FACTORS INFLUENCING EXTENT OF DECISION-MAKING AUTONOMY BY RENTOKIL-INITIAL

BY

PATRICK NYAGA

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

SEPTEMBER 2010

DECLARATION

This management research project is my original work and has not been presented for examination in any other university.

Signed…………………………………… Date………………

PATRICK NYAGA

D61/8860/2005

This management research project has been submitted for examination with my approval as university supervisor.

Signed………………………………… Date…………………

DR. JOHN YABS

Department of Business Administration

ACKNOWLEDGEMENT

I would like to acknowledge the following persons whose contributions facilitated the completion of this project.

First, I thank the Almighty God for the gift of life and for giving me the skills, knowledge and energy to be able to complete this paper.

Special thank you goes to my supervisor Dr. John Yabs for shaping the project idea into a meaningful form, and for his consistent and insightful reviews. Without his encouragement and patience, it would have been difficult to complete this project.

Special mention goes to my fellow students, George Onyango and Daniel Kagwe for their selfless contribution and support during my studies.

I am most grateful to Eunice, my loving wife and my children Wallace, Esther and Kevin for the invaluable support and understanding you accorded me while studying for the MBA Programme, and contending with the many hours I had to spend away from the family.

I am humbled by the unswerving encouragement I received from my colleague Simon towards completing my MBA program.

To all of you wherever you are I say a big THANK YOU!

DEDICATION

To my wife and children and my mother Esther; the legacy continues

TABLE OF CONTENTS

LIST OF TABLES

ABSTRACT

The relationship between the parent company and its subsidiary is becoming central to an understanding of the functioning of MNCs because subsidiaries play an increasing role in generating competitive advantages for the MNC. Research has shown that the level of autonomy given to subsidiaries differ from MNC to MNC. This study sought to analyze the factors that influence the extent of decision making within MNC subsidiaries operating in Kenya with a specific focus on Rentokil-Initial. This was a case study design where primary data was collected using structured questionnaires. These were self-administered to the 7 managers selected for the study. The analysis was done using descriptive analysis aided by the SPSS.

The study found that Rentokil Initial Kenya did not have autonomy over financial decisions. The study revealed that the subsidiary had some considerable level of autonomy over decisions regarding marketing and production. The results also suggested that the subsidiary had autonomy over many decisions regarding employment and personnel. The study revealed that R&D and technology decisions were made by the parent after consulting the subsidiary thus the subsidiary did not have autonomy over them. The study found that all the MNC level factors as well as subsidiary level factors had a highly significant influence on decision making autonomy while HQ-subsidiary relationship factors had an average influence on decision making autonomy.

The study recommends that there is need for more autonomy in the subsidiary over financial decisions as well as over marketing decisions. There is also need for other MNCs to loosen some control especially when the overall goal of the MNC is to expand their markets. More studies need to be done especially on a wider scale among the MNCs and with higher statistical tools such as regression or correlation analysis to determine the influence of decision making autonomy on the competitiveness of the subsidiaries within the local market in which they operate.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

An area of increased importance for MNCs is managing the inherent tension between headquarters control of global operations and the local autonomy of subsidiaries. Success in today's global competitive environment depends upon the corporation's ability to achieve simultaneously global integration and regional differentiation (Bartlett and Ghoshal, 1989).

1.1.1 Decision Making in MNCs

There is increasing recent research examining the needs of multinational corporations: 1) to create and coordinate global strategies for subsidiary operations based in diverse geographic locations, and 2) to allow and encourage foreign subsidiaries to create and to implement their own strategies for local markets and local social, political, economic, and legal environments (Bartlett, 1986). Doz et al. (1981) also report on this dual tension and need for MNC managers to balance global strategies with country specific strategies.

Other researchers, such as Bartlett and Ghoshal (1989), similarly find that organizations competing in complex global and local environments need to adopt a 'transnational mentality' where there is a balance among area, product, and functional management perspectives. They note that survival in the new era for MNCs requires a broader international strategic focus and achievement of "global efficiency, multinational flexibility, and worldwide learning -- all at the same time". Managers of MNCs must develop multiple perspectives (or mindsets) that allow for both strong country-by-country geographic strategies and for strong global strategies that create manufacturing rationalization, product standardization, and low-cost global sourcing whenever possible.

1.1.2 Subsidiary Autonomy

A multinational company can be conceptualized as a network of exchange relationships among organizational units, including the headquarters and the different national subsidiaries, which are embedded in what Zaheer (1995) describes as the “meta-environment” or, more recently by George & Zaheer (2006) as the “geographic signature” (Zaheer, 1995; George & Zaheer, 2006). That is, MNCs operate in multiple national environments, each with its own path-dependent institutional characteristics and this differentiates MNCs from domestic firms (Dunning & Lundan, 2009; Rugman & Oh, 2009).

When reviewing the subsidiary literature, two broad conclusions can be drawn, at least. First, previous studies of subsidiary offer a helpful but somewhat scattered picture of the subsidiary’s decision-making position. These studies can be classified into those that primarily focus on characteristics of the parent company (e.g., size, the level of product diversification) or of the subsidiary (e.g., size, performance, ownership). For example, it has been argued that the size of the parent company or the level of its product diversification matters for autonomy (Johnston, 2005). In a similar vein, the size of the affiliate, its performance and extent of ownership are related to its autonomy as well (Johnston & Menguc, 2007). In comparison to the various firm characteristics, however, there has been much less analysis concerning the effects of the local institutional environment on subsidiary autonomy.

1.1.3 Rentokil Initial Kenya

Rentokil Initial Limited (RIL) is a world leader in commercial pest control, hygiene and washroom services with an experience of over 70 years and operating in more than 42 countries globally and a staff of 95,000. In Kenya, Rentokil was incorporated in 1958. The company’s main businesses in Kenya include pest control, hygiene and sanitact services (Rentokil, 2009).

RIL, which was initially known as London Fumigators Ltd was formed in 1958 and incorporated in 1960. The company was initially owned by white settlers whose main target market was to provide pest control on ships that docked the port of Mombasa. London Fumigators Ltd was acquired by Rentokil Group in 1960 following a visit by Teddy Buchan, the then Managing Director of Rentokil Group Ltd, in the East Africa region (Rentokil, 2009).

The company’s operating offices in Kenya are in Mombasa, Nairobi and Nakuru. The company plans to set up a branch in Kisumu in the near future so that its services are taken closer to the customers in that region. In order to ensure sustainable and quality services are consistently offered to the market, RIL receives regular support from the research and development unit based in the UK (Rentokil, 2009).

RIL currently has three directors, Paul Bernard Hocking, Mike Salter, both British, and Simon Wakaba Mwago, the current Managing Director. Mike is the regional director and is in charge of the Kenyan business together with other Rentokil Initial PLC businesses that are based in South Africa, Zambia, Tanzania, Uganda and Libya. Both directors do not hold any shares in the company as Rentokil initial PLC is listed in the London stock exchange (Rentokil, 2010).

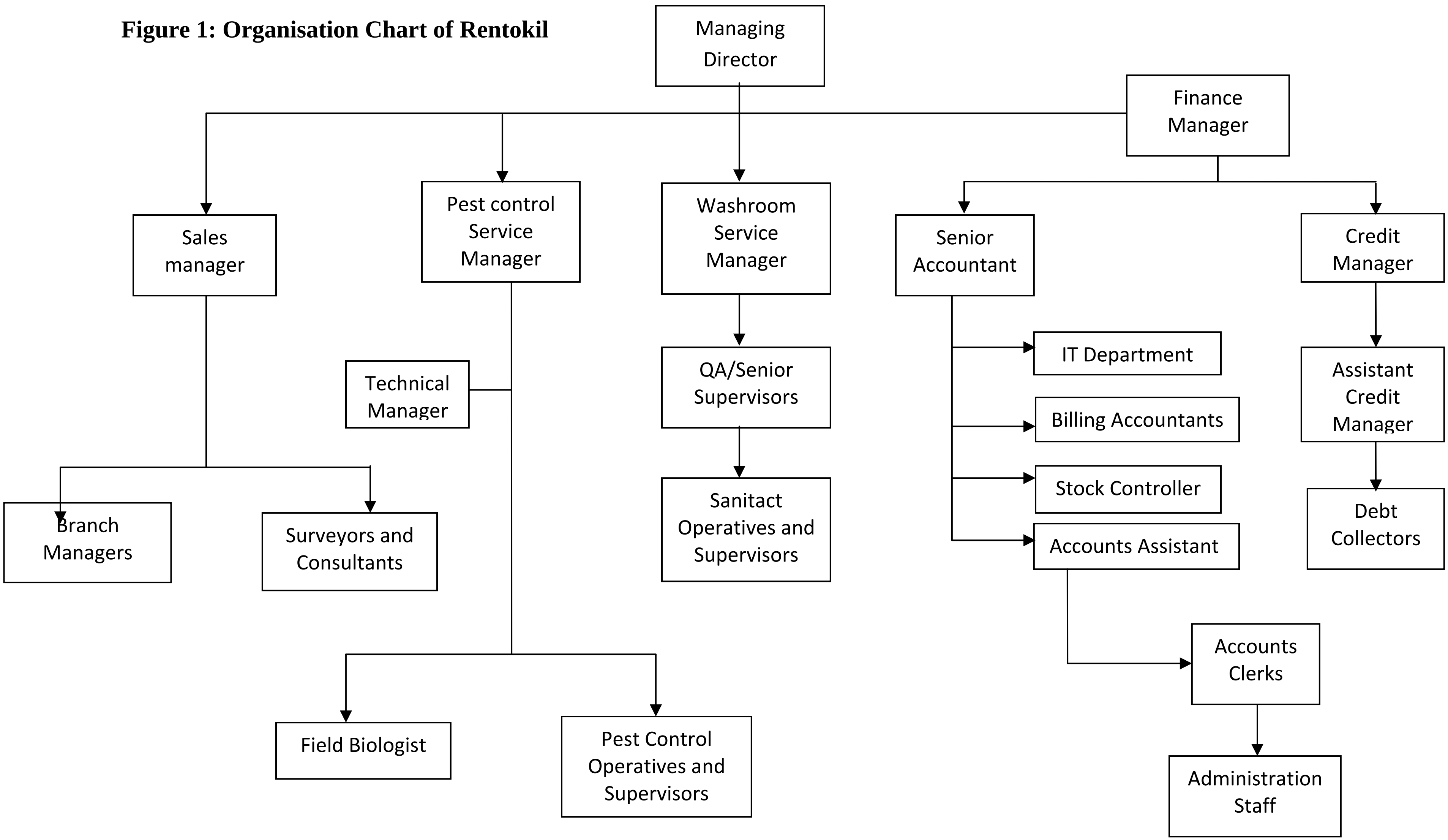
RIL has a robust organisation structure to cover all key aspects of the business. The MD is the head of the business. Below him is the Finance Manager, the Sales Manager and three operations managers to cater for all the key business streams. The organisation chart in Figure 1 provides a clear picture (Rentokil, 2009).

