Bachelor Thesis in Accounting and Financial Management
Stockholm School of Economics
Fall 2022

Is Bling a Thing?

Exploring the Performance Management Systems of a Luxury Fashion Brand

Hedda Sievert
24898@student.hhs.se

Axel Eklund Bona
24884@student.hhs.se

ABSTRACT

This qualitative single case study draws upon eleven interviews and investigates how distinguishable characteristics associated with being a luxury fashion brand have affected the company's Performance Management Systems ("PMS") and the subsequent implications for the interplay between financial and non-financial focus. Empirically structured around Otley's (1999) framework for PMS research and analyzed with Bourdieu's (1986) forms of capital theory, the findings indicate that industry-inherited key characteristics of the company were derivable to a combination of underlying social and cultural capital in the organization. The extensive focus on nurturing the brand identity and the maintenance of the competitive advantage connected to the perceived exclusivity of the products were identified as material resources. This pressured the management team into a resource-based and short-sighted strategy formation, ultimately contributing to a financial bias that permeated the PMS at the company. Finally, high sensitivity to macroeconomic events was identified as the third characteristic. It was not found to contribute to the financial bias in the organization. Instead, it highlighted shortcomings in the critical capabilities of PMS that are deemed material during transformative phases, specifically information and communication.

Acknowledgments

We are incredibly grateful for the support and valuable guidance that our supervisor Aleksandra Pop-Vasileva has given us throughout the writing of this study. We would also like to thank our tutoring group for providing insightful feedback on this paper's earlier drafts. Lastly, a sincere thank you to the case study company, this could not have been done without you.

Keywords: Performance Management Systems, PMS in Luxury Brands, Forms of Capital

Table of Contents

1. Introduction

1.1 Background

The success of an organization is most often dependent on its performance. The performance of a company is defined as the way the organization carries its objectives into effect, preferably in a setting where “all noses point in the same direction”, i.e., an operational environment where all employees work towards the company’s objectives; yielding a goal-congruent behavior (Douwe P. et al., 1996). To achieve their defined view of success, many companies operate structurally around a set of practices known as Performance Management Systems (“PMS”). Such practices are set to support management processes concerning strategic decision-making, planning, and control to create a common language across all divisions of an organization (Pulakos, 2004; Busco et al., 2008). When determining and designing PMS, three components could be said to be material for the process; namely, i) determining appropriate measures, ii) setting targets, and iii) rewarding behavior related to performance (Hartmann et al., 2020). The existing literature suggests several ways of defining and employing the components of PMS to achieve goal-congruent behavior across organizations (Kaplan & Norton, 1992, 1996; Otley, 1999; Ferreira & Otley, 2009).

A sole focus on financial measures, often referred to as outcome-based *lagging measures*, tends to lead to a short-sighted financial focus, where managers take risky decisions that are not compliant with the overall objectives and long-term interests of the company (Hartmann et al., 2020). For instance, a manager may decide on a matter that yields short-term benefits in terms of profit maximization while hindering long-term initiatives, such as innovation investments that, at the expense of short-term profitability, may increase long-term value creation (Christensen et al., 2008). In other words, the absence of forward-looking and non-financial *leading measures* tends to shorten the perspective concerning a company's decision-making, planning, and control processes. Hence, a balanced combination of lagging and leading measures is desirable to avoid and mitigate dysfunctional management control processes at a company. (Atkinson et al., 1997; Henri, 2006; Kaplan & Norton, 1992).

One of the most prominent theories regarding the balance between financial and non-financial measures when firms construct their PMS is the Balanced Scorecard (“BSC”) framework developed by Kaplan and Norton (1992). Their reputable management control theory, which has been widely adopted across the business world (Miyake, 2002; Kraus & Lind, 2010), divides measures into four perspectives to provide a holistic overview of the set of measures at the company. It also helps managers understand to what extent the measures are interconnected with the core ideology and strategy of the company (Kaplan & Norton, 1992; 1996). In that sense, managers can choose measures to balance the level of forward-looking-, current-, and historic metrics while aligning the PMS per the strategy and core values of the company (Kaplan & Norton, 1996). Despite being a prominent academic theory, previous case studies show that, albeit applying a BSC or a similar conceptual framework, companies are not always compliant with theory in their practical use. For example, companies listed on the Swedish stock exchange were found to be biased towards a financial focus in their PMS, as they had measures in their BSC that were heavily weighted towards a financial focus. This was found to be mainly due to internal pressures from benefits with financial measures in terms of simplicity and comparability and external forces from the capital market. Hence, it has been established that stakeholder pressures affect how companies and their managers design their PMS (Kraus & Lind, 2010).

Nonetheless, few efforts have been made to investigate how external and internal pressures toward private companies affect the PMS formation processes, given that most existing research is focused on listed companies (Kraus & Lind, 2010). As such, other factors derivable to recognizable characteristics of an industry might affect the interplay between financial and non-financial focus. One sector of particular interest is the luxury fashion industry. Previous research on luxury brands indicates that they possess distinguishable and inherited characteristics related to the essence of their operations (Berghaus et al., 2015; Ehbauer & Gresel, 2013; Riguelle & Van Caillie, 2017), making it an appealing empirical setting to explore further. Hence, by conducting a single case study on a luxury fashion company, this thesis aims to examine the seemingly unanswered question of how the characteristics associated with being a luxury brand have influenced the construct of PMS and their effect on the interplay and balance between the financial and non-financial focus.

1.2 Problem Area and Research Question

This thesis aims to contribute to a more nuanced and deeper understanding of the interplay between the financial and non-financial focus in a company's Performance Management Systems. Specifically, this will be done by addressing *why* and *how* the PMS is constructed in a certain way with regard to the financial and non-financial focus and the implied balance of leading and lagging performance indicators. The findings will be holistically structured around the five central areas in Otley's (1999) framework for PMS research; i) objectives and measures, ii) strategies and plans, iii) targets, iv) rewards, and v) feedback. This framework will constitute the foundation of the thesis's empirical findings, which will be analyzed through the theoretical lens of Bourdieu's (1986) forms of capital, specifically cultural and social capital.

The distinct characteristics of our case study company, inherited from being positioned as a high-end luxury fashion brand, could potentially constitute pressures affecting the interplay between a financial and non-financial focus of the PMS, structured in the five areas defined by Otley (1999). Specifically, an extensive focus on brand identity, the creation of exclusive products, and high sensitivity to macroeconomic events constitute distinguishable characteristics against which potential pressures are believed to be identified. Conclusively, the research question we intend to answer is:

How have the characteristics of being a luxury fashion brand affected the company's performance management systems, and what are the implications for the interplay between the financial and non-financial focus?

2. Literature and Theory

2.1 Definition of PMS and Theoretical Framework

Measuring an organization's performance has long been of great interest to managers and academic researchers. Managing and measuring performance, and forming such practices, known as performance management systems ("PMS"), have therefore been extensively examined from various perspectives and standpoints. For the scope of this thesis, PMS is defined by Ferreira and Otley (2009) as "...evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change". In that regard, this thesis encapsulates the formal mechanism and processes. However, it also considers the more subtle yet essential cultural and social context of PMS, called informal controls (Ferreira & Otley, 2009). As such, this thesis incorporates a rather broad interpretation of PMS, not to be confused with performance *measurement* systems as it is concerned with the first of the three cornerstones of PMS as defined by Hartmann et al. (2020). To briefly elaborate, Hartmann et al. (2020) advocate that the forming of a PMS could be segmented into three fundamental cornerstones: i) defining measures, ii) determining appropriate targets and standards, and iii) connecting an incentive structure.

The initial outline of the literature review is structured around the *Framework for management control systems research* by David Otley (1999), which could be viewed as an extension of the three cornerstones of PMS. Otley's framework, which also will be deployed as the structure of the empirical findings, is constructed around five main perspectives: i) objectives and measures, ii) strategies and plans, iii) targets, iv) rewards, and v) feedback. This framework, along with additional relevant articles and theories, will be further outlined in the below subsections and thus constitute the lion's share of the literature review. Subsequently, we will review existing literature on changing market dynamics and the role of PMS in businesses experiencing transformative phases. Finally, we will introduce Bourdieu's theory of forms of capital (1986), specifically social and cultural capital, which will be used as the theoretical lens to analyze the empirical findings.

2.1.1 Objectives and Measures

The rationale behind defining different organizational measures rests upon the famous saying, "what gets measured gets done". In other words, the choice of appropriate measures is the facilitating factor for managers seeking to manage an organization effectively, preferably in alignment with the overall objectives and strategy of the firm (Hartmann et al., 2020). In general, there are two kinds of measures: lagging and leading. Lagging measures are backward-looking measures focusing on what *has happened*. In that sense, they are strictly historically based and predominantly financial as they are indicators based on, for example, financial reports for the latest fiscal year or quarter. Conversely, leading measures are forward-looking performance indicators focusing on what *is happening*. This category includes a comprehensive set of non-financial measures relating to various parts of an organization's operations (Hartman et al., 2020).

Extensive research has been put into when management teams choose what measures to implement and integrate into their PMS. One recognized methodology for this was presented by Likierman (2009), who elaborated on a framework originally developed by Baghai et al. (1999) which is based on the assumption that measures can have varying time frames and target different parts of the organization. As such, Likierman advocates a process of defining measures while regarding these time frames' organizational discrepancies, materialized by three horizons. The first horizon is called current business, referred to as set measures reflecting "business-as-usual." The second horizon, emerging business, regards initiated business development processes. The final horizon, new business, relates to measures (typically non-financial) linked to yet not established long-term business aspirations.

As the three-horizon framework incorporates an appealing multidimensional methodology that guides long-term strategic thinking in terms of time- and business phases, it has been utilized in the business world (Thomas & Uminsky, 2020). It has also prompted reflection in which managers are discouraged from strictly using lagging financial measures. Likierman (2009) formulated five traps managers should avoid that concretized what a sole focus on lagging financial measures could bring about. To briefly elaborate, the five identified traps were; i) the risk of measuring against yourself, ii) the risk of only looking backward without regarding the current decisions that might be beneficial in terms of future performance, iii) the risk of putting your faith in numbers, iv) the risk of manipulating metrics, and finally, the fifth trap is relying too long on specific metrics.

Previous literature underlines the importance of establishing an explicit link between the measures and the company's objectives (Hanson et al., 2011; Hartmann et al., 2020; Kaplan & Norton, 1992, 1996; Otley, 1999). In this regard, earlier research on the design of the PMS framework has touched upon the connection of measures and strategy implicitly (Brown, 1996; Keegan, Eiler & Jones, 1989; Lynch & Cross, 1988). The first and thus far most influential academic article that explicitly states the relationship between PMS and strategy was introduced by Robert S. Kaplan and David P. Norton as they developed their framework of BSC (Kaplan & Norton, 1992). The BSC theory originates from identified problems surrounding the formation and functioning of PMS in practice. Namely, they had an unproportionate focus on financial measures, historical outcomes, and short-term objectives. Kaplan and Norton presented a framework for linking performance management to strategy implementation on the back of these shortcomings. They argued that it is achieved by balancing leading and lagging indicators and external and internal performance perspectives (Hartmann et al., 2020). In that sense, BSC facilitates a holistic overview of different fractions of a company's competitive agenda, such as product quality, customer satisfaction, and production capabilities, forcing managers away from sub-optimizing the set of measures at the company from being, for instance, strictly financially focused. When looking beyond financial metrics such as Return on Assets ("ROA") and EBIT[1] margin, more equal weight is put on other metrics. To specify the components of the BSC, it structures the fractions of a company's competitive agenda into the below four perspectives: i) customer perspective, ii) internal processes, iii) innovation and learning, and iv) financial perspective.

