UGANDA MANAGEMENT INSTITUTE

GROUP POLICIES AND SUBSIDIARY FINANCIAL PERFORMANCE OF MULTINATIONAL CORPORATIONS IN UGANDA: A CASE STUDY OF SGS UGANDA LIMITED

BY

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DECLARATION

I hereby declare that this dissertation on “group policies and subsidiary financial performance of multinational corporations in Uganda: a case study of SGS Uganda Limited” is an original investigation result of my own effort and has never been submitted for any award in any academic institution.

Signature:……………………………… ……………………………..

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APPROVAL

This is to certify that this work has been done under our supervision and submitted to the Uganda Management Institute (UMI) for the award of a Master's in Management Studies (Financial Management) for examination with our approval.

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DEDICATION

This dissertation is dedicated to my dear mum, Ada T. Mugenyi, for her motherly love extended to me throughout my study, my spouse Nathan and the children, for the patience and lovely environment accorded to me, plus the entire family for their endless care, support, prayer, encouragement, desire for hard work and success dictated that I had to go to school and more so for further education.

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LIST OF ACRONYMS AND ABBREVIATIONS

COMESA	Common Market for East and Southern Africa
DV	Dependent Variable
EAC	East African Community
FDI	Foreign Direct Investment
HRM	Human Resource Management
IV	Independent Variable
MNCs	Multinational Companies
MNEs	Multinational Enterprises
MV	Moderating Variable
SGS	Société Générale de Surveillance
SA	South Africa
WAN	Wide Area Network
UAE	United Arab Emirates

ABSTRACT

The study was about group policies and subsidiary financial performance of multinational corporations in Uganda with a focus on SGS Uganda Limited. The purpose of the study was to establish the effect of group policies on the subsidiary financial performance, a case study of SGS Uganda Limited. The following objectives guided the study: 1) To examine the effect of group control policy on the subsidiary financial performance, 2) To examine the effect of group risk management policy on the subsidiary financial performance and 3) To establish the effect of group shared cost policy on the subsidiary financial performance. Thus, the following research questions were answered: 1) What is the effect of group control policy on the subsidiary financial performance? 2) What is the effect of group risk management policy on the subsidiary financial performance? 3) What is the effect of group shared cost policy on the subsidiary financial performance? The research design was a case study of SGS Uganda Limited. The sample size that was selected was 68 but the response was 61. Analysis involved descriptive statistics (frequencies and percentages) and the second included inferential statistics (correlations and coefficient of determination). Findings revealed a weak negative relationship (rho = -.292) between group control policy and subsidiary financial performance, a weak negative relationship (r = -.287) between group risk management policy and subsidiary financial performance and a weak negative relationship (r = -.396) between group shared cost policy and subsidiary financial performance. Thus, it was concluded that group policies significantly affected subsidiary financial performance. It is recommended that SGS SA give more autonomy to SGS Uganda Limited's group control policy, group risk management policy and group shared cost policy for SGS Uganda Limited's to improve on its financial performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

As global markets continue to grow in size and complexity, it has become necessary for multinational corporations (MNCs) to establish subsidiaries to reach out to new expanded market opportunities. MNCs have had to develop group policies, which subsidiaries implement towards enhancing subsidiaries financial performance in order to achieve group goals (Thompson & Thompson, 2011). Scholars of international business have focused on the positive effects that group policies transmit to subsidiaries of MNCs, and largely ignored the negative effects group policies contribute towards subsidiary financial performance, more especially in small indigenous markets.

This study will seek to establish the effect of group policies on subsidiary financial performance, taking SGS Uganda as a case study. This chapter comprises of the background to the study, the statement of the problem, the purpose of the study, the objectives of the study, research questions, hypotheses, a conceptual framework, significance of the study, justification, scope, assumptions & limitations, and operational definitions.

1.1 Background to the Study

1.1.1 Historical background

The earliest version of the modern Multinational corporations (MNCs) is visible in the imperialistic and colonizing ventures by Western Europe, dating back to the 16th century (Muratbekova-Touron, 2008). The modern version of the Multi-National Corporations (MNCs) that we know today have their origin from the 19th century after the second industrial revolution in which North American, British & continental European enterprises started operating with subsidiaries in different parts of the globe to secure the supply of raw materials and capitalize on bigger consumer markets. This would provide them with additional marginal profits and allow them economies of scale which lowered their cost per unit (Guillen & Garcia-Canal, 2009).

One of the main issues facing the development of the global companies has always been group policy influence specifically focusing on finding the right balance between the local autonomy between subsidiaries and the control of the corporate headquarters. Compared with domestic firms, the operation of multinational companies' foreign subsidiary is complicated by the existence of the dual imperatives to serve both the needs of the parent company, and possibly of other sister subsidiaries (Riliang, 2007). According to Zubair and Mohamed (2004), the growing trend among multinational companies is to leverage organizational practices across their international subsidiaries in order to improve the worldwide use of their organizational skills as an important source of competitive advantage. Traditional thinking assumed that corporate headquarters of multinational companies are responsible for the decisions concerning the roles and the capabilities of the foreign subsidiaries. However, recent research showed that in some circumstances, the management at multinational companies' foreign subsidiaries are responsible for defining the strategies and objectives of their subsidiaries, within the constraints set for their operation (Qu, 2007).

Over the last few decades, globalization has created unprecedented opportunities for global business investment and trade. Many MNCs across the continent are expanding business in the globalized economy through subsidiaries, where group policies are a prerequisite to achieve improved financial performance in pursuit of group goals (Wu, 2008). Group policies are therefore expected to guide the operations of subsidiaries in a manner that will lead to improved subsidiary financial performance.

1.1.2 Theoretical background

This study adopted institutional theory to explain the effect of group policies on the subsidiary financial performance. Institutional theory considers the processes by which rules, norms, and routines, become established as authoritative guidelines for social behavior and practice to achieve organizational goals (Dacin, Goodstein & Scott, 2002). Furthermore, the theory inquiries into how these policies are created, diffused, adopted, and adapted over space and time including how they determine the outcomes of an organization, government, group of individuals or organizations (Jepperson, 2002; Scott, 2001).

Institutional explains habit-following behaviors as a mechanism for dealing with uncertainty. Institutions create rules and form norms in order to reduce uncertainty in the environment. Stability is achieved by the “rule of game” where regulations and conventions are established in order to limit the recalculation of uncertainty by carrying out routines on the assumption of previous success. Therefore, rules and routines are ubiquitous in an uncertain environment.

Institutional theories of organization provide a rich, complex view of organizations. In these theories, organizations are influenced by normative pressures, sometimes arising from external sources, other times arising from within the organization itself (Dacin, Goodstein & Scott, 2002). Under some conditions, these pressures lead the organization to be guided by standard operating procedures.

Institutional forces shape individual interests and desires, framing the possibilities for action and influencing whether behaviors result in persistence or change. Widely accepted is the perception that institutions are composed of three related albeit distinct pillars, namely a *regulative*, a *normative* and a *cultural-cognitive* pillar (Jepperson, 1991). Most prominent is the *regulative pillar*, which underscores how institutions constrain and regularize behavior through explicit activities such as rule-setting, monitoring and sanctioning. The first two pillar were relevant to this study. The primary mechanism of establishing and controlling behavior in this conception is coercion. Individuals and organizations complying to respective rules, laws and sanctions do this out of expedience and self-interest, as well as a fear of punishment and a hope for reward, respectively.

From a normative perspective, institutions rest on values and norms which prescribe and evaluate how an individual or an organization should act (North, 1990). Values are conceptions of the preferred or the desirable, together with the construction of standards to which existing structures or behavior can be compared and assessed. Norms specify how things should be done, i.e. they define legitimate means for the valued ends. As such, normative systems define general goals (e.g. making profit) but also designate appropriate ways how to pursue or not to pursue them (e.g. rules how to play the game). An important difference to the previously described regulative pillar however is that compliance with these values and norms is not enforced by coercion, but by a code of conduct along with moral and social obligation.

Chiang, C., 2008, in his model on Parent Subsidiary links, considered resource commitment, information flow, local responsiveness, control flexibility as the dimensions that affected subsidiary financial performance the dependent variable with procedural justice as moderating variable, that was assumed to have a positive interference on subsidiary financial performance. This study adopted this model in the conceptual framework.

1.1.3 Conceptual background

In this study, group policies were conceived as the independent variable (IV), and subsidiary financial performance as the dependent variable (DV). Group policies refer to written down uniform, consistent, standardized guidelines that group companies employ in the day to day operations throughout the entire group companies as a yard stick to ensure that subsidiary companies operate in a way that is in line with corporate policy, at local level with international planning on a group scale. Elements such as operations on a global scale, numerous intra-group transactions and the principles of group policies require an appropriate approach, including on the part of the advisers. On the other hand, the correct implementation of group policies allows for large administrative savings, the limitation of risk on repeated operations and allows the management team to focus on other key areas of the group's activities.

Group policies are believed to influence the financial performance of a subsidiary and likewise, the parent company uses group policies to control and assess subsidiary financial performance in general (Kantar,1989; Miller,1983; Zahra,1999). Thus, in this study, group policies refer to a set of MNCs' principles, rules, and guidelines formulated or adopted by subsidiary organizations to reach long-term goals of improved financial performance, through profit growth and business growth.

On the other hand financial performance refers to the level of a business over a specified period of time, expressed in terms of profit growth or business growth during that time. Evaluating the financial performance of subsidiaries allows the parent company to judge the results whether they are in line with the set objectives. Subsidiary financial performance measures the wealth of a firm to sustain its operations. It is the general measure of a firm's overall financial health over a given period of time. Thus financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Nimalathasan, 2008).

1.1.4 Contextual background

It is true that some subsidiaries worldwide have grown in size and have benefited from group policies, leading to increased consistency in service delivery with the mobile consumer. This increased consistency leads to easier planning and control, leads to cost reduction, easier information flow, increases sales and profitability growth (Minbaeva & Michailova, 2004). To many subsidiaries, operating in small indigenous markets, the implementation and adherence to the group policies, has been associated with high costs and restrictions to liberalized and privatized market opportunities that have had a great effect on the profitability growth of these subsidiaries (Scott & Gibbons, 2009).

While Africa is seen as a high risk place by MNCs to do business, the continent is increasingly becoming a hospitable destination for investors (Plaut M, 2006). Leadership in the African continent have been soliciting for MNCs to expand specialized business and investments to their respective countries through a policy of Foreign Direct Investment (FDI), and this has created an environment for MNCs to expand investments in Africa accordingly (Dupasquier & Osakwe, 2005).

However, subsidiaries doing business in Africa still find it challenging as a recent World Bank study indicates that in some of the states, government policies in practice do not favor subsidiaries implementation of group policies. This is because they lead to high operational costs. Other states policies call for relaxing some of the group policies which is contrary to the MNCs code of conduct, hence could lead to deteriorating subsidiary financial performance.

Uganda's liberalized, privatized and economically stabilized environment has attracted the private sector competitiveness and investment in a number of sectors. For instance in the energy sector, information and communications technology, health sector (Uganda budget speech, 2011 – 2012) and resultantly leading MNCs setting up subsidiaries to exploit the business opportunities through implementing group policies as set up by parent companies towards a sound subsidiary financial performance (Morrissey, Rudaheranwa & Moller, 2003).

However, the subsidiaries are not satisfactorily protected from local business practices such as counterfeit products, corruption in the bidding process while implementing group policies leading to high costs of production and low financial performance. As a result MNCs have reduced on their investment in Uganda operations because of the thin margins that are being experienced, unfair competition and high costs of operation (www.busiweek.com/10/page. php 12/11/2011).

