INTERNATIONAL STAFFING PRACTICES BY KENYA COMMERCIAL BANK GROUP WITHIN THE EAST AFRICA REGION

BY:

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DECLARATION

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

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

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ABSTRACT

This study investigates senior management staffing practices in foreign subsidiaries of the Kenya Commercial Bank (KCB) Group. Previous research on MNCs staffing practices mainly focused on expatriate staffing policy and practices in US, Canadian, Japanese and European MNCs. Sharp differences are revealed among the MNCs affiliates suggesting strong country effects supporting the view of MNCs as composed of differentiated practices.

The study addressed two research objectives, to determine international staffing practices by KCB Group in the East African region and to determine what factors influences KCB Group international staffing practices within its subsidiaries in the East African region, contributing to the scarce research on international staffing practices of homegrown Kenyan Multinationals like KCB Group. Grounded in literature review of the reasons for employing either parent country nationals or host country nationals in senior management positions in foreign subsidiaries, a number of factors influencing the choice between these alternatives were identified. Using a case study approach, the international staffing practices of Kenya Commercial Bank (KCB) Group in its subsidiaries in the East African Region are examined. Data from focused interviews and existing documents on human resources strategy & policies, and organization charts were used. Data from the interviews and documents reviewed was analyzed using content analysis and the analysis of the findings revealed congruence with theoretical strategies identified in previous studies. A number of factors influencing the choice between PCNs and HCNs were identified. It was found that Kenya commercial bank group has adopted an ethnocentric approach to staffing its international subsidiaries through use of parent country nationals (PCNs) for senior management positions. As hypothesized, all best practice variables were found to apply in KCB Group, albeit in differing degrees. From the findings, it’s clear that KCB group has been motivated by a number of factors to use PCNs, the main ones being control, reinforce corporate culture, and filling positions where qualified human resource is lacking. From the findings it’s clear that KCB group experiences some challenges in staffing its foreign subsidiaries including cultural distance, human resource constraints and host country government regulations.

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ACRONYMS AND ABBREVIATIONS

KCB group:	Kenya Commercial Bank Group
MNCs:	Multinational Corporations
MNEs:	Multinational Enterprises
HRM:	Human Resources Management
PCN:	Parent Country National
HCN:	Host Country National
TCN:	Third Country National
HQ:	Head Quarter
US:	United States of America

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the international Human Resource Management (HRM) literature, the discussion of staffing practices takes a predominant place. Multinational corporations (MNCs) recognize that human resources play an important role in developing and sustaining a competitive advantage in today's highly competitive global business environment. Various international Human Resource Management (HRM) practices of MNCs are entirely focused upon the international management strategy that it adopts in order to maintain or manage its Human Resources within its foreign subsidiaries. The most important element in an international context is usually the international staffing policies, for employing either parent country nationals (PCN) or host country nationals (HCN) as managers in their foreign subsidiaries, and which circumstance will invoke a preference for one policy over another.

In this time of rapid globalization and competitive business world, firms seek to gain competitive advantages by going global via entering foreign markets. Over the years, this rise in global competitive pressure has led to the growth of Multinational Corporations (MNCs). MNCs are corporations with substantial investments in foreign countries and are engaged in active management of those offshore assets (London & Stuart, 2004). MNCs can also be defined as organization's that have established identical units of their domestic business in different countries and markets, comprising predominantly large firms. Multinational organizations have varying reasons for global expansion, largely aiming to increase competitive advantage by realizing economies of scale or economies of scope.

Sub-Saharan Africa has gained fame for its expanding and flourishing multinational companies. An element of uniqueness with these companies is that they are not foreign companies based out of Africa, instead these are homegrown multinational companies based in countries of Sub Saharan Africa. East African MNCs are concentrated in Kenya and Mauritius and their expansion has also focused on nearby countries that share major economic attributes. Kenya is the commercial hub for much of the region and its biggest MNCs like KCB have expanded into almost all neighboring countries.

1.1.1 International Staffing Practices

Multinational corporations recognize that human resources play an important role in developing and sustaining a competitive advantage in today's highly competitive global business environment (Briscoe & Schuler. 2004). While all aspects of managing human resources are important, staffing of foreign subsidiaries continues to be an important strategic human resource practice that MNCs use to develop and sustain a competitive advantage in the international marketplace (Briscoe & Schuler. 2004; Gong, 2003).

The purpose of international staffing practices is to achieve a variety of corporate motives; filling positions in foreign units due to a lack of skilled local personnel, using global assignments for management development purposes, establishing control and coordination of geographically dispersed entities, and knowledge transfer as a key motive for transferring personnel abroad. These staffing practices encompass different directions, that is, personnel can be transferred both between the corporate headquarters and a local unit as well as between different subsidiaries. Accordingly, since the respective employees’ country-of-origin and the subsidiary location differ, the process comprises parent-country nationals (PCNs), host-country nationals (HCNs) and third country nationals (TCNs).

Staffing practices are shaped by a wide array of factors that include the notion that an organization’s dominant logic, characterized by top management’s beliefs, attitudes and mindsets, substantially shapes corporate strategy (Perlmutter, 1969). It is widely accepted that the management philosophy toward the firm’s foreign operations is a crucial determinant of MNC management in general and international staffing decisions in particular. This is referred to as managerial orientation. International Business literature has identified four types of managerial orientations: ethnocentric, polycentric, geocentric and regiocentric, referred to as the EPGR model.

The ethnocentric orientation is orientated towards home country. The prevailing attitude of senior management in this orientation is that the way of doing business, at home, is applicable to the rest of the world. The attitude is probably that national employees and leaders are more capable to maintain international tasks than non-native employees recruited in the host-country. The practices and policies of headquarters are transferred to the international subsidiaries, which need to comply with these standards. An ethnocentric orientation to subsidiary staffing results in key positions being filled by headquarters' management personnel.

Polycentric orientation is oriented towards host country.The assumption of managers in this orientation is that the "one-size-fits-all" approach is unfeasible. Subsidiaries are managed as autonomous units, who are allowed to manage their operations as they see fit. This leads to a broader organizational culture, where top positions are not as heavily staffed by nationals from headquarter, but by local nationals, and potentially to a better understanding of local needs and demands.

Geocentric Orientation, which is oriented towards the whole world, does not regard nationality as a competitive advantage or disadvantage. Geocentric approach to staffing utilizes the best people for the key jobs throughout the organization, regardless of citizenship. The employees are recruited from all over the world, so that the best people are recruited to solve global problems. The MNC tries to develop both global differentiation and global integration between headquarter and foreign subsidiaries. The focus is therefore to gain the potential advantages of an integrated company. Finally, a regiocentric approach has been identified and can be placed in between the polycentric and geocentric orientation. Here, staffing policies concentrate on the regional cross-country transfer of staff

Parent country nationals (PCNs) are defined as employees of the MNC who are citizens of the country where the MNE's corporate headquarter is located. PCNs have been characterized as having three fundamental competencies: familiarity with the MNE's corporate culture; ability to communicate with headquarters; and ability to maintain control over the subsidiary’s operations. In general, the presence of PCNs in a subsidiary provides some assurance that the subsidiary will comply with MNE strategic objectives, policies and goals. Host country nationals (HCNs) are defined as employees of the MNE who work in the foreign subsidiary and are citizens of the country where the foreign subsidiary is located. HCNs are generally recognized as having two core competencies: familiarity with the cultural, economic, political and legal environment of the host country, and ability to respond effectively to the host country's requirements for localization of the subsidiary's operations, HCNs, however, lack familiarity with the parent country culture but this deficiency can be addressed through socializing HCNs at the parent country headquarters. HCNs can be socialized in a variety of ways such as training, mentoring, coaching and observing other employees allowing them to develop competencies similar to those developed by PCN's.

Finally, third country nationals (TCNs) are employees of the MNE who are neither the citizen of country where the MNE is headquartered nor citizens of the country where the foreign subsidiary is located, TCNs are generally viewed as a compromise between PCNs and HCNs. TCNs lack the host country's culture and the MNE's corporate culture. Similar to HCNs, TCNs can be socialized at the parent country headquarters to develop familiarity with the MNE's corporate culture and can also be socialized at the host county subsidiary to develop familiarity with the cultural, economic, political and legal environment of the host country.

