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The Building of Country Managers' Competence and Its Use in Orchestrating Subsidiaries' Resource: Empirical Studies of Indonesian Subsidiaries in Nigeria

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Abstract: This study employs a resource orchestration model to investigate the influence of country managers' competence on subsidiaries' performance in a host country. A structural equation model with a multistep approach using Lisrel is used to analyze 41 pieces of data from Indonesian business units operating in Nigeria. This study found that country managers use a subsidiaries' absorptive capacity, which is formed by the combination of resources from the headquarters and the local partner as the dominant source of learning, to develop their competence over time. This competence does not directly influence subsidiary performance, but it is notably used to accumulate the critical assets for their subordinate business units. These assets then become valuable inputs for business units to develop or modify their operational capabilities which directly influence the performance. One contribution of this study is to provide a more detailed explanation of how a headquarters' resources invested abroad are transformed into subsidiary performance.

Keywords: absorptive capacity; capability development, country manager competence; headquarter resources; resource orchestration

JEL classification: F23, L21, M16

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Introduction

The role of a country manager in the management of a subsidiary is increasingly important for strengthening the competitiveness of a multinational corporation (MNC) in the international market (Barlett and Ghosal 1997; Wooldridge et al. 2008). They have a pivotal role which bridges the corporate strategy and the business operation in a host country (Vora et al. 2007). In the inter-developing country investment context, which is growing rapidly (Aykut and Ratta 2004), a country manager's competence can be a potential source of competitive advantage for developing country-MNCs to compete with developed country-MNCs (Cuervo-Cazzura and Genc 2008).[1] This important role of the country manager is more visible when the subsidiary is still small size (Kelliher and Reinl 2009) and highly dependent on local knowledge in doing business, such as a market-seeker subsidiary (Hewett et al. 2003). This situation then raises a question: what kind of competences should country managers have to improve their subsidiaries' performance?

A lot of literature has discussed the various attributes and qualities of managers that represent this competence and its impact on firm performance. Some of the literature has been qualitative research, such as the country manager's competences in the modern era (Barlett and Ghosal 1997), the middle manager's attributes (Wooldridge et al. 2008), the marketing manager's competence in South Africa (Melaia et al. 2008), the global marketing manager's competence (Griffith and Hoppner 2013), the changing role of middle managers (Parera and Fernandex-Vallejo 2013), and the dynamic country manager's competence (Lee and Teece 2013). Other research has been quantitative with strong evidence to explain the impact of competence on busieness activities, hence the firm's perfomance, such as the manager's knowledge and skill to improve resource productivitiy (Holcomb et al. 2009), the managerial perception of restructuring firm resources (Kunc and Morecroft 2010), the ability, motivation and opportunity of expatriate managers to transfer knowledge within a subsidiary (Chang et al. 2012).

This study aims to enrich such literature by investigating the influence of country manager competence on subsidiary performance, using inter-developing country investment as its context, which is still limited in previous studies, notably on terms of quantitative research. In doing so, the model and argument of this study are built on a resource-based perspective which also posits that managers are a potential source of value creation (Holcomb et al. 2009). More specifically, this study employs the resource orchestration model, the application of which is currently still developing. Some research has also applied it in the international business context, such as Lu et al (2010) and Chadwick et al (2015). What is unique about this study is the involvement of three levels of resources in the analysis. The first layer is *headquarters*

[1] Inter-developing country investment is also known as south-south FDI, that is the foreign direct investment from a developing country to another developing country. Cuervo-Cazurra and Genc (2008) argued that MNC and/or subsidiaries from developing countries have more experience to apply and develop in doing business in the difficult and uncertain environment, compared with their rivals from developed country.

and *local partner resources* which represent corporate decisions, and they are given from the subsidiary's perspective. The second layer is the *subsidiary's absorptive capacity* and *country manager* at subsidiary level. Finally, there is the *business unit's assets*, *capabilities*, and *performance*[2] at the subsidiary subordinate. These inter-layer relations will create valuable knowledge for the headquarters, for example, to undertand how the resources they invest translate into performance in the host country.

In essence, the resource orchestration model emphasizes the combination of ways that can be used by manager (or in this case, the country manager) to influence the organization's (the subsidiary in this case) performance through activities: accumulating the business unit's assets, developing the business unit's capabilities, and deploying them in the market. To perform these activtities, country managers must develop their competences over time, which, in the resource-based framework, is known as dynamic managerial capabilities or DMC (Helfat and Martin 2015). Based on the capability development model of Birkinshaw dan Hood (1998), we argue that the development of the country manager competence in this study is influenced by three sources of learning simultaneously. They are (1) headquarters' resources (Vahlne and Johanson 2017); (2) the local partners' resources (Holm et al. 2005); and (3) the subsidiary's absorptive capacity (Chang et al. 2012; Zollo and Winter 2002). In other words, this study is interested in finding the answer to the following two questions. First, *what is the dominant source of learning to develop country managers' competence*? Second, *how does a country manager use this competence to influence subsidiary performance*?

A model is then developed to depict those resource orchestration activities in the context of an Indonesian subsidiary operating in Nigeria. Thus, it depicts an inter-developing country (south-south) investment. All Indonesian subsidiaries are led by Indonesian country managers, and they successfully achieve a relatively high market share for Indonesia products in that country, even when they have to compete with developed country-MNCs, such as Unilever and PZ Cusson. The subsidiaries are relatively small in size (less than 50 employees, low level of formalization and departmentalization) (Kelliher and Reinl 2009). They are marketing subsidiaries, and wholly-owned by MNCs from Indonesia that make further joint marketing alliances with local partners. Local Nigerian partners are responsible for distribution, selling, and some marketing activities (e.g. pricing, promo), while Indonesian MNCs contribute by providing qualified products, branding, and supporting promo activities. This context is suitable to use in this study because it emphasizes the importance of a country manager's competence with regard to (1) the context of inter-developing country investment, (2) Nigeria still being perceived as high-uncertainty (Iarosi et al. 2009), and (3) Indonesian subsidiaries being relatively small in size (Kelliher and Reinl 2009).

[2] Business units are suboperationals under a subsidiary which are differentiated based on product or geographic coverage.

Literature Review and Hypotheses

Resource orchestration explains the need (for a manager) to acquire new knowledge continuously from the environment's dynamism, and use it to accumulate an asset portfolio, to develop capabilities, and to leverage those assets and capabilities in order to create value and maximize performance (Chadwick et al. 2015; Chirico et al. 2013). Asset accumulation refers to the action of building and strengthening factors internally, especially the non-tradable factors (Costa et al. 2013). It seeks to build or increase factors' potential value in order to strengthen organizational competitive advantage (Bridoux et al. 2011; Ketchen et al. 2014), such as market knowledge, personnel competence, brand awareness, distribution channels, and relationships with local actors. Lastly, developing capability is the action of strengthening, enhancing, or building new routines by combining a set of assets in a certain formation in order to respond to the changing environment (Morris and Snell 2011).

To perform those activities, managers need to develop their dynamic managerial capability (DMC), which is defined as the competence with which managers build, integrate, and reconfigure organizational assets and capabilities (Kor and Mesko 2013) to respond to the changing environment. DMC consists of three components which are intertwined and influence each other; namely (1) managerial human capital, (2) managerial social capital, and (3) managerial cognition. *Managerial human capital* comprises the skills and knowledge accumulated by managers, which are shaped by their education, training, and experience (Chang et al. 2012). *Managerial social capital* involves competence in accessing resources through formal and informal relationships and networks (Ahearne et al. 2014) in order to help acquire essential resources and critical information for decision-making (Hodgkinson and Healey 2011). Finally, DMC is also formed by *managerial cognition*, which consists of the belief systems and mental processes (e.g. attention, reasoning, recognition, intuition) that managers use for decision-making (Helfat and Peteraf 2014). Managerial cognition is shaped by personal and professional experiences and managers' interactions, and to some degree is influenced by their internal and external networks (Maitland and Sammartino 2015).