In an updated version of their BSC framework, Kaplan and Norton (1996) stressed the importance of linking the choice of metrics to the company's strategic objectives. They claimed that the multiple measures on a well-structured BSC should consist of a linked series of objectives and measures that are both consistent and mutually reinforcing (Kaplan & Norton, 1996). This further emphasized having an explicit connection between PMS and strategic objectives. In addition to the BSC theory, other articles have contributed to the subject, facilitating a more nuanced understanding of the shortcomings associated with traditional accounting-based financial measures. In general, they criticize organizations for relying too heavily on lagging indicators while emphasizing that financial metrics yield a more short-term orientation which neglects the long-term objectives and strategies (Henri, 2006; Atkinson et al., 1997; Fisher, 1992).

While our literature review confirms a broad academic consensus regarding the need to implement a diverse and balanced set of lagging and leading measures, some researchers have acknowledged the rationale behind primarily using financial measures in the PMS. Henri (2006) argued that financial measures possess functional capabilities to showcase outcomes of decisions in a comparable measurement unit, capture the cost of trade-offs between resources, and the ability to quantify the cost of spare capacity.

To further problematize the relationship between financial and non-financial measures, Kraus and Lind (2010) found that the theoretical balance from integrating a BSC in the company's PMS does not necessarily occur in practice, as BSC had little effect on corporate control. The PMS at the 15 companies in their study were found to be financially focused. Notably, 8 out of the 15 organizations claimed to use BSC as a tool in their PMS. These ambiguous empirical findings were explained for two reasons. First, they acknowledged that financial measures possess characteristics concerning comparability and simplicity, confirming the valuable

[1] EBIT is an abbreviation for Earnings Before Interest and Taxes, which is an indicator of a company's operational profitability.

capabilities of financial measures described by Henri (2006). This was identified as an internal pressure that inclined managers to integrate and focus on a disproportionate amount of lagging measures. Secondly, as the study was conducted on 15 firms listed on the Swedish stock exchange, external influences from financial analysts and the shareholders were also identified, and they were collectively classified as capital market pressures. The academic research on the subject leaves us with ambiguity with regard to what the optimal balance of measures looks like. It does, however, not reject the theoretical upsides of obtaining a balanced set of strategy-linked metrics. Instead, it points to different implicit dynamic connections and stakeholder pressures that contribute to difficulties in the practical feasibility of implementing a balanced focus into the PMS.

Regarding alignment between measures and organizational objectives, previous academic research has referred to the concept of Critical Success Factors ("CFS"), first introduced and further developed by Rockart (1979). Rockart defined CFS as "those performance factors which must receive the ongoing attention of management if the company is to remain competitive." In subsequent research, the materiality of identifying CFS as the critical determinant in ensuring an alignment and consistency of the chosen measures toward the company's core ideology has been further established (Leidecker & Bruno, 1984). One previous article found that specific characteristics associated with being a high-end luxury brand, for instance, the brand reputation, are essential to regard as some of the underlying CFS when determining the choice of measures in the PMS (Riguelle & Van Caillie, 2017). Furthermore, they found that despite being distinctive as an industry-specific characteristic, the PMS at luxury retail firms rarely include reputational capital as an integrated part of their measures.

2.1.2 Strategies and Plans

The second component of Otley's framework for PMS research is closely interconnected with the first. As mentioned, contemporary research advocates for a link between the company strategy and the chosen measures (Ferreira & Otley, 2009; Hartman et al., 2020; Kaplan & Norton, 1996). The strategy formation process involves codifying how strategic objectives should be attained (Otley, 1999). In other words, it concerns the managerial function of defining the strategy and business plan against which the measures and goals relate to.

In a study conducted with 15 founders and CEOs from luxury-goods companies across eight industry verticals, Berghaus et al. (2015) advocate that the strategy formation process for luxury firms distinguishes itself in three main aspects. First, it recognizes five significant facets determining how strategic foresight is integrated into the organization: i) self-reliance, ii) agility, iii) proximity in customer relationships, iv) innovation, and v) competitive environment. Secondly, Berghaus et al. (2015) found that SMEs[2] in the luxury retail industry usually utilize business processes built around agility and flexibility. This implies that managers of SMEs appear to form their strategies and plans in a more emergent capacity rather than a deliberate one. Conversely, larger enterprises were found to be keener on developing their strategy more thoroughly in a formal environment, considering both internal and external variables. Finally, the paper found, primarily among smaller luxury companies, a dominant managerial focus on resources rather than market-oriented foresight. The resource orientation was found to depend on the fact that a substantial amount of a luxury company's brand image usually is derived from its ability to be resource-oriented rather than its ability to leverage foresight from an enhanced market orientation. For example, luxury firms working hard on maintaining customer relationships feel less market-oriented strategic foresight, as they rely on first-hand information from the most integrated customers (Berghaus et al., 2015).

2.1.3 Targets

When measures have been defined, preferably with an explicit link to the objectives and strategy of the company, the next step is to link these to specific targets. The purpose and rationale behind setting targets is to facilitate a performance evaluation. Researchers also advocate an explicit link to the determined measures (Kaplan & Norton, 1996; Hartmann et al., 2020). In other words, the purpose of implementing different kinds of targets is to be able to distinguish between good and bad performance.

The overarching methodology for setting targets can be differentiated in several ways. The most common way is to use different predetermined targets: model-based, theoretical targets, and continuous improvements. Historically, the most prevalent predetermined target has had a negotiated character and is known as budgeting. In a budgeting process, historical data usually constitutes the basis for the budget for the coming period. In academic literature, budgeting is argued to be at the heart of the management control system. Furthermore, budgeting is said to

[2] SME is an abbreviation for a Small to Medium Enterprise

play different roles in companies, and while defining all of them is close to impossible, the literature proposes four material roles that budgets generally play: planning, accountability, process, and ritual (Hartmann et al., 2020).

The planning role in the budgeting process revolves around the fundamental purpose of implementing a budget in the first place, specifically deciding what the divisions in the organization should do during the budgeted period. This codification of operational activities depends on another material part of the planning: the distribution of resources assigned to the planned activities and investments. The following identified role of budgeting, accountability, refers to a combination of two purposes: monitoring and motivation. The purpose of the monitoring is to attain reassurance that the specific manager performs in line with the predetermined target whereas motivation mainly refers to setting targets for the manager to achieve, which are usually interconnected with an incentive system. The third role, process, emphasizes the organizational benefits of engaging in a budget-setting process. Examples of such uses include communication and reflection. Finally, ritual refers to the organizational situation where the budgeting process has become a ritual rather than an outspoken and central part of the management control at the company (Hartmann et al., 2020).

The budgeting process can play out differently in organizations. Generally, research upholds two approaches for budget preparation: top-down and bottom-up. As the name implies, the top-down approach is initiated by the management team, which outlines a budget proposal on an aggregate level. Subsequently, the proposal is circulated across the organization to lower levels in the corporate structure. Conversely, the bottom-up approach is more decentralized as it is initiated with each division manager presenting their budget propositions. After distributing their respective budgets to the company's central controlling unit, the top management completes the budget process. The top-down approach is beneficial since it enables a relatively fast budget process in which the top managers can ensure the result. On the other hand, the bottom-up approach gives more responsibility to lower-level managers, which is estimated to positively affect their motivation because of a greater acceptance of the budgeted goals and enhanced information exchange in the budget process. Thus, the bottom-up approach could positively impact the company's performance (Bergstrand, 2009; Hartmann et al., 2020).

Once the budgeting process is completed, practitioners discuss different managerial approaches concerning budgetary control. Generally, the theory upholds two generic procedures: tight and loose budgetary control. The former relates to an organizational setting where the management heavily relies on the budget in place, with little to no acceptance of different deviations when evaluating performance. Conversely, loose budgetary control is less strict as it rests upon a mutual organizational understanding that the budget is an educated guess about the future made in a state where all the information about the future state is unclear. In general, tight budgetary control enhances company discipline, whereas loose budgetary control stimulates lower-level decision-making, facilitating greater creativity. (Van der Stede, 2001; Hartmann et al., 2020).

Despite the theoretical roles of the budgeting process and subsequent benefits associated with levering budgets as the basis for target setting in an organization, budgets as an evaluation standard are often subject to criticism. One fundamental issue with using predetermined targets is that they are based on a forecast of how the future is estimated to play out, thereby risking being outdated (Bogsnes, 2009; Hartmann et al., 2020). An increasingly dynamic and unpredictable corporate landscape is something that practitioners advocate as an amplifying factor to this disadvantage. Furthermore, Hartmann et al. (2020) uphold that budgeting has often been criticized for myopia, which refers to sub-optimization and short-term thinking in the organization (Hartmann et al., 2020; Hope & Fraser, 2003).

Originating from the shortcomings mentioned above, Jeremy Hope and Robin Fraser (2003) introduced the concept of "beyond budgeting". They advocated for abandoning the conventional budget process as "...it is universally disliked. It takes too long, costs too much, and adds too little value". Instead, they suggest that companies should strive towards using relative targets and allocate resources on a rolling, on-demand basis. The practice of doing so, often referred to as benchmarking, revolves around a performance evaluation based on comparing internal peers (i.e., similar branches and divisions) and comparable external companies (i.e., competitors operating in the same field). Hartmann et al. (2020) further state that benchmarking and its on-demand set-up is more agile in the event of changes in the macro- or industry landscape (Hartmann et al., 2020; Bogsnes, 2009; Hope & Fraser, 2003).

2.1.4 Rewards

After connecting the set of measures to appropriate targets and standards, the subsequent step is to introduce an incentive structure linked to evaluating organizational performance. Such incentives primarily exist, according to Hartmann et al. (2020), because of three reasons: i) getting managers and employees to behave in the best interest of the company, ii) ensuring motivation among managers and employees, and iii) facilitating the employees and managers of the company to enjoy the fact that they are working there. In other words, rewards serve as a managerial tool to optimize an organization's performance and facilitate a goal-congruent behavior of the company (Hartmann et al., 2020). Additionally, Hartmann et al. (2020) present four main areas that should be considered when designing incentive structures at a company, namely: i) what type of incentive should be used, ii) whether it should be based on individual or group performance, iii) how the incentive should be allocated, and iv) what size the bonus should have relative to the base salary.

The design of the reward system has been subject to heavy debate, both in the public media and by researchers. Overall, two sides have been identified: some practitioners advocate for the Agency Theory and whereas others promote the Motivation Crowding Theory. The foundation of research on incentive systems can be said to originate from the psychological theories introduced by McGregor (1960), who developed two perspectives on human behavior: Theory X and Theory Y. The latter describes human behavior as natural workers generally self-motivated in completing their tasks, often reflected in decentralized organizations that encourage a trust-based and collaborative working environment. On the other hand, Theory X describes humans, in a workforce setting, as naturally unmotivated and with strong repugnance of their tasks. Further, workers avoid responsibility and need strong managerial control to deliver satisfactorily. The theories are interrelated to McGregor's two perspectives; however, they are more focused on motivational factors related to rewards (Hartmann et al., 2020).