Currently, RIL has 350 employees majority of whom are based in Nairobi and the central region. Given that pest control is a technical service, most of the pest control service staff periodically undergo pest control and fumigation courses that are conducted internally. Other service staff for the other services also undergo training though not to the intensity level of pest control (Rentokil, 2010).

In year 2009, RIL recorded a turnover of Ksh 406,239,000.00 which represented an increase of 13.30% over turnover recorded the previous year. 42.3% of this turnover was derived from the pest control business. The company management is forecasting an increase in year 2010 turnover to Ksh. 435,926,000 due to improved economy and low inflation rates in the country (Rentokil, 2010).

Over the past few years, the company has experienced heightened competition from other new entrants in the industry. Such major competitors include Antipest, Insecta, Chemserve cleaning services, Vermkil, Pestmatic, Pinpoint hygiene among others. It is therefore important to explore how the company has been able to command a 55% share of the market despite the intense competition in the industry (Rentokil, 2009).

Figure 1: Organisation Chart of Rentokil



Source: Rentokil Initial (2010) Company Profile

1.2 Statement of the problem

Rapid changes in the nature of global competition have caused international managers to define new strategies for multinational corporations (MNCs). The relationship between the parent company and its subsidiary is becoming central to an understanding of the functioning of MNCs because subsidiaries play an increasing role in generating competitive advantages for the MNC. Research has shown that the level of autonomy given to subsidiaries differ from MNC to MNC (Takeuchi et al., 2008). Multinational corporation subsidiaries autonomy demonstrates that subsidiary's ability to operate independently. In the global integrationist schema, corporate power of MNC is mainly centralized in the MNC headquarters.

Rentokil-Initial is an MNC subsidiary operating in Kenya in the pest control and sanitation industry. According to the management at the company, there is minimal autonomy given to the subsidiary as far as strategic decision making for the local market is concerned. All the decisions are made at the headquarters and the subsidiaries all over the world are just to implement the decisions as given. The existing board of directors is just mean to ratify that the decisions given to the subsidiary are implemented by the management. The company operates in a turbulent environment. This calls for the management to have autonomy over some strategic decisions pertaining to the local environment. The speed with which such strategic decisions are made call for more autonomy.

Recent studies focus on the analysis of the role of the subsidiary in order to explain inter-organizational differences in MNC behavior and performance (Varblane et al., 2005; Geppert & Matten, 2006). Several studies (Ferner et al., 2004; Dörrenbächer & Gammelgaard, 2006) have pointed out that the level of decision-making autonomy granted by MNCs to their subsidiaries varies strongly. Some MNCs allow their subsidiaries a great deal of decision-making independence while others assume tight control of the subsidiaries' activities. Furthermore, there is ample evidence that this strategy may change over time (Dörrenbächer & Gammelgaard, 2006). There are numerous studies in Kenya on MNCs but none of them has looked at the issue of autonomy in decision-making among subsidiaries. This study seeks to bridge the gap in literature by analyzing the factors that influence the extent of decision making within MNC subsidiaries operating in Kenya with a specific focus on Rentokil-Initial.

1.3 Objectives of the study

The objectives are:

i. To determine the extent of decision making autonomy in Rentokil Initial Kenya.

ii. To establish the factors influencing the extent of decision making autonomy in Rentokil Initial Kenya.

1.4 Significance of the study

The study is important as it adds onto the growing body knowledge on decision making autonomy in subsidiaries. Specifically, the study will be important to the following beneficiaries:

This study is of value to the management team of Rentokil Initial Kenya as a reference point to understand the complex nature of decision-making autonomy among subsidiaries.

The findings of this study will be of significance to other subsidiaries operating in Kenya as far as understanding the independence of subsidiaries is concerned.

The government and corporate policy makers and regulators interested to know the dynamics involved in decision-making among MNCs can also find this study useful in that respect.

Scholars can use this study as a basis for further research in the same area/or related field and for teaching in universities and other institutions of higher learning.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature. The chapter is organized as follows. First, a review on autonomy and the role of subsidiaries in the development of MNCs is presented. This is followed by a review on subsidiary development and creation of firm-specific advantages. Third, a review on the role of corporate and external networks on autonomy of subsidiaries is provided. Fourth, a review on subsidiary autonomy across business functions is presented. Lastly, the relationship between the size of MNC and subsidiary is provided.

2.2 Autonomy and the role of subsidiaries in the development of MNCs

There exists a substantial body of literature concerned with various aspects of multinational subsidiary management (Birkinshaw et al., 1995; Poynter et al., 1985; Roth et al., 1992; Taggart, 1997). According to Paterson and Brock (2002), research on subsidiaries has evolved over time. The focus in the beginning was on structure and strategy; the research later became concerned with headquarter-subsidiary relationships and subsidiary roles. Recently researchers have been increasingly interested in the subsidiary itself, its capacities and development.

Following Birkinshaw (1997), the (foreign) subsidiary is defined here as an operational unit controlled by the MNC and situated outside the home country. Two distinct views of the role of the subsidiary could be discerned: the first approach involves the role for the subsidiary assigned by the parent MNC; another approach is that the role may be assumed through the subsidiary's own behaviour (Birkinshaw, 2000). Referring to Taggart (1997), autonomy may be regarded as a decision-based process that evolves through bargaining between centre and periphery in an organization. Thus, the autonomy of the subsidiary lies in its position in relation to the parent company across all business activities. A simpler definition has given by Björkman (2003), who defines subsidiary autonomy in the context of an MNC as the extent to which decision-making is taking place in the subsidiary without interference from the headquarters.

Previous studies have attempted to explain variations in subsidiary autonomy, which can be divided into: MNC characteristics, subsidiary characteristics and environmental factors (Björkman 2003). Usually, the studies on MNC characteristics look at the size of the MNC and the effect of parent nationality on the subsidiary. The results for the impact of MNC characteristics have been mixed and there is no clear understanding about it. On the other hand the studies on subsidiary characteristics are richer and show a little more consistency than those on MNC characteristics. The most recent literature overview and discussion about gaps in research in this area has been given by Young and Tavares (2004). Much less has been analyzed concerning the impact of environmental factors on autonomy, especially the host country role in providing opportunities for the subsidiary to develop external networks and increase autonomy through capability-building. In the following theoretical part, only some of the most important factors influencing the autonomy of a subsidiary will be discussed and hypotheses for the empirical research established.

2.3 Subsidiary development and creation of firm-specific advantages

Subsidiary initiative or development has been a major research area in this general field (Birkinshaw, 1997; Birkinshaw et al., 1998). Subsidiary initiative is 'undertaken with a view to expanding the subsidiary's scope of responsibility' (Birkinshaw, 2000). The final aim of subsidiary development is to build subsidiary-specific advantages, which may involve production-related assets like technological, productive or marketing know-how, or be associated with the organizational capability to co-ordinate and control efficiently the MNC's asset base (Rugman et al., 2001).

In the process of subsidiary development different roles can be taken on in order to create and leverage their firm's specific advantages. It is important for the multinational to determine the proper combination of centralization and autonomy under which foreign subsidiaries could maximize their value-creating roles (Hewett et al., 2003). In earlier works, Birkinshaw (1996; 1997) identified several forms of subsidiary initiative – local, internal, global and hybrid market initiatives – and also indicated conditions for these to be executed. According to Birkinshaw high autonomy appeared important for local and global market initiatives, but low autonomy was associated with internal market and hybrid initiatives. High parent-subsidiary communication was associated with internal market and hybrid initiatives, while the reverse was true of local and global market initiatives.

Birkinshaw and Hood (1998) identified three interacting drivers of subsidiary evolution and capability creation: head-office assignment, subsidiary choice and local environment determinism. Later associations were more precisely identified with subsidiary initiatives derived from subsidiary management factors (leadership and entrepreneurial culture), parent-subsidiary relationships (subsidiary autonomy and subsidiary parent communication) and the business environment (local competition and industry globalization). Several authors tried also to determine links between subsidiary initiative and specialized resources (Andersson et al., 2001; Rugman and Verbeke, 2001).

Subsidiary initiative is closely linked with power creation and autonomy. Power is something that can be given (assigned by delegation) or taken. The power can be gained by having ability or a capability or by possessing something with which it is possible to control somebody else. Firms differ in their ability to accumulate competencies and capabilities which are rare, valuable, non-substitutable and difficult to imitate. Abilities and capabilities can be acquired and lost over time and hence power is a dynamic concept (Björkman, 2003).

A subsidiary that is important to the MNC as a whole will have the potential to negotiate more with the headquarters than subsidiaries of lesser importance. Hence using its negotiating power the important subsidiary could be more autonomous than its less important counterparts. Furthermore, continuing the argument, subsidiaries that are able to outperform their corporate and local counterparts might have a higher degree of negotiating power than counterparts with weaker performance. The reason for this is that the MNC as a whole will be, at least to some degree, more dependent upon the well-performing subsidiary for its performance. The better the subsidiary is performing in comparison to other corporate units and local counterparts, the higher its autonomy will be. But for our framework this result is too general as we would like to resolve hypotheses about the connection between different dimensions of autonomy and performance.

