THE VALUE OF CORPORATE PARENTING TO MULTINATIONAL COMPANIES LISTED IN NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

Declaration by the Student

This research project study is my original work and has not been presented to any other examination body. No part of this research should be reproduced without my consent or that of Nairobi University.

Sign………………………...   Date………….......

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ADM NO: D61/60793/2010

Declaration by the Supervisor

This research study has been submitted for approval with my consent as University supervisor.

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DEDICATION

I dedicate this project to my loving wife Becky, my son Brian and daughters Wendy and Michelle for their support, patience and encouragement which inspired me to pursue and complete my postgraduate studies.

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ABBREVIATIONS AND ACRONYMS

CPM Corporate Portfolio Management

MNC Multinational Companies

NPV Net Present Value

NSE Nairobi Securities Exchange

ROI Return on Investment

ABSTRACT

The study was designed to investigate into the value of corporate parenting to multinational companies listed in Nairobi Securities Exchange. The study also focused on establishing the key factors and extent into which they influence corporate parenting value creation. The methodology that was employed in this study was purposive sampling was used to select the two managers from the 50 publicly listed MNC's in NSE. The data collected was analysed using descriptive statistics and regression analysis. The researcher findings revealed that corporate parenting has added value to MNC's listed in NSE. Most of the subsidiary companies managers are motivated to achieve their targets. The study revealed that among the key factors influencing corporate parenting value creation include: budget control, staffing, capital investment decisions and strategic dialogue. Among the four key factors, staffing was shown as the one with the highest impact on corporate parenting value creation. The study recommends that for Multinational corporate parents companies listed in Nairobi securities exchange to be effective on adding value to its subsidiaries, the organization should add more powers to the subsidiary managers to enable them make more decisions which affects their subsequent branches. The study also recommends that skills and resources of the parent companies should be of high standard and the same should be reflected on the subsidiary companies.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Today, many companies have a corporate strategy of harmonization and alignment. However, according to Goold, Campbell and Alexander (1994), the nature of thinking about corporate strategy has changed over the last decades especially for organization with more than one line of business. Multi business companies comprise two elements: business units which could theoretically be independent companies relating directly to the capital markets; and one or more layers of other line and staff managers above or outside the businesses, which we refer collectively as “parent”. The businesses are directly involved in value creation; they produce goods and services and attempt to sell them for more than their cost. But the parent company is involved much less directly; its ability to create value depends largely on the influence on the businesses and the way it supports them.

Alfred Chandler in his classic book, *Strategy and Structure* (MIT Press, 1962) describes the rationale and process behind the transformation of these multi business companies from functional or geographical organizations to decentralized structures centered on product divisions. The rationale was based on lowering coordination costs for each business by subordinating functional activities to product division managers; and, streamlining resource allocation across the business units through a general office composed of corporate management. As managers’ world-wide recognized these benefits, the multi-divisional structure diffused across developed countries throughout the twentieth century and is gaining currency in emerging markets. The current study will be anchored on agency theory and corporate portfolio management theory in trying to establish the value of corporate parenting to subsidiary companies with a bias to listed multinational companies in the Nairobi Stock Exchange.

In Kenya, multi business firms are either members of Multinational Companies (MNC's) or are firms started locally which have grown to group status as collection of firms bound "formally and or informally". Increased competition among MNC's and entry of other players in the Kenyan market necessitate the design of competitive strategies that guarantee performance. The primary objective of a multi-business firm is achieving higher financial performance than the firm's units would achieve if they were independent. To do this, the corporation acts as the primary if not sole source of capital for its units and manages them to ensure that they have superior economic returns over time. No public firm that fails notably in this objective can survive for long in an economy with an efficient capital market. Failures are bought by entrepreneurs and broken up or reorganized.

1.1.1 The concept of Corporate Parenting

The concept of corporate parenting was originally proposed by Campbell et al. (1995) in the context of conglomerates in developed economies. The authors argue that multi-business companies aligned to a parent consists of businesses which potentially could be better off independently (Campbell et al. 1995). Therefore such a parent firm's existence can be justified only if it creates value for these businesses. The authors identify corporate parent as, management layer that is neither customer facing nor profit churning as their divisional businesses. Yet there existence entails costs that manifests not only as corporate overheads but also includes the burden of reporting by strategic business units.

Campbell et al. (1995) bought into preview the tension between the central and divisional management proposing that parents need to justify themselves in terms of the benefit they bring to divisional businesses over and above the costs they entail. This they termed as ‘parenting advantage’ proposing that corporate strategy should add value to individual businesses. The authors suggest that a parent company should be creating more value than a competing rival parent assuming it has similar businesses in its kitty. Some of the advantages the authors identify that the parent brings are its influence on improving performance, specific skills and deeper understanding of the individual business (Campbell & Goold, 1998).

Corporate parents have the potential to add value to their businesses through their influence on the stand-alone performance of the businesses, but for a variety of reasons, including what we call the 10% versus 100% paradox, they more often destroy value instead. Conditions necessary to do so are that there should be a genuine parenting opportunity to improve the performance of the business, the parent should have skills, management processes, and other characteristics that are suitable for realising "the opportunity", and the parent should have sufficient feel for the critical success factors in the business avoid inadvertently destroying value through inappropriate influences (Sekulić, 2002).

To succeed as a multi-business organization, the firm must analyze the advantages and disadvantages its units receive from being jointly owned. Business units may gain an advantage from efficient allocation of cheap capital to take advantage of growth opportunities. Economic benefits may also come from managing the inter-unit flow of goods and services to meet market needs and combining activities across units to increase productivity. In both ways, the firm substitutes for external markets in which its business units might otherwise buy capital or goods and services. (Coakley, Thomas, and Wang, 2008).

1.1.2 Multinational Companies Listed in the NSE in Kenya

Multinational entities have played a major role in international trade for several centuries. A number of multinational corporations (MNCs) from developing economies are becoming key players in the global economy. Multinational corporations engage in very useful and morally defensible activities in Third World countries for which they frequently have received little credit. Significant among these activities are their extensions of opportunities for earning higher incomes as well as the consumption of improved quality goods and services to people in poorer regions of the world. Compared to local firms, multinational corporations provide developing countries with critical financial infrastructure and enormous resources for economic and social development.

Most MNC's in Kenya are listed in Nairobi Securities Exchange (NSE) in their bid to raise more funds from capital markets for expansion. These MNC's having operated in a global environment are able to overcome most challenges that are faced by local firms. The challenges include; lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty market information which diminish their ability to contribute effectively to sustainable development. Multinational corporations like local firms in recent years have been faced with increasing competition arising from various sources including other multinationals and other players in the Kenyan market. They also have the challenge of unfamiliar business environment and unfriendly laws. While local firms often find it difficult to compete with these firms, MNCs appear to be doing better in spite of the competitive challenges faced. A deeper look into their structures and strategies is important in informing reason for their good performance.