Agency Theory ("AT") assumes the principal-agent relationship, which, according to Shapiro (2005), is present when a principal hires an agent to perform on behalf of the principal. In conjunction with McGregor's Theory X, AT suggests that the economic man, driven by self-interest and utility maximization, constitutes the theory's center. As such, AT advocates for principles to ensure agent motivation through imposing extrinsic rewards, thereby reducing divergent preferences and aligning the interests towards a goal-congruent behavior across the organization (Jensen & Meckling, 1976; Hartmann et al., 2020). Such extrinsic rewards are usually attributed to factors such as money, status, promotions, and power - concretized in different kinds of monetary rewards tied to the performance evaluation of targets and measures.

Despite being widely utilized in the business world, implementing a reward system based on AT has been criticized by researchers. The legitimacy of the theory has been questioned, as AT assumes individuals act perfectly rationally, while other studies argue the opposite (Kahneman & Twersky, 1981). Additionally, academic practitioners have argued that AT is immoral and harms companies' management practices (Cheng & Warfield, 2005., Hartmann et al., 2020).

The Motivational Crowding Theory, also referred to as the Self Determination Theory ("SDT"), incorporates McGregor's Theory Y and is primarily based on sociological and psychological theories. In contrast with the AT, the SDT regards intrinsic motivation, which is the inner satisfaction originating from completing a particular task or project, as a complement to extrinsic motivation. It emphasizes that extrinsic rewards tend to crowd out intrinsic motivation, sometimes to the extent that the total motivation of the individual decreases. In that respect, Hartmann et al. (2020) uphold that a possible trade-off effect is associated with the dynamic relationship and dependency between extrinsic and intrinsic motivation. This phenomenon is called the crowd-out effect (Hartmann et al., 2020; Frey, 1994). However, the crowd-out effect in total motivation appears to be non-existing in a case where an extrinsic reward is not linked to performance evaluation. Nevertheless, researchers have found extrinsic rewards practical and disclaim that SDT is sparingly used in practice. Albeit receiving more attention in recent years, Agency Theory remains the predominant theory leveraged in practice as it possesses characteristics that are deemed a more powerful managerial tool (Frey, 1994; Hartmann et al., 2020; Osterloh et al., 2002).

2.1.5 Feedback

Performance needs to be evaluated frequently to enable a high-functioning company with PMS fulfilling its purpose. As such, the Otley framework (1999) advocates a thorough analysis of the information flows at the company. It is further emphasized that the assessment of the information flows, most often referred to as feedback, constitutes the final ingredient of the management control loop and the last perspective of the framework for PMS research (Otley, 1999).

In its general form, organizational information flows could, according to Otley (1999), be differentiated between feed–back and feed-forward (more commonly referred to as planning). The traditional concept of feedback, constituted by information based on the evaluation of performance relative to the pre-set standards, is used by managers to signal the need for corrective actions. In contrast, feed-forward (i.e., planning) information may be used by managers to predict the need for corrective actions without observing the need to evaluate past performance. As such, proper planning activities are deemed to optimize organizational performance since it embodies an efficient distribution of company resources in a proactive capacity rather than a response to past performance. Conclusively, implementing a transparent feedback and planning structure in an organization is underlined as material since it provides adequate monitoring of performance that supports learning (Ferreira & Otley, 2009; Otley, 1999).

Some research on implementing feedback loops and communication flows in organizations explicitly touch upon the concept of learning organizations. Initially defined by Peter M Senge (1997) as “an organization made up of employees skilled at creating, acquiring, and transferring knowledge,” the learning organization is embodied by an organizational setting where a continuous sharing of information characterizes the culture. Building on this definition, Garvin et al. (2008) provides a toolkit for proposing three culture-based building blocks for achieving a learning organization: i) a supportive learning environment, ii) concrete learning processes, and iii) leadership that reinforces learning. The first part concerns an organizational culture where employees feel safe expressing their views and disagreeing with each other. The second is concerned with the formal structures for gathering and interpreting information. The final building block regards a particular managerial approach with a willingness to consider alternative viewpoints and engage in active questioning and listening. By identifying organizational shortcomings concerning these building blocks of a learning organization, a manager could make efforts to trigger an organizational culture that is more forthcoming in these aspects, having a clear feedback loop being one of them (Garvin et al., 2008; Otley 1999; Senge, 1997).

2.2 Changing Market Dynamics and the Role of PMS

A wide selection of research confirms that times of crisis infer transformative change in companies’ operations. For instance, research on post-pandemic effects on the economy and firm-specific implications indicate that the pandemic revealed the limits of a conventional economic growth model for businesses and that companies must drastically increase their agility during such phases (Leach et al., 2021). Most recently, the current geopolitical instability originating from Russia’s invasion of Ukraine has caused a drastic rise in consumer price indices along with steadily increasing interest rates and raw material costs, ultimately causing a cost-of-living crisis. (Boston Consulting Group, 2022).

Research indicates the effects of the previous and current global crises have been amplified in the retail industry due to strong trends affecting the market dynamics. The global digitization trend has entailed a surging growth for e-commerce, which a McKinsey research report (2020) found to be further intensified by the pandemic. In addition, in the last decade, sustainability has increasingly influenced the industry across all business levels, for instance, in terms of sustainable consumption and supply chain capabilities (Kennedy et al., 2016). Moreover, the luxury goods segment, in particular, has proven to have specific characteristics that expose companies more greatly to changes in consumer behavior and purchasing power, pointing towards a high sensitivity to macroeconomic events (Joy et al., 2012).

On the topic of how to maintain alignment in organizations that are experiencing a shift in their operations, Hanson et al. (2011) found that the ability to maintain alignment through a transformative phase is a basis of three critical dynamic capabilities. Such critical capabilities of the PMS were; i) communication (in terms of telling the organization what has and should not be done), ii) information (where PMS helps identify shortfalls in performance and areas in need of managerial intervention), and iii) control (where rewards and sanctions associated with the PMS enable managers to influence the performance selectively). Hanson et al. (2011) further found that while the capabilities mentioned above of the PMS were material to maintain alignment in transformative phases, another aspect to regard is the intrinsic definitions and cultural context. The cultural context is defined by Hanson et al. (2011) as an informal system connected to the PMS where patterns of behavior and subtle variations in status between departments all serve to create a comprehensive organizational consensus of "how we do things around here". In other words, a distinct focus on the critical capabilities of the PMS, in combination with a solid organizational culture, could help managers maintain alignment in periods of transformative change at a company (Hanson et al., 2011).

2.3 Theoretical Lens

This thesis views PMS as formal practices supporting managerial decision-making, planning, and control. However, the definition also minds the more subtle and informal forms of control that influence PMS, derivable to the cultural and social context. Hence, the sociological theory of forms of capital, first academically introduced by Pierre Bourdieu (1986), will be applied as the theoretical lens in the analysis of the empirical findings of this thesis.

The first form of capital, cultural capital, includes symbols, ideas, and preferences that may be strategically used as resources in social action. Bourdieu proposes three conditions in which cultural capital can exist; namely, i) in the embodied state, ii) in the objectified state, and iii) in the institutionalized state. Embodied cultural capital refers to the knowledge base, and skill sets that an individual or organization accumulates over time. It is regarded as the formation of habits that cannot be transmitted instantaneously, unlike, for example, money or property rights. Objectified cultural capital is defined as transferable physical objects that bear a certain amount of cultural significance, for instance, expensive luxury products. Moreover, according to Bourdieu (1986), they are symbols of different cultural and social statuses. Institutionalized culture refers to the reputation of an organization. Therefore, if an individual were to establish a connection to the institution, through purchasing its products or even working there, they would inherit social and cultural influences and thus obtain a corresponding level of status. In a business context, Bourdieu opines that cultural capital, in certain conditions, may be convertible to economic capital and thereby enabling an opportunity for companies to monetize from selling products, i.e., cultural capital in its objectified state (Bourdieu, 1986).

Moreover, social capital is the positive product of human interaction. In general, the theory suggests that interpersonal relations create value for individuals as they provide resources that may be used for achieving desired outcomes (Bourdieu, 1986; Bizzi, 2015). In an organizational context, social capital is advocated to contribute to business success by constructing a perceived set of shared values and mutual respect for one another (Chetty et al., 2022). In that respect, actively building social capital in a company could be argued to cultivate trust and respect among employees and, to an extent, toward customers - constituting a strategy that potentially could lead to enhanced company performance.

Despite being a part of the sociological academic field, we propose that the characteristics of the case study company might unknowingly incorporate the theories of cultural and social capital in their operations. In that regard, applying the theoretical lens of Bourdieu's (1986) forms of capital when analyzing the empirical findings will facilitate an explicit interpretation of the underlying social and cultural dynamics connected to the case study company and its subsequent effect on the PMS. As such, it will facilitate an enrichment of the academic findings when addressing the research question of this thesis.

2.4 Academic Contribution

During the last decades, extensive research has been devoted to examining PMS at a single case study company in different settings across numerous industries (Länsiluoto & Järvenpää, 2008; MacBryde et al., 2014; Riguelle and Van Caillie, 2017; Sargiacomo, 2008). Some of these academic papers have examined PMS in the retail industry, and a handful has been focusing explicitly on the luxury fashion industry. Nonetheless, they have posed somewhat different research questions generally focusing on more specific components of PMS, either with different time frames or differences in horizontal and vertical industry boundaries. For instance, Länsiluoto & Järvenpää (2008) examined the integration of environmental measures in a PMS at a Finnish food manufacturing company and Sargiacomo (2008) who took a historical approach and analyzed what decisions and forces that formed the PMS of one of the world's leading fashion institutions. In addition, most of the reviewed articles have called for further research, pointing to the relevance of this thesis.

Generally, reviewed articles advocate for a balance concerning financial and non-financial focus (Kaplan & Norton, 1992; Likierman, 2009). However, in terms of the business world utilization of PMS, there is a divergence between theory and practice as firms appear to be financially biased, primarily driven by internal and external pressures (Kraus & Lind, 2010). The research on this topic is limited to listed corporations, whereas pressures affecting the PMS at private companies, especially luxury fashion brands, constitute an uncharted empirical setting.

In addition, the academic approach of this thesis is structured around Otley's (1999) framework for PMS research and analyzed through the theoretical lens of Bourdieu (1986), constituting a combination of accounting- and sociological-based research that contributes with a different perspective on a seemingly new research question and academic gap.

3. Method

3.1 The Characteristics of a Luxury Brand

Defining what differentiates a luxury fashion brand from regular retailers could help understand further the forces affecting the financial and non-financial focus. Studies have found that specific characteristics associated with being a high-end luxury brand are essential to regard as some of the underlying CFSs affecting performance management systems

(Riguelle & Van Caillie, 2017). Hence, they are crucial to highlight and define to obtain an accurate analysis of the empirical findings.