In the process of subsidiary development a central role is played by absorptive capacity creation and realization. In the seminal work of Cohen and Levinthal (1990), absorptive capacity was defined as the ability to recognize the value of new external information, assimilate and commercialize it. They stressed that such a capacity is something that develops over time, is path-dependent and therefore builds on prior knowledge of the capacity of other organizations. This ability is assumed to be crucial for the firm's competitive advantage. Firms learn from other firms, and the efficiency of such a learning process is dependent on the characteristics of the relationships the focal organization has with other organizations (Andersson et al., 2001).

Lane and Lubatkin (1998) distinguished two types of learning among organizations. Passive learning means acquiring objective and observable facts of the other firm's capability. This learning occurs at arm's-length and only the most visible parts of another firm's knowledge can be acquired. Active learning means also acquiring tacit knowledge, embedded in a firm's social context and therefore also more difficult to imitate by others. From that Andersson et al. (2001) concluded that: "if we assume that acquiring of tacit, non-imitable knowledge is crucial for a firm's competitive advantage, we can state that the quality of the relationships with other firms are of decisive importance. In order to be competitive, the firm needs at least some links with other organizations, which are more important than other links in terms of the characteristics above." This outcome had actually been mentioned already in earlier works. For example, Gupta and Govindarajan (2000) found that the absorptive capacity of the receiving unit is the most significant determinant of internal knowledge transfer in the MNC.

Consequently when subsidiaries differ in their absorptive capacity, this affects the level of knowledge transfer, not only from the mother company but also from other MNC units. In paper by Mahnke et al. (2003) the link between higher absorptive capacity and growth of knowledge flows was analysed. In contrast to prior empirical studies, they were interested in intra-firm knowledge flows between MNC subsidiaries. Accordingly they conceptualized a subsidiary’s absorptive capacity and developed measures to capture the ability and motivation of employees to learn from other units in the MNC.

Further interest was to discover more deeply the process of the absorptive capacity building. An interesting paper by Minbaeva et al. (2001) suggested that absorptive capacity should be conceptualized as being comprised of two dimensions—ability and motivation. Further, their results indicated that the interaction of ability and motivation significantly facilitated transfer of knowledge from other parts of the MNC.

Consequently in order to create absorptive capacity of subsidiary both sides are needed – motivation and ability. The motivation is closely linked with the role assigned to the subsidiary in the corporate network. On the other hand the ability itself is critically dependent on the environment in which the subsidiary is located (Rosenzweig and Singh, 1991). The analysis of environmental parameters (market growth, sophistication of national innovation system, quality of local managers, etc.) plays an important role in the process of opening the potential for the capacity-building process of subsidiaries.

2.4 Corporate and external networks and autonomy of subsidiaries

The link between the embeddedness and the absorptive capacity of the subsidiary was implied by Cohen and Levinthal’s (1990) notions, that such a capacity develops over time, is path-dependent and therefore builds on prior knowledge of the other organization’s capacity. An excellent overview of the literature using the embeddedness concept in this area was presented in Andersson et al. (2001).

Using the concept of embeddedness Andersson and Forsgren (1996) distinguished between external and corporate networks and relationships. They showed that the more embedded the subsidiary was within its external relationships via local demand, sourcing and links with the local system of innovation, the lower was the control from the MNC. On the other hand a stronger embeddedness within corporate relationships suggested greater MNC control over the subsidiary (see for example the results of Hedlund, 1981; Garnier, 1982; Harzing, 1999). This was found to be especially so in the case of the technological embeddedness of the subsidiary as this provides the subsidiary with external, tacit knowledge about new technology, and this in turn was found to be a key factor for the growth and creation of firm-specific advantages. In their work Andersson et al. (2001) established the hypothesis that technological embeddedness is positively related to the subsidiary's market performance and organizational performance. Market performance was defined as the performance in the marketplace where the subsidiary competes with all other companies, while organizational performance is that in the political process inside the MNC, where the subsidiary aims to influence strategic decisions of relevance for the subsidiary. These analyses supported their hypothesis according to which the subsidiary's technological embeddedness is positively related to its market performance. Interestingly good market performance by subsidiaries did not lead to a high level of organizational performance.

2.5 Subsidiary autonomy across business functions

The autonomy of subsidiaries according to business functions is a rather complicated area of research, which has produced conflicting views (Björkman, 2003). Hedlund (1981) stressed the idea that headquarters centralize issues of a strategic nature and leave operational issues in the hands of the subsidiary. More specifically, Hedlund found that finance is the most strategic issue, while most operational issues are about organization and personnel. A similar point had been made earlier by Garnier, Osborn, Galicia and Lecon (1979), but in addition they discovered that subsidiary autonomy tends to be highest in marketing issues.

Results from the Young et al. (1985) study of 152 foreign subsidiaries in the UK indicated that decision areas that were most centralized were primarily financial (target ROI, dividend and royalty policies), together with marketing decisions concerning markets supplied and entering new foreign markets, and R&D and technology choices. Edwards, Ahmad and Moss (2002) explained this outcome rather convincingly by stating that integrated issues are highly centralized whereas locally responsive issues are more decentralized.

Financial issues are highly integrated and relevant to the whole MNC. Marketing is often directed towards the local market and hence marketing issues could be decentralized. Personnel management is dependent on local legislation and consequently requires local operation, which gives higher autonomy to the subsidiary in these matters. Several other authors like Martinez and Jarillo (1991) and Harzing (1999) discovered that local market-oriented subsidiaries tend to have greater autonomy. In general subsidiaries have greater autonomy over decisions where they have superior information.

Environment is another important factor that plays a role in the creation of the capabilities of subsidiaries and allows obtaining subsidiary-specific advantages. The literature shows that the more developed is the country in which the subsidiary is located, in the sense of demand, existence of potential sourcing partners and level of the national innovation system, the higher is the likelihood that the subsidiary could develop an extensive external network, improve different capacities, and finally gain more autonomy.

The majority of papers on the subject deal with the development of subsidiaries and their links with headquarters in the advanced market economies. Significantly less research has been undertaken into the subsidiaries of MNCs that are operating in emerging economies and in transition economies. On the other hand the emerging and transforming markets are economically fast-growing and structurally volatile. Consequently the external networks of subsidiaries in these countries are quickly changing, providing bases for much more rapid change in the capacities and also in their role in internal (corporate) networks (Hoskisson et al., 2000).

In the high-technology industries, corporate or internal embeddedness in the forms of intense, close and frequent relationships with suppliers, customers and R&D units might be expected to play a more important role than in low-technology industries. If this were the case, it would be logical to predict that in these industries the autonomy of subsidiaries is smaller. But based on the literature we may assume that the behaviour of high-tech subsidiaries in industrialized developed countries and in the transition countries may differ. Birkinshaw and Hood (2000) found surprisingly that subsidiaries of leading-edge industries located in industrialized countries were more autonomous and highly embedded in the local cluster than subsidiaries in other industrial sectors. But a rather different result was obtained in earlier work by Garnier (1982), who found that US subsidiaries located in Mexico were more autonomous than their counterparts in France. Furthermore, he found that different factors affected subsidiary autonomy in those countries. The major factor affecting subsidiary autonomy in France was the degree of integration into the corporate network. It turned out that high cooperation especially in the area of technology caused low autonomy in France. The high autonomy of Mexican affiliates indicated a much lower level of cooperation in the technology area.

Steuer et al. (1973) investigated the extent of financial independence offered to MNC subsidiaries. They found that it was possible for subsidiaries to achieve greater autonomy over certain aspects of financial control. For example, if the subsidiary's assets increased, the maximum capital expenditure which could be undertaken, without reference to the parent, increased. The same applied to higher sales. Thus devolved responsibility increased with firm growth. In spite of the fact that 90 per cent of subsidiaries experienced some degree of centralised control, they concluded that financial control was not tight.

In contrast, other studies have found that financial decisions remained primarily under the control of the parent. Van Den Buckle and Halsberghe (1984), in their analysis of decision making of MNC subsidiaries based in Belgium, found financial decisions tended to be centrally controlled. Young et al. (1985) found that decisions concerning dividend policy and royalty payments were by far the most centralised aspect of financial decision-making in foreign-owned subsidiaries operating in the UK. There was, however, greater decentralisation in the choice of capital investment projects and in the financing of these projects.

Thus, although Young et al. (1985) found that UK subsidiaries appear to be granted considerable levels of autonomy in respect to the majority of financial decisions, it should be noted that the subsidiaries often operated within centrally determined financial targets. This suggests that subsidiaries are subject to selective controls on financial matters.

Locate in Scotland (1997) found that 47 per cent of firms surveyed claimed to have total responsibility for capital investment decisions with 37 per cent having partial responsibility. However, it is not clear what is meant by partial responsibility, because the term is not defined in the study. It could, therefore, be the case that the firms had only minimal strategic responsibility.

Steuer et al. (1973) found that 70 per cent of the subsidiaries were free to set prices without interference from the parent company. This is not unexpected given that a rapid reaction may be necessary to cope with changing market conditions. In these circumstances, the subsidiary management's local knowledge of market conditions would be invaluable and authority to take action would be desirable.

Steuer et al. (1973) also looked at the control of exports and found that there were significant restrictions on the actions of subsidiaries. In general, however, subsidiaries were not given the authority to decide which markets to enter. This strategic decision tended to be taken by the parent.

Young et al. (1985) found that there was a high degree of autonomy with respect to production and marketing decisions. Operational issues such as volume output, entering new UK markets, pricing policy and advertising and sales distribution were among the more decentralised decisions.