1.2 Research Problem

Corporate parents have the potential to add value to their businesses through their influence on the stand-alone performance of the businesses, but for a variety of reasons, including what we call the 10% versus 100% paradox, they more often destroy value instead. Conditions necessary to do so are that there should be a genuine parenting opportunity to improve the performance of the business, the parent should have skills, management processes, and other characteristics that are suitable for realising "the opportunity", and the parent should have sufficient feel for the critical success factors in the business avoid inadvertently destroying value through inappropriate influences(Sekulić, 2002).The impact of stand-alone parenting influence can be either positive or negative. It can be a major source of added value and performance improvement for the businesses. However it can also seriously damage performance through inappropriate influence and excessive overhead costs. Poor appointments, invalid objectives, inappropriate strategies, and unsuitable, slow and costly review processes damage performance much more than the corporate overhead charge. This can cause value destruction rather than gain (Sekulić, 2002).

Many Business Groups operating in emerging markets have multi-businesses linked only through financial cross-subsidization and are therefore generally viewed as having a poor system of governance. In Kenya, most of the listed companies in Nairobi Securities Exchange have this kind of management structure. Such multi-business firms are managed centrally through Corporate parents consisting of managers and staff not assigned to a business unit. As to whether these parent managers and staff create value to the corporation lies with the justification of multi-business companies/subsidiaries. Given the structural differences in multi-business firms the concept of 'parenting' with reference to business groups in emerging markets needs to be investigated further.

Several researchers have done previous studies in this area. (Hendry,1996, Makhija, Kim and Williamson, 1997, Autio, Spienza and Almeida, 2000) revealed that, while the best corporate parents undoubtedly succeed in creating value through stand-alone influence, the majority of parents end up by inadvertently causing-more harm than good. Studies by (Reuber and Fischer, 1997, Torome, 2000) points on corporate parenting practices by publicly quoted companies. There is need for study on the value of corporate parents on listed companies in emerging markets. This study therefore aims to fill the gap by establishing the value of corporate parenting to the listed subsidiaries in Kenya. To achieve its objective, the study seeks to answer the following research questions; Is there value that corporate parenting create on subsidiary companies for Companies listed in Nairobi Securities Exchange? What are the key factors influencing corporate parenting value creation for MNC's listed in NSE? To what extent do these factors influence corporate parenting value creations for these MNC's listed in NSE?

1.3 Research Objectives

The current study will be guided by the following objectives:

i. To determine the value of corporate parenting to multinational corporations listed in NSE

ii. To establish the key factors which influence corporate parenting value creation for MNC's listed in NSE

1.4 Value of the Study

The research findings are expected to contribute to a better understanding of corporate parenting strategies. This would enable the formulation of focused intervention strategies and coordinate efforts aimed at facilitating parenting strategies and success of firms. Success of the firms would go a long way in helping solve problems of unemployment, poverty reduction and increase incomes through value addition. The findings of this study would also be invaluable to the corporate parents as they will be able to understand vividly the role they play in influencing subsidiaries.

The study will be useful to the government and other stakeholders. The government would be able to understand the extent to which corporate parents create value to their subsidiaries. This knowledge is very important to regulators in setting policy aimed at improving regulatory framework in which companies operate. The development partners who are usually interested at helping the corporate prosper would have an understanding of the role corporate parents' play towards contributing to the economy. The findings will also benefit investors who buy stock in Nairobi Securities Exchange in informing decision to invest in such companies that practice corporate parenting.

The findings of this study will be of importance to corporate portfolio management theory advancement by pointing how the satisfaction level of companies in applying the CPM in their operations and showing the typical barriers to successful portfolio management and how they can be overcome.

The proposed research may be of considerable significance to researchers as well as inform further research on mergers and acquisition as a recent phenomenon in emerging markets. The scholars and researchers who would like to debate or carry out more studies on corporate parenting will find this study useful.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter looks at the past studies on value of corporate parents on subsidiary companies. The chapter also presents literature and previous studies that have been conducted on the link between corporate parents and its value to subsidiary companies.

2.2 Theoretical Foundation

This section outlines the theories upon which the current study is pegged. Specifically, agency theory and corporate management portfolio theory are discussed.

2.2.1 Agency theory

According to agency theory, the principal will generally attempt to control agents in order to minimize the costs of the agency relationship. Agency costs refer to the expenditures by the principal to monitor the agent, the bonding expenditures by the agent and the residual loss, defined as the experienced reduction in welfare of the principal (Jensen & Meckling, 1976). Within this domain, contracts are considered to be the prime governing mechanisms to limit the agents self-serving behaviour. Agency theory, in particular the principal-agent research, is about determining the most efficient contract alternative, given certain assumptions about people, organization and information in a particular situation (Eisenhardt, 1989a).

Applied to the particular context of multinational organisations, the headquarters-subsidiary relationship by all means, has a principal - agent (Roth & O’Donnell, 1996) or principal – multi agents structure. In this given context, agency theory highlights the principal-agent relationship between the parent company acting as a principal and the subsidiary acting as an agent. The design of control now plays an important role while organizations expand and internationalize, particularly, as it serves as an essential integration function in MNCs. Increasing complexity and differentiation of structures, as side effects of increasing degrees of internationalization of Multinationals, generate a crucial need to monitor and coordinate activities (Geringer & Hebert, 1988), as Headquarters do have to ensure that the various activities originating and executed in its foreign subunits are compatibly coordinated and support the commonly shared objectives of the overall organization (Egelhoff, 1984).

2.2.2 Corporate Portfolio Management Theory

This is a growth share matrix framework for categorizing various businesses in a company's portfolio in terms of their relationships to each other and the company as a whole on the basis of competitive advantage and growth. Many companies have used the growth share matrix and its various offshoots to address three of the central question for managing a multi-business company: What are the boundaries of the cooperation? How should resources be allocated to the subsidiaries? How can the actions and goals of the individual units be aligned with the interest of the parent corporation?

The concept of parenting offers a clear framework for corporate portfolio strategy. Parenting advantage is the guiding principle for all corporate level decisions: should determine the nature of the businesses portfolio as well as the structure and the organization of the corporate parent and its activities.

In order to create value, the characteristics of the corporate parent should be well suited to the critical success factors of its businesses and their specific needs and opportunities. Corporate parents must focus on how their parenting approach can create value for their businesses.

CPM focuses on the extent to which diversified companies analyse and manage their portfolios, the established processes and who is responsible for these processes. The application of CPM helps in deciding the scope and shape of the corporate portfolio to allocating resources and setting strategic and financial targets for their individual businesses units.

2.3 Value Creation by Corporate Parents

Corporate parents have the potential to add value to their businesses through their influence on the stand-alone performance of the businesses, but for a variety of reasons, including what we call the 10% versus 100% paradox, they more often destroy value instead. For there to be value through stand-alone parenting influence, and draws-out the conditions necessary to do so; there should be a genuine parenting opportunity to improve the performance of the business, the parent should have skills, management processes, and other characteristics that are suitable for realizing "the opportunity", and the parent should have sufficient feel for the critical success factors in the business avoid inadvertently destroying value through inappropriate influences (Ohlson, 2007).

How can the corporate centre add value to the businesses in the group? This fundamental issue lies at the heart of corporate strategy for all multibusiness companies. With a sound corporate strategy, the corporate parent creates high value through its influence on the businesses, whereas with a weak corporate strategy the corporate parent frequently destroys value (Nilsson, 2000).

