offer deep insights into a specific phenomenon (Siggelkow, 2007).

3.2.1 Selection of Host Country

Indonesia was selected as the focal point for the subsidiaries under study. As a significant emerging market with a distinct cultural and institutional distance from Western and East Asian corporate headquarters, Indonesia provides a fertile ground for examining how global MCSs are perceived and adapted at the local level. Focusing on a single host country allows the research to control external environmental variables, such as local labor laws and macroeconomic conditions, thereby sharpening the focus on the internal headquarters–subsidiary relationship. The authors also leverage their prior experience as finance professionals within MNCs to design the study. One author’s background in the Indonesian market is particularly valuable, as it provides firsthand insight into the diverse ways local managers interpret and respond to centralized control mechanisms.

Crucially, this geographic focus facilitates a deeper exploration of institutional duality within the Indonesian context. In emerging markets, formal regulatory gaps, conceptually defined as “institutional voids” (Khanna & Palepu, 2010), elevate the importance of local informal norms. This reality creates a unique tension for subsidiary finance managers, who must navigate the standardized global mandates from headquarters alongside deeply rooted local normative and cognitive pillars. Understanding how managers balance these competing forces is essential to

uncovering whether centralized control mechanisms are ultimately perceived as enabling tools or coercive impositions.

3.2.2 Institutional Variety and Case Criteria

In line with the research objective to explore diverse perceptions of MCSs, the study includes subsidiaries from three distinct headquarters locations: France, the United Kingdom, and China. This variety is a deliberate methodological choice intended to provide a richer set of data by incorporating different institutional backgrounds. The cases were selected based on specific criteria: each parent company must be a multinational company with established management control frameworks, the subsidiary must have regular reporting requirements and strategic interactions with headquarters, and it must maintain a dedicated finance department capable of interpreting and implementing MCSs.

3.2.3 Case Study Design

To ensure a comprehensive dataset, a multiple-case study design involving four distinct multinational subsidiaries in Indonesia was adopted. By selecting four different organizations, the research captures a broad spectrum of MCSs across varied corporate cultures and headquarters origins. This design supports systematic cross-case comparison, enabling the identification of common patterns while simultaneously capturing the unique, case-specific features that emerge within different corporate settings (Eisenhardt, 1989). This approach enhanced the richness of the data by documenting unique or diverse variations that emerge across different organizations (Palinkas et al., 2015). By doing so, the study explores how MCSs are experienced across different organizational conditions within the same institutional framework.

3.2.4 Participant Selection

The primary units of analysis are subsidiary finance managers, including roles such as finance directors, internal control managers, and finance controllers. These individuals were chosen because they act as the pivotal interface between local operations and global requirements. Their role requires them to navigate the tension between local responsiveness and global integration, making them uniquely positioned to comment on whether a control system is perceived as enabling or coercive. The participants were identified through professional networks and selected based on their tenure and direct involvement in MCSs to ensure they possessed the necessary experience to provide high-quality insights.

3.3 Data Collection

Primary data for this study was collected through semi-structured interviews, a method that allows for the exploration of complex management control perceptions while maintaining a consistent thematic focus. This qualitative approach is particularly effective for obtaining a depth of understanding by allowing participants to reflect on the specific organizational “how” and “why” behind headquarters–subsidiary interactions. Due to distance and time constraints, all interviews were conducted remotely via video conferencing and lasted approximately 60 minutes each. To

ensure high-quality and culturally nuanced data, the interviews were conducted in the language most appropriate for the institutional context of each case: interviews for Company A and D were conducted in English, while those for Company B and C were conducted in Chinese.

To ensure accuracy and facilitate detailed analysis, all sessions were recorded and transcribed with the explicit consent of the participants. In addition to these primary sources, secondary data was gathered to provide the necessary organizational context. This included a review of company websites, annual reports, and professional profiles to gain a comprehensive understanding of the multinational companies' structures and their management control systems.

Table 3. Details of interviewees

Headquarters Country	Company	Interviewee	Position in Subsidiary	Tenure	Total Working Experience	Interview Duration
French MNC	Company A	Person A	Internal Control Director	5 years	15 years	72 minutes
	Company A	Person B	Finance Controller Director	15 years	20 years	53 minutes
Chinese MNC	Company B	Person C	Finance Director	6 months	15 years	50 minutes
	Company C	Person D	Finance Manager	2 years	6 years	67 minutes
	Company C	Person E	Finance Manager	1 year	5 years	58 minutes
UK MNC	Company D	Person F	Supply Chain Finance Manager	9 months	5 years	55 minutes

	Company D	Person G	Sales Finance Manager	3 years	9 years	50 minutes
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3.4 Interview Guide

To ensure a theoretical alignment, the interview guide was developed using the conceptual framework established in Chapter 2, which synthesizes enabling and coercive dimensions of each lever of control in MCSs, as outlined in Table 1 and Table 2. This design kept the inquiry theoretically grounded while remaining flexible enough to capture nuanced insights into managerial perceptions. Although a formal pilot test was not conducted, the interview questions were emailed to participants as a pre-read before the sessions. This preparation allowed managers to reflect on their specific control practices in advance, ensuring that the limited interview time was maximized for articulate and reflective discussion.

The interview guide (Appendix 1) was structured into three distinct parts to facilitate a logical conversational flow and mirror the framework presented in Table 1 and Table 2. The first part gathered general information to establish the participants' professional background, tenure, and specific responsibilities within the subsidiary. The second part investigated the design and operational use of the four levers of control to understand how they are perceived by subsidiary finance managers as either enabling or coercive. Within this context, we further examined the nature of institutional duality and how it interacts with levers of controls at the subsidiary level.

3.5 Analyzing the Data

To provide a rigorous methodological foundation, this study utilized qualitative thematic analysis to systematically identify, analyze, and report patterns of meaning across the empirical dataset. The analytical process followed the formalized framework established by [Braun and Clarke \(2006\)](#) and was executed in successive and recursive phases to maintain a thorough process.

The practical execution of this research directly aligned with the six steps of thematic analysis. First, primary data collection began with conducting semi-structured video interviews to capture empirical insights from individual subsidiary finance managers. Second, these recorded sessions were transcribed verbatim to establish a transparent, written database. To preserve linguistic nuances and ensure validity within this multi-country study, the interview conducted in Chinese was translated into English during this transcription phase. Third, data analysis officially commenced with an intensive reading of the resulting written texts multiple times to achieve deep data immersion, noting initial thoughts and actively searching for patterns and overarching concepts.

Fourth, these initial patterns were developed into descriptive labels by moving systematically through the entire dataset step-by-step to capture basic units of meaning. These labels focused

specifically on how subsidiary managers understand and perceive the design and use of headquarters MCSs. Fifth, these initial labels were sorted, collated, and organized into broader conceptual themes that directly mirrored the dimensions of the theoretical framework outlined in Table 1 and Table 2. This mapping was guided by a specific, theoretical interest in evaluating whether control practices were perceived along an enabling or coercive continuum. These candidate themes were continuously reviewed and refined against both the coded extracts and the entire dataset to ensure internal homogeneity and absolute coherence.

Finally, a cross-case comparative analysis was carried out across the four multinational subsidiaries to examine how institutional duality shapes perceptions. This analysis then moved from a descriptive to an interpretative level by explicitly linking these empirical findings back to the research questions and existing management literature. Using this robust analytical structure ensured that the analysis of perceptions of headquarters controls was systematically grounded and academically rigorous.

3.6 Ethical Considerations

Ethical principles are fundamental considerations in qualitative research. This study was guided by key ethical principles in qualitative research, such as confidentiality, autonomy, beneficence, and justice. These principles helped ensure that the research was conducted in a way that supported the aims of the study while protecting the rights of participants (Orb et al., 2001).

Before participation, all interviewees were informed about the background, nature, and purpose of the study, and were made aware that their participation was voluntary. The interview guide, consent letter, and confirmation email were provided before the formal interviews. To protect confidentiality, the participants' identities and company names were anonymized. Company-related information was also handled carefully to reduce the risk of identification and minimize potential professional or reputational risks for participants.

Welch et al. (2002) note that in qualitative international business research, corporate elites may answer questions in a guarded way because of concerns that their comments may be used against them. This concern is relevant to our study, since the participants were middle- or senior-level managers in MNCs who were asked to reflect on their own interpretations of MCSs. Therefore, efforts were also made to create a non-judgmental interview environment to encourage openness. Participants were informed that there were no right or wrong answers, as the purpose of the study was to understand how controls are perceived in practice.

Overall, these ethical procedures helped to protect participants' rights, maintain trust, and ensure that the study was conducted in an ethical way.

