

Strategic Capital Allocation Under Operational Complexity: Investment Governance Frameworks in Multi-Plant Organizations

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Abstract—Capital allocation in multi-plant organizations presents a governance challenge fundamentally distinct from investment decision-making in single-site firms. Geographic dispersion, heterogeneous asset productivity, asymmetric information flows, and competing local priorities introduce layers of operational complexity that distort traditional capital budgeting logic. While financial theory emphasizes net present value (NPV), internal rate of return (IRR), and return on capital employed (ROCE), these metrics alone prove insufficient in environments where political dynamics, utilization disparities, and coordination friction influence investment outcomes. This paper develops an investment governance framework for multi-plant enterprises, positioning capital allocation as a strategic architecture problem rather than a purely financial evaluation exercise. It argues that sustainable asset productivity depends on disciplined executive control systems integrating cross-plant benchmarking, standardized performance thresholds, post-investment audits, and centralized arbitration mechanisms. By reframing capital allocation as an organizational design discipline embedded within executive governance, the study contributes to strategic management literature and offers a structured model for managing asset intensity under complexity.

Keywords—Capital allocation; Investment governance; Multi-plant organizations; Operational complexity; ROCE; Asset productivity; Executive control systems; Strategic management.

I. INTRODUCTION

Capital allocation is frequently portrayed as a technical exercise grounded in discounted cash flow analysis and return projections. In practice, however, investment decisions in multi-plant organizations unfold within a far more intricate environment. Geographic dispersion, heterogeneous production technologies, varying labor conditions, and asymmetric performance visibility generate operational complexity that profoundly shapes capital deployment outcomes. In such contexts, the quality of governance—not merely the precision of financial models—determines whether investments enhance enterprise-wide productivity or entrench

inefficiency.

Multi-plant organizations differ structurally from single-site enterprises in several critical respects. Each facility may operate with distinct cost structures, asset age profiles, workforce skill levels, and market exposures. Performance metrics that appear comparable on aggregated reports often conceal significant variance at the plant level. Consequently, capital allocation decisions cannot rely solely on projected returns derived from localized assumptions. Without standardized governance architecture, investment flows may reflect internal influence dynamics rather than enterprise-wide strategic logic.

Operational complexity introduces informational distortion. Plant managers possess granular knowledge of local conditions, yet executive leadership must arbitrate across competing proposals. Asymmetry in information and incentives creates risk of biased investment advocacy. Facilities may seek capital to preserve local competitiveness even when enterprise-level optimization would favor reallocation elsewhere. Thus, capital allocation in multi-plant systems becomes a political as well as financial process.

Traditional capital budgeting frameworks—NPV, IRR, payback periods—assume rational evaluation under transparent information conditions. While analytically rigorous, these tools are insufficient in isolation when organizational complexity interferes with objective comparison. For example, one plant may justify investment based on projected volume growth, while another argues for automation to offset labor volatility. Both proposals may appear financially viable when assessed independently. However,

when capital constraints require prioritization, executive governance must determine which investment strengthens overall network productivity. This paper advances the argument that strategic capital allocation under operational complexity is fundamentally an architectural challenge. Investment decisions must be embedded within structured governance frameworks that integrate standardized evaluation metrics, cross-plant benchmarking, risk-adjusted sequencing, and post-investment accountability. Rather than treating capital budgeting as a periodic analytical exercise, multi-plant enterprises must institutionalize continuous investment governance systems.

The central thesis is that disciplined capital allocation enhances not only asset productivity but also competitive positioning. Enterprises capable of directing capital toward highest-return configurations across plants develop structural efficiency advantages. Conversely, organizations lacking governance clarity risk fragmented investments that increase asset intensity without improving return performance.

The sections that follow analyze the nature of operational complexity in multi-plant systems, explore the dilemmas inherent in capital prioritization, and develop a structured investment governance framework designed to align asset deployment with enterprise-level strategic objectives.