The Development of a Country Manager's Competence

The resources needed by subsidiaries in the host country are initially provided by the headquarters of their MNC (Luo 2003). For example, proven-quality product, personnel competence, and budget for market expansion. These resources reflect the commitment of MNC strategy (Randoy and Dibrell 2002) to support the building of subsidiary's competitive advantage (Barlett and Ghosal 1997). Johanson and Vahlne (1977, 2006) argue that managing the headquarters' resources will increase international activities which then have an impact on the accumulation of country managers' market experiences. Increasing the headquarters' resources also gives a signal to local business actors that the subsidiary has a commitment to operate on a long-term basis in the host country (Johanson and Vahlne 2009). This strengthens the position of the subsidiary in terms of the customers, as well as the position of country managers in the local business net-

work (Santangelo et al. 2011). Overall, the headquarters' resources influence the components of the managerial human capital and managerial social capital of a country manager. Furthermore, the interaction between market experience and the strong position in the local business network increases a country manager's mental capability (part of the managerial cognition component) such as intuition, recognition, and reasoning, which are foundations of competence development (Crossan et al. 1999; Helfat and Peteraf 2014).

H1: Headquarter resources increase a country manager's competence.

Often, not all the resources that are needed by the subsidiary can be provided by the MNC headquarters efficiently (Cui et al. 2011; Luo 2003). In the strategic alliance context, the headquarters and local partners contribute resources that are complementary, and such resources become unique sources of learning for subsidiaries and their managers (Dyer and Singh 1998). Local partners provide resources that are better rooted in the host country conditions, such as local information (market, culture, regulation), access to customers (Makino and Delios 1996), and infrastructure (Moran 1985). In other words, local partner resources can be seen as a source of learning beyond the MNC's scope (Holm et al. 2005; Mu et al. 2007), which are valuable for accelerating the learning process of the subsidiary (Pennings et al. 1994). Furthermore, Dacin et al (2007) argue that local partner resources can also help build the legitimacy of the subsidiary and country manager to operate in the host country. Referring to the DMC concept, learning acceleration will strengthen the managerial human capital of the country manager, while legitimacy building helps the development of the managerial social capital in the host country.

H2: Local partner resources increase the country manager's competence

Absorptive capacity is the ability to acquire, assimilate external knowledge and apply it for commercial ends (Zahra and George 2002). One of its components, namely potential absorptive capacity (PAC), contributes to the accumulation of various stocks of knowledge and options so that organizations are more flexible to adapt and grow in a dynamic environment (Patel et al. 2015). PAC includes the ability to identify and acquire new knowledge from external sources (e.g. suppliers, customers, distributors), as well as to assimilate it into organization and its personnel (Noblet et al. 2011; Volberda et al. 2010). This knowledge flow can start form an individual (e.g. generate intuition, recognize market opportunities), spread into a group (e.g. through discussion), and be institutionalized at the organizational level (e.g. create new routines) (Crossan et al. 1999). In the opposite direction, knowledge flow may also start at the organizational level (e.g. routine to conduct market survey) which guides behavior of a group (e.g. when to do, whom to visit, how to analyze), and then such behavior is expected to trigger an individual cognition (Vera and Crossan 2004).

This continuous collaboration creates a virtual circle of learning that increases the personnel knowledge stock, including for country managers (Crossan et al. 1999), especially if it relates to strategic knowledge, such as opportunities to expand market coverage, competitor aggresiveness, and regulation changes. Referring to the DMC

concept, the increase of this knowledge stock means the development of managerial human capital of DMC. Furthermore, the collaboration may also open up various external parties with whom managers should build relations to access new knowledge (Santangelo and Meyer 2011). This access will increase the manager's network and it means the development of the managerial social capital component of DMC. Lastly, the combination of accumulated knowledge stock and experience will strenghten intuition, attention, and the reasoning capability of the manager (Helfat and Peteraf 2014), which are part of the managerial cognition component of DMC. In sum, following the above virtual circle, the learning process, which is described through the absorptive capacity, influences the three components of country manager's DMC.

H3: Subsidiary's absorptive capacity increases country a manager's competence

Absorptive capacity is built upon the prior investment in strategic activities, such as investment in R&D (Henderson and Chockburn 1998), human resource systems (Lenox and King 2004; Minbaeva et al. 2003), knowledge management tools (Mahnke et al. 2005), and business intelligence (Haller et al. 2013). This investment will trigger the intensity of knowledge flow and learning activities both through feedforward (from the individual level spreading to the organization level) and feedback (from the organization level to the individual level), learning path (Crossan et al. 1999), deepening the existing knowledge stock (Zahra and George 2002), and also increasing personnel motivation to gather new knowledge (Noblet et al. 2011). As a consequence, it is more efficient for an organization to exploit knowledge for productive use and explore new related knowledge in the future (Volberda et al. 2010). For example, a headquarters decision to increase training frequency will influence personnel motivation, so they will be more sensitive to acquiring new market knowledge, which then strengthens the subsidiary's absorptive capacity (Minbaeva et al. 2003).

H4: Headquarter resources increase subsidiary's absorptive capacity

In an international marketing alliance, some investments needed by the subsidiaries are the responsibilities of local partners (Inkpen and Beasmish 1997). For example, local partners often contribute their abilities to distributing the products throughout the host country to the alliance (Yalcinkaya et al. 2007), and they are responsible for developing their distribution system continuously, including the expansion into new market areas. This investment will help subsidiaries to acquire regularly new knowledge, such as changes in customer taste, rivals' aggresiveness, the emergence of new rival products, and new market opportunities, and to open up new learning areas, such as how to understand new customer behaviors and how to coordinate distributors with new characteristics (Ahuja and Katila 2004). In other words, this investment will increase various knowledge stocks, hence, it will strengthen the subsidiary's absorptive capacity. For marketing and sales subsidiaries, this local market knowledge is pivotal but contains high tacitness, so it is difficult for headquarters of MNC to provide such knowledge (Birkinshaw and Hood 1998). As a consequence, the role of the local partner in helping the acquisition of this market knowl-

edge, hence strenghtening subsidiary's absorptive capacity, is increasingly important.

H5: Local partner resources increase subsidiary's absorptive capacity.

The Use of Country Manager's Competence

Resource-based theory distinguishes between resources as assets and capabilities (Amit and Schoemaker 1993). Assets are factors or internal attributes, both tangible and intangible, owned by or accessible to the organization for the use in their activities; while capabilities are the abilities of an organization to perform specific tasks by utilizing its assets (Galbreath 2005; Helfat and Peteraf 2003). Sirmon et al. (2007) argue that assets contain potential value, and asset accumulation can be seen as the efforts to increase this value so that it contributes to the development of superior capabilities and results in achieving high performance. Previous studies have provided evidence that asset accumulation activities result in high involvement of the manager (Holcomb et al. 2009), in the sense that the manager helps the units within the organization in developing the quantity and/or quality of their assets (Gupta et al. 2007; Lee and Teece 2013).

For example, using their knowledge and skills (i.e. the managerial human capital component of DMC), managers are able to develop personnel-specific competence in improving their productivities (Holcomb et al. 2009). The increase of personnel's productivity is an asset accumulation. Using their business networks (i.e. managerial social capital), managers are also able to search for information and additional assets needed to improve the quality of existing asset stocks (Adegbesan 2009; Maritan and Peteraf 2011). Using their intuition capability (i.e. part of managerial cognition), managers are able to identify new market opportunities and to develop assets needed to exploit them (Helfat and Peteraf 2014). In sum, each DMC component of manager will influence the asset accumulation.

