AN EVALUATION OF THE IMPACT OF THE MULTINATIONAL COMPANY
CONTROL SYSTEMS ON PERFORMANCE OF ITS SUBSIDIARIES.
A CASE STUDY OF AON ZIMBABWE.
(2009 TO 2012)

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DECLARATION

I, ................................................................., do hereby affirm that this thesis is centred on my own research, apart from the references, acknowledgments and comments in this thesis and this thesis has not been submitted at any educational level to any other academic institution.

Signed by ............................................ at this date ........ Month of .......... Year ............
(Student)

Signed by ............................................ at this date ........ Month of .......... Year ............
(Supervisor)
ACKNOWLEDGEMENTS
My gratitude is extended to my family and work colleagues who supported me as I undertook the MBA Programme. I appreciate Dr. D. Maravanyika assistance and guidance in putting this dissertation together. I am thankful for the study material and the knowledge he imparted to me.

I would like to thank Aon Zimbabwe management for participating in the interviews and giving me the opportunity to carry out this research at their institution. To the University of Zimbabwe staff and lecturers thank you for the profound knowledge I have gained during my academic learning period.
ABSTRACT
The aim of this study was to attempt to fill the research gap by studying the impact of the multinational control systems on the performance of a Zimbabwean organization. The general conclusion from literature on multinational control systems on their subsidiaries results in increased profits, increased revenue, increased market share and good corporate governance. Nevertheless, the literature has been based on the researches specifically done in different countries around the globe. The research was based on a single case study of Aon Zimbabwe. The research findings and their applications were aimed at benefiting the academic community, the corporate world and our Zimbabwean nation.

The empirical data was obtained through face to face interviews with senior management of Aon Zimbabwe at strategic and operational levels of the organization. The respondents were three General Managers, Human Resources Manager, Finance Director and IT Manager. The structured interview questions were used to collect data from the respondents. Qualitative research methodology was used to carry out the study and the data collected was analyzed through the use of Data Displays in the form of content analytical summary tables.

The study found that multinational control systems had a partial impact on the organizational performance of Aon Zimbabwe. The control systems by Aon Corporation on Aon Zimbabwe were successful on the other hand as it maintained the integrity of the company, supported the achievement of the organization’s objectives and protected stakeholder value. On another spectrum, the multinational control systems had a negative impact on the revenue and profitability and were expensive on the subsidiary’s funding in terms of training and development costs. The control systems were not a full success, as the control systems were not fully adaptable in the Zimbabwean operating environment, lack of managerial support, differences in culture between the headquarters and the subsidiary and the centralization of the decision making by Aon Corporation. In view of these findings this study recommends that Aon Corporation should use market approach, local customization and knowledge management.
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<tbody>
<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
</tr>
<tr>
<td>OFAC</td>
<td>Office of Foreign Assets Control</td>
</tr>
<tr>
<td>PCN</td>
<td>Parent Company National</td>
</tr>
<tr>
<td>HCN</td>
<td>Host Country National</td>
</tr>
<tr>
<td>MBO</td>
<td>Management By Objectives</td>
</tr>
<tr>
<td>GM</td>
<td>General Manager</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>GAAP</td>
<td>General Accepted Accounting Principles</td>
</tr>
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CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

1.0 INTRODUCTION

The organizational context of a MNC is shaped by factors such as the interrelationships between, the environmental qualms, the control mechanisms, the subsidiary performance, the nationality of the parent company and the cultural immediacy of subsidiary to parent organization (Harzing, 2001). Notwithstanding the effect of these specific eventualities on the design of control systems, it must be realized that subsidiaries have different strategic roles or mandates and therefore may require different controls (Chang and Taylor, 1999). In other words, relevant elements of the foreign subsidiary's strategic context must be included as factors in designing its control systems. It is currently accepted that MNCs controls over subsidiaries have always had management, operational or decision making systems, legal and internal code of conduct within the organization (Ferner, 2000; Bouquet and Birkinshaw, 2008). Therefore, decisions and criteria have always had a cause and consequences, having in mind the compliance with the established objectives and the strategic business plan, compelling adequate internal controls to be a demand of the markets and business itself (Chang and Taylor, 1999).

This study is rooted in the same stream and makes its contribution by focusing on the impact of a multinational’s control systems on performance of its subsidiaries, a case study of Aon Zimbabwe (2009 to 2012) and the parent company being Aon Corporation. The aim of this research was to attempt to fill the research gap by investigating the impact of the multinational control systems on the performance of a Zimbabwean organization. The motivation behind this is that of all the studies done before, no literature focused on Zimbabwe in general and in particular insurance companies.
1.1 Background to the case study company
Aon Zimbabwe is an insurance intermediary (or broker), "businessfirm, with some degree of independence from the insurer, which stands between the buyer and seller of insurance. Optimally, Aon acts completely autonomously and represents the interests of its customers. Aon Zimbabwe is a member of Zimbabwe Insurance Brokers Association (ZIBA) and registered with Insurance Pensions Commission. Aon Zimbabwe is an affiliate of Aon Corporation a multinational company. Aon Zimbabwe comprise of the following divisions;

Aon Risk Services-Short Term Insurance
The division combines experienced risk management and brokerage professionals to capitalize on local skills, global resources and distribution network, these collaborations allow Aon to develop comprehensive, tailored solutions anywhere in the world. The division structure risk solutions in fields as diverse as Mining and Energy, Construction, Financial Institutions, Hospitality and Tourism, Manufacturing and Retail, Telecommunications and Marine and Aviation.

Aon Risk Management
As part of the Global Practice Group Strategy, Aon Risk Management was set up to serve the mining and heavy industry sectors of Aon’s client base in the Aon Risk Services Division. The services include underwriting surveys, project risk management, issue based risk assessments and risk management training.

Aon Hewitt
In this division, Aon Zimbabwe consultants specialize in administration, broking within the group risk benefits and retirement fund disciplines. Aon Hewitt further provides expert advice and consulting to individuals and corporate wishing to plan for their long term financial security. These services are supported by a powerful intellectual capability that resides in the division’s actuarial team. Their calculated analysis underpins effective and lasting solutions in human capital consulting. The main products life, funeral and pension fund management.
Aon Benfield
This is the fourth division of Aon Corporation and it follows as well for Aon Zimbabwe Private Limited. Its core business is providing flexible reinsurance programs, structured and priced in ways that reflect the client’s unique objectives and underwriting profile. The main products of Aon Benfield include treaty reinsurance, facultative reinsurance solutions, analytics and technical services

1.1.1 McKinsey 7 “S” model application to Aon Zimbabwe
The model is most often used as a tool to assess and monitor changes in the internal situation of an organization. The framework is based on the theory that, for company to accomplish its objectives, these seven fundamentals need to be intertwined and mutually reinforcing. The model can be used to help ascertain what needs to be realigned to improve performance.

Strategy
The Aon Zimbabwe strategy is always a top-down approach from Aon Corporation through its regional office (Aon South Africa). The annual budgets, expected return on investment, gross profit margin are usually communicated from the parent company.
Financial reporting (April 2012)

Figure 1.1, shows Aon Zimbabwe has been struggling to meet the budgets set by Aon Corporation since dollarization (February 2009). Furthermore the salaries are deliberated and approved by Aon South Africa as any proposals in salaries increment and review of contracts should be communicated first to the parent company before implementation by Aon Zimbabwe. The global strategy for Aon Corporation is through mergers and acquisition, on a global level Aon has recently successfully took over Glenrand MIB (a major competitor in insurance broking) but in Zimbabwe the take over has hit a brick wall as it being challenged by the Ministry of State Enterprises, Anti-Corruption and Anti-Monopolies.
Structure
The structure of the organization is also diluted with foreign management dominance. There are two foreign board members from Aon Corporation in Aon Zimbabwe’s board of directors. The board members ensure that the company operations are in line with Aon Corporation standards and practices and they protect the interests of the parent company. Also the three strategic business units have three senior managers who have much influence in the strategy implementation and more involved in feeding information for board meetings. The control and the powers vested in these managers sometimes outwit the powers of the Aon Zimbabwe country managers so at the end authority is not clearly delegated.

Systems
Aon Zimbabwe boasts some state of the art robust information systems in terms of software and hardware for function coordination, communication and web conferencing. All the hardware used is in line with Aon Corporation information communication standards as for all the laptops, desktops and electronic equipment are supplied by Hewitt Packard, as Aon human consulting division has a partnership with Hewitt Packard. The code of business conducts, contracts, performance measurement systems are developed and designed at global level whereas it is only left with Aon Zimbabwe to adopt them with adding little or no information at all.

Staff / Resources
Aon Zimbabwe has adequate financial and human resources to support its operations. On the other hand strategic positions for example the country manager post are appointed from Aon South Africa. Also for Aon Zimbabwe to engage in any substantive financial obligation it should seek authority from Aon Corporation because the capital/equity ratio is controlled by the parent company.
Skills / Quality

Aon Zimbabwe is rich in terms of skills as Aon Corporation is more involved by using soundly conceived and effectively administered training programmes. These are implemented using on the job training and study method to enhance the technical and managerial skills of the local employees.

Style

The local leadership is more controlled at regional level thus making it very difficult to specifically judge their success based on the formulation and implementation of the strategy. The organizational decision making climate is more controlled from the parent company as the local managers play a supporting role in strategy implementation.

Shared Values / Stakeholders

Aon Corporation has not yet fully complied with the Indigenization Policy as Aon Zimbabwe is currently majority foreign controlled. The ownership structure is shown in Fig 2.

Fig 1.2: Aon Zimbabwe ownership structure

Source: Aon Zimbabwe – Financial reporting (April 2012)
As earlier mentioned Aon Corporation acquired Glenrand MIB at international level unfortunately it did not get any approval from the Ministry of Anti-Monopolies and Competition of Zimbabwe. The ministry motive was to protect the jobs of the Glenrand MIB employees and to cultivate the culture of competition in the insurance broking industry as Glenrand MIB is among the top four insurance brokers.

Aon Corporation, including its affiliates and subsidiaries, is committed to complying with the trade restrictions laws and regulations applicable in all countries in which Aon operates, including restrictions maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control. These laws and regulations restrict dealings with certain Restricted Countries and their governments, including entities owned or controlled by such governments and certain other Restricted Persons, whether individuals or entities, that are identified by various countries’ governments. Aon’s policies extend beyond strict compliance with these laws and regulations, because Aon desires to be an exemplary corporate citizen wherever it does business. Aon Zimbabwe has been on a brink of losing its major clients especially the mining companies which are specified under the OFAC list resulting in reduced revenues and inability to meet the budget set by Aon Corporation. Aon Zimbabwe has stopped trading with Mbada Diamonds, Marange Diamonds and Mineral Marketing Companies of Zimbabwe among others. If any of Aon Zimbabwe staff or senior managers contact business with the specified organizations and individuals on the OFAC list they will be definitely be dismissed as per Aon Corporation policy.

1.2 Statement of the Problem
As cited in the analysis of Aon Zimbabwe using the Mckinsey framework, Aon Corporation is being dominant in the control of Aon Zimbabwe operations. Aon Corporation’s control systems is specifically delaying decision making, compromise the processes and procedures and sometimes totally defy the rules and regulations of the insurance sector in which it is operating and above all may also go against government directives. Aon Zimbabwe has for long being reporting a negative variance as the
budgets set by Aon International are usually relatively high not complimenting the stiff competitive of Zimbabwe insurance broking industry. The appointment of the Aon Corporation personnel to be part of Aon Zimbabwe senior management is also a major concern as the implementation of some controls go against the Aon Zimbabwe staff as it crossroads with their culture. Aon Zimbabwe has been on a brink of losing its major clients which especially the mining companies which are specified under the OFAC list resulting in reduced revenues and inability to meet the budget set by Aon International. Aon Zimbabwe market share has been dwindling and as a result having an impact on their profitability.

Given the chronology of the Aon Corporation controls on Aon Zimbabwe and in view of foregone discussion challenges being faced by Aon Zimbabwe, the issue of control between multinational companies and their subsidiaries remains an agency problem whereas the subsidiaries will be complaining of not benefiting much from the control systems and the parent company more concerned about protecting their interests. Aon Zimbabwe still remain uncertain if the control mechanisms are of benefit to the company or are they being trapped into operational problems as the company is struggling to meet the budgets set by the parent company, revenues are dwindling as Aon Zimbabwe cannot trade with those companies on OFAC list and the cultural dilution due to the engagement of parent company managers within its structures. While Aon Corporation will always view the controls as a means of safeguarding their interests and doing business their “own way”, this research seeks to make an evaluation of the impact of Aon Corporation control systems on Aon Zimbabwe over the period (January 2009 to June 2012).

1.3 Research Objectives

Overall Objective
The overall objective of this study is:-

To evaluate the impact of a multinational’s control systems on its subsidiaries focusing on Aon Zimbabwe over the period January 2009 to May 2012.
Specific Objectives
The specific objectives of this study are:

1. To establish the control types used by Aon Corporation to monitor the operating activities of Aon Zimbabwe.
2. To assess the adaptability of Aon International control systems to Aon Zimbabwe’s operating environment.
3. To determine the effectiveness of the controls systems on the performance of Aon Zimbabwe.
4. To identify the level of autonomy in decision making given by Aon International to the Aon Zimbabwe managers.
5. To make any necessary recommendations in the light of the study’s findings.

1.4 Research Questions
The main research question is:

What has been the impact of Aon International’s control systems on the operations of Aon Zimbabwe over the period of the study?

Research Specific Questions

1. What were control types which were used by Aon Corporation to monitor the operational activities of Aon Zimbabwe?
2. How adaptable are Aon International control systems to Aon Zimbabwe’s operating environment?
3. To what extent were Aon Corporation control systems effective on controlling the operating activities of Aon Zimbabwe?
4. What is the nature of the autonomy in decision making given by Aon International to Aon Zimbabwe managers?

