

**THE EFFECT OF MANAGERIAL PRACTICES TRANSFERRED  
FROM HEAD OFFICE OF BARCLAYS BANK TO KENYAN  
SUBSIDIARIES**

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## **DECLARARTION**

I declare that this is my original work and has never been presented for the award of a degree in any other university or institution of Higher Learning.

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## **DEDICATION**

To my loving Husband, Tom Ngira and children - Ansel and Ryan Ngira, not forgetting my Mum- Topista Nassande. I thank God for all of you. You are the inspiration in my life. Be blessed, always.

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I thank the Almighty God for enabling me to be where I am today. To him be the Glory.

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Asanteni sana.

God bless you all.

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## ABSTRACT

The business environment in which firms operate is dynamic. Environmental forces affect business in different ways, influence competitiveness and therefore the need to transfer best managerial practices to gain competitive edge. The banking sector has experienced an increase in competition over the last few years resulting from increased innovation and new entrants in to the market. The competitiveness of the Kenyan banking industry has seen several international commercial banks transfer managerial staff from the head office to the subsidiaries in order to retain the market share and improve its overall performance. The objective of the study was to determine the effect of managerial practices transferred from head office of Barclays bank to Kenyan subsidiaries. The study adopted a case study by primarily employing interview guides while the targeted interviewees were chief executive officer, chief manager finance and planning, chief manager human resource and administration. Data collected was analysed using content analysis. The study found out the effect of the various aspects affecting knowledge and skill transfer to the Barclays Bank of Kenya subsidiaries while utilizing expatriates, these factors included Absorptive capacity of local staff to the expatriates skills, use of expatriates as agents of knowledge transfer; challenges, impact and capabilities of expatriates, establishment of organizational policies, targets and objectives. Each of these factors had either a positive or negative effect on the managerial practices transferred to the Kenyan Barclays Bank and in some cases, both effects. Various factors hindering the success in the use of expatriates in skill and knowledge transfer were identified which included lack of sufficient resources to sustain the expatriates in the organization for a long time, Government regulations, Resistance by the local staff and negative attitude towards expatriates by the local management, the socio-cultural difference. The study concluded that Barclays Bank of Kenya gathers a number of great benefits from the use of expatriates. All these benefits have resulted to the organization enjoying a competitive advantage among its peer and enhance financial performance. The study recommends that bank managements should increase the amount of resources allocated to hiring and sustaining expatriates so as to increase the period and number of expatriates deployed so as to enhance the process of managerial skills transfer.



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Wells and Rangan (1996) indicated that the importance of managing international operations by parent companies increases with increase in global competition. Subsidiary's ability to sustain and develop its competence in the local setting is dependent on being able to absorbing knowledge external to the firm. Indeed, through the utilization of subsidiaries' external knowledge, MNEs can increase their innovatory capabilities (Yaminand Otto, 2004). Transferring of the international knowledge at low costs through organizational modalities that carry out and protect the transfer make the process profitable. An efficient knowledge management and transfer throughout the organization can be a source of sustainable competitive advantage for international banks on foreign financial markets. In order to create a sustained competitive advantage, resources need to be deployed in suitable combinations, which enable the bank to implement strategies that improve its efficiency (Black and Boal, 1994).Banks can however not create a sustainable competitive advantage from Information and communication technologies since these technologies are freely available to all their other competitors. However, mixing such with business and human resources including well established organizational structures, communication and organizational integration strategies may result to the competitiveness.

According to Steiner, Haiss and Eller, (2008), knowledge plays an important role for the internationalization of banks and the ability to compete successfully on foreign financial markets. At the initial position domestic banks have substantial advantages compared to their

foreign competitors due to their information about local markets and customer requirements. For foreign banks to be competitive in relation to their domestic counterparts and also gain advantage from the information they bear, they need to ensure ownership advantages from all their knowledge-based-assets. These knowledge-based-assets make the main factors in enhancing financial performance and creating competitive advantage in a more dynamic business environment.

The study is anchored on the theory of knowledge management which according to Easterby-Smith, Lyles and Tsang, (2008), aspects relating to both the source and the recipient of knowledge determines the success in knowledge transfer. Just as the successful performance of any task depends on the ability, motivation, and opportunity to perform the task, knowledge transfer to a subsidiary depends on expatriate ability, motivation, and opportunity to perform the transfer. Theorists have also identified recipient absorptive capacity as a critical factor in the successful transfer of knowledge (Szulanski, 1996). Better absorption and utilization of knowledge transferred through the expatriates by a subsidiary generally improves the performance of the subsidiary organization.

Barclays Bank of Kenya Limited has over the years operated alone without formal relationship with others and remain successful, however the level of competitiveness in the industry has been impacted, resulting to its increase, due to uncertainty in the business environment. The increased level of competitiveness has further mounted pressure greater to the bank to seek improving its competitive advantages. Therefore, to survive and thrive, the bank has to make greater efforts to acquire new strategies from the parent firm in UK through attachment of staff from the parent firm office in United Kingdom. According to the bank, strategic alliances with other

organizations entails its general competitive strategies alongside cost reduction measures and improved revenue management. The bank has had to shift their attention to human resource which is the most important asset for any organization and it is the source of achieving competitive advantage because key players such as Barclays Bank freely move people across the globe to meet technical and managerial personnel requirements. Emerging markets, where it's generally assumed that technical and managerial capacities are low, demand for expatriates is considered critical. Thus, Barclays Bank faces the problem of effective communication with subsidiaries and inefficiency in exploitation of resources in their foreign markets and therefore there is need for the head office to deploy management staff who would guide the Kenyan subsidiary towards attainment of the intended objectives.

### **1.1.1 Concept of International Business**

International business consists of any commercial transaction that crosses the borders of any two nations and entails a huge and increasing portion of world's cumulative business (Bennett, 2009). According to Chatzoglou and Vraimaki (2009), international business entails carrying out of business activities past the host national country. It's therefore simply the extension of the domestic business that entails the exchange of resources economically. These include technological and transportation services, skilled labour and capital. International business has generally gained wide popularity, this is evidenced by the increasing number of multinational enterprises. Governments, business entities and individuals have been heavily affected by these movements of skilled labour, goods, services, advanced technologies, ideas and other business resources between markets. Countries participating in international business activities usually take advantage of national commerce experts in delivering services and goods into the international marketplace. International businesses also increases the diversity of goods and

services transact-abled within a national market while exposing the final consumers to new products, services, lifestyles and tastes. In the long run, these exposures influence a nation's traditions both politically and economically, and transforms a society's behavioral set-up and attitudes.

For companies, competition within the host market is increased by international business while opening up new opportunities in foreign markets. Forces describing the global competition push the organizations to being more innovative and efficient in their management of resources. To the end utilizers of the new products, international business ensures improved varieties of goods and services into their local markets and thus enhancing living standards. Just as important, open borders means increased exposure to new ideas, technologies, and ways of doing things (Devinney, 2010).Easterby-Smith, Lyles, and Tsang (2008) noted that Governments have major effects on international business activities in determining how open (or closed) national economies are to external influences such as trade and investment.

Terms dictating commerce between multilateral business arrangements between governments are referred to as International trade policies. According to Hill (2005), these trade policies and relations are different in scope and content but overly vary from country to country depending on the economic structure of a country. Additionally, globalization has majorly influenced the multilateral trade policies. At a national level, policy making closely related to the state of the public and private relationships as well as the independence, strength and capacity of the various state agencies. Hansen and Lovas (2014) asserted that international trade has to facilitate the development of international politics through promoting, enhancing or maintaining peace among the international trading partners. Countries depending on other nations for their vitals products

have sometimes fought wars so as to sometimes maintain security hence ensuring continuity in the provision their needed supplies from the affected nations.