SGS Uganda Limited, a subsidiary was incorporated in Uganda in 1990 under CAP 85 of the Company Act of Uganda. It is fully owned by SGS SA, the parent company that has its headquarters in Geneva Switzerland. SGS Uganda Limited is governed by a board of Directors and a management team that implements group policies in pursuit of its vision and objectives. SGS Uganda Limited provides international standardization services on products and service inspection, verification, testing and certification to a number of clients including government ministries, parastatals and private firms.

SGS Uganda has experienced deteriorating financial performance (Financial Statements (2008-10) and this has led to the closure of some of the business lines, loss of some customers, portfolio reduction, negative profitability and change to new business lines. It is perceived that implementation of group policies has an effect on the subsidiary financial performance. The study sought to establish the effect of group policies on the subsidiary financial performance.

1.2 Statement of the Problem

Group policies are intended to guide and ease direction and flow of work to subsidiaries in improving and sustaining subsidiary financial performance Birkinshaw, Hood & Johnsson, 1998. However, for SGS Uganda Limited, group policies have led to deteriorated profit growth and reduced business growth. SGS Uganda Limited has continued to register losses in its business operations for the period 2008 – 2010, represented by Uganda shillings (Ugs) 167 million loss in 2010, Ugs. 37 million loss in 2009 and Ugs 623 million loss in 2008 (Audited Financial Statements, 2008 -10).

In this study, group policies are perceived in the dimensions of group risk management policy, group control policy and group shared cost policy that have led to the deteriorated financial performance of SGS Uganda Limited through reduced profit and business growth.

If group policies are not tailored towards improving subsidiary financial performance, then the deteriorating financial performance may worsen and render subsidiaries unprofitable to continue in business (Chiang et al., 2008).

Although the Parent Company in the period 2008 - 2009 intervened by closing selected business lines, introducing new business products, rebranding services, intensified marketing besides cost controls, the subsidiary financial performance continued to deteriorate, threatening the financial sustainability of the subsidiary (SGS Uganda

Limited Report, 2010. Hence, the reason the researcher investigated the effect of group policies on the subsidiary financial performance.

1.3 The Purpose of the Study

The purpose of the study was to establish the effect of group policies on the subsidiary financial performance, a case study of SGS Uganda Limited.

1.4 Objectives of the Study

The following objectives guided the study:

1. To examine the effect of group control policy on the subsidiary financial performance.
2. To examine the effect of group risk management policy on the subsidiary financial performance.
3. To establish the effect of group shared cost policy on the subsidiary financial performance.

1.5 Research Questions

The following research questions were answered:

1. What is the effect of group control policy on the subsidiary financial performance?
2. What is the effect of group risk management policy on the subsidiary financial performance?
3. What is the effect of group shared cost policy on the subsidiary financial performance?

1.6 Hypotheses of the Study

The following hypotheses were tested:

1. Group control policy positively affects the subsidiary financial performance.
2. Group risk management policy positively affects the subsidiary financial performance.
3. Group shared cost policy significantly affects the subsidiary financial performance.

1.7 The Conceptual Framework

In the conceptual framework, group policies were the independent variable (IV), subsidiary financial performance was the dependent variable (DV) as illustrated in Figure 1 below.

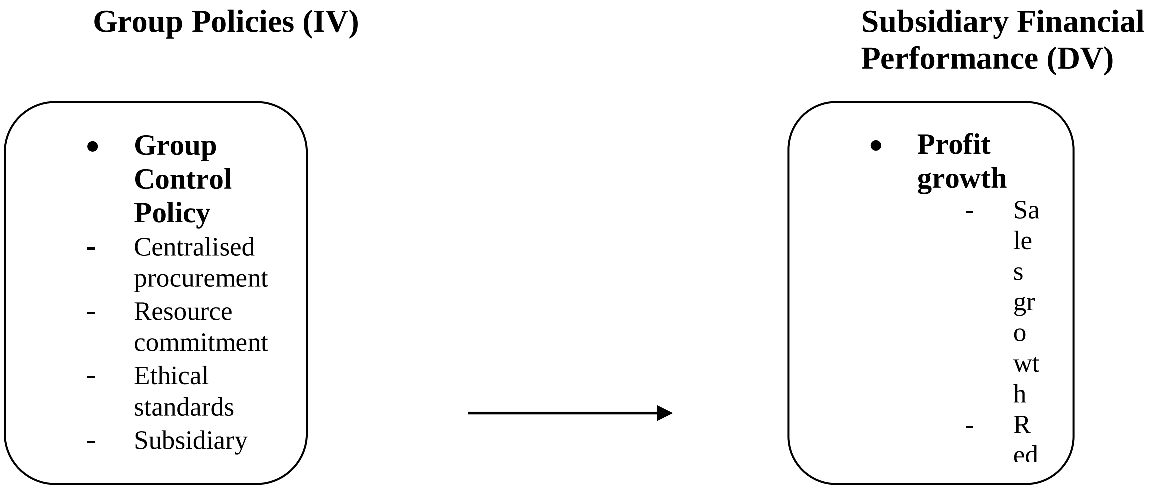

Figure 1: The effect of group policies on subsidiary financial performance
Source: Modified Chiang, C (2008), Parent – Subsidiary links under procedural justice and subsidiary financial performance

Description of the Model

The conceptual framework to establish the effect of group policies on the subsidiary financial performance was adapted from Chiang, C., (2008) model on Parent Subsidiary links under the dimensions of resource commitment, information flow, local responsiveness, control flexibility and subsidiary financial performance the dependent variable with procedural justice as moderating variable, that was assumed to have a positive interference on subsidiary financial performance.

In this study, the conceptual frame work is modified to include group policies as the independent variable (IV) under the dimensions of group control policy, group risk management policy and group shared cost policy, subsidiary financial performance as the dependent variable (DV) under the dimensions of profit growth and Business Growth.

The model further conceptualizes the group control policy with indicators on centralized procurement, resource commitment, ethical standards and subsidiary autonomy; group risk management policy with indicators on quality standards, collateral management and vendor selection criteria; group shared cost policy with indicators on push down costs, cost share base and currency billed, (Fornes & Cardoza, 2009). This is assumed to have a negative effect on the subsidiary financial performance leading to the subsidiary failure to achieve profit growth, which is indicated by the low sales growth and high operational costs, business growth with indicators on portfolio growth, customer retention and customer recruitment.

1.8 Significance of the Study

The research findings may help SGS Uganda Limited (subsidiary) and the parent company, SGS SA, understand the effect of group policies on the subsidiary financial performance. Hence, lead the parent company to adjust the policies that are tailored towards improving subsidiary financial performance.

The study outcome may also help the states and governments understand the challenges faced by subsidiaries while carrying out business, and hence try to develop and/ or improve on the policies in place to enable subsidiaries achieve their goals of improved financial performance.

Furthermore, the study will add knowledge and understanding of the effect of group policies on the subsidiary financial performance. This may prompt for future research on the recommendations of this research. In addition, academicians and researchers may use this study for reference in their professions.

1.9 Justification of the Study

The study findings will enlighten SGS Uganda Limited on the effect of group policies on the financial performance, and lead management to influence this relationship; so that the parent company can use the recommendations to review the group policies that shall support reverse the deteriorating subsidiary financial performance.

1.10 Scope of Study

1.10.1 Geographical scope

The study was carried out on SGS Uganda which is located along Kira road Kamwokya, Kampala district.

1.10.2 Content scope

The study investigated the effect of group policies on the subsidiary financial performance of SGS Uganda. Relating to group policies, the study focused on group control policy, group risk management policy and group shared cost policy. As for subsidiary financial performance, the study focused on profit growth, business growth and return on investment.

1.10.3 Time scope

The study covered the period January 2008 to December 2010. This period indicated consecutive poor financial performance (Financial Statements 2008 – 2010).

1.11 Operational Definitions

Group policies

Group policies are written down uniform, consistent, standardized guidelines that group companies employ in the day to day operations throughout the entire group companies.

Group control policy

Group control policy is a dimension of group policies the parent company employs to monitor the operations of subsidiaries whether they are in line with the group set procedures.

Group risk management policy

Group risk management policy refers to the identification, assessment, monitoring, management and reporting of possibility that an action or event that will adversely (or beneficially) affect the organization's ability to achieve a planned objective.

Group shared cost policy

Group shared cost policy is the organized process of distributing a cost across the entire member companies of the organization for the benefit of all.

Subsidiary financial performance

Subsidiary financial performance measures the wealth of a firm to sustain its operations. It is the general measure of a firm's overall financial health over a given period of time.

Financial performance a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Nimalathasan, 2008)

Profit growth

Profit growth refers to the subsequent increase in revenues over outlays and expenses in a business enterprise over a given period.

Business growth

Business growth is the increase in sales volume, increase in earnings through reduced operational costs.

Multinational companies

This referred to an enterprise operating in several countries but managed from one (home) country. Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation (.http://www.business dictionary.com/definition/multinational-corporation-MNC.html)

Subsidiaries

Subsidiaries are corporations/entities incorporated under the host country's local laws and thus technically and legally considered stand-alone entities.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents and discusses related literature on group policies (the IV) and subsidiary financial performance (the DV), of multinational companies. The study will examine the effect of group control policy, group risk management policy, group shared cost policy on the subsidiary financial performance of SGS Uganda Ltd.

2.1 Theoretical Review

In this study, the institutional theory and the model on Parent-Subsidiary links under procedural justice in the emerging market by Chiang C (2008) were adapted to help the researcher explain the effect of group policies on the subsidiary financial performance. Chiang C. 2008 modal explains four factors; resource commitment, information flow, local responsiveness and control flexibility, that were studied and assumed to affect subsidiary financial performance.

Institutional theory considers the processes by which rules, norms, and routines, become established as authoritative guidelines for social behavior and practice to achieve organizational goals (Dacin, Goodstein & Scott, 2002). Furthermore, the theory inquiries into how these policies are created, diffused, adopted, and adapted over space and time including how they determine the outcomes of an organization, government, group of individuals or organizations (Jepperson, 2002; Scott, 2001).

Institutional theories of organization provide a rich, complex view of organizations. In these theories, organizations are influenced by normative pressures, sometimes arising from external sources, other times arising from within the organization itself (Dacin, Goodstein & Scott, 2002). Under some conditions, these pressures lead the organization to be guided by standard operating procedures

2.1.1 Institutional theory and subsidiary financial performance

The Institutional theory has been widely used in the study of organizational practices among organizations (DiMaggio & Powell 1983), and emphasis has been on the processes by which structures, rules, norms, and routines, are established as authoritative guidelines for social behavior, that is directed towards achieving organizational objectives of business sustainability and profit maximization(Scott, 2004). Backhouse and Van Doorn (2007), in their study of standardization and adaptation, assert that standardization of multinational corporations and adherence to group policies by subsidiaries is good because it promotes economic benefits, and reduces confusion. Further still Scott, (1995) in his study affirms that organizations' survival is dependent on their conformity to the rules and belief systems prevailing in the environment. This is because institutional isomorphism, both structural and procedural, will earn the organization legitimacy (Dacin, 1997; Deephouse, 1996; Suchman, 1995).

According to Luo, Jie-Jie & Hong-Mei, (2012), the parent company tends to adopt an interactive control including decentralized decision making, process communication and target incentive to guide and govern the subsidiaries. As an elastic control mechanism, the interactive control's effectiveness could be influenced by the resources dependence relationship which is objective existence between the parent and subsidiary company.

Kotsova and Roth, (2002) in their study on institutional theory, reflected on subsidiaries of (MNCs) worldwide where they are obliged to comply with group policies so as to attain the central tenet of the institutional duality and realize subsidiary financial performance. Furthermore, group policies reflect the shared knowledge that comes with highly standardized practices within the group and once adopted, subsidiaries globally achieve legitimacy in their operational environment and increase their chances of survival and success (DiMaggio & Powell, 1983). Accordingly, group policies adherence has been conceptualized under two dimensions of implementation and internationalization that facilitate subsidiary persistence and stability over time leading to improved subsidiary financial performance (Tolbert and Zucker, 1996).