II. OPERATIONAL COMPLEXITY IN MULTI-PLANT ENTERPRISES

Operational complexity in multi-plant organizations is not simply a matter of geographic dispersion; it is a structural condition that reshapes decision-making architecture. Each plant operates within a distinct micro-environment defined by local labor markets, regulatory frameworks, customer proximity, asset age, and technical capability. Over time, these localized conditions generate performance asymmetries that complicate capital allocation logic. What appears to be a unified enterprise on consolidated financial statements is, in practice, a network of heterogeneous production systems.

A primary dimension of complexity lies in asset heterogeneity. Facilities often differ significantly in equipment modernization levels, automation intensity, maintenance history, and technological

integration. One plant may operate with recently installed high-efficiency machinery, while another relies on depreciated legacy systems. Investment proposals originating from these facilities inherently reflect divergent starting points. Without standardized benchmarking metrics, executives risk allocating capital based on relative urgency rather than strategic optimization.

Information asymmetry further compounds this complexity. Plant-level management possesses detailed knowledge of local operational constraints, but executive leadership must interpret this information across multiple sites. Performance data may not be perfectly comparable due to differences in accounting practices, product mix, or operational configuration. Consequently, decision-makers must navigate incomplete or context-specific information when evaluating competing investment proposals.

Labor and regulatory variation introduce additional structural differences. Union agreements, environmental standards, and regional compliance requirements may diverge across facilities, affecting cost structures and operational flexibility. Capital investments in automation, safety upgrades, or environmental mitigation may therefore carry distinct strategic implications depending on plant location. The governance challenge is to integrate these contextual variables into enterprise-level capital prioritization without allowing local complexity to fragment strategic coherence.

Operational interdependence between plants also influences allocation decisions. Multi-plant networks frequently share supply chains, technical resources, or customer portfolios. Investment in one facility may enhance or diminish productivity elsewhere in the network. For instance, expanding capacity at a high-performing plant might improve overall margin efficiency, while sustaining underperforming sites through incremental upgrades could dilute enterprise returns. Without a holistic network perspective, capital decisions risk optimizing individual facilities at the expense of system-wide performance.

Demand volatility introduces yet another layer of complexity. Multi-plant enterprises often serve diversified markets with fluctuating volume patterns. Investment timing must account for not only plant-level utilization but also enterprise-wide demand cycles. Over-investment during peak demand periods

can generate idle capacity in downturns, while underinvestment can constrain responsiveness to growth opportunities. Governance systems must therefore incorporate cyclical sensitivity into allocation frameworks.

The cumulative effect of these factors is a capital allocation environment characterized by structural ambiguity. Financial metrics alone cannot resolve trade-offs among competing plants because those metrics are shaped by heterogeneous conditions and localized assumptions. Strategic capital allocation under operational complexity thus requires governance systems capable of integrating cross-plant data, normalizing performance metrics, and aligning investments with enterprise-level objectives rather than plant-level pressures.

Understanding operational complexity as a structural condition reframes capital allocation from a purely financial evaluation to a coordination problem. The next section explores how this complexity generates a persistent capital allocation dilemma, balancing growth, efficiency, and strategic coherence across the plant network.

III. THE CAPITAL ALLOCATION DILEMMA

In multi-plant organizations, capital allocation decisions are rarely binary choices between viable and non-viable projects. Instead, they represent prioritization dilemmas among multiple plausible investments competing for constrained resources. Each plant may present proposals justified by operational necessity, capacity expansion potential, or modernization imperatives. The central governance challenge lies not in identifying positive-return projects individually, but in determining which combination of investments maximizes enterprise-wide value creation.

A recurring tension emerges between growth-oriented and efficiency-oriented investments. Growth initiatives typically involve capacity expansion, new production lines, or entry into adjacent markets. Efficiency projects, by contrast, aim to reduce costs, enhance automation, or improve yield stability. Both categories may produce attractive projected returns when evaluated independently. However, capital scarcity necessitates sequencing. Allocating resources toward growth may postpone efficiency improvements that stabilize

margins, while focusing exclusively on efficiency may constrain expansion opportunities.

Another dimension of the dilemma concerns local versus enterprise optimization. Plant managers naturally advocate for investments that strengthen their facility's competitiveness. Yet enterprise-level optimization may require consolidation, selective expansion, or even strategic underinvestment in certain locations. Without structured arbitration mechanisms, capital allocation risks reflecting localized advocacy rather than strategic prioritization.