1.1.2 Managerial Staffing

Organizations employ three levels of managers: first-line managers, middle managers, and top managers. They are arranged in a hierarchy of authority, and each has different, but related, responsibilities. First-line managers are responsible for the daily supervision of non-managerial employees. Middle-level managers supervise first-line managers. They also work with first line managers to identify new ways of reaching organizational goals. Very often, the suggestions that they make to top management can dramatically increase organizational performance. Top-level managers are responsible for the performance of all departments and therefore have a cross-departmental responsibility. Because top management is ultimately responsible for the success or failure of the organization, staffing of foreign subsidiaries continues to be an important strategic human resource practice that MNCs use to develop and sustain a competitive advantage in the international marketplace.

Top-level management also referred to senior management or management team is generally a team of individuals at the highest level of organizational management who have the day-to-day responsibilities of managing a company or corporation, they hold specific executive powers conferred onto them with and by authority of the board of directors and/or the shareholders. There are most often higher levels of responsibility, such as a board of directors and those who own the company (shareholders), but they focus on managing the senior or executive management instead of the day-to-day activities of the business. Senior management typically consists of the heads of the firm's product and/or geographic units and of functional executives such as the chief financial officer, the chief operating officer, and the chief strategy officer.

Senior management jobs are generally characterized by a high degree of complexity and diversity. This study will focus on senior managers in KCB Group.

1.1.3 Banking Industry in Kenya

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses.

As at 31st December 2011, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 4 representative offices of foreign banks, 6 Deposit-Taking Microfinance Institutions (DTMs), 118 Forex Bureaus and 2 Credit Reference Bureaus (CRBs). Out of the 44 banking institutions, 31 locally owned banks comprise 3 with public shareholding and 28 privately owned while 13 are foreign owned. The 6 DTMs, 2 CRBs and 118 forex bureaus are privately owned. The foreign owned financial institutions comprise of 9 locally incorporated foreign banks and 4 branches of foreign incorporated banks.

The ongoing regional integration efforts and the increasing competition in the banking sector saw a number of Kenyan banks establish their footprint in the East African Community Partner States and South Sudan. Similarly, two additional foreign financial institutions established physical presence in Kenya in 2011 through establishment of representative offices. As early as 5 years ago, excluding global banks, regional banking was the preserve of not more than 5 of the country's 44 commercial banks. As at end of 2011, 10 banks were operating regional subsidiaries span across at least one of the 4 East African Community (EAC) countries. These banks comprise; Kenya Commercial Bank, Diamond Trust Bank Kenya, Commercial Bank of Africa, Bank of Africa, Fina Bank, NIC Bank, Equity Bank, I & M. In addition, I & M Bank (K) has shareholding equivalent to 50 percent in Bank One in Mauritius while Prime Bank (K) has shareholding equivalent to 11.4 percent in First Merchant Bank in Malawi.

1.1.4 Kenya Commercial Bank (KCB) Group

Kenya Commercial Bank (KCB) Group is a financial services provider headquartered in Nairobi, Kenya. As of December 2011, it was among the three largest commercial banks in Kenya with assets of more than KES 251 billion, and shareholders capital valued at KES 40.9 billion. As of December 2011, KCB Group, the parent company of KCB Kenya, had the largest branch network in Kenya (168 branches) of all 44 licensed commercial banks in the country. KCB Groupsubsidiaries include KCB Burundi - Bujumbura, Burundi; KCB Rwanda - Kigali, Rwanda; KCB Sudan - Juba, South Sudan; KCB Tanzania - Dar es Salaam, Tanzania; and KCB Uganda - Kampala, Uganda. As of December 2011, KCB Group had the widest network of banking outlets comprising nearly 220 branches in Kenya, Rwanda, Burundi, Southern Sudan, Tanzania and Uganda.

The history of Kenya Commercial Bank (KCB) dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the bank extended its operations to Nairobi, which had become the headquarters of the expanding railway line to Uganda. The next major change in the bank's history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon Kenya's independence in 1963, the Government of Kenya acquired 60% shareholding in National &Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government of Kenya acquired 100% ownership of the bank's shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank. The Government has over the years reduced its share holding in KCB to 23%, as of December 2008. In a rights issue which concluded in August 2010, the shareholding by the Kenyan Government was reduced to 17.74%.

In 1997, a subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar es Salaam, Tanzania, to provide banking services and promote cross-border trading. In May 2006 KCB extended its operations to South Sudan following licensing by the Bank of South Sudan. In November, 2007, the first branch of KCB Uganda Limited opened in Kampala, Uganda following licensing by the Bank of Uganda. In 2008, KCB expanded to Rwanda, where the first branch opened in Kigali in December 2008, and a subsidiary was opened in Burundi in 2011.

Over the past 3 years, KCB has focused on repositioning itself as a more competitive outfit. Key focus has been on; cost cutting, increased use of technology and product innovation geared towards increasing cross-selling ratio. Also, for the first time since it embarked on its regional expansion drive, in 2011, KCB posted a commendable 7% of PBT from regional operations.

1.2 Research Problem

The question as to which management orientation should be used to run a firm's foreign affiliate or not has - directly or indirectly - been a topic of management research for long. The staffing objectives of multinational corporations like KCB Group, is either management development and/or organization development. Each of these objectives provides different reasons for employing either parent country nationals (PCN) or host country nationals (HCN).

International staffing decisions, their determinants and effectiveness in the context of multinational corporations are among the core inquiries in research on MNCs. A number of important questions regarding multinationals approaches to international staffing remain. Firstly, extant research has overwhelmingly focused on issues surrounding the expatriation of parent country nationals (PCNs), with a lack of attention on the utilization of host country nationals (HCNs) and third country nationals (TCNs) in staffing key positions in subsidiary operations. Further, much of the research effort so far has been made to explain staffing decision of US, European and Japanese multinational corporations.

Ayetamasinde (2012) studied approaches for recruiting senior personnel by multinational corporations in Kenya and found out that the MNC's have adopted varied human resource management approaches with polycentric being the most preferred. The study recommends building up case studies documenting the recruitment practices in multinational corporations to enhance establishment of benchmarks and best practices, and the need for the MNCs to rely on successful case studies in the HRM in the countries they want to start operations. Collings, Morley and Gunnigle (2008) did a study on composing the top management team in the international subsidiary of United States MNCs in the Republic of Ireland and found out that firms with a strong emphasis on building a coherent corporate culture may display a preference for utilizing internally sourced PCN and TCN employees rather than internally sourced HCNs in staffing key subsidies. MNC's with a limited degree of international exposure, may be more likely to hire HCNs with experience of working in firms of a similar national origin in staffing early international subsidiaries. Harzing (2001) in her empirical study of executive staffing practices in foreign subsidiaries established that while Japanese MNC's continue to rely strongly on expatriates, European MNC's have localized their subsidiary management.

There is no notable research undertaken on international staffing practices of Kenyan MNC's. Given that previous studies provide further support for the notion that staffing MNCs is a complex process influenced by context and pragmatism, previous research findings on international business staffing practices therefore may not be generalizable to homegrown Kenyan MNC's. This research therefore seeks to establish which international staffing practices KCB Group applies in the staffing of senior managers in its foreign subsidiaries and what factors influence the practices. This problem statement leads to the following question; which international staffing practices KCB Group applies in the staffing of senior managers in its foreign subsidiaries? And, what factors influence the staffing practices?

1.3 Research Objectives

This study sought to fulfill the following objectives:-

i) To determine international staffing practices by KCB Group in the East African region

ii) To determine what factors influences KCB Group international staffing practices within its subsidiaries in the East African region

1.4 Value of the Study

This study will be of value to KCB Group as it will help the bank understand which staffing practices are used for staffing senior managers in its subsidiaries, and describe which factors affect its international staffing practices. The study will enable the bank gain more understanding on the dynamism of staffing subsidiaries, and the effect of its staffing strategies on the performance of the subsidiary, as it continues with its regional expansion plans. This will provide managerial insights and guidance into the motives, strategic opportunities and constraints in cross national transfer of HR policies and practices.