1.5 The study’s preposition
The impact of Aon Corporation’s control systems on Aon Zimbabwe’s performance has been negative.
1.6 **Scope of the Study**  
The study seeks to evaluate the impact of Aon Corporation control systems on Aon Zimbabwe from 2009 to 2012. The research will be based on a case study of the Aon Zimbabwe in Harare.

1.7 **Justification of the Study**  
This study is justified with three beneficiaries in mind: the researcher, the organization and the academic world.

**To the Researcher**  
This study is of importance to the researcher as it is going to be done as an academic requirement towards completion and attainment of the Masters of Business Administration qualification. The research is carried out after completion of a rigorous two academic portion of the degree programme and this is a final hurdle towards the attainment of the Masters of Business Administration qualification. The research will test the researcher's ability to apply learnt concepts from the MBA curriculum in a practical setting. This research will be important to the researcher as it gives him a chance to apply learnt principles to tackle organizational practical situations.

**To the Company**  
In today’s fast changing environments, Multinational corporations need to be innovative in order to sustain their market positions and competitive advantages (Bartlett and Goshal, 2000). For Aon Zimbabwe as modern subsidiary, the concern of control systems in this research will be of benefit to the company as it makes the company to understand where the global control systems differ from and suit in their scope of their operations, goals, strategic postures and organizational cultures. This will help the company to lobby with Aon International to make some improvements on the control systems which affect them negatively and to continuously improve on those control systems which are of benefit to the company.
To the world at large
The research will contribute to the national body of knowledge by providing new findings to the study area. This research will be of value to the other researchers to follow, as it can be used either as a basis for further study or reference material for related research.

1.8 Limitation of the Study
While every effort was made to obtain the most accurate results, the following challenges were met:

Limited access to company information
As Aon Zimbabwe is a private limited company it was a challenge to get all the necessary information which will be of great importance to this study as it is not quoted on the Zimbabwean Stock Exchange which have some information on public companies. Management was the reference point for more information but act as gate keepers for the confidentiality of the company information.

Zimbabwe Economic doldrums
In Zimbabwe because of its economic poor performance for the past 10 years the control systems by Aon International might have been not fitting in well in Aon Zimbabwe operations and procedures.

1.9 Structure of the Research
The research comprises five chapters, which are structured as follows:

Chapter One: Introduction
This chapter gives a background to the study by highlighting the research problem. It lays the foundation of the study through setting up of the objectives of the study, research questions and study preposition. The researcher also outlined justification and the scope of the research in this chapter.
Chapter Two: Literature Review
Chapter Two gives an extensive account of relevant literature on the subject of multinational companies’ controls. The researcher will discuss various types of controls being applied by the MNCs.

Chapter Three: Research Methodology
This chapter covers the research methodology, which include selection of research methodology, approaches and strategies. It also covers the data collection methods used in the study.

Chapter Four: Research Findings and Analysis
This Chapter covers the analysis and discussion of the results of the research.

Chapter Five: Conclusion and Recommendation
Chapter Five gives conclusions of the research in relation to the objectives of the study as laid down in Chapter One. The researcher proposes recommendations in this chapter and as well highlights areas for further research.

1.10CHAPTER SUMMARY
In this chapter a background has been given of both the study and the company at which the study will be carried out. The study is an evaluation of the impact of a multinational’s control systems on its subsidiaries focusing on Aon Zimbabwe. Research objectives mainly relate to the assessment of Aon Corporation control systems on Aon Zimbabwe in the period January 2009 to May 2012. Research questions were also formulated to guide the conduct of this research. The research is justified from the point of view of the researcher as the final step towards attaining a qualification of Masters of Business Administration Degree. It is also of important to the organization in that it provides research findings based on empirical data collected within the organization. The research also provides a platform for further research in the subject, for organizations in similar situations. A road map to be followed when carrying out the research was given from Chapter 1 to Chapter 5.
CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION
The reviewing of literature is essential to this study as; it presents a clear description and evaluation of the theories and concepts that have informed research into the topic of interest, it clarifies the relationship to previous researches and highlights where new research may contribute by identifying research possibilities which have been overlooked so far in literature, it justifies any new research through a coherent critique of what was done before and demonstrates why new research is both timely and important (Gill and Johnson, 2010). The overall result is that the researcher will become thoroughly knowledgeable about the topic and he will be ready to do research that advances knowledge on the selected topic.

This chapter covers the following key areas; definitions of the multinational companies, summarized facts about the MNCs, characteristics of MNCs, MNCs control approaches, examples of different control approaches used in different countries, modes of control and the transfer of standard practices within MNCs, factors that influence the control mechanisms by MNCs on its subsidiaries, control systems barriers to performance and relationship building, conceptual framework and conclusion.

2.1.1 Definitions of the Multinational Companies (MNCs)
There is no individual definition of multinational companies generated by scientific methods and there is no unique agreement as a precise definition of the multinational name. According to Miller (1992), a Multinational company is a business organization operating in more than one country. Organization for Economic Co-operation and Development (OECD, 1988) defines a MNC as a company or an enterprise whose ownership is whether private, government owned or mixed with establishments in numerous countries and so linked that one or more of them be able to exercise significant influence over the activities of others and share resources and knowledge.
Fieldhouse (1986) describes a MNC as; “a business enterprise which owns and controls income generating assets in more than one country”. Vernon (1971) defines the MNC as; “a parent or dominant enterprise controlling the operations of a network of foreign corporations and furnishing them with common objectives, strategies and resources”. A MNC (a parent company) manages a group of branches or subsidiaries in the different countries to achieve certain objectives, by working together through a world managerial strategy under the constraints and laws in the home and the host countries (Elsharawy, 2006).

### 2.1.2 Summarized facts about the MNCs
- There is a parent company in the home country where the Headquarter is.
- There are subsidiaries or branches in different countries (host countries)
- The subsidiaries or branches operate not only to achieve special objectives for themselves, but also for general objectives of the parent company as a whole.
- The parent company works under the laws of the home country, while the foreign branches or subsidiaries work under the applied laws in the host countries.

### 2.1.3 Characteristics of Multinational Companies (MNCs)

#### Geographical Spread
MNCs have wide spread networks of affiliates in different countries in the world, for example Coca Cola in more than 150 countries. This geographical spread of MNCs places them in a considerable flexible position, because of the wide range of multi-options in some decision areas, such as sourcing, pricing and cash flows(Elsharawy, 2006).

#### Powerful and Monopolistic
The power attribute of the MNC is a result of its size, geographical spread, scope of operations and efficiency. At the present time the MNCs, as giant conglomerates among local firms, have the power to dominate and control local markets. Consequently, the
MNC may record annual revenues greater than GNP in some countries where it operates (Elsharawy, 2006).

**The stability**
The stability factor of the MNC is influenced by the function of its size and power. The relatively huge resources of the MNC may enable it to absorb losses from unexpected operating constraints, from being unprofitable investment, or from other externalities, without threatening its success and continued existence as a group (Elsharawy, 2006).

**The flexibility**
The MNC as according to its size and scope is certainly the most flexible of the economic enterprises. The excellent communication systems enable the widely decentralized operations to serve the local needs and also permit the centralized direction to assure goal congruence. As a result, the headquarters can manipulate the mobile resources of the MNC on a global basis, based upon the best overall interests for MNC. This kind of flexibility often enables the MNC to offset or escape from restrictive regulations or controls in certain countries (Elsharawy, 2006).

**Dynamic**
For the MNC to grow and survive, especially where advanced technologies are involved dynamism should take place. The MNC is often described as a key innovator, which creates markets as well as the products related to them. The MNC can convert the conflicting forces and apparent problems into opportunities, by means of its integrated planning techniques. It assimilates, adapts and reconciles the threats into beneficial strategies (Elsharawy, 2006).

**2.1.4 Headquarter – Subsidiary Relationship**
Most of studies focused on the relationship between the MNC headquarters and its subsidiaries (Andersson, Forsgren and Holm, 2007). The structure of the relationship is
essentially determined by the level of autonomy the MNC headquarters provides to the subsidiary (Bouquet and Birkinshaw, 2008). Multinational companies would ideally like to ensure coherent strategy execution across all the subsidiaries, which require a certain level of headquarter control, whilst still providing each with a level of autonomy which allows for local market flexibility (Luo, 2005). In this regard, the level of headquarter control or subsidiary autonomy is a crucial part of MNC business strategy which should have a considerable impact on MNC performance.

2.2 CONTROL APPROACHES
According to Rugman and Oh (2009) control evolves on three approaches mainly cultural approach, market approach and rules approach. These approaches were developed based on the framework of Ouchi and Maguire (1975) from a triangular continuum along which the companies use a combination of two methods of control namely the input and control output. Ouchi and Maguire (1975) argued that the three approaches do not exist in pure form but however each may be a dominant force depending on the nature of the business or organization.

Table 2.1: Characteristics of Control Approaches

<table>
<thead>
<tr>
<th>Control Approach</th>
<th>Dominant Method of Control</th>
<th>Information Prerequisite</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>Output</td>
<td>Prices</td>
<td>Wide</td>
</tr>
<tr>
<td>Rule</td>
<td>Input / Output</td>
<td>Rules</td>
<td>Narrow</td>
</tr>
<tr>
<td>Cultural</td>
<td>Input / Output</td>
<td>Norms</td>
<td>Wide</td>
</tr>
</tbody>
</table>

Source: Rugman and Oh (2009).

2.2.1 Market Approach
Market approach is dominated with external market forces control systems. The market determinants, contractual agreements, competition and consumer by-laws are among the external forces that govern the relationships among organizational units (Rugman and Oh, 2009). A MNC employing the market approach bear resemblance to an alliance of autonomous units that are free to deal with external and internal suppliers (Rugman
and Oh, 2009). The main method in a market approach is the output control which includes management compensation, bargaining and transfer pricing (Johnson and Menguc, 2007). The market approach tends to be more practical and objective way to implement control in the multinational companies as it is efficient in situations where performance targets are clearly set and various objectives are not compatible to each other (Rugman and Oh, 2009). Furthermore, the market approach is advocated to be an ideal model for organizational control by creating democratic corporation in which the parent company impose minimal controls on their subsidiary (Mannik, Urmas and Helena, 2005).

2.2.2 Rules Approach
The rules approach seems to be the most dominant and visible in the control spectrum of the multinational companies. The organization which use the rules approach is exposed to both the output and input controls (Johnson and Menguc, 2007). The rules approach foundation is based on the established rules and regulations, budgeting, formal reporting, strategic planning and formulation and organizational structure (Rugman and Oh, 2009). The rules approach is more valuable and toil best when the goal incongruence and performance ambiguity are equitably set and when the environment is legitimately stable (Johnson and Menguc, 2007). Accordingly, when there is a less goal congruence among subsidiaries, a rules-oriented approach provides a platform for action and coordination (Johnson and Menguc, 2007). In a steady environment, rules provide a foundation needed to clarify objectives and performance targets. Furthermore, the rules-oriented system will only be practical and applicable when the environment allows sufficient to respond to feedback information and when correction measures are needed (Rugman and Oh, 2009).
2.2.3 Cultural Approach
Culture is regarded as a vital aspect in the globalization of the firms and is important as it facilitates control over foreign operations (Rugman and Oh, 2009). In MNCs, the cultural approach is based on the notion that the external rules and procedures are internalized (Harzing and Noorderhaven, 2006). On the hand rules-oriented organization, supervisory surveillance is dominant whereas in cultural approach the individuals exercise self control and abide by cultural norms and expectations (Harzing and Noorderhaven, 2006). It is perceived that the cost of control is lower and reasonable in cultural approach as compared to the market and rules approaches because in cultural approach less time is needed to respond to feedback information (Hulbert and Brandt, 2000).

Culture approach evolves on the socialization of the agent’s interests as co-identical with that of its principal and the effectiveness of the cultural approach is determined and influenced by the cultural differences among nations (Rugman and Oh, 2009). The guidelines allow individuals to follow cultural norms where the ambiguity situation renders rules and established standards are inappropriate for example performance criteria and budgeting (Chang and Taylor, 1999). The management knowledge of these broad informal rules enables them to project them into new situations and to quickly (Harzing and Noorderhaven, 2006).

2.2.3.1 Advantages of the Cultural Approach
The cultural approach is more advantageous and attractive for the MNC operations because of their specificity and required response time while rules oriented approach have a narrow application and ride on an organizational unit. Furthermore, the MNCs operate in a dynamic environment, the rules and market approaches have limited applicability and this enhance the MNCs use of the cultural controls (Harzing and Noorderhaven, 2006)
In another perspective, the amount of information required by both rules and market approach is enormous and compared with these approaches; the cultural approach has minimal informational prerequisites (Rugman and Oh, 2009). The cultural expectations and norms are implicit, rather than explicit, rules that govern behavior and these norms are unified in a formal organization to produce an implicit methodology that is functionally equivalent to a theory about how an organization should work (Harzing and Noorderhaven, 2006). It is perceived that the cultural approach is very effective in dealing with diversity, complexity and uncertainty of multinational corporation operational environment (Chang and Taylor, 1999).

**Disadvantage of the Cultural Approach**

However, the cultural approach cannot operate in isolation and totally abandoning the market and rule approaches as creating culturally based control takes is cumbersome as cultures are not built overnight (Rugman and Oh, 2009).

2.2.3.2 **Examples of Different Approaches used in different countries / regions**

The most common example of the cultural approach is found in Japanese organizations (Rugman and Oh, 2009). In terms of structure, Japanese companies are generally more loosely organized and power is more centralized than in American companies (Jain and Tucker, 1995). Group norms, peer pressure and desire of individuals to be good group members, are the main tools used for control in Japan (Jain and Tucker, 1995).

Chow, Kato and Shield (1994), confirmed that Japanese firms have fewer bureaucratic procedures than do many of their Western counterparts. According to Ferner (2000) the United States companies control systems are more rooted in formal systems and are supported by socialization aspect through the use of expatriates. Hulbert and Brandt (2000) argue that United States owned MNCs acquaint themselves to the American style of control which is more driven by the use of procedures and reports. According to Balgia and Jaeger (1984) the US MNCs tend to use more of bureaucratic control systems as opposed to the Japanese cultural control systems, which are more skewed
towards the norms and values of doing business in a company. In a country such as France, for example, where hierarchical authority is more readily accepted, “a vertical organizational structure, minimal lateral relationships, dependence on chain of command, and rules and procedures set by superiors are natural control system components” (Hulbert and Brandt, 2000).