H6: Country manager's competence increases a business unit's asset accumulation.

Business units of the subsidiary working on marketing and sales are often grouped by the product and market category. Each unit frequently faces different competitors, serves different customers, and coordinates different groups of distributors, so they need to develop capabilities that may be different from one another in order to adapt to those specific conditions (Sirmon et al. 2011). Although different capability development can be carried out autonomously at different business unit levels, there still exists the country manager's influence on these activities (Gupta et al. 2007; O'Brien et al. 2012). Past studies find, for example, that the country managers may provide an idea about areas for improvement, including giving direction and speeding up the implementation (Ahearne et al. 2014; Lee and Teece 2013). Country managers may also help with looking for critical information and resources within their network (Ahearne et al. 2014). Referring to the DMC concept, those findings indicate that the quality of a country manager's influence (on capability development) depends on their managerial human capital, managerial social capital, and managerial cognition (Kor and Mesko 2013).

H7: Country manager's competence increases a business unit's capability development.

Capability is a bundle of assets, arranged in the most effective and efficient manner, for deploying activities with a goal to achieve competitive advantage (Birkinshaw and Hood 1998; Morris and Snell 2011). This means that the capability development requires a set of assets as inputs, including skills and accumulated knowledge, to achieve the best formation (Helfat and Peteraf 2003; Sirmon et al. 2007). Conversely, asset accumulation focuses on building or improvement of the potential value of factors (assets) developed internally (Costa et al 2013). Various new assets owned by the organization provide opportunities to create new capabilities or to enhance the existing ones, while the superior assets support the development of rare and inimitable capabilities (Lu et al. 2010). For example, a distribution system that is wider (covers larger areas) and deeper (reaches more levels of channel) will enhance product distribution capability as well as the knowledge acquisition capability.

H8: Business unit's asset accumulation increases a business unit's capability development.

Organizational capability is considered to be the prime determinant of performance (Gruber et al. 2010; Schmid and Schurig 2003). Sirmon et al. (2011) argue that the development of capability is a modification or creation of new organizational routines that is aimed at serving customers better or capturing new productive opportunities. Past research has investigated the capability and performance relationship in various contexts, such as marketing capability, technological capability, and production capability, with the aim of increasing return of sales and market share (Ju et al. 2013). In the international marketing context, exploration and exploitation capability affects subsidiary market performance (Yalcinkaya et al. 2007), while information acquisition and adaptive capability influence positively the subsidiary performance (Lu et al. 2010).

H9: Business unit's capability development increases a business unit's performance

Methods

The data are collected from business units [3] (as the units of analysis) of Indonesian subsidiaries in Nigeria in 2015. At least twelve Indonesian subsidiaries have been established since the 1990s in this country with the largest population and biggest economy in Africa. These subsidiaries are owned by MNCs, such as Kalbe Farma, Dexa Medica, Tempo Scan Pacific, Menjangan Sakti, Mayora, Nutrifood, Indofood, and Wings Group. All subsidiaries are led by Indonesian country managers, and they have succesfully increased Indonesian business activities in Nigeria, in terms of business scale and scope. Some Indonesian products, such as Procold and Boska (paracetamol), Indomie (instant noodles), SoKlin (detergent), Kuku Bima and Passion (energy drink), Nuvo (soap), are even successful in achieving high mar-

[3] Business unit in this research refers to sub-operational under a subsidiary, hence, business unit managers are subordinates of country managers. Activities of business unit are dominanted by marketing and selling activities. Business unit is formed according to product or market category. For example, pharmaceutical subsidiary may consist of prescriptive drug business unit, on-the-counter drug business unit, and cosmetic product business unit.

ket share although they have to compete with products from world class companies such as Unilever, GlaxoSmithKline, and PZ Cusson.

Respondent and Sample Characteristics

The respondents in this study are business unit managers, all of which are Indonesian. They are the subordinates of country managers. Based on information from the Indonesian Community on Nigeria (ICON), we distributed 55 questionnaires (with a 6-point Likert-type scale) to them via email in four cities in Nigeria: Lagos, Onitsa, Abuja, and Kano. The response were also sent back via email.

Out of the 55 questionnaires distributed to respondents, there were 41 complete and valid questionnaires sent back (74.5%) from 41 business units. They came from the pharmaceutical industry (48.8%), food and beverage industry (26.8%), and other household products industry (24.4%). They have operated in Nigeria for 3-10 years (51.2%) and more than 10 years (48.8%). The number of their employees ranges from less than 15 people (34.1%), 16-25 people (24.4%), to more than 25 people (41.5%). Most of the products they sell are imported from Indonesia (65.9%), and the rest are manufactured locally in Nigeria (34.1%). They sell the products only in the Nigerian market (53.7%), and the rest also sell the products in neighboring countries (46.3%), such as Ghana, Ivory Coast, and Benin.

We also conducted semi-structured interviews with three business unit managers in Lagos (A, B, and C). They were selected with regard to their availability and readiness. All interviews were conducted in their offices for between 30 minutes an one hour. A is a 38-year old business unit manager in a pharmaceutical company and has worked in his current position for four years. B is a 35-year old business unit manager in another pharmaceutical company and has worked in his current position also for four years. C is a 40-year old business unit manager in a food and beverage company and has worked in his current position for three years. Interviews were focused on the search for an explanation for the rejected hypothesis. We used a quantitative questionnaire as the basis for developing questions in the interview, which were developed further following the discussion. Any information we got from an earlier interviewee was confirmed with the next interviewee. We also recorded the interviews using a voice recorder with their permission.

Analysis Method

This study uses Lisrel to perform the measurements and structural model analysis. Lisrel is superior in analyzing the overall model that involves simultaneous and relatively complex relationships between variables (Hair et al. 2006). In general, Lisrel really needs a large amount of data. However, it can also be used to analyze relatively small amounts of data by meeting some requirements. *First,* small amounts data are analyzed using certain estimation techniques, such as diagonally weighted least square and robust maximum likelihood instead of maximum likelihood as the default (Mindrila 2010). *Second*, a rule of thumb is to estimate the sample size as being about five times the number of indicators analyzed at a time, instead of ten times if using maximum likelihood technique (Wijanto 2008). Further, analysis of the

small-sized sample using Lisrel needs more steps that are longer than those for the bigger-sized sample.

To meet the requirement, the small-sized sample in this study is analyzed using four steps as follows. *First*, we analyze the first order measurement model for each dimension and calculate its latent variable scores. *Second*, we analyze the second order measurement model for each construct, and calculate its latent variable score. *Third*, we analyze the overall measurement model using the latent variables scores (calculated in the second step) so that each construct is represented by a single indicator. *Fourth*, we analyze the structural model. This study operates using seven main constructs (variables) so that there are seven indicators both in the final measurement and the structural model. Based on Mindrila (2010) and Rhemtula et al. (2012) for using Lisrel with small-sized sample and questionnaire is measured on more than a five point numerical scale, so we perform all the estimation processes above using a robust maximum likelihood technique.

Measurement

Headquarters resources refers to how sufficient resources invested by the headquarters can support subsidiary operations in the host country (Randoy and Dibrell 2002). We use the scale of "sufficient" rather than "large or big" to avoid the respondent comparing this investment in their subsidiaries with that in other subsidiaries. The scale of "sufficient" makes the respondent evaluate the headquarters investment based on their needs. This scale then reflects the contribution of this resources to support subsidiary operations. To measure this variable, we use combination of resource typology from Fernandez et al (2000) and Galbreath (2005), and found four relevant dimensions to use in this study: financial, physical, human, and organizational resources. Similarly, *Local partner resources* refers to how sufficient resources invested by local partner can support subsidiary operations in the host country. It is also measured using financial, physical, human, and organizational resources, added to which is one more dimension: local partner capabilities.