The results of this study will bring additional understanding of the relationship between managerial orientation impact on staffing decisions in homegrown Kenyan MNC's like KCB Group, and may help managers to re-consider their options with regard to staffing subsidiary operations. Africa MNCs tend to be smaller in size with considerably less resources and international experience than their counterparts from developed markets. This limits their ability to transfer management practices across their subsidiaries. While there is growing recognition of and research on this contextual aspect with respect to some relatively advanced Asian economies, such as Japan, Korea, Taiwan and Singapore, Africa has been much less explored.

Finally, due to context and pragmatism, the study builds on conceptual foundations that have not been previously integrated and applied to homegrown Kenyan multinational corporations like KCB Group.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review of the study. In this chapter we shall look at the theoretical framework of the concepts identified for this study.

2.2 International Staffing Practices Concept

Research on subsidiary staffing strategies and decisions suggests that in order to manage its international activities, a firm develops arrangements for organizational structure and control that support its overall strategy. In addition Hill/Jones (1995) suggested that each type of strategy has its own objectives, issues, and priorities, as well as its own preferred organizational structure, reflecting differences in the need to coordinate and integrate global task activities. Similarly, past research suggests that structure and controls for managing internationally depend on how responsibility and authority are divided between domestic and foreign managers, to maintain effective control over a company's foreign operations.

When considering the orientations MNCs can take towards staffing senior positions in their foreign operations, Perlmutter’s (1969) seminal paper is an appropriate point of departure. Perlmutter introduced a classification of MNCs based on differentiating between firms on the basis of their postures towards the geographic sourcing of their managerial teams. He initially identified three possibilities: *ethnocentric* organisations where all key positions in subsidiary organisations were filled by nationals from the firm’s country of origin; *polycentric* organisationswhere subsidiary positions are generally staffed by nationals from the country in which the subsidiary is located and; *geocentric* organisations where positions are filled by the best available person regardless of nationality. In later work (Heenan&Perlmutter, 1979) a fourth possible orientation was added - *regiocentric*where organisations are configured on a regional basis with senior appointments in subsidiaries restricted to the best available person within the region. While it is unlikely that many MNCs will exactly fit a single type and generally display more than one type (Bonache& Fernandez, 1999) it provides a useful lens through which to consider the orientations of MNCs towards international staffing.

An ethnocentric firm views the business from the perspective and values of the home country. Policies and practices are likely to be designed by home-country nationals with little or no variation for international operations. Plessis and Huntley (2009) defines the 'ethnocentric' approach as "the approach where the cultural values and business practices of the home country are predominant as it is the Head Office (HO) of the MNC which develops a managing and staffing approach and applies it consistently around the world". Consequently, a cultural control strategy focusing on expatriate parent country nationals may be adopted in subsidiaries. Expatriate parent country nationals may have already internalized the parent firm's values prior to their overseas assignments to subsidiaries, and they are thus more likely than host country nationals to identify with the parent's global strategic goals (Kobrin,1988). These shared values and goals help ensure that the subsidiaries are likely to act in accordance with the parent's strategic intent. Indeed, research suggests that Japanese expatriate parent country nationals exhibit a single, global commitment to a parent organization as a whole (Gregersen& Black, 1996). Staffing subsidiaries with expatriate parent country nationals thus represents a cultural control strategy that simultaneously grants subsidiaries flexibility in choosing actual courses of action to achieve the parent's strategic objectives and ensures a high degree of compliance with commands from headquarters (Welch, Fenwich, & De Cieri, 1994).

According to Pattanayak (2005), Multinational Corporations usually adopt ethnocentric strategy in the early stages of internationalization process in order to ensure that the corporate values of the parent company are instilled within its foreign subsidiaries so that the same corporate standard and reputation is maintained all over the globe. For example, McNally and Parry (2000) asserts that such an ethnocentric predisposition allows a global company to control the strategic direction of all its foreign subsidiaries and that it is a very nationalistic approach as it highly regards the parent company's Human Resource Management practices and policies as the 'best-way' for managing the Human Resources globally as well as to attaining the overall corporate goals of the MNC. Furthermore, Sims (2002) states that MNCs usually adopt this strategy via sending expatriates to fill all the senior management posts within its foreign subsidiaries as a result of which these MNCs can withhold tight control over all their foreign counterparts.

For the establishment of a subsidiary, it is relatively well established in the literature that PCN presence tends to be higher in newly established subsidiaries and declines over time (Gong, 2003; Harzing, 2001). However equally important is the expansion of MNC operations in a given location. In situations when the MNC is expanding subsidiary operations or opening new operations in a location where an already established subsidiary exists, there will be an established HCN management team and thus the level of PCN expatriates should be lower in this development situation. In addition, the length of subsidiary operation interacts with cultural distance in affecting the utilization of expatriate parent country nationals: the longer the operation, the lower the proportion of expatriate parent country nationals, and the less the likelihood of staffing senior management positions with expatriate parent country nationals. Over time, expatriate parent country nationals may socialize host country nationals into their corporate cultures. As a result, headquarters may be able to exercise cultural control over subsidiaries without expatriates. Cultural learning over time enables headquarters to employ behavioral or outcome control, making expatriates less necessary. Second, host country nationals may gradually gain tacit and firm-specific knowledge and skills through daily experiential learning from expatriate parent country nationals (Luo&Peng, 1999). Learning from expatriate parent country nationals helps establish a subsidiary's own knowledge base and enhances its ability to absorb additional knowledge and skills from the parent firm, making these individuals less necessary over time. Finally, continuous heavy reliance on expatriate parent country nationals may also damage a subsidiary's local legitimacy after host country personnel have gained knowledge and skills from expatriate parent country nationals. Given that expatriates are less necessary over time, but always more expensive than host country nationals (Briscoe, 1995), the positive impact of expatriate staffing on subsidiary performance may gradually decrease.

Due to the paucity of empirical literature in this area, I hypothesize that MNCs from developing economies like Kenya entering other undeveloped or developing and emerging markets may follow their counterparts in developed markets by adopting an ethnocentric approach. They attempt wholesale transfer of the parent firm's HRM systems to their subsidiaries, especially with regard to their core competencies (Pudelko&Harzing, 2007), to achieve high internal consistency. The other reason identified is the limited availability of management and technical skills in some countries (Delios&Bjorkman, 2000; Scullion, 1994). Some authors have noted that

MNCs are more likely to adopt an adaptive or polycentric approach in developed countries than lesser-developed countries due to the greater availability of managerial skills in developed countries (Bazeley& Richards, 2000; Richards, 2001; Shen, 2006).

The role of the MNC's internationalization strategy may impact of international staffing practices. Although this is an under explored area of the debate, Scullion and Starkey's (2000) empirical study represents an important contribution. In this regard Scullion and Starkey examined the role of the corporate HR function specifically in the context of the internationalised firm. They identified three distinctive groups of companies: centralised companies, where large corporate HR staffs exercised control over the careers and mobility of senior management and high potentials worldwide; decentralised companies, with a smaller corporate HR function with a more limited role in managing the careers and mobility of senior management and high potentials worldwide and; transition companies that were in the process of moving from a decentralised approach to a more centralised approach.

Extant literature on US MNCs shows that policy-making, both in the domain area of HR and more generally, tends to be more centralised and standardised than in MNCs of other national origin (e.g. Harzing, 1999; Negandhi, 1986; Young et al., 1985; Yuen &Kee, 1993). Further, these policies tend to be more formalised (i.e. explicit through systems and procedures and standardised across the corporation) in US MNCs. Thus, US MNCs tend to be characterised as quite ethnocentric in their orientation towards international management (Boyacigiller, 1990; Ferner et al., 2004). Paradoxically however, on balance, the literature with regard to the utilization of expatriates in US MNCs suggests that they tend to use fewer expatriates to fill key subsidiary positions than their European and Japanese counterparts (Harzing, 1999; Tung, 1992).