### **1.1.2 Managerial Practices**

Hierarchical order affect the transfer of knowledge between countries through the dominance effect. Organizations from countries in a lower hierarchy of dominance frequently adopt practices from those organizations emanating from more dominant economies. Multinational firms can deploy expatriates and host country nationals to their foreign based subsidiaries as managerial resources. These two forms of managerial resources are usually expected to have different capabilities and additional skills. Before these expatriates are offered specific tasks in their international assignments, they should have typically worked and socialized within the multinational's headquarters so as to have acclimatized with the organization's culture and tradition (Wells and Rangan, 2011). They also need to be rotated to various positions in other relevant sub units within the multinational network. As a result, the expatriate's understanding of the general corporate policy of the multinational organization and the individual expectations from each of the subsidiary within the multinational network is enhanced (Zhao and Anand, 2009). Such understanding further improves the expatriates' productivity in improving or implementing the multinational organizational strategy in its foreign subsidiaries.

Chang, Gong and Peng (2012) noted that while both expatriates and host country nationals are economically valuable managerial resources for the top managerial positions of a multinational firm's foreign subsidiaries, the two types of managerial resources have different capabilities at different managerial tasks. On the one hand, when the key managerial tasks are to implement the multinational headquarters' strategy, the skills of expatriates should better match these critical

tasks and the firm is likely to place expatriates in the managerial positions of its subsidiaries. On the other hand, if obtaining local knowledge and making local adaptation are crucial managerial tasks, host country nationals should better fit these tasks and they are more likely to be assigned to the subsidiary managerial positions.

### **1.1.3 Banking Sector in Kenya**

The Kenyan Banking industry is governed by several Acts and guidelines including the Banking Act, the Companies Act, the Central Bank of Kenya Act, and the various prudential guidelines as provided by the Central Bank of Kenya (CBK). In 1995, the banking sector in the country was liberalized and controls in relation to exchange were also lifted. The industry, as at December 2012, had a total of 45 banking and non-bank institutions, 15 micro finance institutions and 109 duly registered foreign exchange bureaus. The last few years, has seen the sector in the country continue in growth in overall profitability, diversification in products offered, assets, clientele base and deposits. The CBK (2013) emphasizes that the banking industry should cope continuously with the dynamic business environment and the persistent increase in new requirement through a robust Information and Communications Technology (ICT) platform, while staying sufficiently active. Consumers on the other hand will increase their demand of individualized and faster services than ever registered. Hence banks will continue to aggressively design new products that take advantage of the advancement in ICT so as to remain competitive.

According to the arguments floated by CBK report of 2009, diversification in the coming future on other financial services is also eminent as consumers increasingly look for “one stop financial supermarket.” These changes are expected make more Kenyans access banking services through bringing them into the banking space and enhancing the banking products on sale. The Finance

Act of 2008 is however as one of the main stumbling block facing the country's banking sector today. The Acts since taking effect on 1 January 2009, requires that banks and mortgage companies should build and maintain a minimum core capital of Ksh 1 billion. According to the report, this requirement is expected to transform small banking institutions into more stable organization. The effecting of this law awoke an additional challenge to some of the small then existing banks of merging in order to comply with the Act.

#### **1.1.4 Barclays Bank Subsidiaries in Kenya**

Barclays bank of Kenya has been in operation in the country for over 90 years. The firm's financial strength alongside the huge local and international resource base have seen the bank rise as one of the country's best financial services provider. Currently, the banks has established a network of over 115 branches with 236 ATMs distributed across the country. The confidence of the bank's 48,000 shareholders has been boosted by its impressive and consistent financial performance. It currently bears a reputation as one of the lead blue chip firms listed in the Nairobi Stock Exchange. This means that the bank holds a big chunk of the Kenyan market share in providing financial services and is actually a market leader.

Regionally, Barclays Bank Kenya has been considered as the most profitable subsidiary in the East and Central Africa market among other branches in the region (Barclays Africa, Annual report, 2012). In the modern world of globalization, Barclays Bank of Kenya Limited has continuously kept abreast with the global scenario in the banking industry through strategic business associations which have generally added value to the banking industry initiatives and also facilitated the meeting of dynamic challenges facing the modern banking industry globally. Barclays Bank of Kenya Limited popularity resulted to the need of developing different

initiatives through which the organization could interact with its customers and this further resulted to the development of alternative channels of delivery including the agency model within the industry. The alternative channels ensured that the banks were able to offer their services even to their customers in remote areas with poor infrastructures.

Subsidiaries, as units of parent firm, usually have different roles in the wider strategic focus of the organization' role in innovation, horizontal exchange of information, global and local balance, internal differentiation or external and internal network. As per (Verbeke, Bachor & Nguyen, 2013). The role allocated to the subsidiary determines the extent to which the subsidiary receives and forward's knowledge from their parent organization, the level of independence, their innovation ability and the resultant relationships they develop in the countries where they operate.

## **1.2 Research Problem**

Different factors influencing an organization are determined by the ever changing environment in which the businesses operate. The global economy is moving from physical labor to knowledge based. As part of the realignment and embracement of the knowledge driven economic culture, many organizations are investing in knowledge and information, making them a knowledge-intensive firms (Stenmark, 2011). The banking environment is currently so competitive, this therefore makes customer service one of the distinguishing features that a commercial bank exploits to obtain a competitive advantage. The sharing on knowledge between the parent company and subsidiary result in linking of resources and general capabilities at both headquarters and subsidiary level which create and enhance joint innovations. The parent firm'



global integration, responsiveness and learning abilities can be enhanced by the subsidiary's potential.

The competitiveness of the Kenyan banking industry has seen several international commercial banks transfer managerial staff from the head office to the subsidiaries like Barclays Bank of Kenya in order to improve its overall performance. The operations of Barclays Bank Kenya are therefore dependent on transferred management practices from the headquarters since competition in the industry and most of the executed duties are based on knowledge. It is also argued that the current open opportunities for financial institutions to create competitive advantage may remain in their strategies to leverage on knowledge, since the industry does not just entail money handling business but also information driven and sustained business.

Studies that have been undertaken locally on knowledge transfer include Kangethe (2012) study on the use of expatriates by Barclays bank of Kenya to transfer managerial skills as an entry strategy. The study found out that benefits derived from expatriates by organizations included enhanced organizational performance through the sharing of the best practices by expatriates' to the local staff, increased quality of service by the local subsidiary through global skill transfer and reduced operational costs through enhancing operational efficiency. Ogendo (2014) carried out a study on knowledge transfer, strategy content, external environment and performance of companies listed on the Nairobi Securities Exchange and found out that most companies apply knowledge transfer practices. They mostly identify knowledge and encourage the sharing of this knowledge in teams as individuals are encouraged to analyze ideas that are worth pursuing, on job training procedures are documented and applied in these organizations and also employees are encouraged to attend educational workshops. Luseneka (2013) study on international staffing

practices by Kenya Commercial Bank Group within the East Africa region established that Kenya Commercial Bank Group has adopted an ethnocentric approach to staffing its international subsidiaries through use of parent country nationals (PCNs) for senior management positions. From the findings, there is no known study that has been taken on the effect of managerial practices transferred from head office of Barclays bank to Kenyan subsidiaries and therefore the study answered the research question; what is the effect of managerial practices transferred from head office of Barclays bank to Kenyan subsidiaries?

### **1.3 Research Objective**

The objective of the study was to determine the effect of managerial practices transferred from head office of Barclays bank to Kenyan subsidiaries.