Subsidiary's absorptive capacity refers to the ability to acquire new knowledge and for other subsidiary personnel to assimilate it (Zahra and George 2002). It is measured using the two dimensions: ability to acquire and ability to assimilate (Jansen et al. 2005; Patel et al. 2015). *Country manager's competence* is defined as the skill and ability of managers to build, integrate, and reconfigure resources to respond to the changing environment (Kor and Mesko 2013). It is measured using the three DMC components: managerial human capital, managerial social capital, and managerial cognition.

Business unit's asset accumulation is the development (in terms of quantity or quality) of a business unit's assets, both tangible and intangible (Sirmon et al. 2007). It is measured using three dimensions which reflect the relevant assets to be scrutinized in this study: human, organizational, and relational assets (Desarbo et al. 2005; Yalcinkaya et al. 2007). Similarly, *Business unit's capability development* is the development (in terms of effectiveness and efficiency) of the main operating process conducted by the business unit (Sirmon et al. 2007). It is measured using three dimensions which reflect the three main groups of activities: marketing, selling, and non marketing-and-selling capability (Dannels

2008; Desarbo et al. 2005; Gruber et al. 2010). Finally, *Business unit's performance* is defined as the success indicators of business unit activities in the host country (Trapczynski 2013). It is measured using two dimensions: financial and non-financial performances. Overall, there are seven main variabels that consist of 22 dimensions and 119 items (see Appendix 1 and Table 2).

Results

Table 1 presents the descriptive statistics and correlation. Only one variable, i.e. local partner resources (LPR), has a relatively low mean (3.48). All variables are positively related each other ($p < 0.01$). Country manager's competence (CMC), as the variable focused on in this study, has a correlation coefficient of more than 0.50 with all other variables.

The validity of items in the first order measurement model can be considered good, due to all 119 of the items having a standardized factor loading (SFL) larger or equal to 0.5 (Wijanto 2008), as shown in Appendix 1. In the second order measurement model, all 22 of the dimensions also have an SFL larger than 0.5, and then are considered valid to represent the corresponding variables (see Table 2).

The reliability of measurement items and dimensions can also be considered good. In the first order measurement model, all groups of items have a construct reliability (CR) larger or equal to 0.7, and a variance extracted (VE) larger or equal to 0.5 (Wijanto 2008) as shown in Appendix 1. Similar results are found in the second order measurement model, as shown in Tabel 2.

Table 1. **Descriptive Statistic**

Var	Mean	Med.	S.d.	Min.	Max	HQR	LPR	SAC	CMC	BAA	BCD
HQR	4.22	4.31	0.82	2.27	5.63	1.00					
LPR	3.48	3.37	0.75	2.03	4.90	0.52	1.00				
SAC	4.35	4.43	0.66	2.79	5.79	0.85	0.57	1.00			
CMC	4.63	4.76	0.71	3.05	5.91	0.87	0.51	0.91	1.00		
BAA	4.42	4.61	0.77	2.78	5.87	0.88	0.47	0.92	0.92	1.00	
BCD	4.41	4.60	0.71	2.82	6.00	0.77	0.57	0.85	0.84	0.87	1.00
BPE	4.25	4.17	0.78	2.88	5.88	0.69	0.50	0.68	0.71	0.73	0.76

Note: HQR= headquarter resources, LPR= local partner resources, SAC= subsdiary absorptive capacity; CMC= country manager competence, BAA= business unit's asset accumulation, BCD= business unit's capability development, BPE= business unit's performance.
All correlations are significant at $p < 0.01$

Table 2. **The Result of 2nd Order Measurement Model Analysis (Construct Level)**

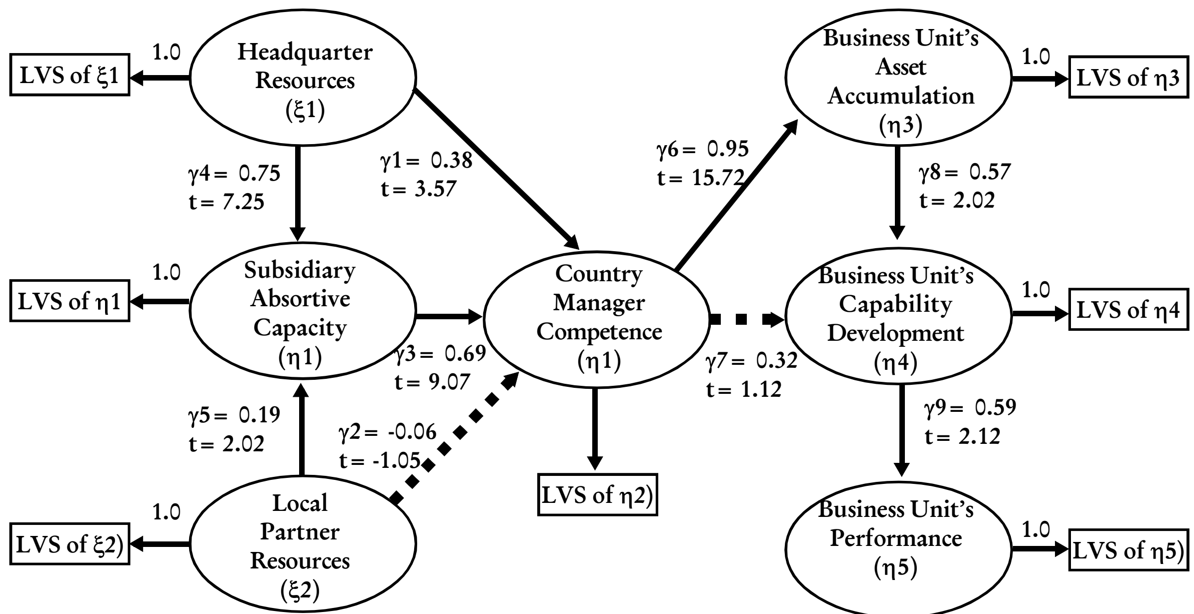
Latent Variable	Dimensions	SFL	CE VE	NCS P-value RMSEA	GFI CFI RFI
Headquarter Resources	Finacial resources Physical resources Human resource Organizational resource	0.84 0.89 0.84 0.77	0.90 0.70	1.246 0.279 0.079	0.930 0.990 0.940
Local Partner Resources	Finacial resources Physical resources Human resource Organizational resource Operational capabilities	0.67 0.67 0.75 0.89 0.79	0.88 0.57	0.014 0.999 0.000	1.000 1.000 1.000
Subsidiary Absorptive Capacity	Ability to acquire knowledge Ability to assimilate knowledge	0.84 0.84	0.82 0.70	0.040 0.835 0.000	1.000 1.000 1.000
Country Manager Competence	Managerial human capital Managerial social capital Managerial cognition	0.95 0.90 0.97	0.96 0.89	0.000 1.000 0.000	
Business Unit Asset Accumulation	Human asset accumulation Organizational asset accum. Relational asset accunulation	0.91 0.87 0.88	0.92 0.78	0.000 1.000 0.000	
Business Unit Capability Development	Marketing capability Selling capability Non-marketing capability	0.85 0.93 0.81	0.90 0.74	0.000 1.000 0.000	
Business Unit Performance	Financial performance Non-financial performance	0.90 0.90	0.89 0.80	0.520 0.469 0.000	0.990 1.000 0.980

Note: SLF= standardized factor loading, CR= construct reliability, VE= variance extracted, NCS= normed chisquare= χ^2/df, Rmsea= root mean square error of approximation, GFI= goodness of fit index, CFI= comparative fit index

To test the fitness of the first and second order of measurement model, we use several indicators, such as χ^2/df, p-value, RMSEA, GFI, RFI, IFI (see Appendix 1 and Table 2). Some models have GFI that are slightly below the threshold. However, the measurement models are considered acceptable, given the other supportive indicators (Anderson and Gerbing 1988). The overall measurement models showed χ^2/df= 0.0, p-value=1.0, and RMSEA=0.0 both for expatriate and local manager. Thus, the model can be considered as having good fitness.