4 Empirical Findings

This chapter presents the empirical findings gathered from four multinational subsidiaries operating in Indonesia. To ensure a comprehensive analysis, the chapter is structured into two primary sections. First, we establish the institutional duality inherent in the Indonesian landscape,

examining the tensions between regulatory, normative and cognitive pillars. This provides the necessary context for understanding the environmental pressures encountered by subsidiary finance managers. Second, the findings from our four cases are presented and organized using the LOC framework. By examining these levers within their specific institutional contexts, we evaluate how they are perceived by subsidiary finance managers as enabling or coercive mechanisms.

4.1 Institutional Duality in Indonesia

The institutional landscape of Indonesia shapes how global MCSs are implemented and internalized at the subsidiary level. Within the context of the multinational headquarters–subsidiary relationship, these localized regulatory, normative, and cognitive pillars serve as interpretive filters that determine whether centralized controls are embraced as enabling tools for local problem-solving or as coercive disruptions to organizational harmony.

Empirical insights from regulatory pillar indicates that MNC subsidiaries in emerging markets (Brazil, China, India, South Africa, and Turkey) exercise strategic agency rather than simple isomorphism when navigating complex host-country regulatory frameworks (Nell et al., 2015). This means they actively negotiate and socially construct their legitimacy through political strategies (information strategy which influences through expertise, financial incentives which influences through resources, and/or reputation building which influences through public support). For example, as highlighted by research from Luo (2003), managers in emerging markets like China frequently feel that headquarters provides deficient support that also do not fit the local environment. By engaging in tactics such as commissioning think tanks or reporting research results, the subsidiary can provide local authorities with the expert data required to justify a local variation of the corporate policy (Nell et al., 2015).

Further, regarding MCSs, Hammouch et al., (2024) provide critical insights from a quantitative study of 190 Moroccan industrial firms. The findings suggest that companies operating in these dynamic and uncertain environments, which are conditions typical of emerging economies like Indonesia, require more sophisticated, integrated, and participative MCS to remain effective, thus become enabling. For a subsidiary finance manager, an MCS designed at headquarters that ignores these local regulatory pillars may be perceived as coercive. Such a misalignment creates a profound tension by forcing a choice between rigid corporate compliance and the local legal obligations that are necessary to remain a valid entity within the host country.

Empirical insights from the normative pillar indicate that host-country environments introduce distinct social obligations and moral duties that heavily dictate how subsidiary practices are internalized (Kostova & Roth, 2002). In the Indonesian workplace, this context manifests as a shared moral code that prioritizes unwritten social bonds and mutual loyalties over formal organizational goals like strict corporate profit targets, meaning managerial actions are evaluated by how effectively they uphold values like social harmony and respect for hierarchy (Suryani et al., 2012). For a subsidiary finance manager, the normative pillar acts as a moral compass, as it

determines whether the use of a control system is seen to fulfill their duty to the group or as a violation of the collective well-being.

Leadership research within the Javanese cultural context indicates that leader's legitimacy is derived from acting as a protective and benevolent figure rather than meeting technical performance metrics alone (Irawanto et al., 2011). Consequently, a control system designed at headquarters that ignores these expectations by rewarding individual competition over group cohesion is perceived as coercive, as it forces an unfeasible choice between rigid corporate compliance and the local moral obligation to maintain office harmony. Conversely, in the headquarters–subsidiary relationship, this suggests that enabling controls are those that provide the manager with the normative space to be benevolent. When headquarter designs MCSs that allow for flexible communication and local inquiries rather than rigid, top-down orders, the system is perceived as an enabling tool that helps the manager maintain their standing as a protective leader.

Empirical insights from the cognitive pillar indicate that pre-existing mental models and interpretive schemas serve as the primary determinant for the successful internalization of global practices, as they provide the essential conceptual categories employees need to decode corporate logic (Kostova & Roth, 2002). Within the Indonesian context, these deeply institutionalized cognitive frameworks can operate as either a significant barrier or a supportive interpretive lens for management control practices. Efferin and Hopper (2007) reveals that in Chinese Indonesian company, local social common sense often categorizes formal accounting mechanisms as ritualistic tools for external observers rather than functional guides for internal decision-making. This mindset is deeply anchored in cognitive schemas of paternalistic authority and priority on social harmony. These would frequently result in ceremonial adoption, where control systems are maintained superficially to secure external legitimacy while remaining entirely decoupled from daily operations (Efferin & Hopper, 2007). Within a management control framework, this decoupling means that the technical logic of a diagnostic system is systematically bypassed if it conflicts with the personal authority of a superior, ultimately causing the system to be perceived as coercive.

Conversely, research on financial governance within traditional Indonesian village structures finds that when formal administrative controls are conceptually synthesized with local cultural-cognitive values, compliance arises naturally from internalized beliefs instead of external enforcement (Budiadnyana et al., 2026). Rather than relying on top-down mandates, the community utilizes shared and social consensus mental models to interpret and embed these systems across the planning and execution cycles. This transforms objective accounting tools into participatory instruments that actively foster transparency. This dual perspective shows that the cognitive pillar in Indonesia can act as either a barrier to adoption or a catalyst for performance, depending on how the system is tailored to the local environment.

Table 4. Summary of Institutional Duality in Indonesia

Societal Context	Definition	Enabling/Coercive
Regulatory pillar	Formal rules, laws, and sanctions that constrain and regularize behavior within a specific host country.	<p>Enabling when system is participative and integrated. Regulatory gaps are negotiated through political strategies.</p> <p>Coercive when misalignment of headquarter–subsidiary regulations is intentionally ignored</p>
Normative pillar	Values and social roles that establish the standard of appropriateness within a culture.	<p>Enabling when encouraging social harmony, benevolent, collectivism.</p> <p>Coercive when system rewards individual competition over group harmony.</p>
Cognitive pillar	Shared mental models through which managers interpret their reality.	<p>Enabling when systems are democratic, consensus-driven, transparent.</p> <p>Coercive when personal authority or hierarchy overthrown technical logic of MCSs.</p>

4.2 Company A

Company A is a prominent multinational beauty and personal care corporation headquartered in France, which established its Indonesian subsidiary in 1979. Operating within the fast-moving consumer goods (FMCG) sector, the subsidiary functions through a dual organizational structure comprising a country head office and a dedicated manufacturing facility that initiated local production in 1986.

Regarding headquarter–subsidiary dynamics, Company A operates within one of the five geographic regionals. Due to the business size, communication is streamlined through a regional-hub, which is responsible for gathering regional insights and reporting them directly to the global headquarters in France. From Company A, we have interviewed finance leaders from Internal Control (Person A) and Finance Controller (Person B) team.

4.2.1 Beliefs systems

The belief system in Company A is articulated through the global mission of “creating beauty that moves the world” and four core ethical values: integrity, courage, respect and transparency. They are communicated through global documentation, internal websites, and mandatory learning modules, and are cascaded from headquarters through the regional to Company A.

From the perspective of the Person A, this ethical culture is central to how the group defines itself. In parallel, the mission and values are seen by the Person B as part of a broader, consistent strategic direction, which is translated through headquarter, regional and country-level communication into concrete objectives.

“Since the beginning, it’s always consistent... we always moving with the same mission... I don’t see that country has its own objective that is totally different from what the group wants to achieve.” – Person B

These statements indicate that the beliefs system is embedded in multiple organizational channels and intended to serve as a recurring reference point in local routines, not as a purely symbolic statement.

The underlying values are perceived by both interviewees as clear, straightforward and closely linked to their work. Person A emphasized that the four ethical principles are easy to grasp and guide daily behavior. Similarly, Person B described how, after some time in the organization, the link between the mission and everyday activities becomes evident. Taken together, these accounts suggest that the belief system exhibits a high degree of transparency. It provides a stable interpretive frame that helps local finance managers understand headquarters’ expectations and see how Company A contributes to the wider group.

Both managers also highlight a strong alignment between group beliefs, local values and the Indonesian context. Rather than experiencing a clash between headquarters philosophy and local norms, the Person A stresses that the ethical principles correspond to what “as a human being” one should do.

From the Person B point of view, the values are cascaded within a globally coherent direction, where local objectives remain anchored in the same mission. This alignment reduces the need for reinterpretation at subsidiary level and allows the beliefs to function as a stable reference point in a volatile market.

The interviewees also indicate that the belief system is actively internalized and used as a practical resource in their roles. Person A links the ethical values directly to his capacity to develop new initiatives and to communicate with stakeholders about what the group expects, while for Person B, the beliefs provide a basis for balancing non-negotiable compliance requirements with business objectives and for influencing internal partners.

Overall, from the managers’ perspective, the belief system is experienced as enabling. It offers a clear and shared framework that is both globally consistent and locally meaningful, supports

communication with headquarters and local stakeholders, and provides legitimacy when defending compliance and ethical considerations.

4.2.2 Boundary systems

The boundary system at Company A is primarily expressed through global norms, codes of conduct and detailed process guidelines for high-risk activities, which are then translated into local policies and standard operating procedures by local management. Headquarters identifies top business processes and issues global guidelines that define broad parameters for acceptable behavior across all countries.