### **1.4 Value of the Study**

The findings of the study will contribute towards the advancement of knowledge based theory of the firm, the dynamic theory of knowledge creation. It relates to the theories of knowledge transfer and organizational performance. The findings would be beneficial to the management of Barclays bank in understanding the effect of managerial practices and knowledge transfer to the subsidiaries and thus overall bank performance therefore ensuring that there is effective transfer of knowledge.

The findings of the study would also be beneficial to other commercial banks that intend to internationalize as they will know the importance of knowledge sharing with its subsidiaries. The policy makers would use the findings of the study to come up with policies that would guide other firms that intend to internationalize. The findings may enable the practicing consultants to

advise their clients on the need to apply effective transfer of knowledge in the firm despite turbulent environments. The consultants may also use the study to obtain insight and also advise their clients on varied ways of applying the modes of knowledge transfer in their organization. The recommendations of the study could be duplicated in other sectors of the economy. This study will contribute to the theories relating to the international trade and policies in organizations especially within the developing economies such as Kenya. The findings are also projected to be valuable to future researchers, who may identify research gaps hence stimulate further research in related studies. Recommendations on possible future areas of research will also be made by the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter focuses on the literature review that is relevant to the study. It will evaluate the theoretical underpinnings of the study, factors affecting knowledge transfer, knowledge transfer challenges and the relationship between knowledge transfer and organizational performance.

#### **2.2 Theoretical Foundation of the Study**

The underpinning theories that anchor the concepts of the study are the dynamic theory of knowledge creation and the knowledge based theory of the firm.

##### **2.2.1 The Dynamic Theory of Organizational Knowledge Creation**

The dynamic theory of organizational knowledge creation (Nonaka, 1994) intensifies individual creativity and shapes it up as part of knowledge network of the organization. This theory has four modes of knowledge transfer. It postulates knowledge transfer from tacit knowledge to tacit knowledge (socialization), from explicit knowledge to tacit knowledge (internalization), from tacit knowledge to explicit knowledge (externalization) and from explicit to explicit (combination); and enables the collection of raw data, retrieving data; investigate new solutions based on probabilistic queries and install permanency of newly discovered actions (Bhajararia, 2000).

The application of this theory facilitates the transfer of knowledge in organizations. Knowledge creation is essential in organizations with scarce resources (Aghajani et al. 2011). However, the

theory is limited to tacit and explicit knowledge creation. It focuses on the knowledge creation within the organization and considers the external environmental factors that enhance knowledge creation.

### **2.2.2 Knowledge Based Theory of the Firm**

The knowledge based theory of the firm explores the coordination mechanisms through which firms integrate the specialist knowledge of their members. Paulin and Suneso (2012) argues that these mechanisms depend upon the existence of common knowledge for their operation. The common knowledge postulates common language for integration of mechanism which relies on verbal communication between individuals. There are other forms of symbolic communication such as information technology; commonality of specialized knowledge; shared meaning and recognition of individual knowledge domain.

Business strategy affects knowledge sharing within organizations (Ryan et al, 2010) which supports the knowledge based theory of the firm. The use of common language within and around organizations would enhance effective knowledge transfer that may lead to optimal performance. However, inefficient symbolic communication through information technology may hinder knowledge transfer to most of the stakeholders of the organization and thus lead to inadequate performance by the organizations in question.

### **2.2.3 Resource-based theory**

From the perspective of resource-based theory, a firm's resources affect how the firm behaves, and, consequently, how the firm performs economically (Barney, 1991). Since managerial resources play an important role in obtaining, utilizing, and developing a firm's other productive

resources (Tan and Mahoney, 2005), the firm needs to deploy its managerial resources effectively. Effective managerial resource deployment involves matching managers with the firm-level positions in which their abilities are likely to be most economically valuable (Taylor, 1999). A multinational firm may require the managers of foreign operations to obtain local resources and to implement the multinational firm's strategy. These managerial tasks may place differential values on various skills of managers.

Sharma, Bhatt and Singh (2014) noted that firms can create competitive advantage by developing human resources that are unique, rare, and not easily imitated. Examinations of staffing decisions in the resource-based view focus on managerial input competencies, or what they bring to the job but it could also be argued that if the expatriate assignment is used for managerial development where other unique competencies could be developed that is managerial decision-making competencies and transition based competencies, that could lead to unique and valued human resource competencies.

### **2.3 Factors Affecting Knowledge Transfer**

The effective operation of global firms calls for coordination between corporate units. The enablement of straightforward information flows is of major benefit to companies, where performances of units within firms are improved through the transfer of knowledge (Argote, 2013). Knowledge is embodied by customs in an organization and their beliefs. However transferring of knowledge is a complicated venture, where the transferring of technology within the same firm is one third of the cases that was discontinued after failing (Argote, 2013).

### **2.3.1 Absorptive Capacity**

One of the factors that is important for a firm or a subsidiary is the competence to recognize new information, to assimilate it and apply it to commercial purposes. The absorptive capacity of an organization will rely on the absorptive capacity of its individual members and it is developed through a cumulative process, where the quality of the staff assigned to joint ventures will affect knowledge transfer (Benanmram and Gonzalez, 2011). Also limitations in the number of personnel being able to engage in knowledge transfer will set boundaries for knowledge transfer, where the dedicated resources shape the firms absorptive capacity.

The efficiency of knowledge transfer is not only dependent on the abilities of the recipient, but rather on the joint character of both the contributor of knowledge as well as the recipient (Buckley, Clegg and Tan, 2012). If the structure of the different corporate units is very different, the recipient of information will have difficulties to incorporate the knowledge (Buckley, Clegg, Tan, 2012). A subsidiary's absorptive capacity can also be affected by its management structure, where subsidiaries with a great proportion of local nationals have a lower absorptive capacity for incoming knowledge. This is mainly due to language barriers. Since organizational structure and climate strongly affects the absorptive capacity, it also ultimately affects innovativeness. Organizations must be characterized by behaviors that value and promote learning (Djankov and Hoekman, 2011).

For knowledge absorption to be successful in a subsidiary, organizational knowledge concerning talent management must also be transferred (Hartmann, Feisel, Schober and 2010). These are managerial principles concerning strategies to attract and retain highly qualified employees, who can be offered higher wages, better job opportunities and better quality of life elsewhere (Hartmann, Feisel and Schober, 2010). The speed of knowledge transfer between a parent

organization and a subsidiary are dependent on the ability to understand each other. To increase the amount of primary knowledge which can be implemented by the subsidiary, communication between the corresponding parties must be direct. Deficiencies in language skills between the individuals communicating would lead to an increased reliance on translation centers.

### **2.3.2 Collaboration Aspects between the Partners**

Many of the problems that subsidiaries experience can be traced back to issues concerning cultural differences. Both the partner's organizational and national culture has the potential of affecting all aspects of collaboration between the parent firm and the subsidiary (Verbeke, Bachor, and Nguyen, 2013). Differences in culture can lead to cultural misunderstandings which stem from cultural differences can be a factor that severely limits knowledge transfer, though this does not necessarily accelerate conflict if managers are adequately prepared. These cultural and organizational barriers to knowledge transfer can be removed by the parties by establishing a good inter-partner relationship (Kim and Lee, 2010).

A problematic issue with managing multinational and subsidiary is that there can be disparate interests between the partners, something which creates difficult challenges. To create and maintain strategic alignment, when dealing with two corporate entities with separate shareholders and market pressures is a complicated venture. Where considerations such as whether to promote growth or cash flow can demonstrate how different the goals of the two firms can be (Bamford, Ernst and Fubini, 2010). The different views the partners may have on the prospect of implementing divergent corporate culture is one concern. Such conflicts can drastically reduce knowledge flows from the parents to the subsidiaries and also send signals to



the subsidiary employees that can be both negative and conflicting whether or not to use information sent from the foreign parent firm (Djankov and Hoekman, 2011).