Research suggests that the most important role of the corporate parent lies in influencing the performance of the businesses as standalone entities, not the realisation of "synergies" between business units, on which so many commentators concentrate. Indeed, most of the main management processes, such as budgeting, strategic planning and capital expenditure reviews, focus primarily on exercising what we call stand-alone parenting influence (Nilsson, 2000).

Despite the difficulties that parent companies face, value can be created through stand-alone influence. Indeed, in many businesses there are opportunities for performance improvement that are only likely to be realised with the help of a suitable parent. Value can be created in this four main areas of stand-alone influence: the appointment of business unit general managers, budgetary control, strategy reviews, and capital investment decisions (Moore, 2005).

One of the most powerful ways for a corporate parent to influence its businesses is through the appointments it makes to the senior management positions in the businesses. Good appointments to senior positions in the businesses depend on the judgement of the managers in the parent. Some companies believe that a sophisticated human resource and succession planning system is helpful in forming these judgements. But, in all companies, the ability to add value through good appointments comes down to the quality of parental judgements, based on knowledge of the businesses and the people who work within them (Moore, 2005).

Budgetary control provides the basis for corporate parents to review and test their businesses' operating plans and targets for each year, and to monitor results against plan as the year progress. Some companies regard budgets as vital, and believe that it is through budgetary control that they add the most value. Other companies give less prominence to budgeting, but most still regard it as an important part of parenting (Nilsson, 2000).

The budget process creates value if it leads to better operating effectiveness and results than would otherwise be achieved. Good budgetary control can also enhance motivation and provide the basis for corporate financial planning and investor relations. But, in many companies, the budget process is unproductive. If businesses find it easy to bamboozle the parent into accepting budgets with large amounts of slack, or if the process involves extensive data gathering, analysis and debate but no significant impact on business decisions or performance, budgets add cost but no value. Equally, if businesses are pressed into agreeing to unrealistic, top-down objectives, or if the control process is so severe that it leads to demotivation and fear, budgeting will damage performance. Budgeting may be part of the management process in nearly all companies, but it by no means always creates any value (Goold, 1994).

In many companies, budgetary control is regarded as no more than an administrative necessity: an exercise in form filling that provides the basis for the routine of corporate financial reporting, but is of little value to managers in running their businesses better. To achieve this end, the parent must have a good sense for targets that are appropriate for each business, must create a context for budgeting that leads to agreement on suitably stretching targets, and must design a budget process that provides a vehicle for motivating business unit managers to find ways of delivering on these targets (Goold, 1994).

Many parent organizations believe they can create value by helping their businesses to think more strategically. They feel that their business heads may overlook longer term trends in their businesses, fail to think through their key competitive success factors, or adopt too narrow horizons in their planning. A corporate strategic planning process is seen as a way to rectify these errors (Moore, 2005).

Our research over many years has convinced us that such beliefs are frequently both arrogant and wrong. Weak management teams may indeed make the sort of errors implied, but competent, professional business unit managers are, in general, no more likely to fall into these traps than their corporate parents. Indeed, the considerably greater detailed knowledge of their businesses of such managers usually gives them a rather better appreciation than their bosses for the strategic developments that are taking place, and for the longer term objectives that are desirable and realistic. This is why so many business managers find the corporate strategic planning process a distraction rather than a source of added value (Nilsson, 2000).

There are, however, companies that derive real benefit from the strategic planning dialogue between the businesses and the parent.

The dialogue between the parent and the businesses about strategy is not, of course, limited to the formal strategic planning process. Very often, the most important strategy debates take place ad hoc, around specific decisions or issues as they arise, or informally in the course of executives' visits or other encounters, or as a by-product of ether management processes such as the budget or the capital expenditure process (Goold, 1994).

Traditionally, the allocation of capital investment resources has been seen as one of the key functions of the corporate parent. The businesses could perform better, it was alleged, because they raised their capital from an informed, sympathetic and well-financed corporate parent rather than directly from banks or the capital market (Nilsson, 2000).

Unfortunately, the parent's influence is often detrimental rather than positive. The capital expenditure process can involve a sequence of presentations and approvals, each representing a hurdle to be crossed. At each successive hurdle, knowledge about the basis of the investment becomes thinner and decisions to support or reject it are taken on less and less adequate grounds. Businesses, knowing that the focus will inevitably be upon quantitative criteria, such as the pay back period, the ROI or the NPV, become adept at providing projections that meet the corporate criteria, while suppressing the real uncertainties behind the figures. Where capital rationing exists, with each business knowing that it must compete for funds with all the others in the portfolio, it sows the seeds from which biased information and over optimism flows. What is more, given the quantity of investable funds in the capital market, a corporate role that involves turning down a good investment simply because there are other even better ones available, is destroying rather than creating value. In these circumstances, the corporation is unlikely to make better decisions about capital investments than would result from independent businesses having to justify their own capital requirements directly to the capital markets (Goold, 1994).

Frequently, the businesses within such corporations view the corporate capital expenditure process as slow, arbitrary and ill-informed, and envy independent companies that can deal directly with their bankers (Sebastian & Dean, 1991).

At the helm of affairs in most business groups is the owner manager, the principal who coordinates the role of the parent. Typically the principal is a first or second generation entrepreneur and is adept at opportunity identification and conversion. Opportunities at the firm level are handled by the member firms. However the entrepreneur owner’s expertise lies in identifying unbound opportunities that may span new and unrelated industry segments. Being highly networked, revered and closely connected with policy forming bodies, the owner entrepreneur has an eye as well as informational edge to pre-empt opportunities in new industry segments (Khanna & Palepu 2000).

This is a very important function performed by the owner manager and expands the role of the parent well beyond prior conceptualisations. Hence in spite of the size of the business group the entrepreneurial opportunity identification domain does not diminish and as a function is not relegated to managers alone. The owner entrepreneur takes hold and control of opportunity identification and conversion, new industry entry and potential unrelated revenue streams. This is the primary reason why business groups in emerging markets like India are well diversified.

Unlike diversification in developed economies which reduces share holder value, there is no evidence to prove that diversified business groups in developing economies reduce shareholder value (Khanna and Palepu 1998).The positive value is orchestrated by the unique organisation of business groups which allows affiliate firms to be specialised while the central parent's role is to create more opportunities for affiliates within and across their industry segments (Mishra and Akbar 2005b).

Many corporate parenting roles arise because centralisation of certain functions is beneficial. Functions which can be run as services for which member firms pay and benefit from lower than market cost of such services. Certainly most member firms do not have the scale advantages of a parent to run such services cost efficiently. Most importantly the search costs and effort for identifying opportunities in the face of information asymmetry in many of the emerging markets is better relegated to the parent. Most of these services also perform an important role of allying the member firm with a central philosophy and broader vision which are important tenets of achieving coordination and presenting a united front. It is common for parents to centralise many functions such as training and development, recruitment, legal compliance cell, financial reporting processes, liaison, etc. Since in business groups the principal is the owner manager, hence agency-principal conflict is not as severe as found in developed economies. Because of the distance in agent-principal relationship in developed economies the conflict between central and divisional managers dominates(Campbell et al., 1995).

Reputation built by diversified business groups is easily leveraged by member firms to gain market access. Information asymmetry is large in most emerging markets.