In practice, global norms are experienced as broad high-level documents, while local policies specify concrete steps, responsibilities and approval flows.

“The group will only give us a framework on a very high level, but for us to be able to execute that process, we need to translate it into the local context... just to make sure these boundaries can be implemented locally.” Person A

This translation work positions boundary systems at the intersection of the regulatory pillar (headquarter rules and Indonesian law). When headquarters rules overlap with local regulations, Person A explained that managers would deliberately choose the stricter standard, thereby avoiding coercive clashes between headquarter and host-country requirements.

“If we are comparing the regulations versus our local standard... we always choose the stricter one... if you’re talking about data privacy, between GDPR and local... we always choose GDPR.” – Person A

Tensions arise when global norms do not fit Indonesian market practices, especially in an aspect where fair value of a service is difficult to assess. Managers will escalate these issues and propose compensating controls, using regional-level dialogue as a political mechanism to renegotiate boundaries.

“There are things that [are] not possible to be executed in the country level, but we should always propose how do we mitigate the risk of this process...we usually communicate to the group and ask the group to adjust the assessment for our country.” – Person A

From the perspective of both Person A and B, boundary systems are therefore experienced as predominantly enabling. They clarify high-risk areas, provide a legitimate reference to say evaluate proposals, and support internal control and finance in educating business teams, while escalation channels and local SOPs allow adaptation to Indonesia’s institutional context.

Although some coercive elements exist, they are experienced mainly in terms of additional workload and procedural complexity rather than as moral imposition. Because the global principles themselves are perceived as ethically reasonable and broadly aligned with Indonesian regulations, managers do not respond with ceremonial compliance. Instead, they generally attempt to implement and use them in a substantive way, which contrasts with the more decoupled adoption sometimes reported in other emerging-market contexts.

4.2.3 Diagnostic control systems

For the subsidiary and division level, the Person B emphasizes that the primary financial indicators are growth and profitability, complemented by additional metrics such as sustainability key performance indicator (KPI) and division-specific indicators. Performance against these targets is monitored through an annual budget and quarterly budget revisions, supported by shared global reporting tools that allow the regional and group to follow actuals, targets and trends in real time.

At the corporate level, diagnostic controls for Person A are more process-oriented and qualitative. Rather than strict outcome targets, the Person A focuses on awareness and implementation indicators such as self-assessment of controls and completion rates for mandatory learning modules.

In terms of use, diagnostic systems are described as iterative and discussion-oriented rather than purely punitive. When performance expectations are not met, both managers stress the importance of root-cause analysis and dialogue with the regional to revisit targets or define corrective actions.

Both managers explain that they understand the underlying logic of the main indicators. For Person B, targets are perceived as grounded in historical performance, market data and group objectives. For Person A, the logic of KPIs is also seen as straightforward, although he mentioned that this system is where the most clarification is needed.

At the same time, several coercive elements are visible. First, performance targets still count in evaluation and create pressure, even if context is considered.

“..But I mean, if we are not achieving the targets, of course the KPI then is not met, right? So, of course there will be consequences...” – Person B

Budgeting is also described as highly intense and time-pressured, which adds a coercive dimension to an otherwise well-understood system. Moreover, when communication and root-cause analysis fail, diagnostic controls risk sliding into top-down instruction that is harder to internalize.

“If there’s no clear root cause analysis... then it will be very difficult, and then the instruction will definitely come as a top down, which we are not confident or understand on how to execute.” – Person B

Therefore, diagnostic systems are predominantly perceived as mixed of enabling and coercive. Managers understand the rationale behind the KPIs, have access to clarification and escalation channels when metrics clash with local realities, and experience budget frames as negotiable through pre-discussions with the regional. However, coercive aspects, such as evaluation consequences, time pressure, and the risk of top-down orders when dialog breaks down, are present but mitigated by these interactive sense-making practices.

Subsequently, diagnostic systems interact strongly with the cognitive pillar of institutional duality by providing a shared performance language and comparative benchmarks across countries, providing transparency and helping Indonesian managers make sense of global expectations.

4.2.4 Interactive control systems

Interactive systems at Company A are structured primarily through recurring discussions with the regional team, complemented by less frequent but important visits from group headquarters every two or three years. For the Person B, the main interactive forums include monthly one-to-one finance meeting with the regional and quarterly meetings involving the general manager and division leadership.

The stated purpose of these interactions is primarily forward-looking and business oriented. Headquarters and regional visits are described as an opportunity to understand local consumers, business conditions, risks and opportunities in a fast-growing market.

Over time, the interactive routines have been deliberately redesigned in response to subsidiary feedback. Person B contrasts earlier visits where countries prepared plenty slides that covered topics “from A to Z”, with the current, more selective approach centered on a small number of pre-agreed big topics. This redesign reduces preparation burden and makes discussions more focused and strategic, illustrating how interactive controls can evolve through two-way negotiation.

“In the past... when we have like a regional visit, we’ve like prepared, I don’t know, 1000 slides... [now] a week before the regional or the group visit, we supposed to submit a pre reads and an agenda... I definitely have much better discussion versus, let’s say... five years ago.” – Person B

From the Person A perspective, monthly calls with the regional serve as an interactive platform to escalate local implementation issues, obtain advice and share solutions across countries.

In addition, coercive elements are still present. Challenge from the regional can feel demanding and creates pressure to justify local positions with facts and figures, yet this is framed as constructive rather than punitive. Person B notes that not every meeting is a good meeting, and alignment can be difficult when country and regional objectives diverge, indicating moments where interactive controls edge toward one-way accountability. However, both managers emphasize that disagreements are usually resolved through discussion.

Within the institutional duality, these interactive controls align closely with the Indonesian normative pillar. Person B grounds her approach in traditional values of social harmony and non-confrontation, noting that understanding these cultural norms allows her to tailor her internal and external collaboration styles. While organizational compliance is non-negotiable, she emphasizes that it must be communicated internally in a manner that preserves relationships.

Interactive meetings with headquarter and regional teams afford her a legitimate platform to exercise this benevolent, protective role. In these forums, she can articulate local constraints and negotiate adaptations while demonstrating loyalty to global objectives. Interestingly, Person B finds communicating with multicultural regional counterparts more straightforward than with local peers; the former reduces the burden of emotional management, granting her the freedom to speak candidly when backed by objective data.

For Indonesian managers who value harmony and respect for hierarchy, these forums allow them to uphold a non-confrontational style internally while still engaging in direct, fact-based dialogue with multicultural regional counterparts. Offline visits from headquarter and the regional team further reinforce this by signaling respect for local markets and giving managers a stage to present their realities face-to-face. Ultimately, these interactive systems reflect a mix of both enabling and coercive elements. While they are clearly enabling with providing channels to surface constraints, adjust metrics, and maintain the finance manager's identity as a protective leader, they are simultaneously coercive, as the persistent pressure to justify local positions and navigate misaligned organizational objectives may enforce a strict layer of top-down accountability.

4.3 Company B

Company B is an equipment rental company established in 2011 in China and has been publicly listed since 2023. Its core business is to provide equipment supply chain solutions in the construction and industrial sectors. The company entered the Indonesian market in 2023.

4.3.1 Beliefs systems

Company B has defined a set of beliefs, including its mission, vision, enterprise spirit, and cultural values. These beliefs include general and widely applicable values, such as “client first”, “trust relationship”, and “people-oriented”. They are introduced to new employees through onboarding training and are regularly communicated in formal meetings. As described by the subsidiary finance director, the beliefs systems are used less frequently than the other control systems, although they appear systematic and complete.

She further concluded that the beliefs systems are perceived as neutral, rather than clearly enabling or coercive:

“I would say these beliefs are fundamental norms that everyone should follow. However, they are too broad and provide limited guidance for my daily operations. So, I would describe them as neutral.”

Her perception points to the possibility that beliefs systems may play a limited operational role. When beliefs systems are mainly designed around general ethical values, they may not be closely connected to local operations or decision-making. The practical usefulness is also weakened by their low use in daily work. At the same time, they are not perceived as restrictive, as they do not create strong pressure or constrain local actions.

Institutional duality appears less salient here, as the finance director did not describe any tensions between the broadly framed beliefs and Indonesian local norms or culture. Therefore, little local interpretation or adjustment is needed. Overall, the beliefs systems are perceived as neutral.

4.3.2 Boundary systems

As a publicly listed entity, Company B has established a comprehensive set of boundary controls, including codes of conduct, operational policies, and internal control manuals. These rules are

reinforced daily through system pop-up reminders, which emphasize the importance of remembering and complying with them. The boundary systems are designed in a top-down approach, and the local team is expected to follow standardized rules and procedures. Although formal channels exist for communicating with potential conflicts, these rules are rarely adjusted in practice.

The subsidiary finance director valued these detailed and relatively strict boundaries and perceived them as enabling rather than coercive:

“Operating overseas involves risks and management challenges, especially in our industry and as a publicly listed company. Safety and compliance are important. Our equipment is high-value and complex, so clear and detailed rules help ensure safe operations.”