A cultural control system or market-oriented system may be more appropriate in a country such as Sweden, where inequities among the members are minimized and participative decision making is favored (Jain and Tucker, 1995). In traditional societies such as in Asian countries, which avoid radical departures from established norms and where resistance to change is strong, people prefer the specificity of rules and regulations (Chow, Kato and Shield, 1994). On another hand, organizational hierarchy and formal authority could be an effective control system. Cultures also vary in their emphasis on the role of individuals in society. Where individualism is dominant, a market-oriented control may function better. In contrast, where the individual’s concerns are subordinate to the collective interests and benefits of groups or institutions, a culture-oriented control system may be more applicable (De Jong and Van Vo, 2010).

2.3 Modes of control and the transfer of standard practices within multinational corporations

There are many categorizations of the different control elements (Ferreira and Otley, 2009; Malmi and Brown, 2008). According to Muringasel (2008), control is defined as a summation of actions implemented or done to obtain information concerning decisions as well as behaviors. The learning of mechanisms of coordination in all MNC is vital to international management, for they are at the center of all managerial and strategic glitches faced by MNC managers: how to ‘make the most’ of wide-ranging and diverse activities (Martinez and Jarillo, 1990). The top executives of the parent company may not be satisfied when it comes to the revenues and profits generated from their subsidiaries without exercising control to monitor and notice the contribution of the subsidiaries to the overall success of the group (Muringasel, 2008).
2.4 The distinction or categories of control mechanisms used by multinational companies

The subject of control and coordination is not new to MNC, as it has long been studied inside both domestic-only and multinational entities.

Table 2.2: Classification of control mechanisms on two dimensions

<table>
<thead>
<tr>
<th>Description</th>
<th>Personal/Cultural(social interaction)</th>
<th>Impersonal / Bureaucratic (instrumental artifacts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct / Explicit</td>
<td>Personal centralized control</td>
<td>Bureaucratic formalized control</td>
</tr>
<tr>
<td>Indirect / Implicit</td>
<td>Socialization and networks</td>
<td>Output control</td>
</tr>
</tbody>
</table>

Source: Harzing (2001)

2.4.1 Bureaucratic formalized control

Bureaucratic control refers to some type of standard practices or standardization in which formalized and standardized rules, regulations or written manuals are used to guide the behavior (Harzing, 2001). According to Muringasel (2008), bureaucratic control is a set of integrating activities which include rules and regulations, performance targets and objectives set to manage and guide the subsidiary’s operations. In bureaucratic controls strategic objectives and time schedules are pre-established and rules and regulations are formalized and also the information, communication and technology systems are standardized (Muringasel, 2008). Merchant and van der Stede (2007) highlight that bureaucratic control systems lessen the parent company direct involvement with its subsidiary by replacing active control through the impersonal methods and clear outlining of the organizational objectives. According to Muringasel (2008) bureaucratic control limits the subsidiary’s management authority by restricting them decision making power on their operational activities through the extensive use of rules and regulations. Also, Ouchi (1977) mentions that results and action controls are often defined as formal or bureaucratic control, which is based on rules and prescribed procedures. For bureaucratic to be effective it requires the organizational members to
accept the legitimacy of an organizational authority. (Muringasel, 2008). As stated by Galbraith (1973) bureaucratic control is regarded as a simple form of monitoring the subsidiary’s actions and fosters great coordination and centralization of the MNC operation. The objective of the bureaucratic control systems in MNC is to align the organization’s objectives and performance as opposed to monitoring the behavior of the subsidiary management and as a result these limit organizational adaptiveness and flexibility of the subsidiary (Muringasel, 2008).

The dominant bureaucratic control types Used by multinational companies

2.4.1.1 Financial Reporting
Investments into companies operating in diverse business environments increase the risks to which multinational companies are exposed. A parent company seeking to decrease the investment related risk has to implement an efficient control over its international activities. Accounting does indeed enable control at a distance (Kirk and Mouritsen, 1996). The goal of such control is to direct all organization units towards the common goals of the multinational company (Zaman, 2004). The efficiency of this control increases with the selection of appropriate financial evaluation measures. The headquarters of the parent company needs to make sure that the regular financial reports coming from the subsidiaries are produced in a reliable way enabling sound control as well as decision making and the consolidation of financial data in order to produce the financial statements (Moilanen, 2011). To ensure reliable financial reporting, the parent company imposes guidelines and rules on the subsidiary, however this may also results in differences in reporting between the parent and subsidiary as the original systems of the subsidiary maybe practical and informative for the environment which it is operating in (Zaman, 2004).

Moilanen (2011) argues that in terms of the formal financial control, the parent company usually focuses on more conventional financial reporting. He further emphasized that the subsidiaries provide the parent company with financial reports which maybe monthly, quarterly, half yearly and annual but the quarterly, half yearly and annual
reports are perceived to be more detailed ones. These reports are mainly used for management control and not for appraising the total performance of the subsidiary.

2.4.1.2 Budgeting / Resource Allocation
The primary relationship among various units of a multinational corporation organization is based on the theory of economics by exerting control through resource allocation (Moers, 2006). Taylor, Zou and Osland (1998) define budgeting as the distribution or allocation of resources among various organizational units on the basis of past performance, present needs, and the projected future needs. Kostova and Roth (2002) believe that the distribution pattern of resources anything that people value for example raw material, money, knowledge, promotion and technology and further believed by changing the distribution of resources among subsidiaries, multinational corporations in actual fact exercise control over them. O’Donnell (2000) states that subsidiary’s influence and its independence within the multinational corporation is a function of the amount of resources it provides to the rest of the MNC and furthermore the headquarters determines the pattern of resources allocation and control through the use of the budgeting system as the associated control system. Moers (2006) emphasized that budgets are standards against which actual performance can be measured and mentioned different use of budgets, such as research and development, marketing budget and a capital expenditure budget, for monitoring imperative activities and functions of a multinational corporations cascading downwards to the subsidiary.

Taylor, Zou and Osland (1998) argues that with a budgeting system, the multinational corporations may not only monitor subsidiaries’ operations but establish priorities that reflect corporate strategies and believed that increasing or decreasing the budget is an efficient technique to dictate the direction of a subsidiary’s development and progress. According to Moers (2006) one way to reduce the level of unease is to centralize the most vital decisions at head office of the multinational corporation and he mentioned that finance decision are easy to centralize. Through a budgeting system, most of the activities of the subsidiaries are translated into financial reports and are available for closer scrutiny by the parent company (Forsgen, 2008).
2.4.1.3 Strategy Formulation and Implementation

1. Organization Structure

When the organization is generally a complex issue in the local enterprises, definitely it becomes more complex especially in the MNCs as the MNCs have more complex lines of responsibilities and authorities which link the top management, all other managers of departments and areas of all subsidiaries in the host countries (Elsharawy, 2008). The organization structure shows the authority lines, which determine the range of decision making, the authority of executing and management all control operations (Moers, 2006).

2. Strategic Planning, Formulation and Implementation

The MNCs are interested in planning as a tool to facilitate making decisions that achieve maximization of the efficiency in operating its resources and a consequent maximization of profits (Elsharawy, 2008). The plans of the headquarters are cascaded downwards to subsidiaries country managers to follow and to guide them to be alienated to the host country objectives (Moers, 2006). The plans of the top executives incorporate well defined targets, time frame and an action program and these provisions prevent the plan to be vague and give clear guidance to managers (Elsharawy, 2008). Adopting an alignment strategy requires a subsidiary to direct its efforts at establishing friendly relationship with the parent. This requires the subsidiary to direct its efforts, including its knowledge searching, accumulation and initiative generation, at opportunities which are aligned with Headquarters strategy (Andersson, Forsgren and Holm, 2007). Also Moers (2016) emphasizes that vertical embeddedness or deep and strong ties with the parent unit will allow the subsidiary to gather the critical intelligence required to anticipate and align with HQ strategy. Furthermore, Moers (2006) highlight that intelligence regarding emerging investment and resource allocation decisions enable the subsidiary to act consistently with HQ strategy and objectives.
2.4.2 Behaviour Control
According to Harzing (2001) behavior control refers to specific kind of hierarchy with decisions being centralized within this hierarchy and behavior regulated through surveillance mechanisms. On the same note Muringasel (2008) defines behaviour control as control which is obtained by observing and monitoring the behaviour of the subsidiary subordinates. Behaviour control is considered to be the most direct and personal surveillance requires a clear understanding of mean end relationships (Elsharawy, 2008). High control costs entailed with behaviour control and the frequent lack of proximity between the Headquarters and subsidiary makes behavioral control less appealing and more deterring compared to the other types control (Elsharawy, 2008).

2.4.3 Cultural Control
Schwartz and Davis (1981) state that corporate culture is considered to be a pattern of norms, values, beliefs and expectations shared by the organization’s members. These patterns serve as regulatory mechanisms and are an essential guide to behaviour and moreover based on standard practices which exist. Cultural control is used to the organizational members by monitoring their behaviour through indoctrination of the company values and norms and hope their acts are acquainted to organization’s intents (Elsharawy, 2008). According to Schwartz and Davis (1981)cultural control is regarded as an informal and implicit method of control and coordination is guided by corporate culture.

Elsharawy (2008) emphasizes that corporate culture finds its explicit organizational articulation in its symbols, languages, practices, corporate identity and perceived atmosphere. Furthermore the facilitators of corporate culture are long term employment, consensual decision making or repeated interactions among corporate members (Edstrom and Galbraith, 1977).
2.4.3.1 Staffing Option for Foreign Subsidiaries

Organizational design is the people that are needed to help make the organizational unit or subsidiary succeed (Edstrom and Galbraith, 1977). People design refers to the recruiting, selection, transfer, promotion, training, development, and leadership style required (Edstrom and Galbraith, 1977). Arguably, one of the practical ways of exerting culture control and unique staffing option decisions that is required for foreign subsidiaries of MNC is the extent to which the country manager or managing director should be from the home country of the headquarters location known as a parent company national (PCN) (Ouchi, 1979). Edstrom and Galbraith (1977) highlight that this type of control is more of socialization characterized by; proportion or a significant number of expatriates on the realm of top management posts in the foreign subsidiary and knowledge sharing.

According to Elsharawy (2008), the MNCs use expatriates to indoctrinate values and implement social and standards within its subsidiaries and these are developed by the parent company. An interesting phenomenon associated with cultural control observed by (Elsharawy, 2008) is observed as an enigma of decentralization is that degree of control applied in a decentralized organization can be more as compared to the centralized one. Motivation behind using parent company nationals filling the managing director position is when the host country nationals are not competent, for development purposes and for organizational development needs such as transmitting the dominant organizational culture so as to control and coordinate the foreign subsidiary actions (Edstrom and Galbraith, 1977).

Jain and Tucker (1995), states that there are considerable disadvantages and risks associated with using PCNs because it is expensive as it often includes relocation costs, financial allowances, loss of spousal income, maintenance of property and repatriation difficulties. In addition, the parent company nationals usually encounter difficulties in adapting to local circumstances and suffering cultural myopia causing them to fail (Jain and Tucker, 1995). As majority of the employees within the foreign
subsidiary are from the host country, these employees may find it difficult to trust a senior manager from a different country (Baligia and Jaeger, 1984). As a result the staffing options are not straightforward, as the MNC can staff the general manager / managing director position with a host country national (HCN) or third country nationals but these have same theoretical impact same as of the parent company nationals (Elsharawy, 2008).

As a result, host country nationals are sometimes more optimal than the parent company nationals and this has noticeable a reduction in the assignment of expatriates abroad (Elsharawy, 2008). This development of replacement through HCNs is driven by the motivation of lowering costs, higher host country environmental competencies, indigenous operations and more profound market knowledge possessed by local managers (Jain and Tucker, 1995). The placement or staffing of the HCNs may bring advantage to the parent company but the most difficult thing is the selection of the right candidate for the job as this may bring mismatch which may cause the company to perform badly in return due to lack of competences (Baligia and Jaeger, 1984).

2.4.4 Output Control
The output control category refers to specific results or outputs instead of particular courses of action. These include many different forms and involve more or less regulation of a certain behavior depending on the ability to achieve certain results (Harzing, 2001). The output control is performance oriented and performance reporting systems are used to evaluate the subsidiary’s performance and imply that data such as revenues figures, profitability are considered suitable to monitor operations of the foreign subsidiary (Chang and Taylor, 1999). Output control is different from bureaucratic and behaviour control, as the subsidiary company is more flexible to strategize ways to deliver jointly predefined goals (Elsharawy, 2008). According to Chang and Taylor (1999) risk is transferred to the subsidiary and results or accomplishments will be a function of behaviour. Arguably, Chang and Taylor (1999) mentions that particularly in
culturally distant environments, where uncertainty is possibly higher, and output control can be less attractive to both principal and the agent.

2.4.5 Management by Objectives (MBO)
Management by Objectives as a management tool based on a number of variables such as planning and control, organizational perspectives and flow of information and aids control in terms of performance monitoring, performance evaluation and provision of feedback (Chang and Taylor, 1999). Standard practices are a direct mechanism of control as opposed to a more indirect or informal means of control. At the same time, the use of standard practices usually is founded on some type of impersonal and instrumental artifact as opposed to more personal control through social interaction (Chang and Taylor, 1999). Although the attention is on transfer of standard practices, there is need to take into emphasis that MNC will only use bureaucratic control in place of other control mechanisms. Instead, Ferner (2000) argues that formal bureaucratic control and other control mechanisms do not only coexist in the MNC, but are mutually dependent.