Short-term EBITDA targets further complicate decision-making. Projects that generate immediate earnings improvement may be favored over investments that enhance long-term asset productivity but involve longer payback periods. This bias can lead to incremental upgrades rather than transformative modernization. Governance maturity requires balancing near-term performance metrics with long-term return optimization.

The capital allocation dilemma is therefore not reducible to spreadsheet precision. It reflects competing time horizons, incentive structures, and informational asymmetries. Effective governance frameworks must mediate these tensions through standardized evaluation criteria, transparent prioritization processes, and executive-level oversight.

The following section develops an investment governance architecture designed to address these structural dilemmas, embedding capital allocation within disciplined executive control systems.

IV. INVESTMENT GOVERNANCE AS STRATEGIC ARCHITECTURE

If operational complexity generates ambiguity and the capital allocation dilemma produces competing rationalities, investment governance must function as the architectural mechanism that restores strategic coherence. In multi-plant organizations, capital allocation cannot rely solely on decentralized initiative or centralized intuition. It requires a structured governance design that integrates analytical rigor, cross-plant comparability, and executive arbitration.

Investment governance begins with standardization. Multi-plant enterprises must establish uniform evaluation protocols that normalize performance metrics across facilities. Return measures such as NPV, IRR, and ROCE must be calculated using consistent assumptions regarding cost of capital, depreciation policy, and risk adjustment. Without methodological alignment, comparisons across plants become distorted, enabling selective framing of investment proposals. Standardization does not eliminate contextual nuance, but it ensures a common evaluative language.

Beyond technical standardization, governance architecture requires centralized visibility. Enterprise-level capital committees or executive investment boards serve as integrative platforms where proposals are assessed relative to one another rather than in isolation. This comparative lens is critical. A project with moderate projected return at one plant may be inferior to a higher-impact modernization initiative at another facility. Governance mechanisms that evaluate proposals sequentially rather than collectively risk misallocation.

Decision-right clarity is equally essential. While plant managers contribute operational insight, ultimate prioritization authority must reside within executive leadership accountable for enterprise-wide performance. Diffused authority creates ambiguity and political negotiation. Clear arbitration structures reinforce alignment between capital deployment and strategic direction.

Transparency further strengthens governance discipline. Post-investment performance audits ensure accountability and reduce optimism bias in project proposals. When projected returns are systematically compared with realized outcomes, learning mechanisms improve forecasting accuracy. This feedback loop transforms capital allocation from episodic approval into a continuous improvement process.

Importantly, investment governance must incorporate risk differentiation. Multi-plant environments expose capital to heterogeneous risks—demand variability, regulatory shifts, labor dynamics, and supply chain disruptions. Governance frameworks should integrate risk-adjusted scoring models that differentiate between expansionary

investments, modernization projects, and compliance-driven expenditures. Sequencing decisions become more robust when grounded in structured risk assessment.

Ultimately, investment governance functions as strategic architecture by embedding capital allocation within executive control systems. It converts complexity into coordinated evaluation, transforms competing plant interests into prioritized enterprise objectives, and aligns asset deployment with long-term productivity goals.

The next section operationalizes this architectural approach by proposing a structured multi-plant capital allocation framework grounded in benchmarking and disciplined prioritization.

V. DESIGNING A MULTI-PLANT CAPITAL ALLOCATION FRAMEWORK

A robust capital allocation framework in multi-plant organizations must balance analytical precision with governance discipline. The objective is not merely to rank projects by financial return, but to integrate strategic alignment, asset productivity, and risk exposure into a coherent prioritization system.

At the core of the framework lies enterprise-level capital scoring. Each investment proposal is evaluated against standardized financial metrics—NPV, IRR, and projected ROCE—while incorporating risk adjustments for demand volatility and operational uncertainty. However, financial scoring alone is insufficient. Strategic fit must be assessed relative to network-level objectives such as capacity rationalization, technological modernization, or market diversification.