Locate in Scotland (1997) found that 91 per cent of subsidiaries claimed to have at least partial responsibility over the production and marketing decisions. There was also a degree of independence in relation to the purchasing decision with total responsibility and partial responsibility being granted to the subsidiary in 65 per cent and 23 per cent of firms respectively. Young et al. (1985) found that the parent company exerted a strong influence in only 5 per cent of the subsidiaries with respect to distribution and marketing and sales decisions. In contrast, Locate in Scotland (1997) found that 71 per cent and 70 per cent of subsidiaries claimed to have at least have partial responsibility for marketing and sales and distribution decisions respectively.

In relation to marketing decisions, Wind (1997) argued, that there is a greater emphasis on being closer to the customer, stressing customer satisfaction and building customer relationships. Consequently, the need for a common marketing philosophy to be pursued throughout the whole organization becomes more essential. The marketing function becomes an integral part of all employees' job descriptions, thus increasing the apparent decentralisation of marketing. It is, therefore, possible that there will be an increase in the amount of autonomy over marketing decisions devolved to the subsidiary even though the strategic decisions are still centrally determined. Thus subsidiaries are given greater freedom but within limits set by the parent.

Gates and Egelhoff (1986), in a study of large US, UK and European MNCs, found that if MNCs introduce more product lines in foreign markets or modify products to meet local demand, then the decentralisation of decision making is more likely to follow. However, they also found that US MNCs tended to pursue global marketing strategies rather than local ones which suggests that marketing decisions will become more, rather than less, centralised. There may therefore be geographical differences in the attitudes of MNC parents to the extent of autonomy granted to subsidiaries.

Collins and Schimenner (1997) maintain that the single market has required many organizations to review the way they operate in Europe in relation to production and marketing decisions. They identified differences between the traditional organization of manufacturing found in many long-established European firms and the pan-regional organization of the more progressive European, and some Japanese and US, companies operating in Europe.

The key characteristics of pan-European manufacturers include a product based strategy whereby different products are made in different factories and then shipped to the markets; increased market scope; and decreased product scope. This pan-European approach should result in increased attention to product flows, the redesign of plant layout, improved material handling, new investment in equipment and the adoption of different workforce practices. The increase in transportation costs will be offset by benefits such as the reduction in overheads gained from greater specialisation and the minimum efficient scale of production may be achieved.

Such strategies are therefore expected to lead to a reduction in the degree of autonomy granted to subsidiaries. For example, manufacturing units will become an integrated part of a network of plants rather than being regarded as an independent unit. In addition, less control will be granted over decisions such as the extension of product ranges.

This is supported by Daniels and Radebaugh (1998) who find that there is an increasing trend for MNCs to adopt a global sourcing policy. The purpose of this is to achieve cost reductions, improvements in quality, increased exposure to world-wide technology and also delivery improvements. Although this could result in additional costs such as transportation costs increase, agent fees and the introduction of, for example, Just In Time systems, the increase would be more than offset by overall cost savings. This also suggests that there will be substantial control over the purchasing policies of MNC subsidiaries.

Steuer et al. (1973) found that the appointment of key personnel was often subject to the discretion of the parent with guidance sought from the subsidiary. However, less senior appointments were subject to increasing autonomy. This lends weight to the view that there is a dual approach to autonomy which sees the more important decisions being retained by the parent.

Hamill (1983) found that, in general, employment and personnel decisions were among the most decentralised decisions. However, this did not extend to all decisions. For example, Hamill showed that the parent company exerted a strong influence through codes and guidelines in relation to union and non-unionisation decisions. This represents indirect control rather than individual decisions being forced upon the subsidiary. Van den Buckle and Halsberghe (1984) also found that employment and personnel decisions in Belgium were highly decentralised. It can therefore be concluded that employment and personnel decisions are highly decentralised except in relation to the appointment of senior executives. This again shows that strategic decisions remain beyond the scope of the subsidiary.

Hood and Young (1988) found that 40 per cent of MNC subsidiaries located in the British Isles conducted no activity in either research or development. Even in subsidiaries which undertook research and development, the number of people employed was small.

They therefore concluded that research and development was not only centrally controlled but also centrally located.

Young et al. (1985) confirmed that research and development and technology employed were centrally controlled decisions. Almost half of the subsidiaries claimed to be decisively influenced by the parent company. In addition, the research and development involved was generally of a modification and adaptation nature, rather than research aimed at development and innovation. Further evidence for centralisation of research and development was shown by Yao-Su (1992) who found that that 83 per cent of German MNC research and development personnel was concentrated in the home nation.

De Meyer and Mizushima (1989) found that there had been a significant change in the attitude of MNCs to research and development. Consistent with increased globalisation, there had been an increase in the decentralisation of research and development decision making. Globalisation should result in a greater need for local technical support and therefore a greater autonomy. However, they recognised that centralisation may actually increase in certain circumstances: in particular, when labs were small and needed to be of a critical mass, if firms had a centralised structure and if there were time constraints.

Locate in Scotland (1997) found that in the case of research and development and process development, subsidiaries had at least partial responsibility in 70 per cent and 82 per cent of cases respectively. This increase in responsibility is consistent with Papanastassiou and Pearce (1997) who argue that as global competitiveness intensifies, MNCs need to be able to respond to changing consumer demands in all major markets at an ever increasing speed. This also includes increasingly recognising the distinctive needs of consumers in various world-wide markets. By allowing subsidiaries to become more responsive to these changing needs both the MNC as a whole and the subsidiary will benefit. The MNC as a whole can benefit from a wider scope of knowledge, while the subsidiary can benefit from the increase in creative roles devolved to the subsidiary. These benefits are unlikely to be gained if the technology inputs remain within the domain of the established technology function of the MNC.

Marketing activities are another important area where corporate networks play an important role. The coordination of roles between headquarters and subsidiaries in marketing activities within MNCs is not deeply analyzed. Garnier (1982) and Harzing (1999) established that local market oriented subsidiaries tend to have greater autonomy. This was explained by the need of MNCs to adapt their marketing to local market needs, which requires flexibility and greater autonomy of the subsidiaries. Taggart and Hood (1999) found that globally integrated subsidiaries tend to have low autonomy, and a significant negative link was found between export propensity and autonomy of the subsidiary. This outcome is in line with the results of Holm and Pedersen (2000) who claimed that an increasing role of corporate internal links would reduce the autonomy of the subsidiary (Young, 2004).

In a recent paper, Hewett et al. (2003) set the goal of establishing the extent to which conditions internal and external to the subsidiary affect the relationship between these roles in marketing activities, and how that is related to product performance. Their findings suggested that the more closely headquarters and subsidiary roles in marketing activities are aligned with relational, industry and market conditions, the greater the market share tends to be. In other words they concluded that the more embedded is the subsidiary in external networks, the better is the performance. On the other hand this means that the more the firm is integrated into corporate export networks, the lower is the autonomy. From that a further conclusion is that the higher is the market autonomy the lower should be the subsidiaries' propensity to export.

The conclusion drawn from the preceding discussion is that the functional autonomy of subsidiaries is lowest in strategic issues like finance and highest in operational areas including domestic marketing and personnel management. Consequently if the subsidiary has reached a power position in the MNC, where it has obtained high autonomy in strategic issues like finance, the subsidiary should have strong subsidiary-specific advantages and perform better than its counterparts.

2.6 Autonomy and the size of MNC and subsidiary

The impact of the size of the MNC on the autonomy of subsidiaries has produced mixed results. Garnier (1982) found that the headquarters of large MNCs tend to give less autonomy to subsidiaries. More detailed analyses were executed by Gates and Egelhoff (1986), who found that a large MNC tends to grant less autonomy to subsidiaries in marketing issues, but more in financial issues.

On the other hand the size of the subsidiary might have a curvilinear (Hedlund, 1981) or a mixed (Young et al., 1985; Gates and Egelhoff, 1986) effect on subsidiary autonomy. In the former case the subsidiary has a lower level of autonomy at its foundation, then gains autonomy until a certain size and afterwards starts to lose autonomy again. Young et al. (1985) found that autonomy was lower in large subsidiaries and those with significant levels of exports to other group facilities. Gates and Egelhoff (1986) discovered that a subsidiary tends to gain manufacturing autonomy but lose marketing autonomy as it matures. In addition, they found that subsidiary age was positively related to its autonomy. However, Garnier (1982) found little support for age and size.

Gomez and Sanchez (2005) tested the effects of different internal and external factors on Multinational Corporations' (MNCs) use of formal versus informal mechanisms to control their human resources. Responses to a survey of 74 General Managers (GMs) of US subsidiaries in Mexico were used to test the hypotheses. The use of formal and informal mechanisms of control was associated with the extent to which the MNC had a global strategy as well as with the strength of localization forces such as local dependence and local regulations. Level of employee education, a subsidiary characteristic, also predicted the extent to which MNCs used informal control mechanisms. Most importantly, the results suggested that, even though they share some antecedents, each type of control mechanism, namely formal and informal, has a different set of internal and external antecedents. Indeed, the data hinted that informal and formal control mechanisms are not mutually exclusive and that, on the contrary, they can fruitfully co-exist because they satisfy different internal and external demands.

CHAPTER THREE:RESEARCH METHODOLOGY

3.1 Research design

The research problem was studied using case study method. This method was suitable for the study because it was aimed at giving in-depth account of the factors influencing extent of decision-making autonomy in Rentokil Initial Kenya Limited. Kothari (1990) stated that a case study involves complete observation of a social unit; a person, institution.

3.2 Data collection

In this study, emphasis was given to primary data. The primary data was collected using structured questionnaires. The questionnaires had 3 sections named 1-3. Section 1 sought the demographic information of the respondents. Section 2 sought the responses to objective 1 on the degree of autonomy accorded to Rentokil. The last section, 3, sought information on the factors influencing decision making autonomy in subsidiaries.

The questionnaires were administered personally by the researcher. The reason for choosing this method was to increase the response rate, to ensure that the right people answered the questions and to generally raise the quality of the responses. Webster (1997) showed that being present when the respondent fills out a survey leads to fewer items being omitted.