The structural models of this research are displayed in Figure 1. All goodness of fit indices have met the thresholds, so the model's fitness can be considered good. The calculated t-values and structural coefficients are summarized in Table 3. Overall, two hypotheses are rejected (H2 and H7).

Figure-1. **Structural Model**[a]



Note: [a] LVS= latent variable score; dash line represents t-value below than absolute 1.96

χ^2/df=1.252; p-val=0.246; RMSEA=0.079; SRMR=0.038; GFI=0.91; NFI=0.97; CFI=0.99; IFI=0.99; RFI=0.94

Table 3. **Comparison of Hypotheses Test Results**

	Hypothesis	SFL	t-value	Conclusi
H1	Headquarter Resources → Country Manager Competence	0.38	3.57	Accepte
H2	Local Partner Resources → Country Manager Competence	-0.06	-1.05	*Rejectea*
H3	Subsidiary Absorptive Capacity → Country Manager Competence	0.69	9.07	Accepte
H4	Headquarter Resources → Subsidiary Absorptive Capacity	0.75	7.25	Accepte
H5	Local Partner Resources → Subsidiary Absorptive Capacity	0.19	2.02	Accepte
H6	Country Manager Competence → BU Asset Accumulation[a]	0.95	15.72	Accepte
H7	Country Manager Competence → BU Capability Development[a]	0.32	1.12	*Rejectea*
H8	BU Asset Accumulation → BU Capability Development[a]	0.57	2.02	Accepte
H9	BU Capability Development → BU Performance[a]	0.50	2.17	Accepte

Note: [a] BU= business unit

Discussion

Using the resource orchestration framework, this study investigates the influence of a country manager's competence on a subsidiary's performance, and provides three main findings as follows. *First*, this study shows that a subsidiary's absorptive capacity becomes the most dominant source of learning to develop the country manager's competence ($\gamma=0.69$, $t=9.07$). In this study, the absorptive capacity refers to the subsidiary's ability to acquire new knowledge from external sources, and ability to have all subsidiary personnel assimilate the knowledge. In practice, the acqusition ability can be found mainly in the form of regular market surveys, daily interaction with wholesalers and retailers, interaction with other Indonesian managers in Nigeria, formal and informal meetings with distributors. Meanwhile, the assimilation ability is represented by formal and informal meetings among subsidiary personnel, notably when they want 1) to interpret and analyze new information, and 2) to discuss new opportunities to expand the market coverage or to launch new products.

This subsidiary absorptive capacity is strengthened by headquarter resources ($\gamma=0.75$, $t=7.25$) and also some contributions from local partner resources ($\gamma=0.19$, $t=2.02$). Headquarter resources mainly contribute in the form of budgeting to conduct market surveys (Haller et al. 2013), training for personnel, and appropriate incentive schemes (Minbaeva et al. 2003). The contribution of local partner resources can be found in the use of their distribution channel, access to some local actors, and the local partner's reporting system.

The direct influence of headquarter resources on the development of a country manager's competence ($\gamma=0.38$, $t=3.57$) is in line with the argument of the gradual internationalization model of Uppsala (Johanson and Vahlne 1977, 2006). This study also found the indirect influence of headquarter resources (mediated by subsidiary absorptive capacity) ($\gamma=0.52$), which is larger than the direct influence ($\gamma=0.38$). This suggests that headquarter resources invested abroad will be more effective in developing a country manager's competence if it is also directed at building and strengthening the subsidiary's absorptive capacity.

Meanwhile, the local partner resources do not have direct influence on the country manager's competence. This is rooted in the fact that Indonesian subsidiaries expect to grow their business units through expanding market coverage which is accompanied by developing their distribution system. This argument is supported by Tabel 4 which shows all selected items reflecting the expectations that are perceived to be the most important things (having the highest SFL in their corresponding dimension). Basically, this expectation is meant to serve beyond the existing market. Given that Nigeria has major opportunities in terms of a highly untapped market (Ernest and Young 2014), this finding is reasonable.

However, local partners seem to fail in fulfilling this expectation (having a lower mean for local partner resources). They are not able to provide sufficient resources (in this case meaning the distribution system) to support market coverage expansion. Currently, the existing local partners' distribution systems cannot reach many

promising areas, and they also cannot reach a deeper level of distribution channels, such as wholesalers or retailers. As a consequence, it is difficult for the country managers to deepen their knowledge of the local market, customer behaviors, competition characteristics, or retailer habits. This explains why local partner resources do not affect a country manager's competence (H2 was rejected).

The second finding relates to the use of a country manager's competence, which is mainly applied to helping the accumulation of business unit assets (γ=0.95, t=15.72), such as building relations with local business actors, exploring new distributor candidates, and facilitating personnel to develop their knowledge. Those assets become valuable inputs for business units to develop, modify, or build their operational capabilities (Sirmon et al. 2007). Country managers did not directly, nor proactively, get involved in the process of business units' capability development (γ=0.32, t=1.12). In this sense, they seem to be acting as an influencer who provides tools and infrastructure (in this case, the accumulated intangible assets) to encourage their subordinates to innovate (in this case, the business units' efforts to develop their operational capabilities). Thus, it reflects a bottom-up process, in which capability development is mainly initiated by the lower level personnel (Gupta et al. 2007), who are often more knowledgable about the specifics (in this context, marketing and selling activities) (Yuan and Woodman 2010; Zoghi et al. 2010).

Table 4. **Selected Items to Show the Growing Expectation**

Latent Variable	Dimension	Items	Mean	S.d	SFL	Rank of Item[a]
Local Partner Resources	Financial Resources	Budget to develop distribution system	3.22	1.08	0.93	1 of 3
	Physical Resources	Warehouse	3.59	1.26	0.96	1 of 3
		Representative office	3.63	1.07	0.92	2 of 3
	Organizational Resources	Distribution system	3.39	1.14	0.85	1 of 6
Headquarter Resources	Financial Resources	Budget to expand market coverage	4.24	1.26	0.94	1 of 6
		Budget to develop distribution system	4.29	1.21	0.91	2 of 6
Subsidiary Absorptive Capacity	Ability to assimilate new knowledge	Ability to identify new opportunity to expand market coverage	4.44	0.90	0.90	1 of 7
Business unit's Asset Accumulation	Organizational Resources	Increasing number of wholesaler to be served	4.56	0.87	0.91	1 of 5

Note: [a] Rank of items refers to the position of a measurement indicator in its dimension based on its factor loading. For example, rank 1 of 6 means the item has highest factor loading in a dimension that consists of six items

Interviews with business unit managers supported this finding, in which most development of operational capabilities was incremental,[4] and delegated to business unit managers. This explains why a country manager does not affect directly the business unit's capability development (H7 was rejected). Country managers are usually involved only in the creation of new capabilities, modification of capabilities that require high investment (e.g. change from manual to online reporting), or development of general capability (recruitment process, inventory control, performance evaluation).