2.4.6 Complementary control mechanisms
Bouquet and Birkshaw (2008) debate that a progression in the learning of control mechanisms within the MNC has transpired shifting from centralized decision-making and bureaucratic control to a recent concentration on more indirect and subtle mechanisms of control. The authors suggest the motive for this evolution is because MNC are having an ever-increasing dependence on more sophisticated mechanisms of control and coordination in order to meet the challenges of competing internationally. The authors distinguish between formal and informal control mechanisms. The formal control mechanisms include the use of standard practices and/or the use of centralized control. The indirect and subtle control mechanisms refer to control category of socialization and networks and output control. Bouquet and Birkshaw (2008) distinguish between three different types of socialization and networks:
i. **Socialization**: Building an organizational culture of known and shared objective and values through such mechanisms as the transfer of managers, career path management and measurement and reward systems.

ii. **Lateral or cross-departmental relations**: These relations include communication between managers that cut across the formal structure through such mechanisms as teams, task forces and integrative departments.

iii. **Informal communication**: The encouragement of non-hierarchical communication through the creation of networks among managers, corporatemMeetings and the transfer of managers.

2.4.7 Subtle mechanisms of control

Recent research has focused more particularly on the role that expatriates play in transferring not only the technical knowledge, but also the tacit knowledge of the company's practices and ways of doing business (Ferner, 2000). Besides the transfer of expatriate personnel to host countries, recent research has also focused on the idea of inpatriation. Inpatriation refers to bringing employees from the host country to the headquarters to learn the knowledge of the company practices and company way (Jain and Tucker, 1995). The advantage for this method is the chance for the inpatriate to experience and learn the practices of the parent company first-hand before taking them and using them in the home country (Jain and Tucker, 1995). Even though the transfer of expatriates and inpatriates has acknowledged a great deal of attention, the literature also transcripts the use of additional informal and subtle mechanisms. For instance, Derr and Oddou (2001) highlight that two of the emergent methods by multinational companies to foster internationalization and to acquire essentials of the company is the use of in company training seminars and international networks and task forces.

2.5 Factors that influence the control mechanisms by MNCs on its subsidiaries.

2.5.1 Size

Young (2000) advocates that the larger the size of the organization, the lesser amount of emphasis placed on centralized control and the greater emphasis that will be placed on bureaucratic control through regularization of policies and practice. In reference to
the size and the level of bureaucratic control, several authors empirically support a positive relationship between the size of the MNC and the greater emphasis and use of bureaucratic controls (O'Donnell, 2000; Roth and Kostova, 2002). Dossi and Patelli (2010), argued that while increased size can make a subsidiary more resourceful, less dependent and able to resist practices from headquarters, this increased resource may also make the subsidiary more important to the company as a whole and subsequently more attention paid to the subsidiary. Often times, subsidiaries have substantial power and considerable autonomy, in some cases even over worldwide operations (Bouquet and Birkinshaw, 2008)

2.5.2 Organization Type
MNC are often notable between multi-domestic, global and transnational organizations. Several authors suggest that centralization is highest in global MNC and lowest in multi-domestic organizations (Bouquet and Birkinshaw, 2008). One of the few empirical studies, Roth and Kostova (2003) analyzed the difference between the total level of control between multi-domestic and global MNC. The authors found that global firms did have higher levelsof formalization of practices, centralization and the use more of subtle control mechanisms than did multi-domestic firms.

2.5.3 Subsidiary Role
When decision-making is delegated to subsidiaries, headquarters face the challenge to employ control mechanisms that align subsidiary activities with the MNC’s strategy and offer relevant information for managerial decision-making both at headquarter and subsidiary levels (Luo, 2005). MNC assign different strategic roles to different subsidiaries. At the same time, quite a lot of authors advocate this strategic role of the subsidiary may have considerable effect on the level and type of control mechanism used by the headquarters (Gupta and Govindarajan, 1991).

2.5.4 Local Responsiveness / Environment
Local environmental context can also have a significant influence on a subsidiary’s strategic choices (Jarilloand Martinez, 1990). Though several studies have examined the effect of host country and local market conditions on MNCs’ decisions to establish
subsidiaries but managers’ perceptions of their local industry conditions are expected to significantly influence the level of subsidiary entrepreneurship (Hall, 2008). Researchers have observed that firms which compete in turbulent environments are more likely to be entrepreneurial than firms in stable environments (Prahalad, 1999).

i. Environmental Dynamism

Dynamism refers to the changes that occur in a subsidiary’s environment because of technological or market shifts. Technological shifts create new opportunities for companies to pursue profitability and growth (Tushman, 1979). Subsidiaries competing in dynamic industries are likely to experience pressures to revise their technological assets and build new capabilities or risk failure. Dynamism also means that innovation is fast-paced, causing technological obsolescence among companies that fail to upgrade their products (Prahalad, 1999). In this dynamic environment, a subsidiary has to be aggressive in its innovation as well as be proactive in pursuing emerging market opportunities (Garry and Hood, 2011). This, in turn, requires a subsidiary to promote a risk-taking orientation among its employees, which would intensify entrepreneurship (Jarillo and Martinez, 1990). Dynamism also fosters the development of radically new products (Prahalad, 1999), where the firm can develop a reputation for being on the forefront of technological change.

A subsidiary can use this reputation to target new customer groups and achieve higher profits, or offset the liability of foreignness in its local markets. Dynamism also results from changes in the mix or demographics of the market served by the subsidiary (Prahalad, 1999). It might result also from the aggressive market campaigns waged by a subsidiary’s domestic or foreign rivals. A dynamic environment can prompt the subsidiary to innovate and take calculated risks (Morris, 1998), becoming more proactive in its operations. Pro-activeness can enhance the subsidiary’s responsiveness to the changing expectations of their customers. According to Prahalad (1999) dynamism also creates new opportunities that subsidiaries can pursue to achieve profitability and growth. Thus, as managers perceive higher levels of dynamism in their
environment, the subsidiary's entrepreneurship will intensify which results to positive performance (Prahalad 1999).

**ii. Environmental Hostility – (Rules and Regulations)**
Source of turbulence is the perceived hostility of the subsidiary's local environment (Prahalad, 1999). Hostility results from unfavorable changes in the local market through the proliferation of rivals (Prahalad, 1999), shifts in the ways companies position themselves, adverse regulatory changes (Morris, 1998), or increased state protectionist policies of home country companies (Miller, 1992). When subsidiary managers view these changes as unfavorable, they are likely to explore ways to reduce the overall negative effect of these conditions on their operations (Morris, 1998).
Subsidiaries are likely to experiment with new systems of management and organization, hoping to foster a spirit of innovation and risk taking in their operations. This process can increase the subsidiary's entrepreneurship (Davila, 2005).
Ferner (2000) noted that increased environmental hostility stems from globalization and resultant intensity of competition in an industry state that, “The globalization of an industry destroys its previous structural and competitive equilibrium... [it] creates the simultaneous need for global-scale efficiencies, worldwide learning, and local responsiveness” (p.107). Addressing these challenges requires innovation and a willingness to take risks in order to capitalize on the knowledge that exists in the firm's diverse markets (Prahalad, 1999).

**iii. Environmental Complexity.**
A final source of turbulence is the perceived complexity of the subsidiary's business environment (Prahalad, 1999). This complexity might result from the perceived diversity of the needs of the different customer groups that the subsidiary serves (Davila, 2005). It might also result from the perceived interconnectedness of the different external forces that influence the subsidiary’s operations (Morris, 1998). Interconnectedness creates uncertainty about the firm’s environment, making it difficult for managers to plan ahead. If the local environment is viewed as complex, then the subsidiary is expected to
become more proactive in its operations and supportive of entrepreneurial risk taking (Morris, 1998). Prahalad (1999) notes that the complexity of today’s global business environment has been a major reason for the growing emphasis on entrepreneurship among MNCs. Other researchers have also highlighted the importance of environmental complexity as a catalyst for innovation and risk-taking (Bartlett and Ghoshal, 1990). Some prior research has also concluded that increased environmental complexity is associated with higher levels of entrepreneurship and less control.

2.5.6 Locus of decision making (Autonomy)
Some institutions may allow decentralization of decision making power for some important aspects among lower level managers whereas centralization of decision making is a characteristic of an organization which most decisions are made by the top executives (Bjorkman, Rasmussen and Li, 2004). In most centralized MNCs, subsidiaries are granted less autonomy as most important matters are deliberated at headquarters of the parent company and other another hand decentralized multinational companies give more autonomy to their foreign subsidiaries (Tsai, 2001).

It is argued that centralized organizations exert stiff and tighter control over their subsidiaries as opposed to those of decentralized firms (Harzing, 2001). The degree of autonomy is determined by the nature of the decisions and their impact on the overall MNCs' operations, industry characteristics and the type of the information system used (De Jong and Van Vo, 2010). In cases where the decisions outcomes have an impact on the subsidiary only and the host country, the subsidiary’s managers are granted more independence. But this is opposite in large, globally integrated as decision making is more centralized for easy coordination of the activities of various subsidiaries (De Jong and Van Vo, 2010). On aspects involving negotiating new agreements with host governments, the subsidiaries are required to get clearance with parent company headquarters to authenticate their decision making (Harzing, 2001).
According to Geppert and Williams (2006) the degree of institutional embeddedness of the subsidiary in the host country represents whether the subsidiary operates in a country with a highly or weakly integrated national business system. In their study Geppert and Williams (2006) emphasized that nationally specific industrial orders and societal effects may create alternative paths for organizing businesses controls and management. The degree of cohesion, interdependence, embeddedness, and integration of institutions and business organizations in the Anglo-Saxon model of capitalism is much lower than in other capitalist countries, such as Germany and Japan (Dunning, 2009). De Jong and Van Vo (2010, pp59) in their study also mentioned that decision making autonomy varies within the functional areas.

2.6 Control systems as barriers to performance and relationship building

2.6.1 Corporate Immune System and Absorptive Capacity

The presence of the corporate immune system which represents a set of organizational forces that resist the advancement of initiatives suggested and information passed by the foreign subsidiary to the headquarters results in control systems being rigid and may result in adverse performance of the subsidiary (Birkinshaw and Ridderstrale, 1999).

The flow of information from the subsidiary to headquarters though armed with positive implications may not be understood by headquarters, which can oppose them for various reasons from ethnocentrism, resistance to change and suspiciousness of the known due to the stiff control systems implement (Birkinshaw and Ridderstrale, 1999). Anderson and Forsgren (2000) notes that headquarters may lack in depth understanding of the subsidiary’s local corporate environment and relevant knowledge about the subsidiary’s resources, clientele and potentials of its networks as the corporate headquarters are not directly involved and embedded in the local network.

The engagement of the headquarters and foreign subsidiary in knowledge transfers and organizational learning does not imply control systems are effective and efficient on a routine basis (Luo, 2005). To create benefits, the MNC headquarters must embrace the value of local knowledge, assimilate and also apply it in practice (Ambos, Andersson,
Birkinshaw, 2010). Cultural differences, environmental complexity and organizational distance in relation to variety of work practices and norms between subsidiary and headquarters can however make it difficult for the control systems to be effective (Luo, 2005).

2.6.2 Divergent Interests and Information Asymmetry

Luo (2005) highlights that interdependence and control affects each other in a headquarters-subsidiary relationship. Greater autonomy means the less reliant the subsidiary becomes of the headquarters and the more authority it holds in terms of decision making and local knowledge gained (Luo, 2005). The foreign subsidiaries may not want to communicate or exchange best practices because of lack incentives and conflicting interests as the subsidiary knowledge is deeply rooted in local environment thus making control systems falter (Ambos et al, 2006). In this view, the headquarters’ control is thereby often challenging as the headquarters-subsidiary relationship is fraught with the information asymmetry, which subsidiary owning high level of specialized information that headquarters does not possess (O’Donnell, 2000).

A basis of organizational tension resulting from control systems generates from information sharing and processing between the subsidiary and the MNC head office (Luo, 2005). Based on this aspect tensions arise because the headquarters do not provide foreign subsidiary adequate resources and information to perform remarkably well (O’Donnell, 2000). The differences between the headquarters and subsidiary relationship which are evident due to lack of information and other resources are as a result of controls brings in displeasure and differences in perceptions from both ends (Ambos et al, 2006). The control systems bring up agency problems which arise from conflicting goals and divergent interests between involved parties (Luo, 2005). When subsidiary is obliged to adopt a certain organizational practice by the headquarters, controversy between control and autonomy leads the subsidiary to adopt the practice to a varying degree (O’Donnell, 2000).
An adoption of organizational standard practices and procedures differs depending on the institutional environment, local country and the relational context which the subsidiary is embedded in, including identification, dependence and trust within the MNC (Kostova and Roth, 2002). The direct control mechanism in using the expatriates is often regarded to have a negative impact on subsidiary’s ability to absorb new knowledge from the local environment and transfer it forward to the rest of the organization (Andersson and Forsgren, 2000). Control systems such as incentives and evaluation of performance, used by the headquarters should be thus adapted to the characteristics of each and every subsidiary’s environment (O’ Donnell, 2000). The divergent perceptions are increased by tensions of interdependency and control, demands for global integration and local adaption and subsidiaries’ separation through time and culture (Ambos et al, 2006).

2.6.3 Interdependence - The issue of Control and Autonomy
The headquarters-subsidiary relationship is characterized by tensions between the subsidiary’s autonomy and the headquarters’ need to control (Kostova and Roth, 2002). As headquarters need to retain control and centralized harmonization of the spread activities to realize overall firm strategy however headquarters cannot effectively make all decisions as it does not possess the full knowledge of the subsidiary environment (O’Donnell, 2000). In this perspective, the subsidiary is given autonomy and it is a better option as opposed to the headquarters control to exercise greater discretion and be responsive to the local environment (O’Donnell, 2000). The headquarters’ control remains a mammoth task as the MNC is composed of a various differentiated structures and controlling these heterogeneous environments remains a an enormous challenge (Andersson and Forsgen, 2000).