Institutional duality is also reflected in the tension between headquarters’ strict compliance expectations and the local working norms in Indonesia. As she explained:

“The overall working style in Indonesia is relatively flexible and less rule-driven. However, in this industry, it is essential to comply with all operational rules in a strict and cautious way.”

In this context, clear and strict boundaries are considered useful because they define key risk areas and clarify what actions are unacceptable. By contrast, flexibility is less emphasized, as frequent adjustment of these rules could reduce clarity and weaken their role as practical guidance. Institutional duality further strengthens the enabling perception of boundary systems in Company B, as clear rules help the finance director balance local working norms with headquarters’ safety and compliance requirements. This protective role was further reflected in her explanation:

“The rules also protect me against inappropriate business requests in local operations. For example, when the operational team proposes some high-risk activities, I can use these rules to reject their proposals.”

Therefore, the boundary systems are perceived as enabling because they provide clarity, protection, and help the finance director manage local operational risks. Although the rules are top-down and rarely adjusted, their strictness is viewed as necessary in this industry context rather than as a coercive constraint.

4.3.3 Diagnostic control systems

At company B, the headquarters mainly use performance measurement systems to monitor subsidiary outcomes. The main KPIs include revenue, net income, and other indicators that are emphasized by group management. These KPIs are applied uniformly across the organization, and the subsidiary has limited flexibility to adjust them. Target settings also follow a top-down approach, as annual targets are set at the group level and then allocated to different business units.

Headquarters and subsidiaries have monthly meetings to review performance achievements and monitor deviations. Performance evaluation is closely linked to the achievement of these preset targets, and adjustments are only considered when significant uncontrollable factors occur. Overall,

the diagnostic control systems are designed and used in a relatively top-down and target-oriented approach.

The finance director recognized that these diagnostic controls contain both coercive and enabling elements. However, from the perspective of her finance role, she still perceived them as overall supportive:

“The KPIs are designed and used in a strict way. This undoubtedly creates high pressure at the local level, but it also gives me clear direction. By analyzing these KPIs, I can obtain more information and help the organization achieve the annual targets.”

This suggests that limited flexibility in explaining or adjusting performance deviations may create pressure. However, the clarity of the KPIs and their alignment with organizational objectives make the system supportive, especially from the perspective of the finance role.

4.3.4 Interactive control systems

At company B, Interactive control systems are mainly implemented through monthly meetings and weekly meetings. Monthly meetings focus on reviewing the subsidiary’s target achievement, while weekly meetings are used to discuss business operations, market conditions, and ongoing issues. These meetings are mainly led by headquarters, with a strong focus on overseeing local operations through continuous questioning and micromanagement. However, these meetings also serve as a platform for local employees to discuss local challenges and ask for support from headquarters.

From the subsidiary finance director’s perspective, these interactive controls contain both enabling and coercive elements:

“These meetings help me solve some challenges and allow for open discussion. However, the headquarters also adopts a strong supervisory approach. These interactions can also bring some pressure. I would say it feels somewhere in between.”

This suggests that when interactive controls are used to support two-way communication, information sharing, and problem-solving, they are perceived as enabling. However, when they are used mainly for close supervision, they may create pressure and be perceived as coercive. Therefore, the interactive control systems in Company B show a mixed perception, combining both support and pressure. The coercive perception is partly eased by the shared understanding of organizational goals. Although conflicts and arguments may arise during the meetings, the finance director still viewed these interactions in a slightly positive way, as she concluded:

“These meetings are essential for local business development. Some pressure is unavoidable when there are arguments or conflicts, but I understand that we still share the same goal, which is to work together towards organizational strategic objectives.”

4.4 Company C

Company C is an online casual game developer founded in April 2010 in Shanghai, China and has expanded its operations internationally over time. The company mainly develops and globally

publishes high-quality casual games, with a portfolio covering genres such as casual competition, simulation, and strategy. In 2017, Company C entered Indonesia market, mainly focusing on the promotion and operation of these games in local market. We have interviewed two subsidiary finance managers, Person D and Person E.

4.4.1 Beliefs systems

The beliefs systems are articulated through the slogan “Be wild Be free” and the core values, which are described as “Be entrepreneurial, pragmatic, open and responsible”. These beliefs are codified on the official website and displayed throughout offices, creating an environment that encourages employees to apply them during daily operations. They are also shared through onboarding training, exams, and are formally communicated and reinforced by senior managers during the annual gatherings. In this way, these beliefs are presented across different organizational channels and intended to serve as a recurring reference point in organizational routines.

The beliefs underlying the slogan and values are perceived by the interviewees as clear and easy to understand. Both finance managers mentioned that the slogan and core values emphasized creativity and exploration, which are encouraged and valued by headquarters. As one finance manager explained:

“The meaning of the slogan and values is quite clear and fits well with the industry and local market. Indonesia is a new market that requires innovation and openness. The slogan and values reflect this direction.”

This suggests that the beliefs systems exhibit a certain degree of global transparency. They help local finance managers understand the broader organizational direction, particularly the emphasis on exploration and opportunity seeking in the local market. In this sense, these beliefs clearly create a shared understanding of organizational priorities. Furthermore, although the beliefs originate from headquarters and are applied across the group, the Indonesian finance managers view them as highly compatible with the gaming industry and the local market. Such alignment reduces the need for reinterpretation or adjustment at the subsidiary level as noted in the following quote:

“The beliefs are generally workable in local operations and usually we don’t need to question or reinterpret the meaning...So far, I haven’t encountered any strong conflicts between local practices and headquarters’ values.”

The beliefs are also actively internalized by local finance managers, thereby shaping their behaviors and decision-making. Both finance managers explained that the emphasis on exploration encouraged a less conservative approach than in previous finance roles:

“When I encounter difficulties in daily operations, I tend to act and make decisions in line with the company's cultures and beliefs, that is, trying to be more open, be creative, and adopt an international perspective.” – Person D

“We are encouraged to be more creative, and this also becomes an anchor in my daily work. For example, when evaluating several business scenarios, I would be more willing to accept higher risks and focus on opportunities.” – Person E

From the finance managers’ perspective, the beliefs systems are therefore perceived as enabling because they provide a clear direction for the daily work. At the same time, there are no strong conflicts between the exploration-oriented beliefs and local norms or industry conditions.

4.4.2 Boundary systems

Company C has defined a set of organizational boundaries. These include the codes of conduct and high risks to be avoided, such as data security breaches and bribery. These boundaries are formally introduced to new employees during onboarding training and are regularly reinforced in formal meetings.

These general boundaries are perceived as clear and stable by both finance managers. They described these rules as useful because they help the local team understand organizational risk concerns. Specifically, these boundaries provide guidance on acceptable actions and help protect the subsidiary from major compliance risks. In this sense, the general boundaries are viewed more as protective than restrictive.

However, challenges arise when it comes to more detailed rules. One example is the reimbursement approval rules. These rules are originally designed by headquarters, but they do not always fit the Indonesian market. In such situations, local adaptation is allowed, enabling the subsidiary to adjust the reimbursement rules to better fit the local context. However, the adjustment process creates extra work, reduces clarity, and slows down efficiency. As one finance manager explained:

“The original reimbursement policies are rigid for us. However, the adjustment process would be time-consuming as we need to gather sufficient information, draft local rules, and wait for final approval from headquarters. I can feel somewhat constrained because there are no clear and suitable rules for the local context now.”

Overall, the general boundary systems are perceived as slightly enabling as they provide clarity and risk protection. However, pressure and constraints appeared when detailed rules do not fit the local context. Although these controls could be adjusted or repaired, these features are less valued here as the adjustment process creates complexity and extra work for the local finance team.

4.4.3 Diagnostic control systems

Company C mainly uses budgeting and performance measurement systems to monitor subsidiary operations. The KPI is gross gaming revenue, which is consistently applied across the organization. Annual KPI targets are jointly discussed and finally approved by headquarters. These annual targets are then divided into monthly targets, and the achievements are reviewed on a monthly basis. Any deviations from targets are examined and discussed, and target achievement is directly linked to the subsidiary’s overall evaluation and employees’ bonuses.

Although the choice of gross gaming revenue as key KPI is decided by headquarters, its underlying logic and calculation are simple, clear, and in line with industry practices. As one finance manager explained:

“It is everyone’s consensus that using gross gaming revenue as the key KPI, which is decided by the gaming industry itself.”

This suggests that the performance measurement system shows a certain degree of internal transparency. Local finance managers understand what the KPI measures, why it is used, and how it should be applied in practice. Since gross gaming revenue is also seen as a common industry measure, the KPI is not perceived as conflicting with the Indonesian market context or requiring local adjustment.