Third, this study finds that the most important component of country manager competence for succeeding in an uncertain environment, like Nigeria, is managerial cognition ($\gamma = 0.97$). Further, the most important items in managerial cognition are judgement in decision-making, analythical thinking, and intuition (see Appendix 1), in which they are relevant with the requirement of uncertain environment in Nigeria. This finding supports Helfat and Peteraf (2014) who state that managerial cognition is the more effective component than other components in DMC for anticipating, interpreting, and responding to the demands of a dynamic environment. The next important component of country manager competence is managerial human capital ($\gamma = 0.95$), which mainly refers to the marketing skill, ability to coordinate business units, and update knowledge about the market and culture.

Referring the three findings above, this study provides several theoretical contributions and managerial implications. The first contribution is the enrichment of the Uppsala internationalization model (Johanson and Vahlne 1977; 2006; 2009). As stated earlier, this study extends this theory in the sense that the country manager's competence will be accumulated more effectively if headquarter resources are also directed at building and strengthening subsidiary absorptive capacity deliberately (not only accumulating market experience as suggested by the original model). Furthermore, this study provides an alternative framework for understanding in more detail how headquarter resources are actually transformed into subsidiary performance (about which the original Uppsala model is silent). The second contribution is the identification of the determinants of DMC in the international context. Although DMC have been used in many research, however, they only focus on the emphasis of the DMC impacts, for example, on a firm's dominant logic (Kor and Mesko 2013), and on resource investment and deployment (Sirmon and Hitt 2009). It is not clear what factors can strengthen this DMC.

Meanwhile, the *first* managerial implication relates to the critical success factor for subsidiaries in a high-uncertainty host country, i.e. the intention to develop a subsidiary's absorptive capacity and the selection of a country manager. The headquarter should consider the managerial cog-

[4] This argument is also consistent with Birkinshaw and Hood (1998) who suggest that the subsidiary which does not receive developing mandate (from headquarters) for a long time, its capability developments are carried out incrementally. In this study, 51.2% of unit business had operated in Nigeria during 3 - 10 years, and the rest had operated more than 10 years with unchanged mandate, i.e. as marketing satellite (selling products in the host countries).

nition as the main qualification before assigning a country manager to a host country. *Second*, this study identifies a trust issue with regard to local partners in Nigeria. Indonesian subsidiaries are not satisfied because of the lack of local partners' commitment to develop their distribution systems. It impedes the subsidiary's efforts to expand market coverage thoroughout the country as well as the effort to gain more knowledge about the Nigerian market. This trust issue provides insight for other Indonesian MNCs that plan to enter Nigeria through alliancing with local partners, to prepare other sources of learning, such as building absorptive capacity earlier or identifying new partners to become allies in the future.

Conclusion

This study applied a resource orchestration framework to the international business context to investigate the role of country managers in influencing subsidiary performance. This role is especially important for small-size subsidiaries that operate in turbulent countries (Iarosi et al. 2009), and are highly dependent on local knowledge (Hewett et al. 2003). This situation is typical for inter-developing country investment which is rapidly expanding (Aykut and Ratha 2004). The existence of Indonesian subsidiaries in Nigeria is a success story in the context of limited outward foreign direct investment from Indonesia. Given that Nigeria is predicted to become a more attractive investment destination, this study hopes to generate interest in foreign investment (especially from other Indonesian MNCs), as one source of business growth.

Finally, we would like to point out some areas for further research, mainly derived from the limitations of this study. First, this study investigated subsidiary activities during a short-term period, from 2012-2014, during which Nigeria was in a relatively stable condition (Ernest & Young 2014). In fact, Nigeria has often faced turbulence triggered by certain factors, such as general elections, separatist movements, or oil price fluctuation (*Economist* 2015). Further research is needed to investigate the effect of such external factors, including employing longitudinal studies. Second, this study has a limited sample size. Further research could be conducted while including a bigger sample to get more validation. For example, one could involve subsidiaries from other countries. More than that, those subsidiaries may have been in the next stage of subsidiary development (i.e. not only being marketing subsidiaries, but also having production facilities). Thus, such research could provide more insight for Indonesian subsidiaries to grow further in the Nigerian market.

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APPENDIX 1. The Result of 1st Order Measurement Model Analysis (Dimension Level)

Dimension	Measurement Item	SLF	CE VE	NCS P-value RMSEA	GFI IFI RFI
HEADQUARTER RESOURCES					
Financial Resources	Operational budget	0.78	0.94 0.71	1.223 0.270 0,070	0.930 0.990 0.880
	Promotion budget	0.88			
	Budget to launch new product	0.87			
	Budget to expand market coverage	0.94			
	Budget to develop distribution	0.91			
	Entertaintment budget	0.64			
Physical Resources	Office, including its facilities	0.69	0.87 0.69	1.233 0.269 0.076	0.930 0.990 0.880
	Communication facilities	0.98			
	Transportation facilities	0.80			
Human Resources	Number of personnel employed	0.76	0.75 0.50		
	Number of expatriat employees	0.70			
	Training frequency in a year	0.66			
Organizational Resources	Authority for country manager	0.62	0.86 0.56	0.795 0.528 0.000	0.970 1.000 0.940
	Living facilities	0.65			
	Security facilities	0.70			
	Reward for performing employees	0.91			
	Headquarter attention	0.81			
LOCAL PARTNER RESOURCES					
Financial Resources	Promotion budget	0.82	0.87 0.69	1.154 0.317 0.062	0.930 0.990 0.910
	Budget to develop distribution	0.93			
	In advanced product payment	0.73			
Physical Resources	Warehouse	0.96	0.93 0.82		
	Representative office	0.92			
	Transportation facilities	0.84			
Human Resources	Knowledge about market	0.87	0.87 0.70	0.000 1.000 0.000	
	Knowledge about regulation	0.76			
	Personnel skill	0.87			
Organizational Resources	Base of customers	0.71	0.85 0.49	1.246 0.244 0.078	0.880 0.980 0.860
	Management information system	0.61			
	Distribuion system	0.85			
	Firm reputation	0.60			
	Relationship with distributors	0.76			
	Relationship with regulators	0.62			
Operational Capability	Ability to acquire new information	0.86	0.88 0.57	0.902 0.522 0.000	0.930 1.000 0.930
	Ability to report the work results	0.89			
	Ability to manage inventory	0.84			
	Ability to design promotion	0.56			
	Ability to manage distributors	0.68			
	Ability to expand market coverage	0.63			

APPENDIX 1. ***Continued***

Dimension	Measurement Item	SLF	CE VE	NCS P-value RMSEA	GFI IFI RFI
SUBSIDIARY ABSORPTIVE CAPACITY					
Ability to acquire new knowledge	Discussion with headquarter	0.56	0.89 0.63	1.171 0.265 0.065	0.860 0.980 0.890
	Discussion with local partner	0.68			
	Formal meeting with distributors	0.70			
	Regular visit to distributors	0.69			
	Interaction with whosaler/retailer	0.79			
	Market survey	0.87			
	Interaction with other managers	0.76			
Ability to assimilate new knowledge	Identifying market changes	0.70	0.92 0.63	1.184 0.275 0.068	0.860 0.990 0.920
	Identifying regulation changes	0.62			
	Spreading information to others	0.74			
	Interpreting new information	0.83			
	Analyzing impact of new info	0.90			
	Identifying opportunity to launch	0.81			
	Identifying opportunity to expand	0.90			
COUNTRY MANAGER COMPETENCE					
Managerial Human Capital	Knowledge about market	0.84	0.93 0.65	1.288 0.169 0.085	0.820 0.980 0.920
	Knowledge about regulation	0.71			
	Knowledge about local culture	0.84			
	Knowledge about business	0.78			
	Marketing skill	0.86			
	Ability to coordinate business units	0.84			
	Ability to evaluate security	0.75			
Managerial Social Capital	Maintain relation with distributor	0.76	0.87 0.53	1.251 0.224 0.079	0.860 0.980 0.890
	Maintain relation with local partner	0.67			
	Maintain relation with regulator	0.75			
	Interaction with other managers	0.73			
	Influence others	0.70			
	Motivate subordinate	0.73			
Managerial Cognition	Creativity to initiate new ideas	0.73	0.92 0.61	1.012 0.443 0.017	0.860 1.000 0.940
	Analysis new information	0.83			
	Intuition to recognize opportunity	0.82			
	Judgement in decision making	0.93			
	Endurance to pressure	0.70			
	Solve the problem	0.76			
	Willingness to learn	0.69			