### **2.3.3 Means of Transferring Knowledge**

Knowledge can be transferred to a subsidiary in many different fashions, mainly through the transferring of people, technology or routines to the recipient subsidiary or organization, where the transfer of knowledge embedded in processes and organizational practices are more difficult to transfer than technology alone (Argote, 2013). Knowledge which is embedded in individuals can be transferred to another location by moving these individuals. This is regardless of the nature of the knowledge, tacit or explicit (Andersson and Holm, 2010). The capacity to restructure information and apply it to different contexts is one of the reasons why individuals are such effective carriers of information.

Corporate socialization mechanisms, which build interpersonal familiarity and personal affinity between members of different subsidiaries, increases communication flows between subsidiaries and thus eases knowledge transfer. This can be done by sending subsidiary managers to the corporate headquarters (Reinholt, Pedersen, and Foss, 2011). Another mechanism for moving knowledge is electronic tools, such as e-mail, information systems and e-learning. Where the use of information tools has been found to facilitate knowledge transfer, these modern tools facilitate the transfer of both tacit and explicit knowledge where the individual knowledge of many, easily can be composed in one place, accessible for members of the organization independent of location (Argote, 2013).

Modern technology has facilitated the connection between people spread across the globe, and is indeed a very important tool in knowledge transfer (Argote, 2013). However, the use of

expatriates is viewed as the most important way of transferring knowledge from headquarters to subsidiaries in order to increase the performance of the subsidiary (Chang, Gong and Peng, 2012). This significance being given because of the expatriates' ability to assimilate and teach often complex information, however, arbitrary deployment of expatriates into subsidiaries is not to be recommended when considering the importance of how critical the competences of the individual expatriate is for the success of knowledge transfer (Chang, Gong, Peng, 2012).

Expatriates have the benefit of understanding the knowledge that the parent company want to transfer as well as have the necessary skills needed to utilize this knowledge. However, having knowledge tied to an individual creates difficulties in the transfer of the same. A reason for this is that tacit knowledge is personal and built from the experience of an individual and subsequently hard to codify. It is also embedded in action and in individual commitment tied to a particular context. The transfer of this knowledge is highly dependent on the skills of the expatriate and this person's motivation and the opportunity this individual have of transferring it.

The extent to which the expatriate interact with local employees can be of critical importance for the success of knowledge transfer, something which effectively occurs when social ties are established between the expatriate and the recipient. For instance, the transfer of tacit knowledge requires extensive interaction (Chang, Gong and Peng, 2012). It is however suggested that knowledge and skill transfer most frequently occurs as a result of daily interaction at the operational level, not at top management level where expatriates often are placed within the subsidiary (Tian, 2007).

Organizations themselves can be depositories of knowledge where some memory and experience are accumulated and maintained within the routines of the organization, regardless of the passage

of time or employee turnover (Devinney, 2010). When parent firms transfer organizational competences to the subsidiary, they transfer more than mere individually held skills. They also transfer knowledge which is embedded in the organization itself. This knowledge which is collective is embedded in the minds of the members of the organization, regarding how to coordinate, share, distribute and recombine knowledge (Zhao and Anand, 2009). According to Black and Boal (2014) collective knowledge is more valuable than individual knowledge because it recombines individual knowledge, something which is key to the value creation process.

The benefits of collective teaching over individual teaching is mainly its ability to teach and explain contextualized knowledge, something which cannot be fully revealed by an individual teacher, when information is situational or otherwise difficult to explain (Zhao, Anand, 2009). Tacit elements may require learn-by-doing approaches which are commented by an experienced tutor (Wells and Rangan, 2011). One way of achieving this complex knowledge transfer is to send subsidiary employees to the knowledge source, allowing them to get a greater understanding of the cultural and institutional context in which the collective organizational knowledge is embedded (Zhao and Anand, 2009) The organizational ability is improved by the replication of knowledge on an experimental basis, or basically learn-by-doing, where the recipients exposure to new routines by interacting and observing is something which will facilitate their learning. This process could also be reduplicated by sending a sufficient number of expatriates to the subsidiary (Zhao and Anand, 2009).

## **2.4 Effects of Expatriate Managerial Practices on Subsidiaries**

Multinational companies as geographically dispersed organizations often present an “arena” where emergence of many different groups with different resources, values and agendas occurs (Devinney, 2010). This presents a fertile ground for possible intra-organizational conflict and leads to emphasizing the organization of collaboration across institutional and national units as one of the main objectives of multi-national companies. In order to pursue the multi-national companies main objectives - global efficiency, multinational flexibility and global learning - there is a need for employees who can attain international coordination, such as expatriate managers (Kusumoto, 2014).

Expatriate managers are an integral part of the personal control dimension, in a direct (explicit) as well as an indirect (implicit) dimension. When exercising direct control, be it personal or impersonal, the expatriate manager is performing the role of the headquarters in the subsidiary, and either complementing it or performing it in full, so there is no need for additional centralizing activities performed by the headquarters. Indirect control is performed socially when done personally, or, if it is impersonal, it focuses on the outputs rather than controlling the processes and activities. Beamish and Berdrow (2013) finds at least two reasons why expatriate managers are seen as a wiser choice for control mechanisms than local managers, that is why they should act in the principal's best interest better than locals. Firstly, expatriates' future career development largely depends, much more than the one of local managers, on the headquarters' evolution and subsidiary contribution to the entire company performance. Secondly, expatriate managers identify themselves with the parent company more than with the subsidiary, as opposed to local managers.

The expatriate role of subsidiary control largely depends on the headquarters' willingness to intervene in the work of the subsidiary. If headquarter strategy is that the subsidiary does not have to blindly follow the headquarters, the expatriate control will not be especially strong. This also reflects the importance of the role given to a subsidiary by the headquarters. The higher the importance of the subsidiary core business, the less discretionary power expatriates have as agents of control. The role of expatriates as agents of control also weakens with the age of the subsidiary.

In their quest to achieve behavior control, multi-national corporations often appoint expatriate managers that are knowledgeable of and highly committed to, headquarters decision making processes and practices to fill key subsidiary positions (Djankov and Hoekman, 2011). Kim and Lee (2010) posit that employing expatriates is one of the most effective ways to control behaviours at subsidiaries and can be used to reduce the reliance on rigid output control mechanisms. This is because, as argued above, expatriates have good understanding of, and high commitment to, the headquarters operating procedures and the overall multi-national corporations' priorities and goals than locally hired employees and managers. In addition to controlling and encouraging behaviour at the subsidiary level, the presence of expatriates facilitates communication and coordination activities between the subsidiaries and the headquarters (Verbeke, Bachor, and Nguyen, 2013).

Kusumoto (2014) emphasizes three highly interlinked roles of expatriate manager, agent of change, localizer, and globalizer. As all of these roles assume adjusting to newness and implementing it, it is reasonable to put them under the same category of the 'agent of change'. Focus of these three roles is on common corporate goals. Whether implementing some changes

in subsidiary, adjusting subsidiary to local environment, or adjusting subsidiary to cooperation with other subsidiaries and the headquarters, common corporate goals always has to be in focus. Accordingly, adoption is a continuous job for corporations because of consistent changes of business environment regardless if those changes happen in the business environment of subsidiary or the headquarters (Buckley, Clegg, Tan, 2012).