Hence consumers are better assured of buying contract enforcement through engagements with larger groups that have built reputation over longstanding operations. The relation with a reputed parent gives member firms an advantage which is more pronounced when either the firm is a new entrant or prepares to expand its presence in another closely associated market segments(PROWESS 2006).However both underperformance and ill repute can adversely affect the business group and its constituent members. A badly performing member firm can fuel lack of confidence amongst the shareholders of other member firms in the group. A member firm in a controversy war can instil negative publicity to all the other firms of the group. Investors may shy away from their holdings in all other affiliate firms if any of one of the affiliate firm gets embroiled in a controversy (Mishra and Akbar, 2005).

Campbell et al. (1995) suggested that a parent in a developed economy pursues an important role of identifying lateral synergies across its various businesses. Parents in business groups also perform an important role of identifying lateral synergies. However, unlike in the case of multi divisional business of developed economies, the case for a market relationship between different businesses is much stronger in business groups. As firms are separate legal entities they are driven by profitable transactions. Although membership with a parent allows for access to products and services at cheaper than market rates and without resource bottlenecks yet the case for cross subsidisation of underperforming units is weak and much easily exposed by individual financial reporting processes(Meyer, 2002). Cross buying arrangements serve two important roles. One it immediately creates a market for firms in an otherwise underdeveloped and immature market.

Secondly cross purchases also assures that raw material and intermediate goods supply is not constrained in an otherwise resource constrained and resource rationed environment. However, in spite of the advantage that exists for parents in a business group setting, it is not uncommon for parents to pursue non-existent synergy and build cross linkages that are bottlenecks.

A resource constrained context has given rise to unique organisational forms and coordinating mechanisms in many developing countries. Most business groups are family enterprises with a large part of the ownership distributed amongst close family members. Most of the affiliated firms are managed by close family aides. The role of the parent in a business group therefore is building a cooperative front of all its membership units. Such a coalition is an imperative for bidding contracts, acquiring rights and gaining market access, as bureaucratic and governmental control, information asymmetry and underdeveloped institutions impair competitive functioning. Khanna and Palepu (1997) in their work discuss some of the peculiarities of an emerging market. In a resource constrained environment cooperation has its merits. Pooling of resources by member firms, coordinated by the central parent (managed by the owner entrepreneur) lowers the investment cost, permits joint bidding, enables quick deploy-ability and lower project turnaround times and better project management skills. Cooperation for resources as in business groups results to a better access to markets, superior managerial skills and superior financial management. Because of the role of running a cooperative, the parent gains a higher commitment to succeed from member firms. In return for pooling of resources and information sharing member firms gain larger market access, profit sharing, shareholding in return of the services to other members and joint ownership.

2.4 Empirical Review

Looking at the chronicle of research, one can observe a significant shift in the perception of the role over time, played by MNCs' affiliated entities abroad, so called foreign subsidiaries. From initially miniature replicas of the parent company, with to some extent, single function operations to corporate entities with responsibilities for high value activities (Birkinshaw, 1996); Or to state more strikingly, from simple cost contributors to high value creators.

During the early phases of MNC research, there was wide acceptance on the integrable aspects of MNCs while some corporate functions ought to be coordinated at the global level and others at the local level (Evans, Doz & Laurent, 1989). Efforts were made to centralize and formalize the processes within MNCs in order to benefit from scale economies and hence governance mechanisms were rather, hierarchically and corporate processes rather, centrally designed.

A foreign subsidiary's role was determined by the parent company and simply assigned to the affiliated entity abroad (Birkinshaw, 1997). The process of target definition and strategy formulation was under the control of the headquarters and foreign affiliated entities, mainly, did only the implementation and execution of the parental directive. In this phase of a rather functional operation, subsidiaries assembled or marketed the parent's products and product lines in their respective local markets (White & Poynter, 1984).

White and Poynter (1984) highlighted this natural progression of foreign subsidiaries in a study, which was greatly acknowledged by scholars in this field.

Based on subsidiary activities, White and Poynter (1984) differentiated four types : marketing satellites, who simply market products within their respective host countries, but which are centrally produced; rationalized manufacturers, who produce certain component parts of a product and deliver them internationally as part of an international manufacturing system; product specialists, who develop, produce and market a particular, limited product or product line for multi-country markets, as they have specialized competencies related to that product as well as the required set of resources, and subsidiaries that employ a strategically independent strategy and who has the necessary capabilities as well as the required discretion to develop lines of business for either local, multicountry or global markets (White & Poynter 1984).

The bulk of published empirical research on corporate parenting covers the private sector. This literature addresses corporate parenting in general as well as two other facets of corporate parenting: spin-offs and corporate parenting. Some researchers (Copeland, Lemgruber, and Mayers, 1987, and Kirchmaier, 2003) have examined the spin-off phenomenon as an event where the initial outcomes of a specific corporate parenting activity can be seen. Corporate parenting is a relatively new area of research, showing the growing interest in understanding the role of these investments in today's economy (Maula, 2001). Corporate parenting investments make it possible for new ventures to survive as well as develop and commercialize new products. These investments also enable incumbents to gain access to the technologies, business models, knowledge and skills of start-up companies. Incumbents can utilize this knowledge in innovation that can enhance renewal and new business creation. Interest in spin-offs and corporate parenting also mirrors the increasing sophistication of methods available for researchers to examine specific facets of corporate parenting closely, rather than studying overall corporate parenting programs which typically involve several activities.

Researchers have studied the corporate parenting empirically at three levels: (a) the parent organization; (b) the subsidiary unit; and (c) the new subsidiary itself. Studies conducted at the *parent level* typically track the formal units established for this purpose without investigating specific subsidiaries. These studies often examine the intensity of a company's corporate parenting activities, employing standardized scales or counting the number of corporate parenting units created and supported by a corporation.

Research conducted at the *subsidiary unit level of* analysis has typically focused on specific corporate parenting activities. An illustrative study is Birkinshaw and Hill (2003) survey of 95 corporate parenting units across three continents to assess the extent to which the adoption of venture capital practices has enhanced corporate parenting performance. At the *subsidiary level*, researchers have tracked specific subsidiaries to understand the processes by which their activities unfold, typically employing case studies of single or multiple ventures within corporate settings. Hitt et al. (1999) have applied this approach in their longitudinal case study of the influence of organizational context on venture team success.

2.5 Chapter Summary

This chapter has reviewed the existing empirical evidence on value creation. An important result is that corporate parent activities that lead to an improvement of industrial focus are associated with larger abnormal returns. This result confirms the idea that dispositions involving assets outside the core business of a firm are viewed by the market as value-increasing whereas this does not apply to the disposition of core assets. Daley, Mehrotra, and Sivakumar (1997) argue that this confirms a general result on the positive relation between firm value and corporate focus (as documented by, e.g., Berger and Ofek, 1995). The divestiture of a large non-related subsidiary is likely to be received more favorable than the divestiture of a small non-related subsidiary.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a general approach towards studying a research topic. This chapter, therefore, explores how the research was carried out. It sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data.

3.2 Research Design

This study employed a cross sectional survey. The survey attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction, (Cooper and Schindler, 2006). It is concerned with describing the characteristics of a particular individual, or of a group.