The respondents were the 7 managers selected for the study. The managers were deemed the most knowledgeable people of the issues discussed during the questionnaire administration. Clearly, questioning key personnel in both the subsidiary and the headquarters is ideal but this is not practically feasible due to time and cost considerations –the MNC head quarter is located in Europe. In addition, previous research had pinpointed difficulties in receiving matched responses (Harzing, 1999). This suggests that the local managers of the subsidiary may act as a bridge between the subsidiary and the headquarters.

3.3 Data analysis

Qualitative data were analyzed using qualitative analysis. Qualitative data analysis seeks to make general statements on how categories or themes of data are related (Mugenda and Mugenda, 2003). The qualitative analysis was done using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involves observation and detailed description of objects, items or things that comprise the sample. The themes (variables) that were used in the analysis are broadly classified into two: extent of decision-making autonomy and factors influencing decision-making autonomy. Questionnaires were also coded into the SPSS and analyzed using descriptive statistics. These are the percentages, mean scores and standard deviations. The results are presented in tables in Chapter 4.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the results of the analysis. Seven questionnaires were administered to seven managers from various departments. The response rate was 100% as all the managers responded as listed below:

- Finance Manager;
- Pest Control Service Manager;
- Washroom Service Manager;
- Technical Service Manager;
- Managing Director;
- Sales Manager; and
- Credit Manager.

The presentation of the results is as follows. The sample characteristics are first presented based on the gender and age of the managers that responded. This is followed by a presentation on the extent of decision-making autonomy in the organisation based on autonomy in various departments. These departments are Finance, Marketing and Production, Employment and Personnel, and Research & Development and Technology. Lastly, the chapter presents results on the factors that influence decision making autonomy in Rentokil as espoused by the managers. The factors are classified as MNC level factors, subsidiary level factors, and HQ-Subsidiary relationship level factors. The results are interpreted based on the percentages, mean scores and standard deviations.

4.2 Sample Demographics

The study found that 86% of the respondents were male while 14% wee female. These results reveal the nature of top management composition of the company. This mirrors the picture in most of the organisations in Kenya where the top management is male dominated. These results are shown in shown in Table 1.

Table 1: Gender

	Frequency	Percent
Male	6	85.7
Female	1	14.3
Total	**7**	**100.0**

The results in Table 2 show the classification of respondents according to age. As shown, it was noted that 14% were aged between 25 years and 30 years, 57% were aged between 31 years and 40 years while 29% were aged between 41 and 50 years. Thus, the management is made up of a young workforce aged between 31-40 years.

Table 2: Age

	Frequency	Percent
25-30 years	1	14.3
31-40 years	4	57.1
41-50 years	2	28.6
Total	**7**	**100.0**

4.3 Extent of Decision-Making Autonomy in the Organisation

The respondents were asked to state the extent of autonomy over divisional decisions that the subsidiary management had. The responses were made in terms of whether the decision was full responsibility of subsidiary (1) or decided by subsidiary after consultation with the parent (2) or decided by the parent after consultation with the subsidiary (3) or dictated by the parent (4). The results are presented and interpreted in terms of percentages, mean scores and standard deviations.

4.3.1 Autonomy Regarding Financial Decisions

Table 3 shows results on the autonomy of Rentokil Initial over financial decisions. As shown, setting financial targets was a prerogative of the parent company after consulting with the subsidiary (100%). The mean score of 3.00 also confirms this. The standard deviation was zero as all the respondents were not varied in their answers. As far as setting financial standard are concerned, it can be noted that the subsidiary has no autonomy over it as it is the parent that sets after consulting with the subsidiary.

The study found that 14% of the managers were of the opinion that preparation of yearly budgets was the subsidiary's full responsibility, 43% thought it was decided by the subsidiary after consulting the parent company while another 43% cited that it was decided by the parent company after consulting with the subsidiary. The mean score of 2.2857 indicates that preparation of yearly budgets in the company was decided by the subsidiary after consulting the parent company. The standard deviation of 0.7559 confirms that there was a wider variation in terms of the management responses on this issue. These results connote that the management at the subsidiary did not have full autonomy over preparation of yearly budgets.

The study found that on acquisition of funds for working capital, 14% were of the opinion that it was the subsidiary's full responsibility, 29% cited that it was decided by the subsidiary after consulting the parent company, 43% cited that it was decided by the parent company after consulting with the subsidiary while 14% cited that it was fully dictated by the parent. The mean score was 2.57 indicating that it was decided upon by the subsidiary after consulting with the parent. The standard deviation of 0.9759 also shows that the responses were highly varied on this issue. The results imply that the local management does not have autonomy over fund acquisition for working capital.

The study revealed that 67% of the managers cited that choosing capital investment was decided upon by the parent after consulting the subsidiary while 33% said that it was fully dictated by the parent. The mean score of 3.333 confirms that this decision was made by the parent after consulting with the subsidiary. The standard deviation was 0.5164 indicating that the responses on this issue were moderately varied. The results of the analysis show clearly that the subsidiary does not the autonomy over the choice of capital investment to make.

The study found that on financial investment program, 14% cited that it was the subsidiary's full responsibility, 29% cited that it was decided by the parent after consultation with the subsidiary and 57% cited that it was dictated by the parent. The mean score was 3.2857 indicating that it was decided by the parent after consulting the subsidiary. The standard deviation was 1.1127 meaning that the responses on this were highly varied. The results show that the management of the subsidiary did not have autonomy over financial investment plans.

The study found that 14% of the managers agreed that the management was fully responsible for setting target profitability, 27% cited that it was decided by the subsidiary after consulting the parent, and 57% cited that it was decided by the parent after consulting the subsidiary. The mean score was 2.4286 meaning that this decision was decided upon by the management but after consulting the parent. The standard deviation was 0.7868 meaning that the responses on this were varied. Thus, the management does not have full autonomy on this.

The study revealed that on the sale of fixed assets, 71% cited that it was decided by the subsidiary after consulting parent, 14% cited that it was decided by parent after consulting the subsidiary while another 14% cited that it was dictated by the parent. The mean score was 2.4286 showing that this decision was decided upon by the management but after consulting the parent. The standard deviation was 0.7868 meaning that the responses on this were varied. Thus, the management does not have full autonomy on the sale of fixed assets.

On decisions relating to dividend policy, the study revealed that 17% agreed that it was decided upon by the parent after consulting the subsidiary and 83% were of the opinion that the decision was fully dictated by the parent. The mean score was 3.833 meaning that this decision was generally made by the parent. The standard deviation was 0.40825 showing that the variations in the responses on this issue were not large. The results indicate that the management did not have autonomy on this.

The study noted that royalty payment to parent was solely dictated by the parent (100%). As shown, the mean score was 4.00 meaning that indeed the parent company dictated royalty payments. The standard deviation was 0.00 showing that there were no variances in the responses on this issue. The results reveal therefore that the management of the subsidiary did not have any autonomy on how much to pay the parent as royalties.

Table 3: Financial Decisions

	1 (%)	2 (%)	3 (%)	4 (%)	Mean	Std. Dev
Set financial targets	0	0	100	0	3.0000	.00000
Prepare yearly budgets	14	43	43	0	2.2857	.75593
Acquire funds for working capital	14	29	43	14	2.5714	.97590
Choose capital investment	0	0	67	33	3.3333	.51640
Finance investment program	14	0	29	57	3.2857	1.11270
Set target profitability	14	27	57	0	2.4286	.78680
Sale of fixed assets	0	71	14	14	2.4286	.78680
Dividend policy	0	0	17	83	3.8333	.40825
Royalty payment to parent	0	0	0	100	4.0000	.00000

4.3.2 Autonomy Regarding Marketing and Production Decisions

Table 4 shows the results on the extent of decision making autonomy for Rentokil Initial managers regarding marketing and production decisions. On the output volume, it was revealed that 14% agreed that the subsidiary had full responsibility, 57% cited that it was decided by the subsidiary after consultations with the parent, and 29% cited that it was decided by the parent after consulting the subsidiary. The mean score was 2.14 showing that the decision on output volume rested on the subsidiary after consulting with the parent. The standard deviation was 0.69 indicating a moderate variance in responses. The results connote that the subsidiary does not have the autonomy to make decisions regarding output volume.

The study found that on product range, 14% agreed that it was full responsibility of the subsidiary, 43% cited that it was decided upon by the subsidiary after consulting the parent while another 43% cited that it was decided by the parent after consulting the subsidiary. The mean score of 2.28 shows that decisions regarding product range were made by the subsidiary after consulting with the parent. The standard deviation was 0.75 showing that there were fairly large varied responses on this. The results indicate that the subsidiary did not have full autonomy over product range decisions.

The study found that 14% of the managers cited that the subsidiary had full responsibility over decisions to introduce new products, 29% cited that it was decided by the subsidiary after consulting with the parent, 43% said it was decided by the parent after consulting with the subsidiary while 14% cited that the decision was dictated by the parent. The mean score was 2.57 meaning that the decision was made by the subsidiary after consulting with the parent. The standard deviation was 0.97 showing that there were varied responses on this issue. These results indicate that the management did not have full autonomy to introduce new products in the market. The company has to consult with the parent.

On the decisions regarding withdrawal of products, 43% of the managers cited that the subsidiary had full responsibility over decisions to introduce new products, 29% cited that it was decided by the subsidiary after consulting with the parent, 14% said it was decided by the parent after consulting with the subsidiary while another 14% cited that the decision was dictated by the parent. The mean score was 2.00 meaning that the decision was made by the subsidiary after consulting with the parent. The standard deviation was 1.15 showing that there were highly varied responses on this issue. These results indicate that the management did not have full autonomy to withdraw products in the market.