The changes the expatriate managers are in charge of can be initiated directly, from the headquarters, and indirectly, from the subsidiary. Changes directly initiated from the headquarters mostly require the expatriate manager to be a `Globalizer` who will maintain compliance among the network of international units, and in that way increase efficiency in the global supply chain (Benamramand Gonzalez, 2011). Such changes are imposed to the subsidiary from its parent company. Changes initiated indirectly usually appear in the process of local adjustment. These mostly require the expatriate manager to be a `Localizer` who has to have in-depth knowledge and understanding of the host country and the local environment. Such changes concern only subsidiaries.

Expatriate managers present a perfect match for an agent of change, whether there is a need for them to act as a globalizer or a localizer. The expatriate as an international assignee of the multinational corporation has unique capabilities which arise from their international exposure (Beamish and Berdrow, 2013). Close collaboration with the employees of the subsidiary, while at the same time accepting orders from headquarter, makes them a perfect match for cross-border collaboration as a globalizer.

In order to achieve international competitiveness, Multinational Corporation has a goal to distribute its proprietary knowledge and capabilities across the units. However, when talking

about knowledge transfer, one must be aware that it involves much more than simply transmitting technical skills from the home country to the host country. This is due to complex knowledge composition, which besides its explicit component contains a tacit one which is too delicate to be easily transferred. The success of a multinational corporation is considered to be contingent upon the dissemination of valuable knowledge throughout the subsidiaries (Wells and Rangan, 2011). This transfer of valuable knowledge acquired from the expatriates is seen as an important source of competitive advantage (Pedersen, 2000).

Managerial knowledge, including the current endowment of managerial intellectual property of a firm and its managerial and organizational practices, plays an important role in determining the productive efficiency of a firm and hence its competitive advantage (Easterby-Smith, Lyles, and Tsang, 2008). It covers all aspects of the management of the firm, ranging from strategic planning and decision making to human-, financial- and information resource management as well as operations and marketing management.

The employment of expatriates to manage overseas subsidiaries may have an influence on both subsidiary performance and the overall multinational firm performance. Its influence on the parent performance results from knowledge mobilization across national borders, management development, creation of a common organizational culture, and the emergence of an effective informal information network. Developing an international cadre of managers who have a global mindset and who understand the dynamics of local responsiveness and global integration may be one source of sustained competitive advantage for the multinational.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology used to carry out the study. The chapter describes the proposed research design, data collection instruments and how data was analyzed.

#### **3.2 Research Design**

The study embraced a case study as its research design. An in-depth investigation of a research subject such as a phenomenon, individual or institution defines the process of carrying out a case study. Case studies allow a researcher to collect in-depth information, more depth than in cross-sectional studies with the intention of understanding situations or phenomenon (Kotter, 2008). A case study reveals the multiple of factors which interact giving rise to the character that define the subject of study. This design was settled at since case studies best describe the processes through which events unfold alongside examining causal relationships hence providing a comprehensive understanding of the phenomena under study.

#### **3.3 Data Collection**

Interview guides were utilized by the study to obtain primary data. The respondents that were interviewed were chief executive officer, chief manager finance and planning, chief manager human resource and administration. These were considered to be key informants for this research.



Qualitative interviewing builds on the conversational skills that one already have. According to Beebe (2006: 100), interviews entail the participant being asked to respond to the question directly. The method used in this study was that of a semi-structured interview, in which the interviewer has a structured plan of investigation, namely a set of pre-determined questions.

### **3.4 Data Analysis**

Content analysis was used to analyze the data collected. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). The process generally involves observation and in-depth description of objects, items or things that make-up the object of study. Content analysis, as a class of methods at the intersection of the qualitative and quantitative traditions used for rigorous exploration of many important but difficult-to-study issues of interest to management researchers (Carley, 2003). This method allows for a detailed description in changing conditions hence was more appropriate for the study. The qualitative approach method was absorbed by the research since the location of the study was in an environment where implementation initiatives take place.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

Findings and discussion about the effect of managerial practices transferred to Barclays Bank of Kenya are presented in this chapter. Primary data was collected using interview guides and analysis done through content analysis method. After the introduction in the first section, the preceding sections cover demographic information on the respondents; effect of absorptive capacity, collaborative aspects between partners and means of transferring knowledge on managerial practices transfer within Barclays Bank of Kenya. The conclusion of findings are also presented in this chapter.

#### **4.2 Designation**

The research sought to determine the positions the interviewee held in the organization. The researcher interviewed three respondents in various levels of management and from diverse departments within the organization. Those interviewed included the Head of operations, Finance manager and Head of human resources and administration. This implied that the information regarding managerial practices transferred to Barclays Bank of Kenya was collected from relevant and resourceful personnel who were involved in strategic management decisions and also offer oversight in the day to day running of the departments. This gave the researcher confidence in that whatever information was collected from the managers was a full representation of the organization as a whole.

### **4.3 Working Duration in the Organization**

The study also sought to find out the length of period in which the interviewee had worked in the organization. From the findings, all the three interviewed, indicated that they had been working in their current departments in Barclays Bank for a period of more than 6 years. The Head of human resources and administration was however the longest serving employee within the same department, citing a cumulative experience of 11 years in the department, within the Bank. It was also clear from the interviewees that none had served for less than three years in their current positions. The head of operations had been serving the bank in his current position for the last four years while the finance manager had served Barclays Bank in the manager position for last six years. On the other hand, the Head of human resources and administration had gained a total of 3 years' experience in serving the bank in her current position.

### **4.4 Level of Education**

From the responses obtained from the interviewees, it was evident that Barclays Bank highly regards academic qualification as a means to attain advantage over competitors. All the interviewees held Masters Degrees in their various disciplines and/or relevant to their current positions, both from local and international universities. This further implies that all the managers interviewed not only hold their positions on the grounds of experience but also on their academic qualifications hence they are well positioned to articulate matters and make rational decisions, evaluations and judgments. The respondents were also able to give more and useful information to the interviewer.

## **4.5 Effect of Managerial Practices Transfer**

The study sought to find out the effect of the various aspects affecting knowledge and skill transfer to the Barclays Bank of Kenya subsidiary while utilizing expatriates and summarized the findings as below. These factors include Absorptive capacity of local staff to the expatriates skills, use of expatriates as agents of knowledge transfer; challenges, impact and capabilities of expatriates, establishment of organizational policies, targets and objectives. Each of these factors had either a positive or negative effect on the managerial practices transferred to the Kenyan Barclays Bank and in some cases, both effects.

### **4.5.1 Use of Expatriates**

It was evident from the responses obtained from the respondents that Barclays Bank of Kenya deploys the use of expatriates to position itself in the competitive Kenyan banking Industry. From the responses obtained, an average of three to five expatriates are engaged annually at a success rate of nearly 80% percent. According to the head of human resources and development, more than 70% of the expatriates engaged are in the middle level and above zones of management. The organization engages such since they are mostly perceived to be social resources due to the fact that they have a greater access to information and influence. As a result, they are better placed to transfer knowledge since they have a greater likelihood of being connected to a higher number of actors at the HQ, other units of the Multinational Corporation, and access to a wider variety of knowledge resources.