Researchers have attempted to define what it implies to be a luxury brand. Most features are linked to consumers' perception of the brand identity (Ko et al., 2019). Historically, luxury items have been highly valued by individuals of all social statuses (Jhamb et al., 2020). Even though they are not essential to satisfy an individual's basic needs, they are viewed as desirable within several societies, social contexts, and cultures. Studies show that luxury goods positively affect the consumer's view of brand coolness and passionate desire - which in turn improves the relations to the brand (Loureiro et al., 2019). Other distinguishable characteristics include perceived product exclusivity, service excellence, and aesthetic appeal - all associated with the brand identity (Ehbauer & Gresel, 2013). Furthermore, luxury firms tend to implement storytelling elements in their strategies, further improving the brand experience. Studies show that customers exposed to brand stories can more positively describe the company and increase their willingness to spend more on the products. People can more easily relate to and remember stories rather than facts, which makes it a powerful and effective tool for creating brand resonance (Lundqvist et al., 2013).

Another distinct characteristic of a luxury brand is the perceived exclusivity of the products. By promoting high-quality, expensive, and rare products developed through advanced craftsmanship, companies can create an ambiance of exclusivity connected to the creation of its products, which is considered one of the most valuable assets of a luxury firm (Riguelle & Van Caillie, 2017).

Luxury brands usually deviate from fast-fashion trends and create their norms - making more timeless assortments and designs. However, it is still crucial for them to be responsive and adaptive to macroeconomic trends (Joy et al., 2012). Luxury consumption is correlated with wealth, meaning that when a consumer's income increases, so does the spending on luxury goods. Previous articles have found that the operational transitions caused by macroeconomic instability and other characteristics connected with being positioned in the high-end segment could amplify the effects and dynamics in place, ultimately exposing luxury companies to a sensitivity to downturns in the economy (Wang, 2022).

Conclusively, we have identified the following prominent characteristics of luxury fashion brands:

1. Extensive focus on brand identity
2. Creating exclusive products
3. High sensitivity to macroeconomic events

As elucidated above, literature upholds these characteristics as distinctive and usually possessed by luxury brands. As the case study company possesses the aforementioned characteristics, the choice of the company is methodologically supported.

3.2 Research Design and Empirical Approach

As mentioned, we perform a qualitative single case study using an abductive approach. This approach is deemed appropriate since it allows for a focus on one company instead of multiple, ultimately with the purpose to reach the intended depth of the research. Furthermore, given the multiplex sides to PMS, our largest chance to obtain an as versatile and accurate overview of our case study company would be through a qualitative study. Interviews are considered one of the most efficient and valuable ways of collecting data in qualitative studies (Yin, 2009). Employees can provide essential perspectives regarding industry-related changes that have affected how performance has been measured and rewarded, which could otherwise be difficult to identify in a quantitative study. The main reason behind the abductive approach is the lack of previous research in the field. As our motive is to improve our understanding of how the characteristics of being a luxury brand can affect the usage of PMS, we believe it most reasonable to combine the empirical data with literature theories.

When researching a subject, the goal is to be able to apply the learnings in other scenarios. Providing studies to a field implies enriching and improving the knowledge that already exists, as well as facilitating others wanting to investigate similar areas in the future. Nevertheless, this has previously been viewed as somewhat problematic in case studies (Dubois & Gadde, 2002). Given that qualitative research often implies providing nuanced and contextualized perspectives of a human experience, it may be challenging to generalize and draw broader inferences (Yin, 2009). However, it has been concluded that it is possible - but takes place more as an analytical generalization (Polit & Beck, 2010).

3.3 Data Collection

As for the data collection, we have performed eleven semi-structured interviews with employees across all levels of the organization. This is to gain as nuanced a picture of the organization as possible, limiting potential bias and diminishing the risks of missing perspectives of the company's operations (Kvale & Brinkmann, 2014).

Significant time was spent formulating and structuring the interview guide, resulting in a comprehensive set of questions all connected to each of Otley's (1999) perspectives and framework for PMS research (see appendix I for the interview guide and appendix II for a table of all conducted interviews). We wanted the interviewee to have room to elaborate while securing that certain subjects were elaborated on, pointing towards another advantage of conducting semi-structured interviews: they allow us to modify the questions comfortably if we identify interesting themes during the discussions we want to explore further. Depending on the interviewee's role within the firm, we adjusted the questions to suit better the individual's competencies (Qu & Dumay, 2011). One of us was assigned the role of interviewer, while the other was responsible for taking notes and recording the conversation. Depending on the interviewee's preference, the interviews were held on digital communication platforms and in physical meetings. Since the contents of some discussions could be considered sensitive, we wanted to make sure that the employees felt comfortable talking without anyone interrupting.

In addition to the interviews, which served as our primary data, we extracted secondary data from articles and case studies exploring similar subjects. Our case study company's weekly, monthly, and annual reports were also accessed. Additionally, we viewed budgets for different departments, CRM[3]-system data, the "mystery shopper[4]" performance evaluation, and results provided by an employee satisfaction program that the firm utilizes were also used.

3.4 Data Analysis

As the interviews went along, we continuously discussed and reflected on the findings to quickly identify potential themes for the analysis. The interviews were transcribed, translated, and compiled into a spreadsheet. The structure of the interview guide was applied to the document, which was of significant help in understanding what areas of Otley's framework

---

[3] CRM is an abbreviation for Customer Relationship Management, which is a technology for managing a company's relationships and interactions with customers

[4] The "mystery shopper" is an anonymous person that impersonates a customer to the specific store while secretly evaluating the salesperson, it is commonly used as a KPI in brick-and-mortar stores

needed more data. It was also helpful to identify themes among the interviewees, which would later become extracted and provide the basis for our empirical analysis.

3.5 Quality of Research

Reliability and validity are crucial for any research's success, especially in qualitative studies. This is because the findings usually originate from descriptive data, which can have multiple interpretations depending on the researcher's analysis, compared to quantitative studies, which rely on numerical statistics. To ensure a trustworthy thesis, several actions have been taken concerning credibility (Stahl & King, 2020; Lincoln & Guba, 1985).

To ensure credibility, we have used various processes of triangulation. Firstly, the data was collected from both primary and secondary sources, implying a methodological triangulation. The data was also of different types, thereby securing data triangulation. Both of us attended all the interviews, confirming investigator triangulation. The roles of interviewer and notetaker were switched every other time to avoid collection bias (Stahl & King, 2020, Lincoln & Guba, 1985). After getting consent from the participant, the conversation was recorded. This further ensures validity, as the information provided will be used verbatim throughout the thesis. The recordings were used to analyze the data but were then deleted to give the participants anonymity, secrecy, and personal integrity.

4. Empirics

4.1 Introduction to the Case Study Company

For this case study, the performance management systems of a privately owned luxury fashion company are being analyzed. The organization employs roughly 40 people, with an average age of approximately 30 years. The highest decision-making body of the organization, constituted by the board of directors ("BoD"), consists of the founder, the CEO, the COO, and five external members with various backgrounds in brand development and high-end fashion. The management team, composed of four people, operates with great responsibility in relation to the BoD. Therefore, they have the authority to carry out the firm's daily operations and most of the strategic decision-making. In that respect, the BoD acts with a hands off-approach and in an advisory capacity concerning broader and long-term business strategies.

The company was founded 15 years ago to sell luxurious items with a connection to the artistic expression of the founder, who is also the product designer. In the past 5 years, the company has grown exponentially. In 2013, they opened their first flagship store, which they continued to utilize for nine years. Due to the brand's increasing popularity and the subsequent flourishing revenue streams, they expanded their business through a rollout of additional stores in new geographies and establishing a new larger flagship store. Simultaneously, the company has established an e-commerce business that exposed the brand to a broader and diverse set of potential customers, which has served as an additional growth engine for the business.

The company has an organizational structure comprising five departments; product development, sales, finance, e-commerce, and marketing. However, in a practical business context, most employees view the organization as divided between two main sections: the stores and the corporate office. Store- and product managers are described as the bridge between the sections, combining and presenting the wills of the respective parties. Several of the employees with managerial roles have worked as sales advisors first and have then managed to advance and gain larger areas of responsibility.

The founder of the company has an essential focus on story-telling and highlighting each piece's personal value. She finds inspiration in fairytales and wondrous creatures when creating her collections, which is reflected in the marketing efforts of each collection. The magical atmosphere is further established by the imaginative design of the stores and all employees representing the brand by wearing different combinations of products.

> 'Everyone has a connection to this type of product. That is something I have always been fascinated by and it becomes very clear when you are working with it. Humans invest a lot of emotions when buying these products.' (The Founder)

> 'She [the founder] has this imaginary world in her head that she wishes existed in real life. It is a part of her artistry, which is very cool and not mainstream at all. It is also a bit exclusive, which people are drawn to.' (Store Worker 3)

The brand advocates being strong, unique, and genuine. Given that many can resonate with this message, and the variety of products, the company has a passionate customer group of all ages and genders. The product assortment is described as timeless, unaffected by short-term design trends and seasonal sale periods - emphasizing a social context constituted by meaningfulness and luxury.

4.2 Empirical Findings

4.2.1 Objectives and Measures

The process of determining measures at the case company appears centralized to the top management team, albeit the performance measurement processes start in the boardroom, where the management's proposal for yearly objectives and measures are formally decided. No particular managerial framework has been utilized to determine the different measures. However, they have been based on structures from the management team's previous experiences working at similar companies within the same industry.

The employees generally express that the company has an extensive set of measures spanning all departments. Some measures are, however, individualized to reflect the responsibility areas of specific functions. For instance, the e-commerce division uses several metrics related to online channels, such as website traffic, conversion rate, and returning customers. Similarly, other brick-and-mortar-related measures are in place for all physical stores, such as total receipts, products per receipt, and sales per receipt. The stores also have a performance evaluation system called "mystery shopper," where a person pretending to be a customer visits the stores once a month and evaluates the sales representative based on the company's internal sales routine. Other measures used company-wide include, but are not limited to, sales, EBIT margin, and employee satisfaction. Practically, internal ERP[5]- and CRM-systems, along with employee satisfaction software are used for collecting and monitoring the measures at the company.

During the interviews, it was stated that there is a predominant organizational focus on financial measures. Despite having a broad set of measures, including non-financial ones, the employees still describe them as financially focused. As such, there is a divergence between the perceived view of what is measured at the company and what the company actually measures. One plausible explanation for this, which was mentioned during the interviews, was that financial measures have specific characteristics that make them easier to apply in an organizational setting; they were, for instance, said to be easier to understand for the organization's employees. As the company aims to increase revenue growth and expand internationally, many interviewees pointed out that it felt natural to focus on measures relating to that strategic ambition. It was, during many interviews, expressed as a necessity for the firm's future success.

[5] ERP is an abbreviation for Enterprise Resource Planning, which is an IT system that incorporates the majority of a company's business processes, for instance inventory data and financial transactions

’Historically, many financial measures have been related to sales. However, we have started to measure more non-financial aspects of the business in recent years.’ (Corporate Level Executive 1)

‘Sales is a factor that everyone has complete awareness of. Everyone can see how it fluctuates as it is incorporated into an employee's daily tasks. (...) The company is very sales-driven. I believe focusing on financial measures makes sense, as they are directly connected to growth’ (Middle Manager 4)

The employees consistently expressed the same long-term objectives deemed material for the company's future success. One common denominator was that they are all rooted in the company's core ideology, which sheds light on the original values expressed by the founder 15 years ago. When asked to name the company's core values, the interviewees frequently used terms describing the brand, such as unique, genuine, and inspirational. Another empirical finding was that there is a duality in objectives for the company. As mentioned, the company's first externally rooted objective was to gain an international foothold in the industry and maintain the company's organic growth. The second objective is more internal, relating to improving the company's internal functioning, by creating more coherent and clear value- and supply chains across the organization. During the interviews, phrases like “formalizing the organization” and “professionalizing the company” were common appellations for this.