2.6.4 Integration
According to Luo (2005) foreign subsidiary is both embedded in MNC’s corporate network and the local network in which it operates. In this aspect the foreign subsidiary will act as a broker between the local environment and the headquarters’
(O’Donnell, 2000). The management of this relationship is not an easy process due to the lack of integration of the subsidiary into the overall MNC network may lead to management problems which results in foreign subsidiary not contributing significantly to the headquarters’ benefit (Luo, 2005). Integration glitches result in headquarters not only being able to give full attention to all their subsidiaries though in the presence of control mechanisms (Andersson and Forsgen, 2000). This leads to subsidiaries struggling to be heard by their headquarters and lacking resources which in turn resulting in poor performance of the subsidiary which often leads to missed opportunities for the headquarters (O’Donnell, 2000).

2.7 Conceptual Framework

For outline, Fig 2.1 presents the set of the independent variables, dependent variables and extraneous variables derived from literature to explicitly give a direction to the fundamental conceptualization of this study. The significant attributes which were mentioned in literature review and for which have been extensively highlighted in the literature review and recurrently included in the conceptual framework in Fig 2.1 are built on a collection of assumptions between the variables, now being transformed into propositional arguments. The researcher will operationalize and empirically test the relationship of these variables.
**Figure 2.1 Conceptual Framework**

<table>
<thead>
<tr>
<th>(Assumed Cause)</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureaucratic Control</td>
<td></td>
</tr>
<tr>
<td>Cultural Control</td>
<td></td>
</tr>
<tr>
<td>Output Control</td>
<td></td>
</tr>
<tr>
<td>Behavioral Control</td>
<td></td>
</tr>
<tr>
<td><strong>Environment Turbulence</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Senior management effectiveness</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Cultural Differences</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Extraneous Variables</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source: Adapted from Kumar (2011)**

**Independent Variables**

The independent variables for this study include bureaucratic controls, cultural controls, output controls and behavioral controls. Bureaucratic controls consist of direct financial reporting, budgeting, strategic planning and implementation and autonomy. The cultural controls is the MNCs controls which influence the staffing options for the critical positions in the subsidiary’s organizational set up. Behavioral controls are the controls associated with setting up of surveillance mechanisms such as headquarters code of conduct and staffing options are regarded as part of it. Output controls are results oriented as there are more focused on the sales or revenue made at the end of the financial trading year.
Extraneous Variables
The researcher identified the environmental turbulence, senior management effectiveness and cultural differences as the extraneous variables. In this study, the environmental turbulence includes political stability and government rules, policies and regulations. On the economic side the researcher identified the liquidity crunch and collapse of the manufacturing industry as part of the variables which may have an indirect effect for the controls implemented by the MNCs to be successful. The senior management effectiveness which includes the skills and the motivation needed to adopt and implement the controls from the MNCs headquarters.

Dependent Variables
It is expected that if the controls by MNCs are implemented properly the subsidiary is expected to yield improved profitability, improved revenue, improved market share and improved corporate governance.

2.8 Chapter Conclusion
This chapter has discussed the following key areas; definitions of the multinational companies, summarized facts about the MNCs, characteristics of MNCs, MNCs control approaches, examples of different control approaches used in different countries, modes of control and the transfer of standard practices within MNCs, factors that influence the control mechanisms by MNCs on its subsidiaries, control systems barriers to performance and relationship building and conceptual framework. Nevertheless, the existing literature is not best fit to answer research objectives outlined in Chapter 1, therefore this research which examines Aon Zimbabwe from the Zimbabwean insurance broking perspective. The study is guided by the conceptual framework in Figure 2.1 above and the research methodology to discussed in the next chapter.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
The direction and quality of every research normally derives from the method used to research and compile it. The preceding chapter reviewed the existing relevant literature linked to the area of the study. The motivation of reviewing existing literature was intended to understand the multinational control systems behaviour and concepts in order for the researcher to pick areas which needs improvement based on the findings of this study.

In a nutshell, Chapter 3 basically focuses on the research methodology used in the research. The research design, the research methodology and the strategy will be discussed more in detail in this section by researcher. The researcher also discusses the rationale of adopting a single case design and also justifies the employment of the case study approach using the phenomenological methodology. Furthermore, the researcher mentions the connotations against the use of the case study approach and the motive of selecting this research strategy. The sampling techniques, population, data collect and data analysis are also described in detail under this section. This chapter seeks to provide an overview of the strategy that will be used to conduct the research, collect the necessary data for analysis and interpretation of the research findings. The second part reviews on sample selection and carries an explanation on primary data collection activities, mainly from personal interviews with senior staff at Aon Zimbabwe and observation of processes, and secondary data collection from archival documents. The last section of the chapter discusses the within-case data analysis methods used for this study.

3.2 Research Design
According to Yin (2003) research design is a framework that connects the empirical data to the study’s questions, ultimately to the findings and its conclusions. It provides a roadmap for the researcher in the process of gathering, analyzing, presentation and interpretation of the research findings, allowing the researcher to draw inferences
relation to dependent and independent variables under investigation (Yin, 2003). The choice of research design follows consideration of the relevance of each of the possible designs to the objectives of the study, as well as the setting in which the study is conducted. The researcher used a representative, a single case design (Yin, 2008) of Aon Zimbabwe because only one subsidiary of a multinational corporation was studied. Yin (2008) argues that one of the five justifications for a single case is when a case is characteristic or symbolic. A case study has been chosen deliberately on the basis of specific attributes to be found in the case as attributes that are particularly significant in aspect of the practical problem or theoretical aspect the researcher wants to explore. In world constraint with time and financial factors, the selection of a case is quite likely a consideration of convenience in research spectrum. It is reasonable and viable for the researcher to select a research strategy which involves the least travel, the least expense and the least difficulty in terms of information accessibility. The results of the research are applicable to other subsidiaries of the MNCs which operate under similar control systems of their headquarters in Zimbabwe.

3.3 Research Philosophy
The research philosophy can be classified into two distinct approaches; phenomenological and positivism. These approaches are also known as the quantitative and qualitative research methods (Saunders, Lewis and Thornhill, 2009). The two approaches can be used in combination to carry out a research.

3.3.1 Quantitative Approach
According to Denzin and Lincoln (2005) quantitative research is methodology that takes into account valuable descriptions of observed phenomena and explains the relationships between the descriptive surveys, longitudinal developments, correctional and ex-post factors. Quantitative research is objective and based on the set rules that cannot be varied and its emphasis is on highly structured methodology and quantifiable observations that lead to statistical analysis (Saunders, Lewis and Thornhill, 2009).
According to White (2000) quantitative research is staged on the thorough evaluation of evidence, development of theories, testing of hypothesis and further refining them.

3.3.2 Qualitative Approach
Qualitative approach is an unstructured research methodology specifically designed to carry research based on a small and carefully selected sample to produce non-numerical insights into motivations, attitudes and behaviour of the selected sample (Wilson, 2006). Qualitative research focuses on the meanings, traits and definition of characteristics, events, people interactions and settings (Wilson, 2006). An exponent of qualitative methods explains that quality refers to the how, what and when and was of a thing-its essence and ambience (Wilson, 2006). Therefore, qualitative research refers to the meanings, concepts, definitions, characteristics, metaphors, symbols and descriptions of things (Berg, 2007).

Table 3.1: The difference between Quantitative and Qualitative Approaches

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Framework</td>
<td>Seek to confirm hypotheses about phenomena.</td>
<td>Seek to Explore phenomena.</td>
</tr>
<tr>
<td></td>
<td>Instruments use more rigid style of eliciting and categorizing responses to questions.</td>
<td>Instruments use more flexible, iterative style of eliciting and categorizing responses to questions.</td>
</tr>
<tr>
<td>Analytical Objectives</td>
<td>To quantify variation. To predict causal relationships. To describe characteristics of a population.</td>
<td>To describe variation. To describe and explain relationships. To describe the individual experiences and group norms.</td>
</tr>
<tr>
<td>Questions</td>
<td>Close-ended</td>
<td>Open-ended</td>
</tr>
<tr>
<td>Data Format</td>
<td>Numerical (obtained by assigning numerical values to responses)</td>
<td>Textual (obtained from audiotapes and field notes).</td>
</tr>
<tr>
<td>Flexibility in Study Design</td>
<td>Research design is constant from beginning to end. Participant responses do not influence or determine how and which questions researchers ask next. Study design is subject to statistical assumptions and conditions.</td>
<td>Some aspects of the study are flexible. Participant responses affect how and which questions researchers ask next. Study design is iterative, that is data collection and research questions are adjusted according to what is learned.</td>
</tr>
</tbody>
</table>

Source: Berg (2007)
Advantages of Qualitative Approach

The superiority of qualitative over quantitative research arises from the core differences in what qualitative and quantitative research are, and what they are able to contribute to the bodies of knowledge (Berger, 2007). Qualitative methods provide a depth of understanding of issues that are not possible through the use of quantitative, statistically-based investigations. Qualitative methods are the approach that centralizes and places primary value on complete understanding, and how people (social aspect of our discipline) understand, experience and operate within milieus that are dynamic, and social in their foundation and structure (Tewksbury, 2009).

As Worrall (2000) contends, one reason that quantitative research enjoys worldwide heightened respect in the discipline,” lies in the predictive advantages more in the ability to make more predictions is one of the characteristics of quantitative methodology. However, while the ability to predict what is to come is suggested as central to the value of quantitative research but predictions are based on theoretical grounds and theoretical concepts, prepositions and relationships. Such theories are the product of qualitative research; qualitative research creates the concepts and proposes the theories that are used to launch tests and predictive models (Tewksbury, 2009). Qualitative methods allows the respondents to freely express themselves in their own words and this enhances chances of getting more detailed and in-depth information as opposed to the use of quantitative methods which are rigid and choose from a fixed responses.

3.3.3 Selecting the appropriate approach to this study

In selecting the suitable approach between qualitative and quantitative, Yin (2003) states that the selection is influenced by type of the research, financial resources, time constraint, human capital and the background of the study. The qualitative or phenomenological approach was the ideal approach to use to carry out this research taking into consideration the research problem given in Chapter 1. This was done recognizing the following parameters identified by Hussey and Hussey (1997, p54) as
qualitative research generates rich, detailed, subjective, valid information and the collection of data process is rather subjective due to the personal involvement of the researcher. The concepts elaborated by Hussey and Hussey (1997) above are suitable with the case study methodology described in detail in section 3.4.1 because it is qualitative in nature as defined by Silverman (2000).

Qualitative research has three fundamental characteristics that distinguish it from quantitative research as it involves small samples and also it uses indirect methods of investigating feelings, perceptions, attitudes and beliefs and it is not easy to claim conclusive recommendations (Saunders, Lewis and Thornhill, 2009). As this study involved a small sample of Aon Zimbabwe selected staff compliment that provided their thoughts, feelings and reactions on how the control mechanisms by Aon Corporation are affecting their financial, behavioral, knowledge and cultural aspects within the company operations. Qualitative approach was used in this research and the justification of this choice was bounded time and finances on the researcher’s part. Accordingly this approach was permissible for the researcher to respond timeously to what the said and afterwards tailored questions to the information they provided (Mark, 2005).

3.4 Research Strategy
Considering the various alternatives, the goal of this segment is to choose the appropriate type of study which was used to provide valuable and suitable solutions to the research problems and sub research questions mentioned in Chapter 1. The research strategy alternatives are many. Leedy and Ormrod, (2001) and Miles and Huberman, (1994)argue that the research strategies comprises of an experiment; grounded theory; surveys; modeling; operational research and finally case study. The degree of focus on the modern as opposed to historical events, the influence of the researcher over the behaviour of the respondents and the type of the research questions asked determine the degree of the use of some research methods (Yin, 2003).
In relationship to the research problem posed in Chapter 1, taking into cognizance this study evolves on “how” and “why” questions about a contemporary and above all which the investigator has limited control (Yin, 2003). Case study was regarded as the most appropriate alternative for this study. In sub section 3.4.1 to 3.4.2 case study strategy paradigm will be discussed in detail.

3.4.1 Case Study Strategy
According to Yin (2003) case study is an empirical analysis that examines a contemporary phenomenon taking into account the real life set up. Furthermore, Stake (1995) defines case study as the study biased towards studying the uniqueness of a single case and understanding its behaviour and important circumstances in relation to the research problem.

The researcher selected the case study as the most appropriate research strategy to carry out this research. The justification of the use of the case study strategy is that it allowed the investigator to get in-depth information from the respondents (Silverman, 2000) in relation to the impact of Aon corporation control systems on Aon Zimbabwe performance through qualitative means.

Some of the factors which were considered when selecting the case study strategy are as follows;

Feasibility
According to Yin (1994) feasibility of the research comprises the ability to conceptualize, plan, execute, provision of feedback on the findings and recommendations in relation to the case study organization. For this research to meet the qualities mentioned by Yin (1994), case study organization(Aon Zimbabwe) would be within reasonable reach of
the researcher for easier accessibility to research information and have the managerial support in place to ensure successful completion of the study and provide feedback.

Access
Information accessibility is essential when conducting a research and for the research to be successful full cooperation of the organization providing the information should be secured for the duration of the research (Yin, 2004). In practical the case study organization should be easily accessible, availability of willingness to support and finally the organization’s nature of business should not be security tight as it compromises the availability of information. For this research, accessibility was not problematic as the researcher received full support from both the executive committee of Aon Zimbabwe for approval to carry out the research and operational level for participation in the research.

3.4.2 Prejudices against the case study strategy
Yin(2003) argues that the greatest concerns of using case study research is the lack of rigor as most of the times the investigator has been sloppy, has not followed systematic procedures, or has allowed equivocal evidence or biased views to the direction of the findings and conclusions. According to White (2000) defending the use of case study, he mentioned that there is failure in people to distinguish case study teaching from case study research. In case study teaching there is an involvement of making alterations to research material for the sake of reviewing a concept more effectively however this is not permissible in case study research.

