PARENT-SUBSIDIARY RELATIONSHIP AND HOW IT AFFECTS PERFORMANCE IN TELKOM KENYA (ORANGE)

BY

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DECLARATION

This project is my original work and has not been presented for the award of a degree of masters in this University or any other Institution of higher learning for examination.

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D61/72871/2012

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

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DEDICATION

This project is dedicated to my family members for their support and encouragement.

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ABBREVIATIONS AND ACRONYMS

MNCs- Multinational corporations

HR- Human Resource

BAT - British American Tobacco

IP- Internet Protocol

E2E - Employee-to-Employee

E2C - Employee-to-Consumer

E2S- Employee-to-System

S2E - System-to-Employee

ERP -enterprise Resource Planning

S2C -System-to-Consumer

S2E -System-to-Employee

S2S- System-to-System

C2S -Consumer-to-System

C2E -Consumer-to-Employee

HQ- Head quarters

ABSTRACT

Multinational corporations (MNCs) have played a major role in international trade for several centuries. A number of multinational corporations from developing economies are becoming key players in the global economy. Multinational corporations engage in very useful morally defensible activities in Third World Countries for which they frequently have received little credit. Compared to local firms, multinational corporations provide developing countries with critical financial infrastructure and enormous resource for economic and social development (Ogutu & Samuel, 2011). This study was guided by the agency theory. Taking an agency perspective, the relationship between headquarters and subsidiaries is also relevant. According to the Principal-Agency Theory (Eisenhardt, 1989) the agent acts out of self-interest (self-seeking behaviour) and the principal wants to be able to control the agent in such a way that they can enforce the agent to act in its interest. This principal becomes more relevant as the distance (geographically, culturally, and linguistically) between headquarters, subsidiaries become greater, and alignment of interests is less likely. Multinational corporations operate in a global environment unfamiliar in political, economic, social, cultural, technological and legal aspects. Increased competition among multinational corporations and the entry of other players in the Kenyan market necessitate the design of competitive strategies that guarantee performance.The objective of this study was to investigate parent-subsidiary relationship and how it affects performance Telkom Kenya (Orange). A case study method was adopted. The researcher primarily conducted direct, personally administered interview. The data collected was analyzed using the content analysis technique. This analysis method assists in understanding and interpreting the responses from the respondents. An in-depth understanding of the responses from the respondents was also used in the analysis. The study concluded parent subsidiary relationship at Telkom Kenya does influence coordination of policy and operations. The study also concluded Telkom Kenya is able to leverage on technology within the parents company ambit. Thus it enhances efficiencies than when operating on a standalone basis. Finally the study concluded that a clear feedback channel will improve the relationship and communication between the parent and Telkom Kenya so as to improve performance as well as to allow the subsidiary more leeway to localize some of the strategic options. Based on the findings the study recommended the study acknowledges that the parent plays a key role in influencing the performance of the subsidiary. The study finds there is a need by the parent company to allow the subsidiary leeway to localize some of the strategic performance options, so as to enhance its performance. Especially in areas which may be doing well locally but internationally stagnating. An example is Agricultural sectors in Kenya. While this is a growth area locally, the sector has been facing serious challenges in the Western World. Due to this, the parent is reluctant for the subsidiary to venture into this sector aggressively as it is perceived to be a high risk sector. The subsidiary should be allowed to strategically enter into these markets as the parent company stands to benefit at the end of the day.

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Multinational corporations (MNCs) have played a major role in international trade for several centuries. A number of multinational corporations from developing economies are becoming key players in the global economy. Multinational corporations engage in very useful morally defensible activities in Third World Countries for which they frequently have received little credit. Compared to local firms, multinational corporations provide developing countries with critical financial infrastructure and enormous resource for economic and social development (Ogutu & Samuel, 2011).

This study will be guided by agency theory. Taking an agency perspective, the relationship between headquarters and subsidiaries is also relevant. According to the Principal-Agency Theory (Eisenhardt, 1989) the agent acts out of self-interest (self-seeking behaviour) and the principal wants to be able to control the agent in such a way that they can enforce the agent to act in its interest. This principal becomes more relevant as the distance (geographically, culturally, and linguistically) between headquarters, subsidiaries become greater, and alignment of interests is less likely.

Multinational corporations operate in a global environment unfamiliar in political, economic, social, cultural, technological and legal aspects. Increased competition among multinational corporations and the entry of other players in the Kenyan market necessitate the design of competitive strategies that guarantee performance. Creating strategies to cope with cultural influence is critical for the long-term survival of any organization (Ogutu and

Samuel, 2011). To understand the parent-subsidiary relationship of Telkom Kenya as a business, three components are of interest: relevant actors, unique attributes of Telecommunication technology, and the types of activities supported. To comprehensively do a value chain analysis the following relevant actors need to be analyzed: Employees, systems, consumers, connectivity, personalization and localization.

1.1.1 Concept of International Business

International business facilitates globalization process and it refers to all business activities carried out across national borders. International business activities normally include transaction of economic resources such as goods, capital, services in form of technology, skilled labour, transportation etc as well as international production. The major objectives of international business include sales expansion, minimization of competitive risk, resource acquisition, and diversification of their products or services. In the present day world, international business has become indispensable and its role has increased in significance both at the macroeconomic and microeconomic levels. A country specializes in the production of those goods for which it has maximum advantage for export and imports those goods which it cannot produce or for which it has no specific advantage. This is the basis of international trade.

International Business is essentially about understanding the existence, conduct, and performance of firms involved in cross border business transactions and therefore the efficiency or welfare effects of these transactions received little attention. Basically, welfare issues remained the domain of trade economists and industrial economists and to some extent political scientists analyzing the role played by MNCs in policy formulation at the national and international level (see for example Spar and Yoffie, 1999; Moran, 2002). Insofar as International Business analyzed spillovers, it was mainly in the context of finding effectively controlled strategies avoiding spillovers.

Various researches have examined Multinational firms' entry mode decisions (Kogut, 1983; Chang, 1995), their interactions with other multinationals (Henisz and Delios, 2001; Chang and Park, 2005; Miller and Eden, 2006), and their ability to cope with the socioeconomic environments of the host countries they enter (Rosenzweig and Singh, 1991; Ghoshal and Westney, 1993; Kostova and Zaheer, 1999). Economists have long considered how local firms can benefit from foreign entrants' technology spillovers and improve their own technological efficiency (Caves, 1974; Blomstrom, 1986; Hejazi and Safarian, 1999; Sinai and Meyer; 2004).