Cross-plant benchmarking enhances comparability. By normalizing productivity indicators—such as output per asset dollar, labor efficiency, and maintenance cost ratios—executives can contextualize investment proposals within the broader network.

A modernization project at a lagging plant may yield systemic efficiency gains that exceed isolated return projections. Benchmarking prevents capital from reinforcing structural inefficiencies.

Sequencing discipline constitutes another essential dimension. Capital scarcity necessitates phased

deployment aligned with enterprise liquidity and leverage constraints. A staged approach allows leadership to monitor early project outcomes before committing to subsequent waves of investment. This incremental sequencing mitigates overextension risk in volatile markets.

Risk-adjusted prioritization also requires scenario modeling. Sensitivity analysis examining utilization rates, price fluctuations, and cost escalations enhances robustness of decisions. Projects that maintain acceptable returns under conservative assumptions are favored over those dependent on optimistic forecasts.

Post-investment evaluation closes the governance loop. Structured audits comparing forecasted and realized performance institutionalize accountability. Over time, such audits refine estimation accuracy and reinforce disciplined proposal development across plants.

The capital allocation framework thus operates as an integrative system linking plant-level initiative with enterprise-level strategy. It ensures that asset deployment enhances network productivity rather than fragmenting resources across competing local interests.

The following section examines the internal political dynamics that often shape capital allocation decisions and explores governance mechanisms for mitigating distortion within multi-plant structures.

VI. THE POLITICAL ECONOMY OF INVESTMENT IN MULTI-PLANT STRUCTURES

Capital allocation in multi-plant organizations does not occur in a politically neutral environment. Even when formal evaluation frameworks are established, investment decisions are influenced by internal power dynamics, institutional history, and localized performance pressures. Recognizing and governing these political forces is essential for maintaining allocation discipline.

Plant-level leadership naturally seeks to secure investment to strengthen local competitiveness, modernize aging equipment, or expand capacity. These motivations are often legitimate. However, when multiple facilities compete for finite capital, advocacy may escalate into strategic positioning.

Managers may frame projections optimistically, emphasize urgent risk scenarios, or selectively present data to enhance proposal attractiveness. In the absence of governance safeguards, such dynamics distort prioritization.

Legacy bias also influences allocation patterns. Long-established plants with historical significance or symbolic importance may receive disproportionate capital attention, even when asset productivity lags behind newer facilities. Conversely, high-performing sites may experience underinvestment if perceived as self-sustaining. Governance maturity requires objective benchmarking that transcends institutional sentiment.

Internal competition for resources can create misaligned incentives. When plant managers are evaluated primarily on local performance metrics, they may pursue investment proposals that maximize facility-level outcomes rather than enterprise-wide returns. This divergence highlights the necessity of aligning incentive systems with network productivity goals. Executive oversight must reconcile local ambition with corporate coherence.

Information asymmetry further shapes the political economy of investment. Plant managers possess granular operational knowledge, while corporate leadership relies on aggregated reports. Without structured data validation and cross-plant comparability, executive decisions may inadvertently privilege more persuasive narratives over stronger economic fundamentals.

Mitigating political distortion requires transparency and structured arbitration. Capital committees that include cross-functional representation—finance, operations, strategy—introduce multiple perspectives into evaluation. Formal scoring models reduce discretionary bias, while post-investment audits discourage projection inflation. Governance discipline does not eliminate political behavior but channels it within structured accountability systems.

Ultimately, the political economy of investment underscores that capital allocation is as much an organizational governance challenge as it is a financial calculation. Multi-plant enterprises that ignore these internal dynamics risk misallocating resources despite rigorous financial modeling.

The next section addresses how expansion pressure—particularly during growth cycles—intensifies allocation risk and why disciplined capital sequencing becomes critical under such conditions.

VII. CAPITAL DISCIPLINE UNDER EXPANSION PRESSURE

Periods of rapid growth amplify capital allocation complexity. Expanding demand, favorable market conditions, or strategic acquisitions create momentum that encourages aggressive investment. While expansion opportunities can strengthen competitive positioning, they also heighten risk of overextension in multi-plant networks.