3.5 Data Collection
3.5.1 Population
Population is defined as a set of units that the research is oriented on for example objects, people, events or transactions (Dillman, 1994). For this study, the sample comprised of Aon Zimbabwe three General Managers, Finance Director, Human
Resources Manager and IT Manager drawn from the Aon Zimbabwe Executive Committee population. According to Mclave, Benson and Sincich (2007), population study involves studying one or more characteristics of the units in the population. The motivation for the selection of the senior management sample was based on their direct involvement in the strategic planning process at Aon Zimbabwe. The selected sample assisted the researcher in achieving management perceptions that were relatively or almost similar.

3.5.2 Data Sampling Strategy
According to Saunders, Lewis and Thornhill (2009), data sampling is divided between probability sampling and non-probability sampling. Probability sampling is a sampling process that utilizes some random selection. In probability, each unit is drawn with known probability or has a non-zero chance of being selected in a sample. Such samples are usually selected with the help of random numbers. This means that it is possible for the researcher to answer research questions and to achieve objectives that require the researcher to estimate statistically the characteristics of the population from the sample. With probability, a measure of sampling variation can be obtained objectively from the sample itself (Saunders, Lewis and Thornhill, 2009). Probability sampling constitutes simple random sampling, stratified sampling, systematic sampling, cluster sampling and multi-stage sampling (Saunders et al, 2009). Probability sampling is often associated with survey and experimental research strategies (Denzin and Lincoln, 2005).

Non probability sampling, the probability of each case being selected from the total population is not known and it is impossible to answer research questions or to address objectives that require the researcher to make statistical inferences about the characteristics of the population. On probability sampling includes quota sampling, snowball, convenience sampling, purposive sampling and self-selection sampling (Saunders, Lewis and Thornhill, 2009).
3.5.2.1 Purposive Sampling
According to Saunders et al (2009) purposive sampling enables the researcher to use his or her judgments to select cases that will best enable him to answer his or her research questions with a motive of achieving his or her research objectives. The researcher selected purposive sampling as the most suitable for this study after taking determined by the nature of this research.

As discussed by Powell (1997), purposive sampling appears more appealing to choose a sample based wholly on the population knowledge and the objectives of the study. In support Leedy and Ormrod (2001) defines purposive sampling where units or people are selected for a purpose based on the judgments of the investigator. Purposive sampling is usually used when the researcher is working with relatively small samples for example case study research and as well as when the researcher wishes to choose cases that predominantly informative (Saunders, Lewis and Thornhill, 2009). For this study, focus was on a single organization (Aon Zimbabwe) and sample of senior management was drawn because of their departmental operations which were influenced by control systems implemented by Aon Corporation in a way.

3.5.3 Sampling Frame
According to Saunders et al (2009) defines a sampling frame as a list of sampling units available for the selection during the sampling process. In regards to purposive sampling, the sample size is whether fixed or not prior to data collection and this is constrained by the availability of finances and time and the research objectives (Denzin and Lincoln, 2005). For this study the sample constituted of six Aon senior managers who were able to respond to research questions which were relevant to meet the study objectives.
3.6 Data collection methods

There is a wide choice of data collection methods which can be used to collect data under the case study research. The researcher can collect data through the use of interviews in variety formats including unstructured, structured and semi structured; questionnaire; observation; gathering of documentation and articles (Saunders et al, 2009). According to Gillman (2000) the researcher can use one or more of these proposed methods and case study being regarded the main method with it sub methods are used mostly observation, interviews, record analysis and document. Saunders et al(2009) also included comprehensive approach of data collection which includes secondary data, observation, interviews and questionnaires. For the purpose of this research study data collection methods used are explained below in more detail.

3.6.1 Interview

Interview is regarded to be the best approach to be used for data collection technique in field research and appropriately suited to the case study method (Saunders et al, 2009). Semi structured interviews were a best fit for this research because these offered free responses from participants to specific research questions. The justification for using the semi structured interviews is that it allowed the investigator to solicit information and further probing of the interviewees. In this way interview data is richer as the researcher learns how the interviewee sees and knows something, but so does the researcher get any explanation of that observation or knowledge and thus interview data also provides the answer in an unlimited range of possibilities and with an accompanying context (Tewksbury, 2009). The disadvantages of interviews are that an element of bias can crop in from the interviewer and it can be expensive in terms of training the interviewer.

The justification of the use of the interviews by the researcher is that bias is limited and travelling costs are minimized as the sample of managers interviewed was stationed at one workplace. The motivation of interviewing the senior management by the researcher was to obtain in-depth information at the strategic positions of the company.
The researcher crafted an interview guide using unstructured and open ended questions. The interview guide was pre-tested prior to the actual interviews with respondents in order to examine the potential of the respondents in answering the questions without facing difficulties. For this study the interviews were conducted face to face.

3.6.2 Questionnaires
Saunders et al (2009) defines a questionnaire as a research tool for collecting and recording primary data for a particular issue of interest. It is mainly made of list of questions and it also includes clear instructions and space for answers or administrative details. Questionnaire should always have a definite purpose that is related to the objectives of the research and it needs to be clear from the outset of how findings will be used (Saunders et al, 2009). The questions asked can be structured, semi structured or unstructured. Respondents also need to be made aware of the purpose of the research wherever possible, and should be told how and when they will receive feedback on the findings (Gillham, 2000). According to Leedy and Ormrod (2001) the use of questionnaire as data collection tool has the following advantages and disadvantages.

Advantages
1. A questionnaire is easy to standardize. For example, every respondent is asked the same question in the same way. The researcher therefore can be sure that everyone in the sample answers exactly the same questions which make questionnaire a very reliable method of research.

2. The questionnaire can be both anonymous and completed in privacy. This increases the chances of the respondents answering questions honestly because there are not intimidated by the presence of the researcher.
Disadvantages
1. The respondents may decode and understand questions in a wrong way and as a result the responses given will not be correct one in line with the research objectives.
2. Bias may crop up from the respondents as they can individually select to answer certain questions and thereby not fully participating in the research.

3.7 DataAnalysis
The presentation and analysis of qualitative data under the phenomenological approach was discussed by several authors and amongst them are (Miles and Huberman, 1994; Leedy and Ormrod, 2001). According Leedy and Ormrod (2001) data presentation and analysis in a case study involves organization of specifics about the case, the classification of data and its interpretation, identification of patterns and finally synthesis and generalizations. For this study data was analyzed and presented by going through all the questions, establishing and integrating common patterns, relationships and themes (Miles and Huberman, 1994). The researcher analyzed all the information collected against theory in Chapter 2-Literature review section and the appropriate inferences were made.

3.8 Chapter Conclusion
In summary this chapter dwelt on the research design, research methodology, research strategy, and data collection methods, data sampling strategies and data analysis and the chapter conclusion. This chapter highlighted the research design and methodology employed in quest of answers to the research questions. The research strategy employed in the study is the qualitative approach and which fits tightly with the descriptive approach followed for the study. The research methodology is rooted in phenomenology as it is appropriate for this research as it is based on a small sample and feelings, thoughts and reactions of Aon Zimbabwe employees on control mechanisms implemented by Aon Corporation thus more suitable for explaining human behaviour. The research strategy to be followed for this study was qualitative approach which suits well with descriptive approach used for the case study. Purposive sampling was the sampling method which was used to carry out this study. Questionnaires and
interviews were used to collect data from the respondents for the period in question (2009-2012).

In Chapter Four, the researcher discusses and analyses the research findings.
CHAPTER 4: RESULTS AND DISCUSSION

4.1 INTRODUCTION
In the previous chapter, researcher had discussed the research design, research methodology, and research strategy, and population, sample of the research, sampling method used on the study and tools used for data collection. Data analysis is considered to be essential step and core of the research in research work. After collection of data with relevant tools, the next logical step is to analyze and interpret data with a view to test the hypothesis and answer. This chapter comprises the analysis, presentation and interpretation of the findings resulting from this study.

The researcher in this chapter discusses, presents and summarizes the research findings from in-depth interviews conducted and the analysis was done using content analytic tables. The results in the tables were explained followed by a discussion of the implications and the link to literature. The chapter comprises of two sections that summarize the responses of the face-to-face interviews conducted with three strategic business units General Managers (GM), Finance Director (FD), Human Resources Manager (HRM) and Information and Technology (IT) Manager of the Aon Zimbabwe Limited.

4.2 Response Rate
Table 4.1 shows the response rate of the face-to-face interviews.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Total Interviewed</th>
<th>% Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>General Managers</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>IT Manager</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>1</td>
<td>100</td>
</tr>
</tbody>
</table>

The researcher managed to get a 100% response rate as the sample size was easily accessible and small. The collection of data was economical in terms of financial resources and time because there was no movement needed from one place to another, as all respondents were situated Aon Zimbabwe Limited business premises.
4.3. Section A: Demographic Section  
Table 4.2: summarizes demographic information of the respondents interviewed.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Age (Years)</th>
<th>Gender</th>
<th>Profession/Qualification</th>
<th>Numbers of years in organisation</th>
<th>Number of years in current position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>50-55</td>
<td>Male</td>
<td>Accountant</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>GM -Insurance Broking</td>
<td>40-45</td>
<td>Male</td>
<td>Economics</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>GM-Reinsurance</td>
<td>40-45</td>
<td>Male</td>
<td>Risk and Insurance</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>HRM</td>
<td>40-45</td>
<td>Female</td>
<td>Human Resources</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>GM-Employee Benefits</td>
<td>35-40</td>
<td>Male</td>
<td>Actuarial Science</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>IT Manager</td>
<td>35-40</td>
<td>Female</td>
<td>Information Systems</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

From Table 4.2, four respondents who were forty years and above have been employed by Aon Zimbabwe for more than ten years and have vast experience in their areas of specialty. Three respondents were within 35-40 years age limit and only one respondent was within the 30-35 years age bound. All the respondents have vast experience in their current posts as they have been holding these posts for 5 years and above and also held these posts during the period covered by the case study (2009-2012). The ages of the respondents and the years of employment indicated the respondents were mature and knew the performance history and operation activities of the company as it evolved over the past decade. Also of the respondents interviewed, 4 were male and 2 were female. The respondents had Risk and Insurance, Actuarial Science, Accounting, Human Resources, Information systems and Economics. The diversity of the professions enabled the researcher to obtain rich information from the individuals with different academic backgrounds.
4.4. Section B: Control Approaches, Modes and Standard Practices.
Question 1: What methods/modes are being used by Aon Corporation to control the operating and financial activities of Aon Zimbabwe?

**Table 4.3: Control systems used by Aon Corporation on Aon Zimbabwe**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>1. Aon Corporation usually sets budgets for us at the beginning of each year. &lt;br&gt;2. We are required to comply with the financial accounting standards such as IFRS and GAAPs for global accounting standardisation. &lt;br&gt;3. Financial auditing at the end of year as per Aon Corporation standards. Auditors come from United States every year at the end of our financial trading year. &lt;br&gt;4. Aon Leadership Model</td>
</tr>
<tr>
<td>General Manager - Broking</td>
<td>1. Aon Leadership Model – this model tries to acquaint every Aon employee with the culture of the organisation and the way of doing things the Aon way. &lt;br&gt;2. Budgeting &lt;br&gt;3. We are obliged to use standard templates for the insurance reports we create for our clients.</td>
</tr>
<tr>
<td>General Manager - Reinsurance</td>
<td>1. Aon Corporation code of conduct &lt;br&gt;2. Aon Leadership Model. &lt;br&gt;3. In our division we are obliged to conform to Aon global standard so we use Aon Global standard templates for the placement of our reinsurance business.</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>1. Recruitment controls stating the minimum qualifications and experience needed for a certain vacancy in line with Aon Global standards. &lt;br&gt;2. Personal Loan policy controls the limit of loans attributable to an employee governed by Aon Global salary grading system. &lt;br&gt;3. Aon code of conduct &lt;br&gt;4. Travel and Entertainment policy controls the allowance attributable the manager or employee on business trip. &lt;br&gt;5. The organisation structure of Aon Zimbabwe follows that of Aon Corporation.</td>
</tr>
<tr>
<td>IT Manager</td>
<td>1. Computer Software and Hardware &lt;br&gt;2. Information, Communication and Technology Policy</td>
</tr>
</tbody>
</table>
The responses of the respondents in table 4.3 stated the types of controls which were dominantly used by Aon Corporation to monitor the operational and financial activities of Aon Zimbabwe. Budgeting, Aon Corporation policies and procedure, code of conduct, compliance issues, organizational structure and Aon Leadership model were some of dominant responses given by the respondents. The majority of respondents in their responses on controls stated the issue of conformity to Aon business practices and standards. This is in line with Harzing (2001) who refers bureaucratic control refers to some type of standard practices or standardization refers in which formalized and standardized rules, regulations or written manuals are used to guide the behaviour. Furthermore the research findings are in line with Muringasel (2008) who states that bureaucratic control denotes integrating mechanisms such as rules, policies, procedures and objectives or target performance setting to manage subsidiary activities.

Aon Leadership Model was a dominant response by the respondents as they elaborated that it is a framework and a design of doing business the Aon way. The respondents also mentioned that they liveAon valuesin their engagement as colleagues and as well as delivering distinctive client value to the market they serve. This is in line with the argument put forward by Schwartz and Davis (1981) that cultural control is deemed to be a set of beliefs, norms, values and expectations shared in an organization.
Question 2: What control approaches are being used by Aon Corporation to control the operating and financial activities of Aon Zimbabwe?