While the monthly review process brings a certain level of pressure, there is a possibility to adjust targets at year-end, and such flexibility is described as helping ease the pressure to some extent. As one finance manager explained:

“If the preset target is not met, we analyze the reasons, whether there are some unexpected regulations or whether we have outperformed other competitors in a challenging market. Then, if reasonable, we will adjust targets at year-end accordingly.”

The KPI also provided a shared performance focus for local finance managers and business teams, as they further concluded:

“This simple but clear KPI provides a shared target, and I respond quickly and cooperate with the business team to achieve it. We follow the original targets, but we will have room for annual adjustments. Thus, I would say overall it’s supportive.”

Thus, the diagnostic control systems are perceived as more enabling than coercive because they provide internal transparency, clear performance focus, and allow some flexibility in use.

4.4.4 Interactive control systems

At company C, headquarters have formal bi-weekly meetings with its subsidiaries to discuss recent operational performance and market updates. These meetings serve as an open platform where headquarters and subsidiaries share information and discuss ongoing issues. Local teams are encouraged to propose new ideas that can support local business growth. Headquarters, in turn, actively question and challenge these proposals, and subsidiaries are expected to explain and defend their rationale.

These interactions are generally viewed positively by local finance managers. New proposals are reviewed and validated through several rounds of discussion, and subsidiaries could gain support once decisions are agreed upon. In this way, the interaction controls are perceived by subsidiary finance managers as facilitating dialogue and problem-solving. This enabling role is reinforced when headquarters actively shares knowledge and recommends best practices across subsidiaries. As one finance manager explained:

“When certain business partners have worked particularly well with headquarters or other subsidiaries, this knowledge is shared, and we are encouraged to try similar approaches in Indonesia.”

However, some tensions and conflicts emerge when communication becomes more top-down. In these situations, headquarters interventions are perceived as constraining local team operations. One finance manager described this tension as follows:

“Sometimes the requirements from headquarters conflict with local priorities, especially under limited resources and time. Still, I can raise my concerns and ask for support, such as additional staff, but in the end, I could not reject the requirement.”

Besides, social norms also appeared to influence how they experienced these interactions. In company C, working efficiency is emphasized and valued at headquarters while the local team values more on maintaining harmonious working relationships. Local employees tend to avoid expressing disagreement directly in formal meetings. By contrast, headquarters expect direct and immediate feedback to support faster decision-making. In such cases, headquarters controls could be experienced as relatively strict and push-oriented when they conflict with local communication norms. To address these tensions, formal control mechanisms are often complemented by informal communication channels. As one finance manager explained:

“As an Indonesian finance manager connecting the local team and the headquarters, I can see that sometimes during the bi-weekly meeting, local employees don't speak out about their concerns or different opinions directly. This would cause some tension and low efficiency.”

Overall, both managers perceived the interactive control systems to be generally supportive although there are some coercive elements. Pressures increased when global priorities override local considerations. Differences in communication norms also sometimes made discussions less efficient. Nevertheless, the interactive control systems provide a platform for two-way dialogue and are perceived as essential and highly valuable for local operations.

4.5 Company D

Company D is the Indonesian subsidiary of a leading British multinational corporation operating within the FMCG industry, with a specialized focus on health, hygiene, and nutritional products.

Regarding headquarter-subsidiary dynamics, Company D belongs to a Southeast Asian regional group that liaises regularly with a regional representative. This entity consolidates all information from the region and reports it directly to the corporate headquarters in the UK. From Company D, we have interviewed finance managers from Supply Chain Finance (Person F) and Sales Finance (Person G) team.

4.5.1 Beliefs systems

The belief system at Company D is articulated through a concise set of global values centered on “doing the right thing” and an entrepreneurial, ownership-oriented growth mindset. Both finance managers describe these values as repeatedly emphasized from headquarters and regional levels down to the subsidiary, and embedded in multiple organizational channels such as town halls, induction programs, internal websites, people surveys and the physical layout of meeting rooms.

From the perspective of the Person F the global values are presented as the main core of the company and are directly linked to her day-to-day work. She stresses that these values translate into concrete room to explore, voice opinions and avoid rigid corporate boundaries. In parallel, the Person G experiences the values as a simple yet powerful principle that Company D “repeats again and again,” shaping how she approaches responsibility for trade investment and efficiency in her role.

These statements indicate that the belief system is not confined to formal documents but is embedded in recurring communication and physical symbols and is intended to serve as a practical reference point in local routines.

Both managers perceive the values as clear, straightforward and closely tied to how the business operates. Person F emphasizes that the motto is “relatable” to corporate practice and that leaders visibly enact the values, which makes them easier to implement.

“The motto is more relatable on how the corporate works... We see that our management and our leadership team is doing that, so... as an employee we indirectly also [do] like that.” – Person F

Taken together, these accounts suggest that the belief system exhibits a high degree of transparency: it provides a stable interpretive frame that helps local finance managers understand headquarters’ expectations and see how Company D contributes to group objectives.

Within the institutional duality framework, the belief system connects closely to the Indonesian normative pillar. The core messages are experienced as broadly compatible with what “as a human being” one should do. This alignment reduces the need for reinterpretation at subsidiary level and allows the beliefs to function as a moral as well as strategic compass.

The managers also describe the belief system as something they actively use. For Person F, it underpins her confidence to speak up, pursue initiatives and judge whether decisions are best for the company, thus supporting proactive behaviour. For the Person G, the values messages foster a sense of ownership over top-line decisions and encourage her to search for more efficient, creative ways of working.

Overall, from these two finance managers’ perspectives, the belief system is experienced as enabling. It is globally consistent yet locally meaningful, supports communication with regional counterparts and internal stakeholders, and provides normative legitimacy when making or defending finance decisions in the Indonesian context.

4.5.2 Boundary systems

Boundary systems at Company D are primarily structured through global policies governing high-risk finance activities supplemented by locally adapted procedures. For both finance managers, these policies define what is acceptable and what must be avoided.

From Person F, global and local policies jointly shape her work on inventory and logistics. She describes detailed rules for supply chain finance where global guidance is complemented by Indonesian SOPs to match market conditions. Person G similarly highlights boundary systems around sales finance as well as detailed rules on provisions and sufficiency of supporting evidence.

These accounts indicate that boundaries are designed to create clarity around risk and compliance. Both managers describe them as largely enabling in everyday work, as they signal what matters to headquarter, make expectations explicit, and give a clear structure for prioritizing tasks and managing risk.

At the same time, the interviews reveal a negotiated character of boundary systems in the context of institutional duality. Person F recounts how she and other Southeast Asian countries successfully challenged a global six-month provision rule, arguing that due to Indonesia's outer islands and logistics, a 12-month window was more realistic and still compliant.

“We challenge to them, and they do the review... they extend the policy into 12 months... they're more open with that if we give a logical reasoning.” – Person F

Person G provides a parallel example from e-commerce rules, where global guidance based on another Asian market initially defined a specific operating costs as marketing spend. In Indonesia, the finance team used boundary-system forums to argue that this classification was not fully accurate given the local business mode and negotiated a more tailored treatment.

In both cases, boundary systems operate as regulatory negotiation mechanisms: global rules provide a starting point, but Indonesian managers can use formal processes (policy reviews, email escalation, regional controller forums) to align those rules with local legal and business realities, avoiding ceremonial compliance.

However, elements of coercion appear where policies are rigid, outdated or insensitive to local conditions. Person F points to a regionally designed freight-accrual mechanism that all countries must follow, even though she experiences it as costly and poorly suited to the Indonesian context. Person G also notes that some corporate rules, such as employee expense policies, feel clearly outdated, even though the underlying blueprint remains useful.

Overall, boundary systems at Company D are mixed: predominantly enabling but with some localized coercive elements. They offer clear guardrails, shared definitions and legitimacy, while formal escalation channels and email trails allow Indonesian managers to negotiate exceptions when global rules misalign with local regulatory or market realities.

4.5.3 Diagnostic control systems

Diagnostic systems at Company D are centered on standardized performance indicators and global planning tools that translate headquarters' objectives into concrete targets for the Indonesian subsidiary. For Person F, four KPIs dominate regarding supply chain finance. These are set annually, communicated with precise numeric targets, and monitored through monthly Southeast Asian meetings.

For Person G, the central diagnostic focus is on managing the trade-investment budget and components of net revenue performance. Forecasts are updated on a quarterly cycle, and each closing compares actuals against the latest forecast to identify drifts.

When performance expectations are not met, both managers describe a structured but dialogic process. Person F explains that monthly regional meetings focus on understanding drifts and co-developing action plans, with regional teams challenging local explanations and then suggesting directions for the upcoming period.

For Person G, overspending on trade investment triggers a requirement to justify the deviation and to clarify whether similar activities will recur, in which case they must be built into the next forecast.

Cognitively, both managers stress that the global diagnostic system is ultimately clear and enabling, but not effortless to integrate at first. Person F describes significant initial difficulty in understanding the budgeting logic and supply-chain KPIs, particularly because there was no written budgeting handbook and no overlap with her predecessor. Over time, participation in constructing the budget with her supply director and regional team allows her to internalize how each KPI is built up and how to achieve it.