1.1.2 Performance Management

The study of performance management has been popular within human resource management study. The AMO-model (Appelbaum et al., 2003) claims performance, which is a function of employees' Ability, Motivation, and Opportunity to participate. This means that an organization will benefit most if it organizes the work process in such a way that non-managerial employees have the opportunity (O) to contribute discretionary effort and it could be achieved by giving them autonomy in decision making, by providing in good communication and by employee membership in self-directed and/or off-line teams. For their effort to be effective, employees need to have the appropriate skills and knowledge (A). Hence, organizations can achieve this by attracting employees who already poses this knowledge, or by providing employees with formal and/or informal training. Finally, the organization needs to motivate these employees to put their abilities into the best effort for the organization (M).

According to Fletcher (2001), who gave a completed and comprehensive HR related performance management definition which is “an approach to creating a shared vision of the purpose and aims of the organization, helping each individual employee understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both the individual and the organization”. Similarly, performance management is a management process for ensuring employees is focusing on their work efforts in ways that contribute to achieving the organization's mission. It consists of three phases: (a) setting expectations for employee performance, (b) maintaining a dialogue between supervisor and employee to keep performance on track, and (c) measuring actual performance relative to performance expectations.

Armstrong (2004) defined performance management as a means of getting better results from the whole organization by understanding and managing within an agreed framework, performance of planned goals, standards and competence requirements. “Performance management is a process of designing and executing motivational strategies, interventions and drivers with on objective to transform the raw potential of human resource into performance. All human beings possess potential within themselves in a few or more functional areas. However, utilization and conversion of this potential into deliverable performances is often sub optimal due to a variety of reasons. Performance management acts as an agent in converting the potential into performance by removing the intermediate barriers as well as motivating the human resource" (Kandula, 2006). Comprehensively, Bacal (1999) defines performance management as an ongoing communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about: the essential job functions of employee are expected to do; how the employee's job contributes to the goals of the organization; what doing the work well means in concrete terms; how employee and supervisor will work together to sustain, improve, or build on existing employee performance; how performance management will be measured, and identifying barriers to performance and removing them.

The similarities of general performance management and HR related performance management are the goal setting, planning, evaluation, feedback, and rewarding activities. However, the HR related performance management focus on the management of employee or managers, then motivating employees and managers. Moreover, general performance management is defined more widely than HR related performance management. It considers the definition of goals and the measurement of goal attainment) not just financially but also in terms of meeting all stakeholder aspirations. HR-performance management aims at developing potential capabilities of human resource. The performance management must be in line with the company's long-term policies (Kandula, 2006). Performance management involves managing employee efforts, based on measured performance outcomes. Therefore, determining what constitutes good performance and how the different aspects of high performance can be measured is critical to the design of an effective performance management process. And performance management effectiveness increases when there is ongoing feedback, behavior-based measures are used and preset goals and trained raters are employed (Lawler, 2003).

1.1.3 Multinational corporations and Performance

One of the most important decisions that the multinational corporations make is the choice of manager in the company's foreign subsidiary. The choice of manager is critical to the success of the foreign subsidiary (Black & Gregersen, 1999) and the core of this thesis. The tasks of subsidiary managers include the execution of the orders of the headquarters as well as maintenance of the relationship between the headquarters and the subsidiary (Birkinshaw *et al*., 1998). There is both the pressure for internal consistency within the organization and pressures for adaptation to the local environment and the managers are constantly trying to balance these needs (Thomas, 2002). The manager, therefore, needs both: the knowledge of the national culture of the subsidiary and familiarity with the corporate culture. The manager also needs to be technically qualified and internationally experienced. However, these skills are needed in varying extents depending on the subsidiaries and wishes of the multinational corporations.

Existing evidence suggests that multinational firms transfer managerial practices from their country of origin to their country of operation (Child *et al*., 2000). This home country effect has been attributed to the embeddedness of MNCs in the business system of their country of origin (Ferner, 1997). The international management literature suggests that the home country effect has become stronger in recent years. Firms operating in more than one country are under growing pressure to integrate their international business. MNCs, it is argued, will abandon multi-domestic approaches, which combine a low international integration of the business and high responsiveness to local conditions. Instead they will increasingly integrate their business across borders (Harzing, 2000) through processes of standardization achieved either on the basis of home practices or on some form of global best practice prescriptions. International management structures, financial control mechanisms, expatriates in key positions and written guidelines are among the options for firms seeking to achieve international integration (Ferner, 2000; Harzing, 1999). It can be expected that the home country effect is strongest in firms that originate in a dominant economy, namely the USA today or Japan a decade ago (Edwards and Ferner, 2000).

Whereas the home country effect suggests that the management and employment relations of foreign affiliates are modeled on those of their country-of-origin, positing a host country effect assumes that they are also influenced by their country-of-operation (Ferner 1997, Rosenzweig and Nohria, 1994). The extent to which the host country has an effect depends on two factors. Firstly, the institutional distance between country-of-operation and country-of-origin is important. The more institutionally different the two are, the easier it is to identify a host country effect. Secondly, the strength of national institutional regulation is important. MNCs are under more pressure to comply in more tightly regulated business systems than in weaker institutional environments.

1.1.4 Multinational corporations in Kenya

Multinational Corporation is a corporation that has its facilities and other assets in at least one country other than its home country. Such companies have offices and /or factories in different countries and usually have a centralized head office where they co-ordinate global management. Nearly all major multinational are American, Japanese, or western European, such as Nike, Coca-cola, Wal-Mart, AOL, Toshiba, Honda and BMW. Advocates of multinationals say they create jobs, wealth and improve technology in countries that are in need of such development. On the other hand, critics say multinationals can have undue political influence over governments, can exploit developing nations as well as create job losses in their own home countries (Czinkota, Ronkainen & Moffett, 2009).

There are many companies with their origins in Kenya. Safaricom, a mobile network operator, is the largest company by market value and has revenues of around US$ 1 billion (2009). Sameer Africa is a conglomerate with interests in agriculture, energy, transport and financial services. Among many multinational affiliates operating in Kenya are; Barclays bank, British American Tobacco (BAT), Standard Chartered Bank and Unilever. There are a total of 23 major multinational corporations/enterprises operating in Kenya, spanning all sectors of the economy (Ogutu and Samuel, 2011).

1.1.5 Telkom Kenya (Orange)

Telkom Kenya is the largest public telecommunications operator in Kenya. The incumbent was previously part of KP&TC but was incorporated as an independent company in 1999 under the Companies Act. The operator offers data, voice, and Internet services to home, enterprises, and international organizations. Despite its strong foundation, the company had been making losses by virtue of operating in a market, which is experiencing increasing competition. In December 2007, France Telecom acquired a 51 per cent stake in Telekom Kenya. As of 17 September 2008, Telekom Kenya started providing its services under a new commercial brand - Orange.