Growth environments generate optimism bias. Forecasts assume sustained volume increases, stable pricing, and efficient ramp-up periods. Under such conditions, multiple plants may simultaneously justify expansion projects, arguing that capacity constraints threaten market share. Without disciplined prioritization, capital commitments can exceed realistic absorption capacity.

Over-investment risk manifests when expansion outpaces utilization stabilization. New production lines, facility enlargements, or automation upgrades introduce additional fixed costs before demand fully materializes. Operating leverage magnifies the financial impact of underutilized assets, compressing margins despite revenue growth.

Conversely, excessive caution introduces under-investment risk. Failure to modernize aging facilities or expand capacity in high-performing plants can erode competitive advantage and weaken client confidence. The governance challenge lies in balancing expansion urgency with structural prudence.

Disciplined sequencing offers a strategic solution. Rather than approving simultaneous large-scale investments across multiple plants, executive leadership phases capital deployment in alignment with validated demand milestones and liquidity thresholds. Staged investment allows performance monitoring and recalibration before additional commitments are made.

Expansion pressure also necessitates heightened

scenario modeling. Sensitivity analysis incorporating demand variability, cost escalation, and macroeconomic shifts ensures that projects remain viable under conservative assumptions. Governance systems that require stress-tested return projections reduce exposure to cyclical downturns.

Importantly, capital discipline under growth conditions strengthens organizational credibility. Investors, financial institutions, and strategic partners assess not only expansion ambition but risk management sophistication. Enterprises demonstrating measured investment governance maintain flexibility and financial resilience.

Expansion does not invalidate prudence; it intensifies its necessity. Multi-plant organizations capable of aligning growth momentum with disciplined capital architecture transform expansion into durable structural advantage rather than episodic overreach.

The following section explores the financial control systems that sustain investment governance over time, ensuring accountability and continuous refinement of capital allocation practices.

VIII. FINANCIAL CONTROL SYSTEMS SUPPORTING INVESTMENT GOVERNANCE

Strategic capital allocation in multi-plant organizations cannot rely solely on pre-investment evaluation frameworks. Even the most sophisticated scoring models lose relevance if not reinforced by continuous financial control systems that monitor execution, validate projections, and recalibrate expectations. Sustainable investment governance therefore requires an integrated control architecture extending beyond approval decisions into post-deployment oversight.

A foundational component of this architecture is rolling capital forecasting. Unlike static annual capital budgets, rolling forecasts continuously update liquidity projections, leverage ratios, and return expectations as operational data evolves. In multi-plant environments, where demand cycles and performance asymmetries fluctuate across facilities, static planning creates blind spots. Rolling capital visibility allows executive leadership to detect early signs of underperformance, cost overruns, or demand softening that may affect asset productivity.

Post-investment audits represent another essential control mechanism. Multi-plant enterprises frequently approve investments based on projected IRR, utilization improvements, or cost reductions. Without structured audits comparing forecasted and realized outcomes, optimistic assumptions persist unchallenged. Institutionalizing variance analysis not only enhances accountability but also improves predictive accuracy over time. When plant managers know that projected returns will be evaluated rigorously, incentive alignment improves and projection inflation diminishes.

Enterprise-level capital dashboards further strengthen governance transparency. These dashboards integrate key performance indicators such as asset utilization rates, ROCE by plant, payback realization progress, and capital expenditure variance. By standardizing performance reporting across facilities, executives gain comparative insight into network productivity. This cross-plant comparability transforms capital allocation from episodic negotiation into data-driven coordination.

Liquidity monitoring also forms a critical pillar of financial control. Capital-intensive organizations often experience timing gaps between expenditure outflows and productivity gains. Monitoring leverage thresholds, debt servicing capacity, and working capital expansion ensures that investment waves do not destabilize financial equilibrium. Multi-plant governance must balance asset expansion with solvency resilience.

Importantly, financial control systems must preserve governance elasticity. As scale increases and plants diversify in technology or market exposure, control frameworks must adapt proportionally. Centralized oversight cannot devolve into bureaucratic rigidity; rather, it must maintain clarity while enabling informed delegation. Governance maturity lies in calibrating control intensity without stifling operational initiative.