‘The vision is to become a globally-known brand. We still want to highlight the story-telling aspect of the brand, but grow to larger markets.’ (Middle Manager 2)

‘The focus is on creating a clear structure for our supply chain and our objectives and goals (...) We measure a lot today (probably a bit too much given our relatively small size), and we don't take as much action on the results as we should be doing.’ (Corporate Level Executive 1)

4.2.2 Strategies and Plans

Although the management team, in consultation with the BoD, formally revises the business strategy and plans annually, the formation of the strategy and business plans was described as rather emergent. It is built around an agile and flexible approach where the company regards its surroundings and different stakeholders when planning new strategic initiatives. The interviews confirmed that most of these initiatives were taken to nurture and maintain the company’s strong customer relationships and thereby uphold the customers' perception of the brand. As such, the customer base was often referred to as one of the most material stakeholders.

In recent years, the company has been pursuing a growth strategy with a clear focus on international expansion and continued top-line revenue growth. Relating to this objective, the company has implemented several strategic initiatives. For example, one management team member responsible for the marketing function expressed that the company has worked on improving the website and overall brand representation. The marketing team has arranged multiple physical events to which selected international celebrities and influencers have been invited. These have taken place in Europe and the US, reflecting the ambition to introduce the brand to new markets.

> ‘We did our first real digital campaign for a collection in 2019. In 2020 we started doing even more strategic campaigns by collaborating with public figures in collections and producing a brand promotion video. This has set the tone for how we work with campaigns today.’ (Corporate Level Executive 1)

Another strategic decision to improve the internal structures has been to hire a new CEO. The new chief executive took on the role in October 2022, and the hope is that they will be able to bring a new skill set regarding implementation strategies leading to an enhancement of internal capabilities. Although this initiative is a concrete action to obtain the internal objective, it was observed that most of the managerial focus is on attaining the first objective.

As previously mentioned, the company is built around the founder and her artistic expression, constituting the foundation of shared values in the organizational culture. The company has managed to create an exclusive reputation connected to the brand, specifically due to the products' unique design and the fairytale-like store ambiance. The products have an average price of roughly 8000 SEK, indicating a higher price level which further manifests the brand’s exclusivity. The company is also relatively selective about who gets to work with them, both employees and potential brand ambassadors, as all have to resonate well with the core ideology and vision of the company.

> ‘We never pay for any of the collaborations with celebrities. We focus on working with people who genuinely want to represent our brand as they truly love what we do. The founder is very selective with what and who gets gifted [with products from their assortments], as she doesn’t want it to feel or be perceived as “bought.”’ (Corporate

Level Executive 1)

As mentioned, the company relies heavily on customer satisfaction to maintain the brand's competitiveness. Therefore, providing exceptional service is considered one of an employee's main responsibilities, which has been concretized in strategic initiatives. For example, the company has an implemented customer service routine that is taught to sales advisors and measured by the “mystery shopper” evaluation. In daily operations, the proximity in customer relationships is typified by the fact that the firm rarely turns down customer requests, and the store representatives always help if a product has worn down. The company's ambition to offer superior customer service is reflected in sending out handwritten letters to their best customers during holidays, birthdays, and weddings.

During the covid-19 pandemic, the firm implemented several strategic initiatives to maintain strong customer relations, for example, by offering digital consultations and intensifying online marketing activities. However, the current economic state and the cost-of-living crisis have hampered the strategic ambition as the company has been affected significantly by the increased purchase prices of supplies, which has led them to raise their prices, something customers have acknowledged. Given that customers with reduced purchasing power may not prioritize luxury fashion products, the company has seen a downturn growth-wise. Consequently, the growth strategy has been somewhat dampened and partly replaced by cost mitigation, something that the employees upheld as worrying.

> ‘We have had very nice policies with our customers. We have always strived to help them and prioritize customer satisfaction. However, to be more cost-mindful, we have recently implemented more strict return policies.’ (Store Worker 5)

> ‘We have already implemented a less aggressive growth strategy by becoming more cost-efficient and acting more carefully (...) For instance, we have started to reduce personnel costs.’ (Corporate Level Executive 2)

4.2.3 Targets

The target-setting process at the case study company is centered around the usage of predetermined targets, primarily different budgets but also continuous improvements. During the interviews, it was also observed that the company leverages alternate methods for target setting, such as benchmarking, albeit on a relatively small scale.

As mentioned, the yearly budget and goals are set together with the board at the beginning of each year. The budget preparation was described to be extensive. However, most of the process is centered on the top management team in combination with input from all division managers, primarily the store managers, implying a top-down approach. The budget is described as significantly detailed, as each business day and store unit have their specific targets in terms of revenues and costs. The responsible management team member described the budgets as the primary tool for controlling the business and that they relied heavily on it in the daily operations.

During the interviews, it was expressed that the most important target is sales. However, in light of the current macroeconomic turbulence, increased awareness of the cost base has been incorporated into the budgeting process, reflecting the company's ambition to increase profit margins, which is believed to improve profitability despite stagnating growth. Furthermore, the targets, much in line with the strategies and business plans, were described to be continuously revised when needed, the current cost of living crisis being one of those reasons for the revision.

As a reflection of the key measures relating to the company's objective to expand and grow, sales is considered one of the key targets in a company-wide capacity. Yet, as mentioned, the different departments have other measures in place that are tailored more specifically to their operations. However, responsible representatives from the senior management team expressed that they have experienced challenges finding appropriate targets for the divisions that are not directly associated with sales.

> ‘I would say that it is easier, and we are better at following up on sales-related performance, as we can measure it against budgets. We are perhaps not as good at following up on performance in the marketing section and other divisions not working directly with sales’ (Corporate Level Executive 2)

> ‘It is a bit unclear what the targets for my department are. I would like to have more clear guidelines, as I’m mostly guessing right now.’ (Middle Manager 3)

In addition to budgeting and continuous improvements, the company also uses benchmarking, albeit sparingly. Recently, they examined different competitors’ sales and gross margins and produced a product and price analysis of international luxury brands to improve their overall understanding of their position in the luxury fashion market. During the interviews, one top executive pointed out that these benchmarking activities are fruitful for the company as they "provide an overview of the current competitive landscape." However, no clear managerial routines for benchmarking activities are structurally imposed at the company, and they merely appear to be conducted on an ad hoc basis.

4.2.4 Rewards

The interviews showed that the company has an established company-wide incentive system for motivating employees. As the company expresses a significant financial focus, the rewards are exclusively constructed around performance relative to these financial targets. Specifically, all divisions have an incentive system based on sales performance, causing ambiguity in the motivational rationale for those employees whose responsibilities are not directly derivable to sales conversion (e.g., product development).

One of the incentive systems is a seasonal reward system for all employees during high-sales periods. Depending on how well the employee's unit performs in relation to the day's budget, they are rewarded products from the brand's assortment. Furthermore, the management team has also arranged competitions across sales units. The one that sells the most from a specific collection gets a non-monetary reward in the form of, for instance, a massage, manicure, or spa treatment. Additionally, all employees with full-time employment (approximately 30% of the total workforce) have a reward system that consists of a monetary bonus, which is accumulated quarterly based on their unit's sales performance.

All agreed that receiving rewards is a motivating factor and a fun addition to the job, especially receiving products from the assortments. However, the employees were observed to value having clear assignments, getting more responsibilities, and a common goal to work towards more than the actual reward itself.

> 'You want to work hard for the company (...) I appreciate getting products because everyone else gets them as well, which contributes to the company culture. We already get a monetary salary, so getting something material is more fun.' (Store Worker 5)

To further ensure that the store workers are performing accordingly, the "mystery shopper"-measure was identified as an additional source of motivation. As the store workers are unaware of when this person will enter their store, they have to provide the same level of service to every customer they meet. The "mystery shopper" evaluates the person based on the extensive customer service routine implemented by the company. There is no incentive system connected to this target; however, if a store worker performs all of the parts of the routine, they receive a diploma expressing their superior service. The stores have only acquired this diploma a few times since introducing this measure six years ago. Consequently, when someone gets this award, it is considered an extraordinary achievement.

The current economic situation has also challenged the incentives, as sales have decreased, making it more challenging for the units to reach their targets. The budgets have been adjusted to some extent; however, the targets remain relatively high to cover production costs, rent, and other fixed costs - which has been perceived as somewhat demotivating for employees.

4.2.5 Feedback

Group-level performance is assessed against the predetermined targets for the business unit's budget. The evaluations are presented weekly; to lower-level employees via email and to managers and corporate executives in formal meetings. The managers meet monthly with their respective sales units to review the group's performance. They present constructive feedback for all employees to consider for the upcoming sales period. This monthly sales unit meeting was also described as where the "mystery shopper" result is discussed; it is presented as group-based even though the evaluation is based on the performance of one individual store worker.

Overall, the structurally imposed feedback sessions for individual performance are informal discussions. These usually occur when appropriate during work hours, either face-to-face or over the phone. Additionally, there is a formal meeting scheduled semi-annually for each employee, where a complete evaluation is presented and constructively discussed. This setting was described as a forum for assessing past performance and the possibility of planning personal development.

The employees appreciate the formal feedback sessions, as they were described to ensure that employees will receive a performance evaluation at least twice per year. However, they prefer getting informal feedback on the go, as it is perceived as easier to implement potential adjustments to their behavior when identified and discussed directly. The issue is that the amount of feedback in the daily operations differs depending on the specific division. Some interviewees explained that they often get feedback and appreciation from their managers, while others expressed the opposite. Thereby, the feedback structure is deemed dependent on the manager's personal traits.

‘My manager has been very stressed for the past months, which has been frustrating as you don’t get as much feedback.’ (Store Worker 3)

‘It’s motivating when the manager gives compliments and positive feedback (...) It can be difficult to give and receive [negative] feedback, as everyone has friendly and not solely work-related relationships. It can be hard to give negative feedback to managers, as you don't want to do that to friends. It’s important that you differentiate between a friend and work relation.’ (Store Worker, 4)

5. Analysis

5.1 Identified Potential Pressures Affecting PMS

Despite the academic consensus regarding a balanced interplay between the financial and non-financial focus throughout the performance management process (Kaplan & Norton, 1992; Likierman, 2009; Hartmann et al., 2020), previous case studies have found that firms are financially biased in their PMS due to different pressures affecting the composition of such systems. These include external capital market pressures, as described by Kraus and Lind (2010), and internal pressures relating to the benefits of simplicity and comparability possessed by financial measures (Henri, 2006; Kraus & Lind, 2010).

Companies operating under other preconditions than reviewed case studies may experience different driving factors affecting the PMS formation process and the subsequent interplay between financial and non-financial focus. As such, this chapter analyzes the characteristics of the case study company that are likely to have the most significant impact on the formation of PMS and, therefore, potentially could constitute different pressures.