“Because I’m involved in the process... I more or less know on how this component is built up as our target, and how we’re going to do to achieve the target.” – Person F

Person G’s experience with the global budgeting system is similar. The tool is rolled out via regional training and Q&A forums, and the structure is perceived as very direct and straightforward. Yet she notes that documentation could be stronger and that mandatory online trainings for new users risk being completed “for the sake of access” rather than deep understanding.

“When we want... to get the access [for the tool]...they have like mandatory online training... But I don’t think that’s enough... you just follow the training for the sake of you get the access, not for the understanding fully.” – Person G

Within the institutional duality framework, these experiences highlight the cognitive pillar: global diagnostic controls provide a transparently shared performance language and comparability, but their enabling potential depends on whether local finance managers can internalize the underlying logic through practice, coaching and iterative clarification. Once this happens, both interviewees experience diagnostic systems as enabling, helping them act with clarity, anticipate regional expectations and adjust targets when local situation make the original budgets unrealistic.

4.5.4 Interactive control systems

Interactive systems at Company D are structured around recurring discussions with regional teams. For Person F, the main formal forum is the monthly regional meeting after closing, in which Indonesia presents its results and discusses both performance and current issues with the regional team. She also participates in a regional controllers' group that enables more informal, like ongoing exchanges about new policies.

For Person G, interactive systems similarly include regular closing calls with the regional team, as well as frequent discussions with regional and global stakeholders when launching new products or managing e-commerce initiatives. She notes that such interaction is "quite frequent" and that it is relatively easy to reach out to the regional teams, who also visit Indonesia in person roughly once per quarter.

Viewed through the normative pillar, these interactive systems are key arenas in which Indonesian expectations of social harmony and respectful relationships are reconciled with Company D's more direct, performance-oriented culture. Person F interacts directly with the CFO, supply director and regional leaders, who communicate in a much more straightforward way.

"Because most of the people [local and regional leaders] are expats, I think the communication is more direct, because they didn't like to do small talks like people in Indonesia... when the first few months I'm in here, I'm quite shocked... but... now I think this is the most effective and efficient... because we go directly to the core that we want to communicate... I'm used to it right now." – Person F

Initially, this directness clashes with local norms of avoiding open confrontation, but over time Person F comes to see it as an efficient and even empowering mode of interaction. She emphasizes that regional forums allow her to explain local constraints without fear of blame and to obtain support. In this sense, interactive systems enable her to perform a benevolent, protective role consistent with Indonesian expectations of a good manager—shielding her team from unfair pressure while still honoring group objectives.

Person G likewise experiences regional interactions as quite genuine two-way dialogues in which leaders actively try to understand Indonesian challenges and short-term priorities, rather than imposing top-down scrutiny. She notes that some reports do feel like formal rituals but also stresses that regional actors listen to local feedback.

"There is a report that feels like this is just a formality... last year, we do it monthly, but they heard us when we were saying that it takes time... So now we just submit that quarterly basis." – Person G

Overall, within the normative pillar, interactive systems at Company D are experienced as mixed of enabling and coercive. They support open yet respectful dialogue, allow Indonesian managers to maintain their identity as responsible, protective leaders, and provide a platform to align global expectations with local norms. At the same time, coercive elements appear when interactive

routines tilt toward formal accountability rather than learning. The very direct communication style of many regional leaders, which was initially “shocking” for managers used to more indirect, harmony-preserving interaction, can also feel coercive at first because it departs from Indonesian norms of avoiding open confrontation, even if it later comes to be reinterpreted as efficient and growth-enhancing.

Table 5. Summary of LOC Perceptions by case

LOC/Company	Company A	Company B	Company C	Company D
Beliefs systems	Enabling. Global values are clear, align with Indonesian norms, and are actively used to guide decisions and communicate with stakeholders.	Neutral. Beliefs are viewed as too broad, general, and weakly connected to daily operations.	Enabling. Values are clear, industry-fitting, supporting global transparency, and providing direction for local operations.	Enabling. Global values are clear, repeatedly communicated, and visibly enacted by leaders. They align with Indonesian norms and are actively used as a practical guide for behavior and decision-making.
Boundary systems	Mixed. Global norms provide clear high-level limits while local SOPs translate them into executable steps; occasionally coercive with complexity and extra workload from regulatory gap of headquarter and local, but little sense of restriction or symbolic use.	Enabling. Specific and strict rules are valued in a risk-sensitive, capital-intensive industry. They provide clarity, support safety and compliance, and balance tensions between different working norms.	Mixed. Rules provide clarity and risk control, but a weak local fit creates extra workload. Repair and flexibility exist but can be time-consuming.	Mixed. Global policies and local SOPs jointly define acceptable behavior. Within the regulatory pillar, managers can negotiate adaptations. Although some policies are top-down even if unsuitable for local market but accepted to maintain legitimacy.
Diagnostic control systems	Mixed. KPIs are well-understood, used for discussion and cognitively positive with centralized tool, and can be adjusted to local realities; some coercive elements remain via time pressure, target-linked	Mixed. KPIs provide internal transparency and clear performance direction, helping managers understand organizational priorities and monitor progress.	Enabling. KPIs are clear, simple, and aligned with industry logic. Annual adjustments allow for some flexibility and support problem-solving.	Enabling, with some cognitive challenges. Global diagnostic controls provide clear KPIs, shared performance language, and comparability. Their enabling effect depends on managers internalizing the

	consequences, and the risk of top-down instructions when dialogue fails.	However, target-linked evaluation and limit flexibility create pressure.		underlying logic through practice and coaching. Once understood, systems are experienced as clarifying and adjustable to local shocks, although closing-time performance pressure remains.
Interactive control systems	Mixed. Forward-looking regional meetings and headquarter visits offer an enabling, two-way platform to escalate local issues and co-create strategic agendas, evolving away from rigid templates. Coercive aspects stem from demanding preparation, time-pressure, and direct regional challenge that can strain harmony-oriented local interaction. Normative pillars influence leaders to be both ways: benevolent and harmony-preserving internally while comfortably being direct with regional.	Mixed. Regular meetings support communication and problem-solving, but close headquarter supervision creates monitoring pressure while shared goals soften the coercive effect.	Mixed. Regular meetings enable dialogue and knowledge sharing, but pressure appears when headquarter priorities override local concerns or when direct, efficiency-oriented headquarter communication conflicts with <i>local norms</i> of harmony and indirect communication.	Mixed. Regular discussions with regional teams support open yet respectful dialogue. Coercive elements arise from closing time-pressure, formality of report, and when very direct regional communication initially clashes with Indonesian norms preferences for indirect, harmony-preserving interaction.

5 Analysis and Discussion

While MCSs in multinational companies are theoretically understood as mechanisms for maintaining strategic alignment and guide employees' behaviour, the four case studies show how subsidiary finance managers interpreted these controls, through their practical use in daily work and their fit with the Indonesian institutional context. This chapter draws together the findings from the four cases and discusses them in relation to the two research questions.

5.1 Mixed perceptions: the coexistence and continuum of enabling and coercive control

The cross-case findings suggest that, from the perspectives of subsidiary finance managers, management controls from headquarters are rarely perceived as purely enabling or coercive. Instead, perceptions are often mixed. Enabling and coercive elements can coexist within the same control and vary in degree across companies.

Across the cases, beliefs systems are more likely to be perceived as enabling when they provide meaningful and practical guidance for daily work. In Companies A, C, and D, corporate beliefs are clear, aligned with the business context, and actively used to clarify organizational direction (Table 5). These beliefs are therefore clearly understood and internalized by subsidiary finance managers, serving as a reference point for daily activities and local decision-making. Company B provides a contrast. Its beliefs systems are not perceived as coercive, but their enabling effects are limited because the values remain broad, symbolic, and less frequently used in daily operations. This suggests that the enabling function of beliefs systems lies not in the formal presence of corporate values or culture, but in their practical relevance and internalization by local managers.

Boundary systems, although generally associated with negative forces, are not necessarily perceived as coercive. Across the four cases, rules are often valued because they clarify headquarters' requirements and define boundaries for local operations. In companies A, C, and D, local adjustment further provides some flexibility, making these rules more applicable to local conditions (Table 5). Coercive elements emerge when standardized global rules conflict with local operational realities. In Companies A and C, this friction forces local adjustments that generate additional workload and procedural complexity. In Company D, however, coercion stems from the rigidity of top-down mandates that are unsuitable to local conditions but accepted to maintain legitimacy with headquarter. These factors create tensions that shape how boundary systems are perceived along a continuum between enabling and coercive control. When boundary systems provide clarity and protection, they may be perceived as closer to the enabling side of the continuum.