However, given that the operational environments are not enormous but often varied and inconsistent (Kostova and Roth, 2002), some subsidiaries lose business lines, reduce market share, experience retarded sales growth hence leading to deteriorated financial performance. In addition, much as group policies are advocated for by many MNCs, their implementation within the entire subsidiaries is more directed towards guidance but may not necessarily determine the action (Barley, 1986). Worth still, boundaries of organizational field are often vague allowing alternative logics to penetrate and support divergent models (Scott W, 2004) hence leading to negative performance.

2.1.2 Chiang C, 2008 model and subsidiary financial performance

Chiang C., (2008) model was adapted and in his study, he conceptualized four factors that were assumed to affect subsidiary financial performance and of these factors was control flexibility. However, in the modification, group policies have been conceptualized as the IV under the dimensions of group control policy, group risk management policy and group shared cost policy that are perceived to affect subsidiary financial performance (DV) measured under reduced profits, retarded business growth and deteriorated return on investment.

2.2 Group Policies and Subsidiary Financial Performance

Group policies are written down uniform, consistent, standardized guidelines that group companies employ in the day to day operations throughout the group companies. These help MNCs act in a consistent manner across their subsidiaries, being more sustainable and promoting a single brand that allows the group to stand apart from the competition, hence leading to improved subsidiary financial performance (Birkinshaw, Hood & Johnsson, 1998).

A related study by Vrontis and Thrassou (2007) suggested that exercising group policies in subsidiaries operations would improve a subsidiary's financial performance through increased market share, growth opportunities and profitability. Similarly, Chiang et al. (2008) affirm that internal consistence using group policies in subsidiaries, which is a prerequisite in MNCs is the key success factor to subsidiary financial performance.

2.2.1 Group control policy and subsidiary financial performance

Group control policy is a dimension of group policies that the parent company employs to monitor the operations of its subsidiaries so that subsidiary business transactions are in line with group objectives, and are directed in a manner that will most lead to tapping the market opportunities. In the study, this can be achieved through centralized procurement, ethical standards, subsidiary autonomy and committing resources in a more efficient and planned way leading to the desired goal of improved subsidiary financial performance.

Chiang (2008) in his model argues that support by the parent company through resource commitment is a prerequisite to counterbalance a subsidiary's vulnerability to emerge market contingencies, and ensure a subsidiary's advancement along a direction consistent with the parent's goals. However, according to Egelhoff (1984) and Baliga and Jaeger (1984) the parent company's assignment of resources, for instance managers to key management positions of foreign subsidiaries as a way of monitoring and evaluating the activities within the subsidiary, have an effect of increasing operational costs hence leading to subsidiary reduced profitability.

Well as it is argued that the world is becoming increasingly similar in terms of environmental factors and customer requirements and irrespective of geographical locations, consumers have the same demands (Fatt, 1967; Buzell, 1968; Levitt, 1983; Yip, 1996). To this effect creation of ethical standards by MNCs to be implemented by subsidiaries, offers economies of scale and is consistent with the mobile consumer (Levitt, 1983). This helps in achieving the subsidiary desired goal of growth in profit and customer retention.

Scott and Gibbons (2009) observed that multinational corporations (MNCs) world over face great competition and this leads to many of their subsidiaries to be restrained from extending their own mandate, and instead forced to act within well-defined limits, that are laid down by the parent company as a way of promoting improved subsidiary financial performance. Furthermore, Paterson and Brock, (2002), argue that subsidiary financial performance is influenced by the subsidiary managements' desire to increase its level of autonomy, information flow amongst subsidiaries, and use of local opportunities.

However, group control policy by the parent company, has denied subsidiaries autonomy to recognize and act on opportunities in their local environment, leading to loss of business to competition and making the subsidiary vulnerable to being closed because of experiencing deteriorated financial performance. Survival and growth of subsidiaries would depend on attaining sufficient subsidiary autonomy to exploit opportunities in the area of operation (Scott & Gibbons, 2009).

Many MNCs have developed a policy of centralized procurement processes throughout the group subsidiaries. This is believed to have an effect of procuring the best product/service quality at a reasonable price with favorable procuring terms, buying more competitively because they know competing suppliers, or they may know of other work that the company can offer to make the package more attractive, can establish better control of corporate contracting terms and practices, limit the extent to which the organization is committed legally and financially and maintain uniformity in procuring policies. This will lead to standardized items/services through standardized procedure throughout the subsidiaries (http://www.citeman.com/06/11/2012). This will lead subsidiaries increase profitability of the operation by minimizing costs, and hence achieve the goal of subsidiary improved financial performance. However, sometimes the central objective of improving subsidiary financial performance may not be achieved, as the policy is normally associated with many levels of authority that lead to delays in procuring increasing the subsidiary operational costs.

2.2.2 Group risk management policy and subsidiary financial performance

Group risk management policy refers to the identification, assessment, monitoring, management and reporting of possibility that an action or event that will adversely (or beneficially) affect the organization's ability to achieve a planned objective. Group risk management policy has been advocated for by MNCs in their subsidiaries because many operational environments more especially in indigenous markets are characterized by inadequate resources, regulatory vagueness, and structural uncertainties, with a weak legal system (Peng & Luo, 2000).

As a result, these subsidiaries are susceptible to unverifiable and unpredictable risks, which are often beyond the control of the organization. Thus the parent company is forced to formulate ways in which such risks can be minimized and contained in the business operations in a manner that will sustain the subsidiary financial performance (Luo & Peng, 1999). The researcher conceptualizes collateral management, vendor selection criteria and setting of quality standards, as the identified indicators that can accelerate adverse financial performance in subsidiaries if not well managed.

However, in some operational environments, implementation of this policy may result in sticking to vendors that are sometimes highly priced compared to the general market. Collateral management per say is associated with elongated communication channel, many levels of approval and delayed feedback. This may lead to loss of customers who are at times in a tight schedule of decision making. Adhering to corporate quality standards sometimes turns out to be more stringent than the regulations in place in the country of operation. Thus leading to loss of customers', reduced sales growth and making the subsidiary vulnerable to closure.

2.2.3 Group shared cost policy and subsidiary financial performance

Group shared cost policy is the organized process of distributing a cost across the entire member companies of the organization for the benefit of all. Group shared cost policy is a result of international marketing standardization, where the parent company centralizes the supply for the necessary goods and services, which are required to carry out business at the most cost effective and efficient prices. Later this cost is shared amongst all subsidiaries using the most appropriate cost share base.

Levitt (1983) argues that MNCs need to promote standardization of the marketing mix throughout their subsidiaries. Standard marketing mix helps to maintain a consistent image and brand identity on a global basis, minimize confusion among customers that travel, allow the multinational company to develop a single tactical approach, and enable the company to take advantage of economies of scale in production and this will lead MNCs to achieve the desired goal of survival and growth that would lead to improved subsidiary financial performance.

In the study, group shared cost policy is administered through push down costs to selected subsidiaries, cost sharing for Wide Area Network(WAN), centralized insurance, advertising…amongst other factors. In billing the costs amongst subsidiaries, a central currency is used by the parent company which is assumed to have a negative effect on the subsidiary financial performance. The currency billed in most cases is different from the subsidiary reporting currency, leading to foreign exchange difference that may affect the profitability level. The cost share base used by the parent company may turn out a disadvantage to the subsidiary thus increasing the operational expense. The push down cost in form of royalties end up reducing the profitability level of subsidiaries leading to deteriorated financial performance.

2.2.4 Summary of literature review on Group policies and financial performance of subsidiary companies

The overall message from this literature review is that much as group policies are advocated for by many MNCs, their implementation within the entire subsidiaries is more directed towards guidance and may not necessarily determine the action. Group policies should address the underlying strategic investment motives of MNCs, the drivers of performance, the external linkages with partners across the value chain and specific contextual external and internal environmental factors. Above all, emphasis should be tailored towards policies that match the local environment in order to achieve the objective of improved financial performance within subsidiaries.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter will present the procedure to be used to study the effect of group policies on subsidiary financial performance of MNCs. This chapter will include the research design, study population, sample size and sample techniques, data collection methods, collection instruments, pre testing of research instruments, data analysis and management, and the measurement of variables.

3.1 Research Design

The research design was a case study of SGS Uganda Limited to assess the effect of the independent variables on the dependent variables. The study used both quantitative and qualitative approaches to help respondents express their opinion and perception related to the variables under study. This was because of the nature of the intended population and the in depth investigation required of the variables under study. This research design assisted the researcher to ensure that the evidence collected answers the research questions and test the theories as unambiguously as possible and avoid invalid inferences.

3.2 Study Population

The targeted population was 80 respondents for both SGS Uganda employees and subcontractors. Among the employees were managers (10), medium level managers (10), supervisors (15), senior and junior employees (25) and SGS subcontractors (20). The targeted group was perceived to have good knowledge on the subject matter and therefore capable of giving sound information.

3.3 Sample size

The sample size was selected with the help of the Krejcie and Morgan (1970) table (as cited in Amin, 2005).

Table 1: Sample size and selection techniques

Category	**Population**	**Sample size**	**Sampling technique**
Managers	10	10	Purposive sampling
Medium level managers	10	10	Purposive sampling
Supervisors	15	14	Purposive sampling
Senior & Junior employees	25	24	Simple random sampling
Subcontractors	20	10	Simple random sampling
Total	**80**	**68**	

Source: SGS Human resource for population and Krejcie and Morgan (1970) table as cited in Amin, (2005) for sample size

From Table 2, the first column presents the various categories of people the study targeted. The second column shows the total population of the targeted categories of people. The third column shows sample of people that was selected from the targeted category of people. The last column shows how the various category samples were selected. Thus, from a population of 80, the sample size that was selected was 68.

3.4 Selection techniques

The researcher used purposive sampling for respondents perceived to have deeper knowledge of the subject under study that included managers, medium level managers and supervisors. Simple random sampling was used to select respondents for the senior and junior employees of SGS Uganda limited and subcontractors that were employed by SGS. This allowed every member in the sampled population to have an equal chance of being selected (Kumar, 2005).

3.5 Data Collection Methods

3.5.1 Questionnaire survey

A questionnaire survey research method was used for collecting data from a selected group of SGS supervisors, SGS senior and junior staff and SGS subcontractors using standardized questionnaires (Amin, 2005). This method involved collecting information from a sample of SGS supervisors, SGS senior and junior staff in a systematic way. Questionnaire survey was used for this category of respondents to save on time because interviewing all respondents would be time consuming.

3.5.2 Face-to-face interview

Face-to-face interviews were used to collect data from managers because they enabled the researcher to establish rapport with these categories of respondents and therefore gain their cooperation. They also helped the researcher to clarify ambiguous answers and obtain in-depth information through probing. Semi structured-interviews were designed to collect data for this study. Open-ended questions were used so that other valuable questions emerged from the dialogue between interviewer and interviewee. Semi-structured interviews are the most widely used interviewing formats for qualitative research (DiCicco-Bloom & Crabtree, 2006). In this study, the probing interviewing tactic was used extensively to obtain a deeper explanation of the issue at hand from the respondents. This was largely due to the fact that the respondents often needed stimuli to expand or clarify their own answers and ideas more broadly, so that a broader understanding was more easily reached later on in the findings of this study.

3.5.3 Documentary Review

Secondary data was obtained from documentation centers, resource center and institutional records. Sources like SGS's annual reports, financial reports, evaluation reports and follow up reports and any other related documents such as journals, articles, reports and books were used in gathering and compiling the information. These documents helped to supplement and substantiate data obtained using other instruments.