Table 4.4: Control approaches used by Aon Corporation

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>Rules and regulations.</td>
</tr>
<tr>
<td>General Manager-Broking</td>
<td>Standardisation</td>
</tr>
<tr>
<td>General Manager-Reinsurance</td>
<td>Aon Corporation controls are designed towards rules and regulations, compliance issues.</td>
</tr>
<tr>
<td>General Manager- Employee Benefits</td>
<td>The systems at Aon Zimbabwe are more guided by the frameworks which are provided Aon Corporation.</td>
</tr>
<tr>
<td>IT Manager</td>
<td>The information systems and technology we use at Aon Zimbabwe are the same with those used internationally for all Aon Corporation subsidiaries.</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>The control approaches are more designed on the Aon culture and values, rules and regulations and standardisation of processes and even the organisational structure follows that of Aon Corporation.</td>
</tr>
</tbody>
</table>

The rules and regulations, standardization, compliance issues and organization structure where some of the types of controls used Aon Corporation to control and guide Aon Zimbabwe operations as mentioned by the respondents. Based on the responses in table 4.4, Aon Corporation relies expansively on established rules and procedures, such as budgeting, formal reports, planning, performance evaluation, and hierarchical structure and this presents more of a rules oriented approach (Rugman and Oh, 2009). The response by the Human Resources Manager that the control approaches are designed based on the Aon Culture and values. This is line with (Harzing and Noorderhaven, 2006) that in cultural approach individuals exercise self-control and abide by cultural values, norms and expectations of the parent company.
4.5 Section C: The impact of multinational company control systems on the performance of its subsidiary.

Question 1: To what extent does the control systems enforced by Aon Corporation had an impact on the performance of your division?

This question was aimed at determining whether multinational controls systems had an influence on the performance of the Aon Zimbabwe operations. The responses from the respondents are outlined in table 4.5.

Table 4.5: The impact of MNCcontrolsystems on performance of the subsidiary.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>For the past three years, we are unable to break even or exceed the expectations as the organisation has been falling short of the budget sets. We incur a lot of expenses in terms of training and development and travelling to our regional offices for training. In terms of financial reporting for consolidation the accounts should be governed by IFRS regulations and for local the accounts must be prepared according to local GAAP. This cumbersome and time consuming. Auditing by Aon Corporation improved our accounting and reporting excellency.</td>
</tr>
<tr>
<td>General Manager-Benefits</td>
<td>To larger extent, the control systems maintain the integrity of the company and reduce any forms of litigation. The control systems helped us maintain our clientele base and win new business.</td>
</tr>
<tr>
<td>General Manager-Broking</td>
<td>We lost some clients who were on the OFAC list and this had a huge impact on attaining our budget. Some productive hours of our staff are lost when we send them on training to South Africa. The clients we lost who were on the OFAC list reduced our market share.</td>
</tr>
<tr>
<td>General Manager - Reinsurance</td>
<td>Control systems enhance our professionalism.</td>
</tr>
<tr>
<td>IT Manager</td>
<td>Control systems increased our training costs for the IT personnel. We are equipped with state of the art IT equipment which helps in providing distinctive client value. License fees paid for the IT software are relatively high in relation to the income generated by the organisation.</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>It makes our job hard as we wait for approval from the headquarters on all strategic decisions as pay increases, staff transfers and training. Control systems are expensive in terms of time.</td>
</tr>
</tbody>
</table>
In table 4.5, in their responses the managers had mixed fortunes on the impact of the controls systems on the performance of their divisions. The Finance Director cited that the control systems improved their accounting and financial reporting. The General Manager-Benefits mentioned that the controls systems maintain the integrity of the company intact and reduce litigation costs. The General Manager –Reinsurance stated that the control systems increase their chances to maintain their clientele base, enhance new business and professionalism. The IT Manager cited that the controls benefited them as they share the same state of the art IT equipment with Aon Corporation. This is in line with Don, Zou and Taylor (2008) that control is a crucial aspect of an organization governance system which enhances the ability to manage risk and is a fundamental aspect to supporting the organizational goals and protecting the stakeholder value. A major motive that the multinational companies control their subsidiaries is confined to the creation and preservation of value, without control, MNCs are not able to configure, coordinate, standardize and integrate their operations (Don et al, 2008).

On the other hand the respondents cited the negative impact of the control systems on the performance of their divisions. The respondents pointed out that the controls were costly in terms of time and financial resources. The Finance Director, General Manager-Broking, Human Resources and IT Manager stated that some working hours are lost when sending personnel for training and development to Aon Headquarters. Some controls, of which Aon Zimbabwe should adhere to, made the organization to suffer as they lost the clients who were on the OFAC list resulting in the shrinking of the organization’s market share and the organization was struggling to meet the budgets set. Although maintaining control over foreign operations is important, it is also expensive to so both in terms of the initial investments and the sacrifice of the flexibility /autonomy of the foreign operations (Don et al, 2008).
Question 2: How effective are these controls on the performance of the organization as whole?

This is a follow up question to Question 1 to test reliability of the responses of the respondents. The responses are detailed in table 4.6.

Table 4.6: Effectiveness of the Multinational company control systems

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>On the corporate governance issues the controls by Aon Corporation have been very effective. The controls support the organisation’s objectives, foster a motivational culture and promote professionalism. On another spectrum the controls negatively affect our corporate decisions as there are imposed and we are obliged to comply without fail.</td>
</tr>
<tr>
<td>General Manager-Broking</td>
<td>The controls are quite effective on operational matters but lack the local managerial support to be fully utilised.</td>
</tr>
<tr>
<td>General Manager - Benefits</td>
<td>The effectiveness of the control systems is some mild as some the controls are imposed and the autonomy of the local managers is limited.</td>
</tr>
<tr>
<td>General Manager - Reinsurance</td>
<td>Despite the existence of sound control systems guidelines, it is often the application of such guidelines that fails the effectiveness of these controls.</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>The controls are effective in determining the various roles and responsibilities with respect to management at all levels and employees. Performance is compromised as the organisation’s controls are linked to the individual performance and the rating is done on a global level whilst the operating environments are different.</td>
</tr>
</tbody>
</table>

According to the responses in table 4.6, the controls were effective but the respondents cited some displeasure in terms of being forced to oblige to controls, lack of autonomy, lack of local managerial support and the application of the control guidelines compromised the effectiveness of these controls. Don et al (2008) effective control systems creates a competitive advantage, as an organization can predict risk. Although
effective controls are often desirable but carry high cost, as the firm must assume the responsibility for decision making, must commit resources which can create switching costs and reduce the subsidiary’s ability to change and increase risk. Thus assuming control can lead to both high returns and high risks (Don et al, 2008).

Question 3: What parameters have been used to measure performance and the effectiveness of the control systems by your organization?

Table 4.7: Parameters used to measure performance and the effectiveness of the control systems

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>Market Share</td>
</tr>
<tr>
<td></td>
<td>Annual Premiums</td>
</tr>
<tr>
<td></td>
<td>Costs associated with training and development.</td>
</tr>
<tr>
<td>General Manager - Broking</td>
<td>Market Share</td>
</tr>
<tr>
<td></td>
<td>Time taken waiting for approvals from the headquarters.</td>
</tr>
<tr>
<td></td>
<td>Profits</td>
</tr>
<tr>
<td>General Manager - Reinsurance</td>
<td>Litigation Costs</td>
</tr>
<tr>
<td></td>
<td>Autonomy</td>
</tr>
<tr>
<td></td>
<td>Market Share</td>
</tr>
<tr>
<td>General Manager - Benefits</td>
<td>Decision Making</td>
</tr>
<tr>
<td></td>
<td>Training Costs</td>
</tr>
<tr>
<td></td>
<td>Market Share</td>
</tr>
<tr>
<td>HR Manager</td>
<td>Training and Development Costs.</td>
</tr>
<tr>
<td></td>
<td>Autonomy</td>
</tr>
<tr>
<td>IT Manager</td>
<td>License fees for the software</td>
</tr>
<tr>
<td></td>
<td>Training and Developing costs</td>
</tr>
</tbody>
</table>

In evaluating the performance and the effectiveness of the control systems the respondents used both qualitative and quantitative parameters. The qualitative parameters were more skewed on time taken on decision making or approval and the autonomy given to the local managers by the Headquarters. The quantitative parameters dwelt on the market share, training and development costs, revenue, profits and the annual license fees paid for the software used by Aon Zimbabwe.
4.6 Section D: Adaptability of the Aon Corporation to the Zimbabwe’s operating environment.

Question 1: In your own perspective how adaptable are these control systems to the Zimbabwean context?

**Table 4.8: Adaptability of controls systems to Zimbabwe’s operating environment**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>It is difficult for controls to be 100% adaptable to our market environment for example OFAC list was detrimental on our income.</td>
</tr>
<tr>
<td>General Manager - Broking</td>
<td>Not fully adaptable for example Aon Corporations operates in countries in which it has majority shareholding whilst in Zimbabwe this defies the Indigenisation Policy.</td>
</tr>
<tr>
<td>General Manager - Reinsurance</td>
<td>Not fully adaptable because some controls are against the rules and regulations of the Zimbabwean insurance industry.</td>
</tr>
<tr>
<td>General Manager - Benefits</td>
<td>Very adaptable if local office is allowed to adjust the controls in line with the local conditions.</td>
</tr>
<tr>
<td>HR Manager</td>
<td>It is difficult to implement some of the controls as they have a conflict with our Zimbabwean culture.</td>
</tr>
<tr>
<td>IT Manager</td>
<td>In terms of technology we are far behind United States, so some of the technologies we are supposed to implement are not fully supported and compatible as our internet connectivity is very low.</td>
</tr>
</tbody>
</table>

In table 4.8, the respondents mentioned that the controls were not full adaptable to the Zimbabwean operating environment as some are against the existing political set up and the objectives of the ruling government policies and regulations. The MNCs faces legal issues raised by home country laws, host country laws, regional regulations or directives. This is supported by Mayer and Jebbe (2010) that ethical issues become entwined in various legal options, and local customs and norms add another layer of complexity to the adaptability of these controls legally and ethically in the host country environment. An aspect of culture was mentioned as a detrimental social factor which affects the adaptability of the control systems by the HR Manager. This is in line with Hamilton and Kashlak (1999) who stated that culture distance affects the work values,
managerial decisions, and the degree of partner reciprocity. According O’Donnell (2000), the greater the extent to which an organization’s headquarters and subsidiaries are culturally distant, the more difficult it becomes to effectively supervise the various agents.

**Question 2: To what extent as a Manager are you given the authority to choose control mechanisms which suit the Zimbabwean operating environment?**

**Table 4.9: Autonomy and Authority given to Aon Zimbabwe management.**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>The controls are to be followed religiously and Aon Corporation is</td>
</tr>
<tr>
<td></td>
<td>stringent about it.</td>
</tr>
<tr>
<td>General Manager - Broking</td>
<td>We follow the dictates of Aon Corporation.</td>
</tr>
<tr>
<td>General Manager - Reinsurance</td>
<td>To a very limited extent. Mechanisms are imposed.</td>
</tr>
<tr>
<td>General Manager – Benefits</td>
<td>No autonomy is given and we obliged to live by the book.</td>
</tr>
<tr>
<td>IT Manager</td>
<td>It is an issue of compliance only and no compromise regarding the</td>
</tr>
<tr>
<td></td>
<td>issue of the environment.</td>
</tr>
<tr>
<td>HR Manager</td>
<td>To a lesser extent as any changes to control mechanisms have to be</td>
</tr>
<tr>
<td></td>
<td>presented to the board with supporting documents and then get an</td>
</tr>
<tr>
<td></td>
<td>approval by the board.</td>
</tr>
</tbody>
</table>

In table 4.9, the evidence from the respondents, Aon Zimbabwe had no influence on decision making or given autonomy to somehow arm twist the control mechanisms to suit their operating environment. According to Katrin, Urmas and Helena (2005) the successful use of autonomy requires power which enable the authority to be exercised over people’s behaviour and decision outcomes. The responses in table 4.9 defies the argument that the extent of subsidiary motivation and autonomy, the better the ability of the subsidiary to form appropriate external network linkages with other companies and institutions in its own local environment.
4.7 SUMMARY OF FINDINGS

4.2 Control Approaches, Control Modes and Standard Practises

According to Harzing (2001) who refers bureaucratic control as some type of standard practices or standardization refers in which formalized and standardized rules, regulations or written manuals are used to guide the behaviour. From the findings Aon Zimbabwe used rules-oriented approach. This approach relies expansively on established rules and procedures, such as budgeting, formal reports, planning, performance evaluation, and hierarchical structure (Rugman and Oh, 2009). Also the cultural approach was used to control the activities of Aon Zimbabwe as norms, values and goals of the organization were internalized and religiously followed (Rugman and Oh, 2009).

The reasons of using control systems by MNCs

According to Robey (1994) the central perspective of the parent company seems imperative to standardise as many management control systems as possible in order to make performance more comparable and predictable to safeguard their interests and their brand where possible (Robey, 1994). The Aon Zimbabwe Management identified benefits of control systems as protecting the brand image of the company, improving and enhancing corporate governance and safeguarding shareholders’ funds.

4.3 Impact of multinational company control systems on the performance of its subsidiary.

The main advantages of the control systems mentioned by management were maintaining the integrity of the company, enhancing new business and professionalism and increasing the market share. Don, Zou and Taylor (2008) state that control is crucial aspect of an organisation’s governance system as it enhances the ability to manage risk and protect the stakeholder interests.

On another hand Aon Zimbabwe management cited that the control systems were in costly in terms of time and financial resources, loss of clients and market share shrinkage and unable to meet the budgets set by Aon Corporation. According to Don et
al (2008) maintaining control over foreign operations is important; it is also expensive to so both in terms of the initial investments and the sacrifice of the flexibility /autonomy of the foreign operations.

**Effectiveness of control systems on the performance of the subsidiary**
the controls were effective but the respondents cited some displeasure in terms of being forced to oblige to controls, lack of autonomy, lack of local managerial support and the application of the control guidelines compromised the effectiveness of these controls. Although effective controls are often desirable but carry high cost, as the firm must assume the responsibility for decision making, must commit resources which can create switching costs and reduce the subsidiary’s ability to change and increase risk (Don et al,2008).

**Parameters used to measure performance and the effectiveness of the control systems by Aon Zimbabwe.**
In evaluating the performance and the effectiveness of the control systems the respondents used both qualitative and quantitative parameters. Time taken and autonomy given to managers on decision making were more qualitative. The managers interviewed considered the market share, training and development costs, revenue, profits and the annual license fees paid for the software used by Aon Zimbabwe as quantitative parameters used.