Diagnostic control systems illustrate how enabling and coercive elements can coexist within the same control system. Across the cases, budgeting systems, KPIs, and performance reviews are generally perceived as supportive because they provide a shared performance language (Table 5). These controls therefore help subsidiary finance managers understand headquarters' expectations, monitor progress, and align local activities with broader organizational objectives. Tensions appear

when target achievement is closely linked to evaluation or compensation, as seen across the four companies (Table 5). Opportunities to jointly discuss KPI settings, explain deviations and adjust targets help ease these tensions. This suggests that diagnostic controls are not experienced merely as monitoring devices in MNCs. When performance measures provide clarity and allow flexibility in use, they can also support local operation at a distance.

Interactive control systems illustrate that controls formally described as positive forces in the LOC framework are not automatically perceived as enabling; in some situations, they may also be experienced as coercive. Across the four cases, regular meetings and communication channels are generally perceived as supportive when they serve as platforms to share information, obtain advice and enhance learning (Table 5). These interactions connect local managers with headquarters, helping them identify new opportunities and respond to emerging challenges together. However, supervisory pressure may arise when meetings are dominated by headquarters rather than oriented toward joint problem-solving. This pressure is further reinforced when meetings require extensive preparation or become overly focused on formal reporting, as demonstrated in Companies A and D (Table 5). Overall, interactive controls are perceived as essential across the four cases, but their enabling effects depend on whether interactions remain open, balanced, and problem-oriented rather than supervision and accountability.

Taken together, the findings align with prior research suggesting that MCSs are not purely enabling or coercive but may contain both enabling and coercive elements to varying degrees along a continuum (O'Grady, 2019; Burney et al., 2017). The mixed perception also supports the theoretical argument that Simons' distinction between positive and negative levers does not directly determine how controls are experienced in practice. In multinational contexts, perceptions of headquarters controls are particularly complex because subsidiaries operate at a distance and face different market and regulatory conditions. These conditions shape how subsidiary finance managers interpret and respond to headquarters controls in practice. Perceptions therefore depend on how the controls function in daily work: whether they help local managers understand organizational strategy, guide operational activities, and solve problems, or whether they primarily increase pressure and restrict autonomy.

5.2 The relative importance of enabling features across levers of controls

Beyond identifying which controls are perceived as enabling or coercive, the findings also provide theoretical insights into why different levers of control become enabling in different ways. Previous research suggests that enabling control should not be examined only as an overall perception, but also through the four specific features that make controls enabling (Burney et al., 2017). Therefore, the following analysis further examines how different enabling features are emphasized across the four levers of control in the MNC context.

Beliefs systems are perceived as enabling mainly through the creation of shared meaning. In companies A, C and D, clearly articulated beliefs help subsidiary finance managers understand the broader organizational direction and use it as a general guide for daily work (Table 5). This

indicates that the enabling function of beliefs systems is primarily associated with transparency, especially global transparency. By making corporate beliefs visible and understandable across geographically dispersed units, global transparency helps subsidiaries understand the broader organizational values and internalize them. Flexibility and repair are less relevant, as beliefs mainly offer broad guidance rather than procedures require adjustment, provided that they remain compatible with the local cultural context.

Boundary systems are perceived as enabling in a different way. The main enabling feature could be internal transparency, as clear rules help subsidiaries understand acceptable actions, avoid risks, and justify local decision-making. Flexibility and repair play more ambivalent roles. They are viewed as necessary for adapting global rules to local operations, but they could also reduce the enabling effects as the adjustment process creates short-term ambiguity and procedural complexity.

Diagnostic controls are mainly enabling through internal transparency and flexibility. Internal transparency allows finance managers to understand the logic behind KPIs setting, so the performance measures could serve as tools for daily operational management. Flexibility further strengthens the enabling perception. When subsidiaries have room to interpret results, explain deviations, or adjust targets in relation to local conditions, diagnostic controls support problem-solving rather than simply enforce performance accountability.

Interactive controls are less easily captured by the four enabling features as separate dimensions. The enabling perception of interactive controls depends less on one specific feature and more on how interactions are used in practice. Open and balanced dialogue can enhance transparency, flexibility, and learning, whereas interactions dominated by supervision and accountability may weaken these enabling features.

Thus, the findings suggest that the enabling features do not contribute equally across the four levers of control. Their relevant importance depends on the nature of each lever and the headquarters–subsidiary context. This therefore provides a more nuanced perspective on enabling controls by showing that specific features are activated differently across the levers of control in MNCs.

5.3 Contextual fit and the role of institutional duality

As theorized, the influence of the regulatory pillar is highly pronounced within boundary systems, particularly in how these controls function as participative mechanisms for regulatory negotiation. From Table 5, Company D managers successfully utilized formal escalation channels to renegotiate a global six-month provision rule into a twelve-month window that aligned with Indonesia’s distinct geographical and logistical challenges. Similarly, the choice in Company A to adopt the stricter of two regulatory standards, such as GDPR over local data privacy laws, was perceived as enabling because it provided the finance manager with a legitimate, objective basis for rejecting inappropriate local proposals.

In the Indonesian context, an environment which characterized by gaps in formal regulatory structures, the perceived enabling nature of these controls is driven by how effectively they bridge

the gap between global mandates and local legal obligations. This observation supports the perspective of [Nell et al. \(2015\)](#), which suggests that subsidiaries in emerging markets often exercise agency by negotiating legitimacy through strategic adjustments rather than passive compliance.

While institutional frameworks in Table 2 theorize that local social norms intersect with both belief and interactive systems, our empirical findings reveal that social norms are more evident within interactive controls. Belief systems is less evident because they are inherently more straightforward. In Companies A, C, and D (Table 5), global corporate values were easily internalized by local teams, who interpreted them as general, universal human values that natively complement Indonesian norms, although worth noting that in Company B it was viewed as neutral since the values were deemed too general.

In terms of interactive control system, subsidiary finance managers in companies A, C and D experience direct and efficiency- or performance- oriented communication from headquarters, which contrasts with Indonesian norms of less direct and harmony-oriented communication (Table 5). These further shapes how interactions with headquarters are perceived. In company C, such directness is experienced as relatively strict and create tensions between efficiency and harmony, which was partly mitigated through informal communication. In company D, direct communication also creates some initial discomfort but is later perceived as useful when accompanied by supportive and respectful atmosphere. Meanwhile in company A, an acute awareness of these social dynamics allows leaders to comfortably adopt a direct approach regionally while successfully safeguarding harmony internally.

Furthermore, interactive meetings at Company A and Company D offered a legitimate platform for finance managers to articulate local constraints and negotiate operational adaptations, including giving feedback to a system or report that they view as time-consuming. This enables them to maintain their identity as protective leaders who shield their teams from unrealistic corporate pressures. These findings align with the research by [Irawanto \(2011\)](#), which posits that in Indonesia, a leader's effectiveness is measured by their ability to act as a benevolent, protective figure who ensures the collective well-being of their subordinates.

This evidence shows how the normative pillar serves as a critical filter for determining whether a control is perceived as enabling or coercive. When global MCSs respect these social bonds, it enables finance managers in Indonesia to preserve their cultural identity and maintain the internal social cohesion expected of them. Consequently, control moves beyond being mere monitoring tools to become facilitators of social harmony and operational legitimacy.

Finally, the cognitive pillar is more evident in diagnostic systems as the primary mechanism for sense-making and the eventual internalization of global management practices. These findings are consistent with the conclusion by [Kostova and Roth \(2002\)](#) study, which suggests that the success of a practice transfer depends on whether local managers can decode the logic behind headquarters' mandates. In all companies, (Table 5) diagnostic controls were generally perceived as

predominantly enabling because the performance metrics and budgeting tools provided transparency, a shared performance focus, and the flexibility to adjust targets in response to local market realities. Although some coercive elements still exist in Company A and B due to target-linked evaluation and consequences. However, findings from Company D demonstrate that this cognitive fit is not always immediate; it often requires iterative practice, coaching, and discussion before managers can fully internalize the underlying logic of standardized budgeting tools. When such systems are successfully internalized as practical guides, they facilitate local problem-solving and provide a shared performance language that bridges the gap between the subsidiary and headquarters. Without this cognitive alignment, systems risk falling into ceremonial adoption.

The cross-case findings further indicate that the perceived enabling or coercive character of headquarters controls is driven not only by how the controls are designed and used, but also by the context in which they operate. Among these contextual factors, institutional fit is especially important for MNCs, as subsidiaries need to balance both headquarters requirements and local regulatory, normative, and cognitive conditions.

Beyond institutional duality, the perceptions of MCSs are also shaped by their alignment with specific industry demands. While institutional duality focuses on the friction between headquarters and the Indonesian host-country context, industry fit examines whether the control system matches the operational realities of the business. In the cases of Companies A, C, and D (Table 5), where innovation and rapid market response are primary strategic objectives, controls are perceived as more enabling when they facilitate flexibility and exploration. Conversely, because Company B operates within a capital-intensive and risk-sensitive industry, stricter boundaries and closer monitoring are recognized as supportive features that help manage complex operational risks and ensure safety.