Turning to the factors which impact on the configuration of staffing arrangements in multinational subsidiaries, without doubt the host country emerges as significant. Specifically, the use of PCN expatriates to fill key positions is higher in developing countries (Boyacigiller, 1990; Harzing, 2001) and in subsidiaries based in hosts with lower levels of educational attainment (Gong, 2003; Collings& Scullion, 2006). Further, there is often fierce competition between MNCs and local organizations to recruit and retain managers with the scarce competencies required to operate in these emerging markets (Gupta & Wang, 2007). Indeed, it has been argued that the supply of international managers is often retarded through the failure by many MNCs to effectively recruit, retain and develop HCN managers (Black &Gregerson, 1999).

Research has shown that seldom are any of the centric approaches found in their pure form. Levels of centricity vary particularly across functional policies and procedures and, According to Malnight (1995), at any given time the level of centricity within each business function can be different. In addition, there is evidence that the level of centricity is variable. For example, Wind, Douglas and Perlmutter (1973) found significant differences along the EPRG profile within the marketing function among different types of marketing decisions. The evaluation of an MNCs' approach to functional areas demonstrates the complexity of centricity within an organization, as well as highlighting the likelihood of centric variation both within and between functional areas. Although it has been suggested by Calof and Beamish (1994) that a geocentric orientation may offer the best approach to international management, it would appear that it is unlikely to be found in its pure form within one organization. When this is linked with the fact that mission statements and promotion of organizational philosophy may not be demonstrated in operational practice, the complexity of investigating the centric orientation of a firm is demonstrated.

2.3 Managerial Staffing

Organizations employ three levels of managers: first-line managers, middle managers, and top managers. They are arranged in a hierarchy of authority, and each has different, but related, responsibilities giving rise to agency relationship. Agency theory has been advanced as useful in explaining the relationship between MNCs and their foreign subsidiaries in which the principal's (HQ) economic interests require the efforts of their agents (subsidiary management). In exploring these debates we draw on agency based perspectives, which have an established pedigree in research on the institutionalization of organizational control mechanisms and global staffing decisions (Gong, 2003).

Agency perspectives suggest that MNCs should undertake monitoring to minimize agency problems in subsidiary operations, and the deployment of PCN expatriates has long been advanced as a key means of monitoring subsidiary behavior. As Tan and Mahoney (2003) note, this is based on the premise that expatriates have been socialized into the global firm and thus would be expected to have a more balanced understanding of the subsidiary's role within the MNC and more likely to act in the best interests of the MNC. However, while this theory is useful for explaining decisions with regard to greenfield start-ups, it has limitations with regard to staffing expansions where there are HCNs within the subsidiary who may be equally socialised into the MNC, depending on their experience in the global corporation. Thus, by this stage, there may be a competent cohort of HCNs within the subsidiary with the potential to run the expansion and with the requisite track record within the firm to be trusted to so do.

2.4 Conclusion

The literature review shows that a differentiated approach to subsidiary management as advocated by many scholars in the field of international management is important for staffing practices. Most scholars identified several key variables that influenced the choice for either a PCN or a HCN to staff positions for its foreign subsidiaries. The variables have significant effects on staffing practices overall, with the most important being founding, dependence upon the local environment for inputs, presence of expatriates, and frequency of communication, and in addition, specific tendencies according to parent nationality. From the literature, it can be concluded that HCN and TCN employees play a key role in managing MNCs which display a strong centralised control over their subsidiaries, for instance US MNCs. Furthermore, the use of HCNs and TCNs to staff senior positions in new expansions within the host country is higher where the expansion follows a wave of earlier investment in that location. Firms, mainly form Europe and Japan, with a strong emphasis on building a coherent corporate culture may display a preference for utilising internally sourced PCN and TCN employees rather than internally sourced HCNs in staffing key subsidies.

Previous research findings on international business staffing practices mainly focused on USA, European and Japanese MNCs, and may therefore may not be generalizable to homegrown Kenyan MNC's. It is in this light that this descriptive study was undertaken to establish which international staffing practices KCB Group applies in the staffing of senior managers in its foreign subsidiaries and what factors influence the practices.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, data collection methods and procedures for data analysis.

3.2 Research Design

A case study was used for this research to gain insight into the central phenomenon of international staffing practices for senior management for KCB Group subsidiaries. Credibility for this study was achieved using the validation strategies of triangulation. The data collected was triangulated with the various forms of data that were collected in this Study. The study was carried out in Nairobi, Kenya, where the parent of KCB Group is located and data gathered from information on 5 subsidiaries of KCB Group.

3.3 Data Collection

Data for this study was generated largely through in-depth interviews with company personnel and additional information was garnered from company documentation (Documents - letters, agendas, progress reports, and archival records (Service records, organizational charts, budgets etc.), and follow-up interviews to capture executives' perceptions. It targeted key executives within KCB Group (Head of Strategy and Research, Head of Human Resources, Talent and Resourcing Manager, Chief Business Officer, International, former senior managers of subsidiaries, Head of Finance & Planning) who possess vital information on the internalization strategy of the bank. The objective of this strategy was to triangulate, in the sense of confronting and comparing data collected through different means and sources and retaining only the most consistent one, "following a corroboratory mode" in order to ensure greater reliability and accuracy of the results.

The interview protocol consisted of a set of questions to probe various aspects of KCB Groups international staffing practices. In most cases, the questionnaire was circulated prior to the interviews to enable the interviewees to prepare in advance.

3.4 Data Analysis

After collection of the data, a thematic analysis of the interview data was conducted following theoretical propositions that have formed the design of the case study to focus attention on the research question.

Content analysis techniques (categorizations of subjective information based on frequency of occurrence) was used to carry out the necessary inferences for data from interviews. The aim was to move from a set of unstructured data (participant’s accounts), to a collection of concepts and interpretations. This approach dealt with the analysis of the broad theme and emergent themes were ranked by their frequency of mention, and finally, categorized following a grounded approach to data analysis. As part of the general strategy for data analysis, pattern matching analytical technique was used to compare empirically based patterns with predicted ones - expected outcomes as a pattern through comparing if the initially predicted results were found and alternative patterns absent.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study. Data analysis involved content analysis of primary data collected from interviews and secondary data sourced from KCB Group. The findings were presented using tables and simplified discourse. A brief explanation accompanies each table so as to make the findings more user-friendly and easy to understand.

4.2 Organization Profile

This section provides a profile of KCB Bank Group, the organization involved in the study. This data was obtained from interviews carried out with the respondents and company documents reviewed. This section contains a description of KCB Group senior management structure and KCB Groups subsidiaries; years in operation and number of staff and senior managers.

4.2.1 KCB Group Subsidiaries Organization Structure

In this study, 10 members of KCB staff ranging from the Head of Strategy, Director Human Resources, Talent and Sourcing Manager, Chief Business Officer, and 5 senior managers who are working or had at one time worked in the subsidiaries were interviewed. As per the internationalization strategy paper of KCB group, the bank had proposed an organization structure for the subsidiaries, which is depicted in Table 4.1, providing the breakdown of staff for the Head Office, Medium branch and the small branch.