**4.4 Adaptability of the control systems in the Zimbabwean context**
The respondents mentioned that the controls were not full adaptable to the Zimbabwean operating environment as some are against the existing political set up and the objectives of the ruling government policies and regulations and the differences of culture between home and host countries. Mayer and Jebbe (2010) that ethical issues become entwined in various legal options, and local customs and norms add another layer of complexity to the adaptability of these controls legally and ethically in the host country environment.
Authority and autonomy given to Aon Zimbabwe management on control systems to suit Zimbabwe operating environment

Aon Zimbabwe management had no influence on decision making or given autonomy to arm twist the control mechanisms to suit their operating environment. The responses were against the argument that the extent of subsidiary motivation and autonomy, the better the ability of the subsidiary to form appropriate external network linkages with other companies and institutions in its own local environment.

4.8 CHAPTER CONCLUSION

In this chapter the researcher discussed, analysed, presented the research findings and their implications and in connection to literature. In Chapter 5, the researcher covers the conclusions made through the study, the recommendations and finally the study limitations and areas open for the future study.
CHAPTER 5: CONCLUSION

5.1 INTRODUCTION
In this chapter, the researcher’s effort is dedicated to making inferences in relation to the information acquired from the research findings from the previous chapter. The recommendations for this research will be discussed in this chapter. The proposed areas of further study by researcher are also mentioned in this chapter.

5.2 CONCLUSIONS

5.2.1 Partial impact of the control systems on the performance of Aon Zimbabwe
The study concluded that the control systems by Aon Corporation had a partial impact on the performance of Aon Zimbabwe. The control systems had both positive and negative impact on the performance of Aon Zimbabwe due to the following discussed points from 5.2.2.1 to.

5.2.2.1 Control Approaches and Modes.
The other conclusion is that rules and cultural approaches were the most dominantly used control approaches by the Aon Corporation to monitor Aon Zimbabwe activities. The use of the rules approach and cultural approach made it difficult for the control systems to have a positive impact on the performance of the organization because they don’t allow room for change and innovation due to their rigidity.

The controls fully adaptable to the Zimbabwean environment and were not effective in terms of the governing the operations of Aon Zimbabwe. The results from the research show that the subsidiary’s management who had the knowledge of the local environment was not consulted in terms of cascading the controls to the local environment but were only supposed to oblige. This had a negative impact on the performance of the organization as some of these control systems defied the rules and regulations and cultural set up in Zimbabwe. The implication drawn from this finding is that this may lead the company in loggerheads with the government penalties or forced to close operations by the government if it does not abide by the laws of the Zimbabwean land.
5.2.2 Effectiveness of the Control systems
Another significant finding is that the control systems were not fully effective due to the lack of support from the headquarters management in terms of the implementation and adaptability to the local environment. The local management developed a negative attitude towards a full implementation of the control systems. The implication is that this results in an agency problem whereas there is divergence of interest. In conclusion obvious had a negative impact on the performance of Aon Zimbabwe.

Further the results in the research show that the managers stated that the control systems were imposed on them and were supposed to be followed religiously without fail. Based on these findings, there is lack of creativeness from the local managers. The lack of creativity had a negative impact on the performance of the organization based on the notion that the management could make any decisions of their own which suits the situations they are facing.

5.2.3 Test of the Preposition
The research proposition is restated as follows:
The impact of Aon International’s control systems to Aon Zimbabwe has been negative.

The preposition of the study has been partially fulfilled as the controls systems as they had positive impact on supporting the organization’s objectives and protecting stakeholder value through robust corporate governance. On the other side control systems were expensive in terms of reducing market share, profitability, time consuming and financially draining in terms of training and development costs and travelling expenses. The effectiveness of the control systems were influenced by lack of managerial support, lack of decision making and adaptability to the local environment.
5.3 Recommendations
In consideration of the findings mentioned above, the researcher proposes the following recommendations.

5.3.1 The use of the Market Approach.
Aon Corporation should use more of market approach to control the operating activities of Aon Zimbabwe. The advantage of the market approach is that, it is responsive to the market forces of the environment in which the subsidiary is operating. This will allow Aon Zimbabwe to use the contingency approach when it comes to complicated business issues which need quick information feedback taking into cognisance the local environmental factors without consultation of the headquarters.

5.3.2 Local customization.
Aon Zimbabwe should be allowed to tailor made some of the control systems to fully incorporate the industry rules and regulations, cultural aspects and government directives of the Zimbabwean environment. This will limit confrontations with the headquarters when it comes to the adaptability of the cascaded control systems.

5.3.3 Knowledge Exchange
The sharing and knowledge management between the host and home country through the employee exchange programme enhances the ability of both, the subsidiary and parent company to understand both countries values and norms. This will help in terms of differentiating the controls systems based on the subsidiary’s operating environment.

5.3.3 Adaption to the dynamic environment
Aon Zimbabwe should be given autonomy to solely monitor and propose solutions which suit their dynamic environment to ensure that opportunities are created and minimize threats of failure due rigid control mechanisms. This can be accomplished by being a Complex Adaptive System (CAS). A complex adaptive system means that the organization adapts to changes in its business environment rather than waiting for the approval from the headquarters.
5.4 STUDY LIMITATION AND AREAS OF FURTHER STUDY
Time was the main constraint which the researcher encountered when carrying out this study. Secondly information accessibility was a challenge as company information is usually treated with confidentiality. As Aon Zimbabwe is a private limited company it will be a challenge to get all the necessary information which will be of great importance to this study as it is not quoted on the Zimbabwean Stock Exchange which have some information on public companies. Management will be the reference point for more information but may act as gate keepers for the confidentiality of the information. Some of the respondents felt that they could not divulge some information for confidentiality reasons and fear of victimization.

This study was based on single case study analysis focusing merely on Aon Zimbabwe. The results and findings from this research may be inconclusive as concrete inferences may be drawn by examining a number of similar companies to determine the impact of multinational control systems on the local organizational performance. In Zimbabwe because of its economic poor performance for the past 10 years the control systems by Aon International might have been not fitting in well in Aon Zimbabwe operations and procedures.

In this study it is evidenced that there are some factors that can affect the impact of the multinational control systems on the performance of their subsidiaries such as the country institutional profile, managerial support and corporate culture. In view of these mentioned factors there is a gap in literature in these areas specifically for Zimbabwean scenario. The connections, integration and contrast of these factors can be therefore examined to assist both the multinational companies and subsidiaries to align their control systems to their organizational performance.
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Appendix 1
INTERVIEW GUIDE FOR THE FINANCE MANAGER

SECTION A: BACKGROUND OF RESPONDENT

1. What is your job title at Aon Zimbabwe?

2. Please kindly state your age group
   □ 25-35 years  □ 36-45 years  □ 46-55 years  □ above 56 years

3. Gender  □ Male  □ Female

4. Kindly provide your academic or professional background.

5. For how many years have you been working for Aon Zimbabwe?

6. How many years have you been in your current position?

SECTION B: CONTROL APPROACHES, MODES AND STANDARD PRACTISES

1. How is Aon Corporation controlling financial activities of Aon Zimbabwe?

2. Please explain the type of controls being used by Aon Corporation to control the finance activities of Aon Zimbabwe.
3. In your own opinion, what do you think are the reasons behind Aon Corporation financial controls on Aon Zimbabwe?

4. Please explain if there some financial decisions which you make without the influence of Aon Corporation. And to what extent?

SECTION C: IMPACT OF MULTINATIONAL CONTROLS SYSTEMS ON PERFORMANCE.
1. From your own point of view, what impact have these controls done on the performance of the organisation financially?

2. How effective are these controls on your daily financial activities?

3. What parameters have been used to measure performance of your own organisation to measure the effectiveness of the control systems on the financial aspect?

SECTION D: ADAPTABILITY OF THE CONTROLS TO THE ZIMBABWEAN OPERATING ENVIRONMENT.
1. Which environmental factors do you think might influence the adaptation of control systems on your organisation financial activities?
2. To what extent are these control systems adaptable to the Zimbabwean operating environment?
................................................................................................................................................

3. As the Finance Manager are you given a choice of implementing control systems which suits the environment you are operating in?
................................................................................................................................................

End of Questionnaire

Thank you for your support
Appendix 2
INTERVIEW GUIDE FOR THE GENERAL MANAGERS (DIVISIONAL HEADS)
SECTION A: BACKGROUND OF THE RESPONDENT

1. What is your job title at Aon Zimbabwe?
..............................................................................................................................................................

2. Please kindly state your age group
☐ 25-35 years  ☐ 36-45 years  ☐ 46-55 years  ☐ above 56 years

3. Gender  ☐ Male  ☐ Female

4. Kindly provide your academic or professional background.
..............................................................................................................................................................

5. For how many years have you been working for Aon Zimbabwe?
..............................................................................................................................................................

6. How many years have you been in your current position?
..............................................................................................................................................................

SECTION B: CONTROL APPROACHES, MODES AND STANDARD PRACTISES
1. What methods are being used by Aon Corporations to control the activities of Aon Zimbabwe on your operating activities?
..............................................................................................................................................................
2. Kindly explain type of control systems used by Aon Corporation to control the operating activities of Aon Zimbabwe.

--------------------------------------------------------------------------------------------------------------------------------------------------

3. In your own view, what do you think are the main reasons for Aon Corporation to use the controls on Aon Zimbabwe?

--------------------------------------------------------------------------------------------------------------------------------------------------

SECTION C: IMPACT OF MULTINATIONAL CONTROLS SYSTEMS ON PERFORMANCE.

1. To what extent does the control systems enforced by Aon Corporation have an impact on the performance of your division?

--------------------------------------------------------------------------------------------------------------------------------------------------

2. How effective are these control mechanisms on the performance of the organisation as whole?

--------------------------------------------------------------------------------------------------------------------------------------------------

3. Based on your nature of business what parameters did you use to measure the performance of your department in line with control mechanisms implemented by Aon Corporation?

--------------------------------------------------------------------------------------------------------------------------------------------------
SECTION D: ADAPTABILITY OF THE CONTROLS TO THE ZIMBABWEAN OPERATING ENVIRONMENT

1. In your own perspective how adaptable are these control systems to the Zimbabwean context?

................................................................................................................................................

2. Please explain if there any obstacles that might hindered successful adaptation of the control mechanisms on your nature of business?

................................................................................................................................................

3. To what extent as a Manager are you given the authority to choose control mechanisms which suit the Zimbabwean operating in environment?

................................................................................................................................................

End of Questionnaire

Thank you for your support
Appendix 3
INTERVIEW GUIDE FOR THE HR MANAGER
SECTION A: BACKGROUND OF RESPONDENT
1. What is your job title at Aon Zimbabwe?

2. Please kindly state your age group
   □ 25-35 years  □ 36-45 years  □ 46-55  □ above 56
3. Gender  □ Male  □ Female

4. Kindly provide your academic or professional background.

5. For how many years have you been working for Aon Zimbabwe??

6. How many years have you been in your current position?

SECTION B: CONTROL APPROACHES, MODES AND STANDARD PRACTISES

1. Kindly explain the influence of the control mechanisms by Aon Corporation on the recruitment and appointment process of critical staff on Aon Zimbabwe.

2. What standard practises or controls mechanisms used by Aon Corporation which do have an influence on the nature of your job and the organisation at large?
3. What are the major reasons in your view have influence on the implementation of the control mechanisms on your organisation?

Section C: IMPACT OF MULTINATIONAL CONTROLS SYSTEMS ON PERFORMANCE.

1. What impact do these controls mechanisms have on the performance of the organisation?

2. How effective are these control mechanisms on the performance of the organisation as whole?

3. What parameters have been used to measure performance of your own organisation to measure the effectiveness of the control systems on the human resources management?

SECTION D: ADAPTABILITY OF THE CONTROLS TO THE ZIMBABWEAN OPERATING ENVIRONMENT

1. In your own perspective how adaptable are these control systems to the Zimbabwean context?

2. What environmental factors do you consider may hinder the successful implementation of these control mechanisms on the nature of your job?

3. To what extent as a Manager are you given the authority to choose control mechanisms which suit the Zimbabwean operating environment?
Appendix 4
INTERVIEW GUIDE FOR IT MANAGER
SECTION A: BACKGROUND OF RESPONDENT

1. What is your job title at Aon Zimbabwe?
........................................................................................................................................

2. Please kindly state your age group

☐ 25-35 years  ☐ 36-45 years  ☐ 46-55  ☐ above 56

3. Gender  ☐ Male  ☐ Female

4. Kindly provide your academic or professional background.
........................................................................................................................................

5. For how many years have you been working for Aon Zimbabwe?
........................................................................................................................................

6. How many years have you been in your current position?
........................................................................................................................................
SECTION B: CONTROL APPROACHES, MODES AND STANDARD PRACTISES

1. What methods are being used by Aon Corporations to control the activities of Aon Zimbabwe on the information systems?

2. Kindly explain type of control systems used by Aon Corporation to control the information and technology activities of Aon Zimbabwe.

3. In your own view, what do you think are the main reasons for Aon Corporation to use the controls on Aon Zimbabwe?

SECTION C: IMPACT OF MULTINATIONAL CONTROLS SYSTEMS ON PERFORMANCE.

1. To what extent does the control systems enforced by Aon Corporation have an impact on the performance of your division?

2. How effective are these control mechanisms on the performance of the organisation as whole?
3. Based on your nature of business what parameters did you use to measure the performance of your department in line with control mechanisms implemented by Aon Corporation?

SECTION D: ADAPTABILITY OF THE CONTROLS TO THE ZIMBABWEAN OPERATING ENVIRONMENT

1. In your own perspective how adaptable are these information and technology control systems to the Zimbabwean context?

2. Please explain if there any obstacles that might hindered successful adaptation of the control mechanisms on your nature of business?

3. To what extent as a Manager are you given the authority to choose control mechanisms which suit the Zimbabwean operating in environment?

End of Questionnaire
Thank you for your support