The parent company came up with network development initiatives to enhance growth in connectivity through supplier credit arrangements and wireless lines for the rural areas; migration to Internet Protocol (IP) based next generation networks to enhance provision of new services; deployment of broadband services countrywide and Broadband Wireless Services in Nairobi and Mombasa; Outsourcing of Access network and deployment of Long-distance Optic Fibre Infrastructure. To enable the company be privatized the sale of 26% of the company's shares to a strategic equity partner and offer 34% (subsequent to the entrance of the strategic partner) through an Initial Public Offering in the Nairobi Stock Exchange had to be planned within the 2007/2008 financial year. To ensure that there is proper coordination and implementation of the change programme, a number of new corporate structures has been adopted.

To understand the parent-subsidiary relationship of Telkom Kenya as a business, three components are of interest: relevant actors, unique attributes of Telecommunication technology, and the types of activities supported. To comprehensively does a value chain analysis the following relevant actors need to be analyzed: Employees, systems, consumers, connectivity, personalization and localization.

Employees are individuals that are part of an organization. Telkom Kenya employees may need or want to interact with other colleagues or employees of other businesses. In addition, these employees may be at the receiving end of an interaction initiated by both internal and external information systems. One example of a business application in this area is wireless notification by a system via SMS for a critical update. To this end, the possible wireless interactions are Employee-to-Employee (E2E), Employee-to-Consumer (E2C), and Employee-to-System (E2S). It is important to note that most such interactions could naturally involve activities in the reverse direction, e.g. a wireless System-to-Employee (S2E) interaction mode as well.

Systems are machines that are run by businesses and could either be front-end (e.g. web interface) or back-end systems (e.g. corporate database). An example of this type of interaction is an employee engaged in wireless (and possibly remote) access of the business' enterprise Resource Planning (ERP) system. To this end, the potential wireless interactions are System-to-Consumer (S2C), System-to-Employee (S2E), and System-to-System (S2S).

Again, the activity could occur in the reverse direction as well. Consumers are individuals that a business may interact with wirelessly. One example is an interaction between an employee and the consumer by means of SMS or e-mail. To this end, the potential wireless interactions are Consumer-to-System (C2S), Consumer-to-Employee (C2E), and Consumer-to-Consumer (C2C) to the extent it relates to the business activities (community-based interactions).

Having identified the technological interactions, the next relevant component in formulating a value proposition for telecommunications technology to organizations is to understand its unique or enhanced attributes, which include connectivity, personalization, and localization(Turban, 2002).A wireless infrastructure enables mobile workers with 24/7 connectivity supporting anytime, anywhere communication and information exchange. Mobile devices are typically assigned to single users, who are then able to personalize interface and application settings that may not only increase their satisfaction with using the device but may also improve the efficiency and effectiveness of the system.

Localization is particularly important as it adds a new dimension to reachability extending from the Internet's ability to reach a location (i.e. IP address) to reaching a user (i.e. a mobile worker) or an item (e.g. tracking a shipment).The context of value creation for telecommunications technology becomes complete by the types of organizational activities supported.

1.2 Research Problem

The function of corporate relationship is to align the interests of headquarters and subsidiary, to overcome disadvantages that arise from the organizational structure and through cooperation of headquarters and subsidiary create synergies. It involves all those mechanisms through which business units with potentially divergent interests can be managed by company headquarters to achieve the organizations goals (Dooms, 2005). Since business begun a process of expansion, diversification and globalization, many companies have reorganized their organizational structure. This lead to the separation of responsibilities in form of divisions, business units and subsidiaries (Chandler, 1962). In effectively managing its global operations, a multinational corporation has a degree of choice in the type of control relationship it has with each individual overseas subsidiary. Overseas subsidiary is usually quite distant from the headquarters. An overseas subsidiary is usually created by the headquarters, giving the headquarters great influence on how it will ultimately be managed. Thus particularly in the case of the headquarters-subsidiary relationship, the headquarters of a multinational firm can exercise a choice in the control system employed and the extent of delegation in the subsidiary firm.

Multinational corporations are faced with cost disadvantages, which can only be offset if subsidiaries perform better as members of a corporate family than as stand-alone entities (Dooms, 2005). It is up to the headquarters of the corporation to control the subsidiaries such that the cost disadvantages (such as administration costs or management costs) are overcome and synergies are created. Therefore subsidiary underperformance, subsidiary size and ownership make the multinational corporation more concerned about the performance and profitability of the subsidiaries. In order to avoid loss of income, the multinationals respond with stricter forms of subsidiary control. Subsidiary size and high ownership ratio make the subsidiary more valuable to the multinationals since they are more central to the company's value. The expatriate control is, therefore, predicted to be higher in those foreign subsidiaries that are viewed more important to the multinationals. According to Edström & Galbraith (1977), the subsidiaries that are not performing according to the expectations of the multinationals require stricter form of control from the headquarters. The multinational corporation does not want to lose income and, therefore, exercises tighter control of the foreign subsidiaries whenever there is fear of losing income.

Multiple studies offer support to this assumption about the tighter subsidiary control (Edström & Galbraith 1977, Belderbos & Heijltjes 2005 and Bebenroth et al. 2008). The effect of the subsidiary size on the choice of subsidiary manager has been empirically tested. Since there is, more money invested in those subsidiaries that are bigger and highly owned, these subsidiaries also require stricter control as with the case of underperforming subsidiary. Previous research has revealed numerous factors on the MNC, the industry, the host country, in addition to the subsidiary level that influence subsidiary performance (Choi and Czechowicz, 1983; Fang et al., 2007; Schmid and Kretschmer, 2010). Factors on the subsidiary level extend to the age and size of a subsidiary (Käppli, 2009), its growth and role (Johnson and Metcof, 2007; Gammelgaard et al., 2012), along with its ability to learn and innovate (Vernaik et al., 2005). When the foreign subsidiary lacks behind in the performance sector, the multinational corporations feel increased pressure to tighten their control and to more closely supervise the underperforming subsidiaries.

Locally, studies have been carried out on multinational corporations operating in Kenya. Mutiso (2012) undertook a study on multinational enterprises and host nations: contribution by coca-cola to Kenya's economy. Muthoka (2008) undertook a study, a survey of strategy-structure relationship in multinational banks operating in Kenya. Gichuki (2012) carried out a study on the effect of multinational Chinese firms in competition with the local firms in Kenya. Ogutu and Nyatichi (2012) undertook a study on competitive strategies adopted by multinational banks in Kenya. Mutambah (2012) undertook a study on entry strategies adopted by multinational manufacturing companies in Kenya. There is no single study which has been undertaken on the multinational companies' parent-subsidiary relationship on performance management in host country. This study will therefore fill this gap by seeking to answer the following research question; what is the parent-subsidiary relationship and how does it affect performance Telkom Kenya (Orange)?