Table 4.1: Staff Breakdown by Head Office, and Branches

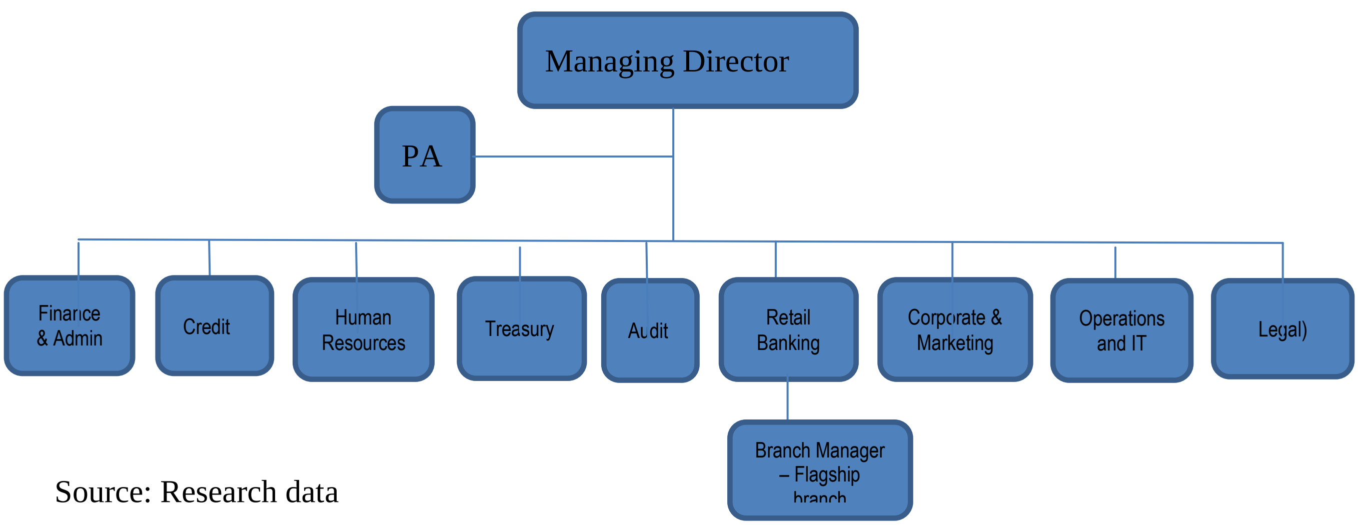
Staff Category	Grade	H/Office	Branches	
			Medium	Small
Managing Director	E	1		
Finance and Administration	D	1		
Risk officer	D	1		
Corporate and marketing	D	1	1	1
Operations	D	1	1	1
Treasury	D	1		
Internal Auditor	D	1		
Retail banking	D	2		
Human resources Manager	D	1		
Information technology	D	1		
Legal	D	3		
Branch staff – assistant managers and clerks	D, C, B & A		11	9
Total		**20**	**13**	**11**

Source: Research data

From Table 4.1 the Grade depicts the level of management, with grade E representing the highest grade in the subsidiary, Head of a Unit, while grade D is senior manager, and grade C, B, A representing middle-level and junior managers.

4.2.2 Senior Management Structure in the Subsidiary

Figure 4.1: Senior Management Structure



Source: Research data

Figure 4.1 depicts a typical structure for the subsidiary comprises of 12 functions staffed by senior managers, to represent 27% of staff compliment for a typical subsidiary during establishment. During establishment of the subsidiary, some of the positions may not exists or may be merged with others due to low volumes of business expected during the early growth stage of the subsidiary, and therefore will be staffed by one senior manager overseeing both functions. For instance, Corporate and Marketing Units are always merged but as level of business increases, the need to separate these functions increases, the same is true for Operations and Information Technology Unit. The subsidiary flagship branch is at times staffed by a senior manager if local talent cannot be sourced, and depending with the size of the subsidiary, some units will have more than one senior manager due to high volumes of business.

4.2.3 KCB Group Subsidiaries

To advance its internationalization strategy, KCB group has opened 5 subsidiaries over the past 16 years to advance its vision of being a Pan African bank. Table 4.2 represents the year the subsidiary was opened and staff compliment.

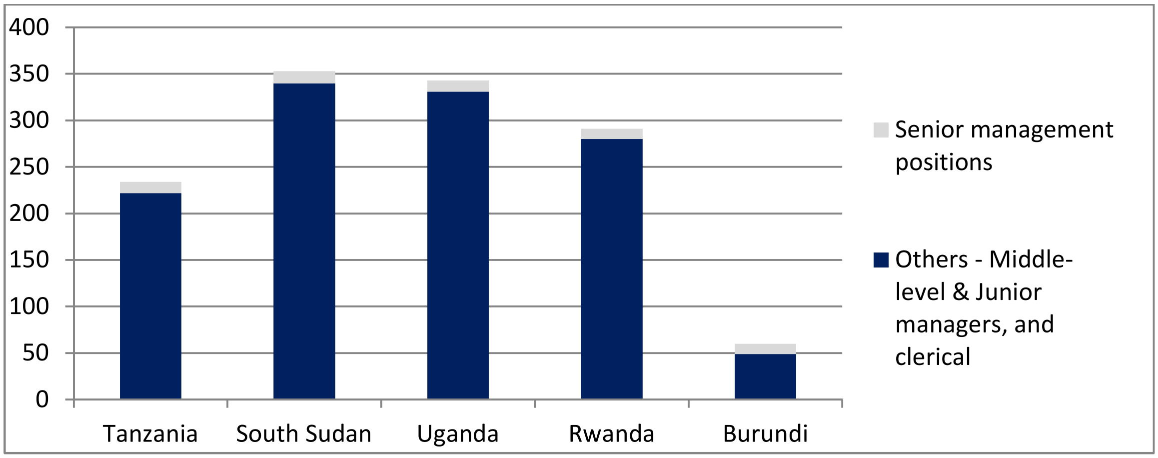
Table 4.2: Current Staff Compliment of KCB Group Subsidiaries

Subsidiary	Year established	No. of staff	Senior management positions
Tanzania	1997	234	12
South Sudan	2006	353	13
Uganda	2007	343	12
Rwanda	2008	291	11
Burundi	2011	60	11
Total		**1281**	**59**

Source: Research data

On average senior management positions comprise 5% of the total staff compliment of the 5 subsidiaries of KCB group, which is in line with the group's internationalization strategy.

Figure 4.2: Level of Senior Management



Source: Research data

The level of senior managers at the KCB South Sudan is slightly higher than for the other subsidiaries due to the high level of business from the government of South Sudan which necessitated the need for a senior corporate relationship manager to be assigned specifically to manage that account, and the high prevalence of political risk.

4.3 Staffing Practices in KCB Group East Africa Subsidiaries

KCB group has an international assignment policythat seeks to outline the banks policy on expatriation and filling of positions in the subsidiaries. The policy states that initially the assignment of an employee to a specific role in a country outside that in which the employee's contract has been issued will be for a period of 36 months, and thereafter position will be advertised within the group for qualified individuals to apply. In the Tanzania subsidiary, the level of foreign employees is limited to the government assigned quota, which is 5 foreign staff for the subsidiary.

4.3.1 Nature of Staffing Practices

Interviews from respondents indicated that during establishment of the subsidiaries, PCNs are required in senior management positions to aid in the rollout and transfer of skills due to unavailability of talent, or inadequacies in identifying qualified HCNs. Table 4.3 represents the number of PCNs and TCNs working in the Groups subsidiaries in senior management positions and other positions (middle-level and clerical).

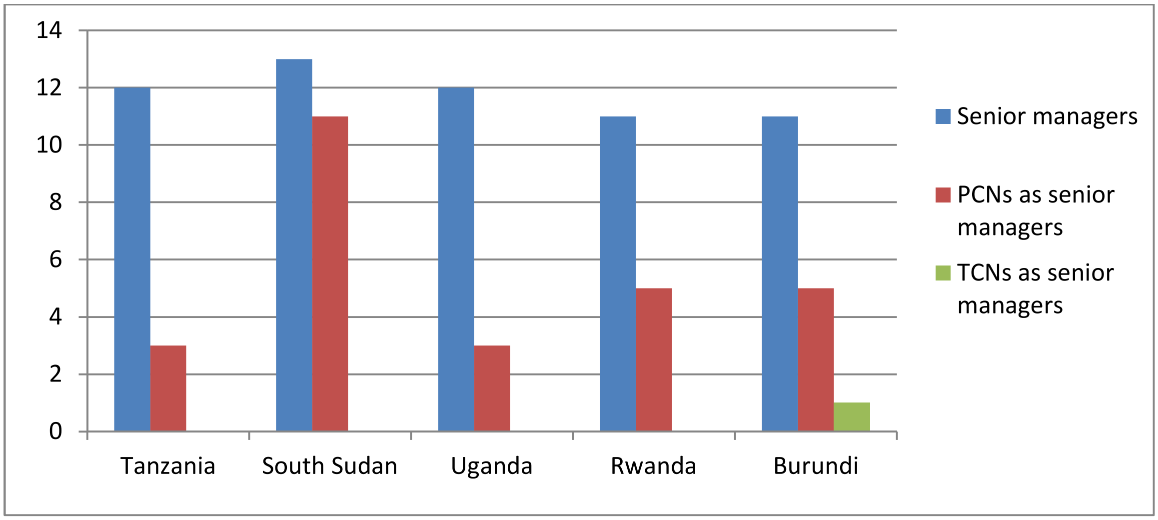
Table 4.3: Level of PCNs and TCNs

Subsidiary	No. of staff	Senior management positions	No. of PCNs		No. of TCNs
			Senior Management	Others	
Tanzania	234	12	3	-	-
South Sudan	353	13	11	21	-
Uganda	343	12	3	-	-
Rwanda	291	11	5	-	-
Burundi	60	11	5	-	1
Total	**1281**	**59**	**27**	**21**	**1**