In this case, the research problem was to investigate the value of corporate parents on subsidiary companies with focus to unlisted company in Kenya. A descriptive research defines questions, people surveyed, and the method of analysis prior to beginning of data collection. Thus, this approach is appropriate for this study, since the researcher intended to collect detailed information through descriptions and the method is also useful for identification of variables and hypothetical constructs.

3.3 Population of the Study

According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated.

According to Capital Markets Authority (2012) there are 25 corporate parents with subsidiaries companies within East Africa and some beyond East African boundaries. The study targeted subsidiaries with headquarter within the Nairobi region. In this study, 25 subsidiary companies in Nairobi were targeted and from each company; two middle level managers were interviewed in departments of Production/Operations, Finance and Marketing respectively. Purposive sampling was used to select the two managers; this is deemed relevant in this study as only those thought to be more informative were sought.

Mugenda and Mugenda (2003) state that the target population should have some observable characteristics, to which the researcher intends to, generalize the results of the study.

3.5 Data Collection

This research utilized a questionnaire for primary data collection. The questionnaire designed in this study comprised of two sections. The first part included the profile of the organization while the second part dealt with the study variables. The study collected both primary data and information relating to the value of corporate parents on subsidiaries.

The questionnaires have both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helped in reducing the number of related responses in order to obtain more varied responses.

The open-ended questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information; thus will provide additional information that might not have been captured in the close-ended questions.

The questionnaire were carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study. The researcher will administer the questionnaire individually to all respondents of the study. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received. To achieve this, the researcher maintained a register of questionnaires, which were sent, and received. The questionnaire were administered using a drop and pick later method.

3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. The data collected was mainly quantitative; however some qualitative data were collected from the open ended questions to enhance and uncover any convergent and divergent views.

As such, descriptive statistics was employed and used to summarize the data. This included percentages and frequencies. All quantitative data on the selected variables helped to determine the value of corporate parenting on subsidiary companies measured in real values by normalizing.

Descriptive statistics was used to measure the quantitative data which was analysed using the SPSS. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. The study also used correlation and regression analysis to establish the key factors and the extent to which they influence corporate parenting value creation for subsidiary companies.

This study entailed coefficient of determination, regression analysis and regression coefficient. The variables were regressed using multiple regression models as shown below and inferential statistics involved the use of correlation and analysis of variance (ANOVA).

VC = $\boldsymbol{\beta_0}$+ β_1 budget control + $\boldsymbol{\beta_2}$capital investment resources + $\boldsymbol{\beta_3}$staffing + β_4 strategic planning dialogue + $\boldsymbol{\varepsilon}$

Where $\boldsymbol{\beta_0}$ is the regression model constant, $\boldsymbol{\beta_1}$**-** $\boldsymbol{\beta_4}$ are model coefficients and $\boldsymbol{\varepsilon}$ is the model significance (error margin to be obtained from the F test significance from ANOVA.

The researcher used the data with an aim of presenting the research findings in respect to the value of corporate parents on subsidiary companies. The generated quantitative reports were presented through tabulations, percentages and measures of central tendency while qualitative were presented in prose.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. The purpose of the study was to establish the value of corporate parenting to multinational companies listed in the Nairobi securities exchange. The researcher made use of frequency tables and figures to present data. This study targeted 25 subsidiary companies in Nairobi region, two middle level Managers from each company was interviewed 50 respondents were therefore targeted; questionnaires were distributed to all targeted respondents. However, out of 50 questionnaires distributed only 44 respondents fully filled and returned the questionnaires, this contributed to 88% response rate. The researcher made use of frequency tables and figures to present data. The findings intended on addressing the research objectives; to determine the value of corporate parenting to multinational corporations listed in the NSE and to establish the factors influencing corporate parenting value creation for MNC’s listed in the NSE. Data composed was collated and reports were produced in form of tables and figures and qualitative analysis done in prose.

4.2 Aspects of Subsidiary Companies

The study intended to investigate the respondents consent on some aspects of subsidiary companies in relation to the value of corporate parenting to the multinational companies listed in the NSE. The findings of such aspects were as in Table 4.1;

Table 4.1 Aspects of subsidiary companies

	Mean	Std. Deviation
Subsidiary companies have competent management teams	3.7	1.441
Subsidiary companies have synergies and co-operation	1.46	0.819
Subsidiary companies managers' are given a free hand to make key decisions affecting the business	1.43	0.985
Subsidiary companies managers' are motivated to achieve their targets	3.8	1.374
Our subsidiary companies do not provide better investment portfolio	1.4	1.374
Despite the links between businesses, they still do not have competitive advantage over local companies	1.5	1.47
We drive strategy around important potential synergies or competences, strongly coordinating actions and creating linkages between units.	4.5	1.374

Source: Author (2013)

The study intended to establish some aspects of subsidiary companies from the respondents. From the findings, it was established that subsidiary companies managers are not given a free hand to make key decisions affecting the business; this was shown by a mean score of 1.43. On the other hand, respondents reported that subsidiary companies managers are motivated to achieve their targets shown by a mean score of 3.8.

Also respondents reported that subsidiary companies have competent management teams shown by a mean sore of 3.70.

Lastly, respondents reported that subsidiary companies did not have synergies and co-operation as shown by a mean score of 1.46 in Table 4.1.

From the findings most of the respondents strongly agreed that their subsidiary companies drive strategy around important potential synergies/ competences, strongly coordinating actions and creating linkages between units, this was represented by a mean score of 4.5. On the other side respondents strongly disagreed that subsidiary companies did not provide better investment portfolio; equally, others strongly did not agree that despite the linkages between businesses their subsidiary companies still did not have competitive advantage over other local companies; these were represented by a mean score of 1.5 and 1.4 respectively

4.2.2 Skills and Resources of the Subsidiary Company

The study intended to investigate from the respondents on the skills and resources of their respective subsidiary companies. From the findings, most of the respondents identified that their respective subsidiary companies have potential personnel with special skills required to deliver their respective functions in the organization effectively; they equally identified that Subsidiary companies have competent management teams, synergies and co-operation. Also, other respondents enumerated that subsidiary companies managers are motivated to achieve their full potential. By implication most of the subsidiary companies have various skills and resources which are vital for their operations to run smoothly

4.3 Aspects of Corporate Parents

The study intended to get feedback from the respondents on some aspects of the corporate parent in relation to value creation. In order to achieve objectives of the study, the researcher sought to establish how the structure, systems, processes and staff in the parent companies helped in driving through the value creation in MNC's quoted in NSE. The findings are detailed in Table 4.2

Table 4.2 Aspects of corporate parent

	Mean	Std. Deviation
Structures and systems	2.8	1.374
Staff functions and services	3.1	1.470
Chief executives and their teams	2.8	1.374
Management process and the skills of the people who operate it	3.1	1.470

Source: Author (2013)

The study intended to find out from the respondents the extent at which activities of the parent company contributed to adding value to the subsequent subsidiary companies. From the findings, most of the respondents agreed that staff functions and services, Management processes and skills of the people who operate it contributed greatly in adding value to the subsidiary companies, as shown by a mean score of 3.10 in each case.

On the other hand, the respondents were not sure on how structure and systems plus the chief executive and their teams contributed in adding value to the respective subsidiary companies as shown by a mean score of 2.80 respectively.