3.6 Data Collection Instruments

For successful data collection, various techniques were used to gather information from the respondents. These included questionnaires, interview, and documentary checklist.

3.6.1 Questionnaires

Semi-structured questionnaires were designed in line with the themes, sub themes and objectives of the study. These were physically administered by the researcher and/or research assistants to the selected respondents (SGS supervisors, SGS senior and junior staff and subcontractors). Questionnaires were appropriate and particularly useful in situations where the researcher did not have enough time for interview. The technique was useful in getting much information from big sections of study respondents. However, the limitation with this technique was that some respondents fail to return them.

3.6.2 Interview guide

Interview was another important technique that was used in collecting information from the key respondents. It was important to use it in order for the researcher to clarify on different issues that otherwise were misunderstood by respondents and it provided opportunity for first hand acquisition of information, which was almost instant. An Interview guide was used during interview to guide the researcher in avoiding deviations from the intended issues. This method supplemented the information gathered through other means such as questionnaires and documentary review.

3.6.3 Documentary review checklist

Documentary review checklist was drawn in order to guide the researcher on the required documentary information required by the study. The checklist was given to authorities at organizations sought to be having the requirement information.

3.7 Pre-testing of research instruments

3.7.1 Validity

In order to ensure validity of the instruments, the researcher presented the draft to the supervisors at Uganda Management Institute (UMI) to evaluate the relevance of each item in the instruments, ambiguity of items, difficult of items and content of items. This helped to determine the content and construct validity. In addition, the content validity index (CVI) was computed using the following formula.

$$CVI = \frac{\text{Number of items rated relevant}}{\text{Total number of items}}$$

Table 2: Validity of Questionnaire

Raters	Items rated relevant	Items rated not relevant	Total
Rate 1	35	12	47
Rater 2	32	15	47
Total	67	27	94

Thus, applying the formula $CVI = \frac{67}{94} \approx .713$

The CVI was .713, which was above the .70 criteria for considering an instrument suitable for data collection. Thus, the questionnaire was considered valid (Amin 2005).

3.7.2 Reliability

The questionnaires were pre-tested for reliability to similar study population in the same industry as the case study organization. The results of the study were used to test the reliability of the instrument using the following Cronbach's alpha coefficient (α).

$$\alpha = \frac{k}{k-1}\left(1 - \frac{\sum SD^2_i}{SD^2 t}\right)$$

Where:

α = Reliability coefficient

k = Number of items used to measure the concept

SD^2_i = Variance of each item

SD^2_t = Variance of the total score of all items

Findings are presented in following table.

Table 3: Reliability of questionnaire

Variable	Alpha	n
Group control policy	.869	19
Group risk management policy	882	13
Group shared cost policy	.874	6
Financial performance	.751	9

Only variables scoring from 0.70 and above were considered; implying that the items correlate highly among themselves (Amin 2005).

3.8 Data Analysis and Management

Both quantitative and qualitative data analysis methods were used.

3.8.2 Quantitative data analysis

Quantitative data was collected, edited and coded using the Statistical Package for the Social Sciences (SPSS). Two types of analyses were computed. The first included descriptive statistics (frequencies and percentages) and the second included inferential statistics (correlations and coefficient of determination). The frequencies and percentages were used to determine the respondents' views on each of the study variables. Pearson correlation and coefficient of determination were used to test for significant relationships between the variables. A correlation close to +1 or -1 showed that there was a very strong relationship between the variables whereas a correlation close to 0 showed that there was a weak or no relationship. The sign of the correlation was used to determine the change in variables. The coefficient of determination was used to determine the magnitude of variance in financial performance accounted for by group policies. The significance of the correlation results will determine whether to accept or reject the hypothesis.

3.8.1 Qualitative data analysis

This involved content analysis, which was used to edit qualitative data and reorganize it into meaningful shorter sentences. In other word, a thematic approach was used to analyze qualitative data where themes, categories and patterns were identified. The recurrent themes, which that emerged in relation to each guiding question from the interviews were presented in the results, with selected direct quotations from participants presented as illustrations.

3.9 Measurement of Variables

The researcher categorized the data collected in an orderly form using the 5 point likert rating scales used on the questionnaires as follows: 1 = strongly disagree, 2 = disagree, 3= Not sure, 4 = agree 5 = strongly agree. The measurement had an advantage that enabled data to be subjected to further manipulation in order to generate descriptive statistics and latent values.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presents, analyzes and interprets the results. It is divided into five major sections. The first section presents results about the response rate. The second section presents results on SGS staff and clients' background information. The third section presents results on group control policy and subsidiary financial performance. The fourth section presents results on group risk management policy and subsidiary financial performance. The fifth section presents results on group shared cost policy and subsidiary financial performance.

4.1 Response Rate

Response rate (also known as completion rate or return rate) in survey research refers to the number of people who answered the survey divided by the number of people in the sample. It is usually expressed in the form of a percentage. A low response rate can give rise to sampling bias if the non-response is unequal among the participants regarding exposure and/or outcome. In this study, the sample was 68 SGS staff and clients but the study managed to get 61 SGS staff and clients. The break down is shown in the following table.

Table 4: Response rate

SGS staff and clients	Sampled size	Responses received	Percentage %
Managers	10	7	70%
Medium level managers	10	9	90%
Supervisors	14	14	100%
Senior & Junior employees	24	24	100%
Subcontractors	10	7	70%
Total	68	61	90%

Source: Data from field

Thus, the response rates were above the recommended two-thirds (67%) response rate (Amin, 2005; Mugenda & Mugenda, 1999). According to Amin (2005) and Mugenda and Mugenda (1999), a 33% non-response is acceptable. According to Mundy (2002), a study of a general population which aims to describe knowledge or behaviors, a 60% response rate might be acceptable, although 70% would be preferable. Thus, a 25% non-response rate in this study was considered acceptable given that it falls within the recommended response rates because it gives a response rate of 75%, which is above 67% by Amin (2005) and Mugenda and Mugenda (1999), above 60% and 70% by Mundy (2002). Therefore, the results were considered representative of what would have been obtained from the population.

4.2 SGS Staff and Subcontractors' Background

4.2.1 SGS staff and subcontractors' gender

SGS staff and subcontractors were asked about their gender. This was because gender of the SGS staff and subcontractors was important in determining whether the sample that participated in the study was representative of the composition of SGS staff and subcontractors. Findings are presented in Table 5.

Table 5: Distribution of SGS staff and subcontractors by gender

Sex	Frequency	Percent
Male	29	53.7
Female	25	46.3
Total	54	100.0

Source: Data from field

Findings show that more males SGS staff and subcontractors (53.7%) participated in the study compared to the proportion of female SGS staff and subcontractors. This is attributed to the fact that male SGS staff and subcontractors are dominant at the company. Thus, a representative sample of male and female SGS staff and subcontractors participated in the study to provide information about group policies and financial performance at SGS.

4.2.2 SGS staff and subcontractors' education

SGS staff and subcontractors were asked about their education. Education of the SGS staff and subcontractors was important in that it helped determine whether the sample that participated in this study represented the education distribution of the SGS staff and subcontractors. Findings are presented in Table 6.

Table 6: Distribution of SGS staff and subcontractors by highest education level

Highest education level	Frequency	Percent
Tertiary	18	33.3
University	36	66.7
Total	54	100.0

Source: Data from field

Findings show that there were more SGS staff and subcontractors with university level education as shown by 66.7% and all SGS staff and subcontractors had a tertiary level of education. Thus, all SGS staff and subcontractors had an education background that enabled them to understand issues the study sought. Thus, information obtained was dependable.

4.2.3 SGS staff and subcontractors' years working with the organization

SGS staff and subcontractors were asked about their years of spent with the organization. Findings are presented in Table 7.

Table 7: Distribution of SGS Staff and subcontractors by time spent working with SGS Uganda Ltd

Time spent working with SGS Uganda Ltd	Frequency	Percent
1-2 years	6	11.1
3-5 years	7	13.0
6-10 years	35	64.8
Above 10 years	6	11.1
Total	54	100.0

Source: Data from field

Findings show that most of the SGS Staff and subcontractors (over 75.9%) who participated in the study had worked with the SGS for over 5 years. Very few UTL staff (11.1%) had worked for it less than 3 year. This implies that most of the SGS Staff and subcontractors had been around for quite some time to be conversant with the issues the study sought obtain. Therefore, the SGS Staff and subcontractors who participated in this study provided dependable information.

4.2.4 SGS staff and subcontractors' age

SGS staff and subcontractors were asked about their age. Age of the SGS staff and subcontractors was important in that it helped determine whether the sample that participated in this study represented the age distribution of the SGS staff and subcontractors. Findings are presented in Table 8.

Table 8: Distribution of SGS staff and subcontractors by age

SGS Staff and subcontractors' age	Frequency	Percent
20-30 years	10	18.5
31-39 years	31	57.4
40-49 years	13	24.1
Total	54	100.0

Source: Data from field

Findings show that most SGS staff and subcontractors (81.5%) who participated in the study were aged above 30 years. Thus, information was obtained from SGS staff and subcontractors who were mature. Thus, it was assumed that they understood the questions asked about group policies and financial performance.

4.2 Group Control Policy and Subsidiary Financial Performance

It is recommended that before testing hypotheses, descriptive statistics should be first computed for each of the variables (Plonsky, 2007). Thus, this approach was adopted in this study and the descriptive statistics that were used were frequencies and percentages.

4.2.1 Descriptive results about group control policy

SGS staff and subcontractors were requested to respond to nineteen items about group control policy by indicating their agreement using a five-point Likert scale as shown in Table 9. The items are presented in the first column of Table 9 and the proportion of SGS staff and subcontractors to the responses on each of the items is presented in form of frequencies and percentages in columns 2 to 6. The last column presents the total percentage of SGS staff and subcontractors on each of the items. The analysis and interpretation of the findings about group control policy follows the presentation of findings in Table 9.

Table 9: Findings about group control policy

Items about centralization/autonomy	SD	D	NS	A	SA	Total
1. SGS Uganda Limited has to adhere to procurement guidelines as per SGS SA	12 (22%)	9 (17%)	4 (7%)	17 (31%)	12 (22%)	54 (100%)
2. SGS Uganda Limited primarily executes the strategy developed at the Headquarter	1 (2%)	8 (15%)	8 (15%)	25 (46%)	12 (22%)	54 (100%)
3. SGS Uganda Limited posses some key strategic decision making authority concerning a mandated line of action	11 (20%)	7 (13%)	7 (13%)	22 (41%)	7 (13%)	54 (100%)
4. SGS SA highly influences SGS Uganda Limited's policies	8 (15%)	10 (19%)	7 (13%)	17 (31%)	12 (22%)	54 (100%)
5. SGS SA highly influences SGS Uganda Limited's decisions	4 (7%)	10 (19%)	6 (11%)	23 (43%)	11 (20%)	54 (100%)
6. SGS SA highly influences SGS Uganda Limited's strategic business plans	15 (28%)	4 (7%)	3 (6%)	19 (35%)	13 (24%)	54 (100%)
Items about resource commitment	**SD**	**D**	**NS**	**A**	**SA**	**Total**
7. SGS Uganda Limited can allocate financial resource without being influenced by SGS SA	12 (22%)	16 (30%)	2 (4%)	21 (39%)	3 (6%)	54 (100%)
8. SGS Uganda Limited can allocate human resource without being influenced by SGS SA	15 (28%)	15 (28%)	4 (7%)	15 (28%)	5 (9%)	54 (100%)
9. SGS Uganda Limited can allocate physical resource without being influenced by SGS SA	9 (17%)	14 (26%)	4 (8%)	15 (28%)	11 (21%)	53 (100%)
10. SGS SA compromises SGS Uganda Limited's financial resource allocation	4 (7%)	3 (6%)	3 (6%)	19 (35%)	25 (46%)	54 (100%)
11. SGS SA compromises SGS Uganda Limited's human resource allocation	2 (4%)	9 (17%)	6 (11%)	11 (20%)	26 (48%)	54 (100%)
12. SGS SA compromises SGS Uganda Limited's physical resource allocation	4 (7%)	4 (7%)	4 (7%)	23 (43%)	19 (35%)	54 (100%)
Items about ethical standards	**SD**	**D**	**NS**	**A**	**SA**	**Total**
13. SGS SA highly influences the behavior of staff at SGS Uganda Limited	1 (2%)	7 (13%)	5 (9%)	18 (33%)	23 (43%)	54 (100%)
14. SGS SA highly influences the organizational culture at SGS Uganda Limited	8 (15%)	12 (22%)	8 (15%)	16 (30%)	10 (19%)	54 (100%)
15. SGS SA highly influences the business ethics at SGS Uganda Limited	4 (7%)	5 (9%)	6 (11%)	14 (26%)	25 (46%)	54 (100%)
16. SGS SA highly influences the code of ethics at SGS Uganda Limited	5 (9%)	11 (20%)	4 (7%)	14 (26%)	20 (37%)	54 (100%)
17. SGS SA compromises the behavior of staff at SGS Uganda Limited	15 (28%)	11 (20%)	7 (13%)	16 (30%)	5 (9%)	54 (100%)
18. SGS SA compromises the organizational culture at SGS Uganda Limited	4 (7%)	10 (19%)	9 (17%)	15 (28%)	16 (30%)	54 (100%)
19. SGS SA compromises the business ethics at SGS Uganda Limited	6 (11%)	12 (22%)	4 (7%)	21 (39%)	11 (20%)	54 (100%)