Source: Research data

2% of the positions in this study were taken up by TCNs, and therefore I have not discussed this category in detail, but I have however recommended that homegrown Kenya multinationals like KCB group should consider this as a viable option. Level of HCNs, PCNs and TCNs in senior management functions is further depicted using a bar chart in Figure 4.3 showing comparison between HCNs, PCNs and TCNs, and between the 5 subsidiaries of KCB group.

Figure 4.3: Level of HCNs, PCNs and TCNs in Senior Management Functions



Source: Research data

From the analysis, Tanzania and Uganda subsidiaries, which have been in operation for 16 years and 6 years, have the least number of PCNs in senior management positions compared to HCNs, at 25%. KCB South Sudan has the most number of PCNs compared to HCNs in senior management positions at 85% having been 7 years in operation. In addition, PCNs are also found in other positions to comprise 6% of middle-level management and clerical positions. Rwanda and Burundi which have been in operation for less than 5 years have a 45% presence of PCNs, however a TCN has also been appointed a senior manager in the Burundi subsidiary.

All the 5 subsidiaries have a PCN as a managing director. The prevalence of PCNs is high in managing director at 100%, and information & technology functions at 80%. The mortgages function which is relatively new is only available in Burundi and Uganda subsidiaries and this is also 100% staffed by PCNs. For the other senior management functions, the prevalence of PCNs is high in management of flagship branches at 60%, while for finance, corporate, credit and audit function, the prevalence is at 40%. The least prevalence is in risk and retail banking function, whereas in legal and human resources function, the prevalence is nil. We however noted that there was a TCN in the corporate function of the Burundi subsidiary.

Table 4.4: Level of PCNs as Managing Directors and other Senior Managerial Functions

	PCN	TCN	Tanzania	South Sudan	Uganda	Rwanda	Burundi
Managing Director	5		1	1	1	1	1
Finance and Administration	2			1		1	
Risk officer	1			1			
Corporate and marketing	2	1		1			1
Mortgages	2				1		1
Credit	2			1		1	
Operations	1						1
Treasury	3		1	1		1	
Internal Auditor	2			1			1
Retail banking	1			1			
Human resource	-						
Information technology	3			1	1	1	
Legal	-						
Branch manager	3		1	2			

Source: Research data

4.3.2 Reasons for International Transfer of PCNs

Theoretically, the international transfer of managers occurs to fill positions, management development and organization development. This motive consists of two elements: socialization of both expatriate and local managers into the corporate culture and the creation of a verbal information network that provides links between subsidiaries and the parent. Table 4.5 represents the findings on reasons for international transfer.

Table 4.5: Reasons for International Transfer

Subsidiary	fill positions	management development	organization development
Tanzania	Filling vacant positions.	Use management potential.	- To ensure a uniform company policy. - Coordination, control and steering
South Sudan	- To ensure transfer of knowhow; - To compensate for a lack of local managers; - Training and development of local managers.	Use management potential.	- To ensure a uniform company policy. - Coordination, control and steering;
Uganda	Filling vacant positions.	Use management potential.	To ensure a uniform company policy.
Rwanda	Filling vacant positions.	Use management potential.	To ensure a uniform company policy.
Burundi	Position filling; Transfer of know-how.	Use management potential.	- To ensure a uniform company policy. - Coordination, control and steering;

Source: Research data

There is a considerable consensus on the principal functions of international transfers, well represented by the original classification of Edström and Galbraith (1977). KCB group sees PCNs as the key bearers of tacit knowledge, and therefore in 100% of the subsidiaries, filling of vacant positions through PCNs is used. However, this reason is quite important for where qualified local nationals might not be available, and for the case of the KCB subsidiaries, in 40% of the same. The second reason is management development, in 100% of the subsidiaries; KCB group uses PCNs taking advantage of abundance of management potential that exists in the home country. This kind of transfer is carried out even if qualified host country nationals were available, mainly due to managerial orientation of KCB. For organization development, KCB achieves socialization of local managers into the corporate culture for control. In 80% of the subsidiaries, the control and coordination factor is relevant due to environment-specific factors like cultural distance (In South Sudan and Tanzania), macro-economic environment, e.g. in Burundi.

This reasons for international transfer resulted in the staffing of senior managers of new subsidiary establishment with PCNs.

4.4 Factors Affecting Staffing Practices

Interviews with the different respondent gave some insight into the factors that influence staffing practices and more specifically, the choice between HCNs and PCNs for the senior management positions in foreign subsidiaries. Table 4.6 summarizes the factors that have a significant impact on this choice, which may or may not singly influence staffing practices, but have a significant and independent impact on the choice between HCNs and PCNs.

Table 4.6: Factors Affecting use of PCN in Senior Management Positions in Foreign Subsidiaries

Factors affecting use of PCNs	More relevant/important when	Subsidiary affected
Transfer of technical or managerial knowledge, training of subsidiary manager, lack of qualified local personnel	- Level of education in host country is low - Subsidiary is young - Subsidiary is a greenfield investment	Applies to all of the subsidiaries and is the strongest determining factor.
Pool of management talent	- Logistical challenges in recruiting qualified HCNs - Inadequate knowledge of host market	Applies to all of the subsidiaries, but more important in culturally distant South Sudan & Burundi
Control and coordination of subsidiary operations and improvement of communication channels between parent and subsidiary	- Uncertainty avoidance - Cultural distance - Level of political risk is high - Subsidiary is large - Subsidiary is young - Subsidiary is underperforming	- South Sudan – high uncertainty, cultural distance and political risk, and large subsidiary - Tanzania – high uncertainty, cultural distance and underperforming subsidiary - Burundi & Rwanda – young subsidiary & some element of cultural distance

Source: Research data

Respondents also pointed to a more overriding factor, which is the managerial orientation. KCB group need for uncertainty avoidance and direct control of a subsidiary implies that there is a higher tendency to employ PCNs as managing directors. These characteristics points to a trusted PCN as the preferred alternative for senior positions in subsidiaries. The nature of the industry, financial services, which calls for more control by the parent, was also identified as a factor in determining staffing practices.

Table 4.7: Factors Affecting use of HCN in Senior Management Positions in Foreign Subsidiaries

Factors affecting use of HCNs	More relevant/important when	Subsidiary affected
Familiarity with local market and business practices	Local knowledge for the managers specific function	Applies to all subsidiaries except South Sudan to Legal, Marketing, Retail banking functions
Regulatory constraints	Local regulations limits PCNs expatriation	- Tanzania – Strict regulations in hiring of PCNs & TCNs - Tanzania & Uganda – Regulations requiring Audit & Risk to be staffed by HCNs
International experience	Subsidiary is young	Applies to all subsidiaries except South Sudan
High cost of expatriates	Cost of living in host country	Factor does not apply on its own but may with other factors.