1.3 Research Objectives

The objective of this study was to investigate parent-subsidiary relationship and how it affects performance Telkom Kenya (Orange).

1.4 Value of the Study

This study will be beneficial in a number of ways;

It will assist academicians and scholars interested in issues pertaining to multinational companies' parent-subsidiary relationship on performance management in host country in

Kenya. It would also be of value to management practitioners and consultants as it would provide a corporate lesson of the strategies to be employed in enhancing parent-subsidiary relationship and those to be discarded and the relative importance of each.

It will assist the MNCs and MNEs management in formulation of policies, standards, guidance and procedures for tackling the parent-subsidiary relationship on performance management. The management of Telkom Kenya (Orange) will be able to use this study as a management reference point for strategic objectives in maintaining parent-subsidiary relationship, thus ensuring their efficiency and performance.

It will act as a useful resource for the government both host and foreign in understanding the need and usefulness of parent-subsidiary relationship on performance management. It will be a blueprint for policy making for the government. It will provide an insight into the challenges posed by the parent-subsidiary relationship on performance management in multinational corporations.

CHAPTER TWO : LITERATURE REVIEW

2.1 Introduction

This chapter explores what different authors in the field of parent-subsidiary relationship and performance management have done. This is achieved by looking at the theoretical framework, parent -subsidiary relationships in multinational firms and parent-subsidiary relationship and performance management.

2.2 Theoretical Foundation

In this chapter, the agency theory will be introduced and linked to the parent-subsidiary relationship. This will clarify why control strategies are a necessity in multinational corporations and which problems may arise and should be overcome. In the second part of this chapter, the relationship between strategy and structure is reviewed. This relationship is illustrated with some possible links of strategy and structure.

2.2.1 The Agency Theory

The agency theory (Eisenhardt, 1989) is a theory, which is relevant when someone is working on behalf of another. The agent, in this study, the subsidiary, works on behalf of the principal, the headquarters. The theory assumes that agents are self-interested, risk-averse, rational actors who always attempt to exert less effort and higher capabilities than they actually have. The agency theory implies that an agency problem arises when cooperating parties have different goals and different visions on labour (Jensen & Meckling, 1976). Two problems regarding this agency problem can be resolved through the agency theory. The first problem arises when the desires or goals of the agent and principal are in conflict and it is difficult or expensive for the principal to see what the agent is doing. The second problem is that of risk sharing, where the principal and the agent may prefer different actions because of different risk preferences (Eisenhardt, 1989).

Agency theory ideas are helpful to designers of control systems in understanding the principal-agent relationship. The task of a control system is to manage the relationship optimally to achieve the organisational goals. Therefore, the control system in an organization has to deal with the agency problems among its participants. Agency problems can be found throughout all levels of the company as long as there is cooperation. However, in the headquarters-subsidiary relationship the focus of the agency perspective on an organisational level is most relevant. Eisenhardt (1989) adopts the following organisational assumptions: partial goal conflict among the participants, information asymmetry between principal and agent and efficiency as the effectiveness criterion.

The agency theory (Eisenhardt, 1989) assumes self-interest at an individual level and goal conflict at an organisational level. Because of the organisational form of multinational corporations (MNC), interdependence or interactions between organisational units are likely to involve an element of conflict (Aiken and Hage, 1968). In order to create synergies, subsidiaries have to deal with integration with and interdependence on the headquarters. Through this integration and cooperation, subsidiaries can effectively compete with domestic firms (Hymer, 1976). However, subsidiaries also need to respond to the local market, with different goals. Through this the headquarters-subsidiary relationship often becomes strained (Bartlett and Ghoshal, 1986) as the subsidiary attempts to respond to both independent and interdependent interests.

The agency theory takes into account the information asymmetry regarding the power order of the participants. It assumes that individuals are bounded by rationality and that information is distributed asymmetrically throughout the organization. It is argued here that information systems inform the principal of what the agent is actually doing, and this will decrease opportunism as the agent realizes that he or she cannot deceive the principal (Eisenhardt, 1989).

2.3 Parent -Subsidiary Relationships in Multinational Firms

In all growing organizations, managers establish structures that provide a basis for the coordination and control of activities, and one of the most significant issues for multinational firms is the relationship between the corporate centre and country-based subsidiaries. Using the terminology of Lawrence and Lorsch (2007), Kamoche (2006) suggests multinationals have to solve 'the IN-DI puzzle' which 'refers to how firms balance the internal/headquarters demands for integration with those of responsiveness at the subsidiary/unit level'. In a simple model of the issue, multinational firms choose either a strategy of local responsiveness with a multidomestic structure which gives a great deal of autonomy to local subsidiaries, or a strategy of global efficiency, with a global structure that provides varying degrees of coordination of policy and operations. The transnational represents a more complex model in which an optimum balance involving both is sought. Kamoche sees the emerging recognition of the importance of diversity as particularly significant since the need for integration in a complex environment is already a familiar theme. He links this argument to the 'fit flexibility' concept of Milliman et al., (2001) who suggested how the need for both fit and flexibility will vary with the stage of internationalization.

Paauwe and Dewe (2005) labelled the earlier Stopford and Wells model of the structure of MNEs as a first-generation approach, whereas the transnational solution of Bartlett and Ghosal they labelled a second-generation model, developed to suit the complexity of the current international environment. Second-generation models those, which stress organizational flexibility rather than strategic fit, and are concerned with the management process that will make strategic decisions work. The global or transnational firm has to have a fluid approach that enables it to find the right balance between integration and local responsiveness for each situation

Taggart (1998) argued that there are two dominant views on parent-subsidiary relations in the literature. In one, the MNE head office is seen as the centre of all strategic direction and creativity, and managers in subsidiaries are expected to implement head office requirements. In the other view the MNE is heterarchical rather than hierarchical, and subsidiaries become less dependent on head office, and more interdependent. Taggart built on earlier work by Porter (1986) to develop and empirically test the usefulness of a model for identifying and evaluating strategy at subsidiary level that incorporates the two dimensions of whether there is high or low coordination of activities across the organization, and whether the configuration of activities in the value chain is geographically concentrated or geographically dispersed.

Taggart surveyed subsidiaries of foreign-owned manufacturing companies in Britain, and found that the coordination-configuration framework provided a basis for identifying distinctive strategy roles for multinational subsidiaries. A similar discussion of parent-subsidiary relations is found in Casson *et al*., (2008), which also contains a framework based on two dimensions. One is whether the contribution made by a subsidiary unit is to a local or global value chain (similar therefore to the configuration dimension in Taggart) The terms in the quadrants are fairly clear, but it may be noted that the 'loose team includes joint-ventures and alliances.