Source: Data from field

To analyze the findings, SGS staff and subcontractors who strongly disagreed and those who disagreed were combined into one category who "opposed" the items. In addition, SGS staff and subcontractors who strongly agreed and those who agreed were combined into another category who "concurred" with the items. Thus, three categories of SGS staff and subcontractors were compared, which included "SGS staff and subcontractors who opposed the items", "SGS staff and subcontractors with not sure about the items" and "SGS staff and subcontractors who concurred with the items". Interpretation was then drawn from the comparisons of the three categories as shown in the following paragraph.

Findings in Table 9 show that most SGS staff and subcontractors opposed to one item (that is items 9) compared to SGS staff and subcontractors who concurred with this item and SGS Staff and subcontractors were not sure about this item. A comparison on this items shows that the percentage of SGS staff and subcontractors that opposed was 56% while the percentage that was not sure was 7% and the percentage of that concurred was 37%. From these comparisons, it can be seen that the percentage that opposed was higher compared to the percentage that was not sure and the percentage that concurred. Thus, from this analysis, the following is the interpretation. Findings show that for most the SGS staff and subcontractors were of the view that SGS Uganda Limited could not allocate human resource without being influenced by SGS SA.

However, findings show that most SGS staff and subcontractors concurred with fourteen items (that is items 1, 2, 3, 4, 5, 6, 10, 11, 12, 13, 15, 16, 18 and 19) compared to SGS staff and subcontractors who opposed these items and SGS staff and subcontractors were not sure about these items. A comparison on these items shows that the percentage of SGS staff and subcontractors that opposed ranged from 13% to 39% while the percentage that was not sure ranged from 6% to 17% and the percentage of that concurred ranged from 53% to 81%. From these comparisons, it can be seen that the percentages that opposed and were not sure were lower compared to the percentages that concurred. Thus, from this analysis, the following is the interpretation. Findings show that for most the SGS staff and subcontractors were of the view that SGS Uganda Limited adhered to procurement guidelines as per SGS SA, primarily executed the strategy developed at the

Headquarter, and posed some key strategic decision making authority concerning a mandated line of action. In addition, most the SGS staff and subcontractors were of the view that SGS SA highly influenced SGS Uganda Limited’s policies, decisions, and strategic business plans including the behavior of staff, business ethics and the code of ethics at SGS Uganda Limited. Furthermore, most the SGS staff and subcontractors were of the view that SGS SA compromised SGS Uganda Limited’s financial resource allocation, human resource allocation and physical resource allocation including the organizational culture and business ethics at SGS Uganda Limited.

Lastly, findings show that the percentage of SGS staff and subcontractors that opposed four items (that is items 7, 9, 14 and 17) was almost equal to the percentage of SGS staff and subcontractors that concurred with the items. A comparison on these items shows that the percentage of SGS staff and subcontractors that opposed ranged from 37% to 52% while the percentage that was not sure ranged from 4% to 15% and the percentage of that concurred ranged from 39% to 49%. Thus, it can be seen the percentages that opposed are almost in same range as the percentages that concurred. From this analysis, the findings imply that for approximately a third to a half of the SGS staff and subcontractors were of the view that SGS Uganda Limited could not allocate financial resource and physical resource without being influenced by SGS SA and SGS SA did not highly influences the organizational culture and the behavior of staff at SGS Uganda Limited. On the other hand, approximately a third to a half of the SGS staff and subcontractors held views that were contrary.

Interview findings shade more light on SGS SA group control policies at SGS Uganda Limited. For example, SGS managers were asked whether they were satisfied with the

SGS SA group control policies at SGS Uganda Limited, the following were their responses.

> *No I am not satisfied with SGS SA group control policies. This is because it is important to determine the control policies ourselves, as people from other countries probably do not know the conditions in our country (Interview with manager, 6th May 2013).*
>
> *I am not satisfied with the SGS SA group control policies at SGS Uganda because SGS SA frequently influence the actions of SGS Uganda. SGS Uganda Limited managers, for example, commonly receive advice from SGS SA. SGS SA maintains a form of control and awareness of what is going on at SGS Uganda. Therefore, SGS Uganda managers regularly receive advice from the SGS SA. (Interview with manager, 7th May 2013).*

The findings show that control policies could accordingly be more tailored in relation to the context in which SGS Uganda operates that is in relation to industry and organizational features. This view takes into consideration that SGS SA group control policies are quite regulated and accordingly do not necessarily offer a lot of room to maneuver for imposing control policies from abroad. SGS SA has another way of controlling SGS Uganda as shown in the following.

> *SGS SA uses a reporting system for the control of the subsidiaries. SGS SA sets certain targets for SGS Uganda and the control systems help to monitor SGS Uganda. However, these targets are sometimes unrealistic. Our organization is not working similar environment like other subsidiaries of SGS SA. Therefore, you cannot expect to have same targets (Interview with manager, 8th May 2013)*

It is shown that multinational corporations do not actually need to control the foreign subsidiaries with the help of the managers. They have to use a reporting system with set targets to assure enough control over their subsidiary without a controlling manager. However, even through such controls, autonomy of the subsidiary is reduced.

The following is the overall deduction from the findings. It is shown that SGS SA dictated the group polices guiding SGS Uganda Limited and highly influenced the resource allocation and behavior at SGS Uganda Limited.

4.2.2 Descriptive results about subsidiary financial performance

SGS staff and subcontractors responded to 9 items about subsidiary financial performance by indicating their agreement using a five-point Likert scale as shown in Table 10. The items are presented in the first column of Table 10 and the proportion of SGS staff and subcontractors to the responses on each of the items is presented in form of percentages in columns 2 to 6. The last column presents the total percentage of SGS Staff and subcontractors on each of the items. The analysis and interpretation of the findings follows the presentation of findings in Table 10.

Table 10: Findings about subsidiary financial performance

Items about financial performance	SD	D	NS	A	SA	Total
1. SGS Uganda Limited's profit growth has been increasing over the years	11 (20%)	25 (46%)	5 (9%)	11 (20%)	2 (4%)	54 (100%)
2. SGS Uganda Limited's operational costs have been decreasing over the last 3 years	10 (19%)	23 (43%)	9 (17%)	8 (15%)	4 (7%)	54 (100%)
3. SGS management and staff are satisfied with the company's profit growth	14 (26%)	21 (39%)	4 (7%)	12 (22%)	3 (6%)	54 (100%)
4. SGS Uganda Limited's portfolio has been growing over the years	13 (24%)	22 (41%)	5 (9%)	11 (20%)	3 (6%)	54 (100%)
5. SGS Uganda Limited's customer retention has been increasing over the years	3 (6%)	19 (35%)	4 (7%)	9 (17%)	19 (35%)	54 (100%)
6. SGS Uganda Limited's customer recruitment has been increasing over the years	3 (6%)	7 (13%)	6 (11%)	30 (56%)	8 (15%)	54 (100%)
7. SGS Uganda Limited's return on investment has been improving over the years	6 (11%)	24 (44%)	9 (17%)	9 (17%)	6 (11%)	54 (100%)
8. SGS management and staff are satisfied with the company's return on investment	10 (19%)	23 (43%)	9 (17%)	8 (15%)	4 (7%)	54 (100%)
9. SGS SA is satisfied with the SGS Uganda Limited's return on investment	14 (26%)	20 (37%)	8 (15%)	9 (17%)	3 (6%)	54 (100%)

Source: Data from field

Findings in Table 10 show that most SGS staff and subcontractors opposed to seven items (that is items 1, 2, 3, 4, 7, 8 and 9) compared to SGS staff and subcontractors who concurred with these items and SGS staff and subcontractors were not sure about these items. A comparison on these items shows that the percentage of SGS staff and subcontractors that opposed ranged from 55% to 66% while the percentage that was not sure ranged from 7% to 17% and the percentage of that concurred ranged from 22% to 28%. From these comparisons, it can be seen that the percentages that opposed were higher compared to the percentages that were not sure and the percentages that concurred. Thus, from this analysis, the following is the interpretation. Findings show that most of the SGS staff and subcontractors were of the view that SGS Uganda Limited's profit growth did not increase over the years, operational costs did not decreasing over the last 3 years, and SGS management and staff were not satisfied with the company's profit growth. Furthermore, most the SGS staff and subcontractors were of the view that SGS Uganda Limited's portfolio did not grow over the years, return on investment did not improve over the years and SGS management and staff were not satisfied with the company's return on investment. Findings also show that most of the SGS staff and subcontractors were of the view that SGS SA was not satisfied with the SGS Uganda Limited's return on investment.

However, findings show that most SGS staff and subcontractors concurred with one item (that is item 6) compared to SGS staff and subcontractors who opposed this item and SGS staff and subcontractors were not sure about this item. A comparison on this items shows that the percentage of SGS staff and subcontractors that opposed was 19% while the percentage that was not sure was 11% and the percentage of that concurred was 71%. From these comparisons, it can be seen that the percentage that opposed and was not sure were lower compared to the percentage that concurred. Thus, from this analysis, the following is the interpretation. Findings show that most of the SGS staff and subcontractors were of the view that SGS Uganda Limited's customer recruitment did not increase over the years.

Lastly, findings show that the percentage of SGS staff and subcontractors that opposed one item (that is item 5) was almost equal to the percentage of SGS staff and subcontractors that concurred with the item. A comparison on this item shows that the percentage of SGS staff and subcontractors that opposed was 41% while the percentage that was not sure was 7% and the percentage of that concurred was 52%. Thus, it can be seen the percentage that opposed was almost the same as the percentage that concurred. From this analysis, the findings imply that for approximately half of the SGS staff and subcontractors were of the view that SGS Uganda Limited's customer retention did not increase over the years. On the other hand, approximately half of the SGS staff and subcontractors held a view that was contrary.

The following is the overall deduction from the findings. It is shown that the financial performance of SGS Uganda Limited was poor. This was because of low sales growth, increased costs, small portfolio growth, poor customer retention, poor customer recruitment and low returns on investment.