Source: Research data

Use of HCN increases with time as the subsidiary management finally settles down and growth trajectory of the subsidiary is high. In addition KCBs policy of sending employees on international assignment for an initial period of 36 months, mostly results in some of the subsequent vacant positions being staffed by HCNs.

4.4.1 Staffing Challenges

KCB faces various challenges in their pursuit to implement international human resource strategies. The respondents were asked indicate the challenges and specify to which subsidiary it applies and how they affected the international staffing practices. The results are as shown in Table 4.8.

Table 4.8: Challenges Facing International Staffing Practices of KCB

Subsidiary	Nature	Impact
South Sudan	- Cultural distance - Level of education	Use of more PCNs even in middle-level and clerical functions
Tanzania	- Regulatory framework - Push for autonomy of the subsidiary	Use of more HCNs and replacement of PCNs whose term has expired with HCNs
Uganda	Push for autonomy of the subsidiary	Replacement of PCNs whose term has expired with HCNs

Source: Research data

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, conclusions and recommendations into the staffing approaches used by Kenya Commercial Bank Group.

5.2 Summary

In considering the import of my finding for discussions on international staffing I point to a number of key trends. As expected, I found that PCNs employees did play a key role in managing KCB Group subsidiaries under study. As expected the KCB Group also displayed strong centralised control over their East Africa subsidiaries. While a detailed discussion of the nature of centralised and formalised control is beyond the scope of the current paper, my findings point, on balance, to a high degree of centralised, formalised control in the monitoring of KCB East African subsidiaries. This was reflected in high levels of formal standardised policies and PCNs managing directors for all the subsidiaries.

Returning to staffing considerations, and as per respondents, all the KCB group subsidiaries utilized high levels of PCNs during establishment, and this declined over time due to the policy of 36 month international assignment for PCNs. KCB South Sudan, like other subsidiaries utilized significant numbers of PCNs in senior subsidiary positions during the early stages of establishment. While the number of PCNs utilised in the subsidiary in the early stages of KCB South Sudan establishment was high, many PCNs were retained also at middle-level management and clerical functions, with their role appeared to be restricted to position filling, primarily at an operational level due to low educational levels among the hosts leading to a huge pool of unqualified persons, and prevalence of high political risk which increases the level of uncertainty.

The 5 KCB subsidiaries were founded through greenfield investment and are wholly owned subsidiaries. Initial establishment comprises of a head office and 2 branches, one the flagship and the other, a small branch to increase presence of the bank in the market. As the scale of operations increases, so does the need to establish new units or to separate units initially merged to other units, so as to better manage the subsidiary. Initially merged functions like Corporate and Marketing, and Operations and Information Technology, are later split with scope expansion giving rise to senior management positions vacancies. In staffing expansions through opening of new branches, HCN's are usually utilized, as the expansion most of the time does not lead to creation of a senior management position, most position created will be middle-level management and clerical, and this are filled by HCNs, with the exception of South Sudan subsidiary. Due to low levels of qualified personnel and the need to maintain control, PCNs will be employed on some of the positions. Indeed, the significance of HCNs, relative to PCNs, in staffing subsidiary operations was, as set out in my proposition, greater in expansions/subsidiary set-ups in host locations where an earlier established subsidiary already existed. However where senior management position arises from an expansion of branch operations within the subsidiary, the position is advertised within the group. However due to the many numbers of qualified and experienced PCNs, most of the time, a PCN will be brought to establish and manage the operation, pointing to a strong ethnocentric mindset. This, with the exception of the Burundi subsidiary, where due to expansion of operations, a senior management position arose, and a TCN was brought in to fill the position. This suggests that even though KCB group international assignment policy provides for equal employment opportunity for qualified staff within the group and where managerial competence is available irrespective of whether it's a PCN, HCN or TCN, the same has not been fully practiced as majority of the vacancies are filled by PCNs.

Further, my findings clearly indicate a temporal evolution of staffing policies within MNCs. Hence as subsidiary management builds experience and competence within the organization, the reliance upon PCN expatriates, where they were used, to control subsidiaries is reduced. In addition, fewer numbers of PCNs were used in the establishment of Rwanda and Burundi subsidiaries compared to the Tanzania, Uganda and South Sudan, where a high number of PCNs were used. This is attributed to the internationalization experience gained by KCB group in the management of greenfield investments over the years.

In South Sudan subsidiary, due to lack of available managerial talent in the South Sudan operations to staff the recent wave of expansion, PCNs played a key role in filling key managerial positions in this expansion, including middle-level positions such as branch managers. Interviewees indicated that this decision to use PCNs to fill key positions during the wave of expansion appeared to be driven by three factors, namely the low education levels within South Sudan, cultural distance and a desire to reinforce corporate culture. KCB management obviously felt that since South Sudan was a very young country and economy, having broken from Sudan which had been plagued by civil strife for a very long time, qualified and experienced human resource was lacking. This, combined with the fact that interviewees pointed to the key role played by expatriates in diffusing corporate culture, highlights the importance placed by KCB Group on institutionalizing corporate culture in subsidiary operations. In this regard, PCNs with significant KCB expertise appeared to represent a 'safer bet' than their HCN or TCNs counterparts in indoctrinating the corporate culture in the subsidiary operations. Hence it would be reasonable to speculate that where MNCs place a significant emphasis on corporate culture, they may be more likely to continue to utilise PCN expatriates to set up new expansions.

International human resource literature indicates that a higher cultural distance could lead to more PCNs for control and communication reasons and HCNs for reason of local knowledge and PCN adjustment problems, however this study shows that for KCB group, a higher cultural distance leads to a higher felt need for control, and hence more PCNs. Of the 5 subsidiaries, South Sudan is more cultural distant, with Tanzania coming second. The number of PCNs in South Sudan subsidiary is higher, at 9%, while for Tanzania is lower at 1% due to restrictions by the government of Tanzania, on hiring of foreigners. This could be higher if the regulatory restrictions were not present.

The percentage of PCNs in more locally-oriented functions such as human resources, legal, risk and marketing is lower than for finance, treasury, operations e.t.c, although the highest percentage of PCNs was found for the managing director function, and the technical mortgage function, where in the 2 subsidiaries where it was present, it was managed by a PCN. The results confirm that expectation that employing HCNs because of their knowledge of the local market and business practices will be more important for functional areas where this local knowledge is particularly relevant. In general, the personnel function is the most localized function in MNCs, since it has to comply to local employment laws and regulations and has to adapt its practices to the different cultural background of employees. The finance function would be the one where intimate knowledge and feel for local circumstances is least important, therefore necessitating need for a PCN. In addition many MNCs will feel the control function of expatriation is as important for the finance function as it is for the managing director function.

Managerial orientation has a significant impact on the choice between a PCN and a HCN. However as can be inferred by the challenges that face KCB group in implementing its staffing policies, the fact that most international vacancies after the end of the 36 month international assignment continue to be staffed by PCNs, an indication that KCB is having difficulty empowering their individual subsidiaries or making the transition to a fully polycentric or geocentric mindset. KCB group need for uncertainty avoidance and direct control of a subsidiary implies that there is a higher tendency to employ PCNs, which is only limited by other significant factors that may mean that a PCNs are not feasible, for instance the regulatory requirements on staffing Tanzania subsidiaries with foreign nationals. With regard to the influence of the industry, a high percentage of PCNs as managing director is found in the financial services. The control aspect will lead multinational banks to employ a large percentage of PCNs in financial services. For homegrown Kenyan MNCs like KCB group, which has limited international experience, and a national culture that scores high on uncertainty avoidance, it has a higher tendency to employ PCNs as managing directors and other senior managers, for their subsidiaries to enhance direct control of subsidiary operations. This is also more important if the level of cultural distance between home and host country is high, as for the case of South Sudan subsidiary.

Finally, with regard to host-country characteristics, MNCs are more likely to employ PCNs when the level of education in the host country is low, since in that case qualified local personnel will be scarce. Further, a high level of political risk in the host country is likely to make direct control through expatriates more important because the risks of loss of income or assets might be substantial. When a subsidiary is very important to the Group, in terms of assets, revenues and control of key market segment, like the KCB South Sudan subsidiary, keeping its operations under control through PCNs will be felt to be more necessary. In addition, control of the subsidiary will also be more important when a subsidiary is under-performing, and direct intervention by means of a PCN is necessary.