On decisions regarding entry into new Kenyan market, the study found that 67% of managers cited that the subsidiary was fully responsible and 33% cited that it was decided by the subsidiary after consulting the parent. The mean score was 1.33 indicating that entry into new Kenyan market was full responsibility of the subsidiary. The standard deviation of 0.51 showed that the responses on this issue were not highly varied. The results point to the fact that the management had full autonomy on which new Kenya market to serve.

The study found that on the decisions regarding entry into new non-Kenyan markets, 29% cited that it was decided by the subsidiary after consulting with the parent, 14% cited that it was decided by the parent after consulting with the subsidiary while 57% cited that it was dictated by the parent. The mean score was 3.28 showing that the decision to enter new non-Kenyan market was decided by the parent after consulting with the subsidiary. The standard deviation was 0.95 showing that there were varied responses on this issue. The results show that the decision to enter new non-Kenyan market was decided by the parent after consulting with the subsidiary.

On pricing policy, the study found that 43% of the managers cited that the subsidiary was fully responsible for this and 57% cited that the decision was made by the subsidiary after consulting with the parent. The mean score was 1.57 indicating that the subsidiary was fully responsible for the pricing policy. The standard deviation was 0.53 indicating that there were moderate variations in the responses on this. The results reveal that the management had autonomy over pricing policy.

On purchasing policy, the study found that 14% of the managers cited that the subsidiary had full responsibility over decisions to introduce new products, 71% cited that it was decided by the subsidiary after consulting with the parent, and 14% said it was decided by the parent after consulting with the subsidiary. The mean score was 2.00 meaning that the decision was made by the subsidiary after consulting with the parent. The standard deviation was 0.577 showing that there were moderate variations in the responses on this issue. These results indicate that the management did not have full autonomy over purchasing policy decisions. The company has to consult with the parent.

The study found that 43% of the managers cited that they had full responsibility over advertising and sales promotions while 57% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.57 indicating that the subsidiary was fully responsible for the advertising and sales promotion. The standard deviation was 0.53 indicating that there were moderate variations in the responses on this. The results reveal that the management had autonomy over advertising and sales promotion.

The study found that 43% of the managers cited that they had full responsibility over distribution while 57% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.57 indicating that the subsidiary was fully responsible for the distribution decisions. The standard deviation was 0.53 indicating that there were moderate variations in the responses on this. The results reveal that the management had autonomy over distribution decisions.

Table 4: Marketing and Production Decisions

	1	**2**	**3**	**4**	**Mean**	**Std. Dev**
Output volume	14	57	29	0	2.1429	.69007
Product range	14	43	43	0	2.2857	.75593
Introduce new products	14	29	43	14	2.5714	.97590
Withdraw products	43	29	14	14	2.0000	1.15470
Enter new Kenyan market	67	33	0	0	1.3333	.51640
Enter new non-Kenyan market	0	29	14	57	3.2857	.95119
Pricing policy	43	57	0	0	1.5714	.53452
Purchasing policy	14	71	14	0	2.0000	.57735
Advertising and sales promotions	43	57	0	0	1.5714	.53452
Distribution	43	57	0	0	1.5714	.53452

4.3.3 Autonomy over Employment and Personnel Decisions

Table 5 shows the results on the extent of decision making autonomy for Rentokil Initial managers regarding employment and personnel decisions. The study found that 57% of the managers cited that they had full responsibility over union decisions while 43% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.42 indicating that the subsidiary was fully responsible for the union decisions. The standard deviation was 0.53 indicating that there were moderate variations in the responses on this. The results reveal that the management had autonomy over decisions regarding unions.

The study found that 57% of the managers cited that they had full responsibility over collective bargaining while 43% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.42 indicating that the subsidiary was fully responsible for the collective bargaining. The standard deviation was 0.53 indicating that there were moderate variations in the responses on this. The results reveal that the management had autonomy over decisions regarding collective bargaining.

The study found that 14% of the managers cited that they had full responsibility over wage increases while 86% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.85 indicating that the subsidiary was fully responsible for the wage increases. The standard deviation was 0.37 indicating that there were low variations in the responses on this. The results reveal that the management had some autonomy over decisions regarding wage increases.

The study found that 14% of the managers cited that they had full responsibility over size of workforce while 86% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.85 indicating that the subsidiary was fully responsible for the size of workforce. The standard deviation was 0.37 indicating that there were low variations in the responses on this. The results reveal that the management had some autonomy over decisions regarding size of their workforce.

The study found that 14% of the managers cited that they had full responsibility over redundancies while 86% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.85 indicating that the subsidiary was fully responsible for the redundancies. The standard deviation was 0.37 indicating that there were low variations in the responses on this. The results reveal that the management had some autonomy over decisions regarding redundancies.

The study found that 71% of the managers cited that they had full responsibility over recruitment of workers while 29% cited that it was decided by the subsidiary after consulting with the parent. The mean score was 1.28 indicating that the subsidiary was fully responsible for the recruitment of workers. The standard deviation was 0.48 indicating that there were low variations in the responses on this. The results reveal that the management had some autonomy over decisions regarding recruitment of workers.

On the decisions regarding recruitment of executives, 14% of the managers cited that the subsidiary had full responsibility over it, 14% cited that it was decided by the subsidiary after consulting with the parent, 29% said it was decided by the parent after consulting with the subsidiary while 43% cited that the decision was dictated by the parent. The mean score was 3.00 meaning that the decision was made by the subsidiary after consulting with the parent. The standard deviation was 1.15 showing that there were highly varied responses on this issue. These results indicate that the management did not have autonomy to recruit executives.

On the decisions regarding recruitment of senior management, 14% of the managers cited that the subsidiary had full responsibility over it, 43% cited that it was decided by the subsidiary after consulting with the parent, and 43% said it was decided by the parent after consulting with the subsidiary. The mean score was 2.28 meaning that the decision was made by the subsidiary after consulting with the parent. The standard deviation was 0.75 showing that there were highly varied responses on this issue. These results indicate that the management did not have autonomy to recruit senior management.

Table 5: Employment and Personnel Decisions

	1	2	3	4	Mean	Std. Dev
Union decisions	57	43	0	0	1.4286	.53452
Collective bargaining	57	43	0	0	1.4286	.53452
Wage increases	14	86	0	0	1.8571	.37796
Size of workforce	14	86	0	0	1.8571	.37796
Redundancies	14	86	0	0	1.8571	.37796
Recruitment of workers	71	29	0	0	1.2857	.48795
Recruitment of executives	14	14	29	43	3.0000	1.15470
Recruitment of senior management	14	43	43	0	2.2857	.75593

4.3.4 Autonomy over Research & Development and Technology Decisions

Table 6 shows the results on the extent of decision making autonomy for Rentokil Initial managers regarding research & development and technology decisions. On the decisions regarding research and development, 29% cited that it was decided by the subsidiary after consulting with the parent and 71% cited that the decision was dictated by the parent. The mean score was 3.42 meaning that the decision was made by the parent after consulting with the subsidiary. The standard deviation was 0.97 showing that there were highly varied responses on this issue. These results indicate that the management did not have autonomy on decisions regarding research and development.

On the decisions regarding technology, 14% of the managers cited that the subsidiary had full responsibility over it, 14% cited that it was decided by the subsidiary after consulting with the parent, 14% said it was decided by the parent after consulting with the subsidiary while 57% cited that the decision was dictated by the parent. The mean score was 3.14

meaning that the decision was made by the parent after consulting with the subsidiary. The standard deviation was 1.21 showing that there were highly varied responses on this issue. These results indicate that the management did not have autonomy over technology decisions.

Table 6: Research & Development and Technology Decisions

	1	2	3	4	Mean	Std. Dev
Research and development	0	29	0	71	3.4286	.97590
Technology	14	14	14	57	3.1429	1.21499

4.4 Factors Influencing Subsidiary Autonomy

The respondents were asked to rate the extent to which they agreed or disagreed on the factors that influenced their decision-making autonomy. A five point Likert scale used ranged from strongly disagree (1), disagree (2), neither agree nor disagree (3), agree (4) to strongly agree (5). The results are presented in Table 7 in terms of the mean scores, standard deviations and percentages.

The study found that 85% of the respondents agreed that size of MNC influenced subsidiary autonomy while 14% disagreed. The mean score was 4.28 showing that indeed size of MNC was an important determinant in decision-making autonomy of subsidiaries. The standard deviation was 1.49 indicating that there were varied responses on this issue.

The study found that 71% of the respondents agreed that MNC nationality influenced subsidiary autonomy, 14% were neutral while another 14% disagreed. The mean score of 4.14 confirms that MNC nationality significantly influences subsidiary autonomy. The standard deviation was 1.21 showing that the responses on this issue were varied.

The study revealed that all the respondents were in agreement that existence of MNC global strategy influences subsidiary autonomy. The mean score of 4.71 also confirmed that indeed the existence of MNC global strategy influences subsidiary autonomy. The standard deviation was 0.48 indicating that there were low variations in the responses on this issue.

The study found that all the respondents were in agreement that the mode of establishment of a subsidiary has an influence on its autonomy. The mean score was 4.33 showing that indeed subsidiary establishment mode influences the level of autonomy. The standard deviation was 0.51 suggesting that the variations in the responses were moderate.

On the influence of location of subsidiary on its autonomy, 14% were neutral while 86% agreed. The mean score of 4.14 confirms that location of subsidiary influenced subsidiary autonomy. The standard deviation was 0.69 suggesting that there were some variances in the responses but were not major.

On the influence of ownership structure, the study noted that all the respondents were in agreement that it influenced subsidiary autonomy. The mean score of 4.42 suggests that ownership structure had a significant influence on subsidiary autonomy. The standard deviation of 0.53 suggests that the variation in the responses were low.

The study found that 72% of the respondents agreed that subsidiary age influences autonomy, 14% were neutral while another 14% disagreed. The mean score of 3.8 points towards subsidiary age having a significant influence on subsidiary autonomy.