Discrepancies between the academic literature and the formation of PMS at the case study company might naturally depend on many factors. Yet, based on the empirical findings, the belief is that most of the discrepancies could be explained by specific factors embodied as key characteristics of the case study company. Specifically, these distinct characteristics affecting the formation of PMS at the company, and the subsequent implications for the interplay between financial and non-financial measures, are proposed to be:

- Extensive focus on strengthening brand identity
- Creating exclusive products
- High sensitivity to macroeconomic events

The findings of the analysis will be structured within the steps of Otley's framework for PMS research (1999) and analyzed through the theoretical lens of Bourdieu (1986).

5.2 Extensive Focus on Strengthening Brand Identity

Since its foundation, the case study company has depended on its brand identity to achieve financial success. Defined externally as the brand reputation and outspoken customer orientation and internally as the organizational culture, the brand identity has its roots in the core values established by the founder, expressed through her artistry and magical storytelling. As mentioned in the literature review, an extensive focus on brand reputation is one of the key assets of a successful luxury brand, especially among those classified as SMEs (Rigulle & Van Cielle, 2009). This has been widely supported by the empirical findings since the majority of the interviewees passionately appreciated the social context of the company and further pointed towards the focus on building a strong brand identity as a critical success factor for the business (Rockart, 1979). The company has accumulated a significant share of underlying social capital through the strong set of shared values among the employees. This could contribute to the organization's institutionalized cultural capital, also known as the brand reputation. In that sense, the combination of social- and cultural capital is deemed as a facilitator of the overall brand identity. Our analysis finds that the organization's strong cultural and social capital is one of the key characteristics that constitute the foundation upon which the company's objectives are formed.

Through the theoretical lens of Bourdieu (1986), one of the two overall objectives of the company, to achieve international expansion, is an ambition to grow the social community associated with the brand. The aspiration has been materialized through strategic marketing campaigns and a selection of collaborations with public figures possessing a perceived set of shared values that resonate well with the companys'. The second objective, to improve internal capabilities, could further be argued to support the execution of the first objective. The company's overarching long-term goal is to facilitate an expansion of the brand identity, which, according to Bourdieu, is to be regarded as an intensification of the accumulation of social capital and, thus, an increase of the social community connected to the brand.

The long-term objectives are partly reflected in the set of measures at the company. The "mystery shopper" and a collection of CRM-based customer satisfaction metrics are all leading indicators of the objective to strengthen and grow the brand identity. Intuitively, they would also contribute to a balanced interplay between the company's non-financial and financial focus. Although finding support that the long-term objectives indeed have prompted a usage of non-financial measures, some of which are tailored to the specific responsibilities of the divisions, our empirical findings indicate that the company is biased toward focusing on lagging financial measures.

Here, our analysis diverges from what is advocated in the literature. Even though the objective is to grow the company and further establish the brand identity, all of the chosen measures are connected to their current business rather than new or emerging ones. This could be an effect of having a significant short-sighted financial perspective in the managerial approach towards the PMS, which further points to the company finding itself in several of Likierman’s (2009) traps of focusing solely on lagging indicators. The functional divergence is further concretized by the theory upholding a balanced focus between financial and non-financial measures as desirable to successfully obtain long-term company objectives (Kaplan & Norton, 1992; Hartmann et al., 2020). Conversely, the empirics show that the company over-balances its focus on financial measures (and thereby implicitly the targets and incentive systems) as the management team perceives them to be the most relevant when working towards obtaining the objective to expand. When analyzing the empirical findings, one observation was, much in line with Kraus & Lind (2010), that this financial bias originates from the fact that financial measures are perceived as superior since they were referred to as easier to apply and compare.

Another plausible explanation for the financial bias due to the extensive focus on brand identity could be found when analyzing the strategy and business plan formation process. As evident from the empirical findings, the strategy is formally decided upon on an annual basis, albeit the practical application of the business plan was described as more emerging and continuously improved. Further, the empirics indicated that the company devoted many strategic initiatives towards building strong customer relationships (or an enhancement of the social capital, as Bourdieu would put it). As such, the company is deemed to operate with less weight on market-oriented foresight in their strategic business planning processes and instead being resource-oriented. For the case study company, this implies that they work more actively in nurturing the cultural capital associated with their brand identity, as it is one of the company’s key resources. This indicates short-termism in strategic foresight, as Berghaus et al. (2015) described. This myopia in managerial focus would further explain an increased focus on more short-sighted and backward-looking performance indicators, which predominantly are known as lagging financial measures.

The myopia explained above also applies to the company's target setting since it is centered around budgeting, which has been academically criticized for yielding a short-sighted managerial focus (Hope & Fraser, 2003). Even though non-financial measures are prevalent, they are consistently perceived as less critical by the employees. Despite an ambition to balance the targets by incorporating non-financial ones relating to brand identity measures, they are overridden by predetermined targets. Specifically, the most crucial target for the organization, regardless of division and role, is sales. The managerial rationale behind this is, once again, that focusing on sales is perceived as most material given the company's objective to expand the business, but also because the reward structure is based on performance relative to the sales target.

When analyzing the subsequent incentive system at the company through the lens of Bourdieu, several nuances to the research question emerge. The social context at the company, which could be defined as social capital in the form of organizational culture, cultivates total motivation among the employees as they feel part of a community. This increase in motivation is closely related to the shared values forming the company's brand identity. The employees stated that the work environment contributed to their total motivation rather than the extrinsic rewards, reflecting the core elements of the Self Determination Theory (Hartmann et al., 2020). However, when rewarded company products for reaching sales targets, the product becomes an art-like symbol of being part of the social community connected to the brand. Thus, the reward could be viewed as cultural capital in the objectified state where the company actively supports the accumulation of social capital when rewarding employees with items that embody the brand identity. As such, the rewards could be perceived as increasing the total motivation rather than crowding out, implying a balance between the intrinsic and extrinsic factors (Hartmann et al., 2020). Secondly, another source of motivation originates from the “mystery shopper” metric. Even though the result is based on individual performance, it is presented on a group level. Given that the employees value the company culture and the implied social context with a multitude of shared values, they all felt motivated to perform well on this metric for the sake of the group dynamics, despite an absence of extrinsic rewards. This further underlines the employees' intrinsic motivation, supporting the SDT (Hartmann et al., 2020).

Concerning the feedback loops at the company, the potent combination of cultural and social capital with an implied sense of community connected to the brand identity blurs the line between personal and professional relationships among the employees. In that sense, the extensive focus on brand identity could harm the structure of the information flows since it aggravates each individual's possibility to give negative feedback, as they are concerned that it might endanger their personal relationships with co-workers. Nonetheless, on the back of the strong culture originating from the underlying cultural and social capital, and the recent change of CEO, we find empirical support that the company has a prominent possibility to leverage the building blocks of a learning organization going forward, something that might serve as a hedge against sub-optimizing the feedback loops at the company henceforth (Garvin et al., 2008).

5.3 Creating Exclusive Products

Another distinguishable characteristic of the case study company is the creation of an exclusive product assortment. The empirical findings confirm that this feature is present at the case study company, as they produce and sell expensive products of high-quality material and advanced craftsmanship.

> ‘What we have to make sure of is that we have an outstanding product. Today it is much harder to sell anything unless the quality isn't good. Therefore, we put a lot of resources into creating amazing products, which led to a large part of the company's success.’ (Corporate Level Executive 2)

According to Bourdieu, the unique artistry and organizational knowledge of producing these high-end fashion items could be an embodied form of cultural capital. Apart from the actual production of the products, they are marketed in a storytelling context where the items represent a channeling of the founder’s vision. As such, the products constitute an objectified state of cultural capital in an institutionalized business setting to maximize the conversion of cultural capital into economic capital, i.e., to sell as many products as possible to grow the business's operations, which perfectly reflects the main objective of the company.

The company has leveraged a high-price strategy that limits who can afford its products, contributing to the perceived exclusivity. This, combined with a rivalrous competitive environment, highlights the need for various competitive advantages in capabilities and resources. Our analysis shows that the strategic initiatives concerning the marketing and selling of the products, specifically the cultural capital objectified in the products, are vital to the firm's past success. In that respect, the implicit interconnection between the exclusive products and their cultural capital has pressured the management team to keep implementing strategies toward a continuance of the operational activities that uphold the resource-based competitive advantage of the company. Given this managerial focus on the competitive environment, we also find evidence, in line with the facets of strategy formation of a luxury brand according to Berghaus et al. (2015), that the rivalry in the industry has prompted short-termism in strategic foresight were the company leverages resource-based and emergent strategy processes. Specifically, our analysis shows that the desire to remain competitive in the industry has pressured the managers into a disproportionate focus on short-term performance indicators, as the company puts significant weight on sales across all departments. This constitutes an additional basis against which the company's financial bias of an increased managerial focus on financial measures has been identified.

The same pattern of financial focus exists in target-setting at the company. Despite promoting product exclusivity and its incorporated cultural capital as one of the company's key resources and characteristics, there is a non-existence of measures and targets related to product development. This might trigger a problematic chain of effects in the PMS construction, primarily in the incentive structure and the underlying individual motivation. Even though the organizational culture (i.e., the accumulation of social capital) is strong and serves as a source of intrinsic motivation, being evaluated on measures that the employee cannot affect could hurt the social capital. Having no clear goals to work towards exposes the company to risks associated with unmotivated employees, relating to McGregor's (1960) Theory X and the principal-agent relationship described by Hartmann et al. (2020). Ultimately, this potential lack of motivation among employees could lead to a decline in aesthetic appeal of the products and its perceived exclusivity, which would harm the objectified cultural capital. Finally, the lack of measures and targets in some divisions could explain why specific departments in the case study company receive less feedback, as there are no clear grounds for evaluation - creating uncertainty for both parties.

5.4 High Sensitivity to Macroeconomic Events

When societies experience turbulent periods due to macroeconomic events, the consumption of luxury goods tends to become negatively affected (Joy et al., 2012). This highlights an essential industry feature regarding sensitivity towards macroeconomic unstableness. In the empirics, it was found that the case company has not been affected by short-term fashion trends historically, due to its differentiated and persistent brand identity, brand reputation, and loyal customer relationships, which, through the lens of Bordieu's (1986) is classified as a combination of institutionalized cultural capital and shared values in the form of social capital. However, several events can be identified that have influenced the firm's operations and long-term strategic outlook. The changing market dynamics in the underlying retail industry and the latest years' stagnating economy serves as one of these factors as the interviewees consistently pointed toward the business's current macroeconomic outlook as worrying. Secondly, the company has been fast-growing in the last five years, going from being a small business to a larger organization with a defined organizational structure and significantly higher revenues. As such, it could be argued that the company finds itself in a transformative phase and that the sensitivity to these underlying driving factors, especially the unstableness in the macroeconomic outlook, serves as an influence that affects the ability to maintain alignment of the PMS (Hansson et al., 2011).

When analyzing how sensitivity to macroeconomic events has affected the objectives of the company, it is evident that the current economic situation has impacted the company's financial performance, impeding the feasibility of realistically obtaining the main objectives. This is driven by uncertainty regarding future performance, which increases the need for a solid and well-functioning organizational culture with a strong foundation of social capital (Hansson et al., 2011; Bordieu, 1986). Furthermore, macroeconomic events do not seem to have affected the firm's core values, as the founder's artistic expression is still incorporated within the company's vision, especially in the operations. As such, the strong culture has served as a hedge against misaligning the company's objectives.