5.3 Conclusions

The result of this study has confirmed the importance of the control aspect for multinationals. Overall the results confirm that KCB group follows an ethnocentric approach to oversee senior managerial appointment decisions. The greater use of PCN expatriates is an indication of an overall ethnocentric attitude on the part of KCB group. However, as the subsidiary grow and years of operations increase, the bank takes both ethnocentric and polycentric orientation as evidenced by the reduced numbers of PCNs in the older subsidiaries. Firms with a strong emphasis on building a coherent corporate culture may display a preference for utilizing internally sourced PCNs employees rather than HCNs and TCNs. The control aspect will lead companies to employ a large percentage of subsidiary managing directors using PCNs.

Descriptive results from the study shows that 100% of the managing directors in KCB group's subsidiaries are PCNs, while 46% of the senior managers in the subsidiaries were parent country nationals. In the Burundi subsidiary, a third country national (TCN) was used. It can be concluded that KCB Group still organize their staffing policies along ethnocentric lines irrespective of location of subsidiary. Further, lack of knowledge of the local labour market and a lack of recruitment potential is a major reason to appoint PCNs to top management positions.

Except for internationalization, all factors that were hypothesized to impact on choice between PCN and HCN applied to KCB group. Since this study's hypotheses were firmly grounded in the reasons to choose for either PCNs or HCNs as identified in international HRM literature, the results give considerable support for the validity of these reasons. This study has identified several key variables that influence the choice for either a PCN or a HCN for senior management positions for foreign subsidiaries of KCB. However, this study did not relate these particular choices to performance, and cannot therefore offer any firm conclusions concerning their effectiveness.

This study further shows that while MNCs have a propensity to adapt an ethnocentric staffing approach in culturally distant locations; cultural distance increases the propensity of staffing subsidiaries with more expatriates. Moreover, cultural distance predicted the use of expatriates even after controlling for the age of the subsidiary as well as the functions embedded in it, supporting the importance of the role that cultural distance plays in staffing host subsidiaries like the South Sudan.

Finally, this study provides empirical support for recent strategic international HRM models. Results of this study support the notion that international staffing practices must be examined in its broader strategic and national cultural context. In particular, an MNE's managerial orientation may change over time, going, for instance, from ethnocentrism to a tendency to adapt local resources, or vice versa. The current study supports this notion and it further suggests that changes in international HRM orientation may depend on other factors, such as regulatory constraints, political risk, level of education and cultural distance. These findings lend support to the proposition that the use of HCNs to staff senior positions in new expansions within the host country is higher where the expansion follows a wave of earlier development in that location. This may be linked to a proven competence of individual managers and the competence of HCNs based on their experience within the MNC. Further, it appears to reinforce the significance of context and pragmatism in explaining global staffing decisions in MNCs. It also adds weight to earlier studies that pointed to the fact that the age of the subsidiary operation is inversely proportional to the extent of expatriate presence.

5.4 Recommendations

The evidence in this paper contains a number of possible implications for KCB Group. Firstly, my study provides further support for the notion that staffing MNCs is a complex process influenced by context and pragmatism. Firms with a strong emphasis on building a coherent corporate culture may display a preference for utilizing internally sourced PCN rather than HCNs and TCNs in staffing senior management positions. This ethnocentrism approach at a corporate level may lead to failure to source key talent outside of the home region, thus limiting the performance of the MNC through failing to adequately understand the peculiarities of regions outside of the home one and a failure to exploit the best talent within the MNC.

In international human resource literature, is widely agreed that TCNs may represent a viable option for MNCs in monitoring foreign subsidiaries, particularly when their role is supplemented by standardized and formalized managerial policies. This is particularly relevant in the context of recent debates on the continued utility of the traditional expatriate assignment in the face of cost pressures, combined with increasing demand for managers with the competence to manage in the global. The use of TCNs in particular may represent a means through which MNCs can expand the pool of managers, with company specific experience, available for international assignments. KCB group can also consider bringing HCNs and TCNs into corporate HQ as a means of socializing them into the corporate culture and of increasing the pool of managers available for international assignments. This is another option that KCB group could explore in expanding the pool of competent managers available for staffing their foreign subsidiaries.

5.5 Suggested Areas of Further Research

Although this paper represents a useful contribution to the literature a number of limitations merit consideration. Firstly, the data are primarily drawn from to one homegrown Kenyan MNC, KCB Group, thus the extent to which the findings can be generalized to other MNC's is questionable. Finally, the generalizability of the findings could be questioned given the small number of subsidiaries KCB Group has, and the fact that the subsidiaries are located in the East African region, close to where the parent is, where differences in culture, macro & micro environment may not be very high except for a country like South Sudan and Tanzania.

The study also points to a number of avenues of potential enquiry. Firstly, the impact of staffing arrangements on subsidiary performance, learning and knowledge integration. This is often under-explored due to limiting discussions to a choice between PCN expatriates and HCN employees while neglecting the role of TCNs. However, a mix of PCN, HCNs and TCNs can impact significantly on an MNC's ability to achieve learning, innovation and corporate integration, this represents a significant deficit in literature. Secondly, the negligible amount of TCNs that were present in subsidiaries makes the analysis of the outcomes of using geocentric staffing patterns not meaningful. While the lack of many TCNs in subsidiaries may indicate that KCB group and many of the homegrown Kenyan MNCs are not at an advanced stage of internalization, it is important for future studies to focus on their presence.

Finally, this study mentions a large number of factors that might influence executive staffing practices at KCB Group. Future studies might attempt to explore a limited number of these factors in further detail. Once researchers succeeds in describing accurately which factors do affect staffing decisions, they can start to investigate whether certain choices are associated with a higher effectiveness thus providing homegrown Kenyan MNCs with a perspective model for senior management staffing practices.

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APPEDIX II: INTERVIEW GUIDE

<u>Section A: Background information on interviewee</u>

1. Date:
2. Job title:
3. What primary functions does your job involve?
4. Number of years worked in theBank
5. Number of years worked at the subsidiary

<u>Section B: General questions relating to KCB Group international staffing practices</u>

1. Which internalization strategies does KCB use to expand international?
2. What are the reasons for going international?
3. What is the typical structure of a KCB subsidiary?
4. Does the bank have a policy on international staffing of its subsidiaries?
5. Does the Banks internationalization strategy influence staffing practices of the subsidiaries?
6. Does the age of the subsidiary affect the staffing approaches?
7. What factors influence KCB to use parent country nationals or host country nationals to staff senior positions in its subsidiaries?
8. What are the reasons for using expatriate Parent Country National’s (PCN’s) to manage its subsidiaries?
9. What are the reasons for using Host Country National’s (HCN’s) to manage its subsidiaries?
10. To what extend does the presence of Parent Country National’s (PCN’s) in a subsidiary provide assurance that the subsidiary will comply with KCB’s global strategic objectives?

11. Will PCN’s exert implicit cultural control over the subsidiaries and therefore help them comply with KCB’s strategy?
12. Has the use of PCN’s facilitated the transfer of much-needed firm specific knowledge and skills to subsidiaries?
13. Does the bank rely on rigid bureaucratic control mechanism to manage its subsidiaries?
14. In countries with available qualified human resource, will HCN’s fill senior management positions?
15. To what extend does KCB continue to use PCN’s in their established subsidiaries?
    i. Does presence of PCN presence tends to be higher in newly established subsidiaries?
    ii. Does PCN presence declines over time following the establishment of the subsidiary?
    iii. Does presence of PCN decline in situations where KCB is expanding subsidiary operations or opening new operations in location where an already established subsidiary exists
16. What are the main challenges that KCB group has encountered in staffing its subsidiaries?
17. Does KCB Group use the same management orientation to staff senior positions in all its subsidiaries? If no, what is the impact on subsidiaries performance if a different management orientation is used?