Bartlett and Ghosal referred to creating a matrix in managers' minds, and it is probably right that such a structure has to be based on a shared perspective rather than a complicated organization chart. Ghosal and Nohria (2009, 2003*)* examined forms of integration and differentiation in a sample of international companies, and formulated a principle of requisite complexity; which means that the complexity of a company's structure must match the complexity of its environment. They found that MNEs that achieve the appropriate fit perform better than those that do not. One consequence of this view is that the transnational solution is desirable for organizations in a highly complex environment, but it may not be necessary for every international firm. As Ohosal and Nobria (1993) say: Organizational complexity is costly and difficult to manage, and simplicity, wherever possible, is a virtue.

In another study, Nobria and Ghosal (2004) specified two ways by which MNEs manage headquarters-subsidiary relations. The differentiated fir approach is based upon the relationship with each subsidiary matching the subsidiary context, whilst the shared values approach is based upon developing shared and highly aligned interests and values. Either method may be effective, but organizations can perform better by implementing both. It may be suggested that the separate use of the two methods could be related to whether the MNE is following a multidomestic or global strategy, with the simultaneous use of both being found in the transnational.

2.4 Parent-Subsidiary Relationship and Performance Management

Cascio (2006) has written about performance management. There are two broad categories of performance factors; task performance and contextual performance. The task performance represents the core technical activity of the organization, for example software development. Contextual performance factors represent the performance components that support the organizational, social, and psychological environment in which the technical core must function. At the most basic level, performance management refers to the evaluation and continuous improvement of individual or individual team performance.

It is as important in the global environment, even though managing host-country nationals makes it challenging. International performance focuses on two things; host-country nationals of MNCs and expatriates. There are surveys done about performance management, also in multinationals, from different countries. Results being that PM are used, at three-quarters for more than 70 % of their employees. More than half have a yearly review, about 40% more often than once a year. Software is used in 20 % and about a third plan to introduce it. Training for managers has doubled. Managers tend to balance on subjective and objective data in performance review. Ranking systems are used but few find them effective. The most effective performance systems are consistently used throughout the organization, integrated with other systems (ex. promotion, compensations, succession planning, and promotions), involve senior managers and employees, and are linked to organizational strategy.

There are major differences in implementation on the international operations, even if the goals and purpose is quite the same as in the domestic. One thing that affects this is the degree of support and interaction with the parent. The goals comprise two domains: evaluation and development. The evaluation goals in the international environment include: providing feedback to employees at all levels so they will know where they stand, developing valid bases for employment decisions involving pay, promotion, job assignment, retention and termination, provide a mean to warn employees about unsatisfactory performance. The developmental goal for global performance management systems include: helping employees at all levels to improve their performance and develop their professional skills, diagnosing individual and organizational problems, enhancing commitment to the organization through discussion of career opportunities, action plans and need for training and development, using recognition to motivate continued or improved high performance (Cascio, 2006).

Common things for the process seem to be three key elements. They are defining performance, facilitate performance, and encourage performance. Defining performance ensures that individual employee know what is expected of them. To do this well it needs to pay attention to goal, measurement, and assessment. A goal can be for example a certain percentage of satisfied customers. They need to be specific and clarify precisely what is expected. An individual can be expected to improve the productivity with ten % using goal setting (Stahl & Björkman, 2006). When talking about facilitating performance a big responsibility is to eliminate roadblocks, for example by providing adequate resources (also human resources) and equipment to get a job done on time and in a right way. If the tools are missing so that one can meet the challenging goals, they will just be frustrated. One aspect of performance facilitation is the selection of employees (Sparrow, Brewster, Harris, 2004).

The issue of global performance management needs an effective system to be able to evaluate in a local cultural environment. It is necessary to adjust problems with cultural adaptation and associated with the complexity of conducting international business (Lervik, 2005). According to guidelines for adequate global PM it is important to consider the fairness of the evaluation to ensure that the MNC receives full value from its managers. There need also to be decided who conducts the appraisals. (Briscoe & Schuler, 2004) PM might be the most challenging HR process in the international context because of geographical spread and product and operation mode diversity. To manage performance in various locations requires some planning.

MNC´s need to recognize the difference between overall strategic goals and subsidiary goals, to look at it in the right context and recognize various constrain that may affect goal attainment (Brewster, 2006).

2.5 Chapter Summary

Chapter two dealt with the literature review which mainly comprised of studies that have been undertaken in relation to parent-subsidiary relationship. The chapter presented a clarification of why control strategies are a necessity in multinational corporations and the problems that may arise and how to overcome them. In addition the relationship between strategy and structure is also reviewed. The next chapter is on the research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology covers the research design for the study, the data collection method, and the data analysis method.

3.2 Research Design

A case study is a method, which entails the analysis of a single case (Bryman and Bell, 2003), or a single organization: Telkom Kenya Ltd. Yin (2003) suggests that a case study is an empirical inquiry that investigates a phenomenon within its real-life context. A qualitative research emphasizes words rather than quantification in the collection and analysis of data (Bryman and Bell, 2003). From a quality, research it can be inducted the relationship between theory and research (Bryman and Bell, 2003). Qualitative methods lead to more in-depth analysis (Esther by-Smith et al., 2002) and it requires a small sample of data.

3.3 Data Collection

For this research, primary data was collected using an interview guide, where the interviewer had a specific list of topics that were covered (Bryman and Bell, 2003). The advantage of this method is that the interviewer has the flexibility to reformulating the questions because of the answer of the interviewee (Bryman and Bell, 2003). The study interviewed HR, Relationship, Finance, Operations, marketing strategic managers as well as heads of departments to comprehensively cover all areas of business operations in the organization

The researcher primarily conducted direct, personally administered interview. In situations that the respondents were not available for a direct interview, electronic email response was used, followed by a telephone interview.

3.4 Data Analysis

The data collected was analysed using the content analysis technique. Babbie (2001) noted that the content analysis measures the semantic content or the aspect of a message. Its breadth makes it a flexible and wide-ranging tool that may be used as a stand-alone methodology or as a problem specific technique. This analysis method assisted in understanding and interpreting the responses from the respondents. An in-depth understanding of the responses from the respondents was also used in the analysis.