As mentioned, the company has implemented an emergent growth strategy, where the business plans are adjusted depending on the situation. This signifies a high level of agility, which is a relevant part of their strategy formation process during the current market situation. The empirical findings show that the firm, in light of the recent cost-of-living crisis, has implemented a less aggressive growth strategy, focusing more on reducing costs. They have also raised prices and implemented stricter return policies to meet the increased supplier costs. As customers have noticed these changes, this could impact the social capital negatively, serving as a basis for potentially impaired customer relationships.

In terms of targets at the company, our empirical analysis finds that the managerial focus has shifted from a sole revenue focus toward a more cost-aware mindset. Notwithstanding this shift, the aforementioned financial bias remains. In that regard, the inherited luxury brand-related sensitivity towards a worsened industry outlook does not *per se* contribute to financial dominance in managerial focus, nor does it infer a more significant emphasis on non-financial business aspects. Nonetheless, in light of this increased cost awareness, the sales targets in each department have been adjusted somewhat to consider the economic situation, with the ambition to facilitate obtainability for the store workers. However, the empirics suggest that the sales advisors are held outside the loop when management decides on these target adjustments, nor are they adequately informed of the basis upon which the targets are set, this points to a flaw in the first critical capability of an aligned PMS, a lack of communication (Hansson et al., 2011). Even though the sales targets have been somewhat adjusted, they are still perceived as difficult to achieve. This has caused frustration in the workforce, as extrinsic rewards are more rarely obtained, which ultimately can cause total motivation to decrease. Additionally, the most budgeted cost-cutting has been to reduce personnel costs by staffing fewer people in the stores - which could harm the intrinsic motivation vis-à-vis a declining accumulation of shared values in the form of social capital.

Further, the inability to reach financial targets due to the sensitivity of macroeconomic headwinds causes stress for the individuals evaluated against these targets. The analysis shows that this effect is amplified because the firm has a substantial financial focus with relatively tight budgetary control and overall high budget reliance as a managerial tool for control. When viewing the empirical findings, it is deemed that this effect is most evident from a store manager's perspective. Given the assigned responsibility and management expectation to meet certain sales targets for the specific store and an incentive system fundamentally constructed around sales performance, the manager is subject to a distinct level of control. The accumulation of stress could lead to managers becoming distant in the company's daily operations - leading to them not regularly providing employees with feedback, which serves as a disruption of the information flows. Moreover, the analysis finds that the uncertainty further affects the management team, who cannot properly plan corrective actions for the coming periods. The empirical evidence suggests that shortcomings in managerial planning could hurt the social capital in the context of shared values within the workforce and thereby agonize the organizational culture. In that respect, they might be the basis for a future misalignment in the

PMS, specifically regarding communication and information, as described by Hanson et al., 2011. This concern is reflected in the empirics where employees consistently referred to the internal communication in terms of feedback, especially between the store divisions and the corporate management team, as somewhat flawed. This could, furthermore, constitute the basis upon which a future organizational goal incongruence might be detected.

6. Conclusion

6.1 Contribution

Our study aimed to augment the understanding of how different distinguishable characteristics of being a luxury fashion brand has affected a company's performance management systems, as well as what it has implied for the interplay between financial and non-financial focus at the firm. The research topic was inspired by previous academic studies that explored similar empirical settings and identified pressures affecting the formation of PMS (Kraus & Lind, 2010). Notwithstanding the existing literature on already established factors, we found it interesting to explore the potential effects on the construct of PMS and the subsequent implications for the financial and non-financial interplay in a setting prone to pressures that differs from those already academically known. To examine such a setting, this qualitative single case study was conducted on a luxury fashion company.

Performance management systems are ambiguous and complex processes that are not always easy to comprehend. Relying on this thesis definition of PMS, the empirical analysis was structured per Otley's (1999) framework for PMS research and examined through the lens of Bourdieu's (1986) theories of social and cultural capital. This empirical approach enabled a holistic view of the PMS and a detailed interpretation of the social context of the case study company, which gave another nuance to the findings and thus contributed to a new perspective in the academic field.

Specifically, we found that certain distinct features characterizing the luxury fashion industry can affect how a company operates structurally around PMS and affect the choice to focus on different matters within these systems. The identified characteristics were: i) an extensive focus on strengthening brand identity, ii) creating exclusive products, and iii) high sensitivity to macroeconomic events. The first two contributed to a financial bias throughout the organization. In contrast, the third characteristic showed no indication of influencing the company's balance of financial and non-financial focus. Instead, it highlighted shortcomings regarding the critical capabilities of PMS that are material during transformative phases. It also displayed that, albeit the financial bias remained, the managerial focus shifted from solely focusing on growth and sales to a more cost-aware mindset where profitability is improved by reducing costs rather than increasing revenues.

The first characteristic, a focus on brand identity, was found to pressure the management team into a financial bias that permeated all aspects of the PMS. In line with Kraus & Lind's (2010) findings, the explanation originated from a company-wide perception of the benefits associated with financial measures and targets, particularly regarding comparability and simplicity. Moreover, the financial bias was deemed to be strengthened due to short-term and resource-based strategic activities relating to the nurturing of social capital, primarily in activities relating to enhancing customer relationships, with the ultimate purpose of strengthening the company's key resource: the institutionalized cultural capital associated with the brand (i.e., the brand reputation). The reward systems, which are connected to sales targets, proved to motivate and further strengthen the organizational culture i.e., the social capital, leading to the employees performing goal-congruently and enhancing the financial bias. Finally, the focus on brand identity and the inferred potent accumulation of social capital aggravated the preconditions to uphold efficient information flows at the company, as it blurred the line between personal and professional relationships among the employees.

The second characteristic, the creation of exclusive products, was also identified as a contributing source of the financial bias within the company. It is intertwined with the influences from the brand identity characteristic, albeit from a different angle. It is based on the notion that the actual products constitute a cultural capital in its objectified state. With its uniqueness and exclusivity, the product assortment served as another critical resource of the company and a concretization of the firm's competitive advantage. The desire to uphold this competitive advantage through an agile and emergent strategy formation, combined with a lack of sufficient measures in place concerning product development, was found to pressure the management of the company to put a significant focus on converting the cultural capital to economic capital, i.e., to sell as many products as possible. Hence the company-wide focus on achieving a predetermined sales target was found to contribute to the short-termism in the PMS at the company, yielding a subsequent predominance of financial measures, targets, and rewards. Subsequently, the absence of relevant targets for non-financial departments was found to steer the organization towards the risk of being goal incongruent, potentially hurting the total motivation by not being evaluated on the right measures.

The characteristic of sensitivity towards macroeconomic events has, as mentioned, not been identified as a pressure affecting the interplay of financial and non-financial focus at the company. However, it has highlighted some flaws in the critical capabilities of the PMS, specifically in terms of a lack of internal communication and information flows, commonly referred to as feedback loops (Otley, 1999; Hansson et al., 2011). Apart from these findings, this characteristic also contributes to contemporary relevance as our study will provide an academic perspective on the current market situation and the outlook going forward.

6.2 Limitations and Future Research

We are aware of the possible limitations of this study in terms of the empirical approach and research design. For the sake of future research and to ensure that a greater multitude of aspects of the subject is covered, it could be appropriate to conduct a multi-case study. Furthermore, for the scope of this thesis, we identified three main characteristics of the luxury industry that constituted the basis of the analysis. However, there are certainly more features that potentially affect the construction of PMS and the implied interplay in financial and non-financial focus, which also serves as a limitation to this study. Therefore, future researchers could benefit from potential additional insights by examining a broader number of characteristics. Lastly, as we have focused on certain macroeconomic events that have caused turbulence and change in the industry, it would be interesting to examine how different long-term macro trends, such as sustainability and digitization, have impacted the PMS for luxury firms.

In summation, all limitations for the scope of this thesis serve as an opportunity for further researchers to explore. As such, the academic world could benefit from getting additional answers to whether bling really is a thing.

7. References

Literature

Atkinson, A. A., Waterhouse, J. H., & Wells, R. B. (1997). A stakeholder approach to strategic performance measurement. Sloan Management Review, 38(3), 25-37.

Baghai, M., Bradshaw, L., Coley, S., & White, D. (1999). Performance measures: Calibrating for growth. Journal of Business Strategy, 20(4), 17-17.

Berghaus, B., Bossard, C., & Baehni, L. L. (2015). Strategic foresight in the luxury industry: managerial perspectives. Luxury Research Journal, 1(1), 76-90.

Bergstrand, J. (2009). Accounting for Management Control, Studentlitteratur.

Bizzi, L. (2015) in International Encyclopedia of the Social & Behavioral Sciences (Second Edition)

Bogsnes, B. (2009). Beyond budgeting in a lean and agile world. In International Conference on Agile Processes and Extreme Programming in Software Engineering (pp. 5-7). Springer, Berlin, Heidelberg.

Bourdieu, P. (1986). The Forms of Capital. In: J. Richardson, ed., Handbook of Theory and Research of the Sociology of Education, 1st ed. Westport: Greenwood, pp.241 - 258.

Brown M. (1996). Keeping score: using the right metrics to drive world class performance. Quality Resources, New York.

Busco, C., Giovannoni, E., & Scapens, R. W. (2008). Managing the tensions in integrating global organisations: The role of performance management systems. Management Accounting Research, 19(2), 103-125

Cheng, Q., & Warfield, T. D. (2005). Equity incentives and earnings management. The accounting review, 80(2), 441-476.

Chetty, R., Jackson, M. O., Kuchler, T., Stroebel, J., Hendren, N., Fluegge, R. B., ... & Wernerfelt, N. (2022). Social capital I: measurement and associations with economic mobility. Nature, 608(7921), 108-121.

Christensen, C. M., Kaufman, S. P., & Shih, W. C. (2008). Innovation killers: how financial tools destroy your capacity to do new things. Harvard business review, 86(1), 98-105.

Cross, K. F., & Lynch, R. L. (1988). The “SMART” way to define and sustain success. National productivity review, 8(1), 23-33.

Douwe P. Flapper, S., Fortuin, L. and Stoop, P.P.M. (1996). Towards consistent performance management systems. International Journal of Operations & Production Management, Vol. 16 No. 7, pp. 27-37

Dubois, A., & Gadde, L. E. (2002). Systematic combining: an abductive approach to case research. Journal of business research, 55(7), 553-560.

Ehbauer, M., & Gresel, R. (2013). Measuring and managing service performance of luxury stores: development of a balanced scorecard. The Service Industries Journal, 33(3-4), 337-351.

Ferreira, A., & Otley, D. (2009). The design and use of performance management systems: An extended framework for analysis. Management accounting research, 20(4), 263-282.

Fisher, J. (1992). Use of nonfinancial performance measures. journal of Cost Management, 6(1), 31-38.

Frey, B. S. (1994). How intrinsic motivation is crowded out and in. Rationality and society, 6(3), 334-352.

Garvin, D. A., Edmondson, A. C., & Gino, F. (2008). Is yours a learning organization?. Harvard business review, 86(3), 109.