From the findings, it can be depicted that management processes and the skills of the people who operate it, together with the staff functions and services, greatly contributed in adding value to the subsidiary companies; while the role of the executive and their teams plus the structure and systems of the corporate parent were not well understood on how they contribute to adding value to the subsidiary companies.

4.4 Value of Corporate Parenting to Multinational Corporations in the NSE

Objective one of the research study sought to establish the value of corporate parenting to multinational corporations in the NSE. The researcher sought to establish this by first addressing questions to the respondents in two critical areas of research; aspects of subsidiary companies, and aspects of corporate parent company so as to get basic understanding of the respondent about the topic at hand. The next important area for the researcher was to establish and test the key factors of corporate parenting value creation for MNC’s in NSE.

4.4.1 Value Creation by Corporate Parents

The study intended to find out from the respondents ways through which the corporate parents have contributed in adding value to the subsidiary companies. This is mainly through investigating the activities of corporate parent in their efforts to create value. The findings were shown in Table 4.3;

Table 4.3 Value creation by corporate parents

	Mean	Std. Deviation
Appointments made by the corporate parents have made our company more competitive	2.80	1.374
Parent company has good judgment when making appointments	3.40	1.470
The budget control process by the parent company creates value by leading to better operating effectiveness and results	2.80	1.374
The budgetary control process enhances motivation and provide the basis for corporate financial planning and investor relations.	3.61	1.470
Corporate parents draw out plans with more ambitious goals from the profit centre	4.56	1.406
The budget control process is well designed to help profit centre managers to identify problems early and to take action fast.	2.80	1.374
The corporate parent helps us in thinking more strategically	3.61	1.470
We derive real benefit from the strategic planning dialogue between the us and the parent company	2.40	1.374
The allocation of capital investment resources is one of the key functions of the corporate parent	2.80	1.374
The influence of our parent company has made our performance improve	3.10	1.470
The influence of our corporate parent has made our management stronger	2.80	1.374

Source: Author (2013)

From the findings, most of the respondents strongly agreed that corporate parents draw out plans with more ambitious goals from the profit centres shown by a mean score of 4.56. Other respondents agreed that the budgetary control process enhances motivation and provides the basis for corporate financial planning and investor relations and that the corporate parents helps the subsidiary companies in thinking more strategically; these were shown by a mean score of 3.61 in each case. Also, some respondents reported that parent companies have good judgement when making decisions which was shown by a mean score of 3.40.

On a different note, some respondents' were not certain on how appointments made by the corporate parents have made the subsidiary companies more competitive; how the budget control process by the parent company creates value by leading to better operating effectiveness and results; and whether the budget control process was well designed to help profit centre managers to identify problems early and to take action fast these: were shown by a mean score of 2.80 respectively.

Other respondents reported that subsidiary companies did not derive real benefit from the strategic planning dialogue between the subsidiary companies and the parent companies, since they feel they were not properly engaged shown by a mean score of 2.40.

4.4.3 Influence of Parent Company on Performance of the Subsidiary Company

The study sought to establish the influence of the parent company on the performance of the respective subsidiary companies. From the findings, majority of the respondents reported that the parent company greatly influenced the performance of the subsidiary company in several ways. Some respondents indicated that staff functions and services from the parent company greatly influenced the performance of the subsidiary companies; also, management process and the skills of the people who operate from the parent company were argued by the respondents to contribute on influencing the management of the subsidiary companies. However, few respondents felt that the structure and systems of corporate parent are duplicated in the subsidiaries

4.5 Correlation and Regression Analysis

Objective two of the study tend to establish the key factors and extent to which they influence corporate parenting value creation for MNC's which are listed in the NSE. The researcher sought to achieve this objective by establishing the extent to which these factors in the parent companies helped in driving through the value creation in their companies. Key factors identified during the literature review as ones greatly influencing corporate parenting value creation include: budget control, capital investment resources, staffing and strategic dialogue.

4.5.1 Coefficient of Correlation

To ascertain the extent to which the identified factors influence the corporate parenting value creation for MNC's listed in the NSE, the study employed coefficient of determination, regression analysis and regression coefficient on budget control, capital investment resources, staffing and strategic planning dialogue. To compute the correlation (strength) between the study variables and their findings the researcher used the Karl Pearson’s coefficient of correlation (r). The objective is to test these variables as the key factors influencing corporate parenting value creation.

From the findings, it was clear that there was a positive correlation between corporate parenting and budget control as shown by a correlation figure of 0.523, it was also clear that there was a positive correlation between corporate parenting and capital investment resources with a correlation figure of 0.6140, there was also a positive correlation between corporate parenting and staffing with a correlation value of 0.7460 and a positive correlation between corporate parenting and strategic planning dialogue with a correlation value of 0.5210. This shows that there was a positive correlation between corporate parenting and budget control, capital investment resources, staffing and strategic planning dialogue.

The above results prove that four factors with a positive correlation thus to a big extent influence corporate parenting value creation. The findings are summarized in Table 4.4

Table 4.4 Coefficient of Correlation

		Corporate	**Budget control**	**Capital investment**	**Staffing**	**Strategic planning**
Corporate parenting	Pearson Correlation	**1**				
	Sig. (2-tailed)					
Budget control	Pearson Correlation	.523	1			
	Sig. (2-tailed)	.0032				
Capital investment resources	Pearson Correlation	.6140	.3421	1		
	Sig. (2-tailed)	.0021	.0014			
Staffing	Pearson Correlation	.7460	.1240	.0621	1	
	Sig. (2-tailed)	.0043	.0120	.0043		
Strategic planning dialogue	Pearson Correlation	.5210	.3420	.0000	.1660	1
	Sig. (2-tailed)	.0172	.0031	1.000	.0031	

Source: Author (2013)

4.5.3 Regression Analysis

Further the researcher conducted a multiple regression analysis so as to establish the extent to which the key factors influence corporate parenting value creation for MNC's in NSE.

The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (corporate parenting) that is explained by all the four independent variables (budget control, capital investment resources, staffing and strategic planning dialogue).

The four variables that were measured, explain only 83.4% of corporate parenting as represented by the adjusted R^2. This therefore means that other factors not studied in this research contribute 16.6% of the role of corporate parenting. Therefore, further research should be conducted to investigate the other factors (16.6%) that influence on corporate parenting value creation.

Table 4.5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.913	0.834	0.751	0.4538

Source: Author (2013)

4.5.5 Regression Coefficient

Multiple regression analysis was conducted as to determine the relationship corporate parenting and the four variables.

As per the SPSS generated table, the equation

(**$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$**) becomes:

$Y = 1.308 + 0.558X_1 + 0.785X_2 + 0.620X_3 + 0.731X_4$

The regression equation above has established that taking all factors into account (budget control, capital investment resources, staffing and strategic planning dialogue) constant at zero, corporate parenting will be 1.308. The findings presented also shows that taking all other independent variables at zero, a unit increase in budget control will lead to a 0.558 increase the role of corporate parenting; a unit increase in capital investment resources will lead to a 0.731 increase on the role of corporate parenting; a unit increase in staffing will lead to a 0.785 increase in the role of corporate parenting and a unit increase in strategic planning dialogue will lead to a 0.620 increase in role of corporate parenting. This infers that staffing contribute most to corporate parenting value creation followed by capital investment resources, then strategic planning dialogue while budget control contributed least.