APPENDIX 1. ***Continued***

Dimension	Measurement Item	SLF	CE VE	NCS P-value RMSEA	GFI IFI RFI
BUSINESS UNIT'S ASSET ACCUMULATION					
Human Asset Accumulation	Knowledge about Nigeria market	0.84	0.88	1.208	0.950
	Knwoledge about Nigeria culture	0.75	0.61	0.302	0.990
	Personnel skill	0.76		0.072	0.920
	Personnel motivation	0.70			
	Personnel loyalty	0.83			
Organizational Asset Accumulation	Product portfolio	0.68	0.86	1.098	0.950
	Market coverage	0.68	0.55	0.359	1.000
	Number of served distributors	0.81		0.049	0.910
	Number of served wholeslaer	0.91			
	Number of served retailers	0.60			
Relational Asset Accumulation	Brand awareness of product	0.86	0.94	1.214	0.930
	Subsidiary reputation	0.95	0.73	0.281	0.990
	Customer loyalty	0.85		0.073	0.940
	Relationship with distributors	0.91			
	Relationship with local partner	0.81			
	Relationship with regulator	0.75			
BUSINESS UNIT'S CAPABILITY DEVELOPMENT					
Marketing Capability Development	Acquire new information	0.82	0.92	1.189	0.820
	Survey they market	0.78	0.61	0.252	0.990
	Identify new product opportunity	0.77		0.069	0.920
	Expand market coverage	0.71			
	Design promotion campaign	0.83			
	Distribute product	0.74			
	Implement marketing program	0.82			
	Manage distributor and wholesaler	0.75			
Selling Capability Development	Maintain relation with distributor	0.94	0.88	1.221	0.880
	Maintain relation with local partner	0.83	0.55	0.246	0.980
	Retain potential customers	0.74		0.074	0.900
	Get new customers	0.76			
	Handle customer complain	0.55			
	Evaluate feedback from customer	0.55			

APPENDIX 1. ***Continued***

Dimension	**Measurement Item**	**SLF**	**CE** **VE**	**NCS** **P-value** **RMSEA**	**GFI** **IFI** **RFI**
BUSINESS UNIT'S CAPABILITY DEVELOPMENT					
Non Marketing Capability Development	Manage inventory	0.82	0.90 0,60	0.771 0.644 0.000	0.910 1.000 0.950
	Recruit new potential employees	0.75			
	Control budget and expenses	0.69			
	Evaluate personnel performance	0.89			
	Monitor personnel works	0.78			
	Coordinate with other units	0.72			
BUSINESS UNIT'S PERFORMANCE					
Financial Performance	Sales achievement	0.96	0.87 0.70	0.000 1.000 0.000	
	Sales growth	0.87			
	Sales difference to competitors	0.64			
Non Financial Performance	Promotion campaign effectivity	0.84	0.93 0.64	1.176 0.241 0.066	0.820 0.990 0.930
	Product availability	0.78			
	Product differentiation	0.72			
	Average order per distributor	0.81			
	Product loss in warehouse (rev)	0.83			
	Product broken in travelling (rev)	0.90			
	Inventory period	0.81			
	Sales people productivity	0.69			

APPENDIX 2. Questionaire

Headquarter Resource

1. **During last three years (2012-2014), how sufficient is headquarter's support for your company's business in Nigeria?**

			Less Sufficient		------------			More Sufficient
1	HQF-1	Operational budget	1	2	3	4	5	6
2	HQF-2	Budget for promotion	1	2	3	4	5	6
3	HQF-3	Budget for new product launching	1	2	3	4	5	6
4	HQF-4	Budget for opening new marketing area	1	2	3	4	5	6
5	HQF-5	Budget for developing distribution channel	1	2	3	4	5	6
6	HQF-6	Budget for entertaintment	1	2	3	4	5	6
7	HQP-1	Office space	1	2	3	4	5	6
8	HQP-2	Communication facility	1	2	3	4	5	6
9	HQP-3	Transportation facility	1	2	3	4	5	6
10	HQH-1	Number of total employees	1	2	3	4	5	6
11	HQH-2	Number of expatriate employee	1	2	3	4	5	6
12	HQH-3	Frequency of training	1	2	3	4	5	6
13	HQO-1	Authority for country manager	1	2	3	4	5	6
14	HQO-2	Remuneration and benefit for employees	1	2	3	4	5	6
15	HQO-3	Security facility	1	2	3	4	5	6
16	HQO-4	Reward for high achiever employees	1	2	3	4	5	6
17	HQO-5	HQ attention for business in Nigeria	1	2	3	4	5	6

Local Partner Resource

2. During last three years (2012-2014), how sufficient are local partner's resources below contributed to your company's business in Nigeria?

			Less Sufficient		__________			More Sufficient
1	LPF-1	Local partner’s budget for promotion	1	2	3	4	5	6
2	LPF-2	Local partner’s budget for developing distribution channel	1	2	3	4	5	6
3	LPF-3	Locat partner’s budget for product payment	1	2	3	4	5	6
4	LPP-1	Local partner’s warehouses	1	2	3	4	5	6
5	LPP-2	Local partner’s offices and branches	1	2	3	4	5	6
6	LPP-3	Local partner’s transportation facility	1	2	3	4	5	6
7	LPH-1	Local partner’s knowledge about Nigeria market	1	2	3	4	5	6
8	LPH-2	Local partner’s knowledge about regulation	1	2	3	4	5	6
9	LPH-3	Competence of the local partner’s employees	1	2	3	4	5	6
10	LPO-1	Number of distributors managed by local partner	1	2	3	4	5	6
11	LPO-2	Local partner’s information and reporting system	1	2	3	4	5	6
12	LPO-3	Local partner’s distribution channel	1	2	3	4	5	6
13	LPO-4	Local partner’s reputation	1	2	3	4	5	6
14	LPO-5	Relationship between local partner and distributors	1	2	3	4	5	6
15	LPO-6	Relationship between local partner and local institutions	1	2	3	4	5	6
16	LPC-1	Local partner’s ability to acquire information	1	2	3	4	5	6
17	LPC-2	Local partner’s ability to make valid report	1	2	3	4	5	6
18	LPC-3	Local partner’s ability to manage inventory stock	1	2	3	4	5	6
19	LPC-4	Local partner’s ability to design promotion program	1	2	3	4	5	6
20	LPC-5	Local partner’s ability to manage distributors	1	2	3	4	5	6
21	LPC-6	Local partner’s ability to expand marketing area	1	2	3	4	5	6

APPENDIX 2. Questionaire *(Continued)*

Subsidiary's Absorptive Capacity

3. How often do the personnel or employee in your company do activities to get new information (see activities below)?

			Less Sufficient		---------			More Sufficient
1	ACQ-1	Discussion with managers from headquarter	1	2	3	4	5	6
2	ACQ-2	Discussion with local partner's personnel	1	2	3	4	5	6
3	ACQ-3	Formal meeting with distributors	1	2	3	4	5	6
4	ACQ-4	Regular visit to distributors	1	2	3	4	5	6
5	ACQ-5	Interaction with wholesaler and/or retailer	1	2	3	4	5	6
6	ACQ-6	Market survey	1	2	3	4	5	6
7	ACQ-7	Interaction with other personnel from other company	1	2	3	4	5	6