The head of operations in the bank argues that the use of expatriates has enabled the bank sustain its position as a competitive player in the industry. His view was that:

*‘Globalization has made great effects rise in the world markets including the banking industry...to maintain a competitive advantage and stay ahead of the game demands the use of expert minds’*

Being a multinational corporation, the bank has taken advantage of the easily available knowledge from the other national corporations especially from the developed economies. The bank engages the expatriates on a need basis since it solely and locally finances all the related expenses. The head of human resources and development argues that the expatriates are an important resource to new organizational knowledge for they gain knowledge about new markets, cultures and ways of doing business and expatriates are also able to transfer knowledge with reference to their experiences to other sections of the multinational corporations. From the findings all the respondents posited that the main factors that trigger the need for expatriates in knowledge skills transfer were; emerging trends in the market, increased competition in the banking sector that required more specialized skills to maintain a competitive edge, the need for the bank to meet the international standards as a multinational bank, shortage in high standard managerial skills for strategic decisions, the need to upscale expertise of the local staff through sharing of skills by the expatriates. The view for the head of human resources and development was:

*‘The organization uses expatriates in impacting managerial skills for corporate control purposes as the organization was a multinational company.’*

It was also clear that the organization always places the expatriate in a position connected to the region he/she has specific expertise on with an aim of gaining more. The lower number of expatriates engaged in a specific period is connected to the fact that the expatriates were paid higher salaries and allowances compared to the local staff as a way of motivating them to work

in the organization. The expatriates may also demand to work alongside their families hence raising their maintenance costs even higher. Other factors cited that limit the use of more expatriates by the bank include the government regulations and the organizational' image to the Kenyan citizens who form its customer base. The respondents also argue that due to the low numbers of engaged expatriates, they are therefore involved in mainly building the capacity of the local management staff by increasing their expertise and exposure to emerging market trends in the banking sector that include enhancing the industry's best practices, enhancing processes through automation hence reduce operational expenses, enhancing customer management methods. Therefore the managerial staff are able to professionally deal with the emerging challenges and also impact the low level staff.

#### **4.5.2 Absorptive Capacity of Expatriates skills**

The research also sought to find the effect of absorptive capacity of expatriate's managerial skills by the local staff has impacted the bank. In her response, the head of human resources and development confirmed that the bank conduct an intensive internal pre-training programs to both the expatriates and the local attached staff so as to enhance delivery and reception from both respectively. On the other hand, the head of operations confirmed that the bank has a well-established Knowledge management system that ensures that all assets that are knowledge related are effectively employed. The system involves processes right from organizing, planning, motivating and controlling of people whereas the knowledge assets occur in the form of printed documents such as manuals and patents, knowledge kept in electronically in repositories, knowledge of employees on how best to do their jobs, knowledge held by groups that have been working on specific problems and organizational knowledge that is contained in its processes,

products and relationships. An efficient utilization of these resources and implementation of the processes always ensures that the bank's local staff absorptive capacity is enhanced.

#### **4.5.3 Expatriates as Agents of Knowledge Transfer**

The study also sought to find out how expatriates have acted as agents of knowledge transfer. According to the responses from the respondents, the Barclays Bank frequently states need for transferring of resources abroad is the primary reason for expatriating skilled home-country nationals to its foreign subsidiaries. The Multinational Corporation uses competent expatriates as avenues towards organizational development that are geared towards increasing knowledge transfer to its foreign arms. The expatriates are also used to bring in expertise that Barclays Kenya does not possess which are in the form of either technological and/or managerial knowledge. The respondents however cited that for the transfer to be successful, the process heavily relies on mechanism based on human resources. According to head of operations and the human resources and development in the bank, the number of expatriates in a subsidiary determines the amount of knowledge transferred. According to the Bank's standards, expatriates are tasked to transfer appropriate and relevant up-to-date knowledge and skills while preparing the local employees to take over from them in executing their previous mandates when they have left.

#### **4.5.4 Expatriate and corporate Culture**

The study sought to find out whether the expatriates' familiarity with the corporate culture of headquarters resulted in more effective communication and coordination. From the responses obtained from the interviewees, expatriates have the responsibility to not only transfer managerial and technical skills and knowledge, but also for enhance the organization's culture in the subsidiary. According to the responses, each subsidiary has to a given degree its own culture

that the expatriate needs to well understand in order to have an effective coordination and communication. So as to achieve this, the respondents revealed that the expatriate is usually taken through a cross cultural adjustment process that addresses issues before the expatriate leaves his home country and when he/she arrives for the foreign assignment. The respondents unanimously agreed that the success of the expatriate's coordination and communication is to a good degree attributed to their adjustment to the organization' culture. The human resources and development head however asserts that the success is enhanced through a consideration of key factors including pre-departure training, previous overseas experience, individual skills and the selection mechanism.

#### **4.5.5 Expatriates and Organizational' objective and targets**

In order to ascertain the kind of link that exists between the expatriates and organizational objectives and targets, the study inquired of the respondents on how the expatriates have prevented the ban from deviating from the agreed objectives and targets. According to the respondents, they all agree that the deployment of expatriates has greatly enabled the organization achieve its objectives and remain within its overall goal. The head of operations stated that when deciding which staffing route the organization is to take, it is usually considered alongside the organizations' global goal. This ensures that each subsidiary organization does not derail from the main goal. He added that before an expatriate is issued with an assignment, he/she must have worked for the organization for a good period of time hence very conversant with the goals of the organization. The Kenyan subsidiary of the bank always works together with the global strategy as it is not a separate entity. The respondents unanimously agree that expatriates are counted as valuable channels through which the firm transfers its valuable



knowledge and skills to its subsidiaries. However, the head of operations further argues that the expatriates come out as reliable avenues that ensure that the subsidiary works within its universal strategies.

#### **4.5.6 Expatriates and Establishment of the Company Objectives and Policies**

The respondents also indicated that the expatriates have immensely contributed to the establishment of company objectives and policies in Barclays Bank of Kenya. This is attributed to the vast knowledge that the expatriates usually bear pertaining the entire corporation. Barclays Bank of Kenya has often had its staff trained and take over the running of day to day operations of the organization hence maintaining the organization' local reputation. Since the locals have a more comprehensive knowledge on the economic and political environment, they are better placed to further enhance the objectives and policies of the Bank locally.

#### **4.5.7 Expatriate Capability**

The study also sought to determine the effect of expatriate capability on skill and knowledge and transfer process. The interviewees were asked how better equipped were the expatriates than the locals to train the bank managers. From the respondents, it was clear that before the expatriates are send for a specific responsibility, an intense process is conducted by the head office that ensures only the best are assigned duties. In some cases, according to the respondents, more than one expatriate is used by the bank to enhance the expected outcome. The respondents also unanimously stated that the bank carries out continuously periodic assessments on the achievements made by the expatriates during their various tenures of executing their responsibilities. These assessments have seen the organization record a good success rate in utilizing expatriates towards knowledge enhancement.

The head of human resources and development also noted that an indication of a weakness in expertise and knowledge by an expatriate has always had a negative impact on how he/she is received at the subsidiaries therefore resulting to huge losses to the bank since a lot is usually invested on them.

#### **4.5.8 Impact of Expatriates**

When asked about the impact that expatriates have had in the general performance of the bank, the respondents confirmed that the use of expatriates as an avenue of knowledge transfer has had a huge and positive impact on Barclays Bank of Kenya. Attesting that most of its expatriates hail from developed economies and institutions, the respondents confirmed that the country's subsidiary has enjoyed better managerial skills transfer to the management which has increased their expertise in running the bank to the international threshold. The respondents also confirmed that the bank has benefited technologically and this has improved the quality that effectiveness of service delivery to its clients. The respondents cited examples of technological advancements achieved by the bank as intelligent ATMs, Advanced Credit Cards, enriched digital channel functionalities and an improved queue management system. Further to this, the interviewees confirmed the banks success by listing the awards that the bank has received; most prestigious bank and best retail bank in the country and as having the best product in Africa.