Through integrated forecasting, auditing, benchmarking, and liquidity governance, financial control systems convert capital allocation from a one-time approval decision into a dynamic strategic discipline. Multi-plant enterprises that embed these controls institutionalize learning and reinforce disciplined investment culture.

The next section synthesizes the broader strategic implications of disciplined capital allocation, examining how structured governance transforms asset intensity into competitive positioning.

IX. FROM ASSET ALLOCATION TO COMPETITIVE POSITIONING

Capital allocation in multi-plant organizations ultimately shapes competitive trajectory. Investment decisions determine technological sophistication, cost efficiency, geographic coverage, and network flexibility. When governed strategically, asset deployment enhances enterprise-wide productivity and strengthens market positioning.

Disciplined capital allocation enables selective modernization. By directing investment toward high-performing facilities or strategically located plants, organizations concentrate resources where marginal productivity gains are greatest. This targeted reinforcement improves overall network efficiency and raises barriers to entry for competitors unable to match scale or integration.

Furthermore, structured governance reduces internal fragmentation. Multi-plant systems lacking coordinated capital discipline may evolve unevenly, with certain facilities over-modernized while others stagnate. Such imbalance creates bottlenecks and erodes systemic efficiency. Strategic allocation maintains coherence across the network, ensuring that asset upgrades complement rather than compete with one another.

Capital discipline also enhances credibility in client negotiations. Multinational customers assess supplier stability, technological capability, and delivery reliability. Enterprises that demonstrate structured investment governance project long-term reliability. This perception supports participation in high-value contracts requiring capacity assurance and technological sophistication.

Financially, consistent ROCE alignment improves valuation and financing capacity. Investors reward enterprises capable of converting asset intensity into predictable returns. Structured capital allocation reduces earnings volatility and enhances transparency, strengthening external confidence. Thus, asset allocation transcends operational

necessity; it becomes a mechanism of strategic differentiation. In complex multi-plant networks, governance discipline transforms capital intensity from a burden into a structural advantage.

X. THEORETICAL CONTRIBUTIONS

This study advances capital allocation theory by situating investment decisions within operational complexity and governance architecture. Traditional capital budgeting models emphasize financial metrics under assumptions of rational comparability. However, multi-plant environments introduce informational asymmetry, political dynamics, and heterogeneous productivity that complicate pure financial evaluation.

By conceptualizing capital allocation as strategic architecture, this framework integrates corporate governance, organizational theory, and financial management. It extends capital budgeting scholarship by incorporating governance elasticity—the capacity of control systems to scale with operational complexity—as a determinant of asset productivity.

Moreover, the study contributes to strategic management literature by demonstrating that competitive advantage in asset-intensive industries derives not only from scale but from disciplined allocation systems embedded within executive authority. Multi-plant coordination becomes a core organizational capability.

XI. MANAGERIAL IMPLICATIONS

For group CEOs and executive boards, the findings underscore the necessity of centralized yet transparent capital governance. Standardized scoring, cross-plant benchmarking, and staged sequencing mitigate complexity-driven distortion.

For CFOs, the study highlights the importance of integrating rolling forecasts, liquidity monitoring, and post-investment audits into continuous capital oversight.

For plant directors, the framework clarifies that investment advocacy must align with enterprise-level objectives rather than localized optimization.

Disciplined governance strengthens both financial resilience and strategic coherence in multi-plant enterprises.

XII. CONCLUSION

Strategic capital allocation under operational complexity is not merely a technical budgeting function; it is an executive governance discipline. Multi-plant organizations operate within heterogeneous environments that distort traditional financial evaluation. Without structured allocation architecture, asset intensity can erode enterprise-wide returns.

By embedding standardized evaluation, centralized arbitration, risk-adjusted sequencing, and continuous financial oversight within governance systems, organizations transform capital deployment into a coordinated strategic instrument. Investment discipline enhances productivity, stabilizes returns, and strengthens competitive positioning.

In complex industrial networks, sustainable advantage emerges not from asset accumulation alone, but from the disciplined orchestration of capital within executive governance frameworks.

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