4.2.3 Testing first hypothesis

The first hypothesis stated, "*Group control policy positively affects the subsidiary financial performance*". Spearman rank order correlation coefficient (rho) was used to determine the strength of the relationship between group control policy and the subsidiary financial performance. The coefficient of determination was used to determine the effect of group control policy on the subsidiary financial performance. The significance of the coefficient (p) was used to test the hypothesis by comparing p to the critical significance level at (0.05). This procedure was applied in testing the other hypotheses and thus, a length introduction is not repeated in the subsequent section of hypothesis testing. Table 11 presents the test results for the first hypothesis.

Table 11: Correlation between group control policy and subsidiary financial performance

	Group control policy
Subsidiary financial performance	rho = -.292 rho^2 = .085 p = .032 n =54

Source: Data from field

Findings show that there was a weak negative correlation (rho = -.292) between group control policy and subsidiary financial performance. Since the correlation does imply causal-effect as stated in the first objective, the coefficient of determination, which is a square of the correlation coefficient (rho^2 = .085), was computed and expressed as a percentage to determine the variance in subsidiary financial performance due to group control policy. Thus, findings show that group control policy accounted for 8.5% variance in subsidiary financial performance. These findings were subjected to a test of significance (p) and it is shown that the significance of the correlation (p = .032) is less than the recommended critical significance at 0.05. Thus, the effect was significant. Because of this, the hypothesis "*Group control policy positively affects the subsidiary financial performance*" was rejected.

The implication of these findings is that the weak correlation implied that a change in group control policy was related to a small change in subsidiary financial performance. The negative nature of the correlation implied that the change in group control policy and subsidiary financial performance was in the opposite direction whereby more group control policy were related to poor subsidiary financial performance and vice versa.

4.3 Group risk management policy and Subsidiary financial performance

Before testing the second hypothesis, descriptive results relating to group risk management policy were presented, analyzed and interpreted. Findings are presented in the following subsection.

4.3.1 Descriptive results about group risk management policy

SGS staff and subcontractors were requested to respond to 13 items about group risk management policy by indicating their agreement using a five-point Likert scale as shown in Table 12. The items are presented in the first column of Table 12 and the proportion of SGS staff and subcontractors to the responses on each of the items is presented in form of percentages in columns 2 to 6. The last column presents the total percentage of SGS staff and subcontractors on each of the items. The analysis and interpretation of the findings about group risk management policy follows the presentation of findings in Table 12.

Table 12: Findings about group risk management policy

Items about group risk management policy	**SD**	**D**	**NS**	**A**	**SA**	**Total**
1. SGS SA highly influences SGS Uganda Limited's operating expenditures	7 (13%)	6 (11%)	6 (11%)	22 (41%)	13 (24%)	54 (100%)
2. SGS SA highly influences SGS Uganda Limited's budgeting process	3 (6%)	8 (15%)	9 (17%)	23 (43%)	11 (20%)	54 (100%)
3. SGS SA highly influences SGS Uganda Limited's quality standards	16 (30%)	5 (9%)	3 (6%)	20 (37%)	10 (19%)	54 (100%)
4. SGS SA highly influences SGS Uganda Limited's financial decisions	4 (7%)	12 (22%)	2 (4%)	27 (50%)	9 (17%)	54 (100%)
5. SGS SA highly influences SGS Uganda Limited's supplier selection	8 (15%)	12 (22%)	3 (6%)	26 (48%)	5 (9%)	54 (100%)
6. SGS SA highly influences SGS Uganda Limited's collateral management	3 (6%)	7 (13%)	4 (8%)	22 (42%)	17 (32%)	53 (100%)
7. SGS SA highly influences SGS Uganda Limited's quality control assessments	2 (4%)	3 (6%)	1 (2%)	20 (37%)	28 (52%)	54 (100%)
8. SGS SA compromises SGS Uganda Limited's operating expenditures	2 (4%)	5 (9%)	6 (11%)	12 (22%)	29 (54%)	54 (100%)
9. SGS SA compromises SGS Uganda Limited's budgeting process	2 (4%)	4 (7%)	2 (4%)	23 (43%)	23 (43%)	54 (100%)
10. SGS SA compromises SGS Uganda Limited's quality standards	4 (7%)	8 (15%)	5 (9%)	13 (24%)	24 (44%)	54 (100%)
11. SGS SA compromises SGS Uganda Limited's financial decisions	11 (20%)	15 (28%)	3 (6%)	13 (24%)	12 (22%)	54 (100%)
12. SGS SA compromises SGS Uganda Limited's supplier selection	2 (4%)	7 (13%)	4 (7%)	10 (19%)	31 (57%)	54 (100%)
13. SGS SA compromises SGS Uganda Limited's collateral management	5 (9%)	16 (30%)	6 (11%)	5 (9%)	22 (41%)	54 (100%)

Source: Data from field

Findings in Table 12 show that most SGS staff and subcontractors concurred with twelve items (that is items 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13 and 14) compared to SGS staff and subcontractors who opposed these items and SGS staff and subcontractors were not sure about these items. A comparison on these items shows that the percentage of SGS staff and subcontractors that opposed ranged from 10% to 39% while the percentage that was not sure ranged from 2% to 17% and the percentage of that concurred ranged from 50% to 89%. From these comparisons, it can be seen that the percentages that opposed and were not sure were lower compared to the percentages that concurred. Thus, from this analysis, the following is the interpretation. Findings show that most of the SGS staff and subcontractors were of the view that SGS SA highly influences SGS Uganda Limited's operating expenditures, budgeting process, quality standards, financial decisions, supplier selection, collateral management and quality control assessments. In addition, most SGS staff and subcontractors were of the view that SGS SA compromises SGS Uganda Limited's operating expenditures, budgeting process, quality standards, supplier selection and collateral management.

Lastly, findings show that the percentage of SGS staff and subcontractors that opposed one item (that is items 11) was almost equal to the percentage of SGS staff and subcontractors that concurred with the item. A comparison on this item shows that the percentage of SGS staff and subcontractors that opposed was 48% while the percentage that was not sure was 6% and the percentage of that concurred was 46%. Thus, it can be seen the percentage that opposed are almost in same range as the percentage that concurred. From this analysis, the findings imply that for approximately half of the SGS staff and subcontractors were of the view that SGS SA compromised SGS Uganda Limited's financial decisions. On the other hand, approximately a third to a half of the SGS staff and subcontractors held views that were contrary.

The general observation from the findings is that SGS SA highly influenced group risk management policy at SGS Uganda Limited. In addition, SGS Uganda Limited compromised group risk management policy at SGS Uganda Limited.

After establishing SGS staff and subcontractors' views on group risk management policy, the next step was to test the second hypothesis using inferential statistics. Findings are presented in section 4.3.2.

4.3.2 Testing second hypothesis

The second null hypothesis stated, "*Group risk management policy positively affects the subsidiary financial performance*". Spearman rank order correlation coefficient (rho) was used to test the hypothesis. Table 13 presents the test results.

Table 13: Correlation between group risk management policy and subsidiary financial performance

	Group risk management policy
Subsidiary financial performance	rho = -.287 rho^2 = .082 p = .035 n = 54

Source: Data from field

Findings show that there was a weak negative correlation (r = -.287) between group risk management policy and subsidiary financial performance. The coefficient of determination (rho^2 = .082) shows that group risk management policy accounted for 8.2% variance in subsidiary financial performance. These findings were subjected to a test of significance (p) and it is shown that the significance of the correlation (p = .035) is less than the recommended critical significance at 0.05. Thus, the effect was significant. Because of this, the hypothesis "*Group risk management policy positively affects the subsidiary financial performance*" was rejected.

Thus, the implication of the findings was that the weak correlation implied that a change in group risk management policy was related to a small change in subsidiary financial performance. The negative nature of the correlation implied that the change in group risk management policy and subsidiary financial performance was in the same direction whereby better group risk management policy were related to poor subsidiary financial performance and vice versa.

4.4 Group Shared Cost Policy and Subsidiary financial performance

Before testing the third hypothesis, descriptive results relating to group shared cost policy were presented, analyzed and interpreted. Findings are presented in the following subsection.

4.4.1 Descriptive results about group shared cost policy

SGS staff and subcontractors were requested to respond to 6 items about group shared cost policy by indicating their agreement using a five-point Likert scale as shown in Table 14. The items are presented in the first column of Table 14 and the proportion of SGS staff and subcontractors to the responses on each of the items is presented in form of percentages in columns 2 to 6. The last column presents the total percentage of SGS staff and subcontractors on each of the items. The analysis and interpretation of the findings about group shared cost policy follows the presentation of findings in Table 14.

Table 14: Findings about group shared cost policy

Items about group shared cost policy	SD	D	NS	A	SA	Total
SGS SA highly influences SGS Uganda Limited’s costs	2 (4%)	17 (32%)	4 (7%)	21 (39%)	10 (19%)	54 (100%)
SGS SA highly influences SGS Uganda Limited’s cost share base	5 (9%)	11 (20%)	8 (15%)	20 (37%)	10 (19%)	54 (100%)
SGS SA highly influences SGS Uganda Limited’s currency bills	5 (9%)	11 (20%)	5 (9%)	19 (35%)	14 (26%)	54 (100%)
SGS SA compromises SGS Uganda Limited’s costs	3 (6%)	9 (17%)	6 (11%)	24 (44%)	12 (22%)	54 (100%)
SGS SA compromises SGS Uganda Limited’s cost share base	3 (6%)	20 (37%)	5 (9%)	10 (19%)	16 (30%)	54 (100%)
SGS SA compromises SGS Uganda Limited’s currency bills	3 (6%)	7 (13%)	7 (13%)	28 (52%)	9 (17%)	54 (100%)

Source: Data from field

Findings in Table 14 show that most SGS staff and subcontractors concurred with five items (that is items 1, 2, 3, 4, and 6) compared to SGS staff and subcontractors who opposed these items and SGS staff and subcontractors were not sure about these items. A comparison on these items shows that the percentage of SGS staff and subcontractors that opposed ranged from 19% to 36% while the percentage that was not sure ranged from 7% to 15% and the percentage of that concurred ranged from 56% to 69%. From these comparisons, it can be seen that the percentages that opposed and were not sure were lower compared to the percentages that concurred. Thus, from this analysis, the following is the interpretation. Findings show that most the SGS staff and subcontractors were of the view that SGS SA highly influences SGS Uganda Limited’s costs, cost share base and currency bills. In addition, most the SGS staff and subcontractors were of the view that SGS SA compromises SGS Uganda Limited’s costs and currency bills.

Lastly, findings show that the percentage of SGS staff and subcontractors that opposed one item (that is items 5) was almost equal to the percentage of SGS staff and subcontractors that concurred with the item. A comparison on this item shows that the percentage of SGS staff and subcontractors that opposed was 43% while the percentage that was not sure was 9% and the percentage of that concurred was 49%. Thus, it can be seen the percentage that opposed are almost in same range as the percentage that concurred. From this analysis, the findings imply that for approximately half of the SGS staff and subcontractors were of the view that SGS SA did not compromise SGS Uganda Limited's cost share base. On the other hand, approximately a third to a half of the SGS staff and subcontractors held views that were contrary.

The general observation from the findings is that SGS SA highly influenced group shared cost policy at SGS Uganda Limited. In addition, SGS Uganda Limited compromised group shared cost policy at SGS Uganda Limited.

After establishing SGS staff and subcontractors' views on group shared cost policy, the next step was to test the second hypothesis using inferential statistics. Findings are presented in section 4.4.2.

4.4.2 Testing third hypothesis

The second null hypothesis stated, "*Group shared cost policy significantly affects the subsidiary financial performance*". Spearman rank order correlation coefficient (rho) was used to test the hypothesis. Table 15 presents the test results.