3.5 Chapter Summary

This chapter outlined the research design and methodology used in this study. The research method used was case study research design. The chapter also outlined the population from whom data was collected, HR Relationship, Finance, Operations, marketing, strategic managers as well as heads of departments to comprehensively cover all areas of business operations in the organization**.** The instruments used to collect data from Telkom Kenya Ltd was an interview guide and the data analysis methods are also outlined as content analysis. The next chapter presents the results and findings of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter reports the data analysis and interpretation of the results. The focus shall be on analyzing the data collected from all the respondents in the organization and giving a clear interpretation of the results. The focus of the study was to determine the parent-subsidiary relationship and how it affects performance in Telkom Kenya (orange), to accomplish this; data was collected by use of an interview guide, which contained open ended questions that aided in gathering of as much data.

4.2. Demographic Information

The study sought to collect information from the top managers, as well as heads of departments of Telkom Kenya (orange) limited in Nairobi. They each had different working positions but quite longer periods with majority having worked for a period of 7 years and above at Telkom Kenya hence were well conversant with the effect of parent-subsidiary relationship on performance at Telkom Kenya. Majority of the respondents stated they held positions in HR, operations and marketing, in addition to this most of the interviewees were undergraduates and postgraduates. Thus, they clearly understood parent-subsidiary relationship and how it affects performance in Telkom Kenya.

4.3 Parent-Subsidiary Relationship

The study asked the interviewees various questions relating to Parent-Subsidiary Relationship at Telkom Kenya and obtained various responses. This was meant to establish the influence Parent-Subsidiary Relationship has had in the organization.

4.3.1 Extent to which parent subsidiary relationship influences coordination of policy and operations

The study sought to establish to what extent parent subsidiary relationship influences coordination of policy and operations. The findings indicated that majority of the respondents felt that parent subsidiary relationship to a large extent influence coordination of policy and operations, as it leads to slow support in introduction of new products into the market. The process is generally lengthy and bureaucratic, payment of head office support costs or recharges, which have an impact on the overall performance Telkom Kenya as well as implementation and compliance to global compliance requirements, which are stringent, and not a key focus for the local companies. Other respondents concerns were on parent strategies which hinder exploitation of opportunities in the local market. The global business policies too have an inclination to the parent company's country, which rarely allows Telkom Kenya room to localize some of the products and services and tap into growth potential sectors.

4.3.2 Respondents opinion on whether parent subsidiary relationship influences right balance between integration and local responsiveness for each situation

Respondents were kindly requested to give their views on whether parent subsidiary relationship influences right balance between integration and local responsiveness for each situation**.** Respondents indicated that parent subsidiary relationship does not always influence the right balance for each situation, as operational integration is normally done at the parent level while local responsiveness is mainly driven by situational conditions at the subsidiary level as each Telkom Kenya faces unique needs of local customers, supplier networks, local competitors and governmental regulations. When probed further they stated, the management staff is not entirely localized, hence management of employees tend to adhere more towards the parent company norms. They were of the concern that the parent company should attract and develop more of capable local talent to achieve successful localization.

4.3.3 Parent subsidiary relationship in enhancing effective performance management system that is able to evaluate a local cultural environment.

The study sought to determine from the respondents how parent subsidiary relationship enhances effective performance management system that is able to evaluate a local cultural environment. According to the respondents' performance at local level is significantly influenced by the method of founding, dependence of local inputs and the extent of communication with the parent. An alignment of common values, priorities and performance expectations throughout the MNC contribute to the development of a common global business culture that in turn has a unifying influence on individual employee thought, behavior and performance. However, they further stated training of top management is done to orient them to the local culture and how to treat the employees.

4.3.4 Respondents opinion on whether parent subsidiary relationship enhances integration of technology locally

The respondents were also asked to point out whether parent subsidiary relationship enhances integration of technology locally. The interviewees stated that through formation of technology alliances, Telkom Kenya is able to leverage on technology within the parents company ambit. Thus, it enhances efficiencies than when operating on a standalone basis. The strong Telkom Kenya brand, which has contributed to the strong performance over many years, is also a key technological benefit in which the parent company has played a great role in enhancing the brand profile and image.

4.3.5 Parent subsidiary relationship in creating independence of subsidiaries

On the question of how parent subsidiary relationship creates independence of subsidiaries. The respondents stated, Telkom Kenya and its parent company are separate entities and independent of one another. However, the parent company always has an upper hand in decision making process for instance the parent gives a global strategy which is then shared across the subsidiaries who then craft their local strategies largely in line with what has been recommended by the parent, unless in exceptional circumstances where Telkom Kenya management is allowed to deviate from what the parent has recommended as the global strategy. Respondents further stated, the parent may decide that it is not keen to target certain sectors which are deemed to be of high risk, e.g. the Small and Medium Sized sector which the Headquarters has not been keen to venture into. In such a case if the Telkom Kenya believes it can perform well in this sector, then it will need to justify why. And only after the parent is satisfied that the sector is viable will it get approval to venture into that market. Thus subsidiaries are not solely independent.

4.4 Parent-Subsidiary Relationship and Performance

The study asked the interviewees various questions relating parent-subsidiary relationship and Performance and obtained various responses. This was meant to establish the effect of parent-subsidiary relationship on management of the organization and employee performance.

4.4.1 Respondents opinion on how parent subsidiary relationship influences the employees at all levels.

Respondents were requested to indicate how parent subsidiary relationship influences the employees at all levels, in terms of culture, working environment and performance from this study, it was evident that employee performance to a large extent is influenced by parent subsidiary relationship, as sometimes, Telkom Kenya is given mandates and attention from (HQs) headquarters based on their capabilities, while in other cases, HQs make independent decisions to entrust them with enhanced roles and greater responsibilities, which consequently affect employee working environment and performance. They also stated parent- subsidiary relationship encourage professionalism thus enhancing commitment to the organization.

4.4.2 Parent subsidiary relationship influence on employee promotion

On the question of how parent subsidiary relationship influence employee promotion at Telkom Kenya. The respondents were of the opinion that in the initial stages of operation, Telkom Kenya was allowed by the parent company to focus on the local market and employ multi-domestic structures, with (HQs) headquarters exercising minimal control over human resource management practices. The parent company maintained contact with Telkom Kenya, but their HQs were not involved in their employee recruitment and promotion activities. However they further stated, as changes occurred in their local operations, and subsequently in their parent subsidiary relationships, the parent companies changed their control and co-ordination mechanisms, and started to have more of an influence over their subsidiaries promotion practices, especially with the top management staff.

4.4.3 Respondents opinion on whether parent subsidiary relationship influence diagnoses of individual and organizational problems

The study sought to establish whether parent subsidiary relationship influence diagnoses of individual and organizational problems. The study established that Telkom Kenya and parent relations examine the subsidiary role, strategies and subsidiary control. These include the degree to which a subsidiary is embedded in the local environment, the strengths of the flow of resources such as capital, information and people between the parent and the subsidiary; the characteristics of the parent, cultural of home country and the degree of distance between the two cultures that meet. To try to harmonize core human resource processes in this environment can be a challenge.