Hanson, J.D., Melnyk, S.A. and Calantone, R.A. (2011), "Defining and measuring alignment in performance management", International Journal of Operations & Production Management, Vol. 31 No. 10, pp. 1089-1114.

Hartmann, F., Kraus, K., Nilsson, G., Anthony, R., & Govindarajan, V., (2020). Management Control Systems, Second Edition

Henri, J. F. (2006). Management control systems and strategy: A resource-based perspective. Accounting, organizations and society, 31(6), 529-558.

Hope, J., & Fraser, R. (2003). Beyond budgeting: how managers can break free from the annual performance trap. Harvard Business Press.

Jensen, M. C., & Meckling, W. H. (1976). Harvard Business School; SSRN; National Bureau of Economic Research (NBER); European Corporate Governance Institute (ECGI); Harvard University-Accounting & Control Unit.

Jhamb, D., Aggarwal, A., Mittal, A., & Paul, J. (2020). Experience and attitude towards luxury brands consumption in an emerging market. European Business Review, 32(5), 909-936.

Joy, A., Sherry Jr, J. F., Venkatesh, A., Wang, J., & Chan, R. (2012). Fast fashion, sustainability, and the ethical appeal of luxury brands. Fashion theory, 16(3), 273-295.

Kahneman, D., & Tversky, A. (1981). The simulation heuristic. Stanford Univ CA Dept of Psychology.

Kaplan, R. and Norton, D. (1992). The Balanced Scorecard—Measures That Drive Performance. Harvard Business Review, 79.

Kaplan, R. S., & Norton, D. P. (1996). Linking the balanced scorecard to strategy. California management review, 39(1), 53-79.

Keegan, D. P., Eiler, R. G., & Jones, C. R. (1989). Are your performance measures obsolete? Strategic Finance, 70(12), 45.

Kennedy, A. M., Kapitan, S., & Soo, S. (2016). Eco-warriors: Shifting sustainable retail strategy via authentic retail brand image. Australasian Marketing Journal (AMJ), 24(2), 125-134.

Ko, E., Costello, J. P., & Taylor, C. R. (2019). What is a luxury brand? A new definition and review of the literature. Journal of Business Research, 99, 405-413.

Kraus, K., & Lind, J. (2010). The impact of the corporate balanced scorecard on corporate control—A research note. Management Accounting Research, 21(4), 265-277.

Kvale, S., Brinkmann, S., & Torhell, S. E. (2014). Den kvalitativa forskningsintervjun. Studentlitteratur.

Länsiluoto, A., & Järvenpää, M. (2008). Environmental and performance management forces: Integrating "greenness" into balanced scorecard. Qualitative Research in Accounting & Management.

Leach, M., MacGregor, H., Scoones, I., & Wilkinson, A. (2021). Post-pandemic transformations: How and why COVID-19 requires us to rethink development. World Development, 138, 105233.

Leidecker, J., & Bruno, A. (1984). Identifying and using critical success factors. Long Range Planning, 17(1), 23-32. doi: 10.1016/0024-6301(84)90163-8

Likierman, A. (2009). The five traps of performance measurement. Harvard Business Review, 87(10), 96-101.

Lincoln, Y. S., & Guba, E. G. (1985). Naturalistic Inquiry. Beverly Hills, CA: Sage Publications, Inc

Loureiro, S. M. C., Serra, J., & Guerreiro, J. (2019). How fashion brands engage on social media: A netnography approach. Journal of Promotion Management, 25(3), 367-378.

Lundqvist, A., Liljander, V., Gummerus, J., & Van Riel, A. (2013). The impact of storytelling on the consumer brand experience: The case of a firm-originated story. Journal of brand management, 20(4), 283-297.

MacBryde, J., Paton, S., Bayliss, M., & Grant, N. (2014). Transformation in the defence sector: The critical role of performance measurement. Management Accounting Research, 25(2), 157-172.

McGregor, D. (1960). Theory X and theory Y. Organization theory, 358(374), 5.

Miyake, D. (2002). Beyond the Numbers, Intelligent Enterprise San Mateo, 5, 24-31.

Osterloh, M., Frost, J., & Frey, B. S. (2002). The dynamics of motivation in new organizational forms. International Journal of the Economics of Business, 9(1), 61-77.

Otley, D. (1999). Performance management: a framework for management control systems research. Management accounting research, 10(4), 363-382.

Polit, D. F., & Beck, C. T. (2010). Generalization in quantitative and qualitative research: Myths and strategies. International journal of nursing studies, 47(11), 1451-1458.

Pulakos, E. D. (2004). Performance management: A roadmap for developing, implementing and evaluating performance management systems (pp. 1-42). Alexandria, VA: SHRM foundation

Qu, S. Q., & Dumay, J. (2011). The qualitative research interview. Qualitative research in accounting & management.

Riguelle, F., & Van Caillie, D. (2017). Sustainable Performance Management in High-End Luxury Goods Firms: The Use of the "Reputation-Clock" Model. Sustainable Management Of Luxury, 81-104. doi: 10.1007/978-981-10-2917-2_4

Rockart, J. F. (1979). Chief executives define their own data needs. Harvard Business Review, 57(2), 81-93.

Sargiacomo, M. (2008). Institutional pressures and isomorphic change in a high-fashion company: The case of Brioni Roman Style, 1945–89. Accounting, Business & Financial History, 18(2), 215-241.

Senge, P. M. (1997). The fifth discipline. Measuring Business Excellence.

Stahl, N. A., & King, J. R. (2020). Expanding approaches for research: Understanding and using trustworthiness in qualitative research. Journal of Developmental Education, 44(1), 26-28.

Thomas, R., & Uminsky, D. (2020). The problem with metrics is a fundamental problem for AI.

Van der Stede, W. A. (2001). Measuring ‘tight budgetary control’. Management Accounting Research, 12(1), 119-137.

Wang, Y. (2022). A conceptual framework of contemporary luxury consumption. International Journal of Research in Marketing, 39(3), 788-803.

Yin, R. K. (2009). Case study research: Design and methods (Vol. 5). SAGE.

Other non-academic sources

Achille, A., & Zipser, D. (2020). A perspective for the luxury-goods industry during--and after--coronavirus. McKinsey & Company. Retrieved December 2, 2022, from https://www.mckinsey.com/industries/retail/our-insights/a-perspective-for-the-luxury-goods-industry-during-and-after-coronavirus

Gelebo, N., Sandberg, D., Sjöberg, F., Stamp, E., Malby, A., Dannberg, J., Stahle, M., Prøsch, M. S., & Ziesler, J. (2022). Cost of living crisis: Nordic consumer sentiment 2022. BCG Global. Retrieved December 4, 2022, from https://www.bcg.com/publications/2022/nordic-cost-of-living-crisis-consumer-sentiment-report

8. Appendix

8.1 Appendix I: Interview Guide

Part 1 - Introduction

- Could you please tell us about yourself?
- How long have you worked in your current capacity as [role name]?
- What are your main responsibilities?
- What does the organizational structure at the company look like? (Has it changed recently?)
- Could you explain what certain characteristics the company has as a luxury fashion company?
- What makes the company stand out from other luxury brands?

Part 2 - Performance Management Systems

A selection of the below questions were asked during the interviews in order to get answers that resonate with the level of seniority and responsibility areas of the individual.

1. Objectives and Measures

- In your view, what is the vision, and to what extent is it reflected in the core values of the company?
    - Would you say that these core values reflect the organizational culture? Could you give us an example?
    - How are these values reflected in the different working tasks of the employees? Both short-term and long-term?
    - How often are the core values updated/re-evaluated?
- From your viewpoint, what key objectives are central to the organization's future success?
- How have different macroeconomic events affected the key objectives of the company?
    - How does it play out?
- What do the company values mean to you, and how are they reflected in your different working tasks?
- What does the prioritization between non-financial measures/targets/rewards and financial ones look like, and is there a conflict between them? How do you resolve it?
- What kind of measures (financial and non-financial) do you use to measure performance within the company? Could you provide some examples?
    - (“Are they exposed to any internal and/or external influence?”)
- Why have you chosen these specific measures?
- Has the choice of measures been affected by the ownership structure? In what way?
- Do you regard some measures as more important than others (i.e., financial vs non-financial measures)? Why?

2. Strategies and plans

- Does the company employ a performance management system, that is, a framework or similar that considers measures, targets, and/or rewards? In other words, does the management control system process include all of these steps?
- Have different macroeconomic events affected the overall management control process as described in the aforementioned question? If so, in what way?
- What does the strategy formation process look like? How often do you adapt/make changes to the strategy? What factors are prioritized?
- Has any macroeconomic events affected the strategy and plans of the company? In what way?

3. Targets

- How does the company set targets? How often do you make adjustments to these?
- Does the company use budgets to set the standards upon which the targets are being set and evaluated?
- Does the company use benchmarking of any kind to set the standards upon which the targets are being set and evaluated?
- How does the company ensure continuous improvement of business operations?
- What is the balance between financial and non-financial targets? Can you give us some examples of non-financial targets? How are you progressing so far?
    - Are the targets linked to incentive systems?
- Which targets do you sense to be the most important? Why?
- Has any macroeconomic events affected how you set targets? In what way?
- Do you experience that your work contributes to the company reaching its goals? Why?
- Are you willing to work extra hard for the company to succeed? Why?

4. Rewards

- Does the company have any reward/incentive systems for performance across the company?
- Is said system based on individual or group performance? Why? Why not?
- Are the rewards based on financial or non-financial measures and targets? Which one do you find most important? Why?
- Does this system motivate you and your employees?
- Do you believe in rewarding people with financial or non-financial incentives? Why?
- Have non-financial measures and targets affected how you reward employees? In what way?
- What rewards do you gain by achieving performance targets?
- Do you experience that your closest manager shows appreciation for your work? Why and how?

- Do you experience that the expectations of your performance are reasonable and that you can meet them? Why?
- If you were to continue to work at the company for 10 more years, what would you demand from the company to stay motivated and be satisfied at the workplace?

5. Feedback

- How often is performance related to measures and targets evaluated?
- When evaluating performance, how is it informed to employees?
- How often is performance communicated? How do you know that your performance is good/bad/outstanding?
- How is it implemented in the employees' tasks?
- In what way is the feedback loop designed to yield goal-congruent behavior across the organization?
- How does the company ensure that employees are performing as expected?
- Do you receive feedback on your performance? What main areas are you being evaluated on?
    - If so, what does the feedback process look like?
    - Do you have any suggestions on how it could be improved?

8.2 Appendix II: Summary of Conducted Interviews

Interview	Role	Date of interview	Duration
1	Store Worker 1	2022-10-30	41 min
2	Store Worker 2	2022-10-31	48 min
3*	Middle Manager 1	2022-11-01	51 min
4*	Store Worker 3	2022-11-01	31 min
5*	Store Worker 4	2022-11-01	26 min
6*	Store Worker 5	2022-11-01	43 min
7	Middle Manager 2	2022-11-02	32 min
8*	Middle Manager 3	2022-11-02	36 min
9	Middle Manager 4	2022-11-04	45 min
10*	Corporate Level Executive 1	2022-11-04	66 min
11*	Corporate Level Executive 2	2022-11-08	62 min

**The interview took place online*