Table 15: Correlation between group shared cost policy and subsidiary financial performance

	Group shared cost policy
Subsidiary financial performance	rho = -.396 rho^2 = .157 p = .003 n = 54

Source: Data from field

Findings show that there was a weak negative correlation (r = -.396) between group shared cost policy and subsidiary financial performance. The coefficient of determination (rho^2 = .157) shows that group shared cost policy accounted for 15.7% variance in subsidiary financial performance. These findings were subjected to a test of significance (p) and it is shown that the significance of the correlation ($p = .003$) is less than the recommended critical significance at 0.05. Thus, the effect was significant. Because of this, the hypothesis "*Group shared cost policy significantly affects the subsidiary financial performance*" was rejected.

Thus, the implication of the findings was that the weak correlation implied that a change in group shared cost policy was related to a weak change in subsidiary financial performance. The negative nature of the correlation implied that the change in group shared cost policy and subsidiary financial performance was in the same direction whereby better group shared cost policy were related to poor subsidiary financial performance and vice versa.

4.4.3 Conclusion on data presentation, analysis and interpretation.

This chapter presents, analyzed and interpreted the findings. Findings revealed that SGS SA dictated the group polices guiding SGS Uganda Limited, and it highly influenced the resource allocation and behavior at SGS Uganda Limited, group risk management policies at SGS Uganda Limited and group shared cost policies at SGS Uganda Limited. In addition, SGS Uganda Limited compromised group shared cost policies at SGS Uganda Limited. As a result, the financial performance of SGS Uganda Limited was negatively affected. The following chapter summarizes and discusses the findings, and then conclusions and recommendation are drawn.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, discussion, conclusions and recommendations. It is divided into four major sections. The first section presents the summary according to the objectives of the study. The second section presents discussion. The third section presents the conclusions. The fourth section presents the recommendations.

5.1 Summary

5.1.1 Group control policy and subsidiary financial performance

There was a weak negative relationship between group control policy and subsidiary financial performance whereby more group control policy were related to poor subsidiary financial performance and vice versa. Group control policy accounted for 8.5% variance in subsidiary financial performance. It was established that SGS Uganda Limited adhered to procurement guidelines as per SGS SA, primarily executed the strategy developed at the Headquarter, and posed some key strategic decision making authority concerning a mandated line of action. SGS SA highly influenced SGS Uganda Limited's policies, decisions, and strategic business plans including the behavior of staff, business ethics and the code of ethics at SGS Uganda Limited. SGS Uganda Limited could not allocate financial resource and physical resource without being influenced by SGS SA and SGS SA did not highly influences the organizational culture and the behavior of staff at SGS Uganda Limited. SGS Uganda Limited could not allocate human resource without being influenced by SGS SA. Thus because of this, SGS SA compromised SGS Uganda Limited's financial resource allocation, human resource allocation and physical resource allocation including the organizational culture and business ethics at SGS Uganda Limited, which negatively affected SGS Uganda's financial performance.

5.1.2 Group risk management policy and Subsidiary financial performance

There was a weak negative relationship between group risk management policy and subsidiary financial performance whereby better group risk management policy were related to poor subsidiary financial performance and vice versa. Group risk management policy accounted for 8.2% variance in subsidiary financial performance. Findings revealed that SGS SA highly influences SGS Uganda Limited's operating expenditures, budgeting process, quality standards, financial decisions, supplier selection, collateral management and quality control assessments. Because of this, SGS SA compromised SGS Uganda Limited's operating expenditures, budgeting process, quality standards, supplier selection and collateral management, financial decisions, which negatively affected SGS Uganda’s financial performance.

5.1.3 Group shared cost policy and subsidiary financial performance

There was a weak negative relationship between group shared cost policy and subsidiary financial performance whereby better group shared cost policy were related to poor subsidiary financial performance and vice versa. Group shared cost policy accounted for 15.7% variance in subsidiary financial performance. The study established that SGS SA highly influences SGS Uganda Limited’s costs, cost share base and currency bills. Because of this, SGS SA compromised SGS Uganda Limited’s costs, currency bills and cost share base, which negatively affected SGS Uganda’s financial performance.

5.2 Discussion

5.2.1 Group control policy and subsidiary financial performance

In this study, it was established that there was centralization by SGS SA over activities executed by SGS Uganda. In other words, there was limited autonomy from SGS SA in what SGS Uganda did. Given the negative relationship between group control policies and financial performance that was established in study, it implies centralization by SGS SA over activities executed by SGS Uganda negatively affected the financial performance of SGS Uganda. This finding is not different from findings and arguments by other scholars and researchers. Autonomy within organizations is related to the division of the decision-making authority between a local unit and an outside organization that controls it (Garnier, 2002), or between centre and periphery in an organization (Taggart, 1997), as in this case of multinational organizations and subsidiaries, between the SGS SA and SGS Uganda. It is worth being noted at this point that theory (Roth and Morrison, 1992, Ghoshal, Korine and Szulanski, 1994 & O'Donnell, 2000) frequently conceptualizes subsidiary autonomy as the obverse of centralization, whereby, centralization is referred to as the extent to which the locus of decision-making lies in the higher levels of the chain of command (Martinez & Jarillo, 1991).

Less autonomy from SGS SA to SGS Uganda meant that top management at SGS Uganda was limited to executing functions of the organization. Scholar and academician support this reasoning. Subsidiary autonomy, which relates more to and is reflected in the formal organization structure (Ghoshal, Korine & Szulanski, 1994), discernibly influences the latitude of subsidiary managers. Increasing autonomy qualifies managers to perform corporate related strategic and operative tasks far more independently . This is confirmed by many scholars such as Rugman and Bennett (2002) and White and Poynter (2004). Such strategic as well as operative tasks include resource allocation, investment decisions, product or pricing policies, target group selections, quality control decisions or development of production plans and hence, most of the functions of the value chain (Martinez & Jarillo, 1991).

The centralization by SGS SA over activities executed by SGS Uganda was achieved through bureaucratic control. Bureaucratic control denotes integrating mechanisms such as rules, policies, procedures and objective or target performance setting, to manage subsidiary activities (Roth & Nigh, 1992). Plans and schedules are pre-established, rules, policies and procedures are formalized and information and communication systems are standardized, with all former elements being specified impersonally (Van de Ven, Delbecq & Koenig, 2000). Bureaucratic control utilizes the extensive set of rules, regulations and procedures to restrict and limit subsidiary management's activities and authorities (Baliga & Jaeger, 2004).

The findings of this study revealed that SGS SA influenced and compromised behavior, organizational culture, business ethics and code of ethics at SGS Uganda. This negatively affected the financial performance of SGS Uganda. The control that SGS SA applied over SGS Uganda is referred to as cultural control and ethical standards that were investigated in this study fall under corporate culture. Corporate culture is considered to be a pattern of values, norms, beliefs and expectations shared by the organization's members (Schwartz & Davis, 2001). These patterns serve as adaptive and regulatory mechanisms and are an important guide to behavior in addition to the explicit rules which exist. Especially in instances where it is difficult to specify, monitor and control behavior or output, multinational companies may indoctrinate these values and norms to their subsidiaries and hope that their acts are in accordance with the multinational companies' intents (Baliga & Jaeger, 2004). This was what the findings of this study established in relation to the control that SGS SA exercised for ethical standards at SGS Uganda. This form of control is rather implicit and informal and coordination here is based on a broad and commonly accepted corporate culture.

5.2.2 Group risk management policy and Subsidiary financial performance

From the findings of this study, it was established there was a top-down influence of the risk management decisions from SGS SA to SGS Uganda. In other words, the multinational corporation determined the risk management at SGS Uganda. This is what is referred to centralized risk management. Centralized risk management tends to focus risks that affect the achievement of key corporate objectives and strategies and significantly affect most if not all functions and processes. It is worth being noted at this point that theory (Roth & Morrison, 1992; Ghoshal, Korine & Szulanski, 1994; O'Donnell, 2000) frequently conceptualizes subsidiary autonomy as the obverse of centralization, whereby, centralization is referred to as 'the extent to which the locus of decision-making lies in the higher levels of the chain of command' (Martinez & Jarillo, 1991).

Bartlett and Ghoshal (2000) support the finding of this study when they observed that multinational corporation HQ monitors and evaluates the subsidiary’s operations and ensures their consistency within the multinational corporation’s overall objectives. According to Taggart (1997), within the body of early studies, some found widespread use of centralization of decision making and control and this body of literature supports the findings of this study.

The reason why SGS SA centralized risk management may attributed to the observation that since the decision to commit assets to foreign operations is made by the parent corporation, the parent should likewise make the decision regarding the methods best suited for protecting those assets (Roth & Nigh, 1992). Thus, given that SGS SA centralized risk management, it compromises SGS Uganda Limited's operating expenditures, budgeting process, quality standards, supplier selection and collateral management. Lastly, SGS SA compromised SGS Uganda Limited's financial decisions. Thus, these negatively affected SGS Uganda’s financial performance.

A second reason that can explain why there was a top-down influence of the risk management decisions from SGS SA to SGS Uganda could be the nature and complexity of the multinational corporation headquarter-subsidiary relationship, which is characterized by tensions between subsidiary's autonomy and headquarters' control (Kostova & Roth, 2002; Asakawa, 2001). Headquarters need to retain centralized coordination of the dispersed activities to realize overall firm strategy.

The findings of this study are supported by studies (such as Gong, 2003; O’Donnell, 2000; and Roth & O’Donnell, 1996) that have focused on potential agency problems within the MNE and thereby assumed the prevalence of parent-subsidiary (P-S) conflicts. 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. According to Gong (2003), Top managers at the Headquarters, who increasingly derive a considerable share of sales and profit from overseas subsidiaries, or top executives who have a significant part of their assets attributable to overseas operations, would not only like to be assured that subsidiaries continue to contribute to the overall success of the group but also have an increased desire to exercise control over these affiliated entities abroad.

5.2.3 Group shared cost policy and subsidiary financial performance

Findings in this study were that SGS SA centralized the shared cost of its SGS Uganda by influencing Uganda Limited’s costs, cost share base and currency bills. This centralization of the shared cost may be attributed to the commonly accepted goal of an MNC is to maximize shareholder wealth (Meyer, 2004). Financial managers throughout the MNC have a single goal of maximizing the value of the entire MNC. MNCs place more emphasis on satisfying shareholders so that they can more easily obtain funds from shareholders to support their operations.

According to White and Poynter (2004), MNCs maximize shareholder wealth because when a corporation’s shareholders differ from its managers, a conflict of goals can exist - the agency problem. Agency costs are normally larger for MNCs than for subsidiary firms due to the difficulty in monitoring distant managers, the different cultures of foreign subsidiary managers may not them follow uniform goals, the sheer size of the larger MNCs and the tendency of foreign subsidiary managers to downplay short-term effects resulting in decisions for foreign subsidiaries of the MNCs that maximize subsidiary values or pursue other goals.. On the hand, subsidiary managers may be tempted to make decisions that maximize the values of their respective subsidiaries. This can be a challenge, especially in countries where some people may perceive that the first priority of corporations should be to serve their respective employees (Schwartz & Davis, 2001). Under such circumstances, MNCs decide to centralize the shared cost of its subsidiary firms. This is because a centralized management style reduces agency costs.

From the findings of this study, it is shown that SGS SA exercise two forms of shared cost policy in controlling the agency problem, which can be categorized as parent control of agency costs and corporate control of agency costs. According to Rugman and Verbeke

(1998), with the parent control of agency costs, the MNC can parent control of agency costs, oversee the subsidiary decisions to check whether the subsidiary managers are satisfying the MNC's goals. On the other hand, with corporate control of agency costs, the agency problems may occur because the subsidiary's management goals are not focused on maximizing shareholder wealth. Various forms of corporate control can help prevent these agency problems and therefore ensure that subsidiary managers make decisions to satisfy the MNC's shareholders.