5.4 Strengths and contributions

A key strength of this study lies in the comparative multi-case design. By examining four multinational subsidiaries operating in the same Indonesian context, the study allows comparison across different headquarters control practices while keeping the local institutional environment relatively consistent. This design is well-suited to the research questions, as it allows for an in-depth analysis of how subsidiary finance managers interpret and perceive headquarters MCSs in Indonesia. Building on this, our study makes several contributions.

First, the study provides empirical evidence on how MCSs are interpreted and perceived by subsidiary finance managers in Indonesia, an emerging market context that remains relatively underexplored in management control research within MNC settings.

Second, the study contributes by integrating the enabling and coercive framework with the LOC framework. This integration provides an analytical framework for examining how each lever of control may contain enabling and coercive elements in practice. This allows a more nuanced analysis than viewing the levers only as positive or negative forces. The study further extends the

analytical framework by examining MCS perceptions through the lens of institutional duality. The regulative, cognitive, and normative pillars provide useful analytical filters for understanding how local rules, shared meanings, and norms shapes perceptions of MCSs within MNCs. In this way, the study links control perceptions not only to the design and practical use of controls, but also to the institutional context in which they are implemented. The proposed framework can serve as a starting point for future research on MCSs perceptions in other contexts.

This study also contributes to management control literature by empirically examining the perception perspective highlighted in [Tessier and Otley's \(2012\)](#) revised LOC framework. While their research identifies employees' perceptions of controls as an important and separate element, this aspect is not examined in depth. Responding to this gap, this study focuses specifically on management control perceptions from the perspective of subsidiary finance managers. This also has practical implications for MCSs implementation in MNCs. It suggests that subsidiary-level perceptions are an important consideration when headquarters implement controls across different local contexts.

5.5 Limitations and further research

This study has some limitations that should be acknowledged. The first limitation is the uneven distribution of interviewees across the four companies, as only one interviewee was from Company B. Ideally, having at least two interviewees from each company would strengthen the credibility of the findings by allowing within-case comparison.

Second, the study relies on the perspectives of subsidiary finance managers, which may introduce potential response bias. Since these managers work closely with headquarters MCSs and often act as intermediaries between headquarters and local business teams, their loyalty to headquarters may influence how they describe these controls. This may lead them to emphasize enabling aspects of controls, while discussing coercive elements more cautiously. To reduce this risk, the interviews encouraged open communication and included detailed follow-up questions about how controls were used in practice. This allows the analysis to be supported by specific descriptions and examples, rather than relying only on general evaluations of whether controls are perceived as enabling or coercive.

Third, although this study intentionally focuses on subsidiary finance managers due to their central role in working with headquarters MCSs, the findings may still reflect a role-related bias. Their close involvement in reporting, budgeting, compliance, and performance monitoring may make them more attentive to rules, procedures, and formal requirements. Thus, further studies could include participants from other functions to provide a broader understanding of how headquarters MCSs are experienced within subsidiaries. Perspectives from headquarters would also offer valuable insights into the tensions between headquarters controls and subsidiary-level perceptions.

Another limitation relates to the different national identities of the subsidiary finance managers. Specifically, the subsidiary finance managers from Companies A and D are Indonesian, while

those from Companies B and C are Chinese. Although Chinese finance managers work in the Indonesian environment and interact daily with local employees, they may not interpret the local institutional context in the same way as Indonesian managers. National identity differences may shape the perceptions, particularly under conditions of institutional duality. Thus, further studies could examine how subsidiary managers' nationality, whether corresponding to the headquarters' home country or the subsidiary's host country, influences the implementation and perceptions of MCSs.

6 Conclusion

Based on a comparative analysis of four case companies, the study suggests that MCSs implemented by headquarters are perceived as either generally enabling or mixed, with enabling and coercive elements often coexisting within the same lever of control. This finding is in line with the view that management controls should be understood along an enabling and coercive continuum rather than as fixed categories (O'Grady, 2019; Burney et al., 2017). Perceptions are further shaped by different enabling features across the four levers of control. Beliefs systems are perceived as enabling when they provide clear organizational direction and are internalized in daily behaviour. Boundary systems and diagnostic control systems, although traditionally associated with constraint, can be perceived as enabling when they offer clear guidance, support risk management and allow some flexibility in use. Interactive control systems, by contrast, can be perceived as coercive when they shift from dialogue and learning towards accountability and intervention.

Our study also demonstrates that contextual factors shape control perceptions. Headquarters MCSs are more likely to be perceived as enabling when they align with local regulatory conditions, cultural norms, and industry requirements. By contrast, conflicts with local practices and communication norms may create tensions and shift perceptions towards the more coercive side. This highlights the importance of balancing global requirements with local applicability when implementing MCSs in subsidiaries.

Taken together, the study shows that subsidiary perceptions are central to how MCSs operate in practice within MNC settings. MCSs are not perceived as purely enabling or coercive. Instead, perceptions are shaped by the interaction between control design, practical use, the subsidiary institutional environment and the business context.

7 Appendix

Appendix 1: List of Questions

- **Role and organizational context**

1. Could you briefly describe your role and main responsibilities?
2. How is your subsidiary positioned within the broader organization?

- **Beliefs Systems**

1. Design: What are the beliefs, core values, and the mission communicated by headquarters? Do you clearly understand them?
2. Use: How does headquarters communicate the beliefs with subsidiaries, for example, how often are the communicated, and through what channels and formats?
3. Perceptions: Do these messages help you understand how your subsidiary contributes to the organization, or any conflicts when making local decisions?
4. Perceptions: If these beliefs are unclear or not workable in your situation, is there room to question, discuss, or reshape their meaning?
5. Perceptions: Overall, do these beliefs help guide your local decisions, or do they sometimes feel unclear or symbolic?

- **Boundary Systems**

1. Design: What are the boundary controls implemented by headquarters, for example, formal codes of conduct or specific rules? Can you give us some specific examples?
2. Use: How does headquarters communicate the boundaries and its importance, and how often are these guidelines updated?
3. Perceptions: Do these boundaries help you understand what matters to headquarters, in terms of risk concerns or strategic priorities?
4. Perceptions: If a rule turns out to be problematic or impractical, can it be challenged or revised? Can you give us an example?
5. Perceptions: Is there a formal process to ask for a “boundary exception” if a unique local opportunity arises?
6. Perceptions: Overall, do these boundaries help you act with clarity, or do they sometimes restrict you too much or feel unclear?

- **Diagnostic Systems**

1. Design: What are the primary diagnostic controls implemented by headquarters, for example, budget controls and KPIs? How are they designed and implemented?

2. Use: Could you walk me through the process when performance targets are not met?
3. Use: To what extent is the subsidiary performance evaluation strictly tied to achieving these targets?
4. Perceptions: Do you understand the logic behind how each performance measure is calculated or evaluated?
5. Perceptions: Could you walk me through when a specific performance target do not reflect the reality of the subsidiary local market? What is the process for adjusting it?
6. Perceptions: Can you see how your subsidiary's data interacts with other parts of the global organization? How do you feel about that information?
7. Perceptions: Overall, do these diagnostic controls help you act with clarity, or do they sometimes restrict you too much or feel unclear?

- **Interactive Systems**

1. Design: What kinds of regular discussions do you have with headquarters about performance, uncertainty, or strategic issues?
2. Use: What is the purpose of headquarters involvement in these discussions, mainly to ensure compliance or to encourage learning?
3. Perceptions: Do these discussions allow you to openly raise local challenges and gain support from headquarters? Could you give us an example?
4. Perceptions: To what extent does headquarters involve your local decision-making? How do you feel about it?
5. Perceptions: Overall, do these interactions feel like genuine open dialogue or more like formal reporting routines? Do they help you work better, or mainly increase scrutiny?

- **Institutional duality**

1. How would you describe the overall management control environment in your subsidiary?
2. How does your understanding of the local market's regulatory, social, and norms influence the way you explain results to headquarters?
 - Norms example: It is known that Indonesian workplace prioritizes social harmony, respect for hierarchy, collectivism. How do these impact your dialogue with headquarters?
 - Regulatory example: if codes of conduct are not quite aligned with reality of local market regulation, what would you do to navigate this? Can you give us an example?
 - Cognitive example: Regarding top-down centralized ways of working in managing performance measurement, were there any difficulties for you to implement or internalize? Can you give us an example?

- And ultimately, while navigating these factors of regulatory, norms, and cognitive, do you feel the controls are supporting you or restraining you?

Appendix 2. AI statement

Tools: Scopus AI, ChatGPT

Use: Scopus AI helped to gather relevant articles as references to support arguments. ChatGPT was used to only correct grammar and improve language. After using the tool, the authors reviewed and edited the content as needed and take full responsibility for the content.

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