Eighty six percent of the respondents agreed that the size of the subsidiary influenced decision-making autonomy while 14% of the respondents were neutral. The mean score was 4.14 connoting that size of subsidiary had a significant influence on decision-making autonomy. The standard deviation was 0.69 suggesting that there were moderate varied responses on this issue.

The study found that all the respondents agreed that the importance of a subsidiary influences its autonomy. As shown, the mean score was 4.33 suggesting that subsidiary autonomy over decision-making process was significantly influenced by its importance. The standard deviation was 0.51 indicating that there were no major variations in the responses.

The study found that 71% of the respondents agreed that subsidiary function influenced its autonomy over decision-making while 29% were neutral. The mean score of 4.00

underscores the fact that indeed decision-making autonomy was significantly influenced by subsidiary function. The standard deviation of 0.81 showed that the responses were highly varied.

The study found that 86% of the respondents agreed that subsidiary role influenced its autonomy over decision-making while 14% were neutral. The mean score of 4.14 shows that indeed decision-making autonomy was significantly influenced by subsidiary role. The standard deviation of 0.69 showed that the responses were varied.

The study found that 86% of the respondents agreed that subsidiary competences and resources influenced its autonomy over decision-making while 14% were neutral. The mean score of 4.28 shows that indeed decision-making autonomy was significantly influenced by subsidiary competences and resources. The standard deviation of 0.75 showed that the responses were varied.

The study found that 57% of the respondents agreed that cultural distance influenced its subsidiary autonomy over decision-making, 29% were neutral while 14% disagreed. The mean score of 3.57 showed that decision-making autonomy was significantly influenced by parent-subsidiary cultural distance. The standard deviation of 0.0.97 showed that the responses were varied.

The study found that 71% of the respondents agreed that independence of subsidiary from the HQ influenced its autonomy over decision-making while 29% were neutral. The mean score was 3.85 showing that decision-making autonomy was significantly influenced by independence of subsidiary from the parent. The standard deviation of 0.69 showed that the responses were varied.

Table 7: Factors Influencing Subsidiary Autonomy

	1 (%)	**2 (%)**	**3 (%)**	**4 (%)**	**5 (%)**	**Mean**	**Std. Dev**
MNC level factors							
Size of the MNC	14	0	0	14	71	4.2857	1.49603
MNC nationality	0	14	14	14	57	4.1429	1.21499

Existence of MNC global strategy	0	0	0	29	71	4.7143	.48795
Subsidiary level factors							
Establishment mode	0	0	0	67	33	4.3333	.51640
Location of subsidiary	0	0	14	57	29	4.1429	.69007
Ownership structure	0	0	0	47	53	4.4286	.53452
Subsidiary age	0	14	14	43	29	3.8571	1.06904
Size of subsidiary	0	0	14	57	29	4.1429	.69007
Importance of subsidiary	0	0	0	67	33	4.3333	.51640
Subsidiary function	0	0	29	42	29	4.0000	.81650
Subsidiary role	0	0	14	57	29	4.1429	.69007
Subsidiary competences/resources	0	0	14	43	43	4.2857	.75593
HQ-Subsidiary relationship level factors							
Cultural distance	0	14	29	43	14	3.5714	.97590
Interdependence	0	0	29	57	14	3.8571	.69007

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of research findings, conclusions made from the findings, recommendations for policy and practice and also suggestions for further research.

5.2 Summary of findings

The study found that setting financial targets was a prerogative of the parent company after consulting with the subsidiary (100%). The study found that 14% of the managers were of the opinion that preparation of yearly budgets was the subsidiary's full responsibility, 43% thought it was decided by the subsidiary after consulting the parent company while another 43% cited that it was decided by the parent company after consulting with the subsidiary. The study found that on acquisition of funds for working capital, 14% were of the opinion that it was the subsidiary's full responsibility, 29% cited that it was decided by the subsidiary after consulting the parent company, 43% cited that it was decided by the parent company after consulting with the subsidiary while 14% cited that it was fully dictated by the parent. The study revealed that 67% of the managers cited that choosing capital investment was decided upon by the parent after consulting the subsidiary while 33% said that it was fully dictated by the parent. The study found that on financial investment program, 14% cited that it was the subsidiary's full responsibility, 29% cited that it was decided by the parent after consultation with the subsidiary and 57% cited that it was dictated by the parent. The study found that 14% of the managers agreed that the management was fully responsible for setting target profitability, 27% cited that it was decided by the subsidiary after consulting the parent, and 57% cited that it was decided by the parent after consulting the subsidiary. The study revealed that on the sale of fixed assets, 71% cited that it was decided by the subsidiary after consulting parent, 14% cited that it was decided by parent after consulting the subsidiary while another 14% cited that it was dictated by the parent. On decisions relating to dividend policy, the study revealed that 17% agreed that it was decided upon by the parent after consulting the subsidiary and 83% were of the opinion that the decision was fully dictated by the parent. The study noted that royalty payment to parent was solely dictated by the parent (100%).

On the output volume, it was revealed that 14% agreed that the subsidiary had full responsibility, 57% cited that it was decided by the subsidiary after consultations with the parent, and 29% cited that it was decided by the parent after consulting the subsidiary. The study found that on product range, 14% agreed that it was full responsibility of the subsidiary, 43% cited that it was decided upon by the subsidiary after consulting the parent while another 43% cited that it was decided by the parent after consulting the subsidiary. The study found that 14% of the managers cited that the subsidiary had full responsibility over decisions to introduce new products, 29% cited that it was decided by the subsidiary after consulting with the parent, 43% said it was decided by the parent after consulting with the subsidiary while 14% cited that the decision was dictated by the parent. On the decisions regarding withdrawal of products, 43% of the managers cited that the subsidiary had full responsibility over decisions to introduce new products, 29% cited that it was decided by the subsidiary after consulting with the parent, 14% said it was decided by the parent after consulting with the subsidiary while another 14% cited that the decision was dictated by the parent. On decisions regarding entry into new Kenyan market, the study found that 67% of managers cited that the subsidiary was fully responsible and 33% cited that it was decided by the subsidiary after consulting the parent. The study found that on the decisions regarding entry into new non-Kenyan markets, 29% cited that it was decided by the subsidiary after consulting with the parent, 14% cited that it was decided by the parent after consulting with the subsidiary while 57% cited that it was dictated by the parent. On pricing policy, the study found that 43% of the managers cited that the subsidiary was fully responsible for this and 57% cited that the decision was made by the subsidiary after consulting with the parent. On purchasing policy, the study found that 14% of the managers cited that the subsidiary had full responsibility over decisions to introduce new products, 71% cited that it was decided by the subsidiary after consulting with the parent, and 14% said it was decided by the parent after consulting with the subsidiary. The study found that 43% of the managers cited that they had full responsibility over advertising and sales promotions while 57% cited that it was decided by the subsidiary after consulting with the parent. The study found that 43% of the managers cited that they had full responsibility over distribution while 57% cited that it was decided by the subsidiary after consulting with the parent.

The study found that 57% of the managers cited that they had full responsibility over union decisions while 43% cited that it was decided by the subsidiary after consulting with the parent. The study found that 57% of the managers cited that they had full responsibility over collective bargaining while 43% cited that it was decided by the subsidiary after consulting with the parent. The study found that 14% of the managers cited that they had full responsibility over wage increases while 86% cited that it was decided by the subsidiary after consulting with the parent. The study found that 14% of the managers cited that they had full responsibility over size of workforce while 86% cited that it was decided by the subsidiary after consulting with the parent. The study found that 14% of the managers cited that they had full responsibility over redundancies while 86% cited that it was decided by the subsidiary after consulting with the parent. The study found that 71% of the managers cited that they had full responsibility over recruitment of workers while 29% cited that it was decided by the subsidiary after consulting with the parent. On the decisions regarding recruitment of executives, 14% of the managers cited that the subsidiary had full responsibility over it, 14% cited that it was decided by the subsidiary after consulting with the parent, 29% said it was decided by the parent after consulting with the subsidiary while 43% cited that the decision was dictated by the parent. On the decisions regarding recruitment of senior management, 14% of the managers cited that the subsidiary had full responsibility over it, 43% cited that it was decided by the subsidiary after consulting with the parent, and 43% said it was decided by the parent after consulting with the subsidiary.

On the decisions regarding research and development, 29% cited that it was decided by the subsidiary after consulting with the parent and 71% cited that the decision was dictated by the parent. On the decisions regarding technology, 14% of the managers cited that the subsidiary had full responsibility over it, 14% cited that it was decided by the subsidiary after consulting with the parent, 14% said it was decided by the parent after consulting with the subsidiary while 57% cited that the decision was dictated by the parent.

The study found that 85% of the respondents agreed that size of MNC influenced subsidiary autonomy while 14% disagreed. The study found that 71% of the respondents agreed that MNC nationality influenced subsidiary autonomy, 14% were neutral while another 14% disagreed. The study revealed that all the respondents were in agreement that existence of MNC global strategy influences subsidiary autonomy. The study found that all the respondents were in agreement that the mode of establishment of a subsidiary has an influence on its autonomy. On the influence of location of subsidiary on its autonomy, 14% were neutral while 86% agreed. On the influence of ownership structure, the study noted that all the respondents were in agreement that it influenced subsidiary autonomy. The study found that 72% of the respondents agreed that subsidiary age influences autonomy, 14% were neutral while another 14% disagreed. Eighty six percent of the respondents agreed that the size of the subsidiary influenced decision-making autonomy while 14% of the respondents were neutral. The study found that all the respondents agreed that the importance of a subsidiary influences its autonomy. The study found that 71% of the respondents agreed that subsidiary function influenced its autonomy over decision-making while 29% were neutral. The study found that 86% of the respondents agreed that subsidiary role influenced its autonomy over decision-making while 14% were neutral. The study found that 86% of the respondents agreed that subsidiary competences and resources influenced its autonomy over decision-making while 14% were neutral. The study found that 57% of the respondents agreed that cultural distance influenced its subsidiary autonomy over decision-making, 29% were neutral while 14% disagreed. The study found that 71% of the respondents agreed that independence of subsidiary from the HQ influenced its autonomy over decision-making while 29% were neutral.