4. How good is your company's ability to manage new information or knowledge (see ability below)?

			Very Bad			-----------		Very Good
1	ASS-1	Ability to recognize the changes in the market	1	2	3	4	5	6
2	ASS-2	Ability to know the changes of regulation	1	2	3	4	5	6
3	ASS-3	Ability to share or transfer new knowledge to other personnel in your company	1	2	3	4	5	6
4	ASS-4	Ability to interpret and understand new information	1	2	3	4	5	6
5	ASS-5	Ability to analyze the impact of new information	1	2	3	4	5	6
6	ASS-6	Ability to identify the opportunity to launch new product	1	2	3	4	5	6
7	ASS-7	Ability to identify the opportunity to enter new market	1	2	3	4	5	6

APPENDIX 2. Questionaire *(Continued)*

Country Manager's Competence

5. How good is the quality of your country manager's competence regarding aspects below?

			Very Bad		----------			Very Good
1	MHC-1	Knowledge about Nigeria market	1	2	3	4	5	6
2	MHC-2	Knowledge about regulation	1	2	3	4	5	6
3	MHC-3	Knowledge about local or Nigeria culture	1	2	3	4	5	6
4	MHC-4	Ability to conduct business activities in general	1	2	3	4	5	6
5	MHC-5	Ability to conduct marketing acitivities	1	2	3	4	5	6
6	MHC-6	Ability to coordinate people or units' activities	1	2	3	4	5	6
7	MHC-7	Ability to evaluate security issues	1	2	3	4	5	6
8	MSC-1	Relationship with distributors	1	2	3	4	5	6
9	MSC-2	Relationship with local partner's personnel	1	2	3	4	5	6
10	MSC-3	Relationship with local institution	1	2	3	4	5	6
11	MSC-4	Relationship with other company's personnel	1	2	3	4	5	6
12	MSC-5	Build good communication with headquarter	1	2	3	4	5	6
13	MSC-6	Ability to influence others	1	2	3	4	5	6
14	MSC-7	Ability to motivate employees	1	2	3	4	5	6
15	MCO-1	Creativity to initiate new ideas	1	2	3	4	5	6
16	MCO-2	Ability to analyze information	1	2	3	4	5	6
17	MCO-3	Intuition to identify opportunity to launch new product	1	2	3	4	5	6
18	MCO-4	*Judgement* to make appropriate decisions	1	2	3	4	5	6
19	MCO-5	Endurance from pressure	1	2	3	4	5	6
20	MCO-6	Ability to solve problems or conflict	1	2	3	4	5	6
21	MCO-7	Willingness to learn something new	1	2	3	4	5	6

Business Unit's Asset Accumulation

6. Your business unit has various resources that are useful to conduct marketing acitivities in Nigeria. During last three years (2012-2014), how big is the development of those resources (see list of resources below)?

			Very Small					Very Big
1	ARH-1	Knowledge about the characteristics of Nigeria market	1	2	3	4	5	6
2	ARH-2	Knowledge about local and/or Nigeria culture	1	2	3	4	5	6
3	ARH-3	Technical competence of employees	1	2	3	4	5	6
4	ARH-4	Work motivation of employees	1	2	3	4	5	6
5	ARH-5	Loyalty of employees to the company	1	2	3	4	5	6
6	ARO-1	Number of products	1	2	3	4	5	6
7	ARO-2	The wide of area coverage	1	2	3	4	5	6
8	ARO-3	Number of distributors	1	2	3	4	5	6
9	ARO-4	Number of wholesaler (that purchase regulary)	1	2	3	4	5	6
10	ARO-5	Number of retailer (that is served directly)	1	2	3	4	5	6
11	ARR-1	*Brand awareness* or product	1	2	3	4	5	6
12	ARR-2	Company reputation	1	2	3	4	5	6
13	ARR-3	Distributor's loyalty to your company	1	2	3	4	5	6
14	ARR-4	Relationship with distributors and wholesaler	1	2	3	4	5	6
15	ARR-5	Relationship with local partners in general	1	2	3	4	5	6
16	ARR-6	Relationship with local institutions	1	2	3	4	5	6

APPENDIX 2. Questionaire *(Continued)*

Business Unit's Capability Development

7. During last three years (2012-2014), how big is the development of your business unit's ability to conduct activities below?

			Very Small	---------				Very Big
1	CAM-1	Ability to acquire market information	1	2	3	4	5	6
2	CAM-2	Ability to conduct market survey	1	2	3	4	5	6
3	CAM-3	Ability to identify the opportunity to launch new product	1	2	3	4	5	6
4	CAM-4	Ability to expand marketing area	1	2	3	4	5	6
5	CAM-5	Ability to design promotion program	1	2	3	4	5	6
6	CAM-6	Ability to distribute product to distributors and wholesale	1	2	3	4	5	6
7	CAM-7	Ability to implement marketing program	1	2	3	4	5	6
8	CAM-8	Ability to manage distributors and wholesaler	1	2	3	4	5	6
9	CAS-1	Ability to maintain close relationship with distributors	1	2	3	4	5	6
10	CAS-2	Ability to maintain close relationship with local partners	1	2	3	4	5	6
11	CAS-3	Ability to retain potential distributors / wholesaler	1	2	3	4	5	6
12	CAS-4	Ability to get new prospectif distributor or wholesaler	1	2	3	4	5	6
13	CAS-5	Ability to handle complains from distributors / wholesale	1	2	3	4	5	6
14	CAS-6	Ability to evaluate the feedback from distributors or wholesaler	1	2	3	4	5	6
15	CAO-1	Ability to monitor inventory stock	1	2	3	4	5	6
16	CAO-2	Ability to get and recruit new and good employee	1	2	3	4	5	6
17	CAO-3	Ability to control budget or cost	1	2	3	4	5	6
18	CAO-4	Ability to evaluate performance of employee and business unit	1	2	3	4	5	6
19	CAO-5	Ability to control personnel's activities	1	2	3	4	5	6
20	CAO-6	Ability to collaborate with other business unit or company	1	2	3	4	5	6

Business Unit's Performance

8. During last three years (2012-2014), how good is the performance of your business unit regarding aspect below?

			Much Worse	----------				Much Better
1	PEF-1	Sales achievement (compare to target)	1	2	3	4	5	6
2	PEF-2	Sales growth (compare to last period)	1	2	3	4	5	6
3	PEF-3	Sales achievement (compare to main competitors)	1	2	3	4	5	6
4	PEN-1	Effectivity of your program promotion (e.g. reward, advertising, gimmick) compare to main competitors	1	2	3	4	5	6
5	PEN-2	Product availability (compare to main competitors)	1	2	3	4	5	6

APPENDIX 2. Questionaire *(Continued)*

Business Unit's Capability Development

9. During last three years (2012-2014), how good is the non-financial performance of your business unit regarding aspect below?

			Very Low (Small)		**--------**			**Very High (Big)**
1	PEN-3	Differentiation of your product in the market (compare to main competitors)	1	2	3	4	5	6
2	PEN-4	The increase of average purchase from distributors	1	2	3	4	5	6
3	PEN-5	Amount of product loss in the warehouse (R)	1	2	3	4	5	6
4	PEN-6	Amount of product that is broken during transportation (R)	1	2	3	4	5	6
5	PEN-7	The lengh of time of inventory stored in warehouse (R)	1	2	3	4	5	6
6	PEN-8	Sales representatif's productivity	1	2	3	4	5	6