4.4.4 Growth strategies adopted by Telkom Kenya as a result of parent subsidiary relationship

Respondents were requested to state growth strategies adopted in their organization as a result of parent subsidiary relationship. The respondents stated the following as the growth strategies employed: cost of leadership: where Telkom Kenya has taken a deliberate action to make savings along the value change with a deliberate effort to reduce operational costs and enhance the revenue collection process. The organization has in information management systems and business intelligence systems that aid in the control of expenditure and allow for budgeting.

Price leadership: where the low subscriber base of Telkom Kenya was an advantage as it allowed it to lower the on-net prices without a great impact on revenues. Outsourcing: in order to focus on their primary objective of proving telecommunication services, Telkom Kenya has taken a strategic decision to outsource some of its non-core activities. Activities such as call center management under customer care, non- core server management under technical and sales animation under sales. These activities were traditionally operated and managed by Telkom Kenya, however in a bid to achieve efficiency and reduce on cost, this activities coupled with their associated business process have been outsourced.

4.4.5 Strategic management practices adopted by Telkom Kenya your as a result of parent subsidiary relationship

The study asked the interviewees various questions relating to strategic management practices adopted by Telkom Kenya as a result of parent subsidiary relationship from the study findings, the respondents unanimously agreed that Telkom Kenya Limited has been applying strategic management practices in its operations. They further indicated that the strategic management practices adopted by Telkom Kenya Limited included; scientific methodology for managing planned change.

The company also conducted diagnosis, analysis, feedback, action and evaluation. The company further practiced unfreezing the status quo, movement to a new state and refreezing the new change to make it permanent. Another strategic change management practice adopted was the systematic collection of data and selection of a change action based on analysis. They also indicated strategic planning practices at Telkom Kenya to include: performing market research, analysis of investment opportunities, customer services, efficiency of operating process, and analysis of financial strengths and weaknesses.

4.4.6 Respondents views on the various way that can strengthen Telkom Kenya performance due to parent subsidiary relationship

The study sought to establish from the respondents the various ways that can strengthen their organization’s performance due to parent subsidiary relationship. Respondents were of the opinion that a clear feedback channel will improve the relationship and communication between the parent and Telkom Kenya so as to improve performance as well as to allow the subsidiary more leeway to localize some of the strategic options. In addition to this they stated, its important that Telkom Kenya is allowed leeway to follow strategic choices that that are localized according to the market segments they target. The respondents also suggested that by creating a healthy balance to allow the subsidiary to a certain extent to localize its strategic choice as well as sharing expertise in the areas of Information Technology and Technical Support would enhance performance of the organization and consequently improve parent subsidiary relationship. Moreover many of the senior managers have working experience in different parts of the parents' subsidiaries worldwide, thus should encourage the level of training and skills of the employees at Telkom Kenya, so as to improve employees expertise.

4.5 Discussion of findings

The respondents stated, Telkom Kenya and its parent company are separate entities and independent of one another. However the parent company always has an upper hand in decision making process for instance the parent gives a global strategy which is then shared across the subsidiaries who then craft their local strategies largely in line with what has been recommended by the parent, unless in exceptional circumstances where Telkom Kenya management is allowed to deviate from what the parent has recommended as the global strategy.

Respondents further stated, the parent may decide that it is not keen to target certain sectors which are deemed to be of high risk, e.g. the Small and Medium Sized sector which the Headquarters has not been keen to venture into. In such a case if the Telkom Kenya believes it can perform well in this sector, then it will need to justify why. Only after the parent is satisfied that the sector is viable will it get approval to venture into that market. Thus, subsidiaries are not solely independent. Similarly, the first problem arises when the desires or goals of the agent and principal are in conflict and it is difficult or expensive for the principal to see what the agent is doing. The second problem is that of risk sharing, where the principal and the agent may prefer different actions because of different risk preferences (Eisenhardt, 1989: Jensen & Meckling, 1976; Aiken and Hage, 1968)

According to Lawrence and Lorsch (2007); Kamoche (2006) in all growing organizations, managers establish structures that provide a basis for the coordination and control of activities, and one of the most significant issues for multinational firms is the relationship between the corporate centre and country-based subsidiaries. Similarly from the study findings the respondents were of the opinion that in the initial stages of operation, Telkom Kenya was allowed by the parent company to focus on the local market and employ multi-domestic structures, with (HQs) headquarters exercising minimal control over human resource management practices. The parent company maintained contact with Telkom Kenya, but their HQs were not involved in their employee recruitment and promotion activities. However they further stated, as changes occurred in their local operations, and subsequently in their parent subsidiary relationships, the parent companies changed their control and co-ordination mechanisms, and started to have more of an influence over their subsidiaries promotion practices, especially with the top management staff.

It was evident that employee performance to a large extent is influenced by parent subsidiary relationship, as sometimes, Telkom Kenya is given mandates and attention from (HQs) headquarters based on their capabilities, while in other cases, HQs make independent decisions to entrust them with enhanced roles and greater responsibilities, which consequently affect employee working environment and performance. They also stated parent- subsidiary relationship encourage professionalism thus enhancing commitment to the organization. This is in accordance to Cascio, (2006); Stahl & Björkman, (2006) , who stated the developmental goal for global performance management systems include: helping employees at all levels to improve their performance and develop their professional skills, diagnosing individual and organizational problems, enhancing commitment to the organization through discussion of career opportunities, action plans and need for training and development, using recognition to motivate continued or improved high performance.

4.6 Chapter Summary

This chapter shows the results of the findings. The findings on parent-subsidiary relationship and how it affects performance in Telkom Kenya (orange) revealed that parent subsidiary relationship at Telkom Kenya does influence coordination of policy and operations, as it leads to slow support in introduction of new products into the market. Moreover Parent subsidiary relationship does not always influence the right balance for each situation, as operational integration is normally done at the parent level while local responsiveness is mainly driven by situational conditions at the subsidiary level as each Telkom Kenya faces unique needs of local customers, supplier networks, local competitors and governmental regulations. In addition, Telkom Kenya is able to leverage on technology within the parents company ambit.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This section provides the summary of findings, conclusions and recommendations from chapter four of the study. It further provides a recommendation on the areas for further studies.

5.2 Summary of findings

From the findings majority of the respondents felt that parent subsidiary relationship to a large extent influence coordination of policy and operations, as it leads to slow support in introduction of new products into the market. The process is generally lengthy and bureaucratic, payment of head office support costs or recharges, which have an impact on the overall performance Telkom Kenya as well as implementation and compliance to global compliance requirements, which are stringent, and not a key focus for the local companies. Other respondents concerns were on parent strategies, which hinder exploitation of opportunities in the local market. The global business policies too have an inclination to the parent company's country which rarely allows Telkom Kenya room to localize some of the products and services and tap into growth potential sectors.