The respondents also argued that expatriates have enabled the bank to successfully develop an roll-out new revenue streams while taking advantage of the latest digital solutions namely Banc assurance, the SME strategy that aims at financing this sector of the economy, providing LPO

financing through partnership with the ministry of devolution to facilitate women, youth and people with disability, the agri-business unit among others. The respondents also affirmed that the bank has enjoyed an overall improvement in financial performance and has remained competitive citing an ever increasing customer base. The finance manager stated that:

*‘...the bank made a pre-tax profit of 3.1 billion in 2015 representing a 10% growth from last year...’*

The findings of the study also revealed that the expatriates have helped the Kenyan subsidiary improve in monitoring and evaluating its activities and responses to the market trends and bridge the managerial capacity requirement in the bank. Generally, the expatriates have facilitated and enhanced a broader thinking culture among the bank’s local staff hence improving their better approach in running their daily work related chores.

#### **4.5.9 Challenges of Expatriates**

The study asked the respondents pertaining the challenges faced by expatriates while executing their mandate. The respondents cited various factors hindering the success in the use of expatriates in skill and knowledge transfer. The head of operation and the finance manager cited a lack of sufficient resources to sustain the expatriates in the organization for a long time as the main hindrance whereas the head of human resources pointed out the government regulation as being part of this. These challenges result to only a limited number of expatriates that can be utilized at any time therefore reducing their impact and efficiency. Resistance by the local staff and negative attitude towards expatriates by the local management was also cited as a challenge since the local staff see the expatriates as people who have come to take their job positions.

Other challenges faced by the bank as mentioned by the respondents include the socio-cultural differences.

#### **4.6 Summary of Chapter**

This chapter looked at the background information of the respondents and sought to analyze the feedback received from the respondents. It was evident that transfer of managerial practices through the use of expatriates significantly affects the performance of the Barclays Bank of Kenya subsidiary. The study measured several factors against use of expatriates as avenues of knowledge and skill transfer. These factors include Absorptive capacity of local staff to the expatriates skills; use of expatriates as agents of knowledge transfer; challenges, impact and capabilities of expatriates; establishment of organizational policies, targets and objectives. From the findings, the factors registered mixed results on managerial practices transfer depending on how they are deployed. A keen look at these factors by the subsidiary has enabled it remain competitive and enhanced its performance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of the findings from the preceding chapter, recommendation and conclusion of the study based on the objective of the study. The objective of the study was to determine the effect of managerial practices transferred to Barclays Bank of Kenya. The chapter also presents Implication of the Study on Policy, Theory and Practice and suggestion for further study.

#### **5.2 Summary of Findings**

The study revealed that Barclays Bank of Kenya gathers a number of great benefits from the use of expatriates. All these benefits have resulted to the organization enjoying a competitive advantage among its peer and enhance financial performance. The results are in line with the argument of Andrews (1980) that states that competitive advantage is an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retains more customers than its competition. The specific benefits accrued by the organization from the use of expatriates include the advancement of better managerial skills to the management staff which is later transferred to the lower ranked staff. Such knowledge increase expertise in managing the daily undertakings of the organization as managed by individual staff. The expatriates also assist in advancing the bank's technological base that targets efficiency in the bank's operations and operational cost reduction. The findings concur with those registered with Kangethe (2012) in her study on Use of expatriates by Barclays bank of Kenya to transfer managerial skills as an entry strategy. The study also revealed that the organization is also influence by the absorptive

capacity of the of expatriate's managerial skills by the local staff. The ultimate goal for each expatriate is to leave behind their skill and knowledge to the staff of their assigned area of duty. The study however revealed that the organization takes into account several factors so as to enhance its staff ability to be impacted by the expatriate. The factors include management of knowledge related assets and management system. This is in line with the findings of Delios and Bjorkman (2000). The bank also conducts pre-training programs for both the expatriates and the local attached staff so as to enhance delivery and reception from both respectively. The bank also considers other factors such as the expatriates specialization skill and knowledge, language skills and readiness for the expatriate to deliver.

The study established that the use of expatriates as agents of knowledge transfer requires the consideration of many other related factors such as expertise and the competence of the expatriate. A successful process of knowledge transfer will to a great extent rely on human resources mechanism that include the number of expatriates involved and the number of man hours devoted to the expert. To ensure a success in the agency of the expatriate, the bank ensures that the attached local managers are in a position to execute the skills as the expatriate. The need of an expatriate within the bank is also triggered by several pre-considered/identified needs both locally and from the main headquarters. The needs are classified both internal and external. The internal factors include the need for a system upgrade or an internal shortage of a skill while the external factors include stiff competition within the industry hence need to maintain a competitive edge and government requirements.

The research further established that the expatriates' familiarity with the corporate culture at the headquarters resulted in more effective communication and coordination of transfer of managerial practices. Cultural differences between the expatriates and the local staff also limited their interaction thus limiting the managerial skills transfer. This agrees with the conclusions made by Kangethe (2012). The expatriates are usually taken through a cross cultural adjustment process that includes induction, at his country of origin and upon arrival at the bank's head office. This is to facilitate coordination and level of impact the expatriates would have in their assignment. The success of the entire cross-cultural adjustment relies mostly on factors including pre-departure training, previous overseas experience, individual skills and the selection mechanism. The research further ascertained that part of the organization's objectives and targets are usually tagged on the expertise enjoyed from deploying expatriates. The organizations target and objectives form the main and initial assessment in picking of an expatriate. Barclays Bank of Kenya being a subsidiary of the Barclays bank has a global goal that it operates under. Expatriates therefore act as agents that ensure that the organization does not deviate from the organization's main goal. The subsidiary also considers the expatriate's experience in working within the organization that enhances their level of information pertaining the organization' goals and objectives. The summary is in line with the findings according to the study done by Kusumoto (2014). In addition, the research revealed that the expatriates facilitate the establishment of the organization's policies. Barclays Bank of Kenya achieves this by having its staff trained and takeover the running of the organization since the locals have a more comprehensive knowledge on the economic and political environment and the locals also serve to maintain the organization' local reputation.

Knowledge transfer process is clearly affected by the expatriate' capabilities. This is in accordance to the research. So as not to compromise the impact that an expatriate has on a given assignment, the bank carries out an intense evaluation process during the hiring of the expatriate, at some instances deploys multiple expatriates and conducts period assessments on the progress made by the expatriate. The study also established that the use of expatriates has had a great positive impact on the bank. This was attributed to the fact that they come from backgrounds with vast experience. The benefits cited include better managerial skills transferred to the management which has increased their expertise in running the bank according to international standards; technological benefits namely intelligent ATMs, Advanced Credit Cards, enriched digital channel functionalities and an improved queue management system, that have improved the quality and effectiveness of service delivery to its clients; successful development and roll-out of new revenue streams while taking advantage of the latest digital solutions namely Banc assurance, SME financing strategy, LPO financing through partnership with the ministry of devolution and planning so as to facilitate women, youth and people with disability and agri-business unit; improved monitoring and evaluation of activities; improved responses to the market trends and facilitated the bridging of the managerial capacity requirement in the bank. Generally, expatriates have enabled the bank improve its financial performance and remain competitive through continuous customer acquisition.

In executing their mandate as expatriates, the study revealed several challenges encountered. The challenges identified include lack of sufficient resources to sustain the expatriates in the organization for a sufficient time and government regulation. These challenges result to only a limited number of expatriates that can be utilized at any time therefore reducing their impact and



efficiency. Other cited challenges include resistance by the local staff and negative attitude towards expatriates by the local management since the local staff see the expatriates as people who have come to take their job positions; socio-cultural differences that sometimes affect their output and impact to the local staff; lack of sufficient skills locally; immature markets for the revolutionary products and processes being introduced.