However, a centralized style gives limited control to those managers who are closer to the subsidiary's operations and environment. This explains why SGS SA compromised SGS Uganda Limited's costs, currency bills, and cost share base, which negatively affected SGS Uganda's financial performance. Roth and Nigh (1992) argued that a centralized management style can reduce agency costs because it allows managers of the parent to control foreign subsidiaries and therefore reduces the power of subsidiary managers but the parent's managers may make poor decisions for the subsidiary if they are not as informed as subsidiary managers about the financial characteristics of the subsidiary.

5.3 Conclusions

5.3.1 Group control policy and subsidiary financial performance

The study investigated the effect of group control policy on subsidiary financial performance and found that more group control policy were related to poor subsidiary financial performance and vice versa. Group control policy accounted for 8.5% variance in subsidiary financial performance. This finding demonstrated group policy are not good for the subsidiary financial performance.

5.3.2 Group risk management policy and Subsidiary financial performance

In addition, the study investigated the effect of group risk management policy on subsidiary financial performance and found a weak negative relationship between group risk management policy and subsidiary financial performance. This implied that group risk management policy had a detrimental effect subsidiary financial performance.

5.3.3 Group shared cost policy and subsidiary financial performance

Lastly, the effect of group shared cost policy was investigated in this study and it was established that there was a weak negative relationship between group shared cost policy and subsidiary financial performance. Thus, group shared cost policy also had a detrimental effect of subsidiary financial performance.

5.4 Recommendations

5.4.1 Group control policy and subsidiary financial performance

In order to improve SGS Uganda's financial performance, SGS SA should give SGS Uganda more autonomy in its procurement, execution of its strategy, key strategic decision making concerning a mandated line of action. In addition, SGS SA should reduce its influence on SGS Uganda Limited's policies, decisions, and strategic business plans including the behavior of staff, business ethics and the code of ethics.

5.4.2 Group risk management policy and Subsidiary financial performance

Furthermore, in order to improve SGS Uganda's financial performance, SGS SA should reduce its influence on SGS Uganda Limited's operating expenditures, budgeting process, quality standards, financial decisions, supplier selection, collateral management and quality control assessments.

5.4.3 Group shared cost policy and subsidiary financial performance

Lastly, in order to improve SGS Uganda's financial performance, SGS SA should reduce its influence on SGS Uganda Limited's costs, cost share base and currency bills.

5.4.4 Areas for further research

This study examined group policies and financial performance of subsidiary companies of multinational corporations in Uganda using a case study of SGS Uganda Limited. The study restricted group policies to Group control policies, Group risk management policies and Group shared cost policies. Other study can be conducted focusing on other GROUP POLICIES and their effect on the financial performance of subsidiary companies of multinational corporations in Uganda.

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APPENDICES

Appendix 1: Questionnaire for SGS Staff

Dear Respondent,
Please kindly spare some few minutes to respond to the following questions. Information received from you is for academic purposes and will be kept confidential. You will not be victimized for whatever answer you have given and to ensure this, you are not required to identify yourself anywhere on the questionnaire.

Section A: Background

1. Gender: □ Male □ Female (Please tick)

2. Education level (indicate highest)

   □ Primary □ O-Level □ A-Level □ Institution □ University □ Other (specify) _

3. Years you have been working with the organization as a staff or subcontractor: □ (Less than 1 year) □ (1 -2 years) □ (3 -5 years) □ (6 -10 years) □ (Above 10 years)

4. Age □ (20-30) □ (31 -39) □ (40 -49) □ (Above 50)

Section B: Group control policy

How strongly do you agree or disagree with the following statements about group control policy at SGS? Tick or circle the most appropriate response using the following scale. Please do not omit any feature.

SD = Strongly Disagree D = Disagree NS = Not sure A = Agree
SA = Strongly agree

Items about group control policy	SD	D	NS	A	SA
Centralization/autonomy					
1. SGS Uganda Limited has to adhere to procurement guidelines as per SGS SA	**1**	**2**	**3**	**4**	**5**
2. SGS Uganda Limited primarily executes the strategy developed at the Headquarter	**1**	**2**	**3**	**4**	**5**
3. SGS Uganda Limited posses some key strategic decision making authority concerning a mandated line of action	**1**	**2**	**3**	**4**	**5**
4. SGS SA highly influences SGS Uganda Limited's policies	**1**	**2**	**3**	**4**	**5**
5. SGS SA highly influences SGS Uganda Limited's decisions	**1**	**2**	**3**	**4**	**5**
6. SGS SA highly influences SGS Uganda Limited's strategic business plans	**1**	**2**	**3**	**4**	**5**
Resource commitment					
7. SGS Uganda Limited can allocate financial resource without being influenced by SGS SA	**1**	**2**	**3**	**4**	**5**
8. SGS Uganda Limited can allocate human resource policies without being influenced by SGS SA	**1**	**2**	**3**	**4**	**5**
9. SGS Uganda Limited can allocate physical resource without being influenced by SGS SA	**1**	**2**	**3**	**4**	**5**
10. SGS SA compromises SGS Uganda Limited's financial resource allocation	**1**	**2**	**3**	**4**	**5**
11. SGS SA compromises SGS Uganda Limited's human resource allocation	**1**	**2**	**3**	**4**	**5**
12. SGS SA compromises SGS Uganda Limited's physical resource allocation	**1**	**2**	**3**	**4**	**5**
Ethical standards					
13. SGS SA highly influences the behavior of staff at SGS Uganda Limited	**1**	**2**	**3**	**4**	**5**
14. SGS SA highly influences the organizational culture at SGS Uganda Limited	**1**	**2**	**3**	**4**	**5**
15. SGS SA highly influences the business ethics at SGS Uganda Limited	**1**	**2**	**3**	**4**	**5**
16. SGS SA highly influences the code of ethics at SGS Uganda Limited	**1**	**2**	**3**	**4**	**5**
17. SGS SA compromises the behavior of staff at SGS Uganda Limited	**1**	**2**	**3**	**4**	**5**
18. SGS SA compromises the organizational culture at SGS Uganda Limited	**1**	**2**	**3**	**4**	**5**
19. SGS SA compromises the business ethics at SGS Uganda Limited	**1**	**2**	**3**	**4**	**5**

Section C: Group risk management policy

How strongly do you agree or disagree with the following statements about group risk management policy at SGS? Tick or circle the most appropriate response using the following scale. Please do not omit any feature.

SD = Strongly Disagree D = Disagree NS = Not sure A = Agree

SA = Strongly agree

Items about group risk management policy	SD	D	NS	A	SA
1. SGS SA highly influences SGS Uganda Limited’s operating expenditures	**1**	**2**	**3**	**4**	**5**
2. SGS SA highly influences SGS Uganda Limited’s budgeting process	**1**	**2**	**3**	**4**	**5**
3. SGS SA highly influences SGS Uganda Limited’s quality standards	**1**	**2**	**3**	**4**	**5**
4. SGS SA highly influences SGS Uganda Limited’s financial decisions	**1**	**2**	**3**	**4**	**5**
5. SGS SA highly influences SGS Uganda Limited’s supplier selection	**1**	**2**	**3**	**4**	**5**
6. SGS SA highly influences SGS Uganda Limited’s collateral management	**1**	**2**	**3**	**4**	**5**
7. SGS SA highly influences SGS Uganda Limited’s quality control assessments	**1**	**2**	**3**	**4**	**5**
8. SGS SA compromises SGS Uganda Limited’s operating expenditures	**1**	**2**	**3**	**4**	**5**
9. SGS SA compromises SGS Uganda Limited’s budgeting process	**1**	**2**	**3**	**4**	**5**
10. SGS SA compromises SGS Uganda Limited’s quality standards	**1**	**2**	**3**	**4**	**5**
11. SGS SA compromises SGS Uganda Limited’s financial decisions	**1**	**2**	**3**	**4**	**5**
12. SGS SA compromises SGS Uganda Limited’s supplier selection	**1**	**2**	**3**	**4**	**5**
13. SGS SA compromises SGS Uganda Limited’s collateral management	**1**	**2**	**3**	**4**	**5**

Section D: Group shared cost policy

How strongly do you agree or disagree with the following statements about group shared cost policy at SGS? Tick or circle the most appropriate response using the following scale. Please do not omit any feature.

SD = Strongly Disagree D = Disagree NS = Not sure A = Agree

SA = Strongly agree

Items about group shared cost policy	SD	D	NS	A	SA
1. SGS SA highly influences SGS Uganda Limited’s costs	**1**	**2**	**3**	**4**	**5**
2. SGS SA highly influences SGS Uganda Limited’s cost share base	**1**	**2**	**3**	**4**	**5**
3. SGS SA highly influences SGS Uganda Limited’s currency bills	**1**	**2**	**3**	**4**	**5**
4. SGS SA compromises SGS Uganda Limited’s costs	**1**	**2**	**3**	**4**	**5**
5. SGS SA compromises SGS Uganda Limited’s cost share base	**1**	**2**	**3**	**4**	**5**
6. SGS SA compromises SGS Uganda Limited’s currency bills	**1**	**2**	**3**	**4**	**5**

Section E: Financial performance

How strongly do you agree or disagree with the following statements about financial performance at SGS? Tick or circle the most appropriate response using the following scale. Please do not omit any feature.

SD = Strongly Disagree D = Disagree NS = Not sure A = Agree SA = Strongly agree

Items about financial performance	SD	D	NS	A	SA
Profit growth					
1. SGS Uganda Limited's profit growth has been increasing over the years	**1**	**2**	**3**	**4**	**5**
2. SGS Uganda Limited's operational costs have been decreasing over the last 3 years.	**1**	**2**	**3**	**4**	**5**
3. SGS management and staff are satisfied with the company's profit growth	**1**	**2**	**3**	**4**	**5**
Business growth					
4. SGS Uganda Limited's portfolio has been growing over the years	**1**	**2**	**3**	**4**	**5**
5. SGS Uganda Limited's customer retention has been increasing over the years	**1**	**2**	**3**	**4**	**5**
6. SGS Uganda Limited's customer recruitment has been increasing over the years	**1**	**2**	**3**	**4**	**5**
Sales targets					
7. SGS Uganda Limited's return on investment has been improving over the years	**1**	**2**	**3**	**4**	**5**
8. SGS management and staff are satisfied with the company's return on investment	**1**	**2**	**3**	**4**	**5**
9. SGS SA is satisfied with the SGS Uganda Limited's return on investment	**1**	**2**	**3**	**4**	**5**

Thank you for cooperation

Appendix 2: Interview Guide for SGS management

Dear Respondent,

Please kindly spare some few minutes to respond to the following questions. Information received from you is for academic purposes and will be kept confidential. You will not be victimized for whatever answer you have given and to ensure this, you are not required to identify yourself anywhere on the questionnaire.

1. What SGS SA group control policies are in place at SGS Uganda Limited?
2. Are you satisfied with the SGS SA group control policies at SGS Uganda Limited? Briefly explain your opinion.
3. How have SGS SA group control policies affected SGS Uganda Limited's financial performance?
4. What SGS SA group risk management policies are in place at SGS Uganda Limited?
5. Are you satisfied with the SGS SA group risk management policies at SGS Uganda Limited? Briefly explain your opinion.
6. How have SGS SA group risk management policies affected SGS Uganda Limited's financial performance?
7. What SGS SA group shared cost policies are in place at SGS Uganda Limited?
8. Are you satisfied with the SGS SA group shared cost policies at SGS Uganda Limited? Briefly explain your opinion.
9. How have SGS SA group shared cost policies affected SGS Uganda Limited's financial performance?

Thank you for your cooperation