Table 4.6 Regression Coefficients

	Unstandardized Coefficients		**Standardized Coefficients**		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	1.308	1.342		1.623	0.357
Budget control	0.558	0.310	0.172	4.342	.0276
Capital investment resources	0.731	0.156	0.210	3.532	.0285
Staffing	0.785	0.322	0.067	3.542	.0202
Strategic planning dialogue	0.620	0.245	0.148	3.458	.0249

Source: Author (2013)

4.6 Discussion of Findings

The objectives of this study were to determine the value of corporate parenting to multinational corporations listed in NSE and to establish the key factors and the extent to which they influence corporate parenting value creation for MNC’s listed in NSE.

The findings on aspects of subsidiary companies and corporate parents were consistent with previous studies and also brought to the fore new information and knowledge on the study area. Subsidiary companies drive strategy around important potential synergies or competences, strongly coordinating actions and creating linkages between units. Consequently, it was reported that despite the linkages between businesses, subsidiary companies still did not have competitive advantage over other local companies. This was supported by the findings from the literature review that increasing complexity and differentiation of structures, as side effects of increasing degrees of internationalization of Multinationals, generate a crucial need to monitor and coordinate activities (Geringer & Hebert, 1988)

Most of the subsidiary companies have various skills and resources which are vital for their operations to run smoothly. Corporate parents draw out plans with more ambitious goals from the profit centres; budgetary control process enhances motivation and provides the synergy for corporate financial planning and investor relations; equally corporate parents helps the subsidiary companies in thinking more strategically. Furthermore parent companies have good judgement when making decisions. As confirmed by the findings from the literature review that , the parent should have skills, management processes, and other characteristics that are suitable for realizing "the opportunity", and the parent should have sufficient feel for the critical success factors in the business to avoid inadvertently destroying value through inappropriate influences (Ohlson, 2007)

However subsidiary companies do not commonly derive real benefit from the strategic planning dialogue between the subsidiary companies and the parent companies, since they feel they were not properly engaged as it's like top-down approach. Staff functions and services, management processes and skills of the people who operate it contributed greatly in adding value to the subsequent subsidiary companies, while the role of the chief executive and their teams and the structure, systems and processes were not well understood on how they contribute to adding value to the subsidiary companies of the parent companies. This was confirmed from the literature review that Research suggests that the most important role of the corporate parent lies in influencing the performance of the businesses as stand alone entities, not the realization of "synergies" between business units, on which so many commentators concentrate, (Nilsson, 2000).

On key factors and extent to which they influence corporate parenting value creation, the findings noted a positive correlation. Budget control, staffing, capital resources decisions and strategic dialogue were found to be the key factors with staffing contributing the highest positive effect on corporate parenting value creation for MNC's listed in NSE.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on the value of corporate parenting to Multinational companies listed in Nairobi Securities Exchange, the conclusions and recommendations are drawn there to. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

5.2 Summary

The objectives of this study were to determine the value of corporate parenting to multinational corporations listed in NSE and to establish the key factors influencing corporate parenting value creation for MNC's listed in NSE. From the study findings, it was clear that most of the Managers of the Multinational Companies listed in Nairobi Securities Exchange from the subsidiary companies are not given a free hand to make key strategic decisions affecting the business. On the other hand, the study also established from the findings that subsidiary companies Managers are motivated to achieve their full potential especially in regards to meeting their targets; it was also established from the subsidiary companies' Managers that subsidiary companies have competent management teams. Further the study established that few of the managers from the Multinational Companies listed in Nairobi securities exchange were not for the opinion that subsidiary companies have synergies and co-operation.

On comparison between skills and resources of the parent company and the subsidiary companies, the study findings established that skills and resources of the parent companies were similar to those at the subsidiary companies, with only a few of the Managers not being for the opinion that skills and resources of the parent company matched those of the subsidiary companies. From the Managers argument, the study established that parent company has similar business in the kitties which enable them to gain some of the competitive advantage over the competing parent companies in the market that through matching of the skills and resources the parent company remains to be neither customer facing nor profit churning as their divisional businesses thus the need to operate as a corporate body.

On value creation by corporate parents companies, from the findings the study established that corporate parents Managers draw out plans with more ambitious goals from the profit centres. The study also established that the budgetary control process enhances motivation and provides basis for corporate financial planning and investor relations and that the corporate parents helps the subsidiary companies in thinking more strategically. Also the study findings revealed from the managers that parent companies have good judgement when making decisions. On a different case the study revealed that some of the managers from the subsidiary companies did not have clarity on how appointments made by the corporate parents have made the subsidiary companies more competitive, how the budget control process by the parent company creates value by leading to better operating effectiveness and results, whether the budget control process was well designed to help profit centre managers to identify problems early and to take action fast and whether the subsidiary companies derive real benefit from the strategic planning dialogue between the subsidiary companies and the parent companies.

From the findings, the study established that subsidiary companies drive strategy around important potential synergies/ competences, strongly coordinating actions and creating linkages between units. The study also revealed that subsidiary companies provided better investment portfolio, and that the linkages between businesses has made their subsidiary companies to have competitive advantage over other local companies.

On factors influencing corporate parenting value creation for MNC's listed in NSE, from the findings, it was established that staff functions and services, management processes and skills of the people who operate it contributed greatly in adding value to the subsequent subsidiary companies. On the other hand, the study also established that there was lack of clarity among the Managers on how structure systems and processes and the chief executive and their teams contributed in adding value to the respective subsidiary companies. The study findings therefore established that management processes and the skills of the people who operate them together with the staff functions and services greatly contributed in adding value to the subsidiary companies.

On the influence of Parent Company on performance, the study established that Parent Company greatly influence on the performance of the subsidiary companies. From the findings, Managers argued out that Parent company had sufficient feel for the critical success factors in the business avoid inadvertently destroying value through inappropriate influence consequently parent company should have skills, management processes and other characteristics that are suitable for realising the opportunity therefore the impact of standalone parenting influencing can be positive or negative but its influence was inevitable.

5.3 Conclusion

The study sought to find out the value of corporate parenting to multinational companies listed in Nairobi securities exchange. Based on the findings in relation to specific objective, the study concluded that most of the Managers of the Multinational companies listed in Nairobi securities exchange from the subsidiary companies are not given a free hand to make decisions affecting the business. The study also concluded that subsidiary companies Managers are motivated to achieve their full potential, and that subsidiary companies have competent management teams.

On comparison between skills and resources of the parent company and the subsidiary companies, it was concluded that skills and resources of the parent companies were similar to those at the subsidiary companies. From the Managers argument, the study concluded that parent company has similar business in the kitties which enable them to gain some of the competitive advantage over the competing parent companies in the market that through matching of the skills and resources the parent company remains to be neither customer facing nor profit churning as their divisional businesses thus the need to operate as a corporate body.

On value creation by corporate parents companies, the study concluded that corporate parents Managers draw out plans with more ambitious goals from the profit centres, the study also concluded that the budgetary control process enhances motivation and provides for corporate financial planning and investor relations and that the corporate parents helps the subsidiary companies in thinking more strategically.