The study also found that parent subsidiary relationship does not always influence the right balance for each situation, as operational integration is normally done at the parent level while local responsiveness is mainly driven by situational conditions at the subsidiary level as each Telkom Kenya faces unique needs of local customers, supplier networks, local competitors and governmental regulations. When probed further they stated, the management staff is not entirely localized, hence management of employees tend to adhere more towards the parent company norms. They were of the concern that the parent company should attract and develop more of capable local talent to achieve successful localization. Respondents' performance at local level is significantly influenced by the method of founding, dependence of local inputs and the extent of communication with the parent. An alignment of common values, priorities and performance expectations throughout the MNC contribute to the development of a common global business culture that in turn has a unifying influence on individual employee thought, behavior and performance. However they further stated training of top management is done to orient them to the local culture and how to treat the employees.

The study established that Telkom Kenya is able to leverage on technology within the parents company ambit. Thus it enhances efficiencies than when operating on a standalone basis. The strong Telkom Kenya brand which has contributed to the strong performance over many years is also a key technological benefit in which the parent company has played a great role in enhancing the brand profile and image. The study also revealed the parent company always has an upper hand in decision making process for instance the parent gives a global strategy which is then shared across the subsidiaries who then craft their local strategies largely in line with what has been recommended by the parent, unless in exceptional circumstances where Telkom Kenya management is allowed to deviate from what the parent has recommended as the global strategy.

The study further established, respondents were of the opinion that a clear feedback channel will improve the relationship and communication between the parent and Telkom Kenya so as to improve performance as well as to allow the subsidiary more leeway to localize some of the strategic options. In addition to this they stated, it’s important that Telkom Kenya is allowed leeway to follow strategic choices that that are localized according to the market segments they target. The respondents also suggested that by creating a healthy balance to allow the subsidiary to a certain extent to localize its strategic choice as well as sharing expertise in the areas of Information Technology and Technical Support would enhance performance of the organization and consequently improve parent subsidiary relationship. Moreover many of the senior managers have working experience in different parts of the parents’ subsidiaries worldwide, thus should encourage the level of training and skills of the employees at Telkom Kenya, so as to improve employees expertise

5.3 Conclusion of the study

The study concludes parent subsidiary relationship at Telkom Kenya does influence coordination of policy and operations, as it leads to slow support in introduction of new products into the market. The process is generally lengthy and bureaucratic, payment of head office support costs or recharges which have an impact on the overall performance Telkom Kenya as well as implementation and compliance to global compliance requirements which are stringent and not a key focus for the local companies. Presence of parent strategies which hinder exploitation of opportunities in the local market. The global business policies too have an inclination to the parent company's country which rarely allows Telkom Kenya room to localize some of the products and services and tap into growth potential sectors.

The study also concludes Telkom Kenya is able to leverage on technology within the parents company ambit. Thus it enhances efficiencies than when operating on a standalone basis. The strong Telkom Kenya brand which has contributed to the strong performance over many years is also a key technological benefit in which the parent company has played a great role in enhancing the brand profile and image. Further the study concludes the parent company always has an upper hand in decision making process for instance the parent gives a global strategy which is then shared across the subsidiaries who then craft their local strategies largely in line with what has been recommended by the parent, unless in exceptional circumstances where Telkom Kenya management is allowed to deviate from what the parent has recommended as the global strategy.

Finally the study concludes that a clear feedback channel will improve the relationship and communication between the parent and Telkom Kenya so as to improve performance as well as to allow the subsidiary more leeway to localize some of the strategic options. In addition to this they stated, it's important that Telkom Kenya is allowed leeway to follow strategic choices that that are localized according to the market segments they target. Moreover many of the senior managers have working experience in different parts of the parents' subsidiaries worldwide, thus should encourage the level of training and skills of the employees at Telkom Kenya, so as to improve employees expertise

5.4 Recommendation

The study acknowledges that the parent plays a key role in influencing the performance of the subsidiary. The study finds there is a need by the parent company to allow the subsidiary leeway to localize some of the strategic performance options, so as to enhance its performance. Especially in areas which may be doing well locally but internationally stagnating. An example is Agricultural sectors in Kenya. While this is a growth area locally, the sector has been facing serious challenges in the Western World. Due to this, the parent is reluctant for the subsidiary to venture into this sector aggressively as it is perceived to be a high risk sector. The subsidiary should be allowed to strategically enter into these markets as the parent company stands to benefit at the end of the day.

5.5 Limitations of the Study

There was lack of adequate finances to carry out the study on more interviewees and use of more research instruments, the study further experienced time constraints since the project was to be done within a short time frame.

There was also lack of cooperation with some of interviewees who were uncooperative to fill the interview guide.

The study was also limited by suspicion from Telkom Kenya management on what the information will be used for but this was overcome by persuasion that the information is for academic purposes and will be treated with the highest form of confidentiality.

5.6 Recommendations for Further Research

Based on the findings, Future research is recommended to include more respondents across several multinational firms and countries. This will aid in coming up with a more conclusive finding in establishing the kind of relationship that exist between parent and their subsidiaries and how it affects the performance of the organization.

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APPENDIX I: INTERVIEW GUIDE

Introduction

This study is an investigation into the strategies employed by Telkom Kenya (Orange) in boosting its performance.

SECTION A: BACKGROUND INFORMATION

1. What is your level of education?
2. How long have you worked with this organization?
3. Position in the organization?..

Section B: Parent-Subsidiary Relationship

1. To what extent does parent subsidiary relationship influence coordination of policy and operations
2. Does parent subsidiary relationship influence right balance between integration and local responsiveness for each situation? Explain
3. How does parent subsidiary relationship enhance effective performance management system that is able to evaluate a local cultural environment
4. Does parent subsidiary relationship enhance integration of technology locally? Explain
5. Explain how the parent subsidiary relationship creates independence of subsidiaries

Section C: Parent-Subsidiary Relationship and Performance

1. How does parent subsidiary relationship influence the employees at all levels in terms of culture , working environment and performance
2. How does parent subsidiary relationship influence employee promotion?

3. Does parent subsidiary relationship influence diagnoses individual and organizational problems

4. What growth strategies have been adopted in your organization as a result of parent subsidiary relationship

5. What strategic management practices have been adopted in your organization as a result of parent subsidiary relationship

6. Recommend the various ways that can strengthen your organization's performance due to parent subsidiary relationship

THANKYOU FOR YOUR INPUT AND COOPERATION!!!