5.3 Conclusions

The study sought to determine the extent of decision making autonomy in Rentokil Initial Kenya. The study revealed that the overall mean score for financial decision making autonomy was 3.02. This means that these decisions were generally made by the parent after consulting the subsidiary. Thus, as far as autonomy over financial decisions is concerned, the management of Rentokil Initial Kenya did not have autonomy over them. Much of these decisions were made by the parent or by the subsidiary management only after consulting the parent. The study found that the overall mean score for autonomy regarding marketing and production decisions was 2.03. This indicates that generally these decisions were made by the subsidiary but with consultations with the parent. Thus, the study concludes that the subsidiary has some considerable level of autonomy over decisions regarding marketing and production. The study found that the overall mean score on autonomy over employment and personnel decisions was 1.87. These results suggest that the subsidiary had autonomy over many decisions regarding employment and personnel but some of them such as recruitment of senior and executive management had to involve the parent company too. On research and development and technology decisions, the overall mean score was 3.29. This suggests that R&D and Technology decisions were made by the parent after consulting the subsidiary. Thus, the subsidiary did not have autonomy over such decisions.

The study also sought to establish the factors influencing the extent of decision making autonomy in Rentokil Initial Kenya. The results revealed that all the MNC level factors had a highly significant influence on decision making autonomy. These were size of MNC (mean score of 4.28), MNC nationality (mean score of 4.14), and existence of a global strategy (mean score of 4.71). Overall, MNC level factors had a mean score of 4.38. The overall mean score for subsidiary level factors was 4.19 suggesting that these factors had a significant influence on decision making autonomy. These included establishment mode (4.3), ownership structure (4.4), importance of subsidiary (4.3) and subsidiary competences and resources (4.2), among others. The overall mean score on HQ-Subsidiary relationship factors was 3.71. This shows that these factors had an average influence on decision making autonomy. These factors were cultural distance (3.5) and interdependence (3.8).

5.4 Recommendations

The study found that the extent of decision making autonomy in the subsidiary under scrutiny was low. The study recommends that there is need for more autonomy in the subsidiary over financial decisions as well as over marketing decisions. Given the highly competitive industry in which the company operates, it would be great if the management had autonomy over strategic decisions such as market expansions. These require financial resources which the management also needs to have autonomy over.

There is also need for other MNCs to loosen some control especially when the overall goal of the MNC is to expand their markets. As such, the parent companies need to get a right balance of control so that they do not appear overbearing to the extent of killing creativity in the subsidiaries.

5.5 Suggestions for further research

More studies need to be done especially on a wider scale among the MNCs and with higher statistical tools such as regression or correlation analysis to determine the influence of decision making autonomy on the competitiveness of the subsidiaries within the local market in which they operate.

REFERENCES

Gomez, C, and Sanchez, J.I. (2005) Human resource control in MNCs: a study of the factors influencing the use of formal and informal control mechanisms, The International Journal of Human Resource Management, Volume 16, Issue 10 October 2005 , pages 1847 – 1861

Baliga, B.R. and Jaegar, A.M. (1984), ``MNC: control systems and delegation issues", in Transnational Corporations and Business Strategy, Lecrow, D.J. and Morrison, A.J., (Eds), Routledge, London.

Bartlett, C.A. and Ghoshal, S. (1989), Managing Across Borders: The Transnational Solution, Harvard Business Press, Boston, MA.

Christodoulou, P. (1996), Inward Investment: An Overview of and Guide to the Literature, The British Library, London.

Collins, R. and Schimenner, R. (1997), ``Pan regional manufacturing: the lessons from Europe", in Mastering Management, Financial Times, Pitman Publishing, London.

Dunning, J.H. (1986), Japanese Participation in British Industry, Addison-Wesley, Reading Gates, S.R. and Egelhoff, W.G. (1986), ``Centralization in headquarter-subsidiary relationships", Journal of International Business Studies, Vol. 17, Summer, pp. 71-93.

Hamill, J. (1983), ``The labour relations practice of foreign owned and indigenous firms", Employee Relations, Vol. 5, pp. 14-16.

Hood, N. and Young, S. (1988), ``Inward investment and the EC: UK evidence on corporate integration strategies", in Dunning, J.H. and Robson, P. (Eds), Multinationals and the European Community, Basil Blackwell, Oxford.

Locate in Scotland (1997), Annual Review 1996-1997, Locate in Scotland publication.

McCalman, J. (1991), ``The Japanese of silicon glen: implications for spin-off and supplier linkages", Fraser of Allander Quarterly Economic Commentary, Vol. 17, pp. 56-63.

Papanastassiou, M. and Pearce, R.D. (1997), ``Technology sourcing and the strategic roles of manufacturing subsidiaries in the UK: local competences and global competitiveness", Management International Review, Vol. 37 No. 1, pp. 5-26.

Rentokil Initial (2009) Financial Statements for Year 2009

Rentokil Initial (2010) Company Profile Document

Steuer, M.D., Abell, P., Gennard, J., Perlman, M., Rees, R., Scott, B. and Wallis, K. (1973), The Impact of Foreign Direct Investment on the UK, Department of Trade and Industry, HMSO, London.

Van Den Bulcke, D. and Halsberghe, E. (1984), Employment Decision-Making in MNEs: Survey Results from Belgium, Multinational Enterprises Programme, Working Paper No. 32, International Labour Office, Geneva.

Wind, J. (1997), ``Big question for the 21st century", in Mastering Management, Financial Times, Pitman Publishing, London.

Yao-Su, H. (1992), ``Global or stateless corporations are national firms with international operations", California Management Review, Winter, pp. 107-21.

Young, S., Hood, N. and Hamill, J. (1985), Decision-Making in Foreign-Owned Multinational Subsidiaries in the United Kingdom, Multinational Enterprises Programme, Working Paper No. 35, International Labour Office, Geneva.

APPENDICES

Appendix 1: Letter of Introduction

Appendix 2: Questionnaire

Section 1: Demographics

Please mark appropriately against the following option as best as it describes you.

1. Gender

   Male ( ) Female ( )

2. Age

   Below 25 years ( )

   25-30 years ( )

   31-40 years ( )

   41-50 years ( )

   51 and above ( )

Section 2: Extent of decision-making autonomy in the organisation

3. The table below shows various financial decisions relating to the operations of your business. Circle in the appropriate box the extent of autonomy over the decision by the management using the key below.

Key:

1 means full responsibility of subsidiary

2 means decided by subsidiary after consultation with the parent

3 means decided by the parent after consultation with the subsidiary

4 means dictated by the parent

	1	2	3	4
Set financial targets	1	2	3	4
Prepare yearly budgets	1	2	3	4
Acquire funds for working capital	1	2	3	4
Choose capital investment	1	2	3	4
Finance investment program	1	2	3	4
Set target profitability	1	2	3	4
Sale of fixed assets	1	2	3	4
Dividend policy	1	2	3	4
Royalty payment to parent	1	2	3	4

4. The table below shows various marketing and production decisions relating to the operations of your business. Circle in the appropriate box the extent of autonomy over the decision by the management using the key below.

Key:

1 means full responsibility of subsidiary

2 means decided by subsidiary after consultation with the parent

3 means decided by the parent after consultation with the subsidiary

4 means dictated by the parent

	1	2	3	4
Output volume	1	2	3	4
Product range	1	2	3	4
Introduce new products	1	2	3	4
Withdraw products	1	2	3	4
Enter new Kenyan market	1	2	3	4
Enter new non-Kenyan market	1	2	3	4
Pricing policy	1	2	3	4
Purchasing policy	1	2	3	4
Advertising and sales promotions	1	2	3	4
Distribution	1	2	3	4

5. The table below shows various employment and personnel decisions relating to the operations of your business. Circle in the appropriate box the extent of autonomy over the decision by the management using the key below.

Key:

1 means full responsibility of subsidiary

2 means decided by subsidiary after consultation with the parent

3 means decided by the parent after consultation with the subsidiary

4 means dictated by the parent

	1	**2**	**3**	**4**
Union decisions	1	2	3	4
Collective bargaining	1	2	3	4
Wage increases	1	2	3	4
Size of workforce	1	2	3	4
Redundancies	1	2	3	4
Recruitment of workers	1	2	3	4
Recruitment of executives	1	2	3	4
Recruitment of senior management	1	2	3	4

6. The table below shows various research and development and technology decisions relating to the operations of your business. Circle in the appropriate box the extent of autonomy over the decision by the management using the key below.

Key:

1 means full responsibility of subsidiary

2 means decided by subsidiary after consultation with the parent

3 means decided by the parent after consultation with the subsidiary

4 means dictated by the parent

	1	**2**	**3**	**4**
Research and development	1	2	3	4
Technology	1	2	3	4

Section 3: Factors influencing autonomy of decision making

7. To what extent do you agree that the factors listed in the table below influence the level of decision making autonomy given to Rentokil Initial Limited (K) by the parent company?

   1 strongly disagree

   2 disagree

   3 neutral

   4 agree

   5 strongly agree

	1	**2**	**3**	**4**	**5**
MNC level factors					
Size of the MNC	1	2	3	4	5
MNC nationality	1	2	3	4	5
Existence of MNC global strategy	1	2	3	4	5
Subsidiary level factors					
Establishment mode	1	2	3	4	5
Location of subsidiary	1	2	3	4	5
Ownership structure	1	2	3	4	5
Subsidiary age	1	2	3	4	5
Size of subsidiary	1	2	3	4	5
Importance of subsidiary	1	2	3	4	5
Subsidiary function	1	2	3	4	5
Subsidiary role	1	2	3	4	5
Subsidiary competences/resources	1	2	3	4	5
HQ-Subsidiary relationship level factors					
Cultural distance	1	2	3	4	5
Interdependence	1	2	3	4	5