### **5.3 Conclusion**

The study concludes that expatriates are valuable avenues to be used in initiating the staff of a newly established subsidiary and introduces a new idea or strategy so to see to it that the foreign branch operates within the organization's universal strategy. The need for an organization to have the subsidiary operate within the organization's regulation increases the demand for expatriates as they enhance the implementation of the corporate culture and corporate strategy in its subsidiaries. Expatriates generally advance better managerial skills to the management staff which is later transferred to the lower ranked staff hence ensuring that the whole organization is well positioned to execute and manage a new strategy.

In relation to the measurement criteria in selecting the kind of investment the organization needs to make in an expatriate, the company needs to develop a criteria to understand what is important for it. A research on the current performance of the organization should be conducted. This can be done using the local employee's performance measurements and utilizing it to the expatriate. Other sources of relevant information to facilitate identification of need can be, but not limited to, supervisors, subordinates and customers. Measuring expatriates and international assignments offers a great benefit to organizations that are seeking to gain value from these international assignments. Accurate information on the performance and strengths of expatriates facilitates

future decisions about staffing options, criteria for selection of expatriates, pre-departure training and support services.

The study also concludes that the success of an expatriates in transferring their knowledge and skills is greatly determined by their ability to adjust to the culture of their host country and subsidiary. The individuals lack of adjust to the new culture gives rise to conflicts hence reduce their success rate. The degree of conflict varies depending on the level of difference between the host cultures and individual and therefore the expatriate must learn to cope and adjust to solve the problems they are faced with. Two aspects of adjustments should be stressed among the expatriates. These include work adjustment and socio-cultural adjustments. Work adjustments facilitate the expatriate to adjust to their new responsibilities and job requirements while social-cultural adjustment facilitate interaction and socialization.

In relation to expatriate capabilities and knowledge transfer, the study concluded that these two aspects strongly relate. This implies that the level of expatriate' possession of managerial and technical skills and willingness to share such knowledge, determines the amount of knowledge transferred. This relationship is further facilitated when knowledge is transferred to other employees by a person who has superior skills in comparison with the other parties he or she is transferring too and the transferor should also be willing so that the employees would in turn be ready to receive from the expatriate. An indication of a knowledge or skill weakness in the part of the expatriate greatly jeopardizes the interaction hence the skill transfer process.

The study also concluded that the number of expatriates deployed to transfer managerial skills positively relates to the managerial skill transfer process. A small number of expatriates result to a not significant impact in the entire organization. This may be as a result of the expatriates being

overwhelmed by the amount of work and output expected from them hence reducing their productivity and compromising the quality of transfer of managerial skills. The issue of the number of expatriates deployed at any time is determined by the costs involved in hiring and maintaining them. Expatriates are paid high salaries and allowances than the local staff so as to motivate them to work for the organization. This further implies that only a few could be hired at a specific time. Organizations can however hire one multi-skilled expatriate with an aim of reducing the overall involved costs.

The study further concluded that other than the number of expatriates engaged by an organization and the cultural differences between the expatriate the host subsidiary, other challenges exist that affect the effectiveness of the expatriates in transferring their skills and knowledge. These challenges include resistance by the local staff and negative attitude towards expatriates by the local management since the local staff which is attributed to the perception that the expatriates as people who have come to take their job positions; lack of sufficient skills locally; immature markets for the revolutionary products and processes being introduced. The success rates registered by organizations therefore demand that these matters are to be addressed. A well trained and skillful local man-power enhances the level of impact the expatriate has on the local labor. Organizations can also create need in the market in relation to the revolutionary products being introduced and back the same with the power of advertisement and marketing.

#### **5.4 Implication of the Study on Policy, Theory and Practice**

The study acknowledges the use of expatriates by Barclays Bank to transfer managerial skills to its subsidiaries and in details discusses the various aspects relating to the use of expatriates

within the Kenyan Bank. The findings of this study will be beneficial to the entire banking industry in enhancing managerial expertise through transfer of managerial skills by use of expatriates and to decision and policy makers in the industry in managing knowledge transfer processes. The findings will also offer a good and reference to other researchers seeking to carry out a study in relation to the addressed topic. Policy wise, the study recommends a constant, deliberate and strategic use of expatriates in executing new programs and ideas within subsidiary organizations markets as the parent company stands to benefit at the end of the day.

### **5.5 Recommendations**

The study recommends that bank managements should increase the amount of resources allocated to hiring and sustaining expatriates so as to increase the period and number of expatriates deployed so as to enhance the process of managerial skills transfer.

The research also recommends that the management should work towards demystifying the negative perception held by staff pertaining expatriates that hinders the process of managerial skill and knowledge transfer since they are seen as threats to the staff jobs other than additional resources to make them and the entire bank system more efficient and effective.

The study further recommends that local skills should be better enhanced and well prepared so as to enable a high absorptive capacity among the involved staff. The means of knowledge transfer should also be designed to fit and favor not only the expatriate but the recipient staff.

The study also recommends that the expatriate should be well taken through the various phases of adjustments including environmental, social-cultural and work related adjustments so as to improve their delivery.

### **5.6 Suggestions for Further Studies**

The study sought to establish the effect of transfer of managerial practices in Barclays Bank of Kenya with a keen look at the use of expatriates to achieve this. The study recommends that similar studies should be done on other variables such as collaboration with partners and absorptive capacity and their effect on transfer of managerial practices. Other studies can also be done on other industries other than the banking industry.

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**APPENDICES**

**APPENDIX I: LETTER OF INTRODUCTION**



**UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA PROGRAMME**

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 2/8/2016

**TO WHOM IT MAY CONCERN**

The bearer of this letter JACKLINE SARATUKI


Registration No. D61/74657/2014

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

  
**PATRICK NYABUTO  
MBA ADMINISTRATOR  
SCHOOL OF BUSINESS**

## **APPENDIX II: INTERVIEW GUIDE**

The interview guide will seek to achieve the following objective;

1. To establish the effect of managerial practices transferred from head office of Barclays Bank to Kenyan (BBK) subsidiaries.

### **SECTION A: Demographic Data**

1. What is your designation at BBK?.....
2. For how long have you been holding the current position?.....
3. For how long have you worked at BBK?.....
4. What is the highest level of education you have achieved?.....

### **SECTION B: Effect of managerial practices transferred to Barclays Bank of Kenya**

5. How has expatriates positioned BBK in the competitive market?
6. How often does the head office transfer managerial expatriates to your bank?
7. How has absorptive capacity of expatriates' managerial skills affected your bank?
8. How has the expatriates control mechanism skills influenced the bank?
9. How has the expatriates' agent of change managerial skills affected the bank?
10. How has expatriates acted as agents of knowledge transfer to the bank?
11. Does the presence of expatriates in the BBK have an effect on its financial performance?
12. How has the bank used expatriates to monitor and evaluate the activities and behaviors within the subsidiary?
13. Has the expatriates' familiarity with the corporate culture of headquarters resulted in more effective communication and coordination?

14. How have the expatriates contribute to the establishment of company objectives and policies in BBK?
15. How have the expatriates better equipped than nationals to train local managers affected BBK?
16. How has expatriate managers enabled BBK bridge the managerial capacity requirement in the bank?
17. How has the expatriates prevented the bank deviations from agreed targets and objectives?
18. How has the use of expatriates helped the bank reduce the headquarters' uncertainty concerning manager recruitment and mitigates the incomplete managerial contracting problem?
19. What other benefits do expatriates provide to Barclays bank of Kenya other than transfer of managerial skills
20. What challenges do the expatriates encounter in dissemination of its managerial skills to the subsidiary?

**Thank you|!**