The study also concluded that subsidiary companies drive strategy around important potential synergies/ competences, strongly coordinating actions and creating linkages between units. The study also concluded that subsidiary companies provided better investment portfolio, and that the linkages between businesses has made their subsidiary companies to have competitive advantage over other local companies.

On factors influencing corporate parenting value creation for MNC's listed in NSE, the study concluded that staff functions and services, Management processes and skills of the people who operate it contributed greatly in adding value to the subsequent subsidiary companies. On the other hand it was also concluded that there was lack of clarity among the Managers on how structure systems and processes and the chief executive and their teams contributed in adding value to the respective subsidiary companies.

On the influence of Parent Company on performance, the study concluded that Parent Company greatly influence on the performance of the subsidiary companies. From Managers argument, it was concluded that Parent company had sufficient feel for the critical success factors in the business.

5.4 Limitations of the Study

The researcher encountered various limitations that hindered access to information that the study sought.

The main limitation of study was its inability to reach many respondents in the target organizations. The study could cover managers working with subsidiaries of Multinational Companies in NSE to provide a more broad based analysis. However, time and resources placed this limitation. The researcher also experienced other challenges such as non-cooperation by employees especially in the banking sector to fill questionnaires hence not reaching the targeted sample size. This was attributed by the employees perceiving that they will be victimized by giving out information. However, the researcher assured respondents of proprietary measures that the findings would be accorded and used only for academic purpose.

5.5 Recommendations

The study recommended that for Multinational corporate parents companies listed in Nairobi securities exchange to be effective on adding value to its subsidiaries, the organization should add more powers to the subsidiary managers to enable them make more decisions which affects their subsequent branches. The study also recommended that the subsidiary companies should take initiatives to increase on their synergies and co-operation.

On comparison between skills and resources of the parent company and the subsidiary companies, the study recommended that skills and resources of the parent companies should be of high standard and the same should be reflected on the subsidiary companies, this will enable them to gain more competitive age over other competitors in the same industry.

On value creation by corporate parents companies, the study recommended that corporate parents Managers should draw out more comprehensive plans with realistic goals which are achievable with the set time frame. Consequently, the study recommended that the budgetary control process should be modelled such that it enhances more staff motivation and provides for a more comprehensive corporate financial planning and investor relations and that the corporate parents should take measures to help the subsidiary companies in thinking more strategically.

The study also recommended that subsidiary companies should take measurable and substantial initiative to drive strategy around important potential synergies and competences and strongly coordinate actions and create more linkages between the units. The study also recommended that subsidiary companies should take initiatives to provide a more comprehensive investment portfolio; this will enable the company to improve on its competitiveness in the market.

5.5 Areas for Further Studies

The study suggests that further research to be done on challenges facing corporate parenting in order to give more information on how corporate parenting can be enhanced more on its function to the subsidiary companies. The study suggested further research to be done on budgetary control processes and models focussing on staff motivation and corporate financial planning in order to depict reliable information that illustrates real situation in all subsidiary companies. The study also suggest further studies on the role of the chief executive and their teams and how they contribute to adding value to the subsidiary companies of the parent companies

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APPENDICES

Appendix I: Questionnaire

SECTION A: COMPANY PROFILE

1. Name of company..
2. a) Where is the company parent global headquarters?

   ....

   b) Where is the company parent local headquarters?

   ....

   c) How many years has the company been in operation locally? [ ]

   d) How many subsidiaries does the company control locally? [ ]

   e) Kindly fill in answers regarding your subsidiary company in the following table

Name of subsidiary	
Nature of business	
Years in operation	
Location of subsidiary HQ	
Title of Business Head	
No of departments/branches	
No of employees	

SECTION B:

3. To which level do you agree with the following statements where 1=strongly disagree; 2=Disagree; 3=Not sure; 4=Agree and 5=strongly agree (circle as necessary)

Subsidiary companies have competent management teams	1	2	3	4	5
Subsidiary companies have synergies and co-operation	1	2	3	4	5
Subsidiary companies managers' are given a free hand to make key strategic decisions affecting the business	1	2	3	4	5
Subsidiary companies managers' are motivated to achieve their full potential	1	2	3	4	5

Enumerate skills and resources that your subsidiary company has which match with those of the parent company?

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4. To what extent do you agree that the following aspects in parent company help in driving through the value creation in its subsidiary companies. where 1=strongly disagree; 2=Disagree; 3=Not sure; 4=Agree and 5=strongly agree (circle as necessary)

Corporate center structures and systems	1	2	3	4	5
Skills, functions and services of corporate center staff	1	2	3	4	5
Chief executives and their influence	1	2	3	4	5
Management processes at the corporate center	1	2	3	4	5

5. Value creation by corporate parents

To which level do you agree with the following statements where 1=strongly disagree; 2=Disagree; 3=Not sure; 4=Agree and 5=strongly agree (circle as necessary)

Appointments made by the corporate parents have made our company more competitive	1	2	3	4	5
Parent company has good judgment when making appointments	1	2	3	4	5
The budget control process by the parent company creates value by leading to better operating effectiveness and results	1	2	3	4	5
The budgetary control process enhances motivation and provide the basis for corporate financial planning and investor relations.	1	2	3	4	5
Corporate parents draw out plans with more ambitious goals from the profit centres.	1	2	3	4	5
The budget control process is well designed to help profit centre managers to identify problems early and to take action fast.	1	2	3	4	5
The corporate parent helps us in thinking more strategically	1	2	3	4	5
We derive real benefit from the strategic planning dialogue between the us and the parent company	1	2	3	4	5
We drive strategy around important potential synergies or competences, strongly coordinating actions and creating linkages between units.	1	2	3	4	5
The allocation of capital investment resources is one of the key functions of the corporate parent	1	2	3	4	5
Our subsidiary companies do not provide better investment portfolio	1	2	3	4	5

6. To which level do you agree with the following statements where 1=strongly disagree; 2=Disagree; 3=Not sure; 4=Agree and 5=strongly agree (circle as necessary)

Despite the links between businesses, they still do not have competitive advantage over rival local companies	1	2	3	4	5
The influence of our parent company has made our performance improve	1	2	3	4	5
The influence of our corporate parent has made our management stronger	1	2	3	4	5

7. Explain if and how subsidiary company has performed better due to the influence of the parent company?

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8. Outline any areas that you think can harness working relationships between parent company and subsidiaries and improve overall performance

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Appendix II: List of Multi-National Companies in Nairobi Stock Exchange

TPS Eastern Africa (Serena) Ltd

Nation Media Group

Car and General (K) Ltd

CMC Holdings Ltd

Sameer Africa Ltd

Marshalls (E.A.) Ltd

Barclays Bank Ltd

CFC Stanbic Holdings Ltd

I&M Holdings Ltd

Diamond Trust Bank Kenya Ltd

Kenya Commercial Bank

Standard Chartered Bank Ltd

Equity Bank Ltd

British-American Investments Company (Kenya) Ltd

CIC Insurance Group

British American Tobacco Kenya Ltd

East African Breweries Ltd

Eveready East Africa Ltd

E.A.Cables Ltd

KenolKobil Ltd

Total Kenya Ltd

Athi River Mining

Bamburi Cement Ltd

Jubilee Holdings Ltd

Pan Africa Insurance Holdings Ltd

Source: Capital Markets Authority